

WS AMATI GLOBAL INNOVATION FUND

Quarterly Review

June 2025



By
Mikhail Zverev, Fund Manager



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Market commentary

The second quarter of 2025 was one of the most volatile periods in recent memory, following a dramatic reveal of the new US tariffs on the Trump Administration's "Liberation Day". The disruptive and arbitrary nature of the proposed tariffs and the adversarial narrative that accompanied them, led to immediate concerns about the potential for lasting damage to US credibility and the likely global economic repercussions. However, as the quarter progressed, a range of concessions, more conciliatory rhetoric from the Trump administration and constructive engagement in various trade negotiations, brought a sharp relief rally. This was further helped by the solid first quarter reporting season with a 12.4% average year-on-year earnings growth rate across the S&P500 Index.

Despite this, it was clear from the cautious commentary by company management teams that many investment decisions had been put on hold, with adverse short-term impacts on capital goods companies across the board. Later in the quarter, the geopolitical uncertainty escalated with the hostilities between Iran and Israel, culminating in the US involvement in the bombing campaign. This drove another bout of volatility affecting energy prices, as well as sentiment around defence spending, but concluded without lasting impact for now. That said, defence spending continued to increase with a further rise in the US defence budget and several European NATO countries committing to an allocation of 5% of GDP.

Another prominent feature of the quarter was ongoing uncertainty around US life sciences funding and government spending in general. Several measures, from proposed reduction of funding for the US National Institutes of Health, a major sponsor of life sciences research, to stopping federal funding of selected US universities, affected investor sentiment and the outlook for the affected industries.

Macroeconomic indicators have not yet reflected these new US policy implications, and there continues to be an ongoing tension between the US Federal Reserve that is keeping rates policy steady and a US administration pushing for lower rates.

One bright spot in global policy, was a decision by the German government to relax fiscal and borrowing parameters and commit to a potential 1 trillion of spending on both defence and broadly defined infrastructure projects. This is widely seen as an epochal political change with a lasting positive impact on the European economy.

The risk-off market reaction at the beginning of April was a headwind for the Fund, which naturally has a pro-cyclical bias. We typically own nothing, or very little, in the traditional "defensive" sectors such as utilities or consumer staples. Many of our companies benefit from an investment cycle where their innovative solutions are implemented to make something more productive or unlock a new industrial capability. In fact, we actively expected a degree of re-alignment of the global manufacturing and supply chains away from China towards "re-shoring", "friend-shoring" or "near-shoring" into the US or friendly countries. Our companies' automation, machine vision and industrial digitalisation products and solutions will be significant beneficiaries of this change. We still expect this to happen. While the near-term trade uncertainty has temporarily obscured this opportunity, we retained our positions in the affected stocks and selectively added to take advantage of the sell-off.

Helpfully the subsequent recovery and evidence of the fundamental progress of our portfolio holdings led to positive absolute and relative performance of the fund during the quarter.

Performance contributors

The top contributor to the fund performance in the quarter was **VusionGroup**, a French listed supplier of electronic shelf labels (ESLs) and other retail automation solutions. Retailers are investing in automation and digitalisation of their physical stores and Vusion had become a leading supplier in its categories. It is rapidly growing with its key US customer Walmart and has secured new customers outside of the US.

Allegro Microsystems, the US listed manufacturer of specialist sensors for automotive, industrial and energy applications, was also a strong contributor. Allegro is a key enabler of electrification of industrial motion and steering, braking and drive functions in cars, and is poised to grow despite some headwinds facing EV markets in the West. More evidence is emerging that inventory cycle headwinds affecting the industry have abated and the stock recovered and materially outperformed.

Finally **Mastec**, a US listed specialist construction company, reported strong results, beating expectations and raising its outlook. Mastec builds energy networks and benefits from the structural growth in grid modernisation, for which it is a key enabler. One of the positive implications of the policy shift in the US is likely to be an acceleration of the energy networks construction, as not-in-my-backyard objections will be harder to sustain and energy need for industrial applications and data centres continues to drive demand. Mastec is well positioned to benefit from this change.

On the negative side, our long held position in **AutoStore**, the Norwegian logistics automation supplier, underperformed over the period. The capital investment nature of its projects makes it vulnerable to the sort of investment decision hiatus that we alluded to earlier, even though the long term opportunity remains compelling. We continue to hold the stock.

Similarly, **IQVIA**, the US listed clinical trials and pharma industry information services company, relatively underperformed in the quarter on general concern that changes in US healthcare funding and pharma pricing policy will slow down the pace of pharma innovation and clinical research. We do not believe this will be the case and have retained our position.

