

# Rathbone UK Opportunities Fund

## Monthly update August 2021

August was predictably quiet for markets: trading volumes were low, IPOs are on the back burner until September, earnings reports were benign and central bankers did nothing to upset the apple cart. Economic data around the world is softening though, thanks to aggressive infection rates from the delta variant and cooling spending in the wake of the initial reopening splurge. All this suits your growth-focused fund, which continued to outperform strongly.

### Markets boosted by deal-making boom

Our preferred hunting ground of medium-sized businesses remains in the spotlight as takeover offers come in thick and fast. Global merger and acquisition (M&A) deals of \$4 trillion have been announced so far this year, on pace to smash through the previous record of \$4.3 trillion in 2007. And the UK is leading the pack. M&A activity is helping the FTSE 250 and AIM indices to outperform the FTSE 100 (the latter is also suffering from its dearth of attractive growth names).

Inflows appear to be returning to the UK once again. Our fund has certainly seen a marked uptick. We've been putting our money to work in some of our 'bedrock' businesses, for example, **Rightmove**, **Cranswick** and **Games Workshop**. We remain convinced that they're well-managed businesses which are making the most of structural tailwinds. Some may regard them as expensive at first glance, but we think that both their growth and their cashflow generation potential are being under-estimated. Since the durability of their business models is under-appreciated, we believe that they offer good value despite their headline valuation metrics looking pricey.

### Could supply shortages start to bite?

We expect September's results season to prove key in determining returns for the rest of the year. We suspect that 'in line' statements won't quite cut it for highly rated stocks this time around. Companies will likely need to report strong earnings momentum if their share prices are to keep marching higher. We will be watching our companies closely to see if they raise concerns about the impact of any shortages, whether these be semiconductor chips, shipping containers or even skilled labour.

Finally, we're excited about some forthcoming IPOs, with recent offerings largely going extremely well. In aggregate, IPOs this year have significantly outpaced the FTSE All-Share's gains, with the 40 new listings averaging a near 25% rise from their IPO price through to early June. Some 40 European listings are slated to launch in September alone. As is our style, we tend to prefer smaller, more niche and founder-led deals, which tend to stay under the radar. We'll keep you updated if we unearth any exciting opportunities!



**Alexandra Jackson**  
Fund Manager

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