

5 FOR 2025

**RIVER GLOBAL INVESTORS
PORTFOLIO MANAGERS
SHARE THEIR OUTLOOKS
FOR THE YEAR AHEAD**



Hugh Sergeant

RGI UK Recovery Fund



William Lough

RGI Global Alpha Fund



George Ensor

*RGI UK Listed Smaller
Companies Fund*



**Bettina
Edmondston**

*WS Saracen Global Income
and Growth Fund*



**Eduard
Hernandez**

RGI Global Recovery Fund



Neil Veitch

SVM UK Opportunities Fund

**Our Portfolio Managers
present their perspectives
for 2025, highlighting
compelling investment
opportunities amid a
stabilising yet uncertain
landscape.**

Investors are going into 2025 on a firmer footing than 12 months ago – inflation appears to have cooled, interest rates have come down and stock markets in the US, UK and Europe have performed well.

But even as hopes build that financial markets are stabilising after a period of dislocation, uncertainties remain. Markets are still assessing how the policy priorities of the new US administration will impact economic growth; political uncertainty lingers in France and Germany; and in the UK, businesses are still coming to grips with the new government's economic policies and tax measures.

Amid an improving landscape, our Portfolio Managers share five thoughts for 2025.





HUGH SERGEANT

RGI UK RECOVERY FUND

1. UK Equities are far too undervalued. The MSCI UK index¹ trades on 11.4x prospective earnings and a price to book of 1.8x. These are cheap in an absolute sense and represent a 50% discount to US equities. Many shares are still trading on price/earnings ratios of 10x or less, and it is still possible to find many recovery stocks trading below 5x recovery earnings.

2. Economic and company fundamentals in the UK are stronger than the current 'doom and gloom' consensus. The key to the UK economy is the consumer, who is in good shape, with low leverage, surplus savings and relatively secure and well-paid jobs. Meanwhile the Government – a source of quite a lot of recent negativity – is changing tack to a more sensible combination of making existing spending go further and introducing supply side reforms in areas like planning, regulation and AI.

3. Stock picking opportunities abound, including classic recovery, deep value, cheap structural growers and strategic value. MJ Gleeson is a growing UK housebuilder that

presents a compelling deep value opportunity. The company is now priced at 0.8x book value – despite evidence that we are at the beginning of a new cycle for housebuilders – and despite strong government support for the sector. Molten Ventures is an example of a deep growth opportunity. The company has a strong track record of investing in structural growth opportunities, with notable recent successes, and is available at less than half of the last company stated net asset value.²

4. MUKEGA: Making UK equities great again will require self-help, mojo and a shift in government policy – objectives that are realistic and achievable.

5. The current opportunity set will enable our UK Recovery fund to continue to create wealth and perform well against the benchmark.

“THE KEY TO THE UK ECONOMY IS THE CONSUMER, WHO IS IN GOOD SHAPE, WITH LOW LEVERAGE, SURPLUS SAVINGS AND RELATIVELY SECURE AND WELL-PAID JOBS”



¹Source: MSCI UK. ²Source Bloomberg.



WILLIAM LOUGH

RGI GLOBAL ALPHA FUND

1. Good “littleuns” to beat good “bigguns”: now is the time for quality small cap companies with high starting free cash flow yields to perform. The large cap vs small cap price-to-cashflow premium today ranks in the 96th percentile of data dating back to January 1988, the highest level seen since the tech bubble.¹

2. Everything is awesome when you’re part of a team... until it’s not*: stocks that

outperformed have continued to trade well predominantly on the back of this initial performance (often to the frustration of value managers), but as we move into 2025, the momentum factor looks increasingly stretched and risky.

3. Healthy recovery: the scale of the healthcare sector “bullwhip effect” from destocking to restocking means that sales and profits will positively surprise healthcare investors – who need to think more like industrials analysts at the moment.

4. (Not so) Big in Japan: the Tokyo Stock Exchange has served as an ongoing defibrillator for Japan Inc’s returns. This provides catch-up opportunities for smaller companies.

5. Energising equities: exploring energy requirements for AI in 2025 and beyond presents a compelling investment opportunity. Natural gas and grid capital expenditure are tailwinds for our portfolio.

“THE TOKYO STOCK EXCHANGE HAS SERVED AS AN ONGOING DEFIBRILLATOR FOR JAPAN INC’S RETURNS”



*If you have small children you’ll know the pain of this song on repeat – a bit like the pain for value managers of momentum continuing to rip in 2024.
¹Source: Bernstein. Data to 3 January 2025.





GEORGE ENSOR

RGI UK LISTED SMALLER COMPANIES FUND

1. The extent of recent small cap underperformance is anomalous – we’ve just experienced the worst relative drawdown outside of the tech bubble.¹ There has now been no small cap premium² in the UK for more than 13 years.

2. Current valuation discounts are extreme. Globally, large cap valuations relative to small

caps are about as stretched as they have ever been and there is an excellent absolute valuation opportunity within UK equities.

3. This sets up a generational opportunity for small cap returns – the combination of attractive earnings growth and a re-rating from depressed levels. Our portfolio offers faster earnings growth at a broadly comparable valuation to the benchmark.

4. There is significant change taking place behind the scenes. The Labour government has identified growth as its key strategic objective. We expect wide-ranging reform to catalyse a UK equity rally in 2025, with the flow-through of risk capital providing a welcome tailwind to UK small cap performance.

5. The UK Smaller Companies fund retains its balanced style-agnostic positioning – this is a key enabler of our track record of superior through-cycle returns with lower volatility.

“WE’VE JUST EXPERIENCED THE WORST RELATIVE DRAWDOWN OUTSIDE OF THE TECH BUBBLE”¹



Sources: ¹J.P.Morgan Global Market Strategy The SMid View 16 January 2025.

