

Rathbone Global Opportunities Fund

Monthly update August 2021

In August, your fund returned 3.5% versus a 3.4% average increase in the IA Global sector. Year-to-date, the fund is up by 17.0%.

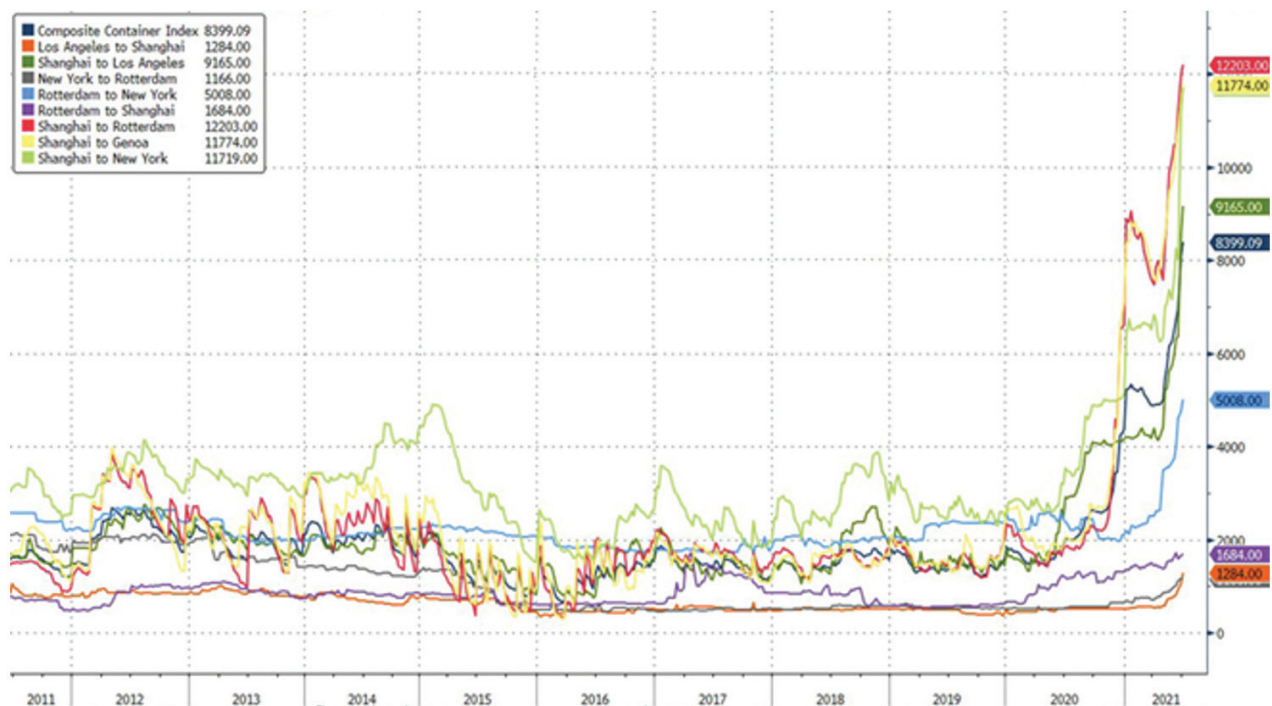
The global economic recovery is weakening and some valuations look stretched but 'peak growth' doesn't mean that a deep slowdown is imminent. This is not the time to exit.

New challenges emerge

Investor sentiment is fragile at the moment as fears rise about whether economic and earnings growth may have peaked, the spread of the delta variant, recent consumer weakness, high inflation and upcoming tapering.

Supply chain disruption is causing persistent and industry-wide raw material availability problems. This has driven a sell-off, particularly in some industrial related companies, as investors fear an earnings air pocket. But we think that softening demand after the peak Christmas ordering period (which happens in September), and a slow but steady supply-side bounce-back, suggest industrials represent an excellent buying opportunity.

Container shipping rates have been hitting all-time highs



Source: Bloomberg and Atlantic Equities



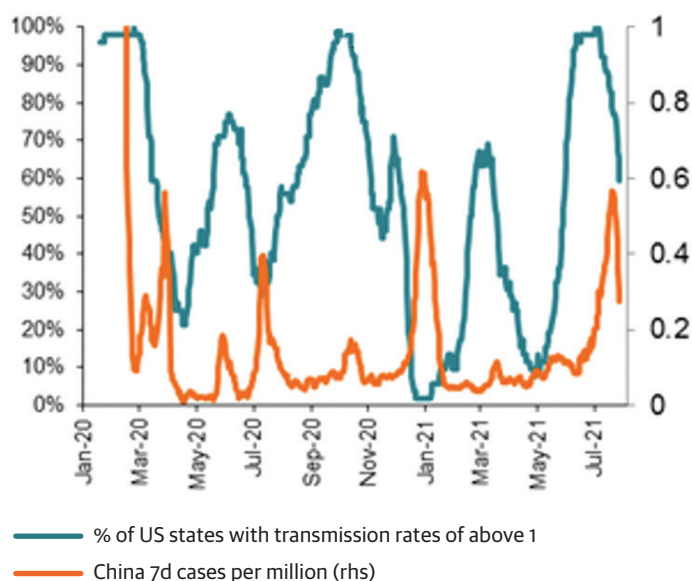
Building in balance

We expect more extreme market moves in coming weeks as investors react to these trend changes. Such inflections tend to trigger factor and style shifts that can blaze up quickly, fuelled by trend-following algorithms, and then burn themselves out. This supports the stance we took earlier in the year to become more balanced.

We reduced our pandemic winners from 2020, including our technology exposure (currently around 20%) and our consumer staples names since we believed they'd reap only minimal earnings or multiple expansion benefits from reopening. We increased our exposure to industrials, banks and medical technology, creating better balance overall between 'stay-at-home'/work from home pandemic winners and reopening/reflation beneficiaries.

The wildcard is still the delta variant or new vaccine-busting strains. So far, the evidence seems encouraging: vaccines are proving effective against existing variants, especially at preventing severe disease. We doubt that a third wave will drive further lockdowns, particularly since recent data points suggest that infection rates may be declining. The UK experience is also reassuring for the US and other economies that are less far along in their reopening journeys.

COVID infection rates seem to be declining in the US and China



Source: Exane BNP Paribas



James Thomson
Lead Fund Manager



Sammy Dow
Fund Manager

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