

# Rathbone Global Opportunities Fund

## Q2 investment update, 30 June 2018

### Performance

|                                           | 3 months | 6 months | 1 year | 3 years | 5 years |
|-------------------------------------------|----------|----------|--------|---------|---------|
| <b>Rathbone Global Opportunities Fund</b> | 12.38%   | 11.43%   | 19.72% | 71.02%  | 122.06% |
| Quartile                                  | 1        | 1        | 1      | 1       | 1       |
| IA Global sector                          | 7.86%    | 2.47%    | 9.12%  | 43.99%  | 70.09%  |
| FTSE World index                          | 7.16%    | 2.41%    | 9.35%  | 54.01%  | 86.13%  |

Data to 30 June 2018. Source: FE Analytics, bid to bid, net income reinvested. I-Class units.

### Portfolio attributes

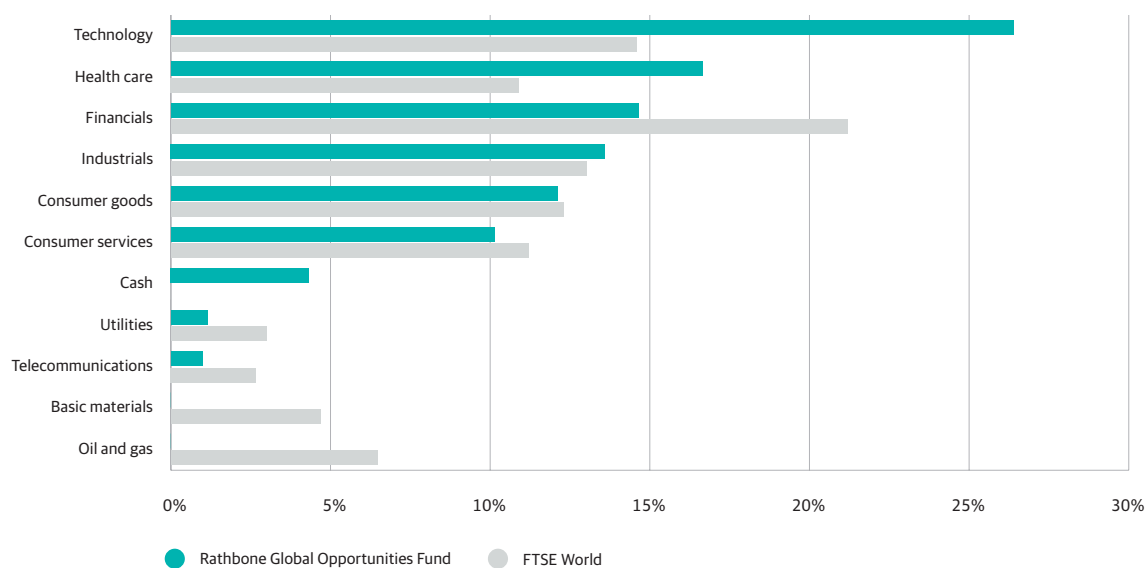
|                                | Rathbone Global Opportunities Fund | IA Global sector | FTSE World (£) index |
|--------------------------------|------------------------------------|------------------|----------------------|
| <b>Portfolio concentration</b> |                                    |                  |                      |
| Number of holdings             | 60                                 | —                | —                    |
| Percentage of fund in top 10   | 26.38%                             | —                | —                    |
| Number of positions <1%        | 3                                  | —                | —                    |
| Number of positions >5%        | 0                                  | —                | —                    |
| <b>Turnover</b>                | 56.12%                             | —                | —                    |
| <b>Liquidity<sup>†</sup></b>   | 95.41%                             | —                | —                    |
| <b>Alpha</b>                   | 5.36                               | -1.89            | —                    |
| <b>Beta</b>                    | 0.89                               | 0.98             | —                    |
| <b>Sharpe</b>                  | 1.77                               | 1.24             | —                    |
| <b>Volatility</b>              | 10.77%                             | —                | 9.48%                |
| <b>Maximum drawdown</b>        | -6.32%                             | —                | -7.31%               |

Data as at 30 June 2018. Source: Rathbones. All data is based on a 12 month rolling average to 30 June 2018 unless stated otherwise.

