



May Review

The fund returned 0.8% in May vs -2.9% for the S&P 500 tracker. May was the first negative month for the S&P 500 in 2019 and high beta sectors like Tech and Energy led the sell off.

The fund managed to outperform in the month thanks to some of our defensive positioning paying off. Utilities and REITs held up well in the sell off, with our telecom tower REITs, AMT & SBAC, both up more than 6%. We also had some good stock specific news, with our new holding Total System Services being acquired by Global Payments, sending the stock up over 20% in May. Digital payments is one of our favourite themes within the broader theme of the digitisation of the economy and we would expect further consolidation in that area.

Markets have been very focused on trade deals but with Donald Trump playing his unpredictable games there are no direct portfolio actions to be taken. The Federal Reserve's policy has also come into focus as there is now a broad consensus that the Fed is perhaps too tight with its monetary policy and that interest rate cuts are required, as the growth outlook continues to slow. Jerome Powell, the Fed Chief, seems to be onboard with this thinking and the market is already pricing in at least two interest rate cuts this year. This is some reversal, as the forecast through most of last year was for at least 3 rate rises in 2019. At least we have a Fed that does not have its head in the sand and that is reacting to data as it comes in.

Market Outlook

I have just returned from a research trip to the US, spending 4 days in New York seeing companies. I really enjoy these trips because they serve as a great reminder of the fabulous array of investing opportunities that the US offers. In no other region of the world can you see such growth and innovation than in America. It's a great opportunity to find new ideas but also to catch up with the management teams from the companies we've held for some time. Companies are in great shape despite all the trade and tariff headlines.

Felix Wintle 10 June 2019

Stockpicking is back to the fore