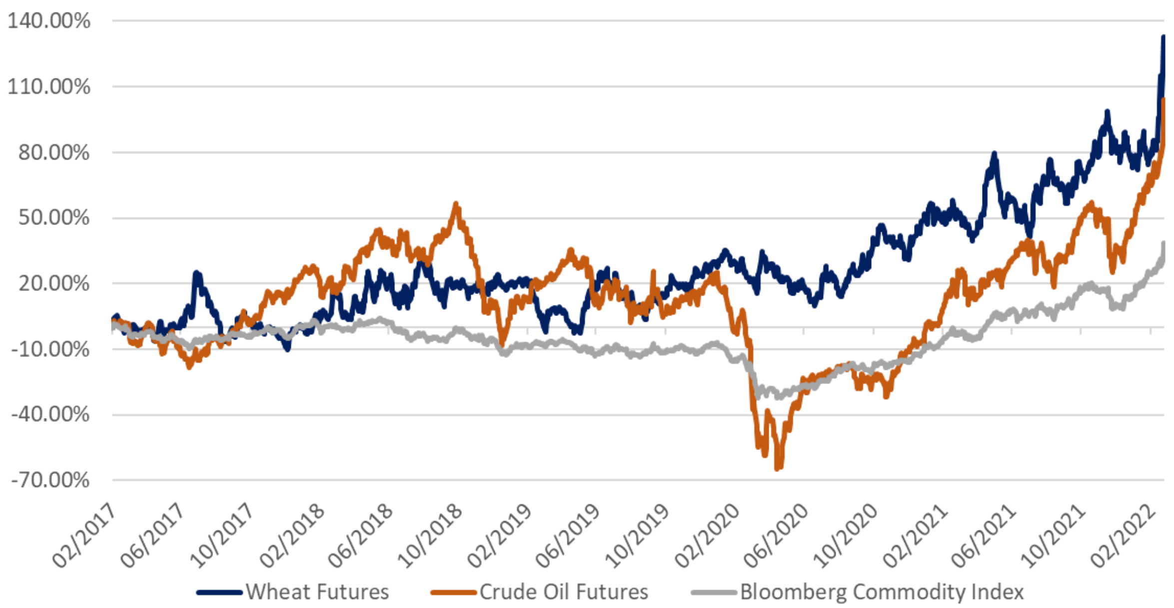
"Even the darkest night will end, and the sun will rise" -Victor Hugo.

The economic consequences and fallout from Russia's invasion of Ukraine are yet to fully playout, however, the ramifications are already being felt in the oil, corn, wheat and fertiliser markets, as the 'breadbasket of Europe' is unable to export its goods with Russian soldiers attacking all of its key installations. The economic sanctions are leading to some surprise moves, most surprisingly is the German U-turn on defence spending, which was a sore point on German-US relations in the Trump era, but an added surprise is also the bringing together of not only European nations but all of the Western world in their universal condemnation of the invasion. Their ability to work together to have universal sanctions which is almost unprecedented, and corporates and investors are now following suit by divesting their Russian assets or embargoing sales to the region.