<sup>†</sup>Percentage of portfolio converted to cash in 10 days. 20% of average daily volume.

## Portfolio attributes (continued)

### ICB sector weightings (as at 30 June 2018)



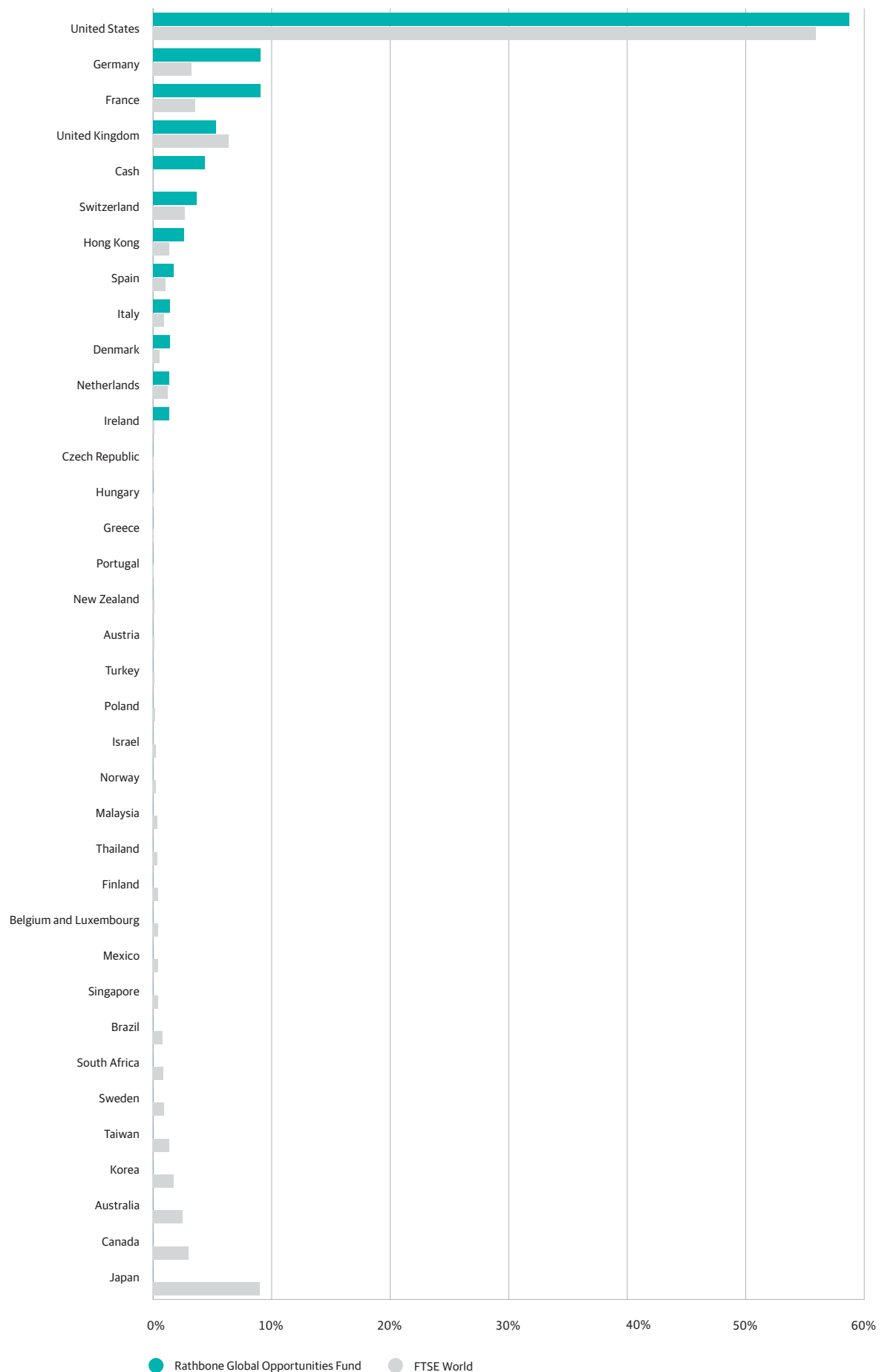
### Top 10 holdings

| Top 10              | Country       |       |
|---------------------|---------------|-------|
| Align Technology    | United States | 3.83% |
| Amazon.com          | United States | 3.33% |
| ABIOMED             | United States | 2.81% |
| Adobe Systems       | United States | 2.61% |
| Tencent             | Hong Kong     | 2.58% |
| Electronic Arts     | United States | 2.37% |
| Activision Blizzard | United States | 2.31% |
| PayPal              | United States | 2.24% |
| Visa                | United States | 2.16% |
| Mastercard          | United States | 2.14% |

Data as at 30 June 2018.

## Portfolio attributes (continued)

### ICB country weightings (as at 30 June 2018)



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## Quarterly commentary

In the second quarter, the Rathbone Global Opportunities Fund increased 12.4% versus a 7.9% average return for the IA Global sector.

Our fund posted top-quartile performance during the period, when returns were concentrated in a few key areas. The outperformance was driven by a combination of stock selection, style, geographic and sector positioning. Growth outperformed value, the US market was the best major market, and the technology and healthcare sectors were strong performers.

Good stock selection was an important contributor to returns in the second quarter. **Align Technology** was the top performer as new competition fears for its clear braces receded. We believed dentists would be reluctant to switch providers without a substantial financial benefit and we have been vindicated. Align raised its long-term sales guidance to 20-30% growth each year as it starts to chip away at international markets, teenagers and more price-sensitive vanity-inspired consumers.

**ABIOMED**, a US healthcare equipment company, benefited from improving adoption of its miniaturised heart pump for patients suffering from certain types of heart attack. This remains the only approved product on the market with little threat of new competition, combined with clinically significant lifesaving benefits.

