

## RGI UK Recovery Fund

Creating wealth through Recovery investing

Quarterly report to 31 December 2025

For Unitholders Only

SCAN FOR MORE  
INFORMATION



## Market Overview

UK and Global Equity markets had a strong quarter and 2025. The rebound from the Trump tariff induced drawdown earlier in the year was particularly strong. Markets benefitted from a supportive combination of falling interest rates, expansionary fiscal policy, robust nominal GDP growth (despite the tariff uncertainty), the maturing of the AI phenomenon into a platform for faster global economic growth, and robust corporate fundamentals.

The performance of my Recovery funds has been robust in absolute terms and versus multi-cap peers over the last quarter, year and longer-term time periods<sup>1</sup>. The key point I think is that both the funds are creating wealth for clients, annualising at over 10% p.a. over all medium-term time frames<sup>2</sup>.

Traditional value stocks did well in 2025 in most markets, though the US was again led by Growth shares, those with AI exposure most notably. Markets were broader than they have been in terms of regional performance, with US equities less dominant (and impacted by the weak USD). Market liquidity was reluctant to move down into smaller companies, meaning that they lagged badly again, a particular handicap in the UK.

Whilst some parts of global equity markets are now quite ebullient, for example most large cap US stocks look expensive versus history, I would suggest that we are relatively early in the cycle for Rest of the World equities (the UK in particular), with still modest valuations, supportive monetary and fiscal policy and robust corporate fundamentals (including a new commitment to share buybacks at least on par with US levels). We think a continued bull market in UK and ROW equities is justified, and supportive of high single digit annualised returns over a number of years. US equities have aspects, such as high valuations and higher than normal returns that make you nervous, but clearly the growth fundamentals in the US remain robust.

Two aspects of markets over the recent past have held us back relative to some deep value portfolios. The first is the multi-cap construct of the Recovery portfolios during a period when returns have been concentrated and led by large cap companies, with small cap value and growth both lagging significantly. Markets will broaden to include smaller companies as we move through the cycle, you as investors have that to look forward to. Secondly, and a bit early, we have found a lot of recovery ideas in de-rated structural growers. Our allocation of capital to these has yet to support our returns, but as bond yields follow interest rates on a downward path, we think time will prove us to have been correct buying these types of stocks as they become available on attractive multiples, and indeed they should provide longevity to our absolute and relative returns.

I start this report with a few of my key LinkedIn posts over the last quarter.

<sup>1</sup> Source: Morningstar, as of 31 December 2025. RGI Global Recovery sits in the EAA Fund Global Flex-Cap Equity Morningstar Category; RGI UK Recovery in the EAA Fund UK Flex-Cap Equity Morningstar Category.

<sup>2</sup> Source: River Global Investors, as of 31 December 2025.

## Morningstar Annualised Returns RGI UK Recovery B shares, vs UK Flex Cap Equity

B Share Class (GBP)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	15 Year (%)
RGI UK Recovery	18.4	12.5	9.9	9.4	9.4
MSCI United Kingdom IMI	24.6	13.6	12.1	8.3	
UK Flex-Cap Equity	14.1	9.9	6.8	6.2	6.9
Percentile ranking	36	31	23	7	7

Source: Morningstar, data to 31st December 2025. Percentile ranking against the Morningstar EAA Fund UK Flex-Cap Equity Morningstar Category.

I start this report with a few of my key LinkedIn posts over the last quarter.

### 10 is the magic number?

Over the last couple of years, I have tried to suggest that fund managers are here to create medium term wealth rather than obsess over benchmarks. To me 10% per annum has always seemed to be a sensibly ambitious target, hence my purchase of the reg below several decades ago (and, at last snow in Hampshire!).



Source: Hugh Sergeant

Nothing is guaranteed, the value of investments can go down as well as up, but giving compounding the time and space to do its job can have significant effects for those building wealth to help finance their pre and post-retirement lifestyles. Isn't this what it's all about? Allowing the eighth wonder of the world to work its magic?

To me, the world surrounding investing made mistakes when wealth creation, or making money, became a dirty word. Whilst risk management is certainly important for any investment strategy, its recent over prioritisation, and the subsequent derisking, has at times made it a lot harder to create wealth. The worst example of this is DB pension schemes, which could have had assets worth many multiples of UK GDP if they had been left alone to compound.

As for my Recovery Funds, all I do day-in-day-out is, in a systematic fashion, invest in multi-cap recovery ideas all around the world. Simple! As I get older it seems even more sensible to stick to an investing approach that I know well and suits my DNA. Some years I will do better than the benchmark, others I will lag, but if clients know what I'm doing and it's creating wealth for them then I hope that's what matters for everyone.

## All this talk of bubbles...I'm not sure we are there yet!

To me the current investing world is about rotating waves of often passive driven liquidity. If you are an investment that fits a current theme, then capital pours in and up goes your price until full valuations are reached. Beneficiaries over the last year have been an eclectic mix of AI related, precious metals, banks, defence and Asian value up stocks.

But closer to home can anyone seriously argue that the UK has bubble-like characteristics? More like an anti-bubble. Still almost no IPOs, 4 years of heavy outflows from UK equities, no price discovery in many shares, popular funds from the last bull market having shrunk in size and forced sellers of their now very cheap quality compounders, and then there is the economic doom and gloom which is reflected in a stagnant housing market and a high savings ratio. Please point out the bubble here!

UK equity markets are keeping up with the rest, but not because of buoyant sentiment, but because valuations of the mega cap stocks such as banks became so cheap a few years ago and because their fundamentals are decent and because they keep buying in all the shares that UK based investment allocators love to sell.

So, from my perspective we still have a UK equities bull market and a bubble to look forward to. And to me the place to look for baggers is not the now popular banks and mining stocks it's in the most anti-bubble parts of the market, small, mid and micro-cap stocks, including a deeply unpopular mix of domestic and consumer cyclicals and all those forced selling quality-compounders held by previously popular investment strategies.

The bottom line is that, in our opinion, there remains a huge anomaly-hunting opportunity set in the UK to be exploited and to help make it a Happy New Year!

## The biggest investment anomaly globally... right in our own back yard!

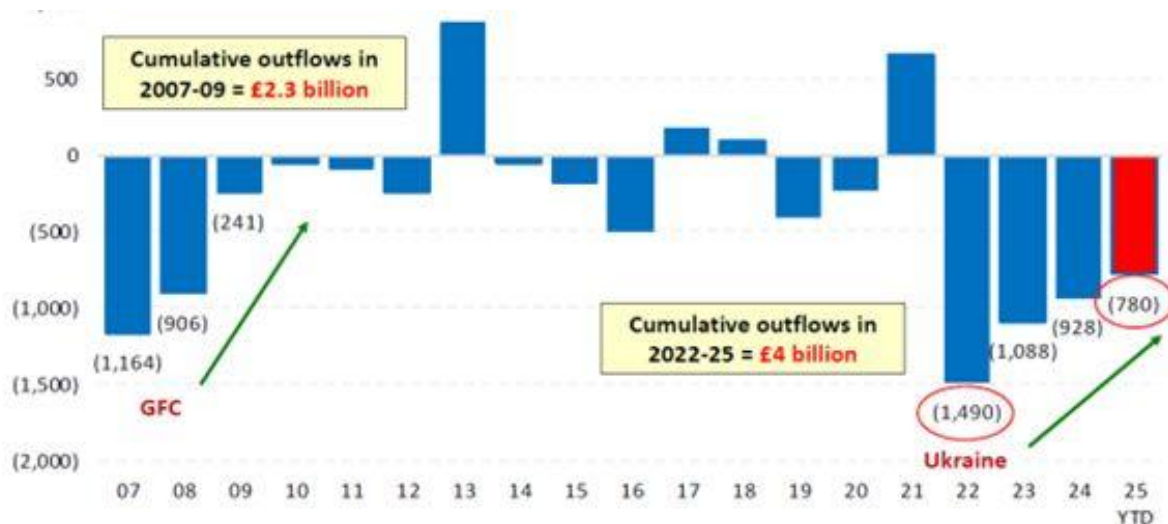
Three reports I read over the last day so reinforced my view that UK SMIDs and Micro Cap stocks are a bargain that I now think they could be the biggest investment anomaly in the world at the moment (and remember I run a Global Recovery fund as well as UK).

The first two were reports by smaller cap managers - RGI's one and only small cap team, run by George Ensor, and Charles Montanaro's annual missive - both reminding me about the flows below, the 4 year deluge of selling out of UK smaller companies, that has inevitably meant no price discovery for most smaller quoted companies (unless you fit a theme, such as precious metals) and share prices that are entirely disconnected from fundamentals.

