VT Tyndall North American Fund

November 2019

TYNDALL

November Review

The fund returned 2.66% in November, which compared to the S&P 500 ETF return of 4.45% in sterling terms.

The most notable changes made in November were additions to the portfolio of Energy and Bank exposures. As we set out below we believe that inflation is returning cyclically and that it is prudent to add some exposure to sectors that do well when bond yields rise. We have bought Chevon, Conoco Phillips and Pioneer in Energy, and JP Morgan, Bank of America and Silicon Valley Bank.

In consumer discretionary we have a non-consensus position which is working quite nicely; we have sold Amazon and bought Target. Whilst Amazon is going through a protracted transitional period that has seen its growth rate slow and its shares underperform the market, Target has finally got its online strategy in place and is using its large store base to fulfil customer orders. While Amazon is still trying to scale same day delivery, Target has seen 50% increase in click and collect and 100% growth in its same day service, Shipt. It had a great quarter a week ago and the shares were up almost 17% in the month. Now having sold Amazon, we hold none of the FANG names (Facebook, Amazon, Netflix & Google) and believe that there are better opportunities away from these well owned and well loved mega caps.

Market Outlook

Our top-down macro process has identified that inflation is going to pick up in Q4 2019 and Q1 2020. This is an important development as many commentators and investors proclaim that inflation has been stopped for good. We can all see that there are some very powerful deflationary forces at work today, with Amazon keeping prices low for consumers and technology democratising computing power and aiding efficient price discovery. However that does not mean that inflation is gone forever; it will from time to time re-emerge cyclically, as we believe it is now, and may return more permanently depending on other factors like geopolitics and the price of oil.

We believe our recent move into Energy is anti consensus and should offer investors differentiated exposure to the US market.

Felix Wintle 6 December 2019