

PORTFOLIO POSITIONING UPDATE DECEMBER 2020

14 December 2020

momentum
global investment management

Performance

The portfolios delivered strong returns in November, **with the Balanced Fund up 7.2% and the Growth Fund up 10.0%**. Over the past six months the Funds have rebounded by +17.3% and +22.2%, respectively.

Positive vaccine announcements

Global equities rallied in November, as several vaccine breakthroughs sparked investor optimism that a return to economic normality is in sight. Three different Covid-19 vaccine frontrunners released better than expected efficacy results: an extraordinary scientific achievement, delivered in a time-frame that most experts considered wholly unrealistic only months ago.

Equity markets were led higher by the losers from the pandemic, including energy and financial stocks. The improved risk appetite was seen across multiple asset classes, with high yield leading the way in bond markets, emerging market currencies leading the way in foreign exchange, and southern European indices leading the way among equities. Given the risk-on environment, there was rotation away from safe havens, with gold and silver moving lower over the month.

Largest stock positions in the portfolios

Fintax International Growth - Top 10 Equity Holdings		
Ticker	Holding	Industry
GOOGL	Alphabet Inc. Class A	IT Software
FB	Facebook, Inc. Class A	IT Software
V	Visa Inc. Class A	Other Financials
B24CGK	Reckitt Benckiser Group plc	Consumer Staples
BABA	Alibaba Group Holding Ltd. Sponsored ADR	Consumer Products & Retail
CHTR	Charter Communications, Inc. Class A	Consumer Services
MSFT	Microsoft Corporation	IT Software
TMO	Thermo Fisher Scientific Inc.	Health Care
SE	Sea Ltd. (Singapore) Sponsored ADR Class A	IT Software
BAX	Baxter International Inc.	Health Care

The Funds' top holdings consist of well established companies. On a sector basis, these companies operate across a total of six sectors, and hence the Funds are not beholden to any particular theme. **November serves as a reminder of the speed with which market leadership can change.** Many investors' portfolios are dominated by yesterday's winners, and while a number also feature in the Funds' top 10 holdings - due to their being high quality companies - we aim to be more broadly diversified.

Despite the diversified sector mix, the Fund maintains a high exposure to the top performing companies within the IT Software sector (Alphabet, Facebook, Microsoft, Sea Ltd). Alphabet is the Funds top equity holding, and third quarter earnings were well above market expectations, helping to drive the stock's gains of +31% year to date. Sea Ltd, a leading internet company in Southeast Asia, also features in the top 10. Sea has been a standout performer, returning +348% year-to-date. Asia benefits from several secular trends that support Sea's core businesses. **The region stands to benefit from faster GDP growth relative to developed markets; greater capital discipline leading to higher return on equity, following a decade of disappointment in this regard; and valuations converging with developed market peers.**

Outlook

With the substantial reduction in uncertainty and risk delivered by the vaccine news and the US election, **the prospects for 2021, both in terms of a strong economic recovery and further progress in equity markets, have improved significantly.**

It is early days with respect to the rotation into value and unloved sectors, and there will inevitably be bumps along the way. Risk assets will have continuing support from ultra-loose monetary policy and fiscal stimulus across much of the developed world. However, the big moves in November discount some of this more favourable backdrop and call for shorter-term caution. **The Funds' retain protection in the form of precious metals, equity index put options and cash, but nonetheless continue to participate meaningfully in rising markets as demonstrated by last month's returns.**

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