



DART CAPITAL

Market Commentary

November 2020

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Market Dynamics

Markets started November in optimistic fashion, with the relatively market-friendly US election result quickly followed by the announcement of the high level of effectiveness of the Pfizer-BioNtech COVID vaccine serving to bolster sentiment towards risk assets. Much of the UK equity market rallied strongly on the news, with more economically sensitive areas of the market which had largely struggled since the onset of the pandemic, such as financials and travel & leisure, performing particularly strongly with the UK index as a whole ending the month up 13%. We believe that the roll-out of COVID vaccines, and the concurrent lifting of lockdown restrictions, should create an attractive backdrop for equity markets next year, and we have been repositioning portfolios to benefit from this improvement in the outlook. However, given that the Brexit negotiations are ongoing, it is important to note that our portfolio performance is not reliant on a successful conclusion of the negotiations and we retain significant levels of overseas currency exposure which will help insulate portfolios in the event of a no-deal outcome.

UK

The news on the 9th of November that Pfizer's vaccine was 90% effective certainly gave markets a boost, and this was followed in subsequent weeks by further positive results from other vaccine candidates. Only a month on from the Pfizer news, the vaccine has been approved and the NHS have started their vaccination programme, with the UK being the first western country to approve the vaccine for mass use. Whilst there has been positive news on the vaccine-front, the UK economy remained constrained by lockdown restrictions over the month, with the imposition of a four week national lockdown early in the month inevitably taking its toll on economic activity. Beset by constant lockdowns and unable to spend on discretionary items such as holidays, households have been saving far more than they normally would, and we believe that this will be a powerful positive force next year as households increase their spending in the real economy. One area of the economy which has remained strong is the manufacturing sector, with its exemption from lockdown restrictions helping it to maintain some positive momentum. The inflation rate actually rose in October, as rises in clothing and second hand car prices serving to push the figure closer to the Bank of England's 2% target. The MSCI UK All-Cap ended the month up 12.9% in capital return terms.

US

Despite early indications that Donald Trump may gain another upset election victory, Democrat party candidate Joe Biden secured enough Electoral College votes to secure the presidency, aided by victories in key swing states such as Michigan and Arizona which Trump held in 2016. A Biden presidency represents a return to the status quo following a frenetic four years under Trump, and he will look to rule by consensus as opposed to by decree, particularly given that the Republican party are likely to retain control of the Senate. We see the result as perhaps more positive for the rest of the world, as Trump's America First policies saw the US pull away from its western allies whilst his fiscal policies (particularly corporate tax cuts) sucked capital out of other international markets. From an equity market perspective, US stocks rallied on the result, aided by the fact that a Republican-controlled Senate is likely to rule out significant corporate tax rises, whilst the FAANG stocks gained a particular boost because they were most at risk from a Democrat-controlled Senate which many had expected to take aim at their powers. Having seen only an isolated pick-up in COVID cases through October, the US saw a sharp increase over the month, with many states reacting by enforcing more restrictive lockdown measures. The S&P 500 gained 10.8% in US Dollar terms.

Europe

Data released over the month indicated that the German manufacturing sector continued to bounce-back over October, aided by strong demand from Asia, with this strength helping to bolster output figures for the currency bloc as a whole. However, as is the case here in the UK, the next few months of economic data are likely to be weak, and the European Central Bank (ECB) are set to announce more support measures in their December meeting. MSCI Europe ex-UK ended the month up 14.1% in local currency terms.

Asia

Towards the start of the month, Chinese President Xi Jinping made the decision to halt Alibaba Group and its founder Jack Ma's planned initial public offering (IPO) of their online payment platform, Alipay. This came after Jack Ma reportedly angered Chinese officials by criticising the government's increasingly tight financial regulations claiming that they were holding back technological innovation. Xi approved a stricter than planned rule that would require Ant to fund 30% of its loans which pushed back the date for their IPO, a move which demonstrated some of the inherent challenges associated with investing in Chinese companies, which despite being the world's second largest economy, is still an emerging market.

The Chinese economy has continued its v-shaped recovery with data released over the month showing China is growing at a higher rate than many economists expected. China's recovery has predominantly come from accelerated industrial production however there has also been a sustained growth in infrastructure investment and housing construction. MSCI China H gained 12.8% in local currency terms over the month.

Asset Class Performance – End November 2020 (in Sterling terms)

Asset Class	Dart Capital Position	1 Month	3 Months	12 Months	Index
Cash		+0.01%	+0.03%	+0.29%	Bank Of England Base Rate in GBP
Fixed Interest		-1.09%	+0.74%	+4.06%	L&G All Stocks Gilt Index Trust I Inc in GBP
Equities - UK		+12.87%	+5.88%	-14.45%	MSCI UK All Cap in GBP
Equities - International		+8.53%	+6.06%	+10.86%	MSCI All Country World Index ex UK in GBP
Property		+0.52%	+0.64%	-2.95%	FE UK Property Proxy in GBP
Alternatives		+0.01%	+0.03%	+0.29%	Bank of England Base Rate in GBP

Benchmarks are capital return which excludes income

Month to 30 November 2020

All performance data supplied by Financial Express Analytics

Dart Capital positions based on Dart Capital mid risk strategy

-  Overweight
-  Neutral
-  Underweight

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