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Evolving trends strategy

We continue to expect global equities to generate earnings growth this year

- Global equities made positive progress over the period, as more economically sensitive and value orientated sectors performed well
- Portfolio performance driven by companies within CleanTech theme
- We opened a position in Autodesk, a market leader in computer aided design (CAD) software, aligned with the Connected Consumer theme

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What's happening?

Global equities made positive progress over the period, as more economically sensitive and value orientated sectors performed well. A steepening of the US yield curve provided the stimulus for this wider style rotation. After a weak performance year to date, value as an investment style performed strongly, with the energy, material and financial sectors outperforming as a result.

Portfolio positioning and performance

The portfolio slightly lagged the benchmark over the period, in particular being impacted by this rotation which caused more growth oriented stocks to lag.

Against this backdrop, the portfolio underperformed the benchmark during the period. In Clean Tech, both Kingspan and Deere & Co outperformed, on little news beyond strong quarterly earnings in late August. In Aging & Lifestyle, Julius Baer also outperformed. Offsetting this, Dexcom (Aging & Lifestyle) underperformed, following earlier strength. In transitioning Societies, Bright Horizons underperformed on political risks associated with the upcoming election cycle, and despite solid earnings.

During September we opened a position in Autodesk, a market leader in computer aided design (CAD) software, clearly aligned with the Connected consumer.

Outlook

The ongoing uncertainty surrounding trade conflict is currently weighing on investment activity and there is evidence of a slowdown in growth. Recent economic data has highlighted that many parts of the global industrial economy are in recession. However, similar to the industrial economic downturn in 2014-15, at this stage we do not anticipate this to develop into broader economic recession at this stage, and note continued strength in broader macro data particularly from the US.

Company outlook statements indicate a divergence of confidence depending on both geographic exposure and the ability of the business to add value to their customer base. With limited negative profit pre-announcements for the third quarter earnings season, we expect corporate profitability to remain healthy. Overall, we continue to expect global equities to generate modestly positive earnings growth this year. The liquidity backdrop is supportive and healthy, growing dividend yields offer additional support to markets whilst macroeconomic uncertainties persist. Any de-escalation of trade rhetoric would be treated positively by investors. We remain focused on quality companies aligned to the secular growth themes within the Evolving Economy where we continue to see attractive long term investment opportunities.

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