The third report was from Peel Hunt, their 2026 UK Smaller Companies top tips. Reviewing the list highlighted a broad number of companies that pose attractive investment opportunities (indeed I already hold several of them in the portfolio). These are good companies, well positioned to create shareholder value over the next few years, some growth, some quality, some recovery, all the wrong price, most of them with bagger potential.

Who knows when the sellers will stop their indiscriminate selling? Small caps are illiquid, so you need to buy when they are on sale. And they are all on sale now!

### Net flows into UK Smaller Companies

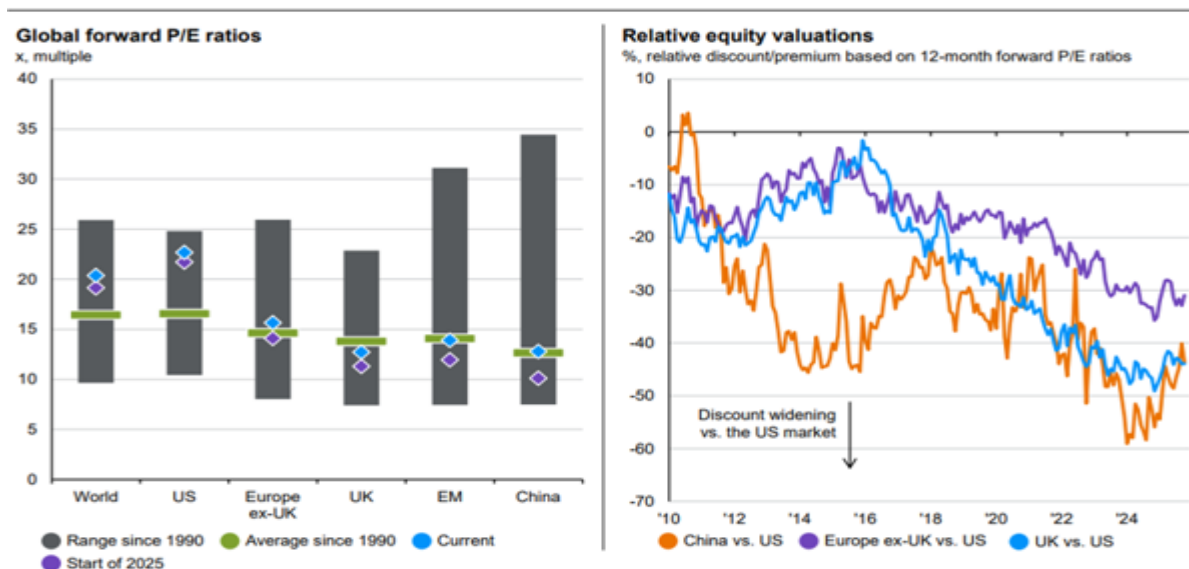


Source: Montanaro Asset Management, 2025 annual letter from Charles Montanaro.

## The rest of the world opportunity

Here it is. If you are worried about bubbles, then focus on the US or AI related stocks at the top of their valuation range. Meanwhile there remains plenty of value to be had elsewhere around the world, all trading cheap versus the US and in line or below their long-term average valuation:

### Global forward PE Ratios versus history and Global Relative Equity Valuations



Source: JP Morgan Guide to the Markets, Q4 2025, 30 September 2025

## Economic Outlook

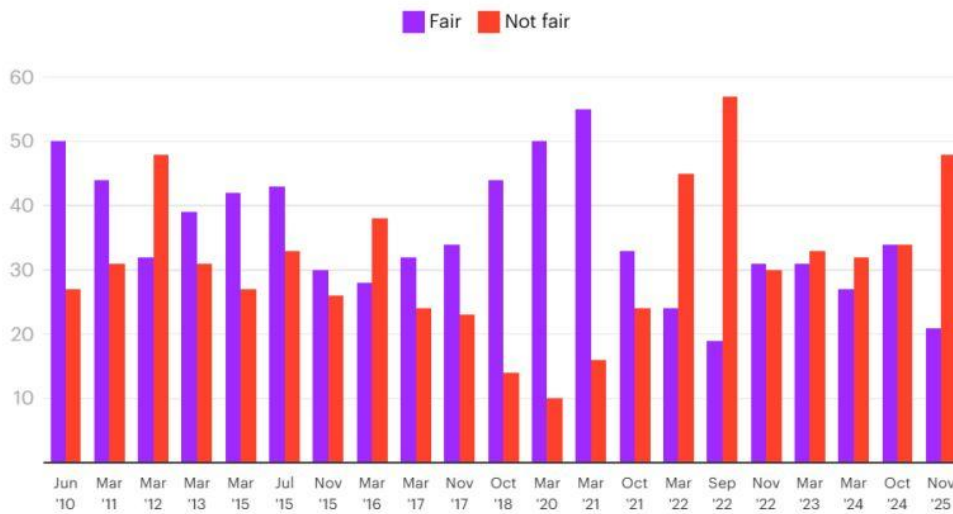
One of the reasons for the dire relative performance of UK SMIDs and domestic earners last year was the undeniably poor economic policy making of the Labour Government, which has hardly been conducive to the rally in these stocks that I have been positioned for. I have sounded off against their failures, especially in the lead up to the budget, with many a posting on LinkedIn. There is no need for me to repeat myself here, especially as we all know it to be true.

And it is this last point that reassures me, that poor UK policy making is now believed by us all, and the unpopularity of Starmer and Reeves so over-whelming, that things can only really get better (versus doom and gloom expectations).

The Government and their tax and spend policies are so unpopular that 2026 will have to see change, either through about turns, or shuffling of the deck chairs, or perhaps something more profound.

## In terms of fairness, the 2025 Budget is the second-worst received of any government's going back to 2010

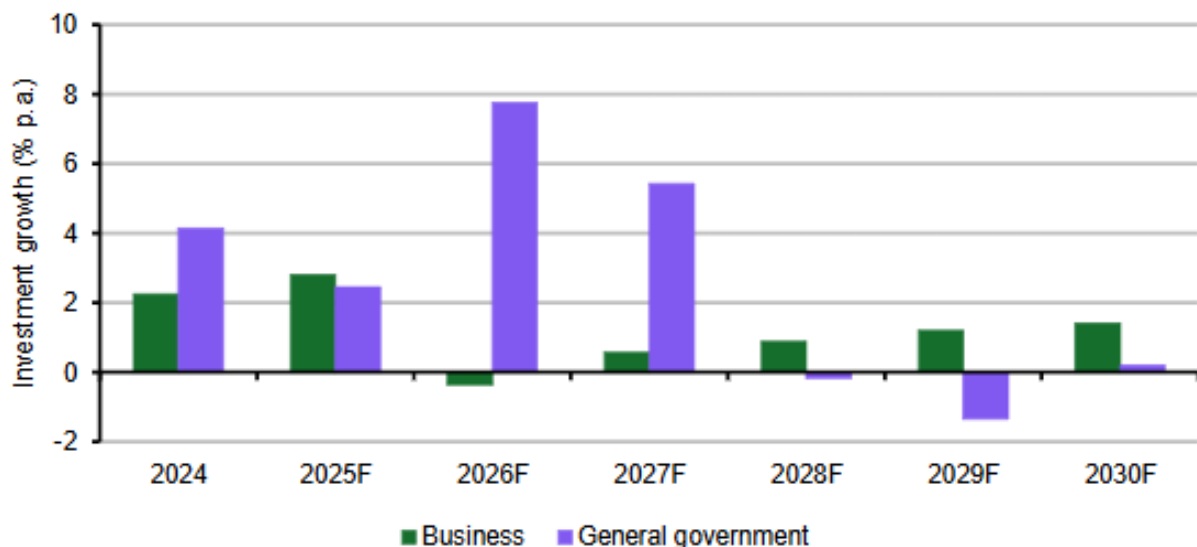
Overall, do you think this week's Budget was fair or not? %



Source: YouGov, 27 November 2025.

Meanwhile, there are a number of supportive dynamics for the UK economy over the next few years. Firstly inflation is falling, and lead indicators point to this continuing; this will allow interest rates to continue to be cut, to say 3%; fiscal policy, particularly investment spending (see below) is supportive over the next two years; the consumer remains in good shape, with decent nominal income increases and still cautious spending patterns, as reflected in a double digit savings ratio, ensuring a decent amount of ammo if animal spirits improve; global GDP is growing at a healthy level, helping our external sector; and AI and general technology investment should ensure our productivity growth rate improves.

### UK Investment Growth, Business and Government



Source: Panmure Liberum, OBR, January 2026.

