Rathbone Unit Trust Management
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Rathbones
Look forward

Rathbone UK Opportunities Fund

Update, November 2019

UK equities had a strong run-up to the election, as polls predicted a Conservative majority, which would end fears of a very market-unfriendly Labour government. It would also provide more certainty for the path toward Brexit. Sterling has risen too, so a strong set up for your fund which rose 6.1% versus 3.5% for our peers in the IA All Companies sector and 2.2% from the FTSE All-Share Index, which is held back during periods of sterling strength.

Our overweight exposure to UK domestic names super-charged performance this month, and we had some stand-out stock moves too. Specialist IT recruitment business **FDM** rallied more than 30% after reassuring the market on earnings forecasts. Student housing developer **UNITE** had its large acquisition cleared by the Competition and Markets Authority. And electronics expert **discoverIE** rose over 20% after making a strong acquisition. This is a great example of a niche UK industrial business with a clear plan of self-funded growth, investing in areas with structural drivers that are less buffeted by the economic cycle and tariff woes.

The main negative for our fund came from insurer **Beazley**; having had a super year, benefiting from higher premiums on new business, investors took a breather as the company warned of higher claims from its US casualty division. The cyber business is still growing strongly and Beazley has a great track record of moving capital to the most profitable areas of its business, so we back management to continue.

Incredible share price performance has led us to trim some large positions such as **Intermediate Capital Group** (+64% year to date), **GB Group** (+60% year to date) and **Melrose** (+40% year to date). While wishing to back our winners, our strategy is not to run more than 5% of the fund in any one FTSE 100 or 250 name, and no more than 3% in any one FTSE SmallCap or AIM name.

If sterling continues to strengthen and the UK economy experiences a post-election bounce, the fund is positioned well with just over 50% of the revenues within the portfolio coming from our domestic economy. However ahead of the outcome of the election, we own no water, rail, utilities. Nor do we own any banks as we see the sector as a fairly binary bet, and none of the large housebuilders either, believing a great deal of the possible upside has already been priced in. This could be a choppy end to a stormy year.

Alexandra Jackson, CFA
Fund Manager

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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