GLOBAL BEST IDEAS
EQUITY FUND
Quality. Growth.

GLOBAL EQUITY PERSPECTIVES

24 NOVEMBER 2025

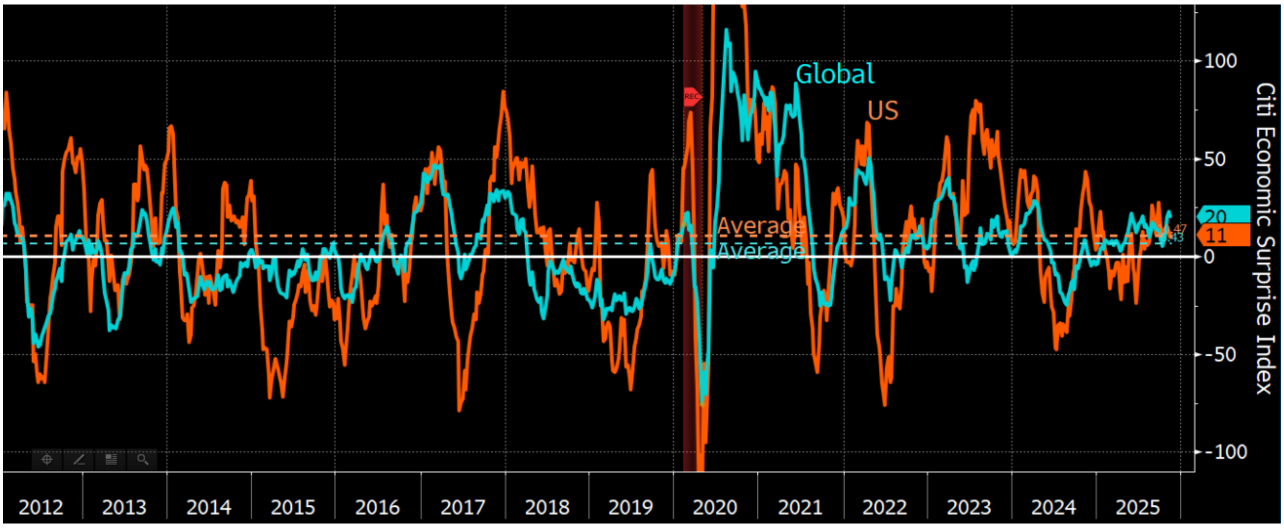
“Anticipate the difficult by managing the easy.”

Lao Tzu

1. ECONOMY

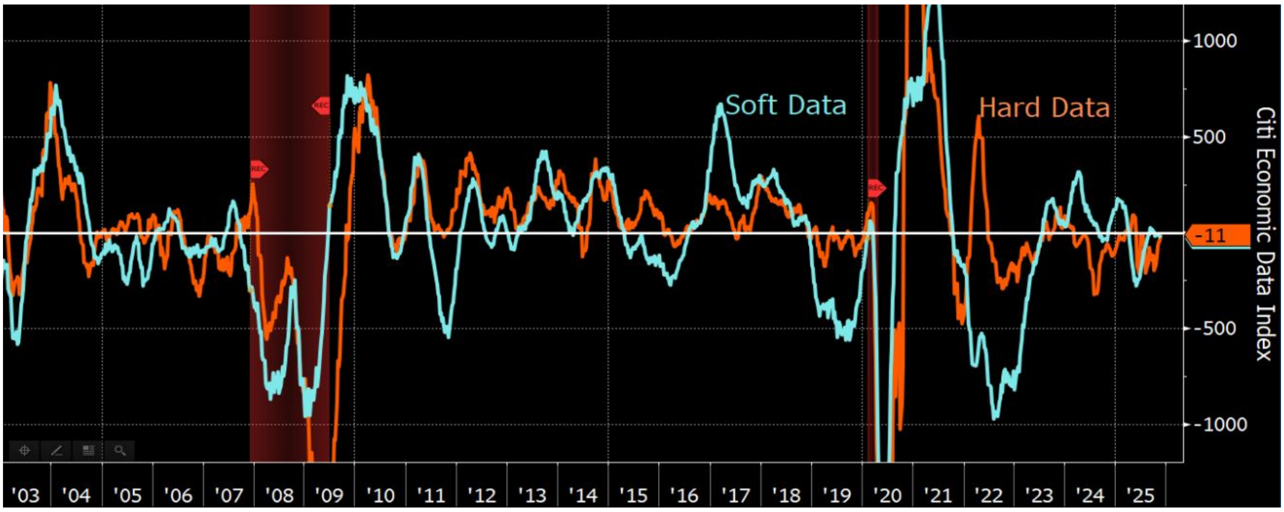
Investors currently lack some key economic data with the US government shutdown. Nevertheless, new employment of 119,000 and the non-manufacturing PMI index of 52.4 for November have been positive surprises. We also can continue considering the Citi Bank economic surprise indices:

Citi Bank Economic Surprise Indices – US & Global



The US Index (the orange line) is on its long-term average, while the Global Index is well above average. On this basis, the global economy seems to be in fair shape.

