

July Review

The fund returned 1.85% in July vs the S&P 500 ETF return of 0.13%, in sterling terms. The market was relatively calm during July, at the index level, and this is to be both expected and welcomed. However, there were many moving parts under the surface, most pronounced of which was the weakness in the US Dollar. The Dollar weakened by 5.7% in July as the huge amounts of stimulus continued to pour out of the Government and the Federal Reserve. This is one of the reasons that assets like Gold and Silver have seen such big moves with Gold up 10.3% and Silver up a huge 34% in the month.

The other notable factors were Q2 earnings and economic data which incorporated the full effects of the Covid 19 lockdown. Although many companies had withdrawn guidance for the quarter, the market seemed to take the numbers pretty well. We continue to see a market that is split down the lines of those that can survive and thrive in this new world and those that cannot. Tech was the best performing sector again, with the big mega caps all reporting significantly better numbers than analysts were expecting. We continue to underweight the mega caps as we see better opportunities further down the market cap scale, and one such example is Advanced Micro Devices which had a really great month, rising over 47%.

This stock is a recent addition to the Fund and is up 31% since we bought it two weeks ago. Its main competitor Intel announced some major supply issues at the same time as AMD itself reported a blow out quarter. We are excited by the changing landscape in the semi conductor space and believe that this company is extremely well placed for the future.

Market Outlook

The outlook for the stock market is still favourable but we continue to believe that a selective approach can be very additive to returns now and going forward. There are some clear trends in technology and in healthcare that investors should have exposure to and some other sectors that we believe will continue to struggle, like Financials. As we are now less than 100 days away

from the US election, there will be some surprsies thrown at us no doubt but while corporate America is performing so well, it should be a great environment for US equity investors.

Felix Wintle, Fund Manager, VT Tyndall North American Fund, 31 July 2020