Rathbone Unit Trust Management

Contact us 020 7399 0399 rutm@rathbones.com

Rathbones
Look forward

Rathbone Global Opportunities Fund

Update, July 2019

In July, the Rathbone Global Opportunities Fund returned 5.3% versus a 4.9% average increase for the IA Global sector. Year to date your fund is up 29.1%.

Your fund performed in line this month, but it felt worse than that. Single-stock volatility around results has been very high recently – good results are met with euphoria, bad results are crushed. Perhaps it's the skittishness of the market or the pressure for fund managers to perform when outperformance has been concentrated in just a few stocks. Maybe it's the unflinching belief that the end of the cycle is close.

It speaks to a world of unreliable economic growth – where outside events have a disproportionate impact on stock markets – and where trend-following machines exacerbate the amplitude of stock moves, leading to large intraday swings.

We are still positive about our prospects, given the number of 'buy' ideas we have, but clearly in the years ahead we will have to endure returns that are perhaps even more inconsistent. Expect quarters where we are fourth quartile and followed by those where we're first and vice versa. Swings in sentiment and punishing rotations from growth to value, EM to DM, cyclical to defensive, will be more pronounced than in the past.

This month we had eight stocks up 10-30% and a couple down 10-20% (in just 23 days!), highlighting investors' skittishness and their sensitivity to market-moving news. Our top contributor to returns was a fairly new holding called **RingCentra**l, a US software company that allows businesses to upgrade old-fashioned PBX-based telephone systems (where you have an internal trunk and branch telephone exchange) to a cloud-based telephone solution. Every time I hear the words "cloud-based" it makes me nauseous, but I stuck it out for this firm. Its next-generation phone system does provide flexibility and modest cost savings for call centres and other businesses where the phone is still mission critical. But more than just saving money, it incorporates mobile functionality, business analytics, and pre-populates your CRM system with important call information, allowing greater collaboration that should boost your sales. This is part of the wider digital modernisation drive that is sweeping across all parts of the business world – even the rusty old phone.

This month's worst performer was our long-standing top-10 holding **Align Technology**. A company we've droned on about for years, crowing about its success to the point that some clients asked us to stop talking about it because they'd heard it too many times. It does appear that the best years are in the rear view mirror for the manufacturer of Invisalign braces. Align scored an own goal late last year with a misjudged rebate to dentists that backfired. Then, in July, it revealed poor volume growth due to the success of a competitor, SmileDirectClub, which has a direct-to-consumer (D2C) offering that appeals to millennials who don't want to see a dentist and like the regular monthly payment plan. A credible D2C option for patients who don't want or need to see a dentist (or make huge upfront payments) will be highly attractive for an ever increasing number of people who just want cosmetic teeth straightening. This tarnishes a key part of Align's growth story. We've sold the position that we've held for almost five years and a return of more than 375%. Silver lining? You won't have to listen to me banging on about Align any more.

Despite some frightening falls in the stock market lately, we still believe that this market has legs. Just wobbly ones. There are some seismic changes taking place in the way we shop, eat and live, and we don't want to miss these tidal wave trends.

James Thomson
Fund Manager

Sammy Dow
Assistant Fund Manager

This is a financial promotion relating to a particular fund. Any views and opinions are those of the investment manager, and coverage of any assets held must be taken in context of the constitution of the fund and in no way reflect an investment recommendation. Past performance should not be seen as an indication of future performance. The value of investments may go down as well as up and you may not get back your original investment.

Source performance data, Financial Express, mid to mid, net income re-invested.

Rathbone Unit Trust Management Limited
8 Finsbury Circus, London EC2M 7AZ
Tel 020 7399 0000
Fax 020 7399 0057

Information line
020 7399 0399
rutm@rathbones.com
rathbonefunds.com