

Between the lines

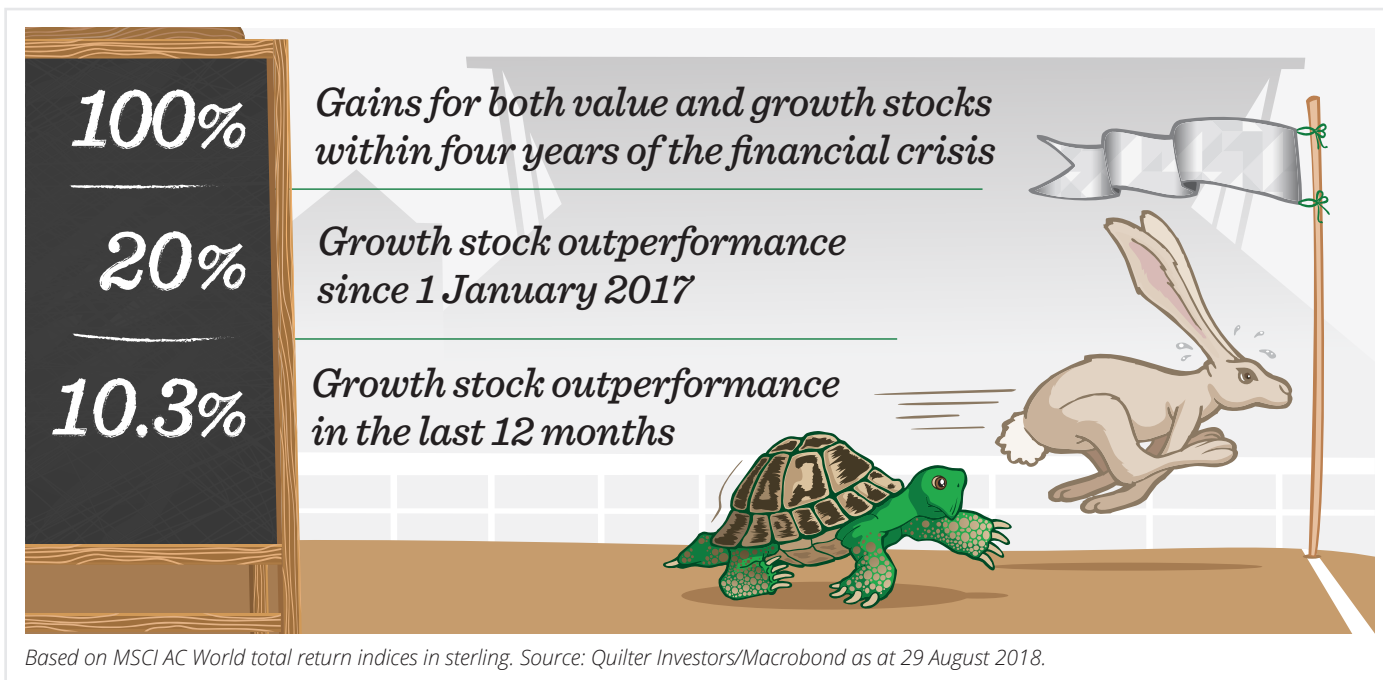
Week
35

Quilter Investors

Multi-asset investment thinking from the Quilter Investors team.

Growth stocks pull away:

After keeping pace with value stocks since the financial crisis, growth stocks have accelerated away since the start of 2017.



Editorial credit: manjik/istock.com

Big names eye \$1trn Indian market

Google has partnered with four Indian banks to offer loans within its payments app, as it seeks to increase its share of India's \$1trn digital payments market.

Google, which rebranded its Tez app to Google Pay, has teamed up with HDFC Bank, ICICI Bank, Kotak Mahindra Bank and Federal Bank to offer custom, instant loans with minimal paperwork.

Launched in September 2017, its app has completed transactions worth more than \$30bn a year, but it's looking to increase its market share. New players such as Facebook's WhatsApp and local companies, including Paytm, which this week received an undisclosed investment from Warren Buffett's Berkshire Hathaway, are also circling hungrily.

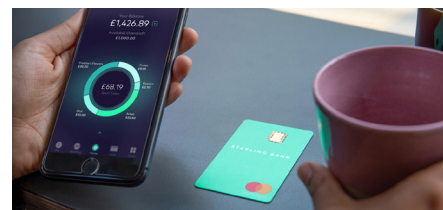


Bitter harvest

Tuesday saw the US Secretary of Agriculture, Sonny Perdue, announce the emergency measures the US is putting in place to subsidise farmers who risk being ploughed under by President Trump's trade sanctions or, as Mt Perdue put it, the "unjustified retaliation by foreign nations."

The programmes currently extend to \$12bn of subsidy payments to farmers of corn, cotton, dairy, pork, sorghum, soya beans and wheat starting next week.

But as assistant portfolio manager CJ Cowan explains, this could soon change. "It's supposedly a one-off aid package," he says, "but as China and the EU find new suppliers, the risk is that the US loses part of these export markets and the aid becomes more permanent."



Editorial credit: Starlingbank.com

Starling in the making

Users of Starling Bank increased by five times in the nine months to August 2018 while deposits exceeded £100m, yet the challenger bank requires further funding.

Average deposits sit at around £900 per account but it recorded a post-tax loss of £10.2m in the year to 30 November 2017 saying its future was "dependent on the continued support of its principal investor".

Starling's ambitions, however, include offering banking as a service to companies and governments, including a contract to support new initiatives at RBS/NatWest. It has also applied for a grant of £120m from the RBS Remedies Scheme, which would allow it to "deliver a groundbreaking, technology-driven financial proposition" to SMEs.



