VT Tyndall North American Fund

Monthly Commentary | 31 March 2022

TYNDALL

March Review

The Fund's F Acc share class units returned 7.17% vs the S&P 500 Index ETF return of 8.82%, in sterling terms.

The market was very volatile in March. The S&P 500 fell 4.5% in the first two weeks of the month only to reverse and finish very strongly, rising north of 10% from the lows. The dollar was strong too adding another 1.9% to returns for sterling based investors. The Fund performed quite well in the first part of the month but lagged the recovery in the second half; the reason for this is twofold. First, the Fund is set up defensively and we have a big underweight in Technology and this is where much of the bounce occurred. Secondly, we do not have exposure to big parts of the Index like Apple, Microsoft and Google and these stocks have performed quite well. Apple in particular was unusually strong, rising for 12 straight days and rising 20% from the low to high.

We remain cautious around Tech and growth stocks in general as the US economy goes through a slowdown and believe bounces in tech and high beta are to be faded. It's interesting to note that outside of the mega cap tech stocks mentioned above, the majority of tech stocks are in a downtrend, and even post this bounce in tech, still only 45% of Nasdaq stocks are above their 200 day moving averages. This is not a bullish sign and we believe there is more weakness to come in growth and high beta parts of the market.

The strongest sector by some way remains Energy. Again we are very non-consensus in our positioning and have a 17% weighting to the sector. We have also started to increase our weightings to the Utilities sector and this defensive corner of the market has just started to outperform.

Market Outlook

The reason for our cautious positioning is that the US economy is about to go through quite a pronounced slowdown. This time last year, US GDP grew by over 12%, as the bounce back post Covid happened and the US Government was handing out free money to people. Those first cheques landed in bank accounts in March 2021 and so as we lap that period, spending and economic growth is going to slow.

Added to this the Federal Reserve is raising rates, the market is currently pricing in between 7 and 8 hikes. This combination of a slowing economy and a hawkish Federal Reserve is what keeps us cautious as we traverse this tricky time for equity markets.

Felix Wintle Fund Manager, VT Tyndall North American Fund, 31 March 2022

Data sources: Bloomberg

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