

For authorised intermediaries and professional investors only

LATEST COMMENTARY

The quarter saw further positive progress from global markets, the MSCI World AC rising by 3.23% and 3.48% respectively in USD and GBP terms, but concerns over COVID and EU trade negotiations saw the UK market continuing to lag, and indeed falling in absolute terms; the FTSE 100 fell 4.02% and FTSE all-share 2.92% (all data Aubrey Capital/Bloomberg Data 30/09/2020). UK Government bond yields rose moderately, the Gilts All Stocks falling by 1.23%, with credit continuing to see narrower spreads, the iBoxx UK Corporate bond index rising 1.29% (www.ishares.com).

We have long argued that it was better to leave the European Union in a timely fashion after the referendum in 2016, rather than endure a protracted period of uncertainty, but unfortunately this is exactly what has happened. The timing of COVID has been particularly bad for the UK as it took all the momentum out of the (new) UK government's negotiations with Europe. Volume orders for UK businesses fell way below normal in April and are only now slowly returning to normal; hopefully, the latest restrictions won't materially slow down the recovery. This is true globally, where compared to the crises of 1999 and 2008, the COVID shock whilst severe, has shown signs of faster recovery, more 'V' than 'U'.

This differential in performance by the FTSE 100 once again highlights the difficult environment that value has continued to face as investors focus on a narrow range of growth companies and those perceived to be on the right side of accelerating change. Areas of the market that may be structurally challenged, such as banking, energy and retail, are sectors that generally do not pass through Aubrey's quality growth process and, by extension, typically won't feature in the core managed portfolio investments that we hold.

A continued improvement in the global economy, better news overall on global dividends (forecast to fall 20-25% this year) and an increase from very low levels for inflationary expectations, would all be factors that we can see supporting periods of outperformance by value over the next 12-18 months. Positive news on a vaccine would certainly kick start this, though clearly many companies represent value traps. However, given the ongoing disruption to many industries by technology, and the rise of ESG (where it is estimated as much as half of European equity mandates will be run on this basis by 2025), it is our belief that despite the level of money being put in the global financial system, medium to longer term trends remain dis-inflationary and we still expect quality growth to be the main driver of equity market returns over this decade.

END OF QUARTER ASSET ALLOCATION (%)

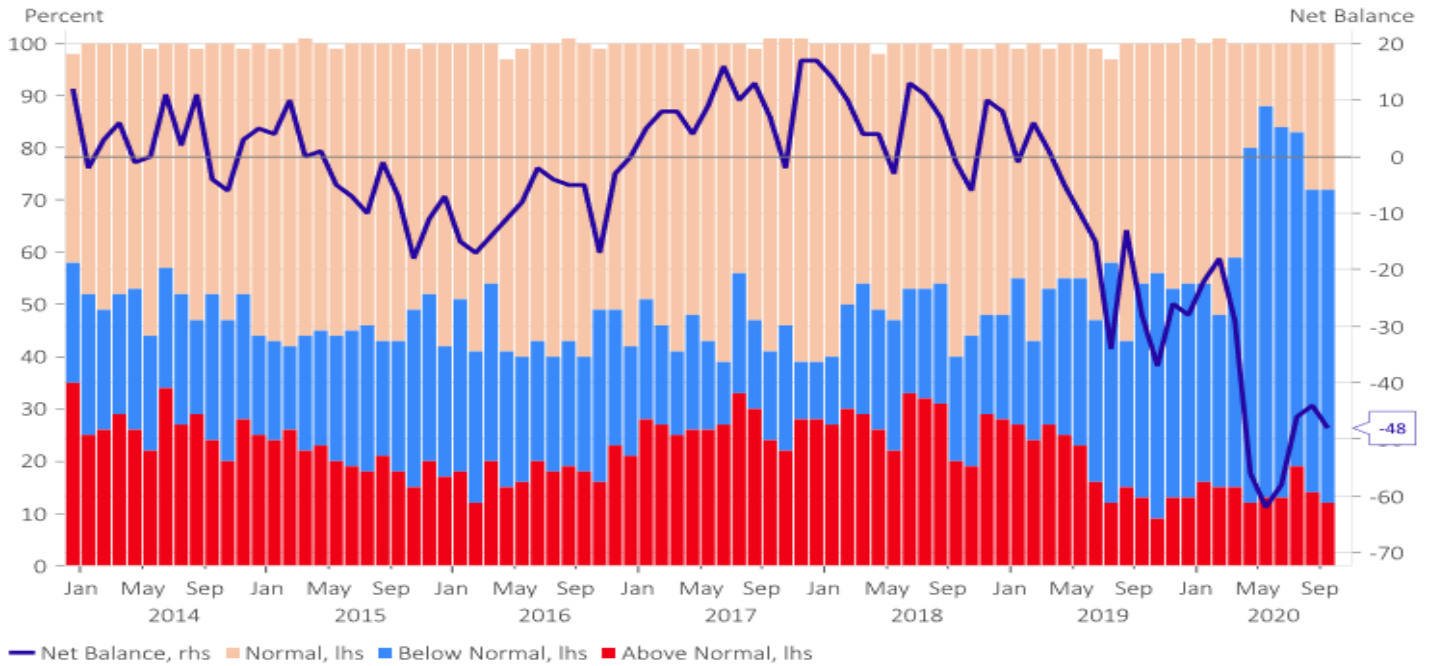
	UK Equities	US Equities	Europe (ex UK) Equities	Japanese Equities	Asian Equities	Other Overseas Eq.	Infrastructure	Alternative Assets	Bonds	Cash
MAP 1	1	3	1	0	1	1.5	2.5	7.5	45	37.5
MAP 2	2 (-0.5)	8	2	1	3 (+0.5)	4	5	12.5	40	22.5
MAP 3	4 (-1)	18	5.5	2 (-1.5)	7.5 (+1.5)	8 (+1)	5	10	27	13
MAP 4	5 (-1)	22	7.5	2.5 (-2)	9 (+2)	9 (+1)	5	10	24	6
MAP 5	6 (-1)	28	9.5	3 (-2)	12 (+2)	11.5 (+1)	3	10	13	4
MAP 6	8 (-1)	34	11	4 (-2)	14 (+2)	14 (+1)	0	10	3	2

