



Monthly CIO Update
Being Resilient

February 2021

Tell me something I do not know.



Saftar Sarwar, Chief Investment Officer, Binary Capital Investment Management

Whilst January 2021 was a fairly smooth month in markets, notwithstanding the odd movements in a handful of the so-called 'meme' stocks driven by a specific online community, February was a very, can I say, interesting month.

In February, investment market volatility increased significantly, and we saw investors rotate out of momentum, growth stocks towards value and short dated fixed income. Investment markets *appear* to believe that as we get successful vaccine coverage and therefore the beginning of economic normality, economic growth will pick up leading to interest rates beginning to rise *earlier* than anticipated.

I believe this *anticipation* of rising interest rates is overdone. Here is why I think so: the economic devastation of the pandemic is considerable, whole sectors have been left to one side to cope with the lockdowns. There is high unemployment now resulting in significant economic capacity. Furthermore, a genuine permanent structural shift appears to have taken place in terms of the actual way we work and how workforce productivity will be realised. Western government support of economies is still ongoing and only expected to ease later this year and could pass into next year. As I noted in one of my notes of last autumn, 2021 will be *similar* to 2020.

In a low or zero interest rate environment, global interest rates are bound to rise, I expect that rise still to be some way off. When it comes to investing, we are pragmatic and long-term. As a result, if we do see interest rates rise unexpectedly and there is a sell-off across various sectors we will most likely invest through this, even see it as a *buying* opportunity. We have no real competitive advantage on how we will time in and out of this cycle so we will not aim to do so. Resilient is an important word, we believe we have resilient portfolios, portfolios that will stand the test of various market movements. Our focus on large cap, quality stocks globally with strong liquidity is an added resilient factor.

Previously I have articulated around our focus on the US and China – drivers of economic growth in 2021 and into 2022, we also have a focus on emerging markets, I expect this trio to deliver in the long-term with short-term volatility in between. Being resilient through such volatility is the key. Being focused on the investment strategy is important. Having an ultra-determined mindset is crucial.

We started 2021 as we ended 2020 with good positive numbers, whilst February was a very volatile month we withstood much of this volatility in many of the portfolios to be similar to the competitive index return for the year so far. Our Balanced portfolio returned -2.9% in February and the high equity Adventurous portfolio -1.8%. Our year-to-date numbers for 2021 are also credible, with the Adventurous portfolio essentially flat for the first two months of this year. I do not want to dwell on these numbers, I do not want to go into detail around a monthly snapshot. If we think long-term then we must act long-term, we always aim to do that and not compromise on our strategy however challenging that may get.

We remain patient for future outcomes and always looking to deliver, always.

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