



VT Cantab Global Equity Fund

Q2 Update

Canaccord
WEALTH

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Q2 2025 Letter

Cantab Asset Management became part of Canaccord Wealth in late 2024 and are now referred to as Canaccord Wealth.

Overview

The fund is global, large-cap, and long only. We utilise a bottom-up, stock-picking process with a focused portfolio and long-term holding periods. We hunt for responsible companies with sustainable franchises at attractive valuations.

Portfolio performance and commentary

In the five years to the end of June 2025, the fund has modestly outperformed its IA Global peer group, generating a gain of 53.6% vs. +52.9%, respectively. The fund has underperformed its peer group over the past 12 months, returning +3.3% vs. +4.6%, respectively.

Fund vs. IA Global peer group - five years



Source: FE Analytics 30/06/2025

As we have detailed previously, modest long-term outperformance has come hand-in-hand with more compelling performance characteristics. As is clearly visible from the chart above, the fund demonstrates a 'steady-eddie' approach to wealth creation, participating as much as possible in up markets, while providing relative protection in down markets (i.e. even during the market turbulence of 2022 the fund value increased).

As we have commented upon in the past, we believe this is a global equity strategy that should appeal to either a cautious, risk-aware, equity investor, or an investor looking to create a blend of relatively defensive and more aggressive styles. It is interesting to note that, while we have never set out to specifically create a 'low volatility' portfolio, we have produced the lowest volatility fund in the sector over the past five years.

Fund vs. IA Global peer group - five years

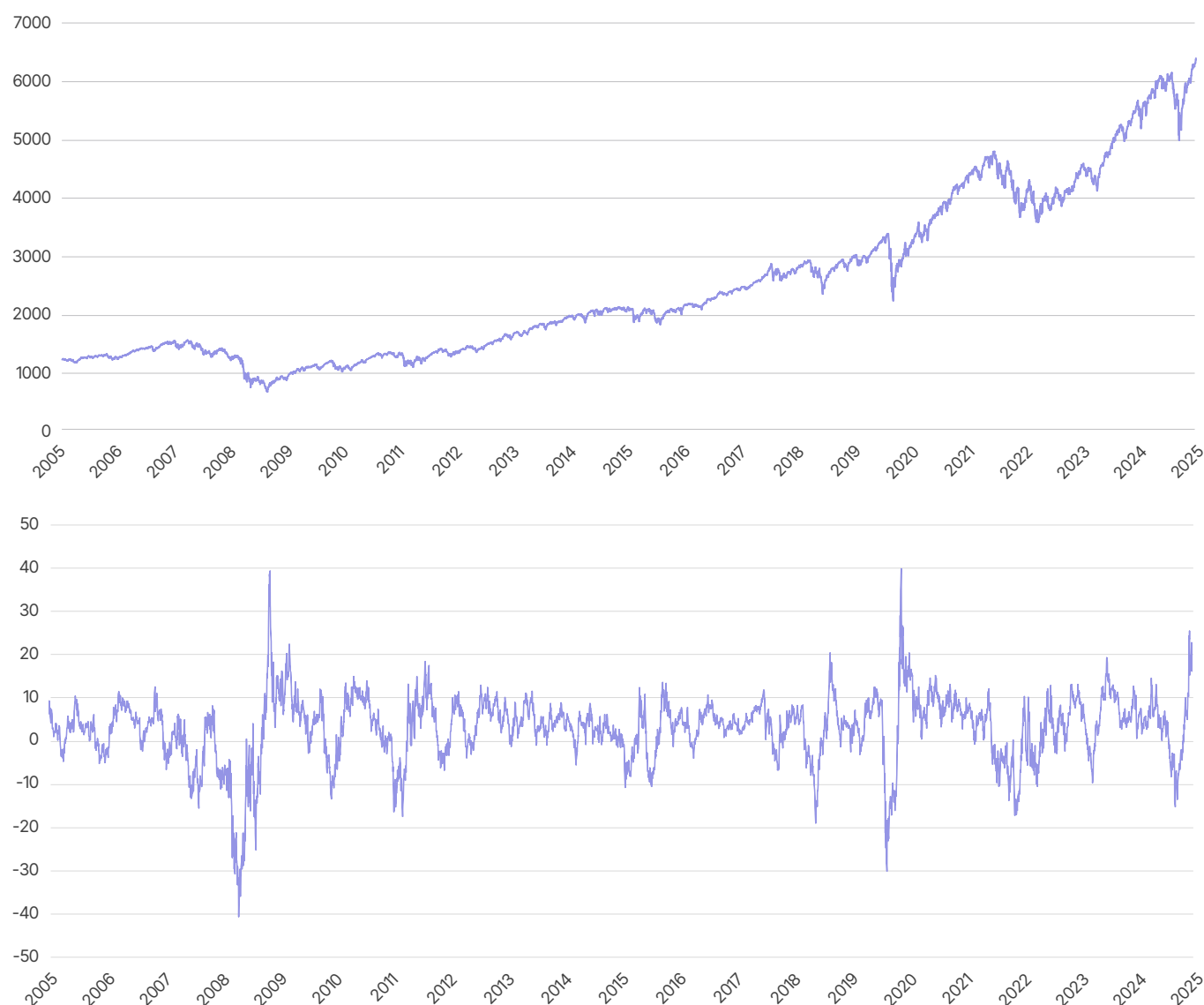
	Absolute	Rank	Percentile
Volatility	8.67%	1/418	1
Beta	0.64	23/418	6
Maximum drawdown	-9.26%	43/418	11
Sharpe ratio	0.63	124/418	30

