An umbrella fund with segregated liability between sub-funds

Registration number C142346

PERFORMANCE COMMENTARY – FIRST QUARTER 2025

The first quarter of 2025 will be remembered for rapid change. U.S. presidential transitions typically focus on achieving one or two major policy objectives in the first 100 days. The Trump Administration has initiated so many far reaching and dramatic changes it is hard to keep count. But the target is clear: the U.S. Administration is attempting to reset decades of intricate global trade agreements, while also addressing tax policy and U.S. federal debt and deficit spending, all of which are interrelated. Amidst this upheaval, the DeepSeek announcement out of China led investors to question the Silicon Valley hype that U.S. tech giants dominate the world of artificial intelligence. This caused an unexpected market decline among the "Magnificent 7" names.

Not surprisingly, security markets experienced extremes in volatility. What is surprising: international markets have outperformed so far in 2025. Following the U.S. elections, general consensus suggested that the U.S. economy/markets would lead the world for years to come. Investors liquidated international equities to buy U.S. stocks, favoring benchmark heavyweights. The tides have turned; countries like Germany that epitomized the most negative sentiment are now among the best performing markets in 2025. Based on the March 26, 2025 Bureau of Economic Analysis Investment report, the value of non-U.S. investments in U.S. securities increased nearly $7 trillion over the past two years. Some of those investors may be rethinking their positions now; it would be reasonable to expect investment dollars to leave the U.S. and return to home markets as domestic economic activity picks up, while the U.S. markets lag.

On this backdrop, the Polaris Global Value UCITS Fund ("the Fund") returned 4.22% at net asset value, handily outperforming the MSCI World and ACWI Indices (gross dividends reinvested), which declined -1.68% and -1.22% respectively. Financials contributed most, followed by MSCI World Index-beating results in health care, energy and consumer discretionary sectors. Materials and information technology (IT) detracted, the latter of which was impacted by industry upheaval over DeepSeek. Of note: the Fund outperformed the MSCI World Index tech sector, which is laden by overheated, overvalued mega-cap stocks. Fund portfolio holdings in Germany, Norway, Sweden, China, Netherlands and Italy returned double-digit gains, while the United States added measurably due to weighting. Canada and Ireland were the only detractors of note, both impacted by underperforming materials companies.

FIRST QUARTER 2025 PERFORMANCE ANALYSIS

Four of the top 10 overall portfolio contributors hailed from the financial sector, led by DNB Bank. The stock price rose more than 30% after DNB announced stellar quarterly earnings, healthy profit margins and higher return-on-equity targets. DNB's proactive interest rate/currency hedging strategies solidified its financial position within a robust Norwegian economy. Sparebank 1 Sor Norge continued its stellar run, raising return-on-equity targets earlier in the year. German reinsurer Munich Re increased profitability in global specialty insurance, while maintaining pricing and underwriting discipline in the property & casualty market despite loss events. Munich Re will acquire Next Insurance, marking its first foray as a primary insurer to small/medium-sized U.S. businesses. German discount brokerage flatexDEGIRO posted better-than-expected earnings, while announcing ambitious plans to grow its user base and offer more products. Conversely, U.S. financials were reeling over "sticky" inflation, tariffs and slowing GDP growth, which drew recession concerns. These headwinds hurt prospects for The Carlyle Group along with most other private equity firms, facing tight financing and delayed M&A deals. Regional banks, including Cullen/Frost Bankers, Webster Financial and M&T Bank, struggled under the same macro premise, with decreased demand for banking services and loan activity.

CVS Health Corp. rebounded from 2024 lows to become the top-performing stock in the S&P 500 in the first quarter of 2025. The same held true for the UCITS Fund, as CVS topped the contribution column. The 50%+ surge in stock price was driven by better-than-expected fourth quarter results, Medicare Advantage margin recovery and an upbeat turnaround story under CVS' new CEO. Gilead Sciences registered solid earnings, highlighting its oncology and liver disease franchise, HIV treatments and drug pipeline. AbbVie Inc. gained nearly 19% for the quarter, fueled by sales of newer immunology drugs like Skyrizi and Rinvoq, which offset declines from Humira's patent expiration. The company also boasts a solid drug pipeline and raised revenue guidance for 2025, contributing to investor confidence. United Therapeutics (UTHR) was the sole health care sector decliner, after the company reported lower revenues for its flagship Tyvaso inhaler. Tyvaso faces generics competition later in the year from Insmed; however, if Insmed's inhalation powder proves less effective, this could present attractive upside to UTHR's stock. UTHR's breakthrough xeno organ program is moving toward FDA approval.