**Amazon.com** results were excellent. But more importantly we were given insight on an emerging and unexpected growth engine: advertising. Amazon's e-commerce business could generate \$10bn of operating profit from advertising by 2020, according to one leading analyst. This compares with \$24 billion in e-commerce and \$12 billion in Amazon Web Services (AWS, the cloud computing arm), so it's a meaningful new contributor to future growth. In the meantime, Amazon's putting up the price of its annual Prime subscription and AWS is growing almost 50% year on year.

Our worst performer over the quarter was chip equipment maker **Aixtron**. This equipment is vital for producing some of the coolest new features in smartphones, including the 3D sensors which use facial recognition to unlock phones, as well as enabling new features for gaming, shopping and payment authorisation. Aixtron's shares sold off following a period of strong performance and fears about demand for the next generation of smartphones. Delayed spending on semiconductor equipment probably hit the shares of Swiss-based **VAT Group** too. New orders dropped sharply in the second quarter as clients digest large capacity increases. The company is the dominant supplier of mission-critical valves used in the production of chips and will benefit from the increasing speed, performance and digitalisation of our world.

**Equiniti**, the UK-based share registrar, pension and employee share plan administrator was hit by a negative analyst note, fears over weak organic growth and a hiatus as it integrates a large acquisition.

Our sector overweights are a function of our stock-picking style, but technology and healthcare are usually a popular hunting ground for 'growth' investors. Our heavy positioning and good stock selection in these sectors propelled them to the top of our sector leaderboard in the second quarter. Interestingly, financials was another key positive contributor, despite the sector generally performing poorly this quarter. It was our exposure to non-bank financials, such as payment networks and financial services suppliers, which allowed us to run up the down escalator.

By country there was a clear winner that overshadowed all the others: the US. Our US exposure (58.8% of the fund) was the home to many of our top performers during the quarter. The strength of the US dollar during the period also provided a tailwind to performance.

Over the last two years we have pivoted towards the US and Europe, and our stock-picking style has driven us toward technology, healthcare, defensive consumer and non-bank financial stocks. We have minimal exposure to emerging markets, Japan, commodities, banks and utilities. The politics around Brexit is getting ugly, but we have insulated the portfolio by cutting our UK weighting from 23% (pre-Brexit) to 5% today.

