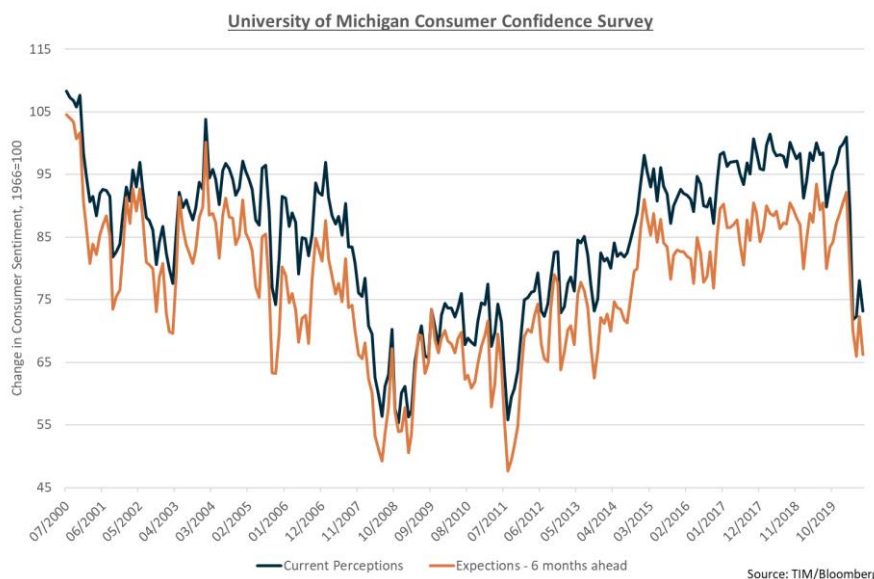


***“To make a discovery is not necessarily the same as to understand a discovery.”- Abraham Pais***

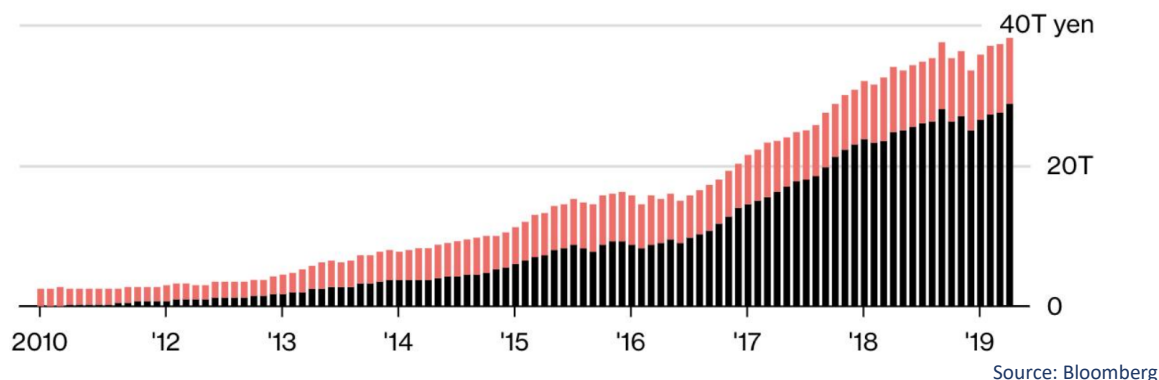
With signs of a resurgence of COVID-19 shortly after lockdown measures have been eased and economic data being somewhat mixed, the economic taps are once again wide open. Governmental bodies continue to try and solve the economic consequences of reduced consumer and industrial manufacturers’ confidence by creating yet more money.



The Federal Reserve has ventured into buying up ETFs and corporate bonds and now acts as a backstop to 11% of the entire US supply of company debt. The Japanese central bank, through its purchasing of ETFs, now owns over 8% of the entire Japanese equity market (73% of the entire ETF market) and the Europeans are well on their way to matching their foreign counterparts actions after finally approving both the EU budget and the emergency Next Generation EU Fund.

