WS Saracen Global Income & Growth

Quarterly report to 31 March 2025

For unitholders only

RIVER GLOBAL INVESTORS

WS SARACEN GLOBAL INCOME & GROWTH

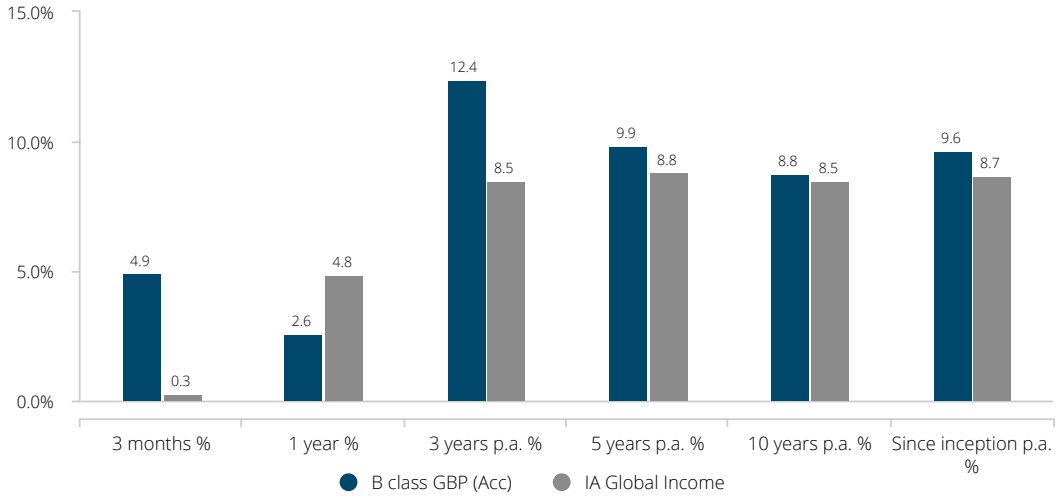
Quarter 1, 2025

INVESTMENT OBJECTIVE

The Fund aims to provide both income and capital growth over rolling periods of 5 years (after charges).

PERFORMANCE (NET OF FEES)

	3 months %	1 year %	3 years p.a. %	5 years p.a. %	10 years p.a. %	Since inception p.a. %
B class GBP (Acc)	4.9	2.6	12.4	9.9	8.8	9.6
IA Global Income	0.3	4.8	8.5	8.8	8.5	8.7
Difference	4.6	-2.2	3.8	1.0	0.3	0.9



	3 months %	1 year %	3 years %	5 years %	10 years %	Since inception %
B class GBP (Acc)	4.9	2.6	30.3	114.9	114.2	233.4
IA Global Income	0.3	4.8	21.5	79.4	113.3	209.9
Difference	4.6	-2.2	8.8	35.5	0.8	23.5

Source: River Global Investors LLP

Past performance is not a reliable guide to future results.

PORTFOLIO SUMMARY AND KEY RISK CHARACTERISTICS

Fund AUM	£116.9M
Inception date	07/06/2011
Number of stocks	37

SYNTHETIC RISK & REWARD INDICATOR (SRRI)

1	2	3	4	5	**6**	7

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

The Synthetic Risk and Reward Indicator (SRRI) is based on how much the returns of the shares have varied over the last five years, or since launch (whichever is the shorter period). The higher the rank the greater the potential reward but also the greater the risk of losing money.

We are pleased to confirm that following Shareholder approval, the WS Saracen Global Income and Growth merged into the RGI Global Income and Growth Fund on 5 April 2025.

Portfolio Manager Summary

- Global markets pulled back in Q1 after Donald Trump's inauguration as 47th president of the U.S. His first couple of months can be described as turbulent for markets.
- A sudden selloff in AI-related companies in January was followed by uncertainty about tariffs which resulted in U.S. indices declining (Nasdaq -13%[1], S&P 500 -7.2%[1]).
- On the other side of the Atlantic, markets fared better (Eurostoxx 600 +7.4%[1]) as Germany's newly elected government announced a policy to spend €1 trillion on infrastructure and defence over the next 10 years. This led to improved sentiment in Europe and a broadening of market leadership.
- The WS Saracen Global Income & Growth fund benefitted from these moves, rising 4.9%[2], compared to +0.3%[2] for the IA Global Equity Income peer group.
- We expect uncertainty and volatility are here to stay. The broadening out of the market has begun, but we expect further pressure on expensive shares that disappoint.
- While not growing as much as they could be, we expect capex and infrastructure spending to be resilient and remain comfortable with our cyclically tilted portfolio.