Citi US Hard vs Soft Data Economic Indices



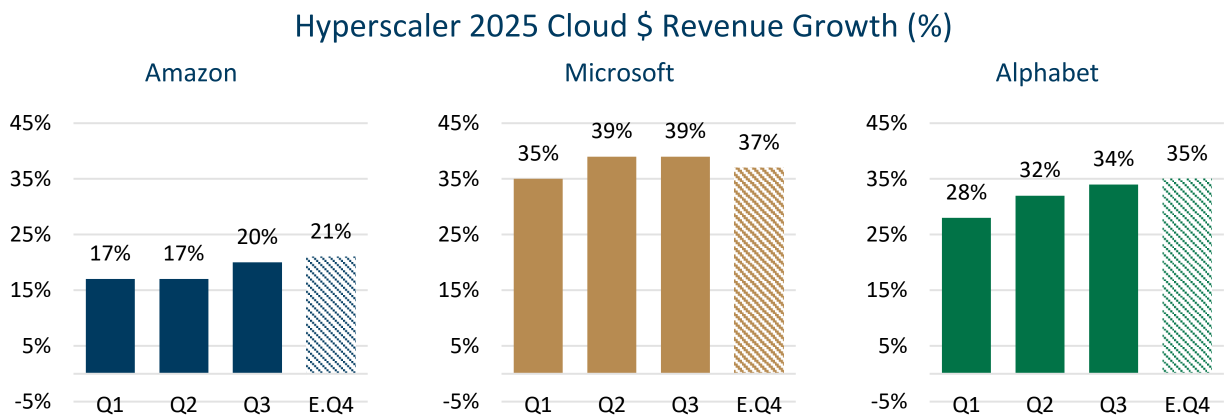
Both the US backward-looking (hard data) and forward-looking (soft data) indices have recovered from recent negative levels and are currently close to zero (neutral) levels, supporting further Fed cuts.

2. COMPANY RESULTS

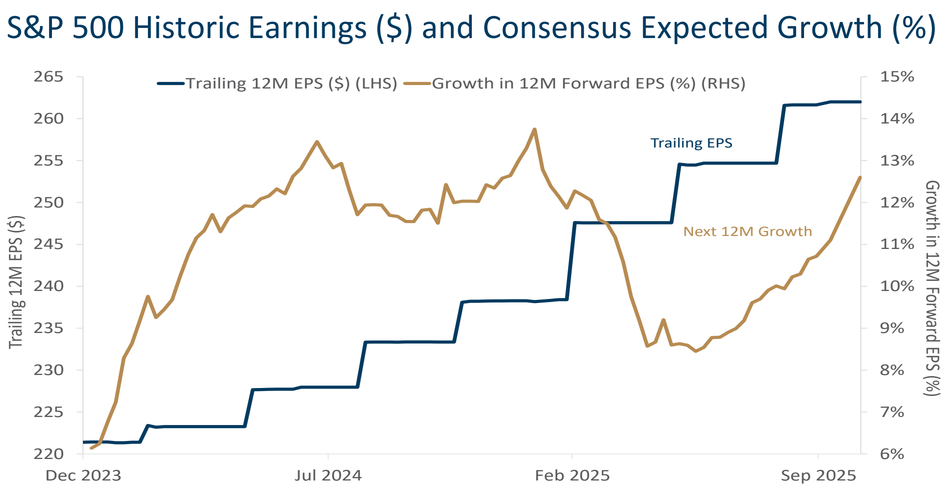
95% of the US's S&P 500 and 80% of Europe's BE500 companies have reported their third quarter results. They are summarised in the following table:

	S&P 500 Company 3Q2025 Results (22 Nov 2025)			BE 500 Company 3Q2025 Results (22 Nov 2025)		
	Growth	Surprise Factor	# +ve Surprises	Growth	Surprise Factor	# +ve Surprises
Revenue	8.3%	2.1%	66.0%	0.2%	2.1%	41.7%
Earnings per Share	13.1%	6.4%	82.3%	4.7%	3.3%	56.3%

The US companies have reported exceptionally strong results, with large consensus surprise factors on both the revenue and earnings fronts. It is striking that reported earnings are double the consensus expectations. The positive surprises are widespread (two-thirds in the case of sales) and margins continue to rise. Against this, results in Europe are pedestrian with low positive surprise factors, held back to quite some extent by the strong Euro currency.