Source: FE Analytics 30/06/2025; monthly data

All that said, the fund's performance in the second quarter of 2025 was disappointing. Indeed, the first half of this year has felt like a half of two halves, with the fund exhibiting relative protection in Q1 as the markets sold off in response to the US Administration's tariff proposals, before falling behind in Q2 as the markets bounced back, with investors becoming increasingly confident in the 'Trump Always Chickens Out' (TACO) trade. On a six-month investment perspective, it feels like we won the war but lost the peace.

In fairness, this 'peace' was fairly violent – in the three months from the market low on the 8 April, the S&P 500 Index soared by 25%. As illustrated in the chart below, such short-term gains are rare. Indeed, over the past 20 years, only in the aftermath of the 2008/09 Global Financial Crisis sell-off and the 2020 COVID-19 panic has the S&P 500 produced a stronger three-month performance. If you had told us three months ago what the market was about to do, we would have expected the fund to have struggled in relative terms. Not surprising then, although still disappointed.

S&P 500 long-term performance and rolling three-month performance



Source: LSEG Datastream

The fund's recent underperformance means that the portfolio currently offers better relative value than it has done in years. On our preferred sales multiple metric, the median holding is trading on a 28% discount to its historic average, on a relative basis. With the US and global markets now back up to near all-time high valuations, we believe being value aware (while always important) is more important than ever.

In keeping with this, we have recently been taking profits in some of our strongest performing, most stretched valuation names, such as Trend Micro and Oracle. Arguably, this makes the fund hostage to a continued grinding up of what has worked best in recent months, although, with c.21% of the portfolio invested in the likes of Alphabet, TSMC, Amazon, Visa and Microsoft, the fund still has balance, despite the larger than usual tilt towards relative valuation.

This tilt is more than warranted in our view. The chart below shows the combined valuation of the US health care, consumer staples, and utilities sectors relative to the US market, since 2012. On this measure, these more defensive areas of the market have not been relatively more attractive other than at the peak of the COVID-19 bubble – small wonder we see opportunity in this area.

Defensives (health care, consumer staples, utilities) P/E Disc/Prem vs. US Market



Source: Bloomberg, Canaccord Wealth

The fund's largest exposure to this theme is Colgate-Palmolive. Given that even my own – nearly adult – children have learned to brush their teeth without being nagged, and with Colgate being the number one toothpaste brand the world over, I think it fair to say that this business is very much in the 'sustainable franchise' camp. That it is currently valued at a relative discount of 26% against its historic trend is a pleasant bonus. The next largest holding in this 'US defensive' bucket is Verizon Communications. Admittedly not the most exciting story – growth opportunities in broadband and wireless are limited – but what sets it apart (like Colgate, Verizon is trading on a healthy discount to its trend valuation) is its 11% free cash flow yield and 6% dividend yield.

Turning to what did and didn't work in the first half of the year, the fund's technology holdings were, almost surprisingly, a key driver of relative performance. Our underweight and then non-existent position in Apple paid off, with the shares down by 25%, in sterling terms, over the period. Trend Micro was the fund's best performer in terms of relative attribution, with the shares leaping in February on reports of a potential take-out by private equity. Oracle also enjoyed a strong bounce on the back of well-received second quarter results. However, while we try not to leave any party too soon, with the shares up by 90% since 'Liberation Day' and now on a sales multiple of 11x (PE of 35x), investors are indeed paying a high price for a cheery consensus, and we have exited the position.

