VT Tyndall North American Fund

February 2019

TYNDALL

February Review

The first thing to mention is that we've changed the comparator of the Fund from the S&P 500 to the Fidelity S&P 500 tracker. This has been done to eliminate the price timing difference between the fund, which prices at 12 noon UK time, and the index which prices at the end of the US trading day. This timing mismatch can often lead to pricing divergences of 1% or more on any given day. Using the Fidelity US Tracker, which is a UK OEIC and also prices at 12 noon UK time, means that investors can compare the Fund with the Tracker on an apples to apples basis. It has a cost of 0.06% which reflects the cost of index tracking. This does not constitute a change of benchmark, as the Fund does not have an official benchmark, but rather a way in which to compare the fund in more practical terms.

The fund was up 2.2% in February, compared to a return of 2.7% for the tracker. Markets continue to perform well whilst we are still cautiously positioned, so some underperformance is to be expected in the near term. Best performers in the month were Chegg and Chipotle, that were both up double digits, biggest detractors were the Health Insurers Humana and United which were down on fears of Democrat initiatives to create 'Medicare for All', which could end private plans. We are reviewing our positions in this sector. We added two stocks in the month, World Wrestling Entertainment and Planet Fitness, two stocks that we believe have excellent long term potential and which are both relatively immune to macro concerns.

Market Outlook

The US market has kept on rising despite many key economic indicators slowing. It looks to me as if there is a hope trade surrounding the trade talks with China, and that once concluded will propel markets ever higher. I think this is risky for two reasons. First, when the whole market is looking to the same one event it often becomes a sell-the-news event rather than a catalyst and second, we respect the cycle much more than political deals which may or may not come to pass. Of course, China is not the US's biggest trading partner; the EU, Canada & Mexico are all larger in their own right, and trade deals secured with those partners in 2018 proved to be no panacea for their economic growth rates.

Felix Wintle 5 March 2019

Investors are waiting on a China deal, but that won't trump the cycle