All energy sector holdings gained for the quarter. ENI SpA's 2025 capital market update was well received, as the Italian energy company fired on all cylinders: solid upstream organic volume growth, non-core asset sales, and increased shareholder returns via dividends and share buybacks. ENI hosted a tour of the Commonwealth Fusion Systems facility in Devens, MA where they are building the SPARC tokamak, a machine that harnesses fusion energy -- the holy grail of clean energy. We were impressed by the progress of this production facility and will be monitoring the commercial fusion reactor being built in Virginia. TotalEnergies alluded to resilient global energy demand as the shift to renewables is balanced by legacy energy sources. The Williams Companies Inc. had stout earnings, highlighting expansion projects to address natural gas demand in heating, power generation, and LNG exports. Marathon Petroleum had good full-year 2024 earnings, deploying capital for refinery improvements and projects.

The Fund's consumer discretionary portfolio outperformed the MSCI World Index sector benchmark by nearly 14%, with a half dozen stocks posting double-digit returns. Next PLC saw its share price rise due to strong financial performance, an upgraded 2026 profit forecast and online sales growth (both within the U.K. and overseas). China e-commerce site, Vipshop Holdings, had impressive fourth quarter earnings, with earnings per share and revenue surpassing expectations. The company's focus on discounted apparel offerings and high gross margins boosted investor sentiment.

The sector was not without its detractors. Canada's Magna International fell on the threat of 25% tariffs on auto parts, potentially disrupting supply chains and increasing costs. Magna's 2-year vehicle production outlook also underwhelmed. In late 2024, Inchcape lost distribution rights for two Chinese brands, Geely and JAC Autos. To counter this loss, the British automotive distributor strengthened ties with Changan in Chile and added smaller brands like Deepal, Avatr, and Nevo. Continued tariff discussions could impact LG Electronics in the near term, as the company plans to pass along tariff prices to the consumer. However, LG Electronics has largely hedged the risk through its geographically diverse manufacturing sites. Sally Beauty Holdings announced positive earnings and outlook, noting recovery in its storefronts amidst a marketing/advertising push. Yet dour U.S. headlines created consumer spending hesitation.

Barbell results defined the communication services sector, with Deutsche Telekom gaining more than 20%, driven by a solid earnings outlook, growth in its U.S. subsidiary T-Mobile, upside in B2B offerings, and resiliency in the local German market. By contrast, Publicis Groupe lost more than -10% even though the company had solid results and new business wins during the quarter. Skepticism surrounds competitive advantages afforded any one company in the advertising space; however, we believe that Publicis is well positioned to capture market share, ready to poach clients disrupted by the Omnicom/Interpublic acquisition.

Industrials sat firmly in the middle of the pack, with outsized gains from Loomis AB and Vinci SA erased by losses at International Consolidated Airlines Group and Allison Transmission Holdings. Swedish cash handling company, Loomis, cited good organic growth and margins, coupled with strong free cash flow. Loomis' legacy business continued to perform, while Loomis Pay adoption accelerated. Vinci SA rebounded from 2024 lows, as new management outlined global expansion, renewable energy integration, and tech advancements to improve efficiency and service. International Consolidated Airlines Group reported solid results, driven by favorable pricing (tight capacity/high demand) in the North Atlantic region; the company subsequently launched a new $1.1 billion share buyback scheme. However, travel stocks slid after Delta Airlines and Southwest Airlines cut profit expectations on weakening travel demand. Allison Transmission guided for softer end-market demand for Class 8 heavy duty trucks due to trade uncertainty.

Methanex Corp. dragged down materials sector results. The Canadian methanol producer addressed an unplanned outage in its Geismar 3 plant; downtime will impact second quarter results. Smurfit Westrock's stock price trended down since releasing mixed fourth quarter 2024 results. Net sales and earnings per share increased from the prior year quarter; however, these figures fell short of Street expectations. The bigger concern is the impact of tariffs, as Smurfit has notable footprints in Mexico and Canada.

