TYNDALL

VT Tyndall North American Fund

December Review

This has been one of the most volatile Decembers on record and the worst in performance terms since 1931. From its high on 3 December, the S&P 500 fell an incredible 15.6% in the month, then rallied 6.7% in the last 4 days of the year; the index also posted the worst Christmas Eve performance ever of -2.71%. This collapse caught many off guard; lots of commentators have been waiting to get bailed out by 1) a trade truce with China 2) the Federal Reserve pivoting dovish and thirdly by the much vaunted Santa Claus rally – which did come in the end but from a much lower level than expected. We have not been waiting on any of these catalysts however, as our process focuses on the economic cycle rather than single one-off events that may or may not happen. Our process has kept us defensively positioned which is how we stayed in December, with overweights in Utilities, Staples, Healthcare and cash.

In such a broad based market sell off the fund was not immune, but did manage to outperform the index, falling by 7.1% v the S&P 500 fall of 9.0%. This placed the fund in the top decile of the peer group for the month.

Market Outlook

The fund performed satisfactorily in 2018, returning 2.85% v the S&P 500 of -0.41% in sterling terms. This placed us in the top decile of the IA North America sector for the year.

The outlook for the first half of 2019 remains difficult and we are not anticipating any big changes to the way the portfolio is positioned ie: we remain defensive. We are always on the lookout for improvements in the data and will be ready to make changes when that occurs. We continue to be positive on the dollar and believe that it will perform well in this environment. A more positive view of Brexit or even a 'Remain surge' could change that in the near term, but is unlikely to change the trend over the intermediate term.

Felix Wintle 2 January 2019

We remain cautious for now until the data improves