



**EVENLODE**  
GLOBAL INCOME FUND

# IFSL Evenlode Global Income Fund

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Investment view

Style and fashion  
July 2025





## July 2025 – Style and fashion

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In this month's investment view we thought we would examine the development of positions in the fund's two largest holdings - L'Oréal and Experian - as exemplars of current market trends. Before getting into that detail, we will also consider the market-level view of the portfolio and its recent performance.

While we analyse and select individual companies that fit certain economic criteria - generating high returns on capital for example and are thus 'bottom up' stock pickers by nature - we also look across the broader market to see how companies in the portfolio compare to others. From a fundamental business standpoint, clearly we want to ensure that our core goal of profitable growth that leads to the compounding of cash flow and dividends is firmly in place. But we also take a view on how the portfolio is performing in market price terms, understanding differences in performance and perhaps where there are opportunities for investment or divestment.

The volatile nature of the global equity market this year has made this exercise more dynamic than usual as the economic and political news has caused a whipsaw effect on market prices. Having proven to be defensive when markets took a dive post President Trump's tariff announcements in early April, the Evenlode Global Income portfolio has been equally impervious to the market's bounce back. Picking this apart, we see clearly that certain sectors and sub-sectors have driven the market's recent rise, particularly AI-related information technology, banks, insurance companies, and European defence companies. Within the core sectors that make up the fund it has been companies that are not held in the portfolio that have been on the rise - tobacco

firms within the consumer goods sector for example.

Having made some changes to the portfolio at the periphery but not radically changing its makeup, the variant performance in both directions relative to the market through the different months of 2025 so far has been quite something to witness. Durable growth, cash compounding businesses that trade at reasonable prices in the market have not generally been the flavour of the last couple of months. Rather it has been growth themes (AI, defence) or 'deep value' (banks, tobacco) that have been in the ascendancy. This broad observation has its limits, as we'll see when we examine the fund's two largest positions below, but at a high level the market moves have generally left some high-quality franchises trading at very attractive valuations. Put another way, the fund is positioned between the growth and deep value trends that have been *en vogue* in recent weeks and months, and we also see that in something called 'style' analysis.

Style analysis is a way of comparing a portfolio to the market. The analysis presents the qualities of the portfolios that we manage across a range of metrics that measure corporate valuation, growth profile, and 'quality' as measured by things like return on capital, amongst others. These are compared to other funds and to the broader market. The analysis (like the generalisation above) has its limitations and doesn't drive decision making. All the same it is a helpful sense check along with other calculations to give us comfort that the portfolio's qualities are as we would expect from the top down, having constructed it from the bottom up.





## July 2025 – Style and fashion

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It shouldn't be surprising that on 'quality' measures the portfolio scores highly versus the market and other funds. Interestingly, at the moment the highest of these scores is in revenue stability, which is a function of the fact that we see good value in relatively defensive businesses like consumer goods and health care firms.

The valuation scores are even more interesting. Relative to other global income strategies the portfolio looks relatively expensive on measures like price-to-book ratio<sup>i</sup>, which is understandable as our focus is on asset light companies. Compared to the broader range of global equity strategies where growth tends to be in focus more than valuation, the fund looks cheap. This apparent dichotomy is another view on the current market situation. Income strategies tend to look for high yields and thus skew toward valuations that look cheap on short term measures like price-to-earnings (P/E) ratios<sup>ii</sup> (or 'multiples'). Low return on capital business models have been in the ascendancy in market terms, and these tend to trade on low multiples, but so have higher growth businesses that look expensive on those short-term measures, AI-related firms being the poster child.

Managing a portfolio that is differentiated to the market means that being out of fashion will happen. Whilst this is a truism, it is important that we look around and check that it is for good reason, whether the trends are long-lasting or indeed changing fast. The style analysis, attribution analysis, fundamental valuation work and portfolio level metrics that we measure are an ongoing way of doing this. In this way we can be comfortable that we are sticking to our investment principles. If the

fundamental economics of a business, its growth prospects and valuation make sense, then we have good reason to think that our long-term goal of durable compounding of returns is intact regardless of the fashion of the market. On a company level, style and fashion lead us on to the portfolio's largest position, L'Oréal.

