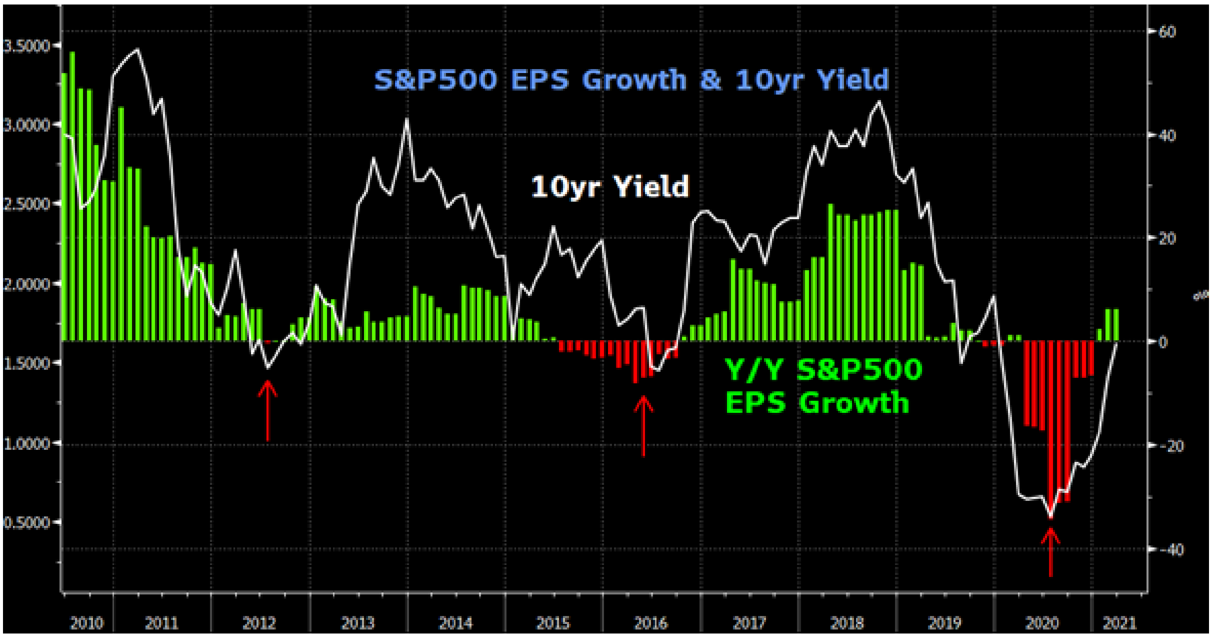
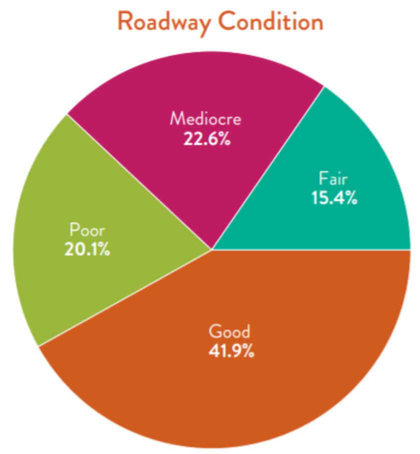
"It is not enough to have a good mind; the main thing is to use it well" - René Descartes.

The unsightly and undignified battle between Europe and the United Kingdom over approval of, and access to, vaccines casts a shadow over the region. Despite infection rates increasing on the mainland as the prevaricating about implementing a full-scale vaccination program continues, European equity performance proved to be distinctly robust this month, with the German DAX and French CAC indices registering all-time highs. Conversely the US markets have been more volatile as investors became transfixed by the movement of US 10-year treasury bond yields, inflation expectations and the Federal reserve intentions.



Source: Baird/Bloomberg

Having succeeded in getting the $1.9 trillion COVID relief bill through both houses, the Biden administration is now turning its attention to economic inequality, infrastructure, and climate change in a so called "Build Back Better Recovery Plan". Current reports state that the package could amount to $3 trillion, financed by tax increases on corporations and the wealthy, which is likely to encounter some opposition from the Republican benches. The administration announced the initial part of the bill at the end of the month, amounting to $2 trillion accompanied by an increase of corporation tax from 21% to 28%, however we expect that further reforms will be forthcoming once this part of the bill has been passed on Capitol Hill. The implementation of an infrastructure bill has been promised by both the Trump and Obama administrations but neither of their plans won approval as how to finance it proved a sticking point; with moderate Democrats insisting on mediation with Republicans on future spending, this bill will also face its own difficulties.