Investors usually overemphasize the impact of politics and loud headlines on stock markets, but with so many great ideas outside of the UK, why take the risk?

**James Thomson**  
**Sammy Dow**

## Absolute performance attribution 3 months to 30 June 2018

### By stock

| Top 5            | Contribution | Average portfolio weight |
|------------------|--------------|--------------------------|
| Align Technology | 1.59%        | 3.79%                    |
| ABIOMED          | 1.13%        | 2.50%                    |
| Amazon.com       | 0.78%        | 3.19%                    |
| Electronic Arts  | 0.52%        | 2.23%                    |
| Adobe Systems    | 0.52%        | 2.64%                    |

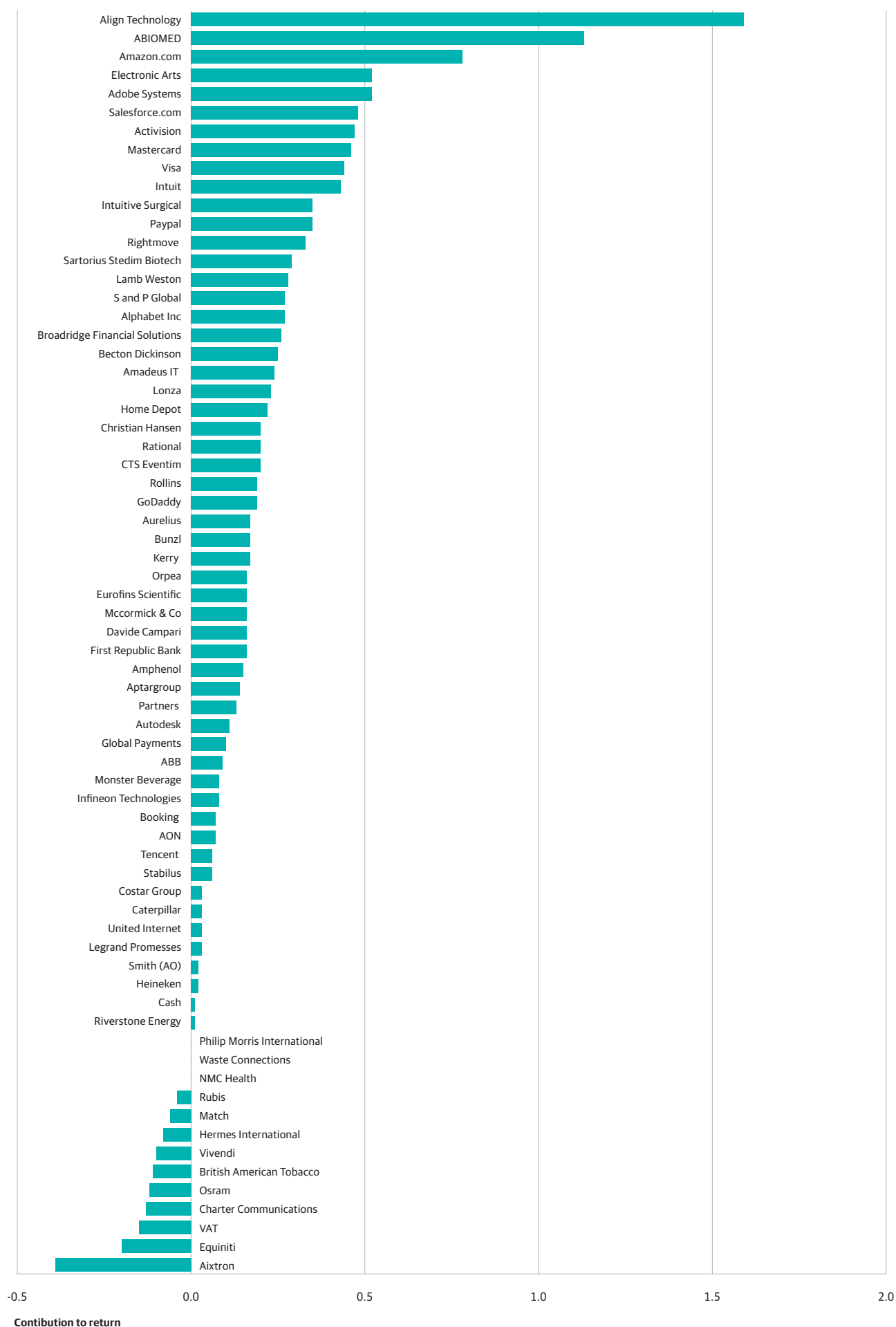
3 months to 30 June 2018.

