



DART CAPITAL

Market Commentary

April 2021

Investment Managers

Richard Whitehead

richard.whitehead@dartcapital.com

Chris Bellchambers

chris.bellchambers@dartcapital.com

Andrew Savage

andrew.savage@dartcapital.com

Anna Whittle

anna.whittle@dartcapital.com

Research Team

Alexander George

alexander.george@dartcapital.com

Michael High

michael.high@dartcapital.com

Daniel Patterson

daniel.patterson@dartcapital.com

Dart Capital

61 Queen Street, London EC4R 1EB

Tel: 020 7283 1117

Fax: 020 7283 0891

Dart Capital Limited is registered in England and Wales.

Company number: 2146006

Dart Capital Limited is authorised and regulated by the Financial

Conduct Authority. FCA registered

number: 137569

It was another strong month for equity markets, as falling COVID cases and accelerating vaccination programmes across western economies helped bolster market sentiment. Much market commentary, and attention, is focused on inflation, and it is notable that our managed portfolios are well positioned for a period of above (Central Bank) target inflation, owing in large part to our minimal exposure to long-dated bonds, and tilt towards the more lowly valued areas of the stock market within our equity allocation.

Market Dynamics

Having risen markedly over the first quarter, government bond yields broadly held their ground over the month, as traders awaited further signs of strengthening growth across western economies. In contrast, commodity markets were in more ebullient mood, with the likes of copper seeing a significant rise in price on the prospect of strengthening demand. Stable bond yields and buoyant commodity markets drove a barbell performance within the equity market, with technology and commodity stocks leading markets higher.

Corporate earnings season kicked off in strong fashion, led by the US technology behemoths which handily beat expectations. Google and Facebook benefitted from the continued rebound in online advertising, whilst Apple and Microsoft saw strong demand for their electronic devices and cloud computing offerings respectively. Although their results were strong, the immediate “pop” in share prices quickly unwound as investors considered whether this would be the peak of their earnings growth as the world returns closer to normal, and households are able to spend more of their disposable income within the “real” economy. We have trimmed exposure to these businesses, in favour of areas of the market that are more heavily exposed to more economically sensitive, yet still good quality, companies which should be experiencing rebounding profits over coming months.

UK

Aided by the loosening of lockdown restrictions, the UK economy has started to rebound strongly, with the initial survey figures for April showing a return to growth. Against this buoyant backdrop, growth rates have been revised upwards for the remainder of the year by most economists, with the average economist forecast now pointing to 7% growth for 2021 as a whole. Inflation rose over March, as rising fuel and clothing costs pushed the figures up, and we expect a further rise over April as the year-on-year impact of the bounce-back in the oil price reaches its peak. The data emanating from the domestic labour market has remained stable albeit certainly aided by the government's furlough scheme, with the unemployment rate actually falling slightly to 4.9% in the three months to March. UK equities have been a strong driver of performance so far this year, particularly shares in smaller companies which have broadly benefitted most from the improving sentiment towards the domestic economy. MSCI UK All-Cap gained 4.1% in sterling terms over the month.

US

The US economic recovery gained pace over March according to survey data released over the month, with the services sector showing a particularly strong pick-up in activity as households moved to spend pent-up savings and newly received stimulus cheques. Increasing economic activity has driven a decline in the unemployment rate, which fell to 6% in March, as employers added over 900,000 jobs. Of all developed economies, inflationary pressures are building most clearly within the US economy, with inflation moving up to 2.6% year-on-year in March according to data released over the month. Although the economic recovery is likely to be particularly strong within the US given the huge amount of stimulus which has been pumped into the economy by the Biden administration, the Federal Reserve have intimated they don't expect to raise interest rates until 2023 at the earliest. The S&P 500 gained 5.2% in US Dollar terms over the month.

Europe

Data released over the month indicated that the Eurozone economy slipped back into recession over the first quarter, as the strength of the manufacturing sector was unable to make up for the lockdown-induced weakness across the far larger services sector. The currency bloc's economy continued to lag the US and UK over April, as the flare-up in COVID cases across France and Germany has forced the respective governments into renewed lockdown restrictions at a time when many of their largest trading partners are loosening restrictions. Although the near-term COVID-related news has been poor, we believe the acceleration of the vaccine rollout – and the onset of summer – should help push cases down, and allow for a strong bounce-back in economic activity through the second half of this year. Against this backdrop of low expectations, we have been topping up exposure to continental European stocks across our managed portfolios. MSCI Europe ex-UK ended the month up 1.5% in local currency terms.

Asia

The Chinese economy grew strongly over the first quarter when compared to the heavily COVID effected period a year ago. Despite this, and having performed particularly strongly for much of the last year, previously high flying Asian technology stocks have struggled over recent months, driven largely by concerns over rising US bond yields and unwanted political interference from the Chinese government. MSCI China H ended the month down 1.7% in local currency terms. Having had far lower levels of COVID cases and hospitalisations than Europe and the US, Japan has struggled with a modest rise in cases over recent weeks which has resulted in the government bringing in renewed lockdown measures. Whilst these restrictions are less onerous than those which were in place across much of Europe this winter, it has been sufficient to dampen sentiment within the Japanese equity market with MSCI Japan returning -2.6% over the month in Yen terms.

This document does not constitute advice or a personal recommendation or take into account the particular investment objectives, financial situations or needs of individuals. This document is not intended for further distribution. This document has been prepared with all reasonable care and is not knowingly misleading in whole or in part. The information herein is obtained from sources which we consider to be reliable but its accuracy and completeness cannot be guaranteed. No responsibility is taken for any losses, including, without limitation, any consequential loss, which may be incurred by anyone acting on information in this document. The opinions and conclusions given are those of Dart Capital Limited and are subject to change without notice. The value of investments and the income from them are not guaranteed and can fall as well as rise and clients may not get back their original investment. We do not risk rate individual funds when recommending an overall portfolio, therefore, any particular fund in isolation may pose a higher or lower risk when compared against a client's agreed attitude to risk. Unless stated otherwise, investments within the overall portfolio will collectively be aligned to a client's agreed risk profile. The return on investments denominated in foreign currencies may increase or decrease due to the movements in exchange rates between sterling and the foreign currency. Inflation will reduce the value of an investment over time. Investments in cash, bonds and gilts will reduce in value if the return is less than the rate of inflation. Some investments e.g. property funds may be less liquid and investors may not be able to realise their investment immediately or the price may reflect a forced seller discount. It should be remembered that past performance is not necessarily a guide to future performance.