Green - Allocation change - increase in quarter

Red - Allocation change - decrease over quarter

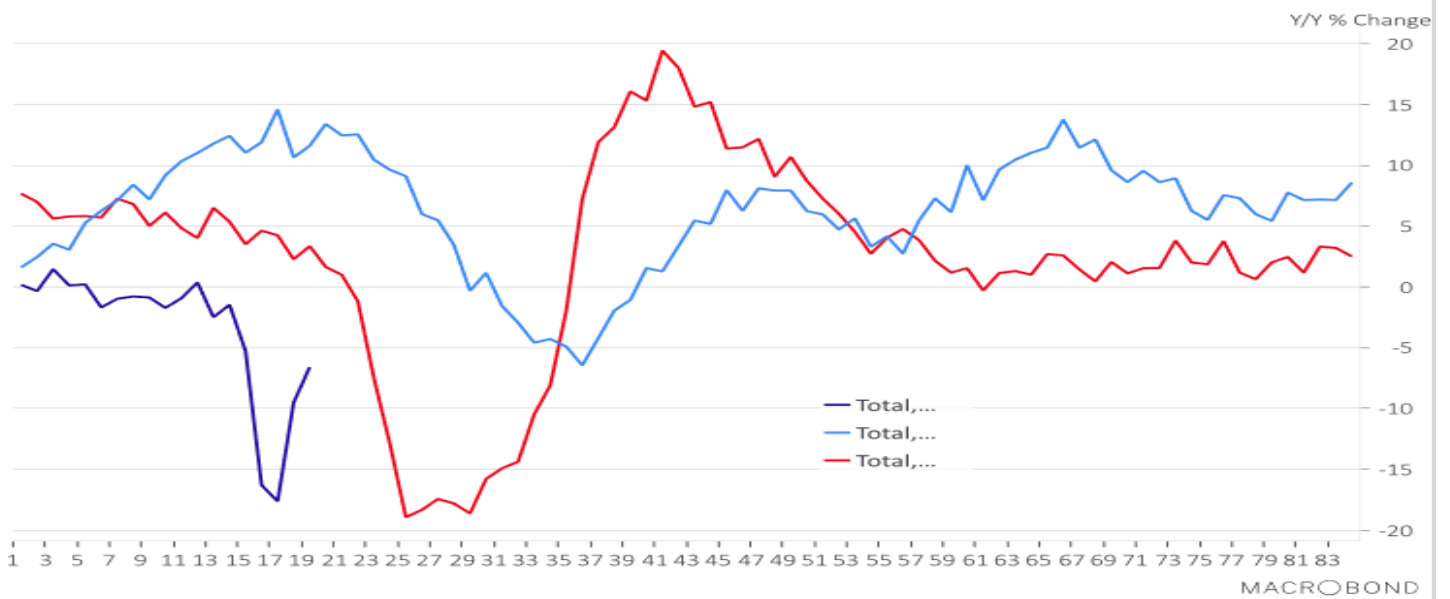
UK: CBI Business Leading Indicator

Amount of orders. Survey answer as % of total on left hand side, Balance index on the right



Global Trade: The crises of 1999, 2008 and 2020 compared

SA, Source: Netherlands Bureau for Economic Policy Analysis (CPB)



PORTFOLIO PERFORMANCE* (%)

	Quarter	1 Year	Inception	Benchmark Quarter	Benchmark 1 Year	Inception	Benchmark
MAP 1	1.07	2.03	9.37	0.71	1.56	5.46	CPI plus 1%
MAP 2	2.04	3.37	11.91	0.96	2.57	7.83	CPI plus 2%
MAP 3	3.25	5.26	14.57	1.21	3.57	10.23	CPI plus 3%
MAP 4	3.96	6.79	16.68	1.46	4.58	12.66	CPI plus 4%
MAP 5	4.79	8.70	19.49	1.70	5.59	15.12	CPI plus 5%
MAP 6	5.88	11.58	22.96	1.94	6.59	17.60	CPI plus 6%

TOP & BOTTOM PERFORMANCE CONTRIBUTORS* (Q3 2020)

	Top	Bottom
MAP 1	Baillie Gifford American	First State Global Infrastructure
MAP 2	Baillie Gifford American	First State Global Infrastructure
MAP 3	Baillie Gifford American	First State Global Infrastructure
MAP 4	Baillie Gifford American	First State Global Infrastructure
MAP 5	Baillie Gifford American	First State Global Infrastructure
MAP 6	Baillie Gifford American	iShares MSCI World Min Volatility

*Source: Aubrey Capital Management 30/09/2020

OUTLOOK

Market direction over the final quarter of the year is likely to be driven by renewed concerns over lockdowns in Europe and the uncertain outlook on the US presidential election, with the likelihood of additional stimulus, including in the United States, supporting already very loose monetary conditions.

IMPORTANT INFORMATION

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