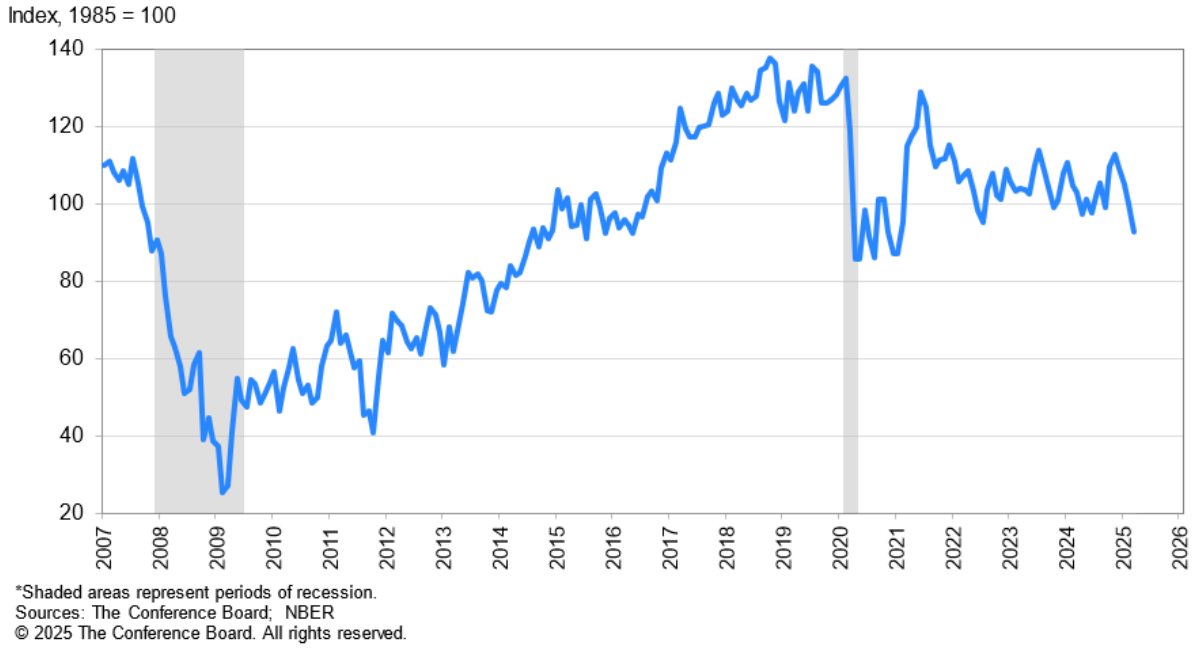
Market Background

The increase of uncertainty

What a start to the year! After the peak in concentration towards the end of 2024 we anticipated a broadening of market leadership. However, even we were surprised at the speed of reversal. The year started with the news that a Chinese startup called DeepSeek released a supposedly impressive and cost-efficient large language model. This fuelled uncertainty about competition, investment and pricing, and raised questions about what was implied in many valuations of AI-related companies. The sell off spread to the broader technology sector over the quarter. Nvidia was one of the worst performers in Q1, being down almost 22%[1].

There was further uncertainty stemming from the newly formed Department of Government Efficiency (DOGE) and tariff policies by the newly inaugurated President Trump. Consumer confidence in the U.S. started to decline sharply and we heard from many companies about a sudden drop off in spending, including General Mills[3], Nike[3] and FedEx[3].

