VT Tyndall North American Fund

September 2019

TYNDALL

September Review

The fund returned -7.32% in September, which compared to the S&P 500 ETF return of -0.23%, in sterling terms.

This was one of those strange times when several of our holdings sold off at the same time without any deterioration in fundamentals. There was a clear market rotation away from growth and into value as bond yields spiked early in the month, and this was the cause of much of the underperformance. Growth sectors like Consumer Discretionary and Technology were marked down as value sectors like Energy and Financials were bought. Chegg and Planet Fitness were the biggest detractors to performance in the Consumer Discretionary space and our technology stocks also corrected, by 9.5% on average. It was a broad sell off across many of our names and across almost all sectors.

We have not made any changes to the portfolio as these corrections in price have come with no discernible change in fundamentals or outlook. In fact many of our core names are now trading at very compelling valuations, not seen for quite some time. The tactical part of the portfolio remains defensive and served its purpose in terms of giving some balance. Our Utilities were up mid single digits as were our housing names, the homebuilder DR Horton was one of the best performers in the month. Housing is a sector that can continue to perform as it benefits from low interest rates, a dearth of supply and a sustained increase in demand.

Market Outlook

The outlook remains quite choppy as we enter the Q3 earnings season. Expectations have come in but guidance will be critical to share price performance. We are still zero weighted in Banks and Energy and very underweight Industrials, as it's our belief that we are late cycle and we don't want to have too much exposure to cyclicals. This has been borne out by the recent ISM print of 47, and the weaker than expected PMI readings. The chances of the Federal Reserve cutting rates have increased however and the question is whether they will cut by 25 or 50 basis points at the next meeting.

Felix Wintle 4 October 2019