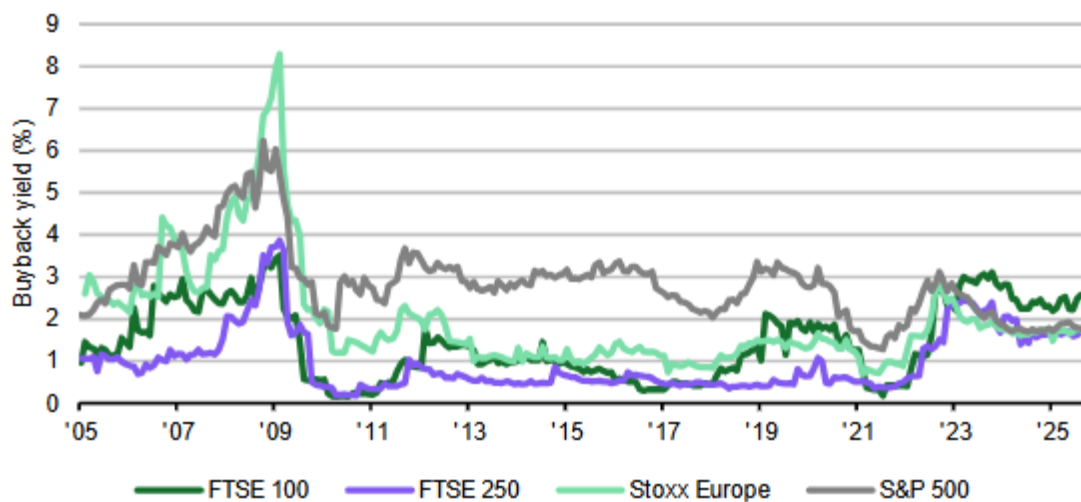
## Could deflationary forces be picking up?

Last quarter I talked about the buying opportunity in long term government debt, UK gilts in particular. Here yields may well have already peaked. We appear to be moving past the government policy induced spike in inflation, and the opportunity to push costs onto business appears weaker (for example publicans are in open revolt, quite right!). Increasing unemployment in the UK is deflationary, as is a strengthening GBP, deflation being exported from China, a peaking in green subsidies, a US President who is intent on keeping oil prices down, and then there is the still to come impact of AI. All this is starting to point towards a potential return to more subdued inflation, which would in turn be supportive of interest rate cuts and lower gilt yields.

## Corporate Fundamentals – Cashflow and returns and valuations

The fundamentals of UK corporates have been strong over the last few years. And, with strong free cash flows and modest valuations UK (and EU) companies have added a stronger arrow to their shareholder value bow by buying in 2% to 3% of their equity over the last few years, moving ahead of the shareholder value friendly US. This has helped offset some of the resolute selling of UK shares by UK based institutions.

### Buyback Yields – UK, EU, US

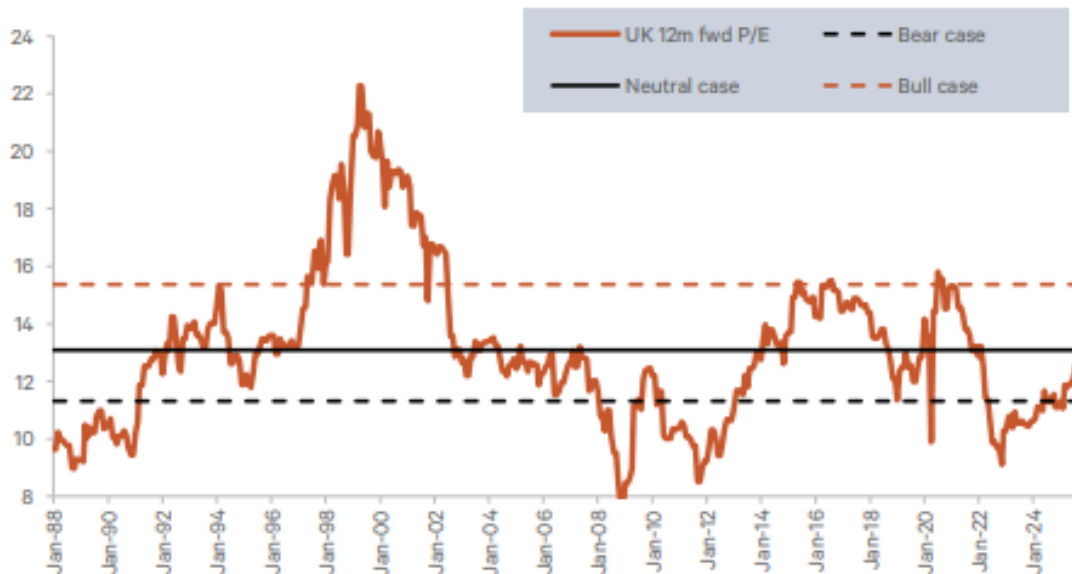


Source: Panmure Liberum, end 2025.

Meanwhile the earnings yield or PE remain attractive, far from bubble levels.

UK 12m forward PE multiple, with some suggested ranges

**Chart 303: UK equities' 12-month forward P/E ratio**

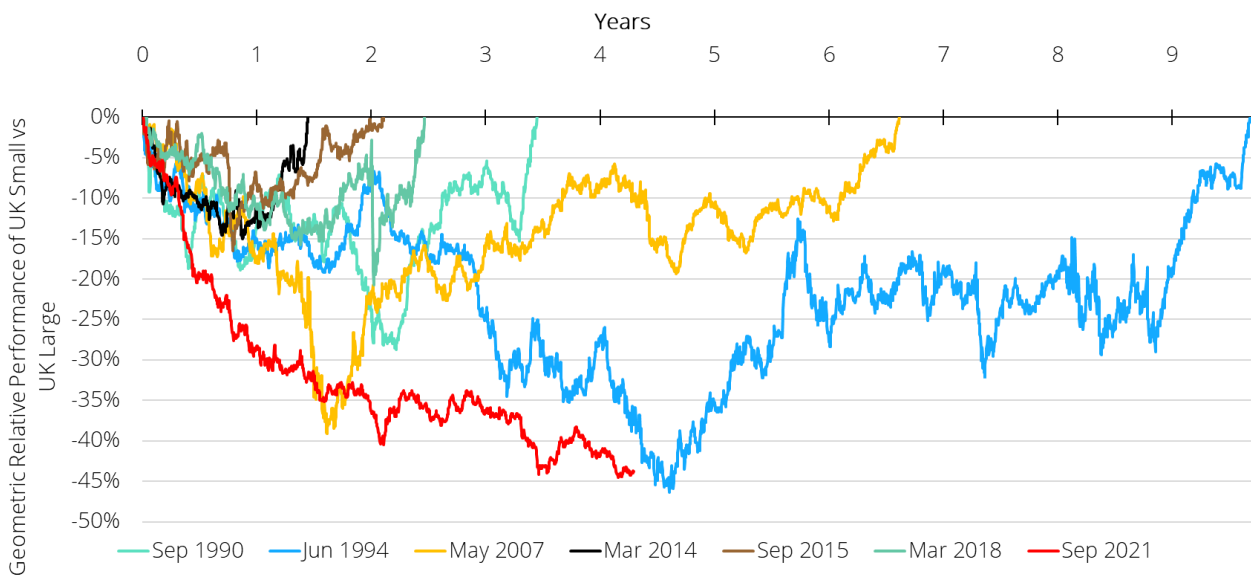


Source: Berenberg, Eikon end 2025.