Ukraine Crisis spills over to Commodity Markets

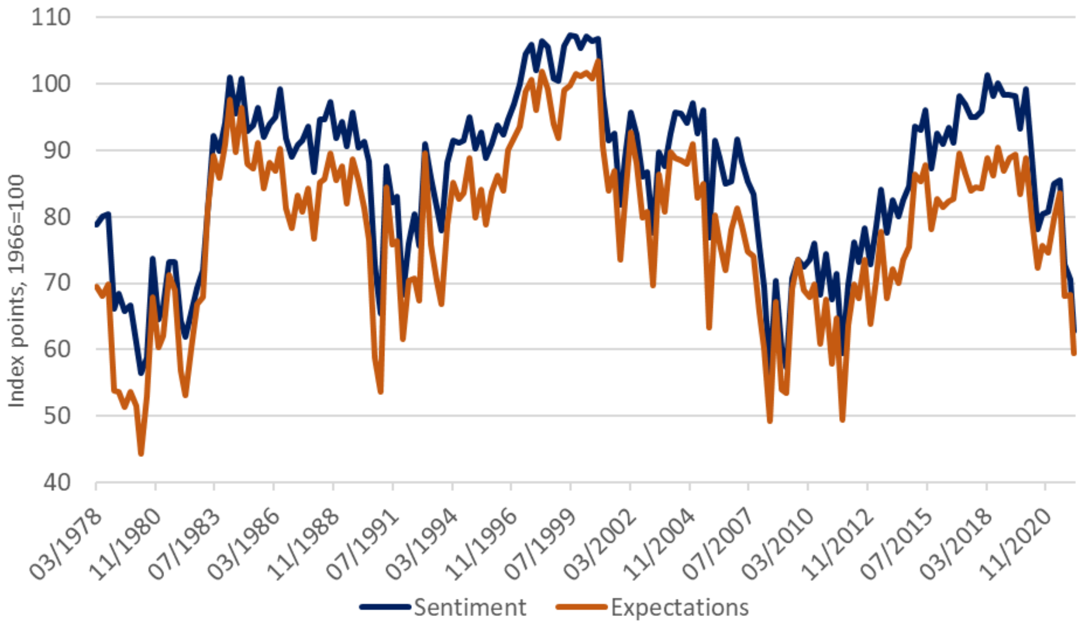


Normalised as at 07/02/2017 Source: TIM/Bloomberg

The geopolitical uncertainty and concerns over the impact on global growth have dampened the optimism the came from the emergence from lockdowns and the return to normality as the world started to learn to live with COVID. The continued run of multi-year high numbers for CPI and RPI also weighed on investors' minds as they saw the impacts follow through to their heating bills and the price of petrol (gas). We believe that we are close to peak RPI and that from April the comparisons for year-on-year increases will become increasingly difficult and thus, although prices will be higher than the same time last year, the headline rate of inflation will start to fall despite what the situation in Ukraine and Russia may be temporarily doing to the prices of oil and gas.

The chart below shows that consumer pessimism to close to levels that suggest peak fear and are consistent with those registered during geopolitical crises over the past 40 years.

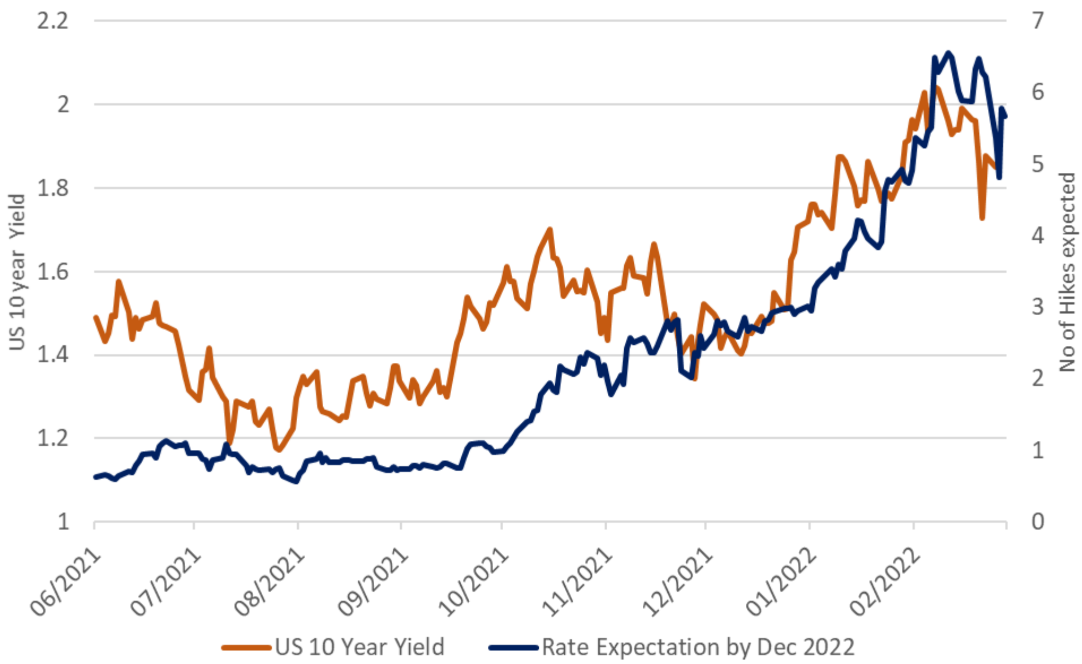
Consumer pessimism close to previous geopolitical lows



Source: TIM/University of Michigan

Investor pessimism prior to the Ukrainian crisis centred around the comments from various members of the Federal Open Market Committee (FOMC) and their views on interest rates, and specifically how fast they should steepen the curve. The market has reduced the likelihood of a 50bp increase at the March meeting to less than 15%, having at one point been over 95%; we expect a 25bp increase at the forthcoming meeting.

