

The US: A Narrow Market, Yet Many Winners

One of the distinguishing features of the US market is its mega caps. These household names have been consistent winners over the last decade and all sell products which most consumers feel they could not do without. Facebook, Amazon, Netflix, Microsoft, Apple & Google have really taken the world by storm and have been great investments. And that's without including Tesla, which has been a rocket ship of late. The key question is, will they *continue* to be great investments?

One of the most consistent refrains one hears about the US market is how narrow it is and that all the returns are focused solely in these FANMAG stocks. If they falter then the market is done for, or so goes the mantra. Whilst these stocks certainly dominate the S&P 500, comprising 23.12% of the index, they are not the only game in town and nor do they move as one. One of the big problems with acronyms is that they often make a group of assets seem the same when in fact they are very different.

The belief that the market performance is narrow comes from the fact that the performance of these mega caps has been very good and they are a big weight in the index. They also garner a lot of headlines, making anything to do with this group instant front page news. But they are not the best performing stocks in the market, or even in the S&P 500, with only Amazon, Netflix and Apple featuring in the top 25 best performing stocks year to date**, in percentage terms.

This is why we believe there is a superb opportunity outside of these well known and well owned mega caps. We have invested in, and continue to hunt for, those names that fly under the radar despite having great fundamentals. These companies are typically mid caps and are mainly in the technology sector, but not exclusively, with many opportunities to be found in other sectors. It must be said, however, that many of these non-tech companies have themselves been transformed by technology and we find that this digital transformation is continuing to revolutionise how businesses operate, making them more efficient and more relevant to their customers.

This is why the VT Tyndall North American Fund is always looking for the next generation of large caps rather than focusing on the current crop, because whilst they may remain mega caps for a very long time they are unlikely to be as good investments in the next decade as they have been in the last

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