

Jarrold Cahn on Global



(IA) Global: Over three years

	3yr % chg	Rank	Vol monthly	Fund size (£m)	Morningstar rating™
Top 5					
MS INVF Global Opportunity	117.78	1	3.63	6,154.86	★★★★★
Baillie Gifford Global Discovery	105.89	2	4.23	699.02	★★★★★
SLI Global Smaller Companies Pltfm	105.00	3	2.80	1,457.54	★★★★★
Fundsmith Equity	98.55	4	3.01	16,679.34	★★★★★
Lindsell Train Global Equity	97.17	5	2.95	5,232.89	★★★★★
Bottom 5					
Carmignac Investissement	30.75	218	2.71	3,445.56	★★
HC Charteris Global Macro	23.73	219	4.45	4.52	
Schroder ISF Global Energy	23.09	220	8.12	317.90	★
Carmignac Pf Invmt	10.17	221	2.31	265.76	
MFS® Meridian Global Energy	8.10	222	4.19	12.91	
SECTOR AVERAGE	58.88		2.99	693.30	

Performances calculated bid to bid, net income re-invested, GBP to 08/09/18. Source: © 2018 Morningstar.

It has been well documented how momentum and growth investing have outperformed value as an investment style for most of the past decade. Over the past 18 months, for example, the MSCI World Growth index has outperformed the MSCI World Value index by more than 19%.

What is even more concerning, is that when stripping back the performance of the best performing major indices (particularly those in the US), a large percentage of that performance came from a narrow band of stocks, predominantly within the technology sector.

As value investors, all we can do is stay patient and true to our investment style, screening and buying stocks that look intrinsically cheap, either against historic valuation or the overall market.

A good example of this is a stock like Whitbread, which we added to our equity portfolios following the EU referendum vote. The thesis at the time was twofold: as the pound weakened, we expected more tourism to be attracted to the UK, which would benefit the hotel side of its business.

But our analysis showed the Costa Coffee side of the business looked significantly undervalued against its peer group and this part of the business further had significant growth potential. This view was recently vindicated with the news that Coca-Cola made an offer to acquire Costa, leading to a significant appreciation in the Whitbread share price.

Another aspect that deserves highlighting is the obvious benefit

Bull Points

A number of value opportunities in equity markets after years of this style underperforming relative to growth

Most of the developed world still benefiting from above average growth and below average inflation

Bear Points

The endgame in trade wars still playing out

Inflation (and interest rates) starting to rise, specifically in the US

of any fund with a global outlook; namely one that has the reach to invest in international stocks, particularly those in the US (where equity returns have been better than in the UK and Europe for some time now).

As an example, one stock that we have recently added to our portfolios happens to be Disney, which once again we believe is significantly undervalued given its portfolio of brands and business model.

Jarrold Cahn is manager of the Credo Global Equity fund