



RATHBONES

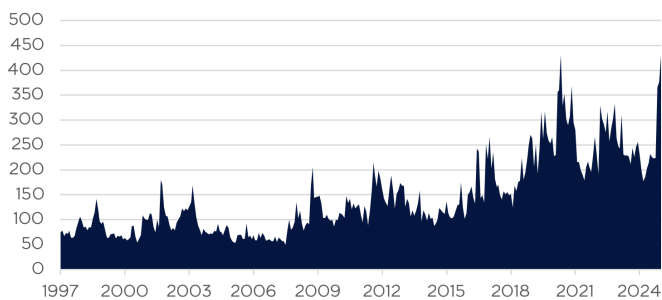
RATHBONE UK OPPORTUNITIES FUND

QUARTERLY UPDATE MARCH 2025

The first quarter has been a whirlwind for investors forced to price in potentially game-changing new information on lower-cost Chinese AI models and much higher European defence spending, while also, of course, contending with the after-effects of the White House’s random policy generator. At home, we had the Spring Statement too — though it proved a damp squib, in the end.

It’s incredible to observe the speed at which the market zeitgeist moved on from a “Trump Goldilocks” scenario of deregulation, tax cuts and super-productivity to worries about tariffs, inflation, recession and austerity. As we discussed last month, uncertainty is like knotweed for companies and confidence – President Donald Trump’s latest machinations are likely to stymie investment decisions.

GLOBAL POLICY UNCERTAINTY SKYROCKETS UNDER TRUMP

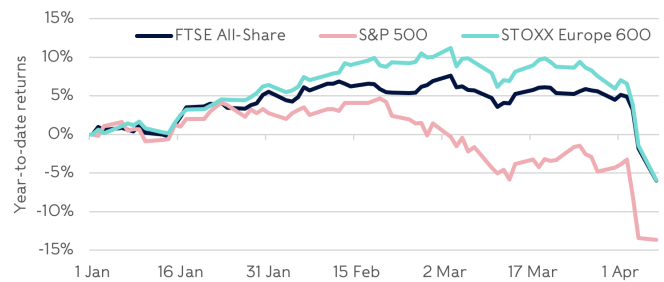


Source: FactSet, Baker, Bloom & Davis; Global Economic Policy Uncertainty Index; Data to Jan

Global economic policy uncertainty spiked to a level met only during the pandemic on Trump’s inauguration in January. We’re yet to see how high it will get after it incorporates his ‘Liberation Day’ tariffs. In early April, the US revealed a universal 10% tariff on all imports along with punitive tariffs on any nation that sent it more goods than it received from America. The UK was lightly affected relative to most thanks to the fact that we tend to import way more goods than we export. Not only that, but – very unusually – our main exports are services, which Trump helpfully seems to regard as irrelevant to global trade.

Trump’s policies of course threaten to upend global trade and could even cause a recession in the US. This meant that stock markets the world over fell sharply; the UK was no exception. However, we think the UK is actually much more shielded than the market is giving it credit for (see chart on next page), which has translated into relative resilience in UK stocks.

UK RELATIVELY RESILIENT AFTER TARIFFS ANNOUNCEMENT



Source: FactSet; data local currency total return to 7 April

Are investors abandoning the US exceptionalism trade?

Turning back to the first quarter: it delivered something that investors haven’t had to contend with for a few years – the material underperformance of US equities versus European and UK names. Indeed, the first quarter saw the biggest performance gap between the S&P 500 and the STOXX 600 in a decade. Cue reams of comment discussing the end of American exceptionalism and the rebirth of Europe!

We remain somewhat sceptical on this flip reversal – Europe is still Europe, after all. And we think there is some conflation of structural risks (DeepSeek undermining the dominance of US mega-cap tech) with cyclical ones (a soft patch in US economic data). In fact, the oxygen that allowed for this catch-up trade was the valuation gap between US and non-US equities, which had become extreme as overcrowding and high concentration kept forcing it wider.

Catalysts for a comeback

While the outperformance of UK and European markets versus US in Q1 has been the largest in a generation, there’s a marked skew within the broad shift. So far this year in the UK, large-caps are up more than mid-caps are down, as investors prefer the perceived relative safety of large-caps and ‘defensive’ sectors such as utilities and telcos. In fact, when sterling is strong and interest rates are falling, like now, mid-caps are precisely the area that should be outperforming. So we see a huge amount of pent-up potential here.

We’ve added to our position in indie video game developer **everplay** (which used to be called Team17). After a tough 2023, we were hugely impressed by the strength of 2024’s numbers, led by an excellent new CEO. The strategic clarity of spending less on developing new games and working the back catalogue harder has paid off, to the extent the company is able to pay its first-ever dividend.