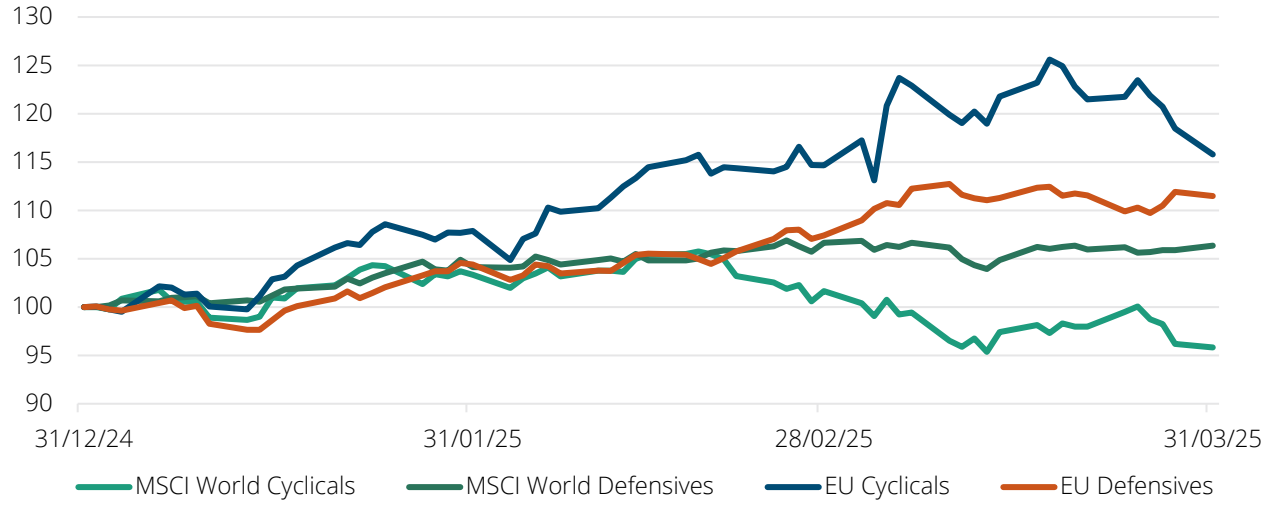
U.S. Consumer confidence



Source: Conference Board, NBER

Over in Europe, Trump's new world view acted like a wake-up call. Governments across the continent committed to higher defence spending and realised they had to lessen their dependence on the U.S., both militarily and economically. The biggest surprise came from the newly elected German government that managed to quickly implement a 10-year €1 trillion infrastructure and defence bill during the old parliament sitting. European cyclical companies saw a strong boost to share prices, ending the quarter up over 13%[1] outperforming the MSCI World Cyclical Index, which was down 7%[1].

EU Cyclicals and Defensives vs. MSCI World Cyclicals and Defensives



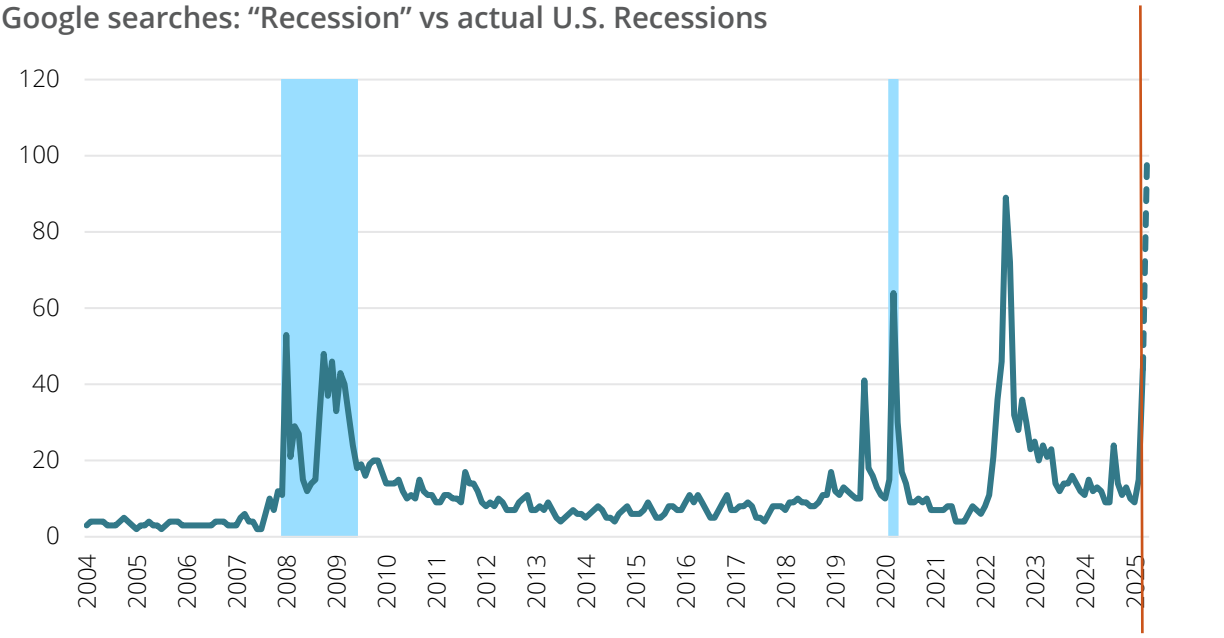
Source: Bloomberg

Towards the end of the quarter uncertainty in the market was widespread. The VIX started to climb and global Google searches for "Recession" increased.

