

# Discovery Global Value Equity Feeder Fund

31 December 2025

## Market background

Global equities maintained their positive momentum as 2025 drew to a close, with the MSCI All Country World Index rising about 3% over Q4 (in USD). Stock markets shrugged off a wobble in November on AI-bubble fears and sticky inflation data, continuing their ascent in December as the US Federal Reserve (Fed) delivered another cut in policy rates and Chair Jerome Powell struck a more dovish tone. Solid earnings, a revival of the AI trade and some positive economic updates, including official data that showed the US economy grew significantly faster than expected in Q3, also supported equities in the last three months of 2025. By region, emerging markets led advanced-economy equity benchmarks for the quarter and year, with a c.5% rise over Q4 helping the MSCI EM Index to a c.34% annual gain. However, Chinese equities underperformed the EM equity benchmark as optimism about easing trade tensions faded and property concerns resurfaced.

## Performance review

The Fund outperformed the benchmark over the quarter.

At the stock level, the primary contributors to relative returns included financial services group Allfunds, which received a bid from Deutsche Börse. While not central to our investment case, we had thought for some time that a bid could be likely following unsuccessful approaches in recent years. Other contributors included banking software provider Temenos, which benefitted from an uptick in revenues and the successful transition of its new CEO. Also contributing was Turkish airport operator TAV Havalimanlari, which reported strong growth in passenger numbers through the second half of the year. Rentokil Initial was another contributor: shares of the pest-control business have recovered well this year, most recently lifted by the company's third-quarter update, and robust results from the restructuring of its US pest control business, which provided evidence of solid organic growth. Well-received quarterly results also lifted the shares of semiconductor equipment manufacturer Aixtron.

The top detractors from relative returns included jet-engine manufacturer Rolls-Royce, which traded sideways in the most recent quarter following its meteoric rise over recent years. While the stock remains in the portfolio, we have been trimming the position throughout the year to fund new ideas with more upside potential. Paycom Software – a human-resources software company whose share-price performance has been impacted this year by some results that disappointed the market, and concerns surrounding AI – and new holding IMCD (see 'Significant buys') also detracted over the quarter. After a strong run through the year, our Brazilian holdings XP and Sendas Distribuidora gave up some of the year's gains as political uncertainty increased ahead of elections in the second half of 2026, detracting from relative returns as a consequence. Not holding Google-owner Alphabet was the largest single detractor from relative returns.



## Portfolio activity

### Significant buys

- IMCD is a global leader in the distribution and formulation of speciality chemicals and ingredients for sectors including pharmaceuticals, industrial solutions, food and lubricants/energy. The stock looks attractive on a recovered basis.
- Adobe is a US software company whose share price is being impacted by market speculation that its business model will be disrupted by generative AI. We see value in the stock, particularly if the AI fears are overdone.

### Significant sells

- NatWest is a UK-based bank. While still trading at a fairly low multiple, the stock looks appropriately priced now given its likely earnings trajectory, so we decided to exit.
- Qorvo, a semiconductor company, is being taken over by Skyworks, and with the market seemingly pricing in future synergies, we chose to exit.

## Outlook and strategy

Following strong performances across regions in 2025, at the start of a new year most equity markets are trading closer to their long-term average price-earnings ratios – though the US remains a notable outlier in relative-valuation terms, and UK equities in aggregate still appear relatively cheap compared with global peers.

So where are we finding value currently? While our idea generation is contrarian in nature, we are pragmatic in where we find opportunities and do not subscribe to overly simplistic definitions of 'Value'. As we moved through 2025, our portfolios shifted away from some areas of cyclicity that have performed strongly for us in recent years. For example, we have trimmed our positions in banks, as we see the sector closer towards peak earnings. We maintain little exposure to energy or mining stocks, where we see little margin for safety at present.

Increasingly, over the last quarter and 2025 more broadly, both our on-screen and off-screen idea generation has drawn our attention to areas such as software, staples and healthcare. In particular, we have found attractive opportunities in US managed care operators, which we purchased in the second half of the year following a broad-based sell-off driven by rising medical costs. More recently, we have also conducted research into established software businesses that have sold off amid concerns surrounding AI, and initiated a small position in Adobe. While we have not bought any consumer staples yet, these businesses appear close to a historical low in relative-value terms. We look forward to keeping you updated on the progress of our portfolio in the months ahead.