In the wake of DeepSeek news, investor appetite shifted from the U.S. dominant, large-cap "Magnificent 7" tech names to a much broader set of global IT companies. This boded well for the likes of SK Hynix and Samsung Electronics, both of which are derivative plays in the AI space at much more attractive valuations. South Korean semiconductor manufacturer SK Hynix had robust quarterly earnings, with its high-bandwidth memory (HBM) now comprising 40% of sales. Samsung was up on DRAM demand and tight HBM supply, resulting in a recovery in average selling prices. U.S. tech names were middling in comparison. MKS Instruments traded down as it offered more conservative guidance than the market forecast. The company's specialty and industrial segments are still in the trough of the cycle. However, NAND showed some signs of recovery, as did chemistry for advanced packaging. Arrow Electronics Inc. cited softer demand for semiconductor chips, as customers work through stockpiled inventory. Arrow believes this cycle is nearing its end, with a clean inventory channel supporting the next upswing. Canada's OpenText Corp. released underwhelming quarterly numbers and cut full-year revenue guidance, with management referencing global economic challenges, a contract termination and slower sales.

We exited seven positions during the quarter: Microsoft Corp., Interpublic Group, Sandoz Group and four community banks. Microsoft was bought in June 2012, one of those rare points in history when it was cheap. At the time, there were concerns about the Wintel alliance, a foray into cell phone operating systems and browser wars. The purchase proved timely as the dominance and widespread use of Office 360 and Azure cloud computing set the stage for a decade plus of stellar performance. However, the valuation became stretched and with concerns about the AI roadmap, we decided to sell Microsoft at a substantial profit. Interpublic is merging with fellow advertising house Omnicom; we sold as the combined entity does not offer the same investment proposition. We exited Swiss generic drug/biosimilars pharmaceutical company, Sandoz AG, as it reached valuation limits. Lastly, we saw a furious rally in the U.S. financial sector recovering from the March 2023 banking crisis; a number of banks were sold when they reached full value. Premier Financial was the subject of an acquisition by WesBanco.

Proceeds from these sales were reinvested into a number of existing holdings. We also completed the purchase of International Consolidated Airlines Group, as referenced above. IAG is a well-managed, diversified airline with global leadership positions, focusing on growth markets like the U.S., Latin America, and Spain. Its portfolio spans full-service, value, and low-cost segments. The company boasts a healthy balance sheet, robust capital allocation, and secured new aircraft capacity, shielding it from Airbus, Boeing and aircraft engine-related disruptions.

INVESTMENT ENVIRONMENT AND STRATEGY

The 2024 U.S. Presidential election fostered market optimism, particularly on expectations of deregulation, infrastructure spending, and energy improvements. However, concerns emerged over concentration in mega-cap tech and projected trade policies. Tariffs came to the forefront of every discussion in global markets, and with good reason. After the quarter end, on April 2nd, markets whipsawed in the wake of broader-than-expected tariffs, only to swing back the other way on April 9th, when tariff timelines were pushed out 90 days.

By disrupting the natural flow of trade and comparative advantage, tariffs can lead to reduced economic efficiency, production issues, higher prices, and slower economic growth globally. We have seen this firsthand in talking to some of our portfolio companies, as they seek to combat knock-on effects in their business models. So far, defensive sectors including consumer staples, health care, insurance, and utilities have proven agile and adaptable, eking out gains amid massive market volatility. There is also a running list of products the Administration exempted from tariffs (select minerals, energy products, chemicals used in energy/manufacturing), along with automotive goods covered under the USMCA Agreement.

Many sectors are not so lucky, namely materials, industrials and consumer discretionary. However, careful analysis of sub-industries may reveal companies with good growth prospects and strong underlying demand. A few spring to mind: Linde AB has quoted strong industrial gas demand; Yara International noted the need for farming fertilizers; and Vinci AB and Trevi Finanziaria are primed to help in the rebuild of war-torn countries. "Semi-discretionary" products (defined as goods that consumers can choose to purchase or forgo but are often considered more important than fully discretionary items and are less likely to be cut during economic downturns) won't likely be on the chopping block either.

