

# Rathbone SICAV Global Opportunities Fund

## Monthly update November 2021

In November, your fund returned 4.0% versus a 0.8% average increase in the IA Global sector.

We continue to navigate our way through an equity market of extremes, characterised by periods of violent outperformance and underperformance from one month to the next.

In these markets, 'growth' and 'value', 'pro-cyclical' and 'defensive' stocks are seesawing wildly as investors try to weigh up the future by drawing on past experiences to address developments they've never seen before. Market moves are being amplified by trend-following machines which switch allegiance without pause for thought.

### Investors are grappling with myriad conflicting forces

The Omicron variant has ignited fears that national governments will overreact and central banks will underreact. Social distancing, travel curbs and other COVID-19-related frictions are bumping up against inflation and continued tightening of

monetary policies by central banks that don't want to introduce epidemiology into their mandates. The resulting wild swings in investor sentiment are unsettling, but the new variant does not alter the five-year investment cases we build for our holdings. Taking a broader perspective, we are confident that scientists will continue to crack the code of this virus and that many of our companies will emerge stronger as existing trends accelerate.

In the meantime, we are working our way through the waves of worry, including supply chain disruptions and price increases. The 'shock and awe' phase of inflationary and supply chain problems appears to have peaked... it's not over, but we believe the worst is behind us. Some of the most extreme price moves, for example in lumber and freight rates, have started to roll over as suppliers have boosted production. And many companies in our portfolio continue to command pricing power just at the time when their COGS (cost of goods sold) is peaking and potentially coming down. This could lead to some exciting margin improvements in 2022. The market is putting a premium valuation on those companies which can take evasive action by increasing prices or sales volume to maintain their profitability.

### Extreme price rises in lumber and iron ore are reversing...

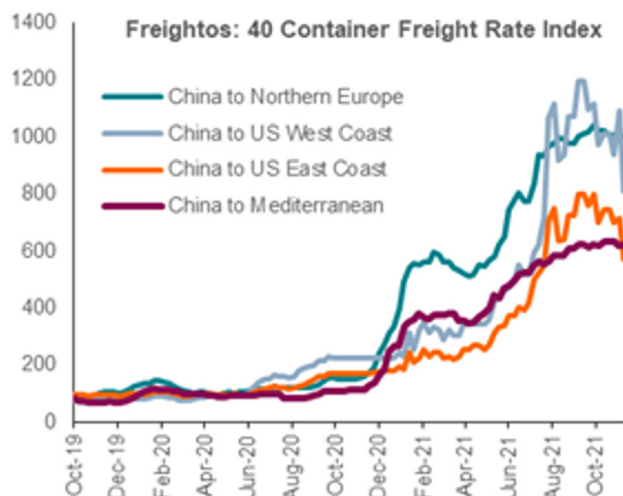


Source: Baird

"Take me somewhere expensive"



## ...And so are freight shipping costs



Source: Exane BNP Paribas

## Building balance to withstand the roller coaster ride

Waves of COVID, supply chain disruptions, the booming employment picture, the more than \$2 trillion in excess savings and the hit from inflation and rising government bond yields are all bumping up against each other and in some cases blending together. The roller coaster will continue next year, but I don't think it's time to get off the ride. This is an environment that calls out for balance: a blend of reopening and pandemic winners, pro-cyclical and defensive stocks, growth and value, reflation and resilience. It's not the time for one-way bets.



**James Thomson**  
Lead Fund Manager



**Sammy Dow**  
Fund Manager

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