VT Tyndall North American Fund

Monthly Commentary 28 February 2021

TYNDALL

February Review

The fund returned 2.32% in February vs the S&P 500 ETF return of 0.33%, in sterling terms.

The performance was driven in large part by our positioning in the more cyclical parts of the market, particularly Energy, Industrials and Materials. We continue to believe it's critical to own these sectors as the US economy continues its recovery and investors look ahead to a post-Covid world. As we emerge from the Covid recession, cyclical sectors are having their time in the sun and this is at the expense of some of the favourites of the last cycle; the quality growth names. This has been best evidenced by the continued underperformance of the mega cap tech names, and we continue to be zero weighted to them.

Rising interest rates have been one of the most notable aspects of 2021; the 10 year bond yield having risen by more than 50bps, or 57%, so far this year. This is a huge move and it has been reflected in bond yields across the globe, even the Japanese 10 year yield has been rising, and is now in positive territory again. This is further evidence that inflation is returning and adds further confidence in having exposure to Energy and Materials that perform best when inflation is rising. How far can yields go? A lot further in my view as the US 10 year yield has not even got back to pre covid levels, which was much closer to 2%, and many international government bonds are still negatively yielding.

The portfolio is exposed to areas that will benefit from the reopening of the economy as well as the returning of consumer spending. Retail sales have already started to show some very strong recovery, rising by 7.5% in January on a year on year basis. We believe we are just at the beginning of a surge in consumer spending as consumers have been bailed out with Government money. President Biden has just approved another $1.9tr of stimulus which will most likely be passed by the Senate soon.

Market Outlook

Our outlook for the market continues to be bullish. The economy is in a post-recession recovery phase and added to this is a Fed Chairman who wants to keep rates on hold for the foreseeable future and a Government that is giving out more stimulus. This is bullish equities and bearish dollar and bonds.

Felix Wintle, Fund Manager, VT Tyndall North American Fund, 28 February 2021

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