At the end of the day, we expect tariffs and non-tariff trade barriers to be negotiated and renegotiated as bargaining chips in an increasingly interconnected world. We must remember that global trade stands at the forefront of prosperity for all economies – including the U.S. To the degree global trading relationships become more frictionless, and based on underlying comparative economic advantages, this could be very positive for a new era of economic growth.

This is a marketing communication.

IMPORTANT INFORMATION

The information presented is supplemental. It should not be considered as a recommendation to purchase or sell a particular security mentioned, may change at any time and may not represent current or future investments. References to individual securities throughout this document are intended to illustrate contributors to recent performance or market trends and to provide examples of thematic or security-specific catalysts identified by the investment team as part of its investment process. References to specific securities should not be viewed as representative of an entire portfolio, nor should the performance of any particular security be viewed as representative of the performance experienced by any other security or portfolio. The MSCI World Index, gross dividends reinvested, measures the performance of a diverse range of global stock markets in the United States, Canada, Europe, Australia, New Zealand and the Far East. The MSCI ACWI Index, gross dividends reinvested, captures large- and mid-cap representation across 23 developed markets and 24 emerging markets countries. One cannot invest directly in an index.

RISKS

Potential investors should be aware that an investment in a Fund may be exposed to other risks of an exceptional nature from time to time. Investment in the ICAV carries with it a degree of risk. There can be no assurance that a Fund will achieve its investment objective and there is potential for an investor to lose some or all of its investment in a Fund. Different risks may apply to different Funds and/or classes. Prospective investors should review the Prospectus carefully in its entirety and consult with their professional advisors before making an application for Shares. The Fund is subject to the following risks, without limitation:

Equity Security Risk: the value of a company's equity securities is subject to changes in the company's financial condition and overall market and economic conditions.

FDI and Leverage Risk: FDI may fluctuate in value rapidly and leverage through FDI may cause losses that are greater than the original amount paid for the relevant FDI.

Emerging Markets Risk: emerging market securities may expose the Fund to more social, political, regulatory or currency risks than developed market securities and may be subject to heightened Liquidity Risk.

MLP Risk: MLPs expose the Fund to risks associated with the underlying assets of the MLPs and risks associated with pooled investment vehicles. There is also a risk that an MLP may not be treated as a partnership for U.S. federal income tax proposes, and the purpose of the Fund's investment in MLPs depends largely upon this.

Liquidity Risk: there may be insufficient buyers or sellers to allow the Fund to buy or sell certain types of securities readily, which may impact the Fund's performance or (in extreme circumstances) an investor's ability to redeem.

Counterparty Risk: a party with whom the Fund contracts for securities may fail to meet its obligations (e.g. fail to settle an FDI) or become bankrupt, which may expose the Fund to a financial loss.

Currency Risk: changes in exchange rates may reduce or increase the value of non-U.S. Dollar denominated assets held by the Fund. There can be no guarantee that currency hedging will be successful in mitigating such effects.

Operational Risk: material losses to the Fund may arise as a result of human error, system and/or process failures, inadequate procedures or controls.

For more information on these and other applicable risks see the sections "Investment Risks and Special Considerations" and "Investment Risks Applicable to each Fund" in the Prospectus.

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The Fund is actively managed and not constrained by any benchmark. The Fund invests in securities of foreign issuers, including issuers located in countries with emerging capital markets. Investments in such securities entail certain risks not associated with investments in domestic securities, such as volatility of currency exchange rates, and in some cases, political and economic instability and relatively illiquid markets. Options trading involves risk and is not suitable for all investors. Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the Prospectus and Key Investor Information Documents (KIIDs). Please read the Prospectus and KIIDs carefully before you invest. A Prospectus is available for PCM Global Funds ICAV (the ICAV) and KIIDs are available for each share class of the Fund. The ICAV's Prospectus can be obtained from pcmglobalfundsicav.com and is available in English. The KIIDs can be obtained from pcmglobalfundsicav.com and are available in one of the official languages of each of the EU Member States into which the Fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive). In addition, a summary of investor rights is available from pcmglobalfundsicav.com. The summary is available in English. The Fund is currently notified for marketing into a number of EU Member States under the UCITS Directive. The ICAV can terminate such notifications for any share class and/or the Fund at any time using the process contained in Article 93a of the UCITS Directive. The Fund is offered solely to non-U.S. investors under the terms and conditions of the Fund's current Prospectus. Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than quoted.

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