### L'Oréal

For a business that has its heart in making people feel more stylish, L'Oréal's stock price has reflected its falling out of fashion in the market. This has followed revenue growth that has slowed from a high rate in the pandemic years to the low single digits in percentage terms. Purchases of little luxuries and a desire to look good on screen has given way to weaker consumer sentiment, particularly in China and North America where sales were flat year over year in the first quarter of 2025.

We first invested in L'Oréal in June 2022 when the share price had also declined over a short period. Prior to that the company's stock had looked relatively expensive, and we held a small-ish position as it rose again thanks to those strong revenue growth figures. As the price has declined more recently, we have increased the position, moving from 2.7% of the portfolio at the end of 2023 to the current 4.8%. Whilst we acknowledge the slowdown in sales, our assumption has never been that the higher growth rates were sustainable. The real things to like about the company stem from being by far the largest player in a consumer goods category that should exhibit steady growth through time. Being the market leader means that the company should capture a fair share of the global cosmetics market, and perhaps more, and has enviable financial characteristics. A high gross margin of 74% is





## July 2025 – Style and fashion

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testament to the value that consumers put on its products as well as the operational efficiencies that scale permits. Consistent cash generation and high returns on capital result, and the company's strong balance sheet with limited debt reduces financial risk.

With a dividend yield of 1.9% there are higher yielding consumer goods franchises out there, some of which feature in the portfolio. Our discounted cash flow analysis shows the stock's valuation to be on the cheap side of fair value, rather than the cheapest option out there. Given the company's qualities this is acceptable and looking at history, valuation is the reason why the company wasn't such a large position when the stock price was higher. At this level, we're more comfortable with the larger position.

### Experian

Experian might be a less recognisable and glamorous consumer name, although individuals seeking a view on their creditworthiness will likely recognise the brand. The company's consumer facing credit scoring business makes up about a quarter of revenues, with the rest of the business servicing companies who make loan decisions. Its data and analytical tools are sold to financial institutions largely in North America, and there is a healthy growth opportunity in its Latin American business, currently about a sixth of revenues.

Experian has, in contrast to L'Oréal, been more *en vogue* in the market over the last year - being involved in the world of data and analytics is probably helpful for market sentiment in the age of AI. But the performance is underpinned by very solid revenue growth and a developing offering to

customers through its Ascend lending decisions platform amongst other things. We built the fund's position through the latter half of 2022 and 2023, before the more recent rally in the share price. To date we have been content to hold the position at around the current 4.1% of the fund as the company's valuation has moved from the cheap to the fair value zone. The company's strong competitive position, customer offering and forecast growth in cash flows are, in risk terms, somewhat offset by some sensitivity to the economy and the large proportion of revenues derived from the US introducing geographic concentration.

We welcome the market returns of course but are cautious of the overall market level, as we have discussed at various points through the year so far. Experian is a good case study; a high-quality business, whose valuation factored in a good margin of safety, but now reflects more of a balanced prospect of risk and reward. L'Oréal is similar but trading a little cheaper in our estimation. This is acceptable for us in the context of a portfolio that is, overall, trading at better than fair value. The flip side is that capturing valuation opportunities - unless one is incredibly fortunate with timing - can lead to being out of step with the market's returns. We are happy to go with the flow if valuations are reasonable, as with Experian, and build into positions, as with L'Oréal. Over the long run this valuation risk management is, in our view, a critical part of an active investor's role - even if that means some parts of the portfolio are less fashionable than others.

**Ben P., Chris E., Rob S., Ben A., and Phoebe.**  
**24 July 2025**





## July 2025 – Style and fashion

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Evenlode has developed a **Glossary** to assist investors to better understand commonly used terms.

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Recent performance information is also shown on factsheets, also available on the website. Past performance is not a guide to future returns. The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested. Fund performance figures are shown inclusive of reinvested income and net of the ongoing charges and portfolio transaction costs unless otherwise stated. The figures do not reflect any entry charge paid by individual investors. Current forecasts provided for transparency purposes, are subject to change and are not guaranteed. Source: Evenlode Investment Management Limited, authorised and regulated by the Financial Conduct Authority, No. 767844.

Market data is from S&P CapIQ, Bloomberg and FE Analytics unless otherwise stated.

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<sup>i</sup> The price-to-book ratio is the market capitalisation of a company divided by the accounting value of its assets less its liabilities.

<sup>ii</sup> The price-to-earnings ratio is a measure of a company's current market valuation compared to its earning potential, calculated by dividing a company's share price by its Earnings per share (EPS).