Finally **Telix Pharmaceuticals**, an Australian listed supplier of radiopharmaceuticals, drifted on a lack of news flow and did not participate in the rapid market recovery in the latter part of the quarter. The company is making steady progress, in both adoption and approval of its existing diagnostic compounds and the clinical development of its future products, and our conviction in the investment case is unchanged.

Activity

A lot of the activity in the quarter was selectively adding to positions when share prices were affected by short term volatility but our long term view is unchanged. Our companies tend to be profitable, cash generative and well funded businesses, which means that even if this uncertainty results in genuine economic slowdown, they are well positioned to withstand it and emerge stronger. In this respect we view volatility as opportunity.

However, we also added two new holdings to the fund.

L3Harris Technologies is a US listed defence technology firm with a focus on missile technology, space and battlefield communications. Its expertise is well aligned with the US defence spending priorities, including an emerging opportunity in the Golden Dome missile defence system where it enjoys the status of “trusted disruptor”, an established supplier but without the large scale and often ex growth contracts that characterise the bigger defence

contractors. We believe the company has the opportunity to capitalise on US and NATO demand for next generation defence technology solutions, which is not fully in the price.

Another new holding is **GeneDX**, a US listed genomic testing specialist focusing on rare genetic paediatric diseases. The company's tests bring faster and more accurate diagnoses, saving time and cost on lengthy diagnostic processes and making sure that a child's condition can be treated or mitigated sooner, improving patient outcomes. As a result, stakeholders ranging from US state health authorities to the American Academy of Paediatrics now recommend GeneDX as a first line diagnostic test for an ever broader patient population. The company has undergone a decisive turn-around under the new CEO and is now a profitable, cash generative and well funded business, ready to benefit from this growth.

During the quarter we sold our position in **GEA Group**, German food processing technology company, taking substantial profits. Our original case, centred on GEA's ability to build a profitable and growing services business to supplement its equipment sales, has been playing out and is increasingly recognised by the market. However, we had become marginally more concerned about the food and beverages industry capital spending outlook, as consumers taking GLP1 weight loss medicines cut back on snack spending and the younger generation structurally consumes less alcohol. On balance we felt we had higher conviction and higher upside ideas elsewhere.

Two other portfolio sales were a change of view on the stocks.

UK and US listed **MaxCyte**, a supplier of specialist equipment enabling cell and gene therapies, was not making as much progress as we had anticipated. Our ongoing research of this specialist area raised concerns that other enabling technologies delivering these therapies for the patient may gain advantage over time, and that the pace of new development may slow down following some adverse events during a recent clinical trial. On balance this elevated the risk of holding the position, prompting us to sell.

Soitec, the French listed manufacturer of specialist semiconductor substrates, issued a profit warning which called into question the original premise of our case. Content of its products in smartphones is no longer growing at the pace the company originally guided to, and newer applications are taking time to reach critical size. Our conviction in the idea was challenged and we sold our position.

Outlook

Despite the volatility surrounding both US policy changes and the global geopolitical environment, our investment process remains business-as-usual. Two features of our investment approach help us remain calm in volatile environments like this.

First, we focus on "technologically inevitable" innovation, which shows clear industry adoption and traction and where the benefit of such innovation in the medium to long term more than offsets economic headwinds or uncertainty in the short term.

Second, our companies tend to be quality businesses, not "science projects". They have profitability, cash generation and strong balance sheets that make them more secure in volatile economic conditions, giving us confidence that they can withstand a range of macroeconomic challenges.

While we don't enjoy the market noise and share price volatility that we've experienced during this quarter, we focus on the long term and take advantage of the opportunities that share price sell-offs present.

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Risk Warning

Past performance is not a reliable guide to future performance. The value of investments and the income from them may go down as well as up and you may not get back the amount originally invested. Tax rates, as well as the treatment of OEICs, could change at any time. The return on investments in overseas markets may increase or decrease as a result of exchange rate movements. There may be occasions where there is an increased risk that a position in the Fund cannot be liquidated in a timely manner at a reasonable price. In extreme circumstances this may affect the ability of the Fund to meet redemption requests upon demand. A dilution levy may be applied to the share price when the fund is expanding or contracting. Should you buy or sell in these circumstances it may have an adverse impact on the return from your investment.

This review does not provide you with all the facts you need to make an informed decision about investing in the fund. Before investing you should read the Prospectus and the Key Investor Information Document (KIID). The Prospectus sets out the main risks associated with the fund and the KIID shows you how costs and charges might affect your investment. If you are in any doubt as to how to proceed you should consult an authorised financial intermediary.

Fund documentation is available on request and can be downloaded from Waystone [here](#) or from our [website](#).

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