

Gresham House Euro Liquidity Fund

Quarterly Report
1 April 2025 to 30 June 2025



Gresham House
Specialist investment

Highlights

The Gresham House Euro Liquidity Fund (the Fund) is an actively managed fund which is presently invested in short-dated government debt but may also invest in cash deposits, corporate debt and floating-rate notes (FRNs).

The Fund invests across a spread of instruments and institutions to diversify risk. This generates an appropriate level of return including income, achieving a low level of volatility and preserving capital over the long-term. This weighting could involve an increase in the short-term volatility profile of the Fund.

Unit Price
(NAV per Unit)

€104.7627

Year to date performance

0.94%

Annualised return since inception

0.28%

The yield to maturity of the Fund at the end of Q2 2025 was 1.93%.

The Fund continued to benefit from yields on short-dated European government bonds.

Central Bank policy expectations price in limited further rate cuts across the major central banks during 2025.

The Investment Manager, Gresham House Asset Management Ireland Limited (Gresham House Ireland, Investment Manager or the Manager), is a leading Irish based asset manager, managing a range of funds, which invest globally, to grow and protect our clients' assets while generating sustainable income.

For more information visit

www.greshamhouse.ie

Investment Manager's Report

Market Commentary

The second quarter of 2025 was one of the most extreme quarters in terms of market volatility we have seen in many years.

In early April, the S&P 500 fell into bear market territory having declined more than 20% from its highs on worries about the "Liberation Day" tariff announcement. President Trump designated 2nd April as "Liberation Day," invoking emergency trade powers to tackle the U.S. trade deficit. He introduced a universal 10% baseline tariff on all imports effective 5th April and imposed additional "reciprocal" tariffs ranging from 11% to 50% on 57 countries with which the U.S. had large trade deficits. These were scheduled for 9th April.

After the announcement triggered a stock market crash, the implementation of most reciprocal tariffs was suspended until 8th July. After the tariff plan was put on "pause" stocks began to recover. By the end of the quarter both US and European markets were up over 11%, the best quarterly performance since 2020. The rally became known as the TACO trade. TACO (i.e. Trump Always Chickens Out) was a phrase coined by Financial Times columnist Robert Armstrong in early May. The fact that President Trump seemed to bend when market pressure was applied explains in significant part the stock market's willingness to bet on the continuing U-turn on tariffs.

Outside of self-inflicted tariff volatility, geopolitics returned to the world's attention in the quarter. Israel initiated its surprise attack on Iran and the US opted to join them in a direct military intervention. After the attacks and a small retaliatory effort, markets concluded that Iran's options are limited, and we wouldn't see a meaningful deterioration. This view seems well placed and we concur.

With all the geopolitical and tariff noise many investors may have expected the US dollar, traditionally seen as a safe haven, to rally. However, our belief since inauguration has been that President Trump is a weak dollar president and this is playing out. The call has now become consensus which means we could see a temporary dollar rally. However, given the fundamental backdrop of reckless fiscal spending and isolationism we find it difficult to envision a sustained dollar rally.

In our equity funds we continue to find significant pockets of value outside the US and down the market capitalisation spectrum.

In our multi-asset funds, we are becoming more positive on risk assets particularly in light of fiscal and monetary loosening.



Derek Heffernan
Chief Investment Officer

Fund Performance

The Gresham House Euro Liquidity Fund delivered a return of 0.47% in Q2, taking year-to-date performance to 0.94%. The Fund remains invested in short-dated European government bonds, which continue to offer compelling yields across developed markets in Europe, even as the European Central Bank (ECB) progressed through its easing cycle. Since June 2024, the ECB has implemented eight rate cuts, bringing the deposit rate to 2.00%. As of the end of the quarter, the Fund's yield to maturity stood at 1.93%. The Fund's duration was stable over the period, currently standing at 0.61 years.

On a macro level, the growth outlook for the euro area has been clouded by tariff tensions and heightened global uncertainty. After a period where price pressures were stubbornly range bound between 2-2.5%, disinflationary forces have become more pronounced, with inflation expectations trending towards 1.5%, driven by energy deflation, specifically weakness in oil and wholesale natural gas prices.

The ECB expects CPI to remain below 2% until 2027. While this points to continued downward pressure on rates, improved economic momentum in countries like France, coupled with expectations for fiscal support in Germany and increased defence spending across Europe, should help underpin medium-term growth.

With eight cuts completed now, the ECB target rate sitting at 2%, and the mixed outlook outlined above, there is an expectation that we are approaching the end of this easing cycle, with swap curves currently implying just one more cut by November 2026. The Fund remains well-positioned to navigate this environment. Short-dated yields are still attractive, and the bulk of the rate-cutting cycle is now behind us. The portfolio continues to benefit from an attractive opportunity set. Active management across issuers, tenors, and geographies ensures the Fund is able to capture opportunities as they emerge, while maintaining a high level of liquidity and capital preservation.



| | YTD | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years | 10 years | Since Inception |
|----------------------|--------|---------|----------|----------|--------|---------|---------|----------|-----------------|
| Net Return | 0.94% | 0.10% | 0.47% | 0.94% | 2.50% | 4.02% | 1.41% | -1.59% | 4.76% |
| Annualised Return | 0.94% | 0.10% | 0.47% | 0.94% | 2.50% | 1.32% | 0.28% | -0.16% | 0.28% |
| Best Month | 0.54% | Aug-11 | | | | | | | |
| Worst Month | -0.25% | Feb-20 | | | | | | | |
| Current Month | 0.10% | | | | | | | | |

| Asset Positioning | % | Top Holdings | % |
|-------------------|-------|-----------------|------|
| Bonds | 96.08 | Portuguese Bond | 7.42 |
| Cash | 3.92 | Greek Bond | 7.26 |
| | | Spanish Bond | 6.81 |
| | | Finnish Bond | 6.69 |
| | | Dutch Bond | 6.25 |

The Team

Investment Team



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