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Client Portfolio Monthly Update – November 2020

What a difference a month makes. The doom and gloom of a second national lockdown is nearly behind us and it has been a month of positive news story after positive news story. The US election kicked off the month with Joe Biden almost certainly becoming the US President-elect. Nevertheless, that did not come without its ups and downs, and the roller-coaster ride was visible in the US markets which rocketed up on numerous occasions and fell back down immediately after. In contrast, the UK markets cautiously rose from the 3rd November with very few setbacks.*

The significant movement of the month, however, which turned the US election news into fish and chips paper, was the breakthrough of a potentially successful COVID-19 vaccine, created by Pfizer/BioNTech.** The claims that this vaccine was more than 90% effective in preventing COVID-19 were all the markets needed to rally, with the UK markets growing 4.4% in under 40 minutes. Understandably, it then corrected itself slightly, but the strong movement was too much, and the markets stayed around the 6,250-6,300 mark.

Overall, the UK rose by 12.35% and the US also rose, albeit a slightly smaller increase of 9.87%.*

Something very interesting occurred during the vaccine rally. The stocks that were thriving during the first national lockdown known as the "Stay-at-home" stocks all seemed to fall rather significantly, and the companies that had collapsed were picking up strength once again. Analysts are calling this "Returning to the norm" with shares in technology boomers like Zoom closing 17.4% lower, along with Amazon falling 5.1% and Shopify dropping 13.6%. These stocks did recover as the month continued and are looking strong once again.***

Lastly in this packed month, we saw Boris Johnson reveal his plan to revert back to the Tier system in England, with the majority of the country in either Tier 2 (High Alert) or Tier 3 (Very High Alert). Only 3 places avoided the stricter Tier 2 or 3 category, being Cornwall, Isle of Wight and the Isle of Scilly.

Every portfolio has performed well during November, with the best returns coming from the higher risk levels. This month's performance has been dampened somewhat by the strong returns of the relative benchmarks. 5 of the 8 portfolios have outperformed their comparative sectors, with only Risk 2, 3, and 4 producing returns less than their benchmarks.****

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	1.09%	3.46%	-2.37%
	Risk 3	2.61%	3.46%	-0.85%
20-60% Shares	Risk 4	4.35%	5.79%	-1.44%
	Risk 5	5.89%	5.79%	0.10%
	Risk 6	6.93%	5.79%	1.14%
40-85% Shares	Risk 7	7.88%	7.35%	0.53%
	Risk 8	7.54%	7.35%	0.19%
	Risk 9	7.51%	7.35%	0.16%

It is at this moment that a special mention to the Baillie Gifford American B fund is needed. This fund has been the bedrock to the portfolio's performance since it was introduced to the models. The breakdown of this fund is heavily skewed to US technology and Consumer Discretionary and the top holdings are stocks such as Tesla, Shopify, Amazon and Zoom. However, as discussed earlier, the "Stay-at-home" stocks saw a sharp decline after the vaccine news, which was reflected in the Baillie Gifford American fund falling 11.5% over 9th – 11th November. The fund has since recovered and performed extremely well returning to the top of the IA North America sector. We look forward to seeing how this fund can adapt to continue its incredible 2020.

No amendments have been made this month to the model portfolios. The IMC are keeping a close eye on all the funds in our portfolios during these uncertain times. We are committed to completing in depth analysis over 3 months, 6 months, 1 year and longer time periods on whether performance of our funds have excelled or underperformed, and we will be basing our actions around these findings.

Information in this report is at the last valuation point on 30th November 2020 (except where indicated).
*source: Yahoo Finance
**source: www.gov.uk

***source: CNBC
****source: FE Analytics

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