The hyperscalers' cloud revenue growth is of particular interest. Their growth levels are in high double digits and accelerating in the cases of Amazon and Alphabet with Microsoft's almost at 40%. Along with these high growth levels, profitability and cash flow in those divisions continue rising. This is of particular interest seeing the current high capital expenditure needs in the AI industry – along with these hyperscalers' multiple earnings streams, through these cloud cash flows they are in the best position to finance their capital expenditure needs.

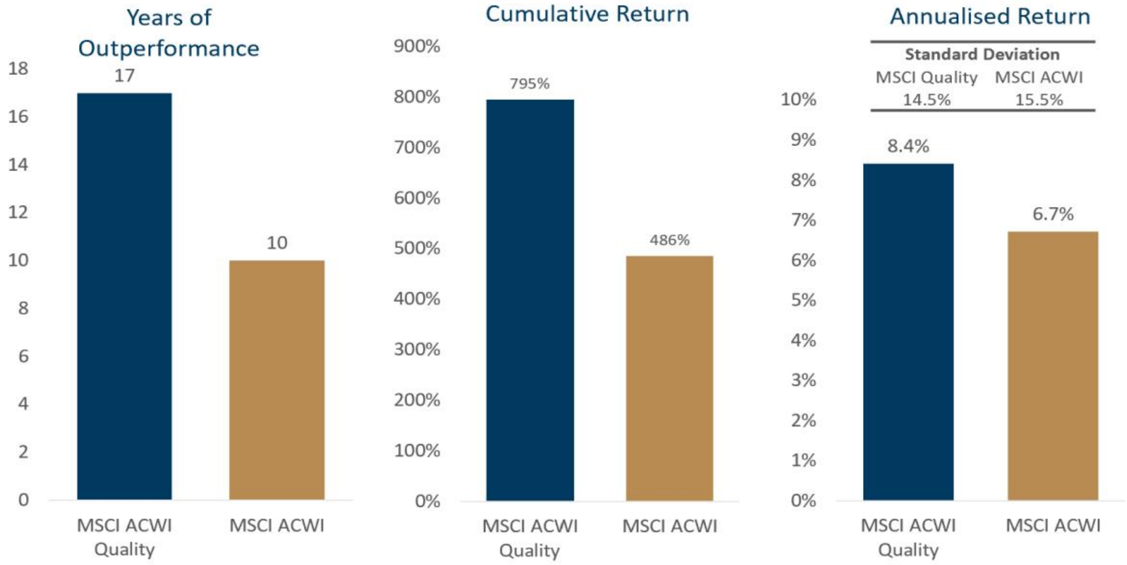


Despite the high current earnings base (the orange line in the preceding chart), expectations for the next twelve months are accelerating (the blue line, currently at +12.6%). This is a constructive fundamental factor.

3. QUALITY INVESTING

Quality as an investment style is underperforming the World Index this year. The following chart compares the results for Quality with the World Index's performance over the past 27 years:

