



## Q2 2025

### Vinva Systematic Equities Update

Nick Burt, Executive Director and Portfolio Manager, and Trent Larcombe, Lead Portfolio Manager at Vinva Investment Management, review the recent quarter from both global and Australian market perspectives. They share insights on interpreting short-term trading signals and address the common perception that systematic funds frequently rotate their stock holdings.

**Could you give us an update on how the global equities strategies have performed over the past quarter?**

Q2 was marked by volatility, especially in the US, where markets initially dropped 10% due to trade war tensions but rebounded to close April slightly positive. May and June saw continued strength, with global developed markets performing well. The global equity strategies delivered consistent outperformance across all portfolios, continuing the momentum from Q1.

While the team doesn't take large country, sector or single-stock bets, the US market rebounded strongly in Q2, contributing positively. EMEA also added value, while Asia-Pacific was slightly down. Financials and industrials were standout sectors, while IT underperformed slightly. Overall, the portfolios showed resilience and steady gains throughout a turbulent quarter, reflecting strong risk controls.

**Could you give us an update on how the Australian equities strategy has performed over the past quarter?**

Australia, with its heavier exposure to resources and materials, experienced more pronounced swings – particularly in energy, uranium and rare earths – linked to global tensions and trade policies.

Despite the volatility, the Australian equity strategy delivered strong performance. The portfolio's diversified approach, with small individual positions, helped maintain stability. Notable contributors included Life360, which continues to grow rapidly in the US, and IDP Education, which has suffered from poor industry dynamics and a well-timed underweight position.

**Vinva's Investment strategy involves identifying alpha opportunities through various signals. Could you share an example of how a short-term signal might prompt quicker action compared to a longer-term signal, which may indicate future opportunities requiring more gradual portfolio adjustments?**

The investment strategy incorporates a broad range of signals across different themes such as behavioural, sentiment, quality, valuation and linkage models, as well as across various time horizons. Short-term signals, which forecast returns over 5 to 20 days, are used sparingly due to their higher turnover and transaction costs. These signals aim to capture short-lived mispricings or sentiment-driven movements, often based on flow-oriented data.

When trading short-term signals, the portfolio construction process becomes crucial. The team carefully evaluates round-trip transaction costs to determine whether a trade is worthwhile. Often, these signals serve more as timing tools rather than direct alpha generators. For example, if a stock looks attractive on long-term signals but short-term indicators suggest near-term weakness, the strategy may delay entry to optimise timing and cost efficiency.

Ultimately, short-term signals are integrated thoughtfully, balancing their potential with cost and liquidity considerations. Their role is to enhance decision-making rather than drive large portfolio shifts, ensuring trades are both opportunistic and economically sound.

**Systematic funds are often perceived as having high stock turnover. How does that apply to Vinva's portfolios, and what impact does this have on after-tax returns?**

The high turnover figure in a portfolio can be misleading, as it doesn't reflect the distribution of trades across the fund. Typically, a large portion of the portfolio remains relatively static, while most of the trading activity occurs in a smaller segment. The fund's strategy focuses more on long-term signals and insights, leading to frequent adjustments or fine-tuning of existing positions rather than initiating or closing them entirely.

Headline turnover numbers can also misrepresent the tax implications of trading. Not every trade results in a taxable event, especially when trades are aligned with long-term fundamentals. Many trades involve accumulating positions rather than realising gains or losses, which helps mitigate tax drag. Despite concerns about turnover, the fund has delivered strong after-tax outcomes, as reported by clients.

Additionally, the portfolio construction process includes tracking transaction costs for each stock and trade. These costs are monitored closely during execution, ensuring that trading decisions are informed and efficient. This detailed oversight helps maintain the integrity and performance of the portfolio.

Watch the video [here](#)

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