VIX Index

Source: Bloomberg

Google searches: "Recession" vs actual U.S. Recessions



Source: Google Trends. Search interest for "Recession"

We do not currently foresee a deep global recession in 2025. Although geopolitical uncertainty will lead to some delays in capex spending, especially in the U.S., our main assumption is that there will be a mild slowdown over the rest of the year. In general, most large global companies are financially strong. Our holdings are leaders in their sectors with ample balance sheet capacity and pricing power, as well as being leaders in supply chain management. Many have operated in depressed markets for three years now yet have proactively improved their margin profile and lowered their cyclicality. We expect them to continue to gain market share and weather any short-term volatility better than their peers.

How to react to the increase of uncertainty

The current developments are a continuation of the change seen since 2020/2021. With the relative calm of the 2010 to 2020 decade now in the rear-view mirror, investors are still adjusting to a different world. Many of the strategies that have been relied upon are being challenged. Fundamental analysis becomes more important in times of stress, along with a process that robustly tests assumptions.

In terms of how we manage the WS Saracen Global Income and Growth fund, we tend to forecast five years ahead. That may sound impossible, but the aim is not to get a right answer but check different scenarios and most importantly, a reasonable Worst Case. In the last five years during Covid and the supply chain upset, we have refined our process to concentrate on the following:

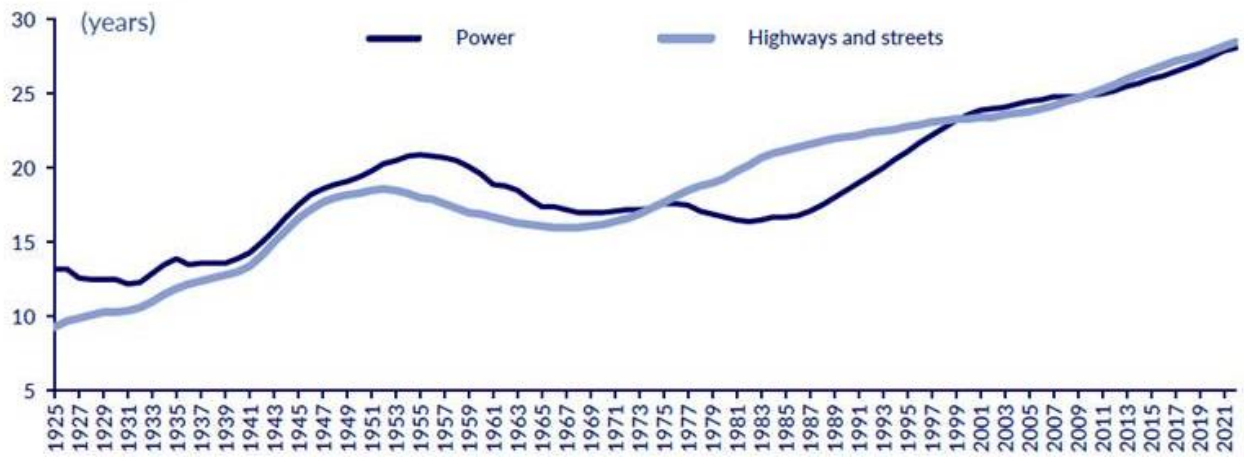
- Use several scenarios when analysing a business and risks
    - For example, rather than ask will tariffs be high or low, instead assess how will the relative competitive positioning change under say three different scenarios for rates? Back the leaders who most likely will be the long-term winners after the dust settles.
- Stress Test the Balance Sheet
    - Look at cash flow, debt repayment schedules and covenants. Look at past downturns. How much room does management have in the Worst Case?
- Take a long-term view
    - Appreciate we will never call tops or bottoms, but if prices fall, sometimes that provides an opportunity.
- Understand knock-on effects
    - Do the unwinding of trade surpluses and deficits cause new overlooked vulnerabilities in the financial system? Companies with strong balance sheets are in a better position to weather tight financial markets.
- Update frequently
    - The world changes fast and there is no prize for staying the same. What are changes in market prices implying? Adjust assumptions quickly and frequently to remain nimble.

