



December Review

The fund returned +0.45% vs the S&P 500 ETF return of - 0.08%, in sterling terms in December. As mentioned in last month's factsheet our macro process identified that inflation was likely to start accelerating in the 4th quarter and that one of the best ways to express this is by owning Energy stocks. We bought Pioneer Natural Resources, Conoco Phillips and Chevron and all three have performed well, rising 18.4%, 8.5% and 2.9% respectively in December, outperforming the S&P 500 which rose 2.8% in dollar terms.

Some of our tech holdings also performed well in the month with Microsoft rising 4.2%, Adobe rising 6.5%, and Nvidia rising 8.6%. Nvidia is at the cutting edge of semiconductor design with leading positions in graphics chips which go into computer games, the datacentre and autos.

Some of the performance detractors in the month were our housing exposures, with both our homebuilders down mid single digits. We still like them however as we believe the outlook continues to improve for this group.

Market Outlook

The backdrop is supportive for the US stockmarket as we head into 2020, despite there being lots of things to worry about, not least the recent flare up in tensions between the US and Iran. These renewed hostilities in the Middle East have spiked the oil price higher, which has helped our long Energy position, and having a geopolitical hedge like this at this time is helpful.

But the real promise of US stocks remains in the innovation and in the technological leadership that American companies continue to show across many sectors. There is a lot of evidence to show that we are in a major bull market for technology and we are playing this theme in the core part of the portfolio. But it's not just the tech sector that benefits; breakthroughs in healthcare and in the consumer space are also transforming how we all lead our lives and that makes for great investment opportunities.

Felix Wintle 6 January 2020