VT Tyndall North American Fund

June 2019

TYNDALL

June Review

The Fund returned 3.46% vs the ETF's return of 5.27%. June was a very strong month for the market which made up for the weakness in May. Financials and Energy were two of the best performing sectors in the month, where we have no exposure, and this contributed to our underperformance. There were some quite big movers in the month, one of the biggest was Ciena Corp which rose over 17% on a better than expected earnings report. The company makes networking equipment and is a key player in the continued roll out of the 5G network. Other movers included Grubhub which was up 19.7% on some rumours that the company may be taken out by Amazon. The online food delivery space has been challenged by the competitive environment but it makes sense that Amazon may be looking to enter the industry by acquiring its biggest incumbent. We'll have to see on that one. We still like Grubhub as a standalone business and added to our position recently.

The world's press still fixates about Mr Trump and his trade policies. Although clearly important, I believe they will most likely be resolved at some point before the end of the year as both sides want the 'win'. Therefore most of the dialogue is merely noise. In our core portfolio we own companies that are unaffected by the tariff politics; companies like Disney, Chipotle Mexican Grill and Livenation are all good examples of stocks that we own and that are performing well and are relatively immune from all the macro machinations, and have their own idiosyncratic growth trajectories.

Market Outlook

The stock market got back to its old highs in June, and as of the first few days of July has now surpassed them. This strength is surprising as much of the economic data has slowed in the US, and earnings growth has decelerated sharply as we lap the high growth rates that we saw this time last year. This slow down in growth has been reflected in the bond market with the ten year yield crashing to around the 2% level.

The probability of a rate cut in July is now 100% and we've seen some progress on trade with China; these two positive catalysts that the market has been waiting for are now in the rear view mirror. Earnings have to surprise to the upside to keep the momentum going, so we remain with our defensive tactical positioning in Utilities and REITs.

Felix Wintle 5 July 2019

Equites remain well bid despite the slowdown