Source: Data from TRIP, a National Transportation Research Nonprofit

The urgent need for this bill was highlighted in the recent report by the American Society of Civil Engineers which graded 43% of US roads as poor or mediocre, and 42% of the nation's 617,000 bridges as over 50 years old, and 7.5% of them as structurally deficient. The report also concluded that by 2039 the current underinvestment in infrastructure will cost $10 trillion in GDP, more than 3 million jobs and $2.4 trillion in exports. The Fund's holding in United Rentals should be one of the main beneficiaries from the implementation of such a bill.

CUMULATIVE INVESTMENT NEEDS BY SYSTEM BASED ON CURRENT TRENDS, 2020 TO 2029

ALL VALUES IN BILLIONS

Infrastructure System	Total Needs	Funded	Funding Gap
Surface Transportation[1]	$2,834	$1,619	$1,215
Drinking Water / Wastewater / Stormwater[2]	$1,045	$611	$434
Electricity[2]	$637	$440	$197
Airports[2]	$237	$126	$111
Inland Waterways & Marine Ports[2]	$42	$17	$25
Dams[3]	$93.6	$12.5	$81
Hazardous & Solid Waste[4]	$21	$14.4	$7
Levees[5]	$80	$10.1	$70
Public Parks & Recreation[6]	$77.5	$9.5	$68
Schools[7]	$870	$490	$380
Totals	**$5,937**	**$3,350**	**$2,588**

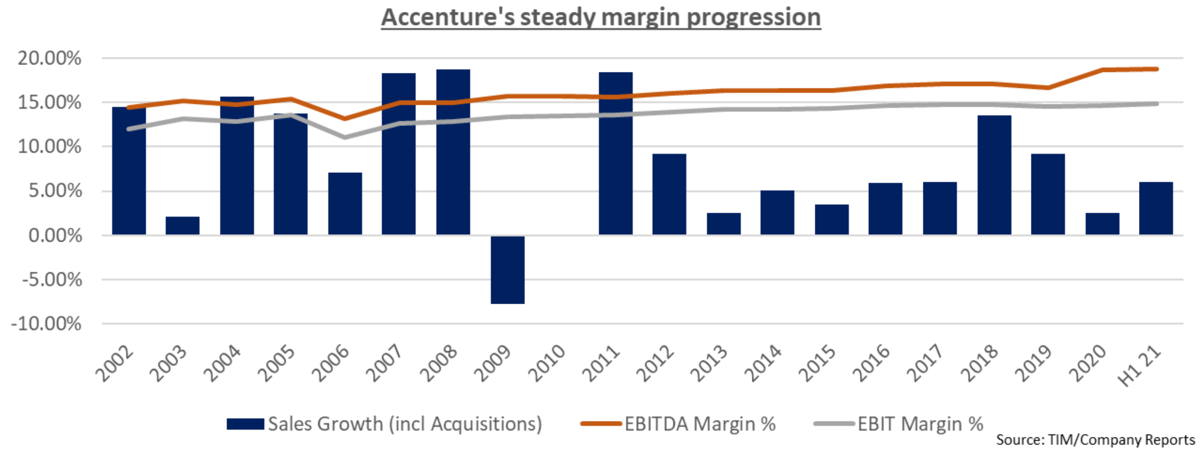
Source: ASCE

In contrast, and high on President Biden's mind, China's latest 5-year plan pledges to add 162 new airports (the US last built one in the mid-1990s) and lay 200,000 km of railway track by 2034, enough to circumnavigate the globe five times.

Like February, March proved to be volatile for global equities with the market lurching between more cyclical and commodity related assets and technology stocks almost on a daily basis. Those companies that have solid, reliable cash flows suffered as investors focussed on the prospect of inflation and rising bond yields. The VT Tyndall Global Select Fund B Acc (GBP) rose by 2.24% during the month.

Fund Activity and News

The Fund's third largest holding, Accenture, reported its half-year numbers during the month. The numbers were well ahead of what the street expected on most metrics and they also raised their guidance for the year. To us, it was a case of business as normal as it continues to execute and gain market share as it increases its exposure to digital.