| Bottom 5               | Contribution | Average portfolio weight |
|------------------------|--------------|--------------------------|
| Aixtron                | -0.39%       | 1.12%                    |
| Equiniti               | -0.20%       | 0.99%                    |
| VAT                    | -0.15%       | 1.10%                    |
| Charter Communications | -0.13%       | 0.36%                    |
| Osram                  | -0.12%       | 0.52%                    |

3 months to 30 June 2018.

# Absolute performance attribution 3 months to 30 June 2018 (continued)

## By stock



3 months to 30 June 2018.

## Absolute performance attribution 3 months to 30 June 2018 (continued)

### By sector

|                    | Contribution | Average portfolio weight | Index weight |
|--------------------|--------------|--------------------------|--------------|
| Health care        | 4.17%        | 14.53%                   | 10.90%       |
| Technology         | 2.93%        | 25.21%                   | 14.59%       |
| Financials         | 2.06%        | 15.22%                   | 21.19%       |
| Consumer goods     | 1.40%        | 13.21%                   | 12.29%       |
| Consumer services  | 1.23%        | 9.67%                    | 11.19%       |
| Industrials        | 0.61%        | 15.14%                   | 13.02%       |
| Cash               | 0.01%        | 5.64%                    | 0.00%        |
| Telecommunications | 0.00%        | 0.00%                    | 2.67%        |
| Oil and gas        | 0.00%        | 0.00%                    | 6.47%        |
| Basic materials    | 0.00%        | 0.00%                    | 4.68%        |
| Utilities          | -0.04%       | 1.38%                    | 3.00%        |

Data as at 30 June 2018.

### By country

|                | Contribution | Average portfolio weight | Index weight |
|----------------|--------------|--------------------------|--------------|
| United States  | 10.36%       | 56.80%                   | 55.90%       |
| France         | 0.43%        | 7.64%                    | 3.56%        |
| United Kingdom | 0.37%        | 6.21%                    | 6.36%        |
| Switzerland    | 0.30%        | 4.84%                    | 2.65%        |
| Spain          | 0.24%        | 1.74%                    | 1.05%        |
| Germany        | 0.22%        | 10.62%                   | 3.23%        |
| Denmark        | 0.20%        | 1.41%                    | 0.54%        |
| Italy          | 0.16%        | 1.12%                    | 0.88%        |
| Hong Kong      | 0.06%        | 2.73%                    | 1.34%        |
| Netherlands    | 0.02%        | 1.26%                    | 1.22%        |
| Cash           | 0.01%        | 5.64%                    | 0.00%        |

Data as at 30 June 2018.

## What should I expect?

### In the short term

Above average risk characterised by higher volatility due to growth oriented economically sensitive investments and higher weighting in small and mid caps. Mitigated somewhat by our focus on risk management in recent years adding more balance, diversity and reliable growth investments in defensive areas. Always vulnerable to short-term periods of poor performance due to stock picking failures. The fund does not hedge currency

positions and recent currency movements have been severe although this has been most acute in emerging market currencies where we have no direct exposure.

### In the medium-to-long-term

Above average risk characterised by higher volatility but also outperformance and high alpha.

Performance attribution is provided by StatPro Revolution.

Cash used for attribution analysis excludes that not at the discretion of the manager, such as accrued fees.

The Supplementary Information Document (SID) and application forms may be obtained from us free of charge.

For the Rathbone Global Opportunities Fund the Manager's annual fee is taken from income. This will mean that income may be eroded or restricted.

The information contained in this note is for use by investment advisers and must not be circulated to private clients or to the general public.

The value of the investments and the income from them may go down as well as up and you may not get back your original investment.

Past performance is not necessarily a guide to future performance.