VT Tyndall North American Fund

August 2019

August Review

The fund returned -1.73% in August, compared to the S&P 500 ETF return of -2.26%, in sterling terms. Despite the increased rhetoric from both sides of the Trade War, nothing material has changed on that front. We expect this 'war' to go back and forth for some time to come, and will likely come to a resolution when politically most expedient, ie nearer election time. The ongoing battle to be the Democrat nominee is still in its early stages but is interesting to watch with ten candidates still in the running. Elizabeth Warren in the lead, whilst Joe Biden fades.

There has not been much activity on the portfolio, because our views have not changed. We continue to believe that discretion is the better part of valour as the US data continues to slow and we enter a seasonally challenging time. Although at the same time we don't want to be too cautious as the US is still the stand-out economy globally and we are now in an easing cycle at the Federal Reserve.

We have bought two gold stocks, Kirkland Lake and Barrick Gold. Gold tends to perform when real interest rates are falling and with this looks likely to continue with the Fed in easing mode, and growth and inflation slowing. We reduced our Utilities positioning by selling two stocks that have not been performing, NRG and Exelon.

Market Outlook

The market remains fixated on tweets about the trade war; we remain much more interested in where we are in the cycle and in the fundamentals of the stocks we own. Q2 earnings season was broadly better than expected, with Home Depot's numbers particularly encouraging as it relates to the ongoing progress being made in the housing market. We continue to have exposure there and on a very selective basis to the consumer discretionary sector which shows in no uncertain terms that this is a market with winners and losers, again highlighting the importance of active management over passive strategies.

Felix Wintle 2 September 2019

Secular winners have continued to outperform