



Mirabaud - UK Equity High Alpha

30 April 2018

Jeremy Hewlett | David Kneale | Robert White | Robbie Carr

PERFORMANCE UPDATE

In April the Fund rose by +7.13%, recovering May's lost absolute performance; in relative terms the Fund modestly outperformed the All-Share Total Return Index over the month by a little under 1%. In terms of stock performance, Micro-focus (3.4% holding) added just over half a per cent to the Fund's value in rising strongly by 25%, having fallen by over 50% in May. In addition, Sophos (3.0% holding) added a quarter of a per cent to the Fund's value by rising 15%, recuperating all and more of its 13% fall in the previous month. Overall, performance was held back a little by having a relatively limited exposure to oil, given a strong performance from the oil majors which benefitted from the rising oil price following Opec's and Russia's supply reductions, with supply concerns further heightened by President Trump's threats to repudiate Iran's nuclear agreement and consequently reinstate embargos on Iranian oil.

PORTFOLIO ACTIVITY

We initiated a 3% holding in Reckitt Benckiser (at 5548p) having not held the stock over its de-rating from recent 2017 highs of 8000p. We think the Group's new divisional structure brings greater business clarity and 'optionality'. The Group has 'separated' into over the counter branded consumer health products (and into home hygiene products (Calgon, Vanish, Harpic, Dettol, etc.). In the long run we suspect the Company will demerge the latter and focus on the former enabling a re-rating. We also added modestly to Ultra Electronics (at 1280p) following a sharp price fall triggered by news that the SFO was investigating allegations of business misconduct in Algeria. At one stage this removed over £100m of market value despite the fact that Algeria is not once mentioned in the Company's 150 page latest Report and Accounts, given its inconsequence to Group matters.

MARKET REVIEW

Equity markets globally were relatively buoyant, putting concerns over interest rate rises to one side, helped by continued strength in US macroeconomic data (growth in Q1 GDP was 2.3%*), by the de-escalation of tensions with North Korea (culminating in the inter-Korea summit) and by growing confidence that President Trump's threatened trade war with China would also de-escalate. In fact, At the same time energy stocks generally performed well given the stronger oil price. The UK market's rise was also helped by strong M&A activity; at the end of the month J Sainsbury announced a planned £10bn merger with Asda, Takeda confirmed its bid for Shire (£46bn), Comcast launched a rival offer for Sky (£22bn) whilst Whitbread announced plans to spin off Costa Coffee.

OUTLOOK

Growth in the world's economy is likely to remain robust given momentum from a strong Q1 out-turn of almost 4% GDP growth. Of particular interest to us is the UK Q1 preliminary GDP growth estimate of only 0.1% - the lowest quarterly growth rate since 2012 and in the context of average annual growth of 2% since 2009. Q1 appears to be a 'blip' (based on weakness in the construction sector impacted by appalling weather). In fact, the UK's combination of steady employment growth, rising real wages and lower inflation will support a period of rising real consumption and investment spending. This leaves us highly confident in the domestic economy's resilience, a view that is certainly not reflected in UK equity valuations. Generally. Hence we continue to believe that the Fund has significant upside potential.

* All market data sourced from Bloomberg

marketing@mirabaud-am.com

www.mirabaud-am.com

This document contains information or may incorporate by reference data concerning certain collective investment schemes (hereinafter "funds") which are only available for distribution in the countries where they have been registered. This document is for the exclusive use of the individual to whom it has been given and may not be either copied or transferred to third parties. In addition, this document is not intended for any person who is a citizen or resident of any jurisdiction where the publication, distribution or use of the information contained herein would be subject to any restrictions or limitations. Before investing in any fund or pursuing any strategy mentioned in this document, potential investors should consult the latest versions of the legal documents pertaining to such funds or underlying financial instruments or indices and in particular the Prospectus and Key Investor Information Document (KIID) which describe in greater detail the specific risks related to the funds. Moreover potential investors are recommended to seek professional legal and tax advice. The sources of the information contained in this document are deemed reliable by the issuer. However, the accuracy or completeness of the information contained in this document cannot be guaranteed, and some figures are only estimates.

The contents of this document are illustrative only and shall not be construed as an offer or a recommendation to subscribe for, retain or dispose of fund units, shares, investment strategies or courses of dealing. Past performance is not indicative or a guarantee of future returns. Fund values can fall as well as rise, and investors may lose the amount of their original investment. Performance figures do not take into account subscription and redemption fees and costs. Any values or holdings quoted are relevant only on the day they are issued and investment values and strategies may be revised without notice. This communication may only be circulated to Eligible Counterparties and Professional Investors and should not be circulated to Retail Investors for whom it is not suitable.