

News

What is the best performing market in 2022?

Latest comments from our UK equities fund managers



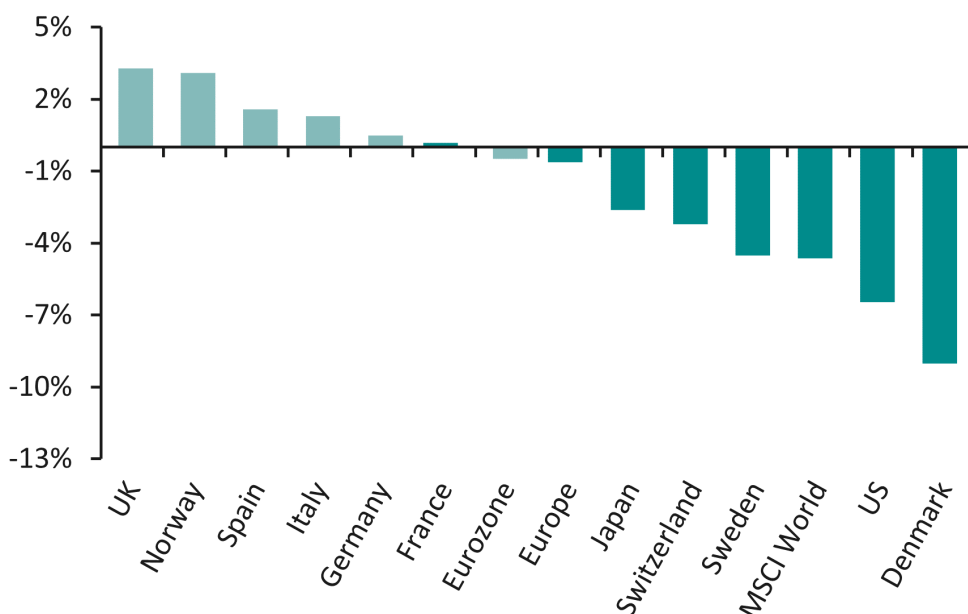
25 Jan 2022

There has been a major regime shift across global asset markets year to date with sectors which are already well-allocated to (the US, tech, growth, ESG) underperforming. The laggards of the last decade (value, financials and commodities), have become the new leaders.

This can be seen in the performance of the major indices – the value orientated markets have performed the best with the UK currently in first place. The US, and within that, the Nasdaq, have materially underperformed. The chart below shows this clearly.

Regional performance YTD – Value countries up, Growth countries down

Regions with higher value composition are highlighted in green and regions with higher growth composition are in red.



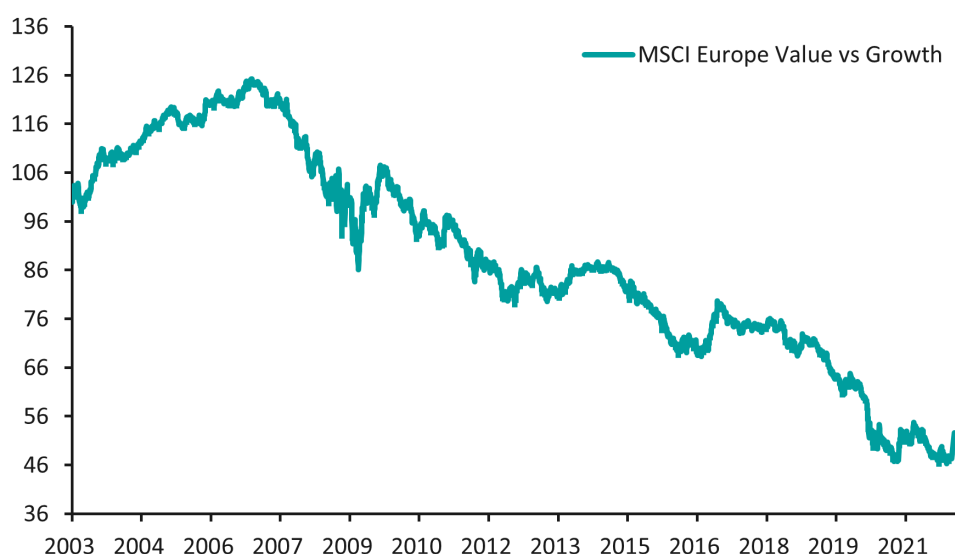
There were three main catalysts for this rotation:

- Clear evidence that inflation is not transitory
- The resultant change in messaging from the Fed (QE being withdrawn earlier / rate rises sooner)
- Further signs that Omicron could be the beginning of the end of the pandemic

All of which have led to a major shift in the bond market with yields rising. The US 10-year yield was up 25 bp for example.

Bond yields are likely to continue their ascent given mounting evidence of inflationary pressures, which we are seeing in most companies' results and in our engagement with our portfolio companies' management teams. Examples in the last week include the BT broadband price rise of close to 10%, brick prices up close to 20% and most of our holdings indicating wage inflation will be around 5% in 2022. A further rise in US bond yields to 2-2.25% will lead to a further move in the performance of value vs growth and the UK versus the World.

The valuation gap (growth to value, UK to the world) entered 2022 at its widest ever (this is covered in the Outlook section of our last monthly report). The move year to date can hardly be seen on the graph shown below, which shows the performance of value vs growth. We believe we are still at the foothills of a much larger move.



Source: MSCI, Datastream, Barclays Research.

As a result of this, we have just re-opened two of our award winning and top quartile UK funds. The JOHCM UK Dynamic Fund and the JOHCM UK Equity Income Fund had previously only been available to existing investors, following their soft closure in December 2019 and October 2013 respectively. This decision is a result of the high conviction we have in our processes in the current market environment and our positive outlook for the asset class.

Click the following links to learn more about our funds.

[JOHCM UK Dynamic Fund](#)

[JOHCM UK Equity Income Fund](#)

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13 January 2022

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04 January 2022

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