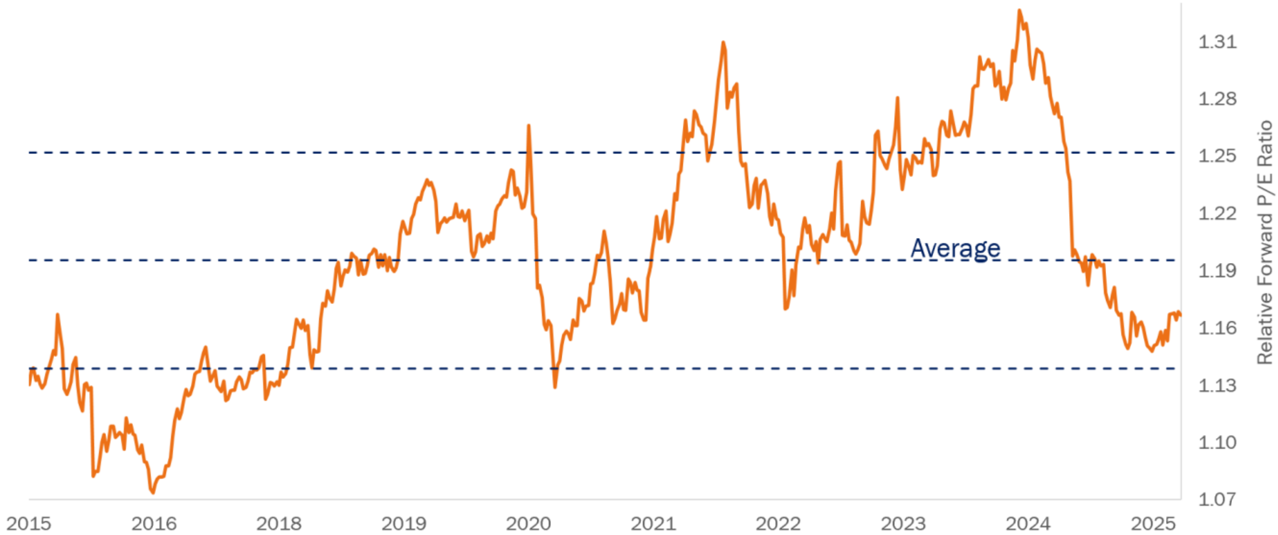
MSCI Quality[1] vs MSCI ACWI Index US ($)



[1] MSCI ACWI Quality tracks the performance of large and mid-cap stocks from developed and emerging markets that exhibit characteristics of high quality such as three consecutive years of earnings growth, low leverage and high Return on Invested Capital

Quality has outperformed in almost two thirds of the number of years over the whole period. Apart from the period immediately following the dot-com deep bear market, it has underperformed only in single years (no successive years of underperformance). It has, on average, outperformed by 1.7% per annum. Apart from this meaningful outperformance, the volatility (standard deviation) of Quality's performance is lower than the overall Index's volatility. Logically, it also has lower risk of business failure. This is an ideal combination.

MSCI Quality Index Forward P/E Ratio Relative to MSCI ACWI Index



The above chart depicts the sharp derating Quality has experienced more recently. This is predominantly ascribed to investor exuberance around AI, divesting from lower growth alternatives in favour of high growth AI related stocks. In our view, this process has run much of its course as reservations about the risk in some AI business are becoming apparent and it seems Quality has a fair chance of turning the performance corner in the not-too-distant future.

4. MARKET VALUATION

The current forward earnings valuation of 22 times for the S&P 500 Index is close to its record level, and its earnings yield is barely higher than the ten-year treasury yield. The Index therefore seems fully valued.

One, though, must be careful not to base investment decisions on the overall index level, but rather consider individual investments on their own merit. The following chart does exactly that:

S&P 500 Index vs Consensus Bottom-Up Forward Valuation ($)

The bottom-up S&P 500 valuation (consolidating all the index members' individual consensus valuations) shows over 18% upside. Historically the index has closely followed the bottom-up valuation levels, with a 13% upside on average. Therefore, on this basis, the market seems rather attractively valued.

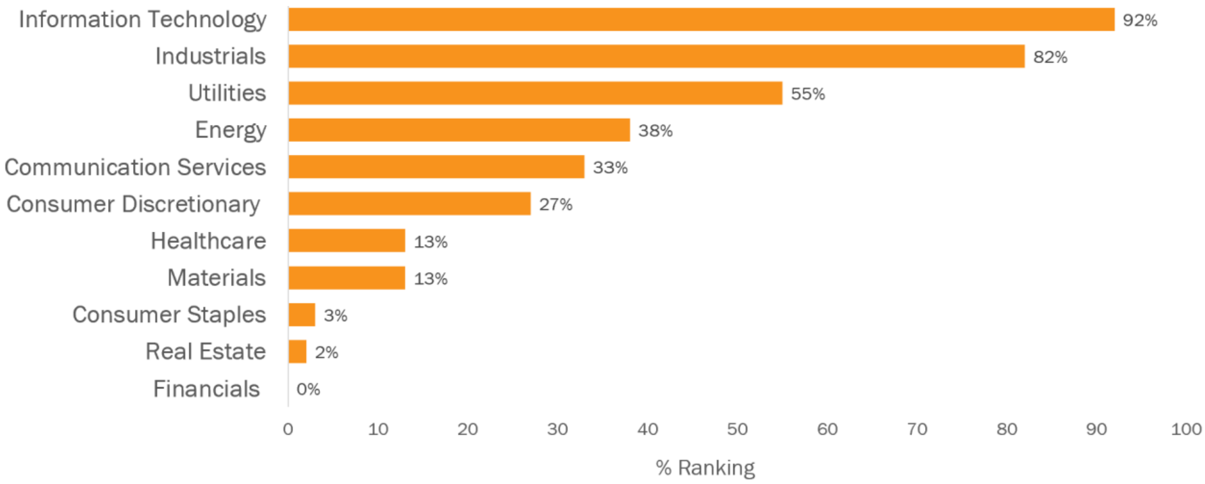
S&P 500 Forward P/E Valuation – Equally Weighted vs Capitalisation Weighted

