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The global equity market story continues to evolve, and as we move into the latest round of corporate reporting covering the first half of 2024 there will be plenty of financial information to digest. We'll provide a round-up of results from the Evenlode Global Income portfolio next month once we've had more figures and management commentary come in. So far, arguably the most interesting results in the market have been from companies that we don't own, partly because they concern some of the biggest drivers of market returns in recent times. In this investment view we'll examine the broad shape of share price moves, unusual for us because our investment approach is based on the two pillars of an analysis of the qualities of a corporation, and the valuation at which their shares are trading. We'll return to those subjects before the end of this edition.

Over the last couple of months there has been a notable increase in volatilityⁱ in some of the biggest companies by market size compared to recent history. There have been a few trading days recently where the seemingly endless upward march of large technology-related businesses has been arrested, and more cyclical companies such as auto manufacturers have been under pressure. So far these have not completely reversed the significant gains of the last eighteen months or so, rather just served as a reminder that share prices don't always go up. What has also been interesting, but maybe less newsworthy, is the relative lack of share price volatility within the Evenlode Global Income portfolio. To put some numbers on it, over the last six years the annualised volatilityⁱⁱ of the Evenlode Global Income fund has been 13.2%ⁱⁱⁱ, but over the last year this has fallen to 9.0%. We see this reflected at an individual company level – over half of the securities that have been owned in the portfolio over the last year^{iv} have moved upward or downward in price by under 10%. We would normally expect the volatility of the portfolio to be less than the broader market and this is indeed the case, but such low figures are unusual even for the relatively stable companies that find their way into the fund.

So, what's going on to cause this relatively calm patch? It stands in opposition to the challenging operating environment that companies have experienced in the aftermath of the coronavirus pandemic, with inflation and the normalisation of interest rates added on top of supply chain disruptions. Our suspicion for the portfolio is that low volatility is influenced by the excitement being largely elsewhere. Our approach looks to limit downside risk in company fundamentals and from market valuations, but over the last year the market excitement has been in an upward direction. The volatility of the market has, like the fund, fallen over the last year but that's because the market has largely been going upward in a routine fashion. This has changed in recent weeks; whether it's just a short pause or it marks the start of a return to more usual levels of volatility is impossible to know. The catalyst of the current earnings season may make a difference, and there is the US presidential election just around the corner that has plenty of potential to move markets as the drama unfolds.

There are all sorts of geopolitical and economic imponderables that could pop up and move the market. Returning to our comfort zone of companies and valuations, another reason for the relative calm in the portfolio could be that the allocation of the portfolio is away from US listed businesses, the market that has come to dominate global indices. Regular readers will know that the portfolio has a relatively low weighting to US listed businesses, at about a third by weight. European-listed



companies, including the UK, make up the majority of the rest of the portfolio, where we have for some time seen better valuations. Whilst the US has experienced upward volatility, it has been much less so this side of The Pond. There are tentative signs that the resulting valuation differential is being noticed by participants in the market. Highly anecdotally, speaking to international investors we have heard that the UK is now being seen as a country of relative stability, especially following the conclusion of the general election, and its stock market viewed as being pretty cheap. Commentators in the press are starting to make similar noises. We would extend the latter point on valuations to continental Europe as well, although the political situation has become more complex, exemplified by the recent elections in France. None of that necessarily means that we'll see a move in the share price of companies in one way or another, but at this point the seemingly low share prices being offered for sensible companies are welcome for long term investors. The valuations combined with the relative stability of the companies in the portfolio might in part explain the sanguine share price moves.

You might have your own guesses at why the market is moving as it is at the moment – we'd love to hear your theories if so! It's all good fun pondering on what moves markets, but as business first investors, our analytical effort goes into analysing results and assessing corporate prospects. We're in the thick of doing that and will be speaking to management teams over the coming weeks where we have more detailed questions after digesting their published results – watch this space for more on that soon.

Ben P, Chris E, Rob, Ben A and the Evenlode team

29 July 2024

Evenlode has developed a glossary to assist investors to better understand commonly used terms – please see <https://evenlodeinvestment.com/funds/evenlode-global-income-fund#Documents>

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Evenlode Global Income Investment View

July 2024 – Markets move

ⁱ*Volatility - A statistical measure of the fluctuations of a value over time, expressed as a percentage. For funds or indices, higher volatility is an indication of higher risk.*

ⁱⁱ*Annualised volatility - For a period of greater than one year, volatility expressed in terms of an average year within the period in question.*

ⁱⁱⁱ*B Acc GBP units, weekly returns in sterling to 19 July 2024*

^{iv}*In sterling to the end of June 2024*