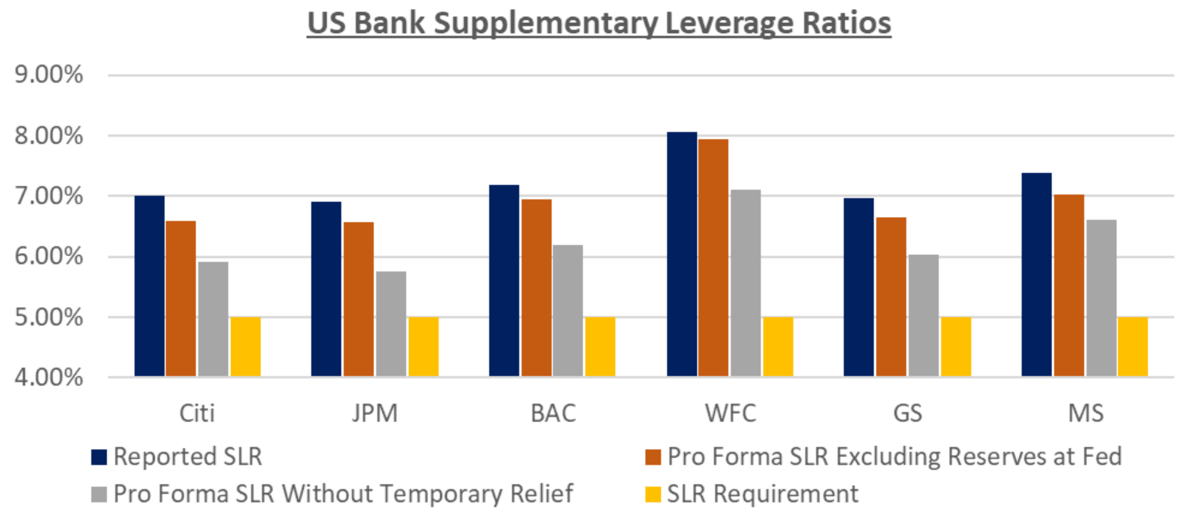
After a lull in acquisitions during the depth of the pandemic, it was good to see Accenture return to its strategy of small bolt-on deals to add exposure or technological know-how; since January 2019, the firm has conducted 62 acquisitions, 8 in the latest quarter and a further 6 since the quarter end. The company is highly cash generative, with a net positive cash balance sheet, that enables it to continue this investment strategy in digital and in doing so not only maintains its market leading position but also reinforces it, despite the market proposition superficially being oxymoronic as it is to persuade clients to spend less on tech services while at the same time, it invests in becoming more digital.

The decision by the Federal Reserve to proceed with its plan to let the temporary Supplementary Leverage Ratio (SLR) changes expire on 31 March led to some weakness in US Bank stocks this month after a strong start to the year. To muddy the waters, however, the Federal Reserve caveated its decision by inviting comments on potential SLR modifications.

Last April, the Federal Reserve modified the SLR to exclude US Treasuries and central bank reserves, reducing the denominator, in order to facilitate bank lending and reduce treasury market volatility amid the pandemic fallout. In the following months, the largest US banks added over $3 trillion in deposits as a response to the Fed's monetary easing and treasury security issuance last year.

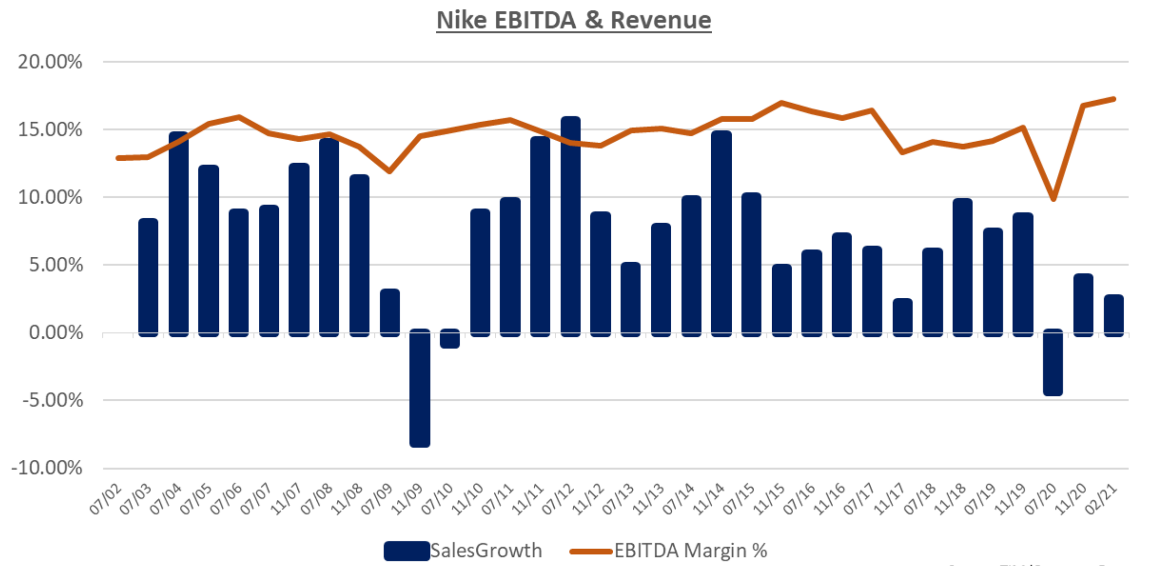
The decision to end the exclusion for Treasuries may well be revised while quantitative easing continues, as otherwise the banks might feel incentivised to push cash out of the system, possibly by charging negative interest rates for large corporates (retail deposits remain highly desirable) or into money market funds. The issue with this is that the money market funds may have to go to the Fed for a reverse repo facility, effectively selling the Treasuries back to the Fed, leading investors to question whether there is too much liquidity in existence.