Number of Rate Hikes by the US Federal Reserve by Dec 2022

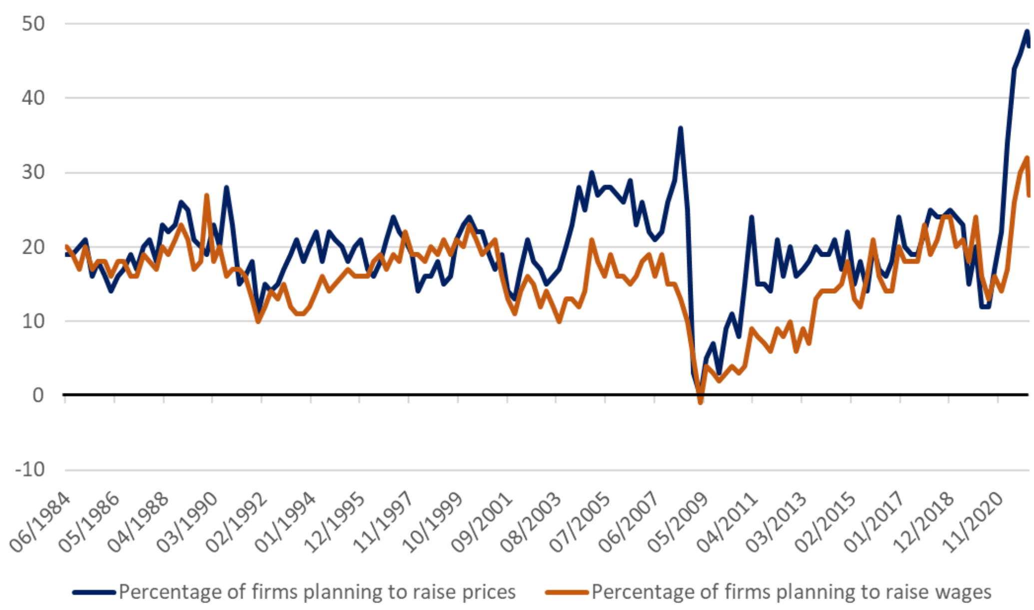


Source: TIM/Bloomberg

As the chart above shows the market has reduced its expectations of how fast the FOMC will proceed in increasing interest rates, from 6.5 hikes to (before Powell's latest testimony) less than 5 by the year end, after the geopolitical risk increased. Five hikes, however, in the seven remaining FOMC meetings, seems excessive, and risks choking off the market recovery; starting a tightening cycle in a slowing economy is almost unprecedented and the risk of the FOMC making a policy error is high, especially as headline inflation is likely to reduce shortly after the March meeting; interestingly the overnight index swap market is signalling that rates are likely to be cut in the 2023-24 time period to lower levels than that expected in December 2022.

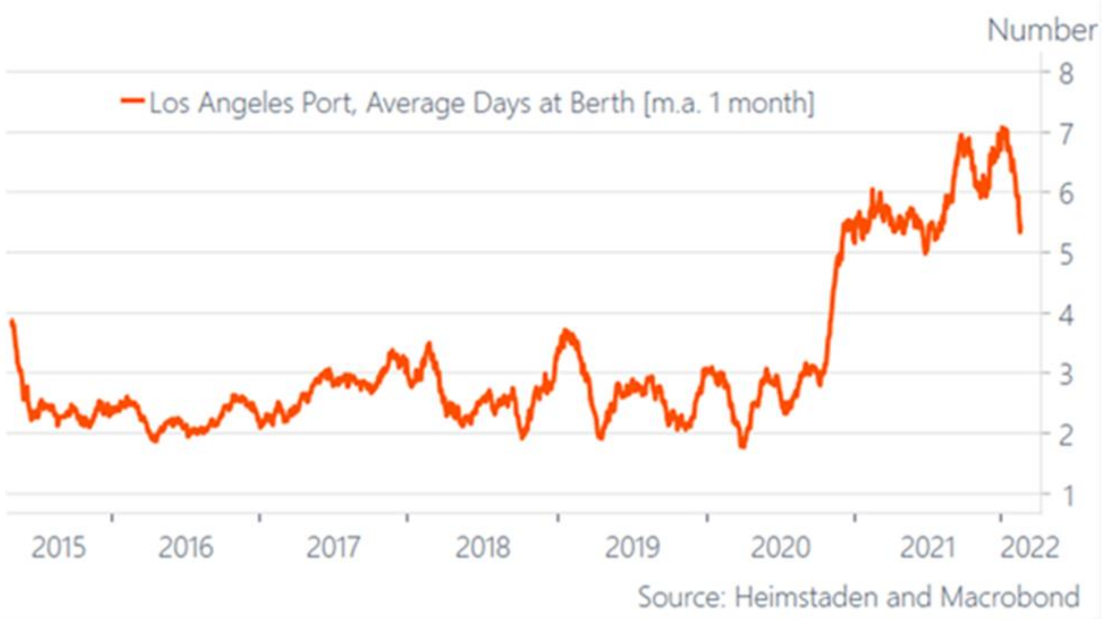
On a more positive note, there are signs that some of the problems that companies faced last year are starting to wane. The chart below shows that a large percentage of companies are raising prices to offset the increase in salaries and raw materials and thus margin pressure should be less acute. Furthermore, the survey shows that we may have passed the peak in the salary pressure that was prevalent in December and January.

