



Investment Objective

The investment objective of EP Global Opportunities Trust plc is to provide shareholders with an attractive real long-term total return by investing globally in undervalued securities.

The portfolio is managed without reference to the composition of any stockmarket index.

Market Commentary

- At the beginning of 2020 we considered that asset markets were underpinned not by valuation but by the promise of fiscal and monetary policy support. This support stemmed partly from the forthcoming US presidential election in November 2020 and partly because of a gradual evolution since the global financial crisis (GFC) where the 'authorities were underwriting asset values'
- One would have thought that the unprecedented rise in debt levels caused by the pandemic - on top of an already elevated level - might have given asset markets some pause for thought. The out-turn was proof that the history of government support has temporarily vaccinated markets against most forms of disturbance
- The main question now is: how long can interest rates be determined by government action rather than the market?
- The starting point is that, at best, asset markets are fully valued on almost all historic metrics, unless one believes that interest rate suppression is now a permanently embedded feature of the global economy. The consequence is that asset markets have risen on the back of an economy underpinned by debt. This has now reached levels that would previously have caused concerns over economic stability and a need to show markets an exit path
- However, far from pushing for an exit path, markets are demanding ever more support. This seems to be the premise upon which markets are now operating; with the pressures of relative performance pushing most participants into some form of acquiescence rather than observation of valuation considerations
- We believe that this is a dangerous stance and remain committed to our valuation parameters. Our portfolio therefore remains defensive and focused on companies in which we have a degree of confidence in their earnings prospects and the valuations are still reasonable
- We are not finding significant value in cyclical stocks and growth stocks have been overvalued for some considerable time
- Where we identify market dislocations and opportunities present themselves, we will continue to initiate positions as we did during the market shock last year, but this will remain contingent upon valuation

Portfolio Review

- Due to our concerns about global debt levels and valuations a position was taken in US Treasury Inflation Protected Securities (TIPS). A more detailed explanation can be found in this [Research Article](#)
- In the UK exposure rose as a position was initiated in Unilever as the valuation fell into range. Unilever is a global manufacturer of branded and packaged goods, with a strong emerging markets focus and a US business that is performing reasonably well
- BMW was also purchased. Whilst cyclical, BMW benefits from free cash flow, strong brand equity and good positions in most major markets (especially China). The company should be one of the main beneficiaries of a return to economic normality with its wide selection of electric and hybrid models across the BMW and MINI brands
- Communications Services sector exposure reduced as the investment case for Telefonica was impaired by the exposure to Latin America where Covid-19 caused meaningful foreign exchange headwinds



Performance Commentary

- The Net Asset Value (NAV) was up 8.4% over the quarter. The portfolio is managed without reference to any index
- Information Technology and cyclical sectors, especially Banks, Energy and Mining were the strongest performing areas
- Interest in electric vehicles and battery-related stocks benefitted our holding in Samsung SDI, while the fallout from a US competitor in process manufacturing allowed Taiwan Semiconductor to produce further gains
- Financial stocks rallied as yield curves steepened amid heightened expectations on fiscal stimulus, while Antofagasta, the copper mining stock, performed well as expectations for demand rose against a backdrop of supply constraints
- Headwinds to performance were the high cash balance and positions in the defensive Health Care and Communication Services sectors as equities in general, but particularly the more cyclical stocks rallied

Discrete Performance

	31 Dec 19 31 Dec 20	31 Dec 18 31 Dec 19	31 Dec 17 31 Dec 18	31 Dec 16 31 Dec 17	31 Dec 15 31 Dec 16
Share Price	-5.6	5.0	-4.2	11.2	26.7
Net Asset Value (NAV) per share	-1.3	6.0	-6.7	13.9	26.9

Past performance is no guide to future performance

Share Price total returns are sourced from Refinitiv Datastream/Bloomberg. Share price returns are calculated on a closing mid price basis. NAV returns, including current period income, are sourced from Edinburgh Partners. All dividends are reinvested at the ex-dividend date.

Further information on the Company can be found within the latest factsheet and KID.

Risk Warnings

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