Although all the major US banks are in compliance with the minimum ratio post the end of the temporary changes, they may become more restrained by the requirements should a permanent change to the SLR not occur. This may see them decide to issue more preferred stock and retain more capital through lower dividends or buybacks, which have been increasing in recent years and a key contribution to total returns; The Fund's holding in JP Morgan announced the issuance of $1.5bn in preferred stock at 4.55% on 15th March. We expect, however, that the company will await the final decision from the Federal Reserve before making changes to its capital return plans, even though the Federal Reserve also announced that its limits on large dividends and share repurchases will be lifted after June 30th.



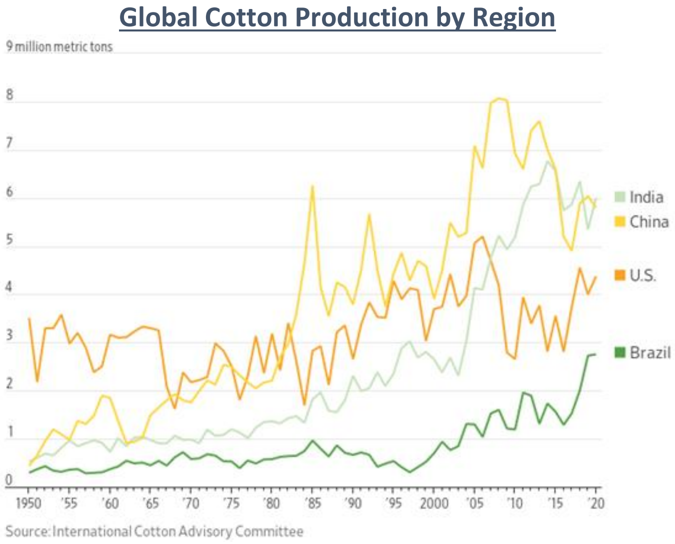
Source: TIM/Company Reports/Bloomberg

The Fund's second largest holding, Nike, reported its third quarter earnings this month. Lockdowns in the western world impacted global sales growth and supply issues caused by bottlenecks at US shipping ports further hindered growth. Despite China growing at 42% and Digital sales by 59%, and the shares fell on the back of the top line numbers. We believe that investors failed to look below the headline results as Nike put through significant savings in its operating expenses as well as experiencing an improvement in its gross margin as the cost of goods sold remained flat. As the chart below shows, Nike increased its EBITDA margin in the quarter, to a higher level than that it has reported in any of the half-year or full-year results on record.