- Learn from the past
    - What have you done in past moments of market euphoria and pessimism? Are you biased to be optimistic? We had plenty of opportunities over the last five years to learn from uncertainty and hone our investment process to smooth out biases.

After the quarter end we experienced an extreme market dislocation after President Trump announced his tariff policy. Although this lasted "only" five days (it felt more like 5 months), we took advantage and meaningfully increased our holding in Dell, which at one point had fallen over 30%[1] in the space of two days. In our view, this was overdone. We expect to see further pull-backs in high quality growth companies in coming months and will use these as buying opportunities.

Our long-term outlook has not changed. We still see the need for increased spending on infrastructure around the globe.

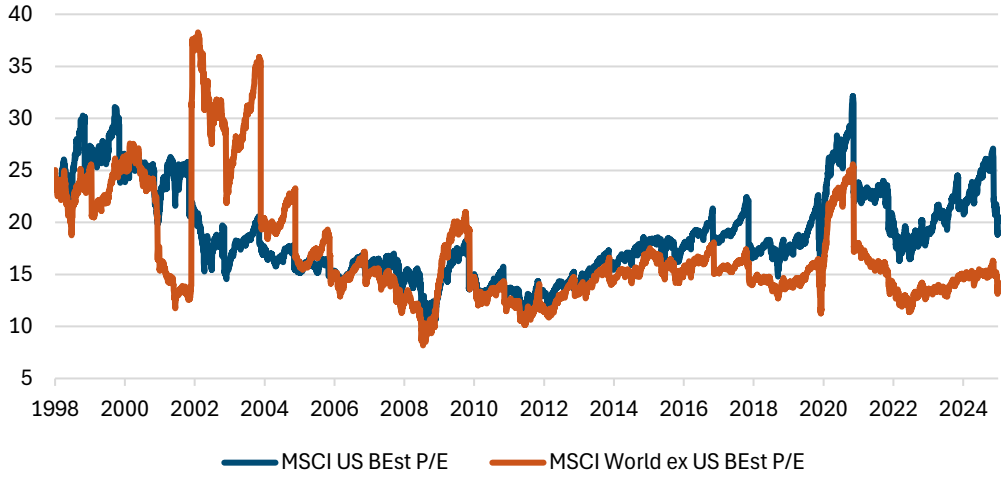
US asset age



Source: CLSA, BAE

The new German government is leading the way. Although other countries might not have as much fiscal headroom to spend €1 trillion, we would expect a pick-up in spending. Our portfolio is full of companies that offer solutions for energy efficiency, automation and infrastructure needs. Many of our holdings are based in Europe, although they tend to be global leaders. The reason is the valuation differential, which we believe will become more important against this new investment backdrop.

The U.S. market still looks expensive: MSCI US BEst P/E vs MSCI World ex US BEst P/E



Source: Bloomberg

Our portfolio still ranks favourably on most metrics compared to the MSCI World and a select peer group average.

WS SARACEN GLOBAL INCOME & GROWTH CHARACTERISTICS (MEDIAN)

	GIG	MSCI World	Select peer group average
PE 1Y FWD	12.0	16.5	16.5
Dividend Yield 1Y FWD	3.7%	2.4%	3.1%
P/CF 1Y FWD	7.9	12.2	12.9
P/B 1Y FWD	1.4	2.3	3.4
Net Debt/EBITDA 1Y FWD (ex financials)	0.9	1.1	1.0
ROIC 1Y FWD (ex financials)	13.6%	13.0%	17.5%
FCF Yield	7.1%	4.1%	5.2%

