infusive
ASSET MANAGEMENT

Consumer Alpha Global Leaders UCITS Fund

Q1 2025 Fund Commentary

Dear Investor and Supporter,

The first quarter of 2025 was marked by sharp volatility, divergent performance across regions and sectors, and renewed questions around global trade, inflation, and recession risk. Yet amidst the noise, we find clarity: the consumer remains at the heart of reliability, disruption and opportunity. The Fund delivered encouraging performance in Q1, with particular strength from key holdings in China and the U.S., and we used periods of dislocation to reposition with greater conviction. The Fund returned -2.10% (Class A, USD)

Macro Landscape: A Tale of Differing Policy Worlds

From late February through March, equity markets experienced a sharp selloff. The S&P 500 fell 4.6% in Q1 and over 10% from its peak, driven by a reacceleration in U.S. protectionist policy. March marked the S&P 500's worst monthly decline since 2022, and the tech-heavy Nasdaq struggled even more. The catalyst: newly proposed tariffs on America's three largest trading partners—Canada, Mexico, and China—heightening fears of a global recession. At the time of writing (early April), over $17 trillion in global equity value has been erased. This far exceeds the proposed income from tariffs and the lost capital gains revenue from US assets.

But while markets focused on the U.S. tightening its fiscal belt, select parts of Asia were moving in the opposite direction. China's leadership has embarked on what may become the largest consumer stimulus program in over a decade, targeting household spending, rural demand, and consumer confidence. Stimulus announcements now total 2–3% of GDP, and the message from Beijing is clear: the next leg of growth will be domestic, digital, and demand-led. This builds on the momentum from AI challenger, DeepSeek.

Further, in Q1, Germany overhauled its constitutional "debt brake," exempting defense spending over 1% of GDP and allowing €15 billion in additional state borrowing to address economic stagnation and changing political dynamic. This reform could unlock a €500 billion infrastructure fund for transport, energy, and defense, marking a historic shift from fiscal conservatism and boosting euro area GDP projections.

This divergence in policy—China spending, Europe changing and the U.S. cutting—could shape capital flows and corporate strategies for years. It also is consistent with our view that the next chapter of consumer-led growth is unfolding in Asia.

Sector Signals: Resilience and Rotation

Consumer staples proved their defensive merit amid rising uncertainty. Coca-Cola was a strong contributor in Q1, benefitting from pricing power, geographic diversification, and brand resilience. The company continues to innovate its product line and grow distribution in developing markets. Over 2.2 billion **Coca-Cola** products are consumed daily, with non-U.S. markets accounting for 84% of volume, with material room for growth.

We trimmed our position in Coca-Cola (~25%) late in the quarter due to valuation and potential regulatory overhangs tied to food policy under a potential RFK-led Health Department. However, we retain conviction in Coca-Cola's ability to navigate this environment through data-driven product mix shifts and supply chain agility.

Within Consumer Digital, **Alibaba** was our strongest performer. After years of neglect from Western investors, we believe the market is rediscovering Alibaba's value—particularly as China's stimulus agenda aligns with its core businesses in cloud computing, e-commerce, and AI. Alibaba is China's leading cloud provider, giving it an unrivalled edge in scaling generative AI and data services. As China's economy pivots from industrial to consumer-driven growth, Alibaba stands to benefit disproportionately.

China is now the top trading partner of 65% of the world's economies, up from just 20% in the 1980s. That's not just a headline—it's a tectonic shift. With Western economies turning inward, China's global export opportunity—especially across Asia—is accelerating. We see Alibaba as a strategic asset in this transition.

Consumer Discretionary was more bifurcated. **Tesla** detracted from performance as their auto sales fell 13% year-over-year, yet we retain our view that the energy, robotics, and autonomy segments offer long-term optionality, even in the face of a polarising Founder.

We have a position in **Nike**, which we believe offers substantial turnaround optionality. The new CEO has strong Nike heritage and respect within the organisation. He has joined at a time when the distribution strategy will shift back to retail (a segment he knows well) and a reinvigorated focus on innovation. We reduced our position into numbers, as we had little visibility on the short term earnings and since this, the share price has been hit by tariff uncertainty. Nike has ~20% of its sales in China and ~25% of its products manufactured in China. Its other major market for production, which is also subject to tariffs, is Vietnam. Coupled with soft domestic sales and rising anti-American sentiment in China, Nike is in a challenging position. While we respect the brand and believe the company will navigate these headwinds, we've reduced exposure pending more clarity.

The Team has done substantial work on the evolving tariff situation and the flexibility (or lack of), companies in our Universe may have. Please contact us to discuss.

<u>The Asia Thesis: Secular, Structural, and (Possibly) Misprice</u>

We believe the trade wars will amplify Asia's structural rise.

- **Consumer spending** in Asia is forecast to reach $19 trillion (~30% of global consumer spending).
- The **middle class** in Asia is projected to reach 1.5 billion people by 2030, accounting for half the global total.
- **Demographics** support this trend: India, Indonesia, and Vietnam all have median ages under 34, compared to 38 in the U.S. and 39 in China.

