

December Review

The fund returned 4.22% in December vs the S&P 500 ETF return of 0.92%, in sterling terms. For 2020 as a whole, the Fund returned 28.15% vs 13.79% for the ETF, in sterling terms.

Stocks continued to perform well in December and had their usual strong showing in the last month of the year. The fund performed well thanks to its weightings in cyclical parts of the market with Materials, Energy, Industrials and Consumer Discretionary performing best. We own some interesting non-consensus stocks at the moment and these have enabled the fund to perform in an uncorrelated way to the market. We exited the mega cap growth trade back in October, we currently own none of the FANMAG stocks, (Facebook, Amazon, Netflix, Microsoft, Apple, Google) and believe that there are much better ideas in the market currently. The FANMAG stocks have been going sideways for the last 2-3 months and not owning them has been a benefit to the fund.

We started to buy Energy stocks in December, which is the first time for about a year that we have owned anything in this sector. Energy and Oil perform well when the dollar is weakening and inflation is on the rise and this is exactly the macro set up that we have today. The Energy sector is of course very unloved at the moment, but we see it as a great source of potential alpha, given the current macro backdrop. The weakening dollar is a key measure of risk appetite, and we believe that the dollar is now in a downtrend which should help to keep this strong run in equity markets going.

Market Outlook

Our outlook for 2021 is positive and we remain bullish on US Equities. The return of inflation and the weakening dollar remain key elements in the macro picture for us, and we have a well diversified portfolio to take advantage of this set up. Equity markets tend to perform well in this scenario and the huge amount of stimulus that the Federal Reserve and US Government have put in

place, means there is a lot of liquidity in the system and this tends to find its way into financial markets.

There are many opportunities to be found, this cycle is not just all about Tech, other sectors, like Energy, will also have a critical part to play in the overall return profile of equities in 2021.

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