

November Review

The fund returned 5.04% in November vs the S&P 500 ETF return of 7.41%, in sterling terms.

The fund slightly underperformed the index this month due to quite a sharp sell off in growth in the early part of the month. Many of our names sold off in unison on which gave us a near term dip, but most of this move down has since been recovered. The development that catches our eye is the recent performance of value and cyclical sectors which have started to move over the last few weeks. This chimes with our top down macro process that identifies that inflation is returning as the economy continues to recover. In fact, a set up of growth and inflation accelerating at the same time is very bullish for equities.

Whilst we remain bullish, we have sold our holdings in mega cap tech and currently own none of the big names in the space: Facebook, Amazon, Netflix, Microsoft, Apple & Google. We believe there are better opportunities in the market today and also note that these stocks are very widely held across many passive funds and active funds. We still like Tech as a sector, but are finding ideas in the mid cap space which we believe have their future squarely ahead of them and do not boast trillion dollar market caps.

We have invested the proceeds into more cyclical sectors, adding to our Industrial and Materials exposure.

Market Outlook

The expected pick up in inflation can be seen in many different market signals. The 10 year bond yield has been basing now since March and is now beginning to rise, potentially ending a 40 year bearish trend. The oil price rose almost 27% in November, a major move for an asset that has been ignored for quite some time.

The dollar continues to weaken which is also symptomatic of inflation and is a risk-on indicator. All in all we are positive on the market and although sentiment readings have become somewhat stretched, we think the market should remain strong into the year end and into 2021.

Felix Wintle, Fund Manager, VT Tyndall North American Fund, 30 November 2020