NFIB survey of those raising wages and those raising prices

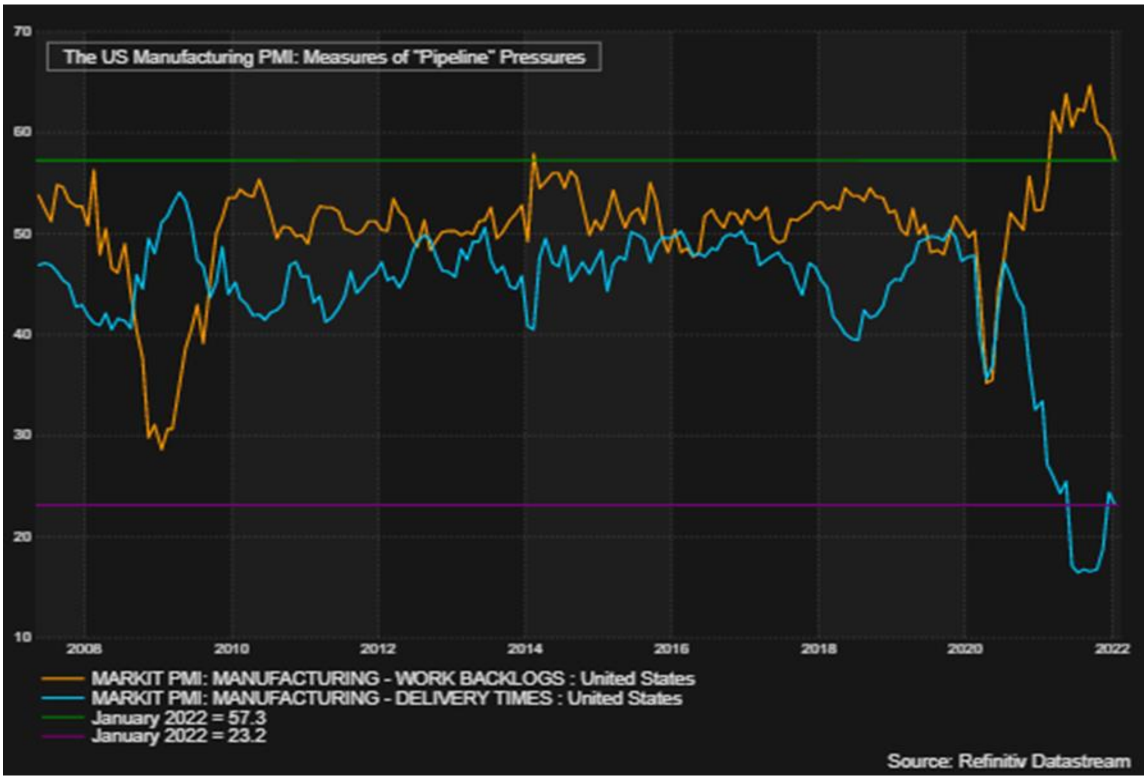


Source: TIM/National Federation of Independent Businesses

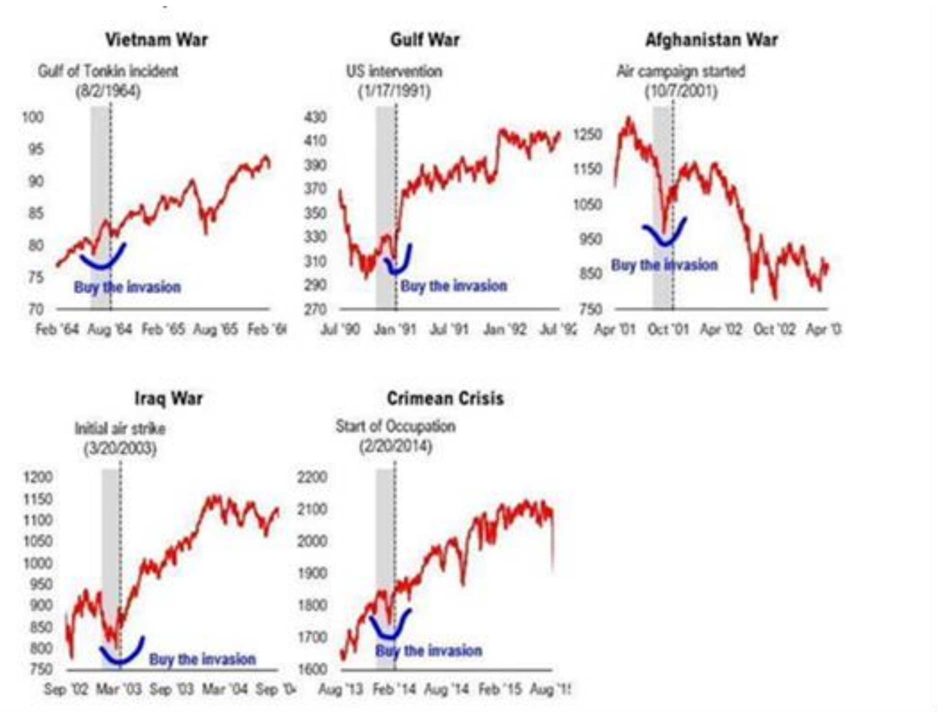
Bottlenecks at ports were also a significant problem in the autumn, and the chart below shows that these too have started to ease, although it is worth noting that the port authorities have massaged the numbers by instructing more vessels to be at anchor further from port, however even when these vessels are accounted for the number appears to be past the peak.



Finally, the Purchasing Managers' survey has recently pointed to an improvement in delivery times and backlogs, reinforcing the view that the economy may well be past peak pressure and, therefore, a lot of the investor pessimism may be centred around inflation, the Ukraine crisis and uncertainty about the FOMC intentions rather than the supply and demand side of the economy.



Returning to the Ukraine situation, we highlight that historically geopolitical shocks, especially wars have historically provided dips, and for the brave, the moment of invasion has often been the moment to buy the market, as illustrated in the charts below from Redburn.



The VT Tyndall Global Select Fund was not immune to the turmoil of the events during the month and fell by a further 2.90%. As a result, the VT Tyndall Global Select Fund B Acc (GBP) returns for 2022 thus far are -11.74%.

