

Rathbone Global Opportunities Fund

Monthly update July 2022

In July, your fund returned 9.9% versus a 7.1% average increase in the IA Global sector. Year-to-date, the fund is down 17.8%.

Markets delivered a welcome rebound in July as we climb the wall of worry. In our last investment commentary, we said that “the best returns will come when we least expect them,” and, with our five-year investment horizon, we used market weakness to buy some great businesses that are on sale. It’s often difficult to assign precise reasons for short-term market moves and the durability of these trend changes. But many strategists believe that this time around it was probably driven by a combination of:

- 1) A reversal of extremely bearish investor positioning, with investor sentiment close to 30-year lows
- 2) “Bad data is starting to be seen as good.” According to a JPMorgan strategist, this mindset will also open the door to a more balanced Federal Reserve (Fed). This reinforces the view that we may be at peak Fed hawkishness
- 3) Signals that headline US inflation may roll over as some key commodity prices have moved lower and we’re about to lap some easier year-on-year inflation comparisons

Awaiting a Fed pivot

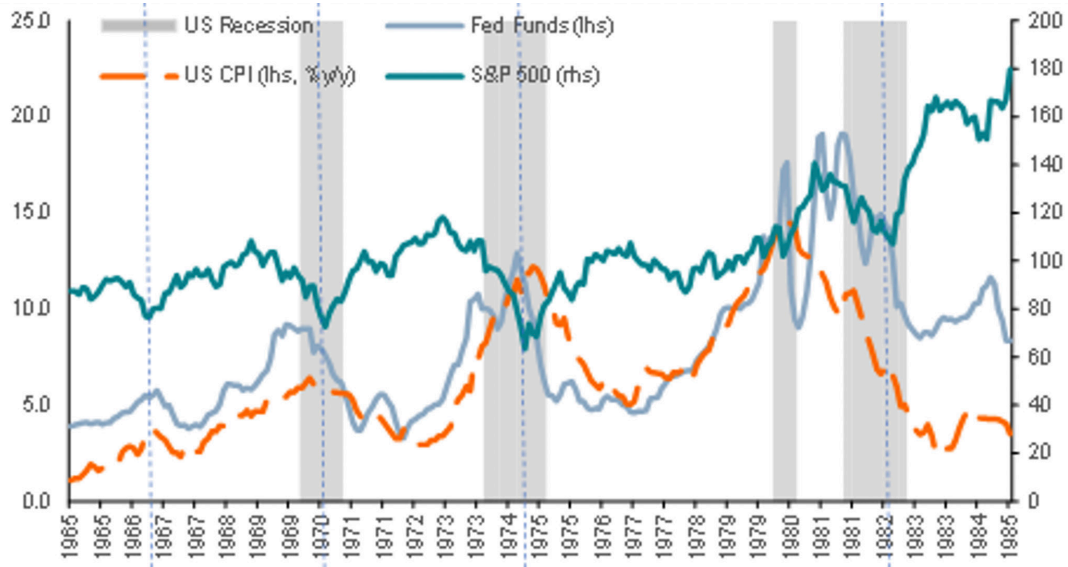
A rollover in inflation is the most important short-term catalyst for global stock markets. According to the analyst at Exane BNP Paribas, bear markets triggered by inflation scares (such as those in the 1960s and 1970s) bottom out once inflation peaks, allowing the Fed to pivot away from hawkishness. In the 1960s, when the Fed didn’t engage in forward guidance, outright rate cuts were the catalyst to look for. This time round, the strategist notes: “Given that so much of the rate move is driven by forward guidance, a rolling over of two-year yields, and the Fed endorsing this move, is probably the key catalyst.” Stay alert for a Fed pivot!

Key commodity prices are falling



Source: Exane BNP Paribas

History suggests stock markets rebound after inflation peaks



Source: Exane BNP Paribas

This macro-driven market doesn't distract us from our stock-picking focus. We have used market weakness in recent months to buy some businesses we've long wanted to own but missed out on. Or some great businesses we sold and can now buy back 30-40% more cheaply. **Apple, LVMH, Formula One, Home Depot, Coca-Cola, McDonald's, Mondelez** and **Adyen** have all entered our portfolio this year – crown jewel businesses and we are now more fully invested than at any time in memory. We regard this as a potent symbol of our confidence in the returns these companies can generate over the next five years, even with more bumps along the way.



James Thomson
Lead Fund Manager



Sammy Dow
Fund Manager

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.