



April Review

The fund returned 5.7% vs the S&P 500 ETF return of 10.7% in sterling terms in April. The fund lagged the recovery in April for two main reasons. The first is that the bounce has been much stronger than we anticipated, given the negative economic data that we've seen, some of it being the worst in living memory. Indeed some companies have reported better than expected quarterly earnings for Q1, which has helped fuel the rally, despite only reporting a couple of weeks of Covid 19 impact. The second reason is that much of the bounce has been led by those sectors that have been most negatively impacted by the virus. Sectors like Energy, Retail, Hotels and Aerospace have all bounced quite strongly and we do not have any exposure to these areas.

Over the month we have increased our weighting to Consumer Staples from zero to 15.2%. We are finding plenty of good companies in this sector which are not only receiving a boost in the near term but are likely beneficiaries of more stay-at-home behaviour. Companies like Clorox and WalMart seem particularly well placed to us. We have also reduced our cash position from almost 10% last month to fully invested today.

We trimmed back our positions in Zoom Video and in Teladoc, taking nice profits on both positions.

Market Outlook

We mentioned in last month's commentary that unemployment had reached 6.6m people. That number has increased to around 26m, and it's data points like these that keep us from wanting to get back into sectors like retail, restaurants and airlines.

However, we now look forward to the re-opening of the US economy and hope that domestic demand rebounds and there is no second wave of the virus. There has been a very mixed reception to the lockdown in the States, with anti-lockdown protests in many areas, so this return to normality will be broadly welcomed by most. I'm sure Mr Trump is keen to get America back to work with the Presidential Election just 7 short months away.

Felix Wintle 5 May 2020