

# Rathbone Global Opportunities Fund

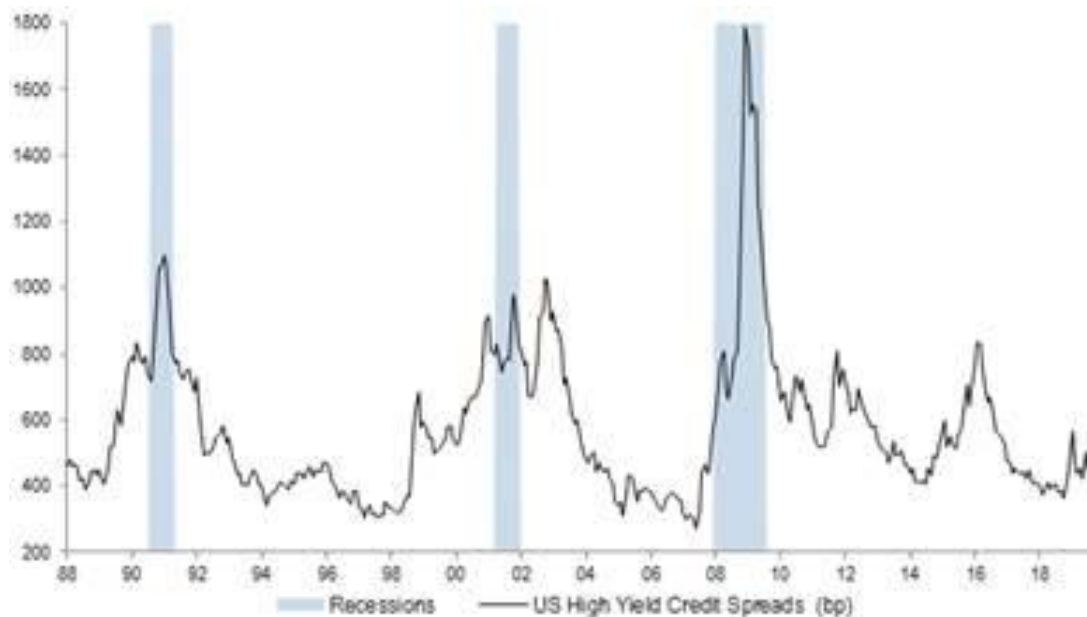
Update, June 2019

*In June, the Rathbone Global Opportunities Fund returned 2.7% versus a 4.8% average increase for the IA Global sector. Year to date your fund is up 22.5%.*

Relative performance dipped this month as profit-taking set in and investors rotated into recovery plays, special situations and year-to-date laggards. If a stock has meaningfully outperformed this year, investors are very sensitive to any whiff of a problem, driving some sharp downward moves.

The momentum in economic data has deteriorated and central banks have turned more dovish. Trade uncertainty has played a big role – a full US-China trade deal appears unlikely this year, but a prolonged ceasefire is probable as escalating tariffs doesn't benefit either side. This will make investors skittish yet we still don't think there's a global recession on the horizon. Many economists believe that cuts to interest rates are an insurance policy rather than a sure sign that growth will weaken substantially in the second half of the year. Historically, the US Federal Reserve cuts to offset the effects of worsening labour or credit markets ... that's not happening here, so it gives us confidence that growth will not take a sharp leg down. We remain in a world of unreliable growth, but not one of collapsing growth.

## Spreads remain relatively low



Source: JPMorgan Equity Strategy

Our top performer this month was **Sartorius Stedim Biotech**, a German supplier of single-use equipment for drug manufacturing. Single-use manufacturing allows pharma companies to scale up manufacturing quickly without committing huge amounts of capital to permanent facilities that would be required before the drug has even been approved. Drug development is increasingly focusing on biologics and biosimilars rather than chemical-based small molecules (e.g. pills) which again drives demand for single use. Sartorius's product portfolio covers nearly all the steps of its customers' production process, with leading positions in filtration, fluid management and fermentation. Growth is underpinned by

population growth, increasing access to healthcare, and a drive to supersede existing mass-market chemical drugs with more efficacious small-batch biologic ones.

Our worst performer this month was **Christian Hansen**, a Danish producer of cultures and enzymes used by food producers to make cheese and yoghurt. Christian Hansen also has a probiotics division for animal health and a natural food colouring business, which have softened recently, leading to a profit warning. The company was overoptimistic about growth driven by farmers switching from antibiotics to probiotics. Produce free from antibiotics – particularly milk – commands a higher price, the transition is moving slowly. Also Christian Hansen's Chinese yoghurt business experienced price pressure because of straitened economic conditions in the country. This speed bump appears temporary, however. Christian Hansen is exposed to some of the most powerful trends in the food and beverage industry: shifts to natural, healthy and organic ingredients; clean labelling; reduced antibiotics usage; and replacing chemical preservatives with all-natural ones.

The slowdown in economic growth, improvisational politics and competition between central banks to be the most dovish have encouraged a rotation in equity markets. This year's laggards have started to show signs of life and some of the growth stocks and outperformers from the start of the year have given up some of their relative gains. We continue to embrace sustainable and reliable growth companies and avoid the most economically dependent investment cases. We remain overweight the US, growth stocks, technology, healthcare, specialist financials and consumer staples. We have little if any exposure to direct emerging markets, value stocks, commodities, banks and utilities.



**James Thomson**  
Fund Manager



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Assistant Fund Manager

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