Performance review

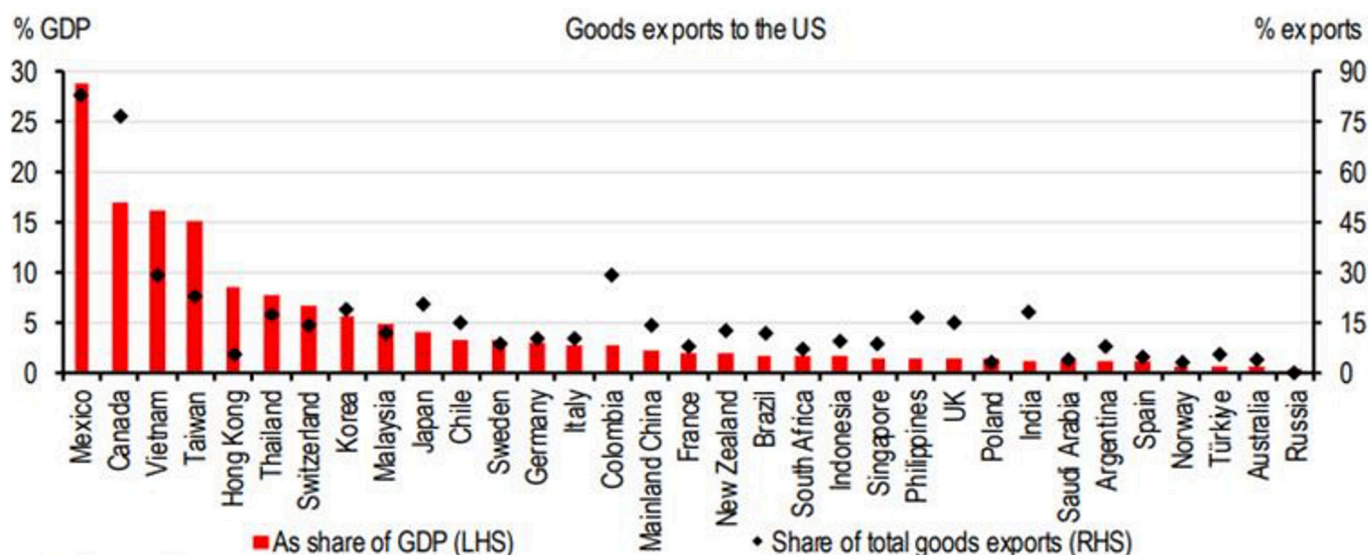
	3 months	6 months	1 year	3 years	5 years
Rathbone UK Opportunities Fund	-4.8%	-7.7%	-0.3%	-7.5%	34.5%
IA UK All Companies Sector	0.2%	-1.1%	5.1%	11.0%	61.4%
FTSE All-Share Index	4.5%	4.1%	10.5%	23.3%	76.6%

	31 Mar 24- 31 Mar 25	31 Mar 23- 31 Mar 24	31 Mar 22- 31 Mar 23	31 Mar 21- 31 Mar 22	31 Mar 20- 31 Mar 21
Rathbone UK Opportunities Fund	-0.3%	6.7%	-13.1%	-0.4%	45.9%
IA All Companies Sector	5.1%	7.7%	-1.9%	5.4%	38.0%
FTSE All-Share Index	10.5%	8.4%	2.9%	13.0%	26.7%

Source: FE Analytics; data to 31 March, I-class, mid price to mid price.

These figures refer to the past, which isn't a reliable indicator of future performance.

THE UK IS MUCH LESS EXPOSED TO US THAN OTHERS



Source: IMF

Warehouse REIT (can you guess what they do?) has been bid for by US private equity investor Blackstone. We expect this deal to go through and for more similar ones to follow. The prevailing share price discounts to the underlying value of companies' assets in the UK property sector are just too tempting for long-term investors to pass up.

The team has seen an enormous number of companies during the month, thanks to results season and some conferences. We wouldn't want to generalise across such a broad range of businesses, but an intense period of compare and contrast has certainly helped us refine our pecking order. We've had some instructive two-way conversations with our holdings about their capital allocation plans. This is key to making the difference between a great business and a great investment.

Companies seen in March: **Greencore, Rightmove, SSP, Greggs, Dowlais, Rosebank, Morgan Sindall, Bezley, Breedon, Ibstock, Rotork, Melrose, 4imprint, Hill & Smith, BOKU, Softcat, Volution, FRP, Foresight, Bloomsbury, Trustpilot, DiscoverIE, Diploma, Howden Joinery, GB Group, Deliveroo, Advanced Medical Solution, FDM, everplay, Alpha Group, Chemring, AJ Bell, Fevertree, PensionBee.**



ALEXANDRA JACKSON
Fund Manager

For more info on our fund, including factsheets, performance and fund manager views, please click [here](#).

If you require further clarification on this commentary, then please contact your adviser or Rathbones at the contact details below.

Any views and opinions are those of the investment manager, and coverage of any assets held must be taken in context of the constitution of the fund and in no way reflect an investment recommendation. Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back what you originally invested.

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