VT Tyndall North American Fund

Monthly Commentary | October 2021

TYNDALL

October Review

The Fund's F Acc share class units returned 1.95% vs the S&P 500 Index ETF return of 2.29%, in sterling terms.

Q3 earnings season has been the main focus during October. This reporting period has been keenly anticipated by investors as they grapple with the ongoing effects of inflation and supply chain issues. Some companies have been able to pass increased costs on and some have not and even the mighty Apple has been affected by the supply chain problems, missing analysts' estimates for earnings in the quarter for the first time in a long time. Overall though it has been a positive period for most stocks and with 279 of the 500 S&P 500 Index having reported, sales growth is +17.69% and earnings growth is 38.94% in the aggregate. This shows the resilience of the US market and that despite all the challenges facing corporate America, companies can and do adjust.

One of the themes of Q3 however has been that some companies, particularly in the Tech sector, have been suffering from the after effects of the demand pull forward that they so benefitted from during the Covid and post Covid era. One such stock was Snap, the social media platform, that reported weaker quarterly revenue and lowered guidance; and which we have subsequently sold. For highly valued companies the growth trajectory needs to be without blemish, and so we have moved on for now but will keep this stock on our watchlist. It was not the only social media company to have this problem, in fact it has been quite common across the group. There are plenty of other areas within Tech that we prefer at the moment, the semiconductor subsector being chief among them, and Nvidia and AMD are our two biggest holdings.

Market Outlook

We remain bullish of the equity market and particularly in the cyclical sectors. Our Energy stocks have been performing well, and we expect further improvement. Just as some online retailers, like Amazon, have felt the drag of less shopping online, our brick and mortar retailers have seen a better trading environment and we have been adding in this area. We continue to believe that inflation is trending not transitory and that the most likely path for interest rates is higher. We also expect the dollar to continue to weaken as growth and inflation continue to surprise investors to the upside.

Felix Wintle Fund Manager, VT Tyndall North American Fund, 31 October 2021

Data sources: Bloomberg

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