



## VT Tyndall North American Fund

### October Review

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The market showed some pretty serious price weakness in October and with it a big spike in volatility. Much of the pain was felt in the technology sector and amongst the small and mid cap parts of the market. Energy and Industrials were also particularly weak in the month. The fund's F Acc shares were -7.05% v the S&P 500's return of -4.83%, in Sterling terms. As per our recent monthly commentaries, we have been worried about growth slowing in the US and a big consensus long positioning in growth exposures, particularly in tech and consumer discretionary. So we did reduce our tech portfolio from 32% to 16% of the fund in early October. We also continued to add some more defensive exposures, increasing our Utilities weighting to 10% and also raising our cash level to 15%.

We have continued to be wary of the banks, and took profits in SVB Financial, our last bank holding, in the quarter. We have also increased our Staples and Healthcare holdings, making Healthcare now our biggest weighting.

### Market Outlook

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As readers will see from the commentary above, the fund is now much more defensively positioned. That is due to our view that growth is now slowing in the US, as it has been globally for about a year. If we are correct in our view that inflation has peaked and that bond yields are likely to fall from here, our defensive positioning will benefit. It is noticeable that there still exists a big consensus positioning short bonds, as many commentators believe that the 10 year yield is a certainty to rise in line with rate rises from the Federal Reserve. This is not necessarily the case however, as the 10 year yield typically correlates much more closely to the market's view on inflation, whilst the 2yr yield moves in line with Fed action. Despite the ramp in wages, inflation is likely to slow on a year on year basis going forward.

*Felix Wintle 5 November 2018*

October 2018 has been the 4<sup>th</sup> worst October since 1950