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## MARKET REVIEW

Global equities rose in January. The transition of power in the US brought meaningful changes to outlooks for foreign policy, trade dynamics, and economic growth. The Trump administration's protectionist policies and territorial ambitions created a complex economic and political landscape that strengthened the US dollar and increased economic uncertainty, raising concerns about potential trade-related inflation. Against this backdrop, the US Federal Reserve held interest rates unchanged, while the European Central Bank and Bank of Canada lowered policy rates. Japan's central bank raised rates for the third time since March 2024 following a prolonged pause. The US announced plans for a multi-hundred-billion-dollar investment in the AI project "Stargate" with aims to invest heavily in AI infrastructure, but the release of two competitive large language models by Chinese startup DeepSeek caused investors to question the long-term monetization structure of the foundational large language models developed by US technology companies. Europe's economy slowed in the fourth quarter, with the eurozone's GDP rising just 0.8% in 2024. In contrast, US GDP grew by 2.8%, and China's economy expanded by 5%, meeting the government's official target. Canadian Prime Minister Justin Trudeau resigned as leader of the ruling Liberal Party and as prime minister. The Israel/Hamas ceasefire went into force, with Hamas releasing three hostages in exchange for 90 Palestinian prisoners.

## FUND PERFORMANCE AND ATTRIBUTION

- The fund delivered positive returns for the period.
- Oil & gas storage & transportation, water utilities and multi-utilities were the top contributing sub-industries, while industrial conglomerates and electric utilities were the bottom contributing sub-industries.
- At the issuer level, our top two absolute contributors were Targa Resources and Cia de Saneamento Basico, while our top two absolute detractors were Edison International and Sempra.
- Shares of Targa Resources rose during the month after several sell-side analysts raised their price targets for the stock. Additionally, the company announced a quarterly dividend and is set to release its 4Q24 earnings in February. Edison International shares fell in January driven by challenges from the California wildfires. The company implemented power shutoffs for many customers in Southern California as a precautionary measure to reduce wildfire risks. Equipment damage and access restrictions caused significantly delayed restoration times.

## FUND POSITIONING AND OUTLOOK

The portfolio delivered positive returns for the month of January. There are two additional points worth making regarding performance: (1) the performance goals for the portfolio are only measurable over a multi-year period, and not over shorter time periods, and (2) in the long run, we would expect the portfolio to outperform equity markets with lower volatility and provide attractive absolute returns. We find the inception-to-date performance consistent with these expectations. The stocks in the portfolio generally continue to increase earnings, cash flow, and dividends. Our primary valuation metric, Intrinsic Return, equals the combination of free cash flow plus the net present value of growth investments, plus the net present value of pricing power. While market fluctuations can distort short-term returns, we believe that the Intrinsic Return (and hence the prospective return) of the portfolio remains consistent with the long-term objective of outperforming the equity markets and providing attractive absolute returns.

At the end of the period, our largest exposures were multi-utilities and electric utilities and we were least exposed to industrial conglomerates and ind. power producers & energy trdrs. From a regional perspective, our largest exposures were North America and Europe and we were least exposed to Asia Pacific ex Japan.

## RISKS

**CAPITAL:** Investment markets are subject to economic, regulatory, market sentiment and political risks. All investors should consider the risks that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of the original investment. The Fund may experience a high volatility from time to time. **CONCENTRATION:** Concentration of investments within securities, sectors or industries, or geographical regions may impact performance. **CURRENCY:** The value of the Fund may be affected by changes in currency exchange rates. Unhedged currency risk may subject the Fund to significant volatility. **EMERGING MARKETS:** Emerging markets may be subject to custodial and political risks, and volatility. Investment in foreign currency entails exchange risks. **EQUITIES:** Investments may be volatile and may fluctuate according to market conditions, the performance of individual companies and that of the broader equity market. **HEDGING:** Any hedging strategy using derivatives may not achieve a perfect hedge. **MANAGER:** Investment performance depends on the investment management team and their investment strategies. If the strategies do not perform as expected, if opportunities to implement them do not arise, or if the team does not implement its investment strategies successfully; then a fund may underperform or experience losses. **SMALL AND MID-CAP COMPANY:** Small and mid-cap companies' valuations may be more volatile than those of large cap companies. They may also be less liquid. **SUSTAINABILITY:** A Sustainability Risk can be defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

## PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.

Fund performance is based on USD S Acc share class and are net of fees and expenses. Other share class performance may differ. | Fund performance is net of actual (but not necessarily maximum) withholding and capital gains tax but are not otherwise adjusted for the effects of taxation and assume reinvestment of dividends and capital gains. | If an investor's own currency is different from the currency in which the fund is denominated, the investment return may increase or decrease as a result of currency fluctuations. | The views expressed are in the context of the investment objective of the Fund only and should not be considered a recommendation or advice.

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