

Gleneagle Asset Management Limited Gleneagle Investment Trust (Equity Fund)

SEPTEMBER 2023 REVIEW

Summary

A good move from one of our core holdings and some gains in Uranium led to a positive month, with the portfolio finishing up 1.8%. A pleasing result especially given the weak backdrop with ASX200 down -3.5% and S&P 500 down -4.8% for September. Markets have been under a bit of pressure in the last couple of months as interest rates continue to climb higher, and the Israel/Hamas conflict threatens to escalate. The S&P 500 is now back to the same level it was at the start of the year.

With painfully elevated yields, and a looming US recession, it's not surprising we are seeing some equity weakness and increased volatility. On top of this we have further fears of war escalation, so investors have been flocking to the safe haven of gold and oil. Unfortunately, the rising oil prices have put the risk of sticky inflation back on the table – essentially strengthening the case for maintaining higher rates for longer. This increases the likelihood the US is pushed into recession.

The question this month has been whether the Israeli war situation will worsen - it's a highly volatile situation and a key macro risk right now. As I write Israel are still talking about starting the ground invasion of Gaza, which would likely lead to further escalation. If the war escalates, gold, oil and bonds tend to go up with equities down, and vice versa if we get peace. In times like these there is always a lot of noise and randomness in market moves as markets can be driven by headlines which later turn out to be false.

What I am starting to look at from a pure risk/reward perspective is getting some long US bond exposure – that is betting interest rates will start to come off from here. We are getting close to peak yields in the short to medium term and it's also a decent hedge against the Middle East worsening. If the US does fall into recession, which is my current view, interest rates are likely to come off aggressively which would also help the trade.

October is currently shaping up to be another positive month for the portfolio as Helios has been rebounding, partly driven by strengthening oil prices, but I also believe due to confidence returning with the appointment of the new director Mark Lochtenberg. I expect we will see further positive changes from the company in the coming months as the new management has time to start driving change, but until these are announced we can only speculate. Next month is the AGM where we are likely to see a vote on further board changes and it is likely they will lay out their plans.

A handwritten signature in black ink, appearing to read "T. Muirhead".

Tim Muirhead
Portfolio Manager