Six-month attribution by stock (top and bottom five)

	Average Weights			Returns			Attribution
	Portfolio	Benchmark	Active	Portfolio	Benchmark	Active	Total
Trend Micro	2.82%	0.01%	2.81%	15.80	15.80	0.00	0.88
Apple	1.19%	3.79%	-2.60%	-21.27	-24.95	3.68	0.81
Oracle	2.47%	0.31%	2.17%	20.67	20.67	0.00	0.62
Aviva	1.10%	0.02%	1.08%	16.82	38.42	-21.59	0.49
Tesla*		1.02%	-1.02%		-28.11	28.11	0.36

	Average Weights			Returns			Attribution
	Portfolio	Benchmark	Active	Portfolio	Benchmark	Active	Total
Akamai Technologies	2.83%	0.01%	2.82%	-23.79	-23.79	0.00	-0.77
PayPal Holdings	3.43%	0.09%	3.34%	-20.42	-20.42	0.00	-0.74
General Mills	2.46%	0.03%	2.43%	-24.20	-24.20	0.00	-0.73
Novo Nordisk	2.40%	0.05%	2.35%	-25.85	-25.85	0.00	-0.69
Pepsico	1.51%	0.21%	1.29%	-15.64	-19.07	3.42	-0.55

Source: Refinitiv; Canaccord Wealth 31/12/2024-30/06/2025; * not held

The laggards over this period contained a mixture of technology stocks still on the naughty step, out of favour consumer staples holdings, and the very much slimmed down Novo Nordisk. Novo has been a very difficult trade for us, recently. As previously detailed, it had been a key source of alpha generation but, having reduced the position at what turned out to be near the top, we went back in last December, just before the company released disappointing clinical data, and the shares have been on a downward trajectory ever since.

To be fair, Eli Lilly, Novo's main competitor, has also de-rated this year, as has the health care sector in general, battered by 'patent hill' concerns, what the US Administration may or may not do in terms of tariffs and pricing, and overall disinterest in the sector from the wider investment community. Undoubtedly, however, some of Novo's issues are self-made – hence we are mildly positive with regards to the change of guard at the helm of the company. Currently, the stock ranks as one of the highest quality, best value, names in our global large-cap universe; but, thanks to the issues the company is trying to deal with, it is understandable investors are voting with their feet.

Given that we already hold it and are therefore at risk of suffering from the usual behavioural issues of owning an underperforming stock, the question we need to ask ourselves is, since it screens so well, if we did not own it, would we be running a mile or getting curious? We choose the latter. Stubborn, perhaps, but sentiment is as low as it has been in at least 15 years, while the company is still a global leader in diabetes and the number two player in the rapidly expanding obesity market. Lingering capacity/production issues should be fully resolved as we head into the second half of the year, while the clinical trials' inability – thus far – to clearly differentiate CagriSema versus its peers has clearly devalued the pipeline in investors' eyes. It still looks as though the market for obesity drugs will grow significantly in the years ahead; what is far less clear is how big a part Novo will play in this.

Originally a Content Delivery Network (CDN) provider, allowing media and content companies to improve the speed and performance of their content delivery over the web, Akamai Technologies is today more of a cybersecurity and cloud computing company, with these two businesses accounting for c.70% of group revenue, and is well positioned to capture growth in Artificial Intelligence as its use becomes more widespread.

Recently, the company has been battling with a slowdown in its CDN operation while balancing investing in its faster growing operations. Management's 3–5-year goals envision the group returning to double-digit revenue growth (courtesy of 10% and 20% compound annual growth rate (CAGR) in cybersecurity and cloud computing, respectively) and a 30% operating margin.

The jury remains out on how much of this can be achieved but, should management succeed in executing on this strategy, the current valuation of 12.6x forward PE and 7.9x earnings before interest, taxes, depreciation, and amortisation (EBITDA) will prove to be too low. On our preferred measure of relative EV/Sales multiple, the stock is trading on a c.43% discount to trend.

The jury is still out on PayPal, too. PayPal is undergoing a strategic pivot, shifting its focus from user quantity to user quality – prioritising more profitable and engaged accounts. There have been some early signs this pivot is coming good. User growth has stabilised at a modest 1-2% per year, while transactions per active user continue to rise, indicating the potential for stronger monetisation and deeper customer engagement. Although this has created near-term headwinds for volume and revenue growth, it is expected to lead to more stable and profitable revenue from this year onwards. Thus far, the share-price performance of these two tech names has been underwhelming – we remain hopeful as to their turnaround potential.

Utilising a stock-picking strategy, we spend little time in trying to guess where the markets will go next. We are aware, however, of numerous articles asking the 'bubble question'. It is a statement of fact that, on a forward P/E ratio of 19.2x, the global equity market has rarely been this expensive; or that, on 3.3x sales, the US market is valued at an all-time high.

But these data points are skewed by a small number of very large companies. Moreover, arguably, some of these titans may justify their high valuations on account of the quality and longevity of their business models. We accept that some investment bank 'euphoria' indices are flashing red, but we see no such evidence of this being applied to our holdings in aggregate. Should the natural-born-worriers be proven right, we expect this strategy to be, as has always been the case in the past, a useful harbour for client portfolios.

Mark Wynne-Jones

Fund Manager

July 2025

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