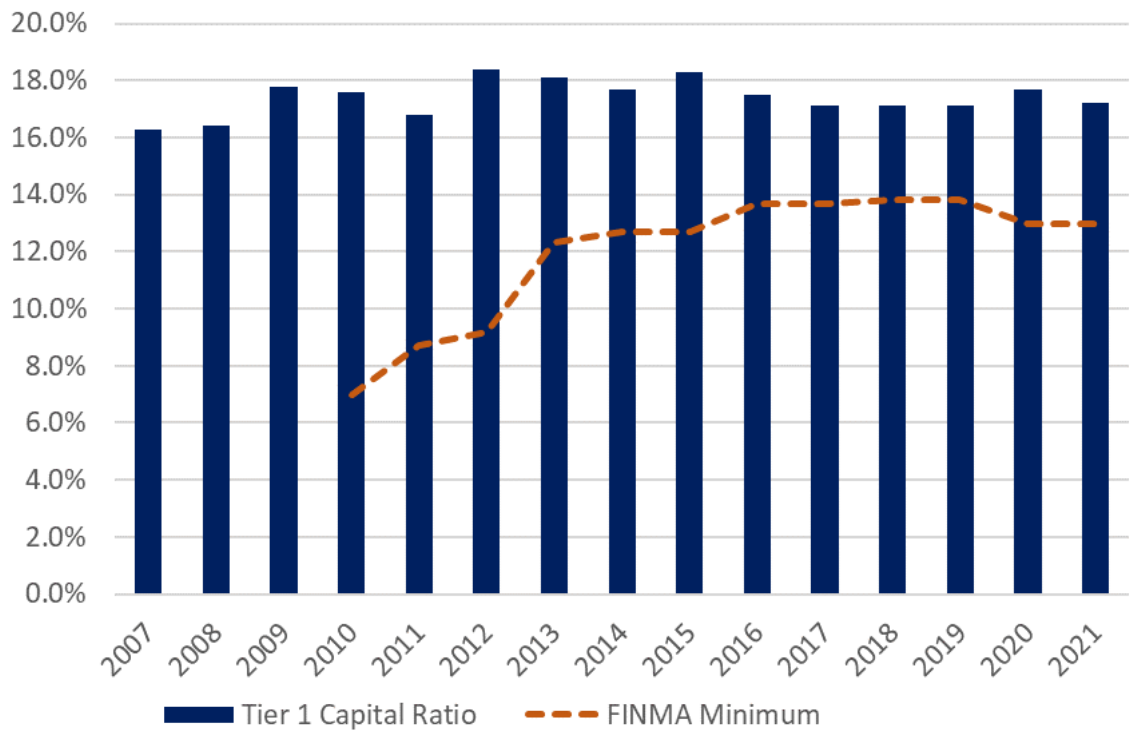
Fund Activity and News

After a difficult 2021, where index selling weighed upon the share price, our long standing holding in Banque Cantonale Vaudoise has outperformed over the past three months. BCV is the second largest cantonal bank in Switzerland and its business is focused on four divisions: Retail Banking, Private Banking, Corporate Banking and Asset Management & trading. The bank is run in a conservative manner by its long-standing CEO and CFO. By a solid understanding of their client base, their credit worthiness, and not issuing buy-to-let mortgages the bank has a commendable non-performing