² Numis Smaller Companies + AIM ex IT vs FTSE 100 total return 01/01/2012-16/01/2025



BETTINA EDMONDSTON

WS SARACEN GLOBAL INCOME AND GROWTH FUND

1. Market breadth will increase. After reaching peak concentration in the market, both within the US and for the US vs the rest of the world, we are finally starting to see market leadership broaden out.

2. This change should favour more mid-sized and smaller companies. Compared to our peer group we go further down the market cap spectrum. We still invest in global leading businesses, but some of them are too small for our competitors. Examples include:

Avient (£3.2bn market cap): a leader in composite materials who offers labour saving solutions as well as products for US residential construction and the upgrade of the US electricity grid. These are areas where we expect increased demand in coming years.

Fuchs (£3.9bn market cap): the largest independent global lubricant company, which continues to gain market share with its specialised products, giving the business pricing power.

Wienerberger (£2.5bn market cap): a provider of efficient and sustainable products for the building and construction industry. Business activity has been depressed but we're seeing a pick-up from new build, renovation and infrastructure.

3. Valuation disparities are set to narrow. As money has flowed into a few select companies in recent years, it has driven valuations to levels where near-term cash returns are historically low. On the other hand, there are parts of the market where cash returns are unusually high, especially in the cyclical sectors. We believe that this gap will close, which would be beneficial for the fund.

4. There is a modest pick-up in European industrial activity that will boost investor confidence. European industrial activity has been depressed for two to three years for various reasons, such as Ukraine, high energy costs, political uncertainty and weak China demand. We see some of the headwinds abating. Even a small improvement in volumes in the materials and industrial space could change both profits and sentiment very quickly. Our fund has one of the highest exposures to these sectors in the peer group, with a 20% allocation to industrials and 29% to materials.¹

5. Capex spending from various US federal programmes is coming through, improving productivity and stimulating demand. Although President Trump is likely to revoke some of the loans and tax grants for green energy, many infrastructure projects have secured funding, and other forms of spending may well replace anything that is lost. Increased support for data centres, energy equipment and infrastructure could be beneficial to companies like Caterpillar, Heidelberg Materials and Schlumberger.

¹Source: Bloomberg





EDUARD HERNANDEZ

RGI GLOBAL RECOVERY FUND

1. Current market disparities are at or near all-time highs.¹ A select group of US mega cap and momentum stocks are firmly in bubble territory, while the rest of global equity markets are being completely ignored and trading at historically very attractive valuations.

2. This market concentration has also left smaller and mid cap stocks undervalued across

the world – even in the US, where the Russell 2000 has underperformed the S&P 500 for four straight years. Last year was the worst relative performance over the last 25 years.

3. There is a low bar for positive economic surprises in recently underperforming regions such as the UK, Europe, Japan or China, where expectations are very low.

4. The Global Recovery Fund invests in the best recovery opportunities that we can source around the world. Since launching the fund we have wanted it to be a truly global multi-cap portfolio. The current market environment provides the largest opportunity set we have seen in the last 15 years.

5. It would be an understatement to say that we have faced headwinds over the past few years, however, we have shown we can add significant alpha via stock selection across market caps and all global regions. It is now the best time, if there ever was one, to invest in portfolios such as Global Recovery.

“THE CURRENT MARKET ENVIRONMENT PROVIDES THE LARGEST OPPORTUNITY SET WE HAVE SEEN IN THE LAST 15 YEARS”



Sources: ¹Goldman Sachs, Bank of America, Bloomberg. Data as of 31 December 2024





NEIL VEITCH

SVM UK OPPORTUNITIES FUND

1. Labour government dashing for growth:

after a chastening first six months in power, the government seems to have grasped the need to deliver a positive narrative. Expect to hear more about planning reform and infrastructure expansion.

2. Coming to America: portfolio holdings CRH, Flutter and Smurfit Westrock have all moved their primary listings to the US. Expect more to follow in 2025, as companies seek greater liquidity and higher valuations. Rentokil Initial, which generates a majority of earnings in the US and is switching its reporting currency, is a prime candidate.

3. Continued M&A activity: last year saw the likes of Wincanton, TI Fluid Systems and Spirent exit the UK market. Expect more of the same during 2025 as bidders continue to take advantage of an undervalued UK equity market.

4. Bank on the banks: even after a strong 2024, we expect further outperformance in 2025. With rock solid capital positions, further earnings growth, cheap valuations and juicy dividend yields, what's not to like?¹

5. Safe as houses: after a false start during 2024, housebuilders look well set to benefit from an improved planning system and lower interest rates. The UK will almost certainly build 1.5 million new homes over five years as per government plans, but there will be a step up in activity over the next few years.

An ideal market for value investors

The next 12 months present an attractive window for value investors who are able to look behind the headlines to identify underpriced assets in a market that is steadying, but still exposed to geopolitical and macro-economic volatility.

For more than a decade loose monetary policy has put growth and momentum investing front and centre. But as economies emerge from a cycle of rising interest rates, the ability to identify attractive stocks that have been undervalued or ignored will come to the fore.

For investors who know where to look, there are fantastic opportunities to invest in small and mid-cap assets in overlooked sectors and geographies that are cash generative and growing earnings – but have flown under the radar because of the focus on momentum and mega-cap plays.

“THE UK WILL ALMOST CERTAINLY BUILD 1.5 MILLION NEW HOMES OVER FIVE YEARS AS PER GOVERNMENT PLANS”

¹Source: River Global/Bloomberg



Disclaimer

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 the SVM Funds ICVC. 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 sub-funds of the RGI Funds ICVC and the SVM Funds ICVC including specific risks and risk profiles please refer to the Prospectuses and the Key Investor Information Documents (KIIDs) (available on 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 any 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.