

MARKETS CONTINUED THEIR MARCH

Markets shrug off growth uncertainty

Markets continued their run of strong performance with another positive month for equity returns. The MSCI World Index rose by 2.95% in the month, leaving year to date performance at 22.24%. The positive performance came despite a mid-month sell-off as fears over yet more COVID-19 outbreaks lowered the outlook for global economic growth.

Japan was one of the strongest of the major markets, as equities looked past increasing domestic political risks. Despite the fact that Japan has had low infection and mortality rates from COVID-19 relative to many other countries, domestic approval for the manner in which the Japanese government has managed the pandemic has declined, with a particular focus on the wisdom of hosting the Olympics in July. European markets were amongst the weakest of the major markets, as a post summer malaise driven by growth concerns capped equity returns.

Within bond markets, all eyes during the month were focused on the annual central bankers' shindig. Traditionally held at Jackson Hole, the highlight of this year's virtual meeting were remarks from Federal Reserve Chairman, Jay Powell. Bond yields spiked twice in the weeks preceding the meeting. Ultimately the Fed chairman used his speech to plot a course between rate doves and hawks. Markets however, focused more on the near term dovish intentions and rates declined after the speech.

Commodities softened in the month as global growth prospects faltered. Oil, copper and iron ore all declined in the month. However, industrial metals such as aluminum showed strength as supply remained constrained.

Fed policy favors the usual suspects

The Portfolio rose by 2.79% in the month, slightly underperforming the 2.95% increase of the MSCI World Index. The MSCI World Value Index return was 2.09%, lagging both the portfolio and the MSCI World Index. The value style was generally stronger in the first half of the month as bond yields rose anticipating more hawkish rate commentary from the Federal Reserve. However, in the middle of the month an increase in concern over global economic growth reduced market expectations for near term rate rises. This led the market to rotate away from both value and small-cap stocks back towards higher valued mega-cap stocks. Strongest contributors to the performance of the MSCI World included usual suspects Microsoft, Amazon and Google parent Alphabet.

Unsurprisingly, considering the performance of individual index constituents such as Microsoft and Alphabet, Information Technology and Communication Services were the strongest performing sectors in the month. Sectors that tend in the short term to trade in lockstep with rate expectations, such as Materials, were among the weaker sectors. One sector that bucked the rate trend was Financials, as the sector, and Insurance in particular, benefitted from extremely strong earnings, which offset concerns, related to interest rates.

Stock selection was a modest negative for the fund in the quarter. However, despite the small negative contribution from selection, there were a number of strong performers in the portfolio during the month. Japanese imaging company, Fujifilm, performed well after reporting strong earnings and raising its guidance. U.S. grocery company Kroger was also a strong performer as the company continued to perform well relative to its peers.

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Strategy

Global Value invests in global equities from developed markets, cf. the fund's prospectus. Stocks are selected using the value strategy, meaning that through careful fundamental analysis, the team strives to identify companies that trade at healthy discounts relative to intrinsic value. A risk-aware approach to the portfolio construction ensures a well-diversified portfolio and broad exposure across sectors and regions.

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