loan ratio of 0.4%, a deposit to loan ratio of 107% and a liquidity coverage ratio of 157%

The company recently reported record full-year results with revenues increasing 6% and operating profits by 15%. The company continues to have a best-in-class Common Equity Tier 1 ratio and return the majority of their profits to shareholders; since the initiation of its dividend in 2008, shareholders have received CHF 4.4bn which equates to 1.2x shareholder equity while the share price has risen by 130%.

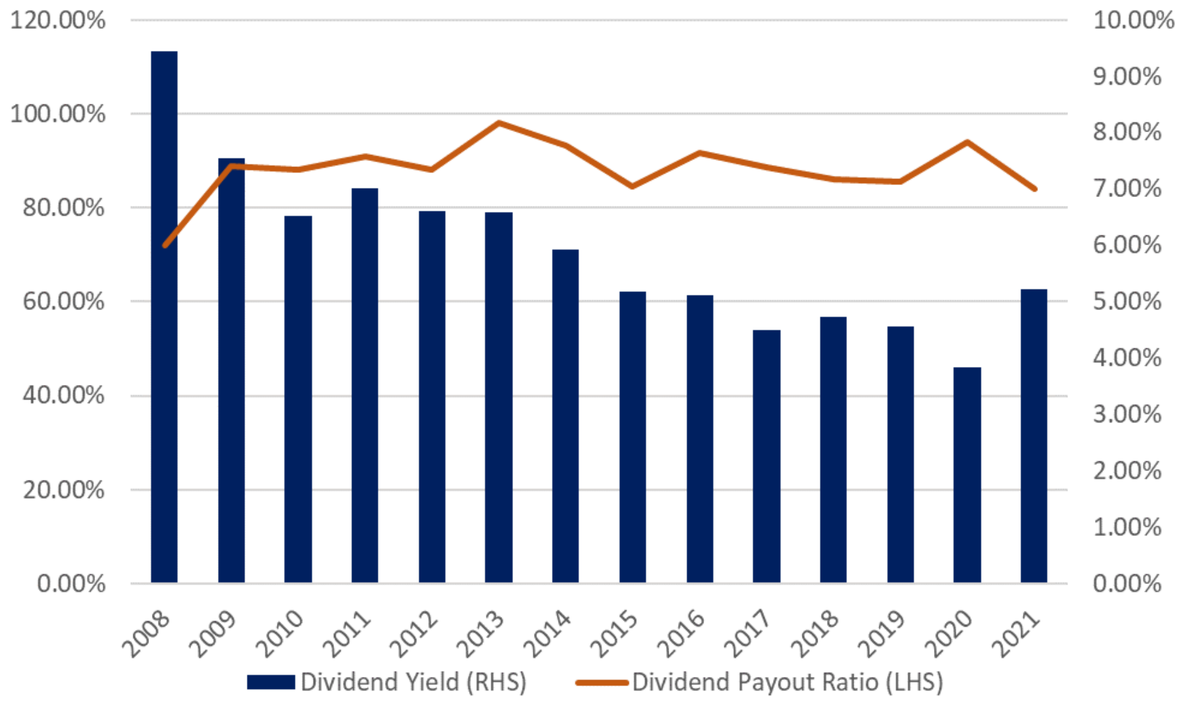
We summarise the stability and consistency of BCV's key metrics by the following three charts:

Common Equity Tier 1 consistently well in excess of requirements



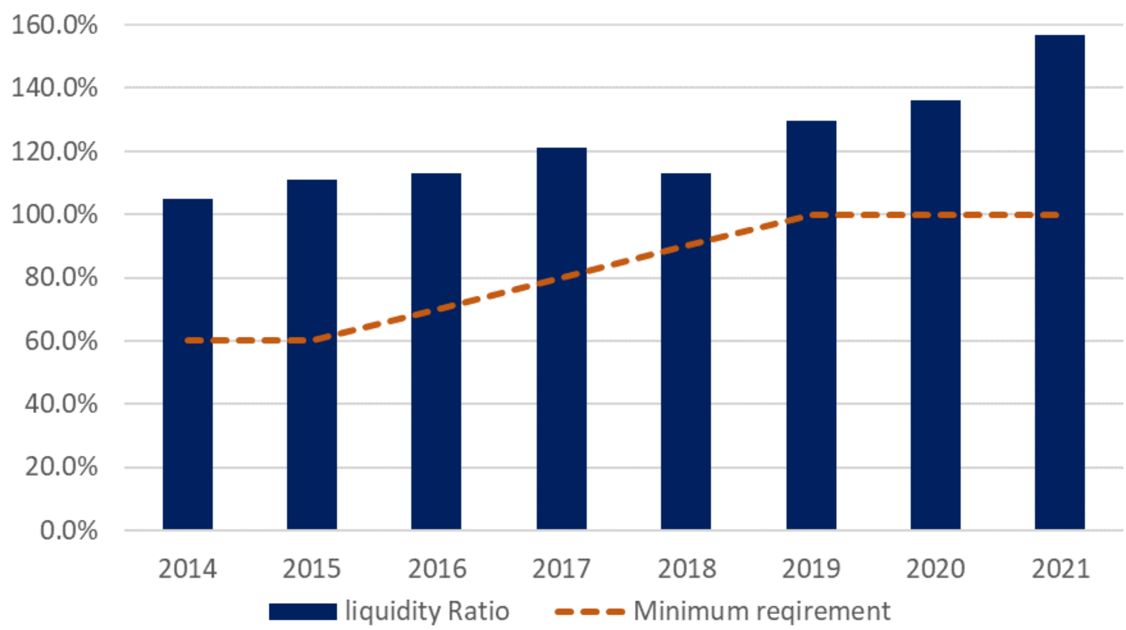
Source: TIM/Company Reports

Returning profits to shareholders



Source: TIM/Company Reports

Increasing liquidity buffer



Source: TIM/Company Reports

We believe that, now the ETF selling has past (the last index rebalanced in November, leading to the majority of the 33% drop in the share price), the shareholder base is more stable and focussed on the performance metrics, and therefore the total return to shareholders should return to previous levels and therefore we continue to hold the shares. *For full disclosure, the Fund Manager is also a client of the bank!*

The Fund has no direct holdings listed in Russia or Ukraine, however, some of our multi-national holdings do have an element of sales in the region, but in all cases, this is either negligible or a low single digit percentage, and should have limited impact on earnings.

Richard Scrope, Fund Manager, VT Global Select Fund, 28th February 2022
Data source (unless otherwise stated): Bloomberg.

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vadevalor
AAA Rated Fund Manager

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