



## January Review

The fund returned 5.15% vs the S&P 500 ETF return of 2.44%, in sterling terms in January. Best performers were the homebuilders with Lennar adding 18.9% and DR Horton up 12.2%. This was complemented by Fortune Brands, a homebuilder supplier, which also had good numbers. We continue to like this sector and believe that there is further to go in these stocks as increasing demand meets inventory levels which are at multi decade lows.

We have been long Energy stocks for about six weeks, for a trade, as our macro process identified a pick up in inflation. This trade worked well in December but not in January and we have since sold our Energy holdings. The impact of the corona virus has got investors worried about GDP numbers, probably rightly in the short term, and this has caused the oil price to sell off quite significantly. We are zero weighted in Energy again. We have added an interesting stock to the portfolio in Beyond Meat. This is the maker of plant-based protein and is front and centre of the trend towards eating less meat. The company is currently in trials with McDonald's and KFC, and offers the leading non-GMO plant based burger. Whilst competition exists in this fast-growing industry, it is notable that companies like Nestle, with its traditional heritage, really struggle to catch up to those companies that are native to the new technology. Beyond Meat has been working on a meat-free product for over ten years and is far ahead of Nestle's 'Awesome Burger' in terms of quality. It is similar to the situation with Tesla, where competition appears to be everywhere and from very well established players, yet they cannot touch the leader. In reality, this is a new industry emerging, which displaces the incumbents, rather than the competitive minefield it appears to be.

## Market Outlook

The market outlook is clouded by the corona virus in the near term, although if stocks do sell off on the back of these fears, this will present us with a good buying opportunity. The long term trends we have exposure to won't be derailed by this outbreak.

The US Election story took another turn recently with Bernie Sanders now the lead candidate for the Democrats. While we watch these developments closely, it must be said that none of these candidates hold many fears for Mr Trump and the odds favour his re-election.

*Felix Wintle 3 February 2020*