The above chart shows that the equal weighted P/E valuation level is currently, on a relative basis, at a record low level, reflecting the dominance of the large capitalisation technology stocks' high valuation multiples in the S&P 500 Index. It indicates that there are many companies with relatively low valuation multiples. There is clearly good opportunity to identify quality businesses that are undervalued in a seemingly fully valued market.

5. SECTOR VALUATIONS

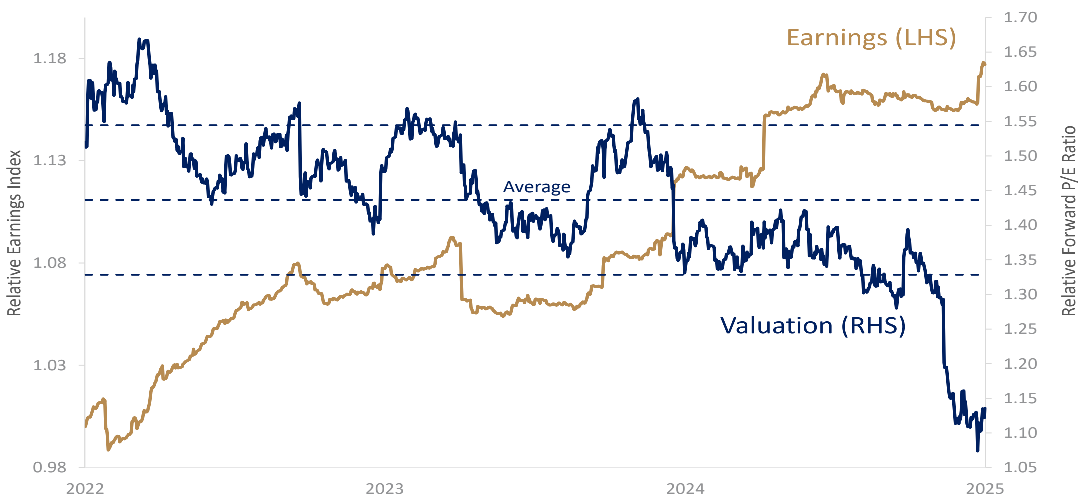
This year has been different in the sense of Index valuations being high on an earnings multiple basis, while these valuations are skewed predominantly in favour of large capitalisation technology stocks and some sector valuations lagging far behind. As mentioned earlier in this note, investor exuberance around AI stocks has caused large, almost indiscriminate flows away from other sectors. Whilst many of the latter companies may have continued delivering strongly operationally, their stocks have fallen out of favour. We consider potential opportunities in this context.

Sector Forward P/E Ratio Relative to S&P 500 - Percentile Ranking vs 10-Year Average



As reflected in the above chart, logically the Technology sector's valuations are keeping pace with its historic rankings. Many industrial companies are also faring well as they may be involved in creating AI related infrastructure. It is, though, striking to what extent Financials, Consumer Staples and Healthcare have fallen out of favour. Although a sector may have lost large capital flows, we do not necessarily conclude that the overall sector is attractive, but we do have good reason to delve into members of those sectors that operationally continue delivering well and then consider their valuations.

S&P Global – Consensus Forward Earnings & P/E Valuation Relative to S&P 500



S&P Global has had a double blow – it is classified under the Financial sector, and its Market Intelligence data business has been questioned for being vulnerable to potential AI interference. This caused a sharp derating of the stock (the blue line in the above chart). The company confirmed that only 5% of its data is non-exclusive - this may have some AI risk. Against this, along with Moody's, its main debt rating business should benefit from all the AI, Defence and Industrial infrastructure to be financed in the US and Europe over the coming years. Seeing the earnings expectations in the above chart, we think its derating may be an overreaction.

