Rathbones
Look forward

Rathbone SICAV Global Opportunities Fund

Quarterly update June 2021

In the second quarter, your fund returned 10.5% versus a 6.9% average increase in the IA Global sector. Since its 11 March 2021 launch, the fund is up 9.6%, while its sector has gained 8.3%.

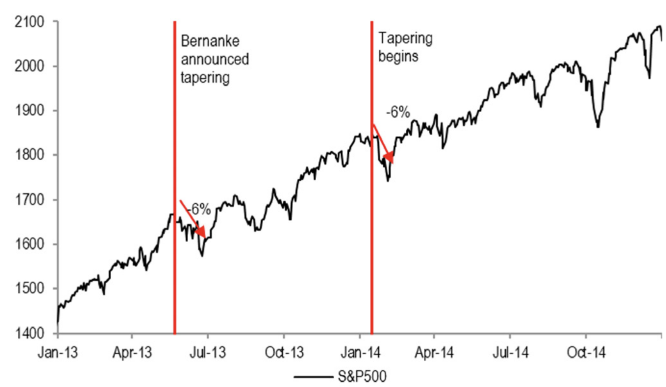
Following poor performance in the first quarter as 'value' and reopening plays took market leadership, we're pleased to see better performance in Q2 as the tug-of-war between earnings resilience and earnings recovery continues.

Reflation bulls versus inflation bears…

The inflection in the global economy triggered by the vaccine rollout and a tidal wave of stimulus has produced a demand recovery that is outstripping the reaction time of supply chains. Inflation has roared back to reflect these imbalances and weak comparisons from a year ago in the teeth of lockdown.

Investors are clearly not as bullish as they were earlier in the year about the longevity of the economic rebound as they grapple with the consequences of more hawkish policy from central banks and the breadth and stickiness of price inflation. The Federal Reserve (Fed) is starting to talk about talking about tapering. Taper talk usually causes dislocations in markets, but history suggests it can often be short-lived if economic data remains bullish.

How 'taper talk' impacted US stocks in 2013-2014



Source: JPMorgan Equity Strategy

Bulls will contend that the shift to a more hawkish stance is now behind us and that the Fed's "transitory" inflation narrative will gain more credibility. We think the recent rollover in many commodity prices is not a function of demand weakness, but in fact a confirmation that the upcycle is sustainable and that the Fed is less likely to spoil the party. Inflation readings are at their worst now due to the base effect… we expect them to start to improve from here.

Who will win markets' tug-of-war?

The outcome of the ongoing tug-of-war will have meaningful consequences for stock market leadership, so we continue to make our fund more balanced between long-duration, high-quality 'growth' and reflation/reopening beneficiaries whose earnings hibernated during pandemic lockdowns. Late in 2020 and continuing into Q1, we reduced our exposure to tech and consumer staples, where we had heavy weightings and felt that valuations would struggle with less impressive earnings upgrades. We continue to avoid naked 'value' plays whose fortunes are solely predicated on an economic super-cycle, such as energy, mining and big banks.

Fortunately, during Q2 the significant outperformance from our top contributors including **Nvidia**, **Intuit** and **PayPal** (all of which are top 10 positions) outweighed the rotation out of 'opening up' plays, such as **Uber**, **Global Payments** and **Infineon**. We believe it's important to maintain our balance and exposure to these themes as we believe that reopening and reflation beneficiaries may make more meaningful contributions in the second half of the year as stock markets' tug-of-war continues.

James Thomson
Lead Fund Manager

Sammy Dow
Fund Manager

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