## Equity markets have been strong – but there are lots of parts of the market that have lagged and are due a catch-up, especially small and micro-cap UK equities

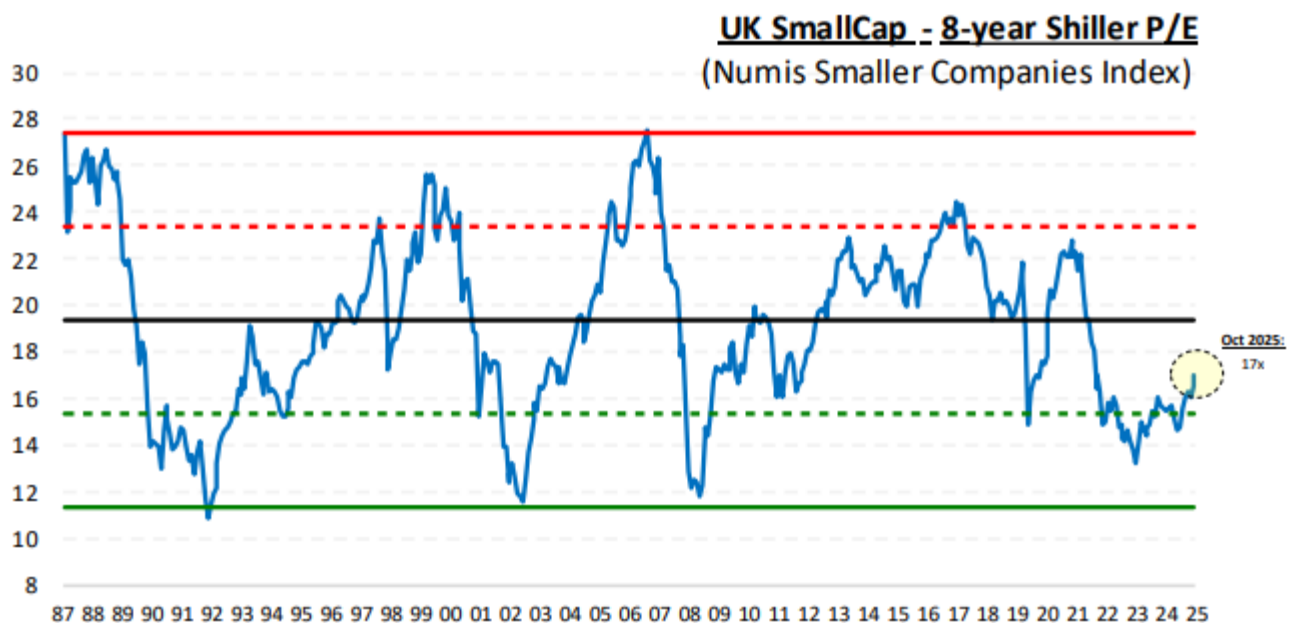
There has been relentless selling of smaller companies around the world over the last few years, as capital has chased larger cap momentum, especially via passive funds. In the UK this selling has been extreme, with UK institutions selling their home market and small, mid and micro-cap bearing the brunt of this, especially as UK large cap at least found support from non-UK investors. The result has been the biggest relative bear market in UK smaller companies in my investing career.

## Relative Drawdowns in UK Small vs Large Performance Since 1990



Source: Bloomberg LP, River Global Investors LLP, data as of 31 December 2025.

This has caused a significant de-rating of UK SMID and micro-cap stocks at a time when many other equity markets have seen a re-rating, below showing the UK SmallCap Shiller PE (the multiple of earnings smoothed over rolling 8-year periods), which compares with the peak Shiller PE seen for the US equity market.



Source: Montanaro Asset Management, 2025 letter from Charles Montanaro.

And the data below from Singers shows that there were more very cheap smaller companies at the end of 2025, those on a PE of less than 10x, than there were at the end of 2024, with micro-cap (sub £100m, a big hunting ground for me at the moment) having 36% of the universe on such a modest multiple.

### UK Equities by size and % of cohorts on a PE of less than 10x

Market Cap Range / Index	Universe ex-IT's	No. of stocks <10x Current Year	Percent Under 10x PE		
			End-2025	H1-2025	End 2024
100	100	15	15.0%	17.0%	21%
250	166	41	24.7%	23.8%	20%
1700-1001	44	12	27.3%	19.2%	21%
1000 - 501	75	18	24.0%	24.3%	13%
500-201	110	35	31.8%	30.4%	24%
200-101	99	30	30.3%	33.3%	26%
Sub 100m with (F)	122	44	36.1%	29.2%	34%

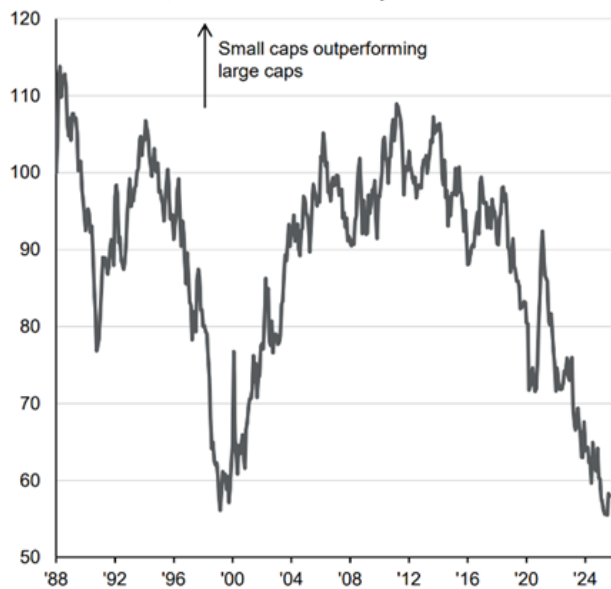
Source: Singer Capital Markets, Jamie Constable Macro Edge, data at 23<sup>rd</sup> December, 2025.

And this is very much a global phenomenon, that my funds are exploiting, with smaller companies cheap relative to their history (and large caps) all around the world:

### Not just about the UK

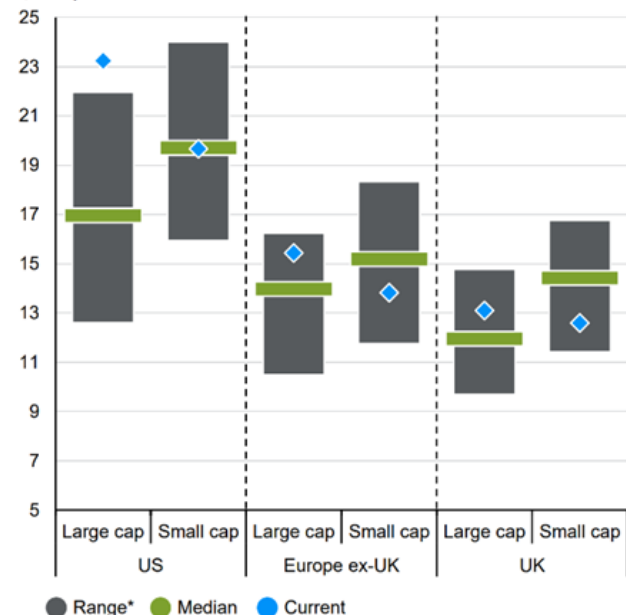
#### Relative performance of US small caps vs. large caps

Relative total return, rebased to 100 in January 1988



#### Regional large and small cap forward P/E ratios

x, multiple



Source: River Global, JP Morgan Guide to the Markets, Q4 2025, 30 September 2025

## And the biggest catch-up play is...

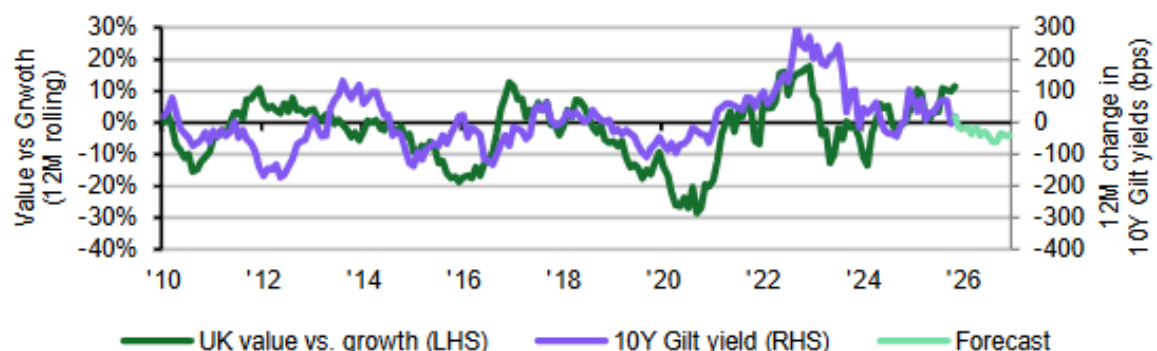
I do like to look around at my peer fund managers, especially those who were seen as best of breed a few years ago but who have subsequently run into a barren patch. They should have market beating skills (or got lucky, a key question) otherwise why would they have been able to generate the performance that the led fund buyers to love them? And if they have run into a barren patch then it is likely that the factors they exploit are out of favour and perhaps providing opportunities for recovery investors like me. And quite often these once highflyers are invested in a set of stocks that are unfashionable today, likely valued cheaply versus their history, and a good place for anomaly hunting. So, a few years ago, I became interested in long duration tech investors. Likewise, China 'growth investors' and, of course, deep value managers.

There has been much discussion in the press recently on the recent underperformance of some of some of the most popular managers in the United Kingdom. What do they have in common? Many of these "big beasts" liked non-tech quality compounders. They were all loved by fund buyers a few years ago. They all witnessed big flows into their funds, peaking in 2021. The result was that the types of stocks they invested in were bid up by weight of money and became expensive. Then the music stopped. Flows dried up. The fundamentals of many of their stocks rolled over, not great when expectations and valuations were high. Performance started to deteriorate, and then outflows from UK equities started to accelerate, with selling pressure particularly focused on these previously hot strategies.

