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Global Thematics strategy

The strategy remains well positioned to benefit from the secular shifts we are witnessing globally

- Equity markets witnessed some volatility towards the end of the month
- Several holdings which performed best in August have been affected over the month
- ‘Ageing & Lifestyle’ was the best performing theme

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What’s happening?

Global equity markets fell in September, and we saw a reversion to value outperforming growth towards the end of the month. US macroeconomic data has remained strong with positive employment and payroll data. Inflationary pressure continues to build, in part due to rising fuel prices. Whilst inflation has continued to pick up in the near term, the Federal Reserve has reiterated that inflation is likely to moderate and inflation expectations are currently “well anchored”.

The European economy continues its path to normalisation and is posting strengthening macroeconomic data. Despite a pick-up in inflation, the ECB¹ remains supportive. The outlook for growth in many Emerging Markets is mixed, with some areas suffering COVID disruption and others benefitted from the strength in demand for exports. All major economies continue to suffer disruption associated with transport and logistics.

We retain conviction in the structural growth trends which support the five key themes within the Global Thematics.

Portfolio positioning and performance

The strategy underperformed the broader equity index (MSCI All Country World) in September, with a slightly negative contribution from all themes as many of the holdings which performed best in August gave back some of their outperformance.

¹ European Central Bank

This was most notable in 'Connected Consumer' where Alphabet, Adobe and PayPal all showed weakness.

In 'Clean tech', NextEra, a US renewable energy provider, also underperformed following a period of strength.

In 'Automation', Trimble was also amongst the underperformers, following strength the prior month.

'Ageing & Lifestyle' was the best performing theme as holdings including Thermo Fisher, Hoya and DexCom contributed positively.

During September, we initiated a holding in National Grid, an electricity transmission business with assets in the UK and the US, exposed to the need for a smarter and more interconnected electricity grid as we add renewables and continue to electrify aspects of the economy.

Outlook

Macroeconomic conditions are broadly supportive and the trends underpinning the Global Thematics continue to strengthen. Industrial activity and strong order books for industrial robotics companies highlight the positive outlook for Automation, the experience of the recent pandemic serve to underscore the importance of managing health within the context of an aging population. Consumer and corporate demand for Digitalisation and the Energy Transition continue to build.

We retain the view that high quality management teams, operating businesses with a sustainable competitive advantage in their markets and with the benefit of secular tailwinds are well placed to navigate the current disruption. The strategy is therefore well positioned to benefit from the secular shifts we are witnessing globally.

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