**Bank of Japan ETF Holdings**

■ BOJ holdings ■ Rest of market



One of the notable consequences of the fall in the value of the dollar (the trade weighted US dollar index has fallen to the lowest level for two years) at the same time as all of this money creation, and the subsequent purchases of the debt by global central banks, is that long-term interest rates remain low (or negative). In turn this has led to a rally in precious metals, whose store of value is now deemed to outweigh the cost of carry. We believe that globally diversified companies with reliable cash flows should also be in demand during this period as they can invest in future growth and increase (rather than being merely a store of value) the value of their assets without the need for governmental support or debt financing.

Global equity markets had quite a rollercoaster month in July, having made a new all-time high in the middle of the month, returns faded in the later part of the month as concerns over second wave infections and lower long-term growth increased. The VT Tyndall Global Select Fund B Acc (GBP) ended the month down 0.37% bringing the year-to-date return to 2.75%

### Fund Activity and News

During the month we sold our remaining holding in Barco. While the company's Healthcare division has thrived, growing by almost 8% and increasing operating profit margins as adoption of their screens for operating theatres picked up during the pandemic, the other divisions have suffered. Enterprise is usually the highest margin division growing through the increase in the adoption of their Clickshare product that enables employees to wireless share their work screens in a conference room. With rather unfortunate timing they launched Clickshare conference in February just before the lockdown commenced so orders for the video conferencing version of the product failed to materialise. As businesses are starting to reopen, Barco will have to undergo a further period of investment in marketing as awareness of the product remains low and currently 80% of orders are still for the traditional Clickshare product. While we see the benefits for using the Clickshare conference product as partial remote working becomes commonplace, social distancing will likely reduce the number of employees present in any conference room and thus the benefits of those in the conference room not having to each have their own terminal to take part in a Zoom or Teams call will take time to feed through.

### Barco Business Model

Division/Segment	Percent of Revenues of Group or Segment in 2019	H1 2020 Percent of Revenues	2019 Operating Margin	H1 2020 Operating Margin
<b>Entertainment</b>	<b>42%</b>	<b>38%</b>	<b>9.5%</b>	<b>3.1%</b>
Cinema	58%			
Venues & Hospitality	42%			
<b>Enterprise</b>	<b>33%</b>	<b>28%</b>	<b>20.7%</b>	<b>12.1%</b>
Corporate	58%			
Control Rooms	42%			
<b>Healthcare</b>	<b>25%</b>	<b>34%</b>	<b>13.3%</b>	<b>16.0%</b>
Diagnostic Imaging	73%			
Surgical	27%			

Source: TIM/Company Reports

The Entertainment division has traditionally been the largest segment, but also the lowest margin. The company had been benefiting from the switch to laser projectors from LCD lamp displays in Cinemas as theatre chains realise the need to offer consumers a better quality of experience to persuade them to visit cinema chains rather than to stay at home and use Netflix (or Disney +) as a medium to consume their visual content. Barco commands a 50% share in this market, however speaking to the CEO this month it became apparent that the orders they received over the past couple of years are not as secure as previously believed.

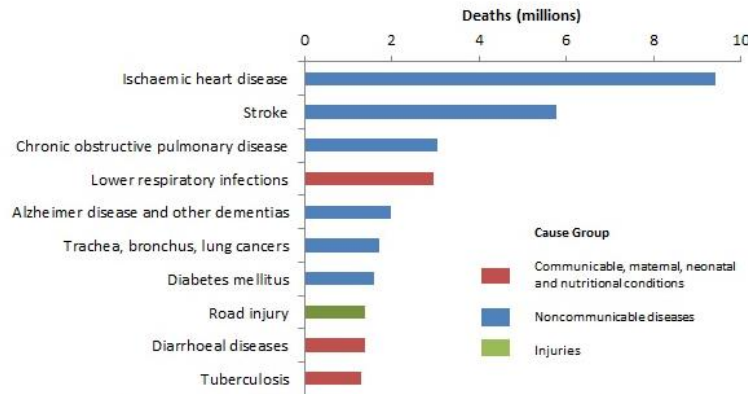
On the positive side, SONY has exited the market and projectors have a 5-7 year lifetime so over time have to be replaced, however the company estimates that 10% of theatres may never reopen as a result of the pandemic and many chains are struggling with their balance sheets after the loss of six months revenue. Their order book has seen some cancellations but also a significant amount of postponement of orders, which the company now expects to come back on stream in Q4, as they believe that the delay between reopening and reinvestment is 3-4 months. The virus, however, remains prevalent in California, having widespread ramifications on Hollywood. Disney has postponed most of its blockbuster releases to 2021 and the other film producers are likely to follow suit soon. Therefore, we believe that there will be a further delay in these orders returning as cinemas have less content to draw in customers, regardless of the headwind caused by social distancing regulations.

