For professional advisers only

Rathbone Unit Trust Management

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Rathbone Global Opportunities Fund

Monthly update July 2021

In July your fund returned 3.5% versus a 0.6% average increase in the IA Global sector. Year-to-date, the fund is up 13.1%

If you crave consistent outperformance, this is not the year for you. The deviation of returns, from one month to the next, is very high at the moment. This reflects the concentration and intensity of returns due to factor, style or stock-specific signals. We benefited from this in July, but markets are doing frequent 180 degree turns as investors move in herds. Some investors are chasing these frequent pivots just as they run out of steam.

Buckled up for rollercoaster rides

Stock-specific news flow dominated our top performers this month as real results trumped noise and rumour. If results indicated accelerating growth ahead of consensus expectations, then the reward was unusually high. Witness the 10-20% returns from some of our largest holdings following excellent results, such as **Sartorius**, **Rational**, **Align** and **Partners Group**. But we know that poor results, when they come, will be met with equal ferocity on the downside. We must be prepared for the continued rollercoaster of short-term returns.

These frequent pivots are being fuelled by COVID-19 frustration, noisy politics and changing (but not uniformly agreed) social priorities. In China, these changing priorities have been labelled a 'crackdown' by their critics and a 'wiggle' by their supporters.

The East is red... again

Early in July, luckily before the latest round of crackdowns, we reluctantly sold our only holding in Hong Kong: **Tencent**, one of the most impressive and innovative tech businesses in the world. Since then, the shares have dropped sharply and remain extremely volatile. China's regulatory interventions across a number of Chinese companies have the strong smell of 'quick fix' behaviour modification just as it's losing its grip. The list is long, but it includes forcing advanced education to be offered free/more cheaply to families, reining back access to ride-sharing data in case it falls into non-government hands, and demanding that companies become surrogate parents to limit screen time to addictive video games. We don't think this is an 'anti-capitalist' pivot by the Chinese Communist Party (CCP), but it certainly highlights the risk of a system without due process, debate and dilution. Perhaps, as some experts have suggested, these interventions are being misinterpreted and they're just 'wiggles' in the country's political and capitalist journey. But the constant U-turns from charm offensive to crackdown feel increasingly political, capricious and unbearable.

Occasionally, medium to long-term threats turn out to be a mirage. When there is increasing uncertainty, and we have low confidence in our predictive abilities, we tend to exit. This is made easier because we have so many alternative buy ideas at the moment. Why agonise over unpredictable events that might deflect from the rest of the portfolio? We took this approach following the Brexit referendum when we admitted we didn't know how it would play out. So why now take a risk on controversial investment cases in a world with so many other exciting growth opportunities?

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 your original investment.

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