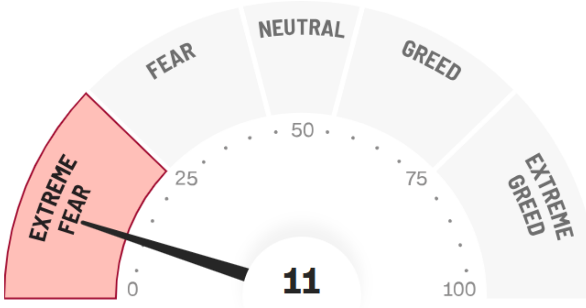
6. TECHNICAL PICTURE

The current market sell-off has caused an interesting technical picture:

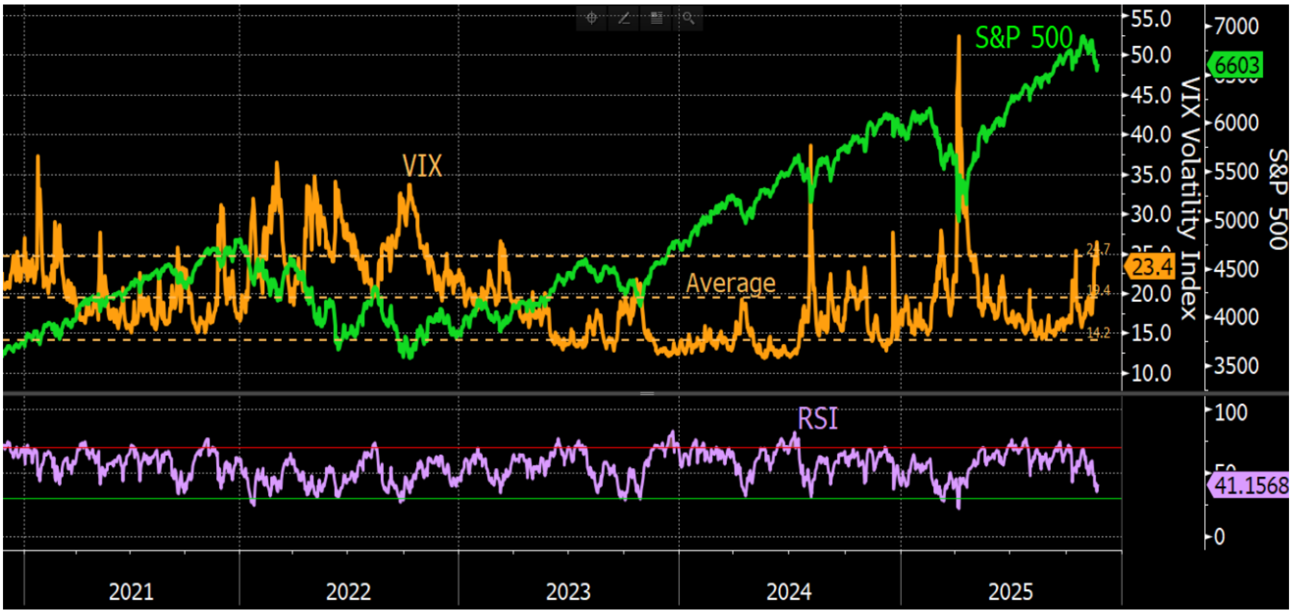
The Fear & Greed Index is a compilation of seven different equally weighted indicators that each measure specific aspects of stock market behaviour. Technical scores from 0 to 100 are allocated to each, with 100 representing maximum greediness and 0 signalling maximum fear. The lower the overall score, the more the market reflects weak sentiment, and vice versa.

Six of those indicators are currently reflecting maximum fear. If fundamental issues are unaffected, this signals a market overreaction.

CNN Fear & Greed Index



S&P 500 vs VIX Volatility and RSI Overbought/Oversold Indices



Considering the above chart, the VIX Volatility Index is close to a standard deviation away from average, with the RSI Overbought/Oversold Index approaching oversold levels. The S&P 500 has recently dropped through its 50-day moving average (not reflected on the chart), indicating potential for further weakness.

The nervousness around a potential AI bubble has triggered, in our view, an overdue and normal mini correction in the market. As economic fundamentals broadly seem to stay their course, we perceive this as a market 'breather' rather than the beginning of a bear market.

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