Rathbone Unit Trust Management

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Rathbones
Look forward

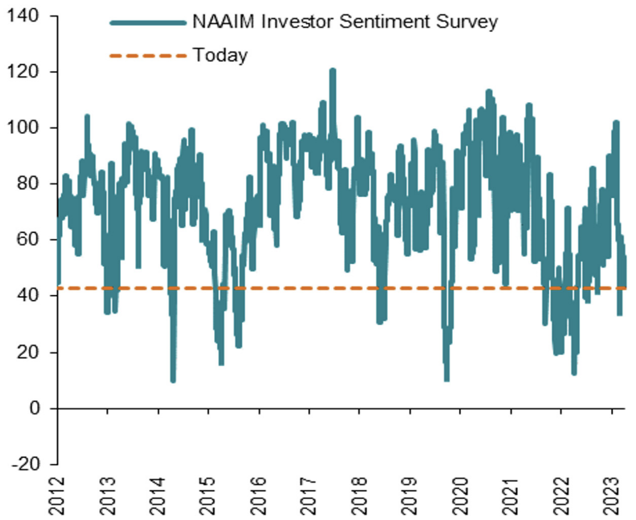
Rathbone Global Opportunities Fund

Quarterly update September 2023

In the third quarter, your fund returned -1.9% versus a 1% average decrease in the IA Global sector. Year to date, the fund is up 8%.

A recent survey of investor sentiment indicated that one third of investors are bullish, one third bearish and one third neutral – total confusion and lack of conviction. We expect kangaroo markets to continue this year as investors vacillate between recession risk, sticky inflation risk and the potential for a helpful drop in interest rates if something starts to break.

Manic markets



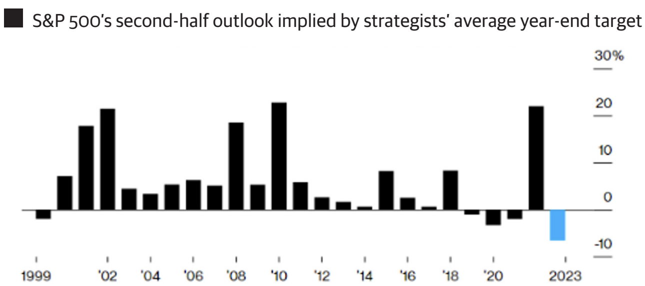
Source: Exane BNP Paribas

September was the weakest month of the year for global equities (not an altogether unusual occurrence historically). There are a multitude of challenges, including renewed inflation fears on the back of rising oil prices, relatively hawkish central banks reiterating their "higher for longer" stances on rates, sharply higher bond yields, and continued stress in China's property sector. The bears make a credible case for higher-for-longer interest rates and a wild variety of company results show signs of stress creeping into corporate earnings globally. The lagged effect of previous interest rate hikes is still yet to be fully felt. Then there's the persistently inverted bond yield curve (when bonds maturing in a year or two yield more than those for five and 10-year maturities) – an ominous sign that's historically rarely been wrong in predicting a looming recession.

But positioning and the direction of travel matters. While economists and strategists have been universally bearish, their year-end targets already imply the worst second-half outlook on record – an interesting sign that potentially a lot of bad news has been front loaded.

Wall Street strategists stick to cautious equity view

Their S&P 500 target points to most bearish second-half outlook on record



Source: Bloomberg

While many investors are hiding in cash as the risk of recession is high, we believe that a confirmed earnings recession could be the final confession that drives a new bull market. But it must be accompanied by benign inflation that gives central banks some breathing space to pivot away from rate increases and focus on delivering a soft landing (i.e. avoiding a large spike in unemployment).

Strategists have talked on and off about a soft landing over the past year, but it often gets ignored as Pollyanna-ish. A common misconception is that soft landings are some sort of economic nirvana. But in a soft landing, most economic indicators still look poor, the headlines are scary and company earnings stagnate – just like they do during recessions. But, unlike in a recession, in a soft landing *the labour market remains resilient*. If a significant rise in unemployment can be avoided, a US soft landing can be engineered – and the most widely anticipated recession of all time might just be avoided. But by the time we know for sure, the stock market will have already made its move.

We believe a soft landing is possible, but now isn't the time for one-way bets. We have built in the portfolio balance to try to withstand frequent market tantrums and a variety of economic scenarios. Ultimately, though, you must believe in high-quality growth equity investing and have the patience of years to ride out the worst of the ups and downs.

	3 months	6 months	1 year	3 years	5 years
Rathbone Global Opportunities Fund	-1.9%	3.1%	11.3%	8.7%	43.4%
IA Global Sector	-1.0%	1.4%	7.8%	21.0%	37.4%

	30 Sep 22-30 Sep 23	30 Sep 21-30 Sep 22	30 Sep 20-30 Sep 21	30 Sep 19-30 Sep 20	30 Sep 18-30 Sep 19
Rathbone Global Opportunities Fund	11.3%	-18.3%	19.6%	27.4%	3.6%
IA Global Sector	7.8%	-8.9%	23.2%	7.2%	6.0%

Source: FE Analytics; data to 30 Sep, I-class, mid price to mid price.

These figures refer to past performance, which isn't a reliable indicator of future performance.

Q3 top contributors		
Partners Group	+26%	private markets investing
Intuit	+17%	TurboTax and QuickBooks
Nvidia	+10%	gaming, datacentre and AI
Alphabet	+16%	Google search and services
Costco	+12%	warehouse club

Q3 bottom contributors		
Adyen (sold)	-47%	payment processing
Dexcom	-22%	medtech
ASML	-14%	semiconductor equipment
LVMH	-15%	luxury goods
Equifax	-19%	credit rating agency

James Thomson
Lead Fund Manager

Sammy Dow
Fund Manager

Rathbone Global Opportunities Fund

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.

If you require further clarification on this commentary, then please contact your adviser or Rathbones at the contact details below.

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.

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