



VT Tyndall North American Fund

November Review

Another good Q3 earnings season is behind us, and the aggregate eps growth for the S&P 500 was 7%. This was another quarter of high single digit growth, which has been the pattern of 2017. One of the features in November was the continued recovery in the oil price, which has been buoyed by an improvement in demand and in increased geopolitical tensions. WTI is up 36% from its June lows but we are not inclined to increase our zero weighting in the sector. This is because we do not think the move is sustainable on the demand side, and the geopolitical side can also wax and wane. We do note that this move in the oil price will most likely give the inflation data a boost next month, making it more likely that the Federal Reserve maintains its hawkish stance. We are therefore able to gain some exposure to the oil price move via our interest rate sensitive financials, as the inflation push will keep a bid under bond yields.

Market Outlook

Seasonality tends to favour investors at this time of year, December typically being a positive month for returns. We believe that will be the case again this year, but not just because it's December. It's because growth is still accelerating. As highlighted above, Q3 earnings have been great, and nothing has changed to make us change our bullish state of mind. In the last few days there has at last been some volatility in the market and in particular the Tech names. I believe this offers investors a great buying opportunity, nothing has changed in the fundamentals for these companies, and small corrections are always going to happen, which is something we can take advantage of.

Tax reform has now passed the Senate and may well be signed in by the President by the end of the year. This is a major, and much needed, win for President Trump. The Bill reduces the tax rate from 35% to 20% which is clearly a major boost for corporate America. While there are still some details to be finalised, it also looks as if repatriation of foreign earnings will be taxed in two tiers of 7% and 14%. The smaller domestic companies will be the biggest beneficiaries of the tax rate reduction and the larger companies will benefit from the repatriation, which should in turn give a boost to inward investment, capex, employment and ultimately shareholder returns.

Felix Wintle
2 December 2017

Stat of the Month

There are approximately 4 million words in the US tax code, which is 5 times more than the Bible.