SARASIN GLOBAL HIGHER DIVIDEND STERLING HEDGED

SARASIN & PARTNERS

ECONOMIC AND FUND REVIEW

In Q3, markets continued to rise, somewhat surprisingly given that COVID cases also increased, with Europe seeing a particularly marked surge in August. Despite this, fewer deaths point to a better understanding of the virus. In general, economic data were positive, with greater momentum seen in regions with fewer restrictions. US consumer spending was surprisingly strong and fiscal support strengthened growth in the euro area and the UK. Tensions between the US and China resurfaced, with threats to ban TikTok from the US over privacy concerns. Equity markets continued to rebound through July and August, with the S&P 500 reaching fresh highs in early September, before retracing. On the fixed income side, gilt yields increased, especially at longer durations, while corporate spreads continued to tighten on continued monetary support.

United Parcel Service was a standout performer over the quarter. UPS has benefitted from the stay at home trade, with B2C volumes surging. Taiwan Semiconductor was another top performer, after news of Intel delayed the roll out of the next generation 7 nanometer computer chip to 2022. This has implications for TSMC who already have the required technology to produce 7nm chips. Unilever and Broadcom also performed well.

On the flipside, communications infrastructure company Crown Castle detracted, after disappointing Q2 results due to a weaker than expected result in their network business. Relx also detracted from the portfolio. The British provider of analytics and decision tools reported a 10% drop in revenue due to the impact of coronavirus on its event business. Bridgestone and Reckitt Benckiser also detracted.

During the quarter, we bought Prologis and Siemens. We sold CrediCorp, Prudential and Total.

OUTLOOK

Whilst social distancing strategies are more relaxed than they have been and a return to full lockdown seems unlikely, economic and market conditions will not return to how they were before: international trade flows and supply chains have been permanently disrupted in places; balance sheets have been damaged, requiring gradual repair or rights issues; many dividends will not return to previous levels and share buybacks have been reduced. In the longer term, technology disruption will accelerate; consumer attitudes will be very cautious; collectively, governments will be less able to stimulate recovery than after the financial crisis; weaker economic growth will leave some companies struggling to grow sales and profits; investors will be more aware, and cautious, of social and environmental 'negative externalities' and poor corporate governance; affected shares will trade on lower valuation multiples. For all these reasons, it is a time to remain vigilant and not to be complacent. Our focus will be on investments that can generate secure and growing cashflows over the long term.

In the immediate term, positive economic momentum and supportive fiscal spending will provide an impulse to corporate earnings. Monetary spending (e.g. QE) and interest rates at the zero bound will allow refinancing opportunities for companies to invest at more affordable levels. In addition, there are numerous opportunities driven by the shift to a more digital world, in new automation, climate change mitigation and adaptation, demographic trends and by shifts in consumption patterns in both the emerging and the developed markets. These themes can surpass the broad measures of GDP growth and the challenges triggered by the coronavirus. We are re-examining every sub-theme and there may be some changes of emphasis, but the high-level themes will continue to provide a strong underlying investment framework, providing us with the reassurance that the majority of companies in the portfolio have good prospects beyond the current crisis.

Sarasin & Partners LLP

Juxon House
100 St. Paul's Churchyard
London EC4M 8BU

T +44 (0)20 7038 7037
www.sarasinandpartners.com

IMPORTANT INFORMATION

This document has been approved by Sarasin & Partners LLP which is a limited liability partnership registered in England and Wales with registered number OC329859 and is authorised and regulated by the UK Financial Conduct Authority and passported under MiFID to provide investment services in the Republic of Ireland. It has been prepared solely for information purposes and is not a solicitation, or an offer to buy or sell any security. The information on which the document is based has been obtained from sources that we believe to be reliable, and in good faith, but we have not independently verified such information and we make no representation or warranty, express or implied, as to their accuracy. All expressions of opinion are subject to change without notice.

There is no minimum investment period, though we would recommend that you view your investment as a medium to long term one (i.e. 5 to 10 years). The investments of the fund are subject to normal market fluctuations. **The value of the investments of the fund and the income from them can fall as well as rise and investors may not get back the amount originally invested.** If investing in foreign currencies, the return in the investor's reference currency may increase or decrease as a result of currency fluctuations. **Past performance is not a guide to future returns and may not be repeated.**

Frequent political and social unrest in Emerging Markets, and the high inflation and interest rates this tends to encourage, may lead to sharp swings in foreign currency markets and stock markets. There is also an inherent risk in the smaller size of many Emerging Markets, especially since this means restricted liquidity. Further risks to bear in mind are restrictions on foreigners making currency transactions or investments.
For efficient portfolio management the Fund may invest in derivatives. The value of these investments may fluctuate significantly, but the overall intention of the use of derivative techniques is to reduce volatility of returns. The Fund may also invest in derivatives for investment purposes.

Neither Sarasin & Partners LLP nor any other member of Bank J. Safra Sarasin Ltd. accepts any liability or responsibility whatsoever for any consequential loss of any kind arising out of the use of this document or any part of its contents. The use of this document should not be regarded as a substitute for the exercise by the recipient of his or her own judgment. Sarasin & Partners LLP and/or any person connected with it may act upon or make use of the material referred to herein and/or any of the information upon which it is based, prior to publication of this document. If you are a private investor you should not rely on this document but should contact your professional adviser.