

AMUNDI FUNDS GLOBAL EQUITY

Monthly
Portfolio
Update

30/04/2025

Meet the Team



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Market Commentary

During the month of April, the MSCI All Countries World Index (ACWI) and the MSCI World Index, returned 0.93% and 0.89%, respectively. At a regional level in USD, U.S. stocks returned -0.70%, Japan returned 5.23%, European stocks returned 4.53% and emerging markets returned 1.31%.

Market volatility was notably higher in both equity and bond markets during the month as investors responded to a series of tariffs put forth globally by the Trump administration. As the days progressed however, the administration paused the higher reciprocal tariffs to allow sufficient time for negotiation leading to a market rebound. Investor sentiment has been dominated by uncertainty around trade talks given the broader implications for global supply chains and economic growth that impacted markets across the U.S., Europe and Asia. Markets were further supported as corporate earnings season initiated a slew of announcements that surprised to the upside as a majority of companies beat market expectations.

In economic news, business activity slowed in the U.S. and the services PMI reduced composite down, although numbers remain in expansionary territory. On a relative basis, the increased probability of a slowing economy in the U.S. weighed on stocks to a greater degree. In Europe, stocks were buoyed by a delay in tariffs and as the European Central bank cut its key deposit rate another quarter point to 2.25% citing the uncertainty for growth given ambiguity in trade, and slowing GDP forecasts in large economies such as Germany. In Japan stock returns improved as trade talks resumed with U.S. officials. After dropping at the onset of the month, the 10-year JGB rose as a higher inflation print indicated the need for further rate hikes and policy normalization by the central bank.

During April, the performing sectors in the global equity universe posted positive returns in sectors including consumer staples, utilities and industrials. The worst performing sector by a wide margin was energy as falling oil prices and increased fear of recession impacted returns. Health care and real estate were other sectors with poor relative performance in the month.

Fund Commentary

During the month, the Portfolio narrowly underperformed the MSCI World Index, which returned 0.89%. Relative underperformance was driven by sector allocation decisions. As a sector, energy was the largest laggard posting negative returns, which contributed to performance in the period given the portfolios overweight.

Two of the top detractors included stocks such as Shell and Cisco. Shell, is an example of an energy holding that detracted to performance in the month. Shell is a large integrated oil and gas producer whose results came under pressure given the decrease in energy prices and threat of slowing global growth from uncertain trade policies. The company continues to demonstrate to investors its ability to reinvest in its business and grow earnings. We continue to hold the stock, given the underlying profitability of Shells energy supply and energy trading operations, its attractive valuation, and the focus by management on capital returns in the form of dividends and buybacks.

Cisco is a multinational information technology company involved in networking hardware and software services. During the month, the stock underperformed largely due to economic factors as the potential for an economic slowdown and the prospect of tariffs impacted sentiment negatively. This position has been reduced given Cisco trades goods globally and profitability, in our view, would be impacted given the threat of tariffs on imported goods in the U.S. However, we continue to maintain the position given their attractive valuation and their improved ability to hit expectations. After a lackluster fiscal 2024, they are executing better and hitting near term targets. Cost reductions, pricing actions, and shift towards more software products are structurally lifting margins to company records.

The largest contributors to performance were the result of security selection decisions in the industrials and financials sector including Hensoldt and KB Financial. Hensoldt, a German company that develops sensor technologies and other security electronics for the defense and aerospace sectors was the largest contributor to performance in the period. During the month, outperformance in this stock has continued to be driven by optimism for higher defense spending in Europe. We remain exposed to this position given the company's massive order backlog and large business pipeline due to increased German defense spending, which should fuel significant growth for the company in the medium- to long-term. We also find the valuation attractive, given this anticipated long-term growth.

KB Financial is an example of a bank stock that helped performance during the period as they announced positive earnings results including the expansion in their capital return policy including an increase in dividend and a KRW 300 billion share repurchase plan. KB Financial is Korea's largest bank and diversified financial institution. This bank continues to execute by keeping net interest margins in the current range even in a falling interest rate environment. We own KB as this is a company that trades at a substantial discount to book value, yet is generating 10% + ROE's and is moving to a more transparent, shareholder return policy. If this continues, in our view, the bank should continue to re-rate.

Market Outlook

The market has rebounded after severe drawdown at the beginning of April. However, in this way, we are potentially only in the eye of a hurricane. Meaning, we are in the calm of the storm, but not yet through to the end of the market turmoil. In our view, it's important to be ready in case we do get the back end of the storm as tariffs increases are likely to be implemented as trade deal negotiations unwind. Thus, in this environment, the portfolio allocation is more conservative relative to its history especially as the macroeconomic remains so uncertain.

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In this market environment, we have remained underweight US equity given overvaluation within specific segments. For example, the largest sector underweight within the portfolio is to the information technology sector where some of the most excessive valuations are present. Furthermore, the portfolio remains underweight “bond proxy” sectors including consumer staples, utilities and real estate given our view that higher interest rates and more expensive valuations limit the opportunity. Over the course of month, given the increased risk of a slower economic environment the portfolio reduced weights to reduce overall cyclical risk in the portfolio and to reduce tariff risk explicitly by shifting exposure to stocks in sectors including information technology and industrials.

Instead, we are favoring quality value style stocks including the largest sector overweight within the financials sector. This allocation is influenced by our view that real interest rates are likely to stay positive and that well capitalized banks, with reduced credit concerns, trading at attractive valuations offer a compelling opportunity. We are focused on banks that offer traditional banking services and are cognizant of shareholders by offering capital returns in the form of dividends and stock buybacks. In addition, the portfolio has added marginally to stocks that can benefit from a resumption in industrial demand given Trump policies or regions where demand has improved for large construction projects. Furthermore, given the cyclical exposure in the financial portion of the portfolio and the underweight to some of the more defensive sectors, we have dialed back our exposure to cyclical risk in the remainder of the portfolio. We have also maintained an allocation to gold miners as gold can play as a hedge against inflation and economic instability, and demand for gold has remained strong from both central banks and consumers.

In Japan, we maintain an overweight relative to the benchmark by investing in companies that can benefit from an improved competitive position to export across the globe. Furthermore, with rising wages, the Japanese consumer is looking healthier, and we have added to positions that can benefit from these trends.

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