TrinityBridge Portfolio Funds

Monthly fund manager update

June 2025

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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 as appropriate.

MONTHLY PERFORMANCE REVIEW & ACTIVITY

In June, equity markets extended the strong rebound from April's tariff induced sell-off. The macro data continued to support the 'soft-landing reboot' thesis: US Jobs growth remained positive, albeit slowing, but we still believe the US can avoid a recession if the Federal Reserve (Fed) restarts its rate cutting cycle. US inflation data continued to come in persistently cold, showing minimal impact from the tariffs so far. This helped the market to nearly fully price in a September rate cut from the Fed by the end of the month, buoying global markets.

Against this backdrop we continued to increase up our equity overweight, by adding higher beta cyclical stocks linked to capital markets. In addition, we started new positions in the US housebuilder, NVR and the US payment network, Mastercard. The US housebuilders are down c.-30% from their autumn highs, but are clear beneficiaries of a Fed cutting cycle. NVR has a unique capital and asset-light business model, delivering superior fundamentals compared to land-heavy peers. In June, Mastercard's share price pulled back on concerns that stablecoins could disrupt the traditional payment landscape. However, we see widespread consumer adoption of stablecoins as unlikely given the inherent benefits and convenience the current system gives to consumers. To fund the equity overweight, we were sellers of fixed income, marginally reducing the Fund's duration and remaining underweight bonds.

All the Funds outperformed their respective Investment Association (IA) peer group benchmarks in June, with Sustainable Balanced, Balanced and Growth ahead on a year-to-date (YTD) basis, whilst Conservative is marginally behind.

LOOKING AHEAD

We are now the most optimistic we have been this year. The Federal Reserve is expected to resume cutting interest rates at some point in the next 6-12 months, which will reboot 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. However, as long as it remains out of recession, we are likely to maintain an equity overweight. To mitigate this risk, equity purchases will likely be funded by further reductions in sovereign bonds, which 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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