Fast forward to today, outflows have continued unabated, but the story has changed in two respects: i) these strategies are criticised, no longer seen as best of breed (note recent coverage in the broadsheets) and ii) the valuations of their types of stock have fallen significantly. And herein lies the opportunity... Many quality compounders, especially smaller cap ones, have become attractively valued, and often because short term fundamentals have been weak, they are not earning peak returns. So attractive valuations, depressed returns, exhausted selling pressure, and business franchises that are good quality and intact, all this is an attractive hunting ground. Many of these types of stocks have found their way into the Recovery portfolio, such as Novo Nordisk, LVMH, Diageo, ASML, Salesforce, ARM, Estee Lauder, and Kweichow Moutai.

And what is the catalyst for compounders to do better? Bond yields starting to fall, for example in the UK:

### UK value vs growth driven mostly by yield movements



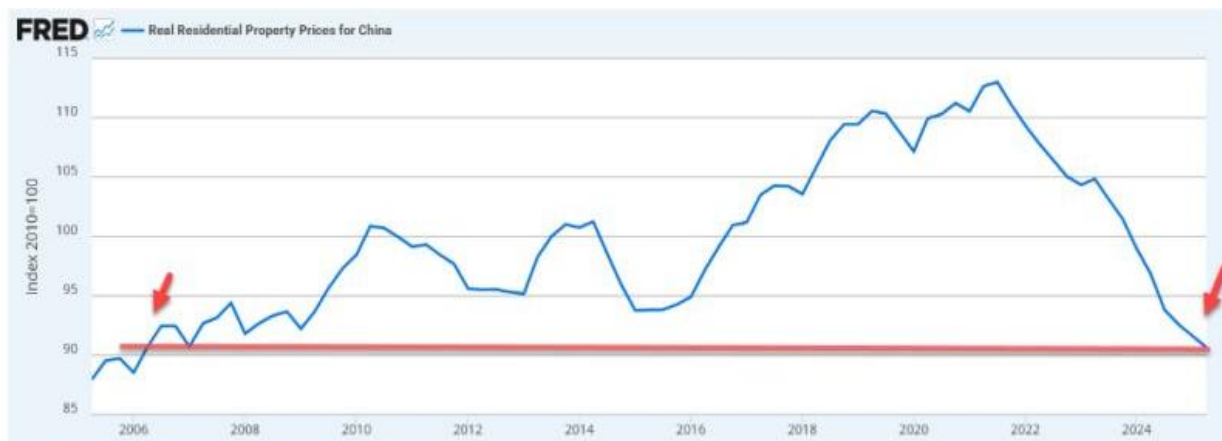
Source: Panmure Liberum, 31<sup>st</sup> December 2025.

## China Real Estate Boom and Bust – a classic deep recovery opportunity

I am conscious that my posts have been pretty UK centric recently, so given that I wear both a UK and Global Recovery hat, here is a non-UK chart to warm the cockles of any recovery investors heart. It shows the real price of China residential property, a 20 year boom and bust so that real prices have now retraced all the way back to the level in 2006. The result has been a depressed stock market and economy (even after this year's rally) as consumers save to offset the fall in real estate prices. And a big de-rating of all the consumer facing stocks in China, from AliBaba to Kweichow Moutai and Anta Sports, and of course China facing companies in developed markets, such as Remy and LVMH.

Whilst one will have to be patient, as the Chinese residential market will not repair overnight, the wait should be worth it as some of the best returns to equity investors have been delivered as economies come out of Real Estate boom and busts, a clear recent example being US equities after the GFC. We are overweight classic recovery stocks in China.

### China Real Residential Property Prices



Source: FRED / Bank for International Settlements, Q4 2025.

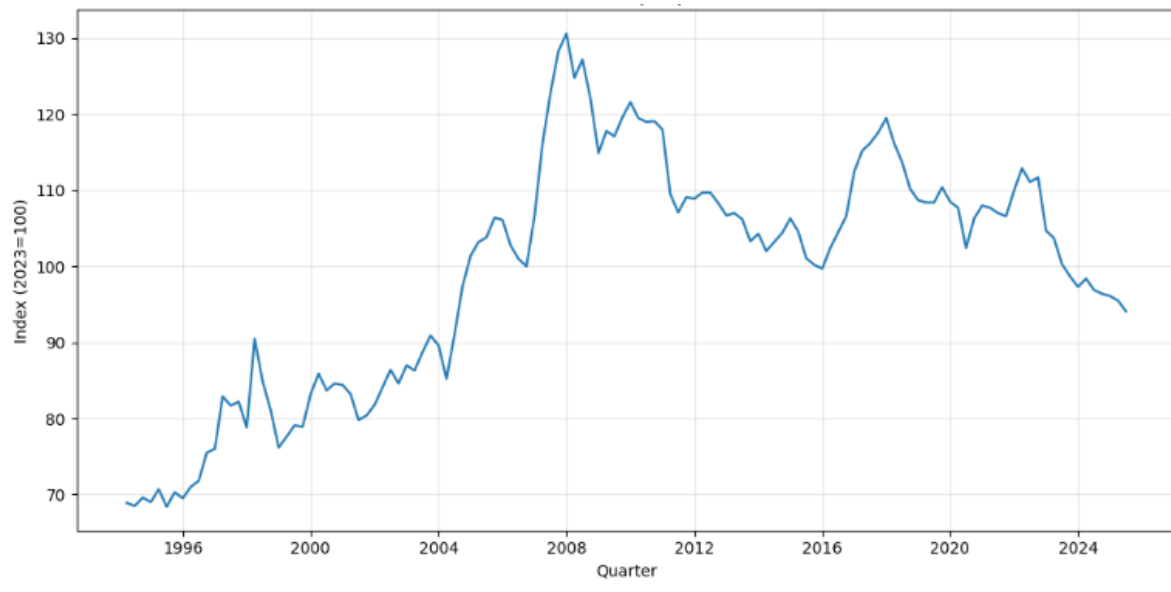
## Productivity

Why aren't serious economists looking much more closely at the poor statistics coming out of the ONS and the unbelievable narrative that productivity has not increased at all in the UK since the digital economy and now AI was invented?

I have been going on about this for a while, that there is no way we are calculating productivity correctly. The UK is a service economy, accounting for 81% of GDP (with manufacturing at 8%). We seem to have no idea of how to properly measure productivity growth for the services industry. For example all those who work in financial services you are obviously lazy buggers because your output per head has fallen over the last 15 years, this despite fintech, the digital banking revolution, the £70bn valuation of Revolut, the cuts in bank branches, the technology we use on a daily basis, oh and AI. It's doesn't pass a common-sense test, especially if you look at the more recent trends. The more financial services go digital the less productive it becomes...

We need a proper look at this. We are underestimating productivity materially, which has profound implications for the size of our economy and how it is managed!

### Output per hour: UK Finance Services, 2023 = 100



Source: ChatGPT compiled using Office for National Statistics data, to Q2 2025.

## The use of AI

We are all using AI more and more in our daily lives. My approach to investment, ideas rich, use of quants, concise rather than deep dive research, lends itself to using AI as a very helpful productivity tool. This is now being applied, useful for efficient interrogation of new ideas, for building the recovery PVT thesis, and most definitely for SPVT scoring. I would estimate an increase in process productivity of close to 50%.

## We are just at the beginning of the life cycle of equity investing

At the time of the 1920's Wall Street crash only 2% of the adult population in the US owned shares. By the 1950's this had increased to 10%. It was only really with the development of mutual funds and corporate and retail investment wrappers that direct and indirect equity investing became common. This is a young industry. And it is very innovative. Equity has been packaged up in different ways, public, private, mutual funds (active and passive), ETFs, and digitised. And it has been distributed in different ways, with digital platforms now taking over from more traditional ones. And because the equity ecosystem has gone digital it is very democratic, available to everyone with any savings, with vehicles that cover nearly every type of investment idea, and fundamental and quantitative data available to support ideas. And it's cheap, fee margins now well below 1% p.a.

And the great thing about all of the above is that so many more people can benefit from the wealth creation provided by equity investing. Over 70% of UK adults have savings, and some of this should be in equity investments so that they benefit from the wonder of compound returns, which acts far more powerfully for wealth than for incomes. For a number of reasons equity gives you a geared exposure to nominal GDP growth, because companies grow faster than local GDP, because they have leverage, because they use their cash flow productively including buying in equity, because they innovate and provide exposure to growth themes, because the weak are replaced by the strong, because they are private enterprises not public sector, and most powerfully because they compound. Of course there is a big downside, the regular drawdowns that equities suffer from. There is no getting around this short-term risk, but it is hugely offset by the medium to long term wealth creation benefits.

