TYNDALL

September Review

After the relative calm of the last few months, equity markets had several negative developments to contend with during September, with the net result being a somewhat surprisingly flat performance for the MSCI UK Index, which ended the month unchanged with a move of exactly 0.00%.

The persistent issue that is transitory, or otherwise, inflation remained at the core of investor attention with government bond yields rising sharply around the globe, in part perhaps reflecting the realisation that current inflationary pressures are not letting up as quickly as some had hoped.

Elsewhere one of the largest property developers in China, Evergrande Group, looks to be on the brink of collapse with over $300bn in debt as the Chinese authorities show little sign of willingness to bail the group out. The medium-term implications for Chinese economic growth and broader ramifications are not yet clear but are obviously a cause of potential concern.

Over in the United States, political gridlock is hampering the ability of President Joe Biden to deliver his signature legislation aimed at massive infrastructure spending, whilst the risk of the federal government running out of money continues to rise, as no agreement on raising the so called 'debt ceiling' appears close at hand.

Meanwhile, here in the UK persistent logistical problems centred primarily on a shortage of HGV drivers has seen panic buying of fuel amid fears that forecourts will run dry once again, alongside warnings of shortages of food and other supplies in the run up to Christmas.

Adding to the angst, soaring gas prices across the whole of Europe, UK included, is causing real concern for the impact on household finances as well as leading several smaller energy companies to go bust for lack of sufficient hedging policies in place. Sterling fell sharply against the US dollar towards the end of the month, most likely reflecting the negative headlines noted above.

Fund performance / Activity

It was a reasonable month in terms of relative performance for the fund which fell -0.80% (share class A GBP Net Accumulation), outperforming the peer group average fall of -1.27% but underperforming the MSCI UK Index's flat performance of 0.00%.

Positive attribution came from a variety of holdings including domestic retail stocks such as Marks & Spencer and Next, financial holdings such as NatWest and Legal & General, travel stocks EasyJet and WH Smith, and energy related companies BP and Drax.

Negative attribution came from an equally diverse set of holdings including Asia focused stocks Prudential and Standard Chartered, industrials DS Smith and Bodycote and domestic cyclical holdings ITV and JD Wetherspoon. Our biggest detractors actually came from two large companies that we do not own, AstraZeneca and Royal Dutch Shell, whose share prices performed relatively strongly during the month.

After several relatively quiet months we were considerably more active in the portfolio during September. Specifically, we introduced 3 new holdings to the fund which are Wickes, Keller, and

Rolls Royce. We also added to existing holdings such as NatWest, DS Smith, Melrose, and EasyJet (as part of their rights issue). We made no complete disposals during the month, instead funding the above additions through profit taking in a variety of holdings such as Marks & Spencer, WPP, Bodycote, Drax and Vistry.

Market Outlook

As we alluded to in the review above, there are several ongoing issues facing markets currently that have the capacity to cause near term volatility including inflation, supply chain bottlenecks, soaring energy costs, the delta variant of Covid-19, political gridlock, Chinese property developer defaults and the potential withdrawal of ultra-easy monetary and fiscal policies around the world.

At the risk of sounding somewhat Panglossian, most of these issues appear to us to be relatively temporary in nature and therefore unlikely to fundamentally derail the global economic recovery from the Covid-19 pandemic. As we've mentioned numerous times before, there will be bumps along the way, but ongoing economic growth and corporate profit recovery is still the most likely scenario for the medium term.

There have been some interesting internal developments within the equity market during September, with the rise in government bond yields giving fresh impetus to the recovery in 'value' relative to 'growth' equities. It remains to be seen whether this represents the start of a more sustained rotation but, from our perspective, it is a welcome development and one we hope continues.

Concerning our portfolio holdings, we reiterate our previous views, specifically we remain extremely optimistic on the medium-term outlook for significant further progress. In a great many cases we view our holdings as being roughly one year into a multi-year recovery process, with substantial further upside potential still to come. As such, we are happy to keep the exposures we currently have, and indeed we remain comfortable utilising any near term weakness to add to favoured positions.

Simon Murphy, Fund Manager, VT Tyndall Real Income Fund, 30th September 2021
Data source (unless otherwise stated): Bloomberg, FE Analytics

Contact Details:

Fund Manager - smurphy@tyndallim.co.uk
Sales Director - hnolan@tyndallim.co.uk

Disclaimer

WARNING: All information about the VT Tyndall Real Income Fund ('The Fund') is available in The Fund's prospectus and Key Investor Information Document which are available free of charge (in English) from Valu-Trac Investment Management Limited (www.valu-trac.com). Any investment in the fund should be made on the basis of the terms governing the fund and not on the basis of any information provided herein.
The information in this Report is presented using all reasonable skill, care and diligence and has been obtained from or is based on third party sources believed to be reliable but is not guaranteed as to its accuracy, completeness or timeliness, nor is it a complete statement or summary of any securities, markets or developments referred to. The information within this Report should not be regarded by recipients as a substitute for the exercise of their own judgement.
The information in this Report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. In the absence of detailed information about you, your circumstances or your investment portfolio, the information does not in any way constitute investment advice. If you have any doubt about any of the information presented, please consult your stockbroker, accountant, bank manager or other independent financial advisor.
Value of investments can fall as well as rise and you may not get back the amount you have invested. Income from an investment may fluctuate in money terms. If the investment involves exposure to a currency other than that in which acquisitions of the investments are invited, changes in the rates of exchange may cause the value of the investment to go up or down. Past performance is not necessarily a guide to future performance.
Any opinions expressed in this Report are subject to change without notice and Tyndall Investment Management is not under any obligation to update or keep current the information contained herein. Sources for all tables and graphs herein are Valu-Trac Investment Management Limited unless otherwise indicated.
The information provided is "as is" without any express or implied warranty of any kind including warranties of merchantability, non-infringement of intellectual property, or fitness for any purpose. Because some jurisdictions prohibit the exclusion or limitation of liability for consequential or incidental damages, the above limitation may not apply to you. Users are therefore warned not to rely exclusively on the comments or conclusions within the Report but to carry out their own due diligence before making their own decisions.
Employees of Tyndall Investment Management, or individuals connected to them, may have or have had interests of long or short positions in, and may at any time make purchases and/or sales as principal or agent in, the relevant securities or related financial instruments discussed in this Report.
© 2021 Tyndall Investment Management.
Tyndall Investment Management is a trading name of Odd Asset Management. Authorised and regulated by the Financial Conduct Authority (UK), registration number 660915. This status can be checked with the FCA on 0845 730 0104 or on the FCA website (UK). All rights reserved. No part of this Report may be reproduced or distributed in any manner without the written permission of Tyndall Investment Management.
Investment Manager: 5-8 The Sanctuary, London, SW1P 3JP.