The other part of this division is screens for hospitality, simulators and events. As RELX's recent trading statement articulated, exhibitions have suffered during the lock down and they expect 30% of them have been cancelled for this year rather than delayed to H2; the CEO of Barco admits that most events have been cancelled to the end of the year. Therefore, we believe that the company's belief that they will return to 2019 revenue levels by the end of 2021 may be too optimistic and thus we deem that our capital could be better deployed elsewhere.

We also initiated a position in AstraZeneca. The encouraging results from the COVID-19 vaccine that they are developing with Oxford University is symbolic of the transformation underway in the company. Historically the company had a woeful track record of late stage failures in their pipeline and their key drugs going off patent. Under the leadership of the ex-Roche COO, Pascal Soriot, the company has undergone a wholesale overhaul of its research and development process resulting in an impressive pipeline and a notable uplift in products proving successful in Stage 3 trials.

After years of declining sales these drugs are starting to impact the revenue and earnings lines and we are encouraged by the pipeline of products that are yet to come to market. In the last quarter alone Astra gained regulatory approval for 5 new medicines including Lynparza which can be used for ovarian, pancreatic and prostate cancers. The recent approval by the FDA of its Breztri Aerosphere and Bevespi for the treatment of chronic obstructive pulmonary disease (COPD) are examples of the productivity of the pipeline, as according to the World Health Organisation, COPD is the third highest cause of death worldwide. To put this in perspective, COPD was the cause of 3.17 million deaths in 2016, while COVID-19 has accounted for 649 thousand deaths so far this year.




### Top 10 global causes of deaths, 2016



Source: Global Health Estimates 2016: Deaths by Cause, Age, Sex, by Country and by Region, 2000-2016. Geneva, World Health Organization; 2018.

Currently the company has 17 products in late stage 3 trials and a portfolio of nine key products which are currently in the market that should continue to drive sales and profits for many years to come.