For all the above reasons we need a lot more of the TAM (available market) of investors to actually invest in equities. So that a majority of the population benefit from wealth compounding at a faster rate than their incomes and liabilities. So that they add diversity to their housing investment. So that the politics of envy is replaced by the politics of opportunity and that wealth is seen as a good thing. And so that more capital is available to support our equities, and the companies, people and innovation that lies behind them.

## Performance

### Market Background

Global equity markets were strong in Q4 2025 (MSCI ACWI +3.4% in USD, +3.4% in GBP). Markets were buoyed by interest rate cuts, an improving economic outlook, rapid growth of AI users and investment, and supportive liquidity. Over the quarter, MSCI ACWI Growth returned +2.9% compared to MSCI ACWI Value +3.8%<sup>3</sup>.

The UK equity market performed strongly during the quarter (MSCI United Kingdom IMI index +6.6%)<sup>3</sup>, despite a difficult budget. Domestic worries remained, reflected in smaller companies and domestic stocks lagging the index. However, the broader UK market was supported by falling interest rate expectations, gilt yields shifting down 50bps at the long end, robust company fundamentals, and international investor support for large cap UK stocks, miners and banks in particular. Meanwhile UK SMIDs lagged again as worries about domestic economic policy returned to the fore and as selling pressure continued. The MSCI UK Small Cap Index returned +3.4%, the Mid Cap Index +2.3%<sup>3</sup>. Commodity prices continue to broadly rally, with precious metals as stand outs, gold and silver both strong, with platinum also participating. Oil prices were well behaved<sup>3</sup>.

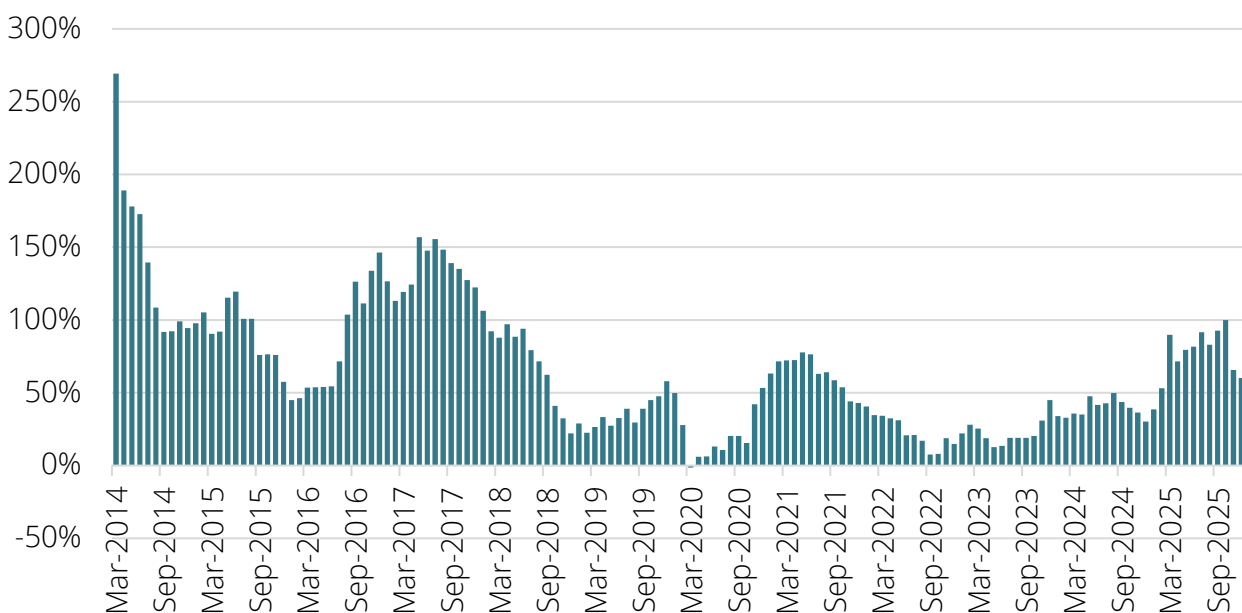
All equity markets were robust over 2025. MSCI ACWI returned +14.2% in GBP (+22.6% in USD), MSCI UK IMI +24.5% (up 33.8% in USD!)<sup>3</sup>.

<sup>3</sup> Source: Bloomberg LP, as of 31 December 2025.

## Performance – a longer term narrative

Amidst all the noise about active vs. passive, the endless amount of relatively short-term performance data, and the enduring regulatory focus on value for money I think the key objective of investing is forgotten, namely to create wealth and by so-doing enable individuals and their dependents to live as comfortably as possible, before retirement, when they are pensioners, and when they leave money to their dependents. And the key to this is investing sensibly, over a long period of time and allowing the magic of compound returns to deliver.

### 5-year rolling returns, RGI UK Recovery B shares

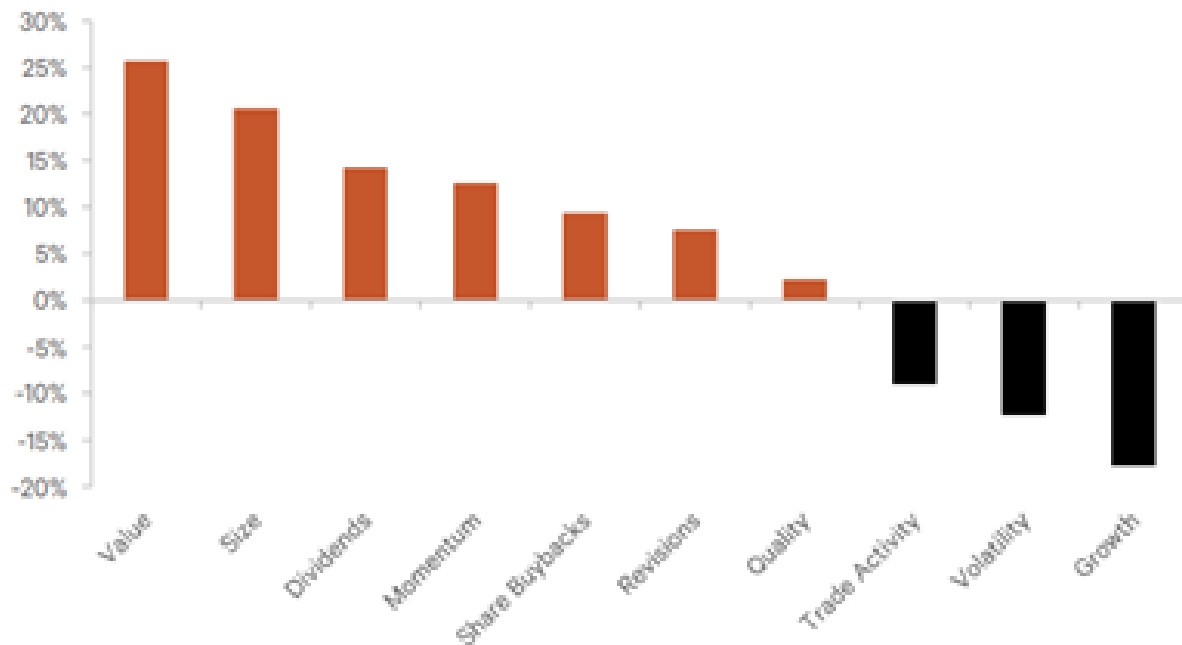


Source: Morningstar, data to end December 2025. *Past performance is not a guide to future performance.*

### Performance Background – recent

The performance of our key factors, namely Value, Recovery and Multi-Cap were supportive of strong absolute returns but more mixed in terms of relative performance. Value has clearly been robust in the UK, but it remains the case that what is holding the fund back in terms of strong relative performance is the continued indiscriminate outflow of capital from UK equities, which continues to cause a buyer's strike in my most productive hunting ground, namely SMIDs and micro-cap stocks. Indeed, it is very unusual for this part of the market to lag so badly when we are at the point in the cycle when asset prices are reflating. We just need to be patient, with evidence that SMIDs have started to perform well in other regions of the world.

This graph shows the performance of styles in the UK last year, Value and Large Cap being the strongest factors. We have the first, and indeed all the large cap value stocks that have done well, but not quite enough!



Source: Berenberg, Data End December, 2025.

