Rathbone Unit Trust Management

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Rathbones
Look forward

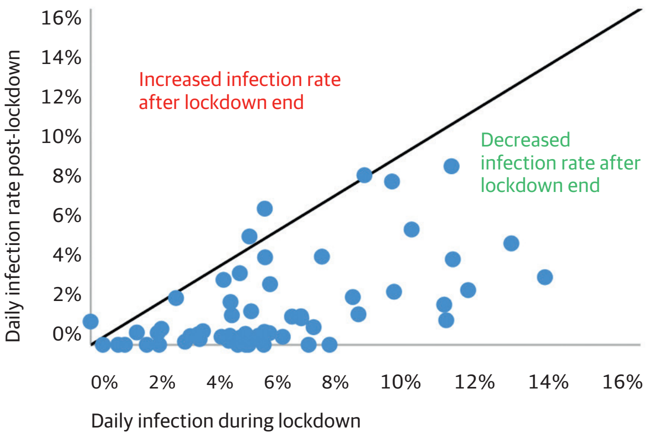
Rathbone Global Opportunities Fund

Monthly update May 2020

In May, your fund returned 9.1% versus the IA Global sector average which rose by 6.0%. The fund is up 11.2% year to date.

The lifting of lockdown restrictions worldwide is having an immediate V-shaped impact, first on the stock market and then the global economy. The greatest fear is that the relaxation drives a second wave of the virus, but early signs from countries that have re-opened are encouraging. In fact, the vast majority of countries have seen decreased infection rates after their national lockdowns were lifted.

Change in daily infection rate post-lockdown



Source: JPMorgan strategy

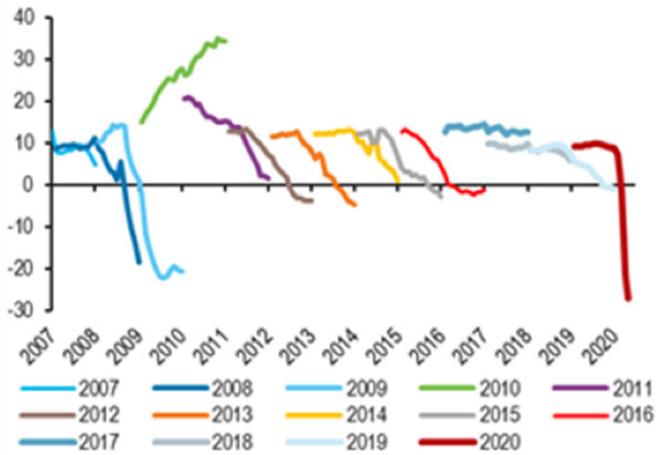
We have put more cash to work in the last two months than at any time in our fund's history. This wasn't an attempt to decipher the screeds of science and forecast the end of the pandemic, but simply a belief that over the coming five years human ingenuity will crack the code of this virus and that many of our investments will be even stronger than before. We deployed the cash across almost the entire portfolio, topping up holdings broadly yet modestly in order to avoid single-stock risk. Mistakes will no doubt be made as the lingering effects of the virus are underestimated, but our portfolio approach of 60 sustainably growing companies spread by country, sector, size, cyclicality and theme should give us some defence in future stumbles.

The bounce-back in corporate and economic activity started in China and while we have no direct investments there (this is a developed markets fund), the template can be applied to the easing of lockdowns in the US and Europe. Recent data from our payment network investment **Visa** confirms some of the green shoots. In May, worldwide processed transactions were down 12% compared with a year earlier. Yet that was a 12-percentage-point improvement from April. Within that data, US ecommerce volume (excluding travel) sustained circa 30% growth for the first two-thirds of May and had risen to roughly 40% growth by the end of the month. This helped our largest holding, ecommerce and cloud computing giant **Amazon**, but it also benefited our significant exposure to the broader digital transformation theme from software, to semiconductors, multi-channel retail and the payment ecosystem.

While the global economy is being nursed back to health, the sociological sickness only gets worse, perhaps inflamed by the polarised political climate. The death of George Floyd in Minnesota has been roundly condemned by all, but dissatisfaction is going global. Domestic American civil injustice is dove-tailing with growing mistrust and animosity between the US and China. This will probably impact the outcome of the US election and create yet more volatility in the months ahead. The stock market impact has been mild thus far, but a sense of unease and frustration among the masses that global growth seems so narrowly focused and unreliable is rising by the day. As growth becomes increasingly scarce, investors are paying up for it where they can find it. 'Growth' stocks aren't cheap, but that's down to their strong fundamentals, better visibility and lower economic risk.

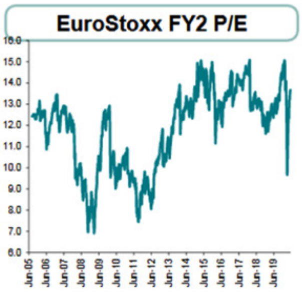
Lofty valuations provide more ammunition for stock market bears, but we think that most investors are willing to look beyond this temporary earnings storm. Consensus earnings estimates for 2020 have already been slashed by more than the great financial crisis, so an expectation of negative surprises may already be baked into stock prices.

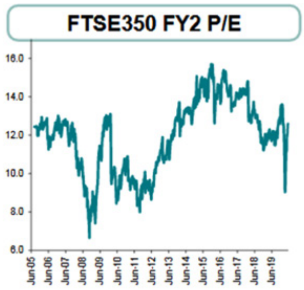
Trajectory of consensus year end EPS growth forecast for MSCI Europe

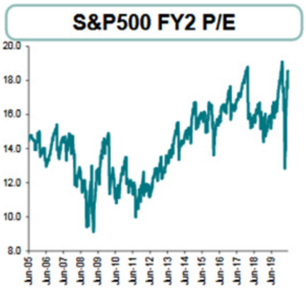


Source: IBES and Barclays

2021 might be a better base to consider: in Europe, forecast earnings have already been revised c.21% lower since the end of January; in the US, the S&P 500's 2021 earnings are 17% lower. Given valuations in both markets are lower than they were at the start of the year, it doesn't feel like valuation is an unambiguous ceiling.







Source: Exane BNP Paribas

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This is a financial promotion relating to a particular fund. 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 may go down as well as up and you may not get back your original investment. Source performance data, Financial Express, mid to mid, net income re-invested.

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