

Rathbone Global Opportunities Fund

Monthly update August 2022

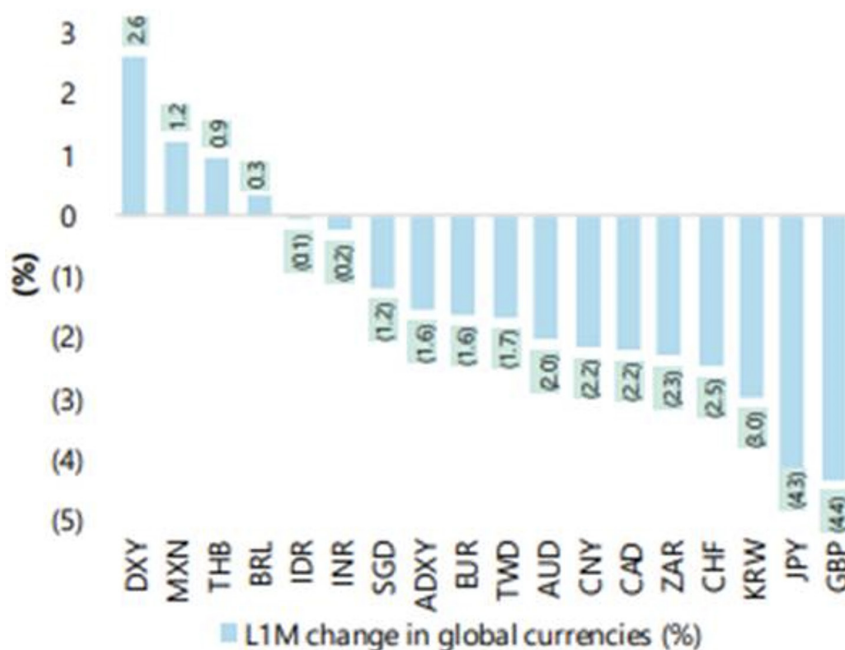
In August, your fund returned -0.4% versus a 0.6% average increase in the IA Global sector. Year-to-date, the fund is down 18.1%.

Throughout the summer stocks were lifted by hopes that the US Federal Reserve (Fed) would rein back its hawkish stance in the face of a slowing economy. But Fed chair Jerome Powell's speech at Jackson Hole towards the end of the month left nothing to the imagination. The clarity and brevity of his core message left little room for misinterpretation. Yes, there's a risk of overtightening, but let's not forget that central bankers haven't succeeded in their "unconditional" commitment to beat high inflation yet. This reduces the possibility of a soft landing and underlines the reality that this is a macro-driven market.

Bearishness is back...

Despite so much bearishness, these whipsaw markets change allegiance quickly. The summer rally shows us just how fast markets can move higher without perfect clarity. The best returns come when you least expect them. While we appear to be travelling on another failed bear market rally, the downside is being softened by a strengthening US dollar. With two-thirds of the fund invested in US equities, a stronger dollar and the potential for the US to be first out of the inflation-driven crisis, reaffirms the case for our large position there. The dollar often acts as a safety valve during market dislocations (but will weaken when global stocks rally).

The US dollar was strong in August, particularly against sterling



Source: Jefferies, FactSet, Bloomberg; movement of currencies against the dollar in August (negative number means weakness against USD)

But is inflation finally cooling?

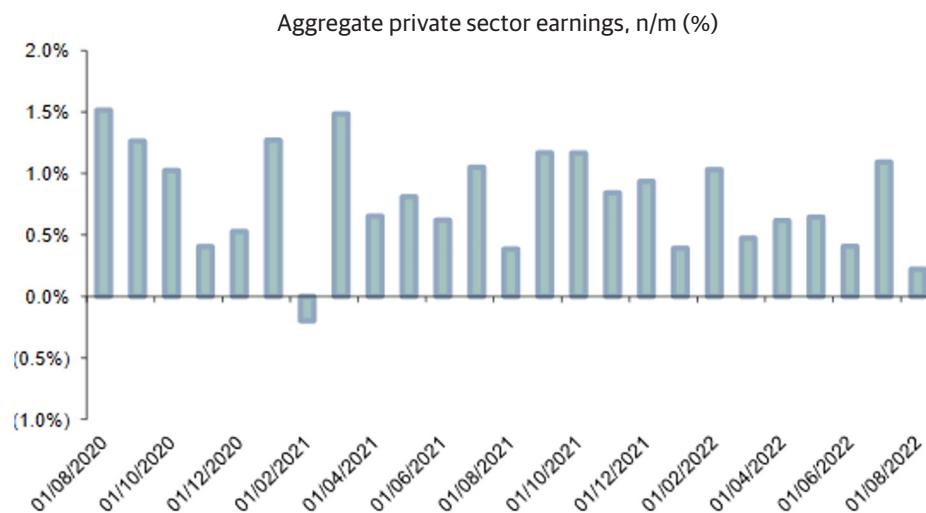
And markets' bearish allegiance could change if inflation starts to reverse materially. Commodity prices have rattled off their near-record highs recently and the latest US wage inflation data printed its smallest monthly increase since early 2021. Are these lightly chirping canaries in the coal mine?

Commodity prices are falling...



Source: Exane BNP Paribas

...While wage inflation may be stabilising



Source: Exane BNP Paribas

While we wait and market angst builds, we have repositioned our portfolio over the past six months to increase our holdings of what we regard as gold standard 'growth' stocks. We completely sold some of our surprisingly vulnerable stocks, such as Align (orthodontics), Shopify, Freshpet (dog food), Uber and Fevertree. They have been replaced by 'crown jewel' businesses, such as **Apple, LVMH, Coca-Cola, Mondelez** and **McDonald's**. We view them as the very best, which will survive and thrive in the medium and long term.



James Thomson
Lead Fund Manager



Sammy Dow
Fund Manager



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 and the income from them may go down as well as up and you may not get back what you originally invested.