## Fund Performance

The RGI UK Recovery Fund returned +5.8% (gross of fees, Z share class) and +5.6% (net of fees, B share class) compared to the MSCI UK IMI return of +6.6% (Fund returns to Noon, Index to COB)<sup>4</sup>. Over 1 year the Fund returned +19.3% (Z share class) and +18.4% (B share class) versus the benchmark return of +24.5%<sup>4</sup>.

Our longer-term returns (3 years and longer), versus benchmark and other UK multi-cap managers remain robust and consistent. Since inception, after fees the RGI UK Recovery Fund has returned 13.2% p.a. (B share class) compared to the benchmark return of 9.8% p.a.<sup>4</sup> In cumulative terms the RGI UK Recovery fund B shares have returned 699% since inception, 323% ahead of the benchmark<sup>4</sup>.

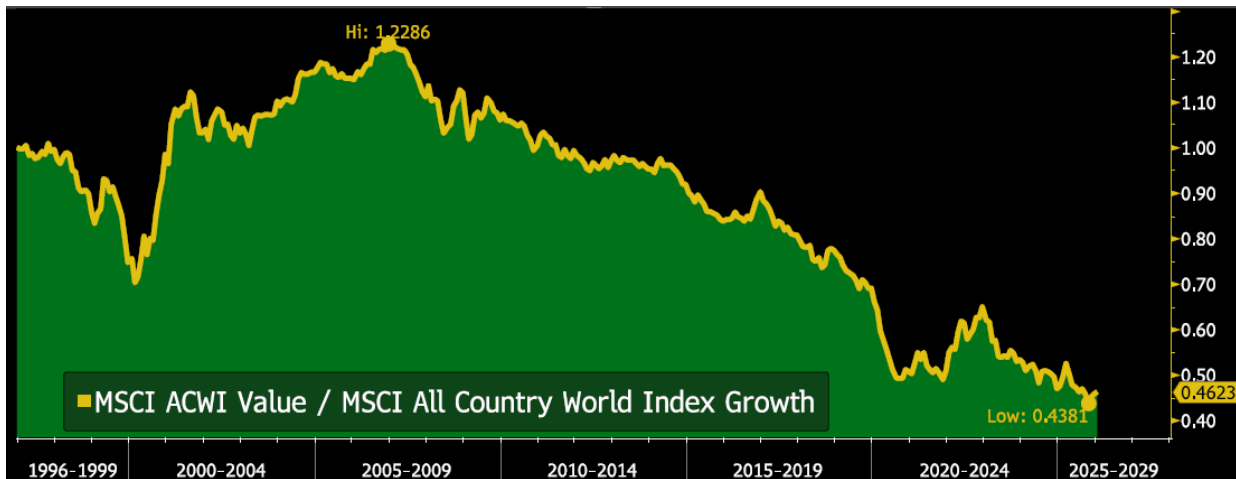
**Positive contributors during the quarter:** underweight **RELX** and **BAE**, former weak on AI worries; individual stock successes, notably a number of recovery stocks delivering and beating expectations (**Tekmar**, **Marstons**, **Molten Ventures**); M&A (**TT**, **AllFunds**).

**Negative contributors:** all comes down to small and micro-cap stocks lagging again, with positive stock selection across sizes but size allocation negative; also consumer stocks underperformed, closely correlated with small cap, recovery undermined by a difficult budget; underweight several large cap stocks (**AstraZeneca** and **HSBC**); individual stock disappointments (**Card Factory**, **Rank**).

<sup>4</sup> Source: River Global Investors LLP, as of 31 December 2025. Fund performance is calculated using midday published prices, benchmark performance is calculated using close of business mid-market prices

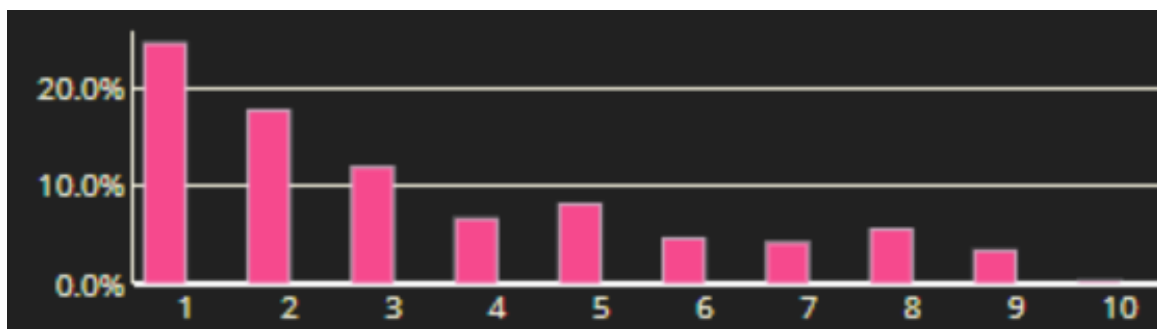
## Fund Positioning and Activity

We continue to position the portfolio for Value, Recovery, Multi-Cap investing, and for out-of-favour structural growers. The opportunity set in these areas remains significant, with these factors still at a supportive point in the cycle, including global value:



Source: Bloomberg Finance LP, Data to end Decemberr 2025

The portfolio's value characteristics remain committed; our shares are modestly valued, the portfolio trades on 11.7x PE, only 0.8x sales, 1.4x price to book, and 6.9x price to cash. There is a robust multi-cap bias. As you would expect our investments continue to reflect high scoring PVT stocks, as shown below the UK Recovery Fund skew to MoneyPenny deciles:



And we continue to have the largest weighting in Recovery category stocks, which together with Asset Backed make up over 60% of the portfolio.



Source: River Global Investors, Data to 31<sup>st</sup> December 2025

There remain very many opportunities. It is fair to say that if this portfolio of Recovery stocks was listed in another market it would have done even better, as consumer recovery stocks elsewhere have started to reflate. We are having to be very patient in the UK, especially at the SMID and Microcap end where the lack of capital continues to mean poor price discovery.

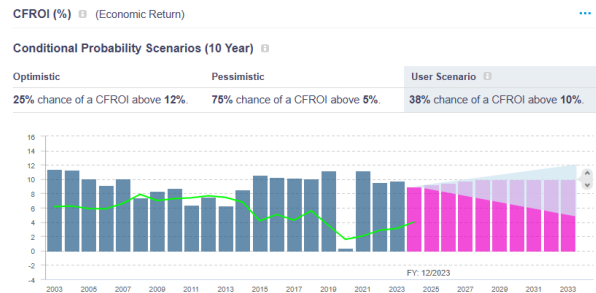
Below I continue to split anomalies by the type of opportunity, which remain diverse:

- Traditional Value, still good value and now able to grow at a reasonable pace, including **Lloyds** on a PE of 12 and generating strong free capital, likewise **Kyoto Financial**, which is performing well but still lowly valued and high scoring in MoneyPenny, **Anglo American** whose copper assets remain undervalued, **Harbour Energy** which trades on a low single digit multiple of gross cash flow and seems to be completely overlooked (no price discovery), the **Pru**, which has rallied robustly from the lows but continues to lag the recovery in its China exposed peers, and most recently we have moved overweight **Vodafone**, where news flow has started to improve, Vodacom is a strongly growing asset and the shares trade at a big discount to a growing sum of the parts valuation.
- We have been too early into beaten up UK domestic stocks, but after another year of poor performance they include many stocks on stand out valuations, too many to name but include housebuilders such as **Gleeson**, and **Berkeley**, aggregates company **Breedon**, ecommerce company **Debenhams**, tiles retailer **Topps**, mortgage advisor **MAB**, and **CVS**, the operator of vets.
- Within the commodity space we think that UK E&Ps are amazing value, **Harbour** mentioned above, but also **Enquest** and **Serica**. Like defence and gold stocks a few years ago they seem to have been deemed uninvestable by the market due to their small size and the Government's strange approach to the North Sea. This has left them looking stand out value, hugely geared into any upside surprise from oil prices. Also, within commodities, the large or thematic mining stocks have done well but those which are smaller and less easy to incorporate into ETFs have been left behind, including **South32**, **Ferrexpo** and **CAML**. We have added to these.
- We have been increasing our exposure to below the bottom-of-the-cycle valued staffing companies, which have never been cheaper as they have had to deal with both a collapse in the cycle but also AI disintermediation worries. The result is exceptional value, and share prices that need very little improving news to respond positively. We have added to **Hays** and **Page**.
- We continue to like consumer recovery stocks, as they should over time benefit from the strong financial position of consumers around the world. Examples include **Diageo**, historically a mega cap compounder but now relegated to the recovery 'naughty camp' as spirits volumes have consistently disappointed since Covid, the result an attractively valued business that does not have to grow much to justify the current valuation, **Currys** (a lot of self-help delivered by the new management team over the last couple of years, beneficiaries of increased consumer spending and a replacement cycle for PCs), **Marstons** (trades at half book value, taking share of pub spend as peers close), **Howdens**, **JD Sports** and **Greggs**, these three hugely de-rated market leading compounders.

