

Investment commentary – November 2020

Market Overview

Global markets continued to climb higher during November. Global equity indices surged higher, riding the momentum of vaccine euphoria. To put things in perspective, the global equity barometer, the MSCI All-Country World Index, rose by 12%. This was the biggest monthly jump since records began in 1988. It was the same positive story in the UK (FTSE 100, +14%), mainland Europe (STOXX 600, +14%) and the US (Russell 2000, +18%).

The main catalyst supporting the rise in equity indices has been the surge in 'value' stocks. We see this more as a 'recovery' than a pertinent conversion to value investing. When COVID-19 took hold earlier this year, companies exposed to discretionary spending had a particularly torrid time as the share prices of these companies dropped significantly. The recent vaccine news has presented a recovery in discretionary stocks, but whether this trend is sustainable is questionable.

As witnessed during November, a broad economic recovery is in motion, but this is unlikely to be a linear journey. Economic indicators are recovering, but from very low bases. Vaccine distribution is around the corner, but until then, society will have to live with the virus. Therefore, renewed prospects of further lockdown restrictions are likely, which in turn is going to have a knock-on impact on economic growth.

After such a turbulent 2020, it is pleasing to see a much more positive outlook for 2021. As always, we accept there are risks to the continued economic recovery. But the prospect of vaccine inoculation, continued central bank stimulus and ultra-low interest rate policies provide a solid platform for asset price appreciation. As such, we are currently introducing portfolio changes to reflect our more upbeat expectations for 2021.

RHIM Portfolio Performance & Positioning

Strong performance was delivered across all investment strategies during November, reflective of the improved investment backdrop. Given our positive expectations for 2021, the Investment Committee has agreed to reduce cash positions across all investment strategies and redeploy capital across portfolios. This ensures greater participation in expected asset price appreciation through 2021.

From all at Richmond House, we wish you a very Merry Christmas and a happy New Year.

RISK WARNING

The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. Any references to specific securities or indices are included for the purposes of illustration only and should not be construed as a recommendation to either buy or sell these securities, or invest in a particular sector. The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Richmond House Investment Management at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice. Investments entail risks. Past performance is not necessarily a guide to future performance and you could receive back less than you invested. Richmond House Investment Management Limited is authorised and regulated by the Financial Conduct Authority (114563). Registered in England & Wales (01812617). Company Registered office: Premier House, Argle Way, Stevenage, Hertfordshire. SG12 2AD. Tel: +44 (0)333 3413350 Web: www.richmondhouseim.co.uk