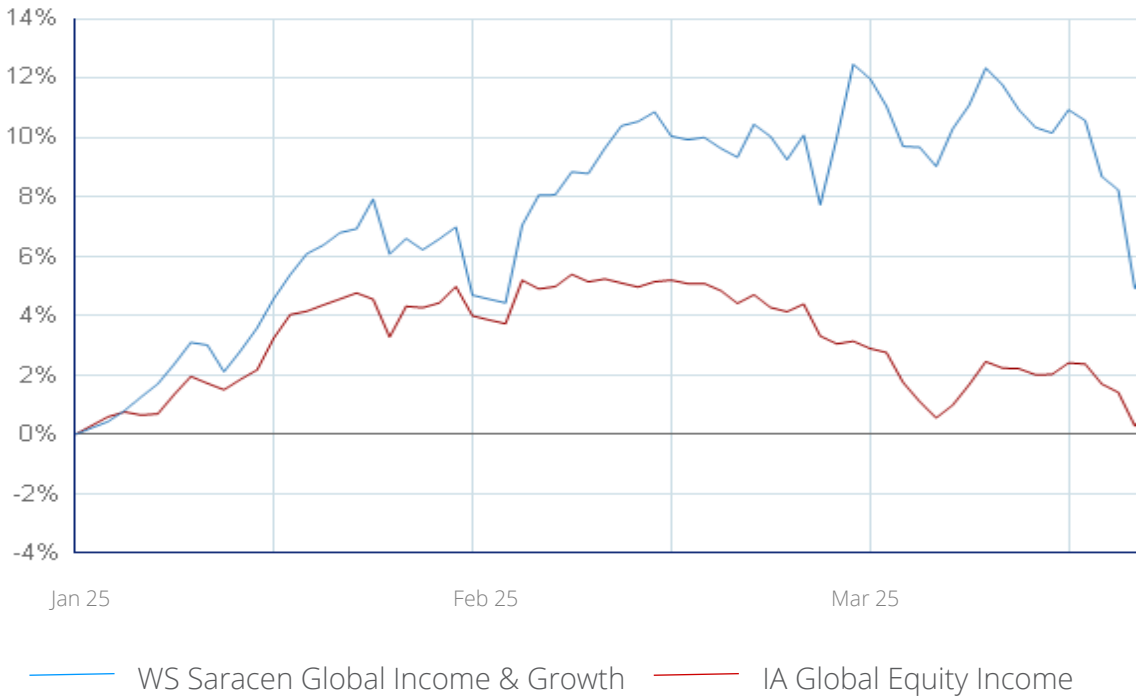
Source: Bloomberg as at 31.03.2025

Select Peer group includes 11 of the largest and/or large cap value style IA global equity income funds: Aviva Global Equity Income, Artemis Global Income, Baillie Gifford Worldwide Global Dividend Growth, BNY Mellon Global Income, Columbia Threadneedle Global Equity Income, Fidelity Global Dividend, Guinness Global Equity Income, M&G Global Dividend, Royal London Global Equity Income, Schroder Global Equity Income, WS Evenlode Global Income

Performance Summary

The WS Saracen Global Income & Growth's differentiated portfolio really came into play this quarter as it outperformed the peer group.

WS SARACEN GLOBAL INCOME & GROWTH performance vs IA Global Equity Income



Source: FE Trustnet as at 31.03.2025

The five largest positive contributors were Heidelberg Materials, National Bank of Greece, Buzzi, Philip Morris International and AIB.

The five largest negative contributors were Dell, Smurfit WestRock, Glencore, Avient and Caterpillar.

Performance Review

Heidelberg Materials (+34%[1]) and Buzzi (+26%[1]) were the main beneficiaries in the portfolio from the German infrastructure spending plan. Both companies also posted better than expected FY 2024 results. While guidance for 2025 was in line with consensus, both companies tend to be conservative. Heidelberg released a second tranche of its 3-year share buy back programme and increased its dividend by 10%[4] while Buzzi increased its dividend by 17%[4].

National Bank of Greece (+25%[1]) and AIB (+0%[1]) rallied throughout the quarter on the back of very strong results. The latter used the better-than-expected profits to strongly increase its total payout ratio to 109% with a EUR1.2bn share buyback and 39%[4] dividend increase. National Bank of Greece showed strong loan growth and liquidity, which led to a 50% payout of 2024 profits: 35% in dividends (5.1% yield) and 15% in buybacks (2.2% yield)[4].

Philip Morris International (+29%[1]) rose 11%[1] on the day of FY 24 results, which were better than expected, as was guidance for 2025. The main driver is the strong growth in smoke free nicotine products like Heat not Burn and pouches. It is becoming clear that these are also very profitable. We have increased our assumptions; a rare feat in the consumer staples space at present.

Dell (-23%[1]) was caught up in the pull back of technology shares at the start of the quarter. Despite upbeat comments from the company, better than expected results, a 18% dividend increase and a $5bn[4] share buyback program, the shares could not hold on to their intra quarter gains.

Smurfit WestRock (-19%[1]) beat 2024 expectations but initiated a conservative 2025 guidance, which led to a short-lived pull back in February. Toward the end of the quarter the shares declined due to increased recession concerns and a decline in consumer spending.

