



# News

## Opportunities in an unloved market

Rachel Reutter and Michael Ulrich, managers of the JOHCM UK Opportunities fund, discuss how the drivers of growth are changing in the UK's favour.



Rachel Reutter



Michael Ulrich

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## Finding opportunities in an unloved market

The UK market is unloved and under allocated to, while at the same time the drivers of growth are changing in its favour. For those who are prepared to be selective, concentrated and absolute in their thinking, the UK is currently offering some fantastic opportunities for capital growth.

Like all chapters in history, investment cycles do turn. Tech re-rating, falling bond yields and vaccine beneficiaries are all in the past. We see the next cycle being driven by factors where the UK is well-represented and believe the growth being delivered will force investor perceptions to change.

### Beneficiaries of the green transition

Mining companies like Glencore and Anglo American are dominant providers of minerals that are essential to a lower carbon future. Utilities such as National Grid and SSE have unique positions in building renewable and energy infrastructure. Engineering equipment companies like IMI are in a leading position to both reduce plant methane emissions and improve heating efficiency in our homes. Corporate demand for improved sustainability credentials has decades of growth ahead and this will benefit companies who have invested ahead of this rising demand such as WPP with its digital advertising solutions and Mondi helping to replace plastic with its paper based packaging solutions.

### Positioned to re-build the world

Aggregates suppliers such as CRH, plant hire companies like Ashted and urban design consultants like Wood Group are all set to benefit as Western governments seek to rebuild creaking infrastructure to boost economic growth.

## Well-invested digital platforms

You don't need to pay up for US tech valuations or go up the risk curve investing in start-up businesses with no cash flows to gain exposure to digitally-enabled growth. Whether that is Next with its brand-gathering e-commerce platform or RELX with its solutions for pricing insurance or fraud risk, the UK is home to many well-established leading online platforms with high rates of growth, which are largely overlooked.

The UK index will look very different in 10 years' time and investors need to be backing funds investing in the winners of tomorrow. Investors who may have benchmark or income requirements are forced to hold large parts of the UK market where growth is low and the main form of return is a dividend. We don't have any holdings in banks or oil companies because we can't see the long term growth tailwinds for these sectors. We feel well positioned as a focused fund with around 30 holdings, highly engaged with the businesses we own, a long term time horizon and no benchmark constraints.

**Find out why we're personally invested in UK equities**

Download the J O Hambro UK Profit Index



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