

LF Montanaro Global Select FundQuarterly Commentary – Q3 2021

Market review

As so often seems to be the case, investors returning from Summer holidays found plenty to worry about. An energy crisis, blockages in global supply chains, a slowdown in China and growing inflationary pressures were just some of the things to ponder. Rising energy and commodity prices, increased shipping costs (which have gone up tenfold in the space of a year) and labour shortages fed through to staple products, with global food prices hitting a ten-year high. Bond yields rose as some Central Bankers switched from dovish to hawkish mode. If there was good news to be found, it was that, for the first time in many months, Covid-19 was not the dominant factor influencing equity markets. While the Global Select Fund enjoyed a quarter of healthy outperformance, inflationary pressures contributed to a sell-off of Growth stocks relative to Value towards the end of the period.

Portfolio

During the quarter, the NAV of the sterling share class increased by 9.8%, an outperformance of 8.2% versus the MSCI World SMidCap Index.

The strongest contribution during the quarter came from **Sartorius Stedim Biotech**, the supplier of equipment used to manufacturer biologic drugs, which performed strongly as countries become increasingly receptive to Covid booster vaccinations. **ICON**, Europe's largest CRO for clinical trial services, gained following a highly synergistic acquisition of one of its largest rivals, PRA Health. **Vitrolife**, the provider of tools to IVF clinics, performed well as analysts priced in expected growth from their major recent genomics acquisition.

The weakest contribution came from **Games Workshop**, the fantasy miniature maker, which declined on concerns of reduced demand as workers return to offices. **Simulations Plus**, the provider of computational modelling software for the drug development process, weakened following a sharp slow-down in its services division, outweighing good growth in its software solutions. **Pro Medicus**, the Australian provider of software to radiology clinics, was volatile as Analysts consider the profit potential of their platform for 3rd party AI algorithms.

Outlook

The fizz appears to have gone out of equity markets. While September and October have historically been tricky months for investors, a period of consolidation may be no

bad thing. Equity investors, who have had plenty to cheer about in recent years, are sitting on double-digit gains in most developed markets so far in 2021.

As we write these lines, the style rotation into Low Quality and Value is intensifying. The current environment reminds us of the price action seen in the weeks that followed the announcement of the Pfizer vaccine in November 2020, albeit the rotation is not as dramatic. Fortunately, these periods tend to be short-lived. We will keep our heads down and carry on investing in the same way as always – with our “Quality Growth”, Buy & Hold hats firmly on.

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