For example Holt shows 79% upside for Greggs if returns stabilize, and the discount rate normalizes:

	T+5	T+6	T+7	T+8	T+9	T+10
CFROI % (Economic Return)	10.00	10.00	10.00	10.00	10.00	10.00
Real Asset Growth %	4.00	3.85	3.72	3.59	3.48	3.39
Discount Rate %	Peer Compare					

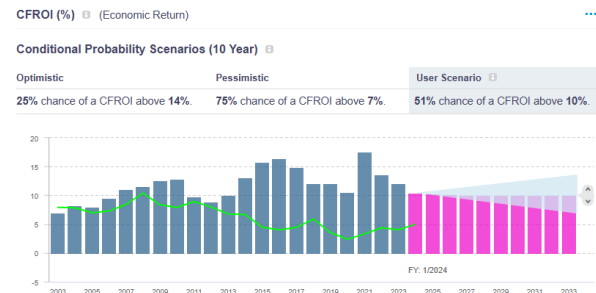
Warranted Valuation: 30.64 GBP 79% upside



And 132% upside for JD Sports:

	2021	2022	2023	T+1	T+5	T+10
CFROI % (Economic Return)	17.60	13.60	12.11	10.45	10.00	10.00
Real Asset Growth %	10.16	7.97	3.18	3.00	3.00	2.80
Discount Rate %	3.30	4.37	4.02	5.00	Details	

Warranted Valuation: 1.61 GBP 132% upside



Source: UBS Holt Lens, 2025

- Many industrials remain on modest valuations and have had de-stocking, tariff uncertainty and China competition to cope with. Our preference is for the shares with improving Timing, such as **Zotefoams** and **Renishaw**, but other historically high quality names are so beaten up that it makes sense to have started positions (including **RS1**, **Rotork** and **Croda**.)
- De-rated Compounders. Structural growers that have had a blip and as a result trade as cheap as they ever have, examples include **Spirax** (global leader steam management systems), **Rentokil** (pest control leader), **Bango** (digital payments for mobile partners), **Experian** (credit bureau), **DotDigital** (digital marketing tools) and **Wise** (disrupting the global money transfer market). Whilst this allocation has held my funds back in the short term, I continue to think there is a competitive advantage here versus traditional value and will provide longevity to the fund's recovery cycle.
- We continue to build up positions in the beaten-up biotech sector. Here the UK has a number of companies with global leading IP, which floated on high valuations as a result but which have been severely derated over the last couple of years as they failed to live up to the initial hype and as the short term industry outlook deteriorated due to a falloff in activity post the Covid related ramp up and more recently Trump Presidency related disruption. We like **Oxford Nanopore** (DNA sequencing), where Larry Ellison's investment vehicle has taken a 20% stake no doubt seeing the value of their IP, **Oxford Biomedica** (cell and gene therapy) and **MaxCyte** (electroporation technology used for cell engineering). All trade on modest EV/Sales versus their history and US peers, all have the potential to grow the top line at double digit rates for years to come.
- Investment Companies, most continue to trade at large discounts to NAV, including **Molten Ventures** (40% discount to NAV) and **Chrysalis** (30% discount).

- Real Estate stocks in the UK are stand-out cheap, including **British Land**, **Workspace** and **Shaftesbury Capital**. We have also been building up exposure to China property plays, after a torrid down cycle, but now with signs of stabilization (**China Overseas Grand Oceans**).
- Strategic Value. These need no explanation (will be bid for if they stay at current share prices), examples include many of the above plus **Rank**, **Whitbread** and **Victrex**.
- Regarding the international portfolio we continue to apply capital to out-of-favour technology leaders and digital platforms, buying a position in the de-rated **Aixtron** (semi equipment, leader in compound semi layering), **iQiyi** (China leading video streaming platform), on only 1x sales, and **BYD**, on a modest multiple of earnings despite its global leading EV platform. Other additions included **Walt Disney**, a top decile scoring Recovery stock, whose global leading IP is undervalued and **Novo Nordisk**, following its huge de-rating and improving newsflow on a tablet form of weight loss drug.
- The main sources of capital have included taking full profits where our PVT thesis has been delivered, most notably the continued recipients of M&A activity (**TT**, **Senior**, **Dowlais**, **AllFunds**), reducing (**Airtel Africa**, **Valterra**, **Imperial**) or exiting (**Barrick**, **Draftkings**, **Foresight**) into relative strength, and re-focusing capital toward higher conviction ideas (**OnTheBeach**, **Spire**).

## Outlook

Whilst some parts of global equity markets are now quite ebullient, for example most large cap US stocks look expensive versus history, I would suggest that we are relatively early in the cycle for Rest of the World equities (the UK in particular), with still modest valuations, supportive monetary and fiscal policy and robust corporate fundamentals (including a new commitment to share buybacks at least on par with US levels). We think a continued bull market in UK and ROW equities is justified, and supportive of high single digit annualised returns over a number of years. US equities have aspects, such as high valuations and higher than normal returns that make you nervous, but clearly the growth fundamentals in the US remain robust.

Meanwhile UK equities remain attractively valued, a long way from a bubble, and within the market UK SMID and Micro Cap stocks have been in a 4-year bear market with huge outflows meaning little price discovery in hundreds of stocks. This gives the UK Recovery Fund significant optionality on another leg of strong absolute returns and a return to robust relative performance. The UK political risk premium likely peaked in 2025, with lessons finally learnt by this Government that you can't tax an economy to prosperity; a change of tack here will be supportive, as will falling gilt yields and inflationary pressure. UK corporates are in good shape, with well managed cost bases and strong cash flows to support returns to shareholders.

All we need is for the UK investing collective to get behind their home market, and by the way I have a lot of capacity in my fund!

Thank you,

**Hugh**

## IMPORTANT DISCLOSURES

This document has been prepared by **River Global Investors LLP ("RGI")**. RGI is authorised and regulated in the United Kingdom by the Financial Conduct Authority (Firm Reference No. 453087) and is registered in England (Company No. OC317647), with its registered office at 30 Coleman Street, London EC2R 5AL. SVM Asset Management Limited is the Authorised Corporate Director (the "ACD") of the RGI Funds ICVC and of its sub-funds, including this fund. The ACD is authorised in the United Kingdom and regulated by the Financial Conduct Authority (FRN 146873) and has its registered office at 7 Castle Street, Edinburgh EH2 3AH.

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 **RGI Funds ICVC Prospectus** and the Key Investor Information Documents (KIIDs) (available on [river.global](http://river.global)). This document is intended for use by individuals who are familiar with investment terminology. Please contact your financial adviser if you need an explanation of the terms used.

The value of investments and any income generated may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Past performance is not a reliable guide to future results. Changes in exchange rates may have an adverse effect on the value, price or income of investments. The information and opinions contained in this document are subject to updating and verification and may be subject to amendment. The information and opinions do not purport to be full or complete. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by **RGI**, its partners or employees. No liability is accepted by such persons for the accuracy or completeness of any such information or opinions. As such, no reliance may be placed for any purpose on the information and opinions contained in this document.

Please note that individual securities named in this report may be held by employees or partners of **RGI** or persons closely associated with them, personally for their own accounts. The interests of clients are protected by the operation of a conflicts of interest policy and associated systems and controls which prevent personal dealing in situations which would lead to any detriment to a client.

The information in this document has been issued and approved by **RGI** as a financial promotion for the purpose of section 21 of the Financial Services and Markets Act 2000. **RGI** does not act for you in any way in relation to the investment and investment activity to which this document relates. In particular, except as may otherwise be formally agreed in writing, **RGI** will not provide any investment services to you and/or advise you in the merits of, or make any recommendation to you in relation to, the terms of any transaction. No representative of **RGI** is authorised to behave in any way which would lead you to believe otherwise. **RGI** is therefore not responsible for providing you with the protections afforded to its clients and you should seek your own independent legal, investment and tax advice as you see fit. The information contained in this document is neither an offer for sale nor a solicitation of an offer to buy securities. This document should not be used as the basis for any investment decision.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by **RGI**. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

## Contact us

To find out more about our investment philosophy and process, or any of our funds, please contact us on:

[client.services@river.global](mailto:client.services@river.global)

Or visit our website at

[river.global](http://river.global)