Editorial credit: JasonDoiry/iStock.com

Wacky racers

Toyota is expanding its partnership with Uber through a further investment of \$500m with the aim of bringing a fleet of driverless ridesharing vehicles to market.

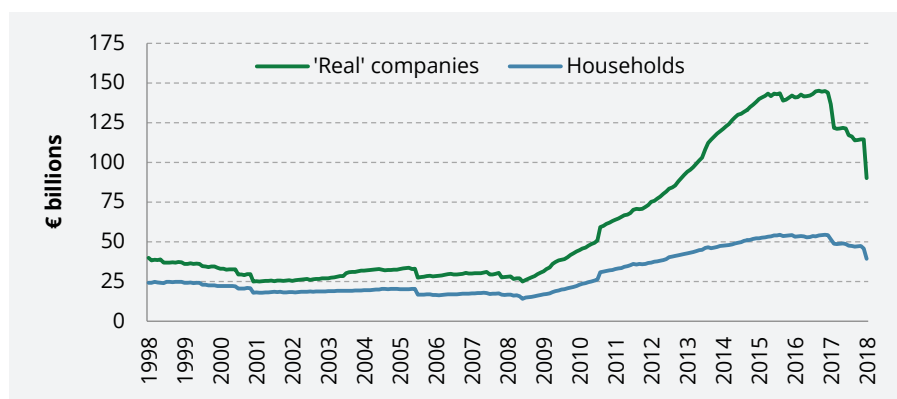
Technology from each company will be integrated into purpose-built Toyota vehicles, based on the existing Sienna Minivan platform.

This continues Toyota's move into mobility services, following an earlier investment in Uber in 2016. Meanwhile, in June 2018 it invested \$1bn in the Asian ride-hailing firm Grab.

Toyota and Uber said the initial fleet of 'Autono-MaaS' (autonomous-mobility as a service) vehicles will be owned and operated by a third party with pilots planned for the Uber network in 2021.

Chart of the week

Italy's banks clean up their act: Although all eyes are on its bonds, Italy's banks have made excellent progress reducing non-performing loans and cleaning up their balance sheets.



Source: Quilter Investors/Macrobond as at 29 August 2018.

Market data – % change in week ending 29/08/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	0.08	1.35
MSCI AC World	0.64	1.88
S&P 500 (US)	0.71	2.00
NASDAQ (US)	2.02	3.32
MSCI Europe ex UK	0.81	2.10
TOPIX (Japan)	0.74	2.02
MSCI Asia ex Japan	0.72	2.00
MSCI Emerging Markets	0.77	2.06



Blazing up

With legalisation in Canada scheduled for 17 October, the marijuana sector is alight.

Shares in Tilray, a local producer, jumped over 21% on Monday on news that the Nova Scotia Liquor Corporation (which operates a state monopoly) had selected it as a supplier. A day later, its first earning report prompted another high, taking its price 123% higher since its Nasdaq IPO last month.

The rush to develop cannabis-infused drinks and snacks saw Constellation Brands – which makes Corona – this month sink another \$4bn into Canopy Growth. Meanwhile, Molson Coors has been courting Canadian growers such as Aphria and Aurora while Britain's Diageo is also sniffing around for a Canadian connection.

As China and the EU find new suppliers, the risk is that the US loses part of these export markets and the aid becomes more permanent.

CJ Cowan, assistant portfolio manager, Quilter Investors

Fixed Income ¹	% Change GBP	% Change USD
BB Global-Aggregate TR Index	-0.25	-0.22
BB Global-Agg Treasuries TR Index	-0.24	-0.21
BB Global-Agg Corporate TR Index	-0.33	-0.29
BB Global High Yield TR Index	-0.02	-0.01

Commodities	% Change GBP	% Change USD
S&P Energy Index	1.17	2.46
S&P Precious Metals Index	0.16	1.43
S&P Industrial Metals Index	1.40	2.69
S&P Agriculture Index	-1.64	-0.38

Currencies ²	% Change GBP	% Change USD
JPM UK FX Exchange Rate Index	0.59	0.59
JPM US FX Exchange Rate Index	-0.47	-0.47
JPM Euro Area FX Exchange Rate Index	0.81	0.81

Index data as at COB Wednesday 29 August 2018. All sources Quilter Investors unless otherwise stated.

¹ Bloomberg Barclays index data. ² JP Morgan Real Broad Effective Exchange Rate CPI Indices.

UK: Suitable for retail investors. Rest of Europe and Singapore: For professional investors only.

Important information

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back any of the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares. Exchange rate changes may cause the value of overseas investments to rise or fall.

This communication is issued by Quilter Investors Limited ("Quilter Investors"), Millennium Bridge House, 2 Lambeth Hill, London, United Kingdom, EC4V 4AJ. Quilter Investors is authorised and regulated by the Financial Conduct Authority.

This communication is for information purposes only. Nothing in this communication constitutes financial, professional or investment advice or a personal recommendation. This communication should not be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be

a complete statement or summary of the securities, markets or developments referred to in the document.

Any opinions expressed in this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or companies within the same group as Quilter Investors as a result of using different assumptions and criteria.

Quilter Investors is not licensed or regulated by the Monetary Authority of Singapore ("MAS") in Singapore. This document has not been reviewed by MAS.

QIL-076-18/218-1445/SK18218

Further information for financial advisers:

Visit www.quilterinvestors.com to read our latest thinking, download portfolio data and watch investment updates from our portfolio managers.

To speak to one of our Investment Directors call 0207 167 3700 or email enquiries@quilterinvestors.com