

Jarrod Cahn on Global



Running a global equity fund means you have the flexibility to invest all over the world. This has been fortunate, given the UK equity market has remained range bound as we wait in a semi-paralysed state for a conclusion to Brexit.

On this note, the US equity markets have been the place to be, however picking stocks in this market has also been difficult, particularly for value investors.

US technology stocks have for a long time led the market higher, and those investing in growth and momentum strategies have benefitted. Value investors have for the most part not been able to participate in this rally, as valuations of these companies screen poorly.

However, Q4 2018 was slightly different. World equity markets sold off heavily, weighed down by the prospects of aggressive rate rises in the US and the inability at the time of President Donald Trump to put an end to the trade wars with China.

Interestingly, the tech sector, which had for so long led the market higher, was starting to unwind as two of its bellwethers came under pressure. Apple, a favourite of many, started seeing some downgrades as the effects of the trade war were impacting sales of its iPhone, particularly in Asia. We saw the stock drop from a level of \$230 to about \$150.

Likewise, Facebook, which had come under fire for its association with Cambridge Analytica, and its lack of protection around customer data continued its slump from its highs in August of \$217

Bull Points

Being able to buy stocks on a global basis means that we can invest in markets where the fundamentals and valuations are most compelling

Q4 offered a rare opportunity to buy quality technology stocks at compelling valuations

Bear Points

UK equity market remains range bound, awaiting a resolution to Brexit
Valuations in the US are looking a little stretched at the moment

to as low as \$130, as the market worried about potential regulation, fines and the long-term prospects of its business model.

It is not often that opportunities like this arise, but for the first time in a long time, the valuations of these companies were just too compelling. And while the herd was selling, we took the opportunity to buy. So far, we have been well vindicated, as these stocks have rallied hard from their lows, comfortably outperforming the index.

Short-term mispricing in quality names does not happen often, but when it does, you need to have the conviction to make the investment.

Jarrod Cahn is manager of the Credo Global Equity fund

(IA) Global Equity Income: Over three years

	3yr % chg	Rank	Vol monthly	Fund size (£m)	Morningstar rating™
Top 5					
Schroder Global Equity Income	48.48	1	2.93	330.05	★★★★
Merian Global Eq Inc	47.25	2	3.13	134.79	★★★★★
JPM Global Equity Income	45.90	3	2.90	80.76	★★★★
Kempen (Lux) Global High Dividend	45.41	4	2.87	278.33	★★★★
Baillie Gifford Global Inc Growth	45.20	5	2.76	525.87	★★★★★
Bottom 5					
Sarasin Global Dividend Stg Hdg	29.75	31	2.49	115.35	
Legg Mason IF CB Glbl Eq Inc	29.02	32	2.88	28.05	★★
Premier Global Infrastructure Inc	26.90	33	3.53	68.21	
Sarasin Global Higher Div Stg Hdg	25.75	34	2.20	87.50	
AB Global Equity Inc	18.52	35	2.56	4.16	
SECTOR AVERAGE	36.63		2.90	340.31	

Performances calculated bid to bid, net income re-invested, GBP to 20/04/19. Source: © 2019 Morningstar.