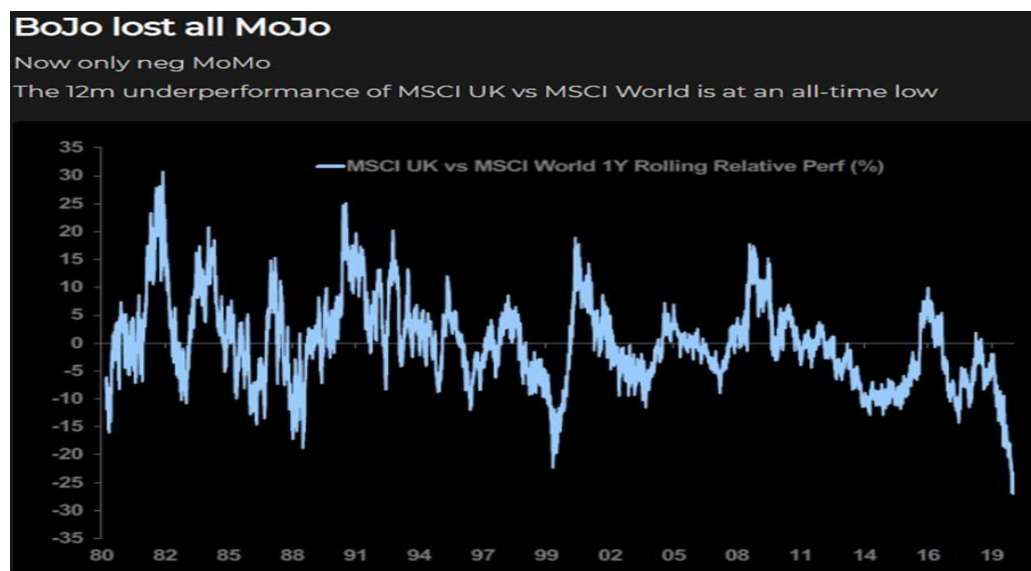


“Buy on the sound of cannons, sell on the sound of trumpets”

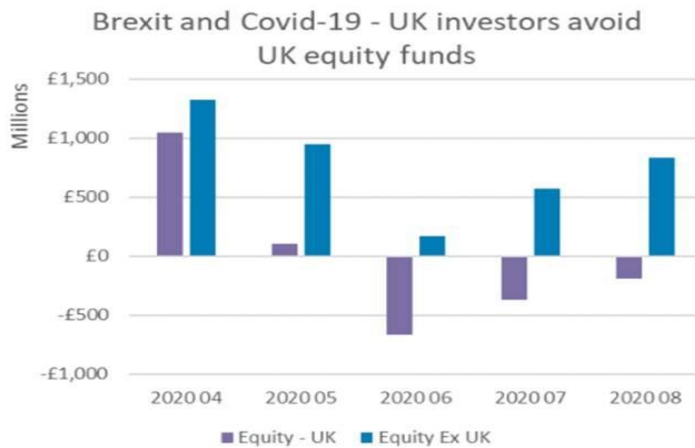
The phrase above, coined in 1810 and attributed to London financier Nathan Rothschild, is one of the plethora of stock market adages that we have actually found more useful over time. Taken literally it implies that investing as war breaks out and selling as victory is declared is likely to yield the greatest results. Interpreting more broadly, investing at the point of maximum fear and uncertainty and selling when everything in the garden looks rosy, is a highly rewarding, albeit potentially highly uncomfortable, investment strategy.

Where is this heading exactly? Well it probably won't surprise many readers that we are back on the subject of UK equities and Brexit. Yes, we are well aware that it feels like a modern-day version of the Greek myth of Sisyphus – pushing an immense boulder uphill only for it to roll down every time it nears the top – but we are persevering and sincerely hoping that, unlike our Greek friend, we do not have to repeat the process for all eternity!

We have highlighted in previous commentaries how cheap the UK equity market looks compared to other global stock markets, and with continued relative under performance in recent months (see chart below) that absolutely remains the case.

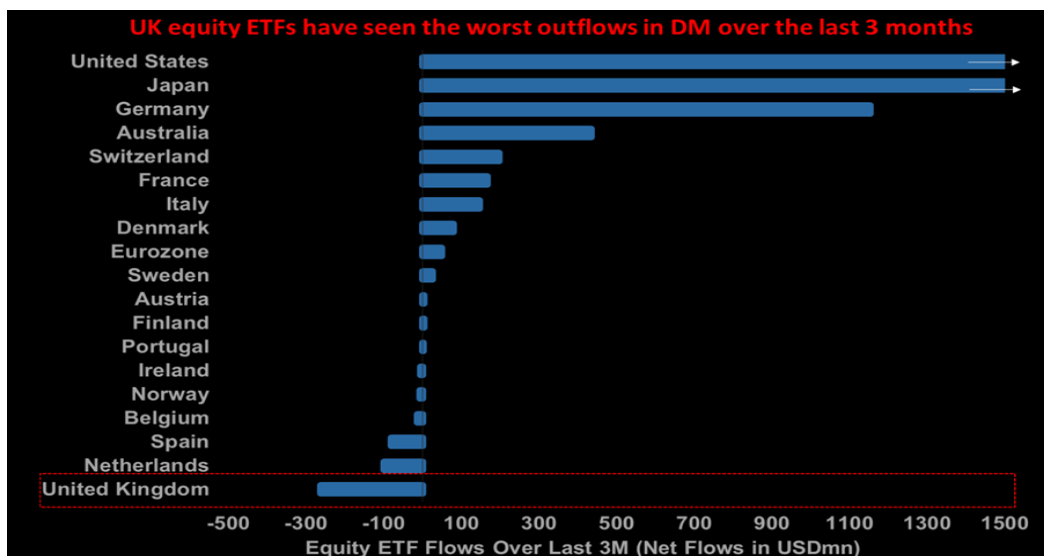


We've also continued to witness relative revulsion towards UK equities from the great British investing public, even as their appetite for stock market investment generally has recovered in recent months, as the chart below highlights – a net £1.2bn of UK-focused equity funds have been sold between June and August compared to additions of £1.6bn to non-UK holdings.



Source: Calastone

The chart below shows a similar pattern in country specific ETF flows over the last 3 months and neatly illustrates just how out of favour the UK is right now.



Source: Refinitiv

Given the extremely complex, often tortuous, process that has been the UK's divorce from Europe, we would argue that the Brexit cannons have been getting ready to fire for the last 4 years. That certainly seems to be the message from the currency market as Sterling/ Euro (chart below) once again hits the bottom of the range it has been in during the post referendum period.



As we get ever closer to the end game – whatever that proves to be – in the Brexit process, there is an inevitability to the increased daily noise and uncertainty surrounding the outcome. Whether the cannons are now in full firing mode, or there are still additional short-term dramas to come, is something of a moot point from our perspective.

As patient investors, who very much believe that uncertainty more often than not creates investment opportunity, we are as excited by the outlook for UK equities now as we have been in a very long time, and we think you should be too. Now back to that boulder.....

Simon Murphy, Fund Manager, VT Tyndall Real Income Fund, 18th September 2020

Data source (unless otherwise stated): Bloomberg

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