At the same time, the region's role in **global supply chains** continues to expand. Since 2017, Asia's share of global exports has risen from 34% to 45%, adding $800 billion in annual trade value. For consumer-focused investors, this means increased resilience, diversification, and domestic consumption.

Tariffs intended to curb China's global influence have ironically fuelled a regional manufacturing and consumption boom. Countries like Vietnam and Thailand are now key beneficiaries. For example, Vietnam's exports to the U.S. rose 152% since 2018, creating over 3 million new jobs. This is unlikely to be a temporary move, but rather basis for a consumption-led economy, in our view.

<u>The U.S. Path: From Stimulus to "Detox"</u>

In the U.S., policymakers have pivoted sharply from stimulus to fiscal restraint. Treasury Secretary Bessent has dubbed it a "detox," with tariffs and spending cuts designed to reduce the $36 trillion national debt and lower the trade deficit. While that may prove beneficial over time, it represents a significant tightening in liquidity and sentiment, especially for consumer companies reliant on imports, low rates, or e-commerce-led growth.

Our exposure to U.S. businesses reflects this nuance. We continue to favor companies with localized production (e.g., Procter & Gamble), and product resilience with non-discretionary demand (e.g Costco).

We are cautious of businesses heavily reliant on imports with limited pricing power—particularly in the beauty and small-brand retail segments. For example, we exited our position in Ulta Beauty, which we believe may find the tariff situation on a larger number of SKU's more challenging than diversified global peers, with their own product origination, across geographies.

Risk Mitigation: More Acting and Less Reacting

Our Risk Mitigation Program (RMP) was activated during the quarter in response to rising volatility. In March and April, the RMP generated a positive return from our index put options, helping cushion downside risk and enabling us to reinvest selectively. The RMP is an integral part of our portfolio construction philosophy: designed not just to protect, but to create opportunity when others are forced to sell.

With ~1% of portfolio capital allocated annually to downside protection, we believe this provides meaningful risk mitigation without compromising long-term returns. The Fund also benefited from actions we took in late 2024 to reduce our exposure to highly valued digital consumer stocks, anticipating elevated volatility under a Trump-led policy regime, which we anticipated was opposed to those drawn into the "Trump Bump." We can share our note detailing this.

Final Thoughts: Staying Consumer-Led in an Evolving Global Order

Volatility is not new, but its drivers are evolving. Trade policy, generational shifts in demand, and regional fragmentation are challenging old investment assumptions. But in this, we see opportunity—particularly for those focused on timeless consumer behavior, with the flexibility to navigate new policy paths.

Our approach remains grounded in owning businesses that are deeply loved, structurally essential, and operationally agile. Whether in Vietnam or Mexico, suburban America or urban India, we believe the world is still spending—but doing so differently. That's the insight we invest behind.

We appreciate this market and geopolitical environment is uncertain. Members of our Team have decades of experience in financial markets and whilst every period is different, we remain pragmatic and agile, with research at the core. Our Team is available to speak with you and your clients about current market events.

Thank you for your continued trust and support.

What an exciting time to be alive!

Jack Dwyer

Fund Performance

Q1 2025 Performance Attribution

(Class A USD ISIN (LU1288897447)

	Net Return (%)
January	3.7
February	(0.2)
March	(5.5)
Q1	(2.1)

Risk Metrics	*Q1 (%)*
Volatility: Fund[1]	10.8

Sample of Portfolio Holdings (as at 31/03/2025)

[1] Volatility is the annualized standard deviation of the monthly returns.

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Fund Performance (Net of Fees, %)

Share Class	*Inception Date*	*MTD*	*QTD*	*YTD*	*Since Inception*
Class A EUR	Nov. 7 2016	(5.6)	(2.6)	(2.6)	51.1
Class A USD	Jul. 27, 2019	(5.5)	(2.1)	(2.1)	27.7
Class A CHF	May. 6, 2020	(5.8)	(3.2)	(3.2)	1.1
Class B EUR	Jun. 7, 2016	(5.6)	(2.7)	(2.7)	45.9
Class B USD	Sep. 25, 2019	(5.5)	(2.3)	(2.3)	19.8
Class B GBP	Oct. 31, 2019	(5.5)	(2.4)	(2.4)	13.2

Fund Structure
Luxembourg UCITS (Infusive SICAV)

Liquidity
Daily (Daily liquidity on any Business Day i.e. when both London and Luxembourg are open, if received before noon Luxembourg time, otherwise next day.)

Notice Period
1 day (Before 12pm Luxembourg) Notification to Investors if 25% AUM is redeemed in 1 day

Fees
1.00% Institutional Share Class A
1.65% Retail Share Class B

Fund Base Currency
USD

Share Classes
EUR, USD, GBP, CHF

Countries and Regions Available for Distribution
Italy, Luxembourg, Switzerland, the UK

Fund Platforms
AllFunds, Clearstream, Hargreaves Lansdown

Capacity
Open

Service Providers
Management Company/KIID: Waystone

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