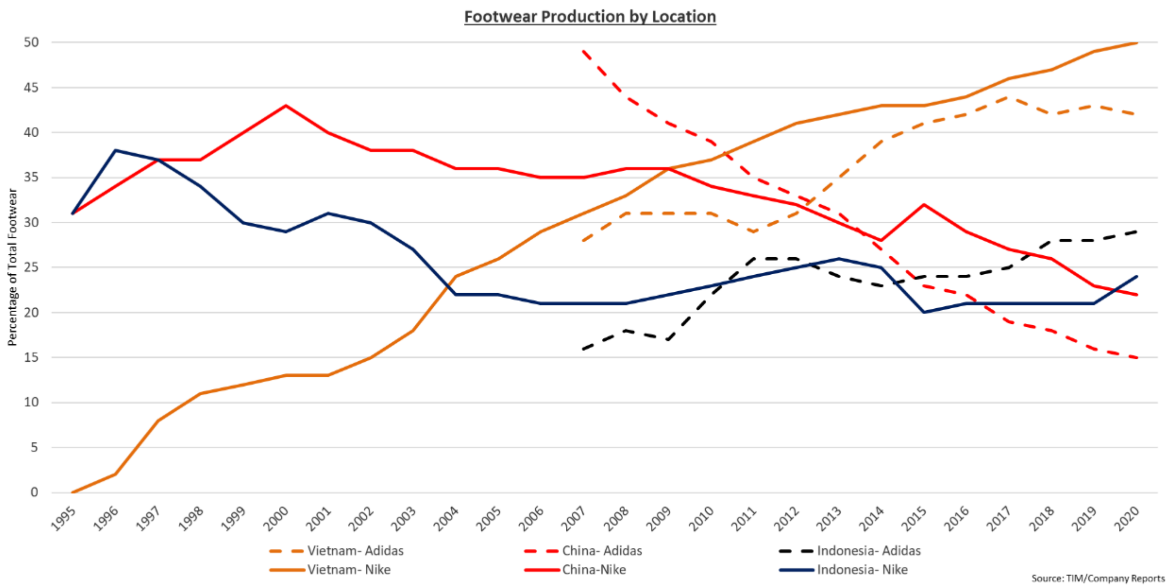


Source: TIM/Company Reports

Furthermore, cash flows and returns of invested capital remained strong, underlying the quality of earnings that the company generates. As long-term investors, we do not judge companies on a single quarter's performance and are not concerned by the low sales growth seen in the recent quarter, especially as we believe that the headwinds are transitory, and that management has flagged that some of the headwinds will persist into the early part of the current quarter.



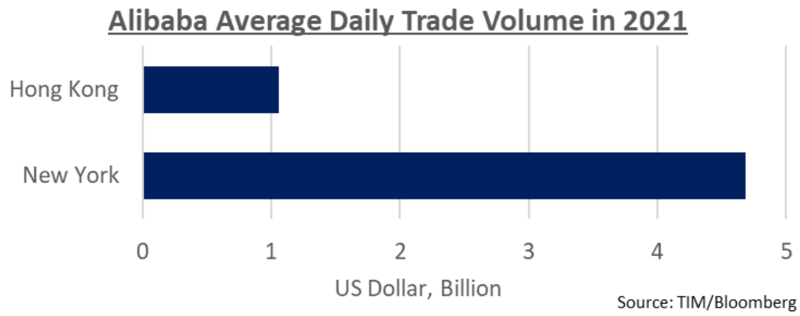
The stock also came under pressure as it has boycotted sourcing any of its raw materials or merchandise from the Xinjiang province of China. The refusal to source from a region associated with forced (slave) labour is a good example of Nike's ethical and sustainability policies in practice, however, as China has become a more important market for the company, the threat of a boycott could be very damaging. As a preliminary salvo in this tussle, the Chinese cut Nike's sponsorship of the increasingly lucrative e-sports league. H&M, which has a similar policy in its cotton sourcing has seen its existence more or less erased in China, with all its products pulled from JD.com, Pindouduo and Alibaba-owned Taobao as well mapping and ride hailing services. Although China produces 44% of the world's cotton supply, both Nike and Adidas have been steadily decreasing their reliance on sourcing from China for more than two decades; the company's policy on Xinjiang is not new news.



China has a record of trying to flex its muscles by boycotting brands made by foreign companies, most of which are fairly short-lived, as seen with Japan in 2012 over the Senkaku Islands. However, with the Ministry of Commerce on the offensive, we may well see a test of the strength of the company's brand power. Time will tell as to how much, if any, of a dent in Nike's sales this move is likely to make; Nike is ranked 21st in Kantar's 2020 survey of most valuable brands, while Adidas was 91st. Nike has a 40-year heritage of operating in China and an excellent record of navigating controversial social issues

and while we will monitor the situation, we do not see why they will not successfully overcome the current impasse.
We continue to believe Nike is a best-in-class operator that will continue to benefit from the structural increase in adoption of athletic leisure as a percentage of consumers' wallets.

We sold our remaining holding in Alibaba during the month. The company is facing a possible delisting from the New York stock exchange if it fails to allow the regulators to conduct a full audit, while at the same time is under pressure from the Chinese to spin off Ant Financial and have it regulated like a bank.



While both these threats can be resolved, the decision to ban H&M from selling from its marketplace over the Uyghur issue, and promoting companies such as Anta and Li Ning, raises serious corporate governance concerns both on ethical and governance grounds, so we closed the position.

Richard Scrope, Fund Manager, VT Tyndall Global Select Fund, 31st March 2021

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