### AstraZeneca Near Term Pipeline

	H2 2020	H1 2021	H2 2021
 <b>Regulatory decision</b>	<ul style="list-style-type: none"> <li><i>Imfinzi</i> - ES-SCLC (EU, JP)</li> <li><i>Lynparza</i> - OC (1L) (PAOLA-1) (EU, JP); breast (BRCAm) (CN); prostate cancer (2L) (EU)</li> <li><i>Enhertu</i> - breast cancer (3L, HER2+) (EU)</li> <li><i>Enhertu</i> - gastric cancer (3L, HER2+) (JP)</li> <li><i>Calquence</i> - CLL (EU)</li> <li><i>Forxiga</i> - T2D CVOT (CN); HF CVOT (EU, JP)</li> <li><i>Brilinta</i> - stroke (THALES) (US)</li> <li><i>roxadustat</i> - anaemia in CKD (US)</li> <li><i>Symbicort</i> - mild asthma (CN)</li> <li><i>PT1010</i> - COPD (EU)</li> </ul>	<ul style="list-style-type: none"> <li><i>Lynparza</i> - pancreatic (1L, BRCAm) (JP)</li> <li><i>Lynparza</i> - prostate cancer (2L) (JP)</li> <li><i>Calquence</i> - CLL (JP)</li> <li><i>Koselugo</i> - NFI (EU)</li> <li><i>Forxiga</i> - HF CVOT (CN)</li> <li><i>Brilique/Brilinta</i> - stroke (THALES) (EU)</li> <li><i>Brilique/Brilinta</i> - CAD/T2D CVOT (EU, JP, CN)</li> </ul>	-
 <b>Regulatory submission and/or acceptance</b>	<ul style="list-style-type: none"> <li><i>Tagrisso</i> - adjuvant NSCLC (EGFRm)</li> <li><i>Imfinzi +/- tremelimumab</i> - liver cancer (1L)</li> <li><i>Lynparza</i> - OC (3L, BRCAm)</li> <li><i>Forxiga</i> - CKD</li> <li><i>Brilinta</i> - stroke (THALES) (CN)</li> <li><i>Symbicort</i> - mild asthma (EU)</li> <li><i>anifrolumab</i> - lupus (SLE<sup>1</sup>)</li> <li><i>AZD1222</i> - SARS-CoV-2</li> </ul>	<ul style="list-style-type: none"> <li><i>Imfinzi</i> - unresectable, Stage III NSCLC (PACIFIC-2)</li> <li><i>Imfinzi +/- tremelimumab</i> - head &amp; neck cancer (1L)</li> <li><i>Fasenra</i> - nasal polyposis</li> <li><i>tezepelumab</i> - severe asthma</li> </ul>	<ul style="list-style-type: none"> <li><i>Imfinzi</i> - NSCLC (1L) (PEARL); liver (locoregional)</li> <li><i>Imfinzi +/- tremelimumab</i> - NSCLC (1L) (POSEIDON)</li> <li><i>Lynparza</i> - adjuvant breast cancer; prostate cancer (1L, castration-resistant)</li> <li><i>Enhertu</i> - breast (2L, HER2+)</li> <li><i>Calquence</i> - CLL (2L) (ELEVATE R/R)</li> <li><i>Forxiga</i> - HF (HFpEF)</li> <li><i>PT027</i> - asthma</li> </ul>
 <b>Key Phase III data readouts</b>	<ul style="list-style-type: none"> <li><i>Imfinzi</i> - unresectable, Stage III NSCLC (PACIFIC-2)</li> <li><i>Imfinzi +/- tremelimumab</i> - liver cancer (1L)</li> <li><i>Fasenra</i> - nasal polyposis</li> <li><i>tezepelumab</i> - severe asthma</li> <li><i>AZD1222</i> - SARS-CoV-2</li> </ul>	<ul style="list-style-type: none"> <li><i>Imfinzi</i> - NSCLC (1L) (PEARL)</li> <li><i>Imfinzi +/- tremelimumab</i> - head &amp; neck cancer (1L)</li> <li><i>Lynparza</i> - adjuvant breast cancer</li> </ul>	<ul style="list-style-type: none"> <li><i>Imfinzi</i> - adjuvant bladder; liver (locoregional); biliary tract cancer</li> <li><i>Imfinzi +/- tremelimumab</i> - NSCLC (1L) (POSEIDON) (OS)</li> <li><i>Lynparza</i> - prostate cancer (1L, castration-resistant)</li> <li><i>Enhertu</i> - breast (3L, HER2+) (Phase III); breast (2L, HER2+); breast cancer (HER2 low)</li> <li><i>Calquence</i> - CLL (2L) (ELEVATE R/R)</li> <li><i>Forxiga</i> - HF (HFpEF)</li> <li><i>PT027</i> - asthma</li> </ul>

1. Systemic lupus erythematosus. Status as of 30 July 2020.

0



Source:AstraZeneca

We believe that the market has yet to fully reflect the future growth in cash flows that this portfolio represents and thus, despite the headwinds facing the Health Care sector in the run up to the US Presidential Election, looking through the market noise, the long-term prospects justify a holding in the company.

**Richard Scrope, Fund Manager, VT Tyndall Global Select Fund, 31<sup>st</sup> July 2020**