

# Discovery Global Value Equity Feeder Fund

31 March 2026

## Market background

Markets began the first quarter of 2026 with strength – the S&P 500 and Eurostoxx 600 both reaching new all-time highs in January and February – before the outbreak of war in Iran triggered a swift and broad-based sell-off in March. Beneath the surface, two dominant themes emerged as two sides of the same coin: investors rotating away from businesses perceived as vulnerable to technological disruption and towards those seen as immune to it, driving meaningful outperformance from HALO (Heavy Asset, Low Obsolescence) stocks – energy, materials, utilities and other tangible businesses – while software names suffered their worst quarterly decline since Q4 2008, with the valuation premium the sector has traditionally commanded collapsing to levels not seen since the early 2010s.

## Performance review

The Fund outperformed the benchmark over the quarter.

At the sector level, the underweight in financials and information technology were the largest contributors to relative performance, alongside the overweight in communication services and the underweight in consumer staples. The overweight in health care and industrials were the most significant detractors, as was the overweight in consumer discretionary.

Stock selection was the primary driver of relative returns. The largest gains came from AIXTRON, a maker of semiconductor manufacturing equipment, which continued to benefit from the anticipation of booming demand for compound semiconductors; the position was subsequently closed. Not holding Microsoft, a global leader in software and cloud infrastructure, further supported relative returns. B3, a Brazilian exchange operator, contributed meaningfully as improving investor sentiment towards Brazilian assets met its resilient business model; Sendas Distribuidora, a major Brazilian wholesale retailer operating under the Assaí brand, also contributed. Cellnex Telecom, a Spanish wireless telecommunications infrastructure company, contributed as it continued to make progress on deleveraging and returning capital to shareholders.

On the negative side, Humana and Centene both faced near-term pressure from elevated medical cost ratios; Humana's position was closed during the quarter following doubts about management's aggressive expansion strategy, and Centene weighed on relative performance. Vistry Group, a UK housebuilder, was the largest detractor, facing headwinds from a weak domestic consumer and mortgage market, compounded by the announcement of its chief executive's retirement. QUALCOMM also detracted over the period. Melrose Industries, affected by the broader impact of the Iran war on travel-related stocks, rounded out the main detractors.

## Outlook and strategy

Against a backdrop of considerable macroeconomic noise, the quarter proved to be a good illustration of our investment philosophy in practice – something we explore in more detail below.

While the appeal of hard assets in an environment of geopolitical tension and AI-driven disruption anxiety is understandable, we believe it is precisely in such areas of uncertainty that opportunity tends to emerge; established software platforms with deep customer integrations, high switching costs and recurring revenues are not easily displaced, and for many, AI represents a monetisation opportunity rather than an existential threat. We have acted on this conviction, selectively initiating positions in software names where we believe the sell-off has been overdone.

At its heart, our approach is built on a simple observation: while markets are largely efficient most of the time, in moments of uncertainty, whether at a macro or company level, rationality can break down. Investors sell first and ask



questions later. Prices can fall further than fundamentals justify. And in that gap between price and intrinsic value lies the opportunity we seek.

This is why we are drawn to areas of uncertainty. It is not that we enjoy volatility for its own sake, or that we are permanently contrarian; it is that uncertainty is the environment in which mispricing is most likely to occur. The cognitive biases that drive investors to overreact (loss aversion, social proof, intolerance of ambiguity) are strongest precisely in those moments when the news flow is worst and the macro outlook least clear.

What we want to resist, and what we think a more formulaic approach to Value risks, is conflating cheapness with low multiples. A low P/E is a starting point, not a conclusion. The more important question is always whether the gap between the current share price and our conservative estimate of intrinsic value is sufficient to reward the risk we are taking. Sometimes that gap exists in a cyclical business on a low multiple. Sometimes it exists in a high-quality franchise temporarily out of favour. And sometimes, as we believe is the case today in parts of the software sector, it exists in businesses whose long-term earnings power has been significantly mispriced by a market fixated on a single narrative.

We remain, as ever, pragmatic about where we find Value, and it is that open-mindedness, combined with the discipline of our underlying framework, that we believe gives us our best chance of continuing to deliver for our clients.