Contact us 020 7399 0399 rutm@rathbones.com

Rathbones
Look forward

Rathbone Global Opportunities Fund

Monthly update February 2023

In February, your fund posted a 0.9% return versus the IA Global sector average of -0.2%. Year-to-date the fund is up 4.4%.

Despite so many bearish indicators of approaching recession, markets keep defying investors who are short, defensive or out of the market. Perhaps bearish positioning reached a peak in October, around the time US core inflation peaked. Two-thirds of economists believe we will have a recession in the next year – I'm reminded of the quip that economists predicted nine of the last five recessions. But at least any recession that does arrive won't be a shock to markets, with many investors having had time to adjust. The debate is instead about the depth of the recession and how long it will take for the US Federal Reserve (Fed) to lose its nerve and pivot toward looser monetary policy.

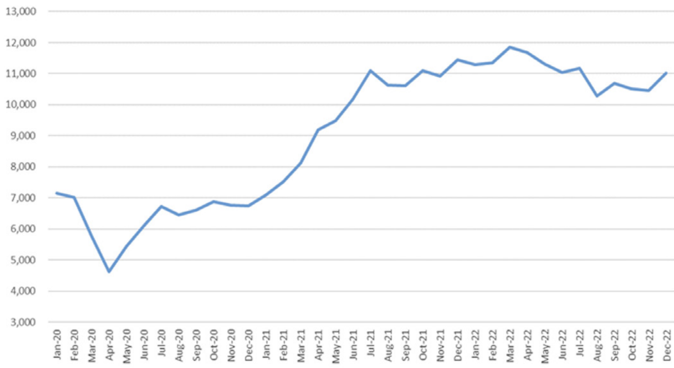
A strange cocktail

A new ingredient in this confusing economic cocktail is the unexpectedly large resurgence in American jobs growth and increasing services inflation during January. Many economists believe that there cannot be a sustained drop in inflation if the jobs market re-accelerates. Some are starting to question the survey data itself, as it seems unlikely that the labour market is as hot as it was in early 2022 when tight labour availability forced some unusual tactics to fill empty roles.

Flashbacks to early 2022 craziness

'Seasonal adjustments' seem to have had an outsized influence on the January nonfarm payrolls number. And it's certainly possible that the Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (known as JOLTS) may not be all that informative, as it's done through surveys designed in the pre-internet age, with low and variable response rates each month. Surveys and polls have proven increasingly unreliable in recent years as the 2016 presidential election of Donald Trump and unexpected Brexit result remind us.

Are American job openings really "re-accelerating"?



Source: Raymond James and US Bureau of Labor Statistics; job openings in thousands.

'Indeed', the most heavily trafficked jobs posting website in the US, tracks paid job postings over time. The difference between Indeed's numbers and those of official government stats is that companies actually have to pay to list a job on Indeed; it's much easier for a business to simply muse to a surveyor that a few extra people would be nice to have on the production line. If they aren't actually advertising though, how serious are business managers about adding staff?

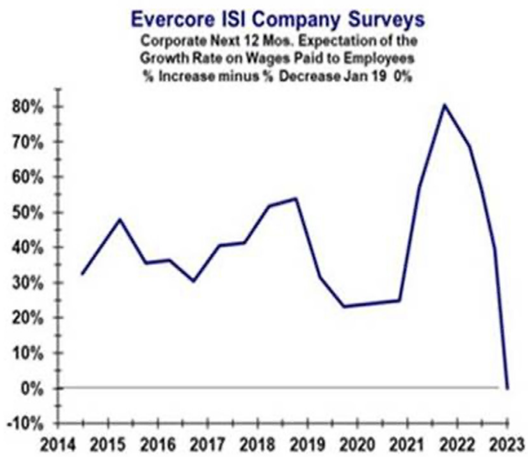
Indeed's data shows job postings are actually *falling* – as you might expect after a year of interest rate hikes, cost increases and steady hiring. Perhaps the equity market is looking through this noisy official data. Or maybe the Fed is setting itself up for a policy mistake, where it looks at the wrong numbers and overtightens at precisely the wrong time.

Source: Indeed

Choppy waters lie ahead with the macro still so confusing, which is why we are not fixated on trying to time markets by picking highs and lows. Instead, we're anchoring ourselves to a long-term strategy that aims to pay reasonable prices for quality businesses that should thrive over the coming five years and more.

% Of Companies Listing Labor Availability As A Constraint

Apr 2021	Jul 2021	Oct 2021	Jan 2022	Apr 2022	Jul 2022	Oct 2022	Jan 2023
49%	62%	60%	81%	66%	76%	77%	30%



Source: Evercore

It may not be fashionable, but we are positioned for inflation to roll over and the potential for markets to move sharply higher as a result. The timing is impossible to pinpoint, but it would be triggered by the defining moment of 2023... a Fed pivot. The rebound is unlikely to be gradual or predictable – the best returns come when you least expect them.

While we navigate these choppy waters, we have increased the quality and resilience of the portfolio by last year selling almost 20% of our more high-octane 'growth' investments and buying some stocks that have been on our watchlist for many years. Using the sell-off in markets to buy what we consider to be some of the best stocks in the world: smartphone and gadget maker **Apple**, luxury conglomerate **LVMH**, Formula 1 holding company **Liberty Media**, engineering firm **Schneider Electric**, medical device manufacturer **Boston Scientific**, candy maker **Mondelez**, drinks giant **Coca-Cola** and fast food chain **McDonald's**.

James Thomson
Lead Fund Manager

Sammy Dow
Fund Manager

Rathbone Global Opportunities 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 and the income from them may go down as well as up and you may not get back what you originally invested.

Rathbone Unit Trust Management Limited
8 Finsbury Circus, London EC2M 7AZ
Tel 020 7399 0000

Information line
020 7399 0399
rutm@rathbones.com
rathbonefunds.com

8292.03.23