Glencore (-21%[1]) and Caterpillar (-11%[1]) held up well for the first half of the quarter. However, as recession probabilities rose, shares in commodity related companies pulled back. Avient's (-11%[1]) share price fell for the same reasons.

Fund Activity Review

During the quarter we kept taking profits in European cyclical companies that outperformed and where the position size became too large. This included Heidelberg Materials, Buzzi, Wienerberger and Saint Gobain. We also trimmed holdings in AIB, National Bank of Greece and Philip Morris International.

We exited three positions: Interpublic after the merger announcement with Omnicom, Valeo ahead of its FY 24 figures as the business had struggled to raise margins in a very uncertain industry and Rockwell, which we originally bought during Covid in March 2020. Over the last 5 years Rockwell's total shareholder return was 77% or a 12.3% CAGR[1]. We still like the business, but following a post-COVID normalisation, we had some concern around the trajectory of recovery, especially in the context of a valuation that had expanded from 19x 1Y FWD PE[1].

We added to laggards like AstraZeneca, Marubeni and Arcelor Mittal. We also initiated a new holding in Informa. Please see our blog for the rationale of the new investment.

Fund Positioning and Market Outlook

1. We expect continued volatility in the market. However, we do not currently foresee a deep global recession. Our main assumption is that there will be a slowdown over the rest of the year due to continued geopolitical uncertainty.
2. Many global leading companies remain expensive and as we have seen in many cases, are vulnerable to a de-rating. In contrast most of the holdings in the portfolio have already been in a downturn, are already pricing in a downturn, or in some cases both.

3. We do not have many holdings in Consumer orientated companies as we're concerned about consumer spending and in many cases still elevated market expectations and valuations.
4. We have stress tested our holdings and we remain comfortable with their financial strength.
5. In the medium term we expect capex to increase as businesses invest to innovate, deal with a lack of skilled labour and improve efficiency and governments raise their infrastructure spending.
6. We are comfortable with the cyclical tilt in our portfolio, the quality of our holdings and the valuation discount against the market and peer group.

[1] *Source: Bloomberg. Total Return Performance in GBP*

[2] *Source: FE Trustnet*

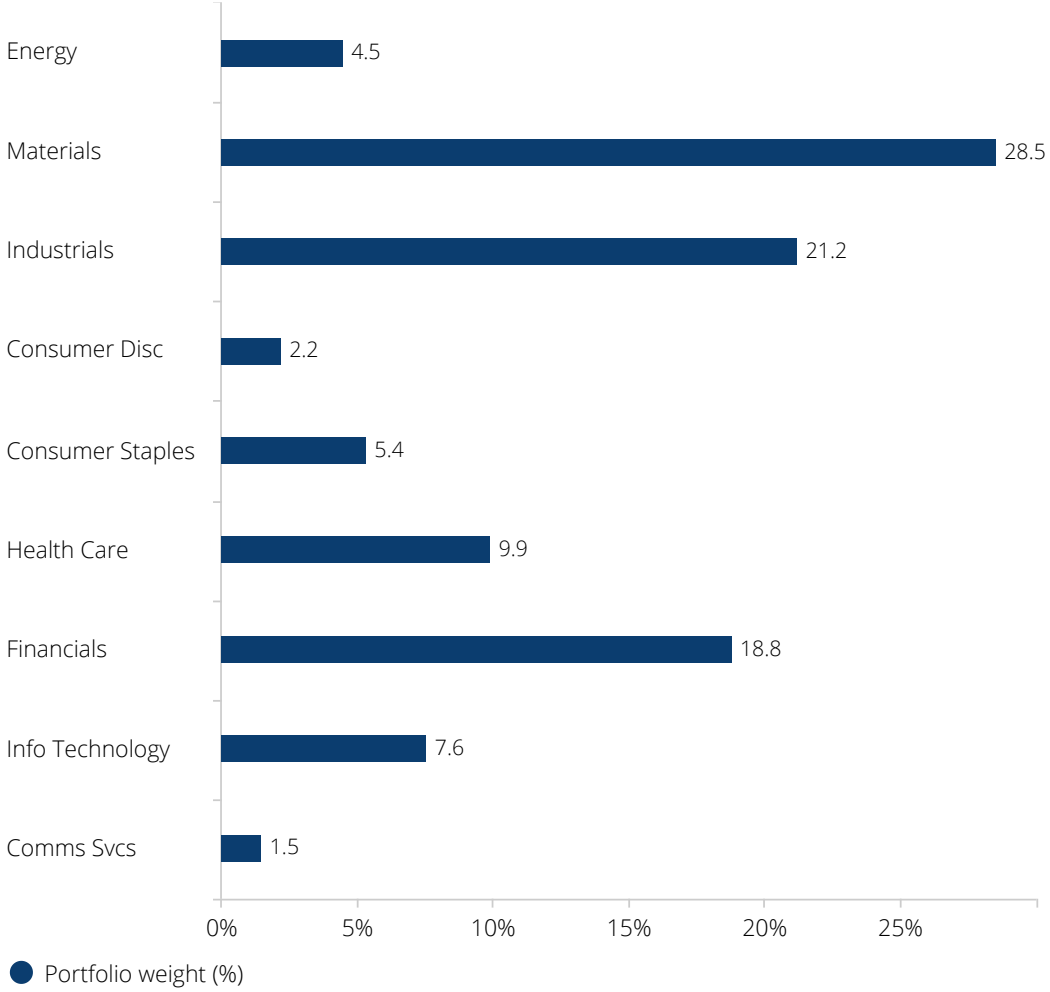
[3] *Company earnings calls: General Mills, Nike and FedEx*

