TrinityBridge Portfolio Funds

Monthly fund manager update

September 2025

Giles Parkinson
Managing Director

STRATEGY OVERVIEW

The TrinityBridge Portfolio Funds seek to achieve resilient returns over the long term through a company-led approach to investing in a multi-asset context. Our approach of acquiring ‘cheap durables’ – direct interests in predictable businesses that will grow in value and repay their debts purchased at attractive cash-based valuations – is complemented by allocations to fixed income and alternative assets.

MONTHLY PERFORMANCE REVIEW & ACTIVITY

September was a strong month for equity markets, with gains concentrated in large-cap artificial intelligence (AI) shares – while the S&P 500 gained +4.0% in sterling terms, the equal-weighted index lagged at +1.5%. There was a steady flow of company announcements which suggested that the build out of AI (namely, dollars spent on data centres) still has a long runway. The funds participated in the rally by selectively adding new positions in KLA Corp (a provider of equipment needed to make semiconductors), Broadcom (a maker of application-specific chips), Amphenol (a provider of connector cables for data centres to operate) and Cadence (one of only two global companies providing semiconductor design). We added Alphabet towards the end of the month, given the lifting of the regulatory overhang and valuation still proving attractive.

AI is not the only driver of performance across markets, with gold staging another multi-currency breakout. We added a new position in Wheaton Precious Metals to accompany our existing position in Franco Nevada – both are ‘streaming’ companies providing higher beta exposure to the underlying spot price.

To raise the funds for these purchases, we trimmed some of our defensive domestic earners in the US, namely drug distributors Cencora and McKesson. We would expect such stocks to underperform in a continued equity market rally, but also more recent returns have suffered from the US dollar weakness.

US dollar weakness is in part due to a ‘clearer’ pathway for the Federal Reserve to cut interest rates relative to other central banks. As an example, Christine Lagarde (President of the European Central Bank) declared that the disinflationary process for the Euro Area is now over, essentially making the next move by the ECB a toss-up between a cut or a hike. Against this backdrop, we switched our remaining German Bund positioning into US Treasuries while keeping duration constant.

The Portfolio Funds performance is lagging on a year-to-date basis, but positive in absolute terms.

LOOKING AHEAD

We are the most optimistic we have been all year. The Federal Reserve has resumed cutting interest rates, which is rebooting the 'soft landing' narrative that dominated markets positively in 2024. The key risk to equities lies in the Treasury market thanks to sizeable US budget deficits and general US political uncertainty which is slowly undermining the post-WW2 era of 'US exceptionalism'. The American economy continues to slow under the burden of persistently high interest rates. As long as the US economy remains out of recession, we will maintain an equity overweight. Sovereign bonds would help insulate against recession but decline alongside equities if interest rates spike. Gold will likely continue to represent our favoured diversifier to equities under either adverse scenario.

As a long-term strategy with low turnover, we fully expect and recommend that unitholders judge our performance over a period of five years or more.

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