[4] *Company websites: Heidelberg Materials plans to increase dividend by 10% to €3.30 per share; Investors - Buzzi SpA; Results Press Releases | NBG; 2024 Financial Results; Investor Relations | Dell Technologies*

Thank you for your support. If you would like a meeting or call with the team, please contact us.

SECTOR WEIGHTS (%)

This graph shows a comparison of fund and benchmark weightings across the sectors classified by the MSCI Global Industry Classification Standard (GICS).



Source: Bloomberg LP

MARKET CAP DISTRIBUTION (%)

Portfolio weightings across a range of sizes based on company value.

	Fund (%)
Mega £20bn+	50.8
Large £4bn - £20bn	41.7
Mid £2bn - £4bn	7.1

Source: River Global Investors LLP

TOP 10 HOLDINGS (%)

The ten largest positions by weight held in the portfolio.

	Weight (%)
Cisco Systems Inc	4.2
Heidelberg Materials AG	4.2
Cie de Saint-Gobain SA	4.1
National Bank of Greece	4.1
Buzzi SpA	3.4
Grupo Financiero Banorte	3.4
ArcelorMittal SA	3.3
Dell Technologies Inc	3.3
Smurfit WestRock PLC	3.2
DBS Group Holdings Ltd	3.2

Source: River Global Investors LLP

STOCK LEVEL PERFORMANCE ATTRIBUTION (%)

This table shows the best and worst contributors to the fund's performance relative to the comparator. The average active weight highlights whether the fund held a larger or smaller position in a stock than the comparator did, on average over the period. The contribution to active return is the return that the position has contributed relative to the comparator.

Greatest Positive Contribution	Average Active Weight (%)	Contribution To Active Return (%)
Heidelberg Materials AG	4.29	1.33
NVIDIA Corp	-4.42	0.96
National Bank of Greece SA	3.88	0.90
Buzzi SpA	3.36	0.77
Apple Inc	-4.97	0.75
Tesla Inc	-1.37	0.60
Alphabet Inc	-2.81	0.60
Philip Morris International Inc	2.34	0.58
Microsoft Corp	-4.07	0.56
AIB Group PLC	2.97	0.55

Greatest Negative Contribution	Average Active Weight (%)	Contribution To Active Return (%)
Dell Technologies Inc	3.53	-0.87
Smurfit WestRock PLC	3.29	-0.65
Glencore PLC	2.91	-0.63
Avient Corp	2.53	-0.29
Informa PLC	0.86	-0.18
Caterpillar Inc	1.46	-0.17
Ebara Corp	3.04	-0.16
Merck & Co Inc	1.09	-0.14
Berkshire Hathaway Inc	-0.91	-0.12
Stanley Black & Decker Inc	1.47	-0.10

Source: Bloomberg LP

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The fund is to be considered a long term (5 years or more) investment option.

The fund may use derivatives for efficient portfolio management (EPM).

For further information on the fund including the specific risks and the overall risk profile of the fund, as well as the share classes within, please refer to the WS Saracen Investment Funds ICVC Prospectus and the Key Investor Information Documents (KIIDs) (available on river.global).

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