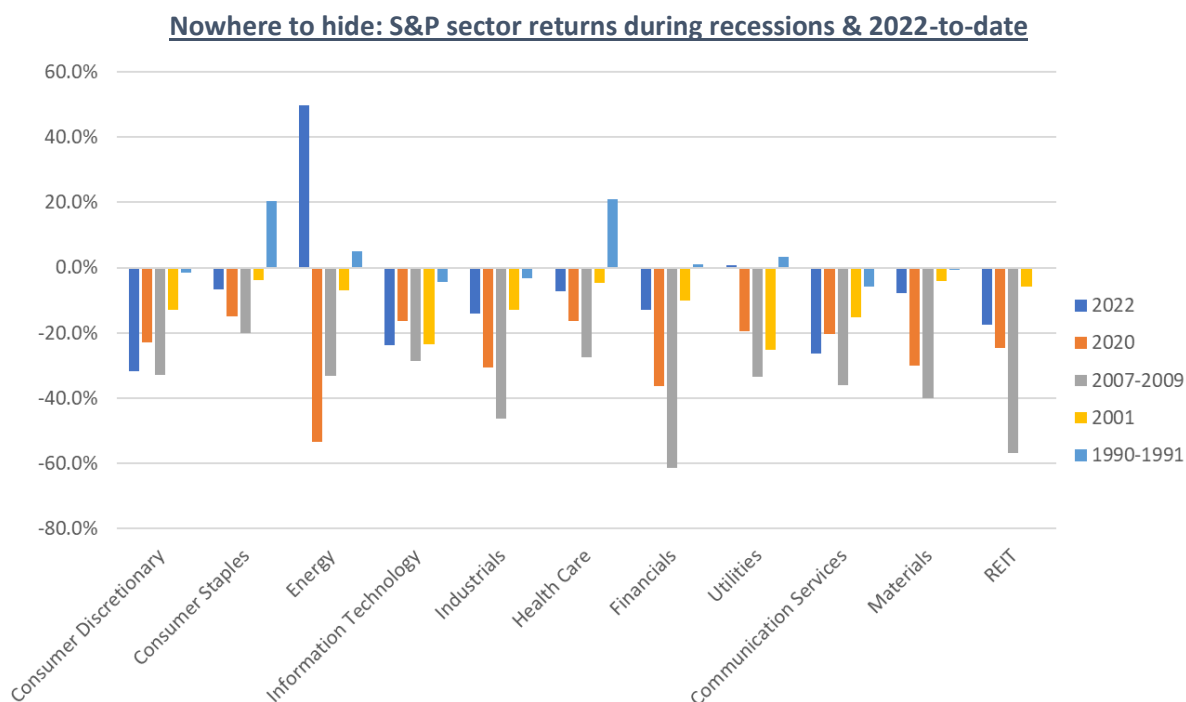


If not tech then where?

Last week our North-American Fund manager detailed his reasons as to why he thinks that it is too early to return into technology stocks, and as the chart below shows that the correction in the S&P technology sector has not been as severe, so far, as it has been in recessionary periods seen in the past 30 years despite the elevated valuations that many of the companies commanded at the turn of the year.



Source: TIM/Bloomberg

If it is too early to take advantage of the correction in technology stocks, then the question is where should investors invest their money as cash will not preserve the real value of an their wealth given the current rates of inflation. Until the past week, the traditional defensive nature of Consumer Staples companies have proved to be a good sector for preserving wealth, however, concerns over the ability to continue to take price when consumer wallets are squeezed have led to this sector looking more exposed than investors had originally believed.

The Household and Personal Goods subsector has many world-class companies within it, however, commodity and agriculture prices are a significant factor in their cost of goods sold, and transportation costs are a further large cost item. All of these factors remain elevated and well above the levels experienced last year, and thus will provide a headwind to earnings and margins. Despite this the sector trades on a premium to the overall market that is wider than an point this century and the risk of this closing to the long term average premium is a risk worth considering; Walmart and Target's recent reports serve as warnings as to how the market may react to consumer companies that cannot protect margins and put through the cost increases needed to do so.

While there are risks to investing in Consumer Staples, we believe that there are examples of companies with the sector that can overcome these headwinds and protect and grow the real value



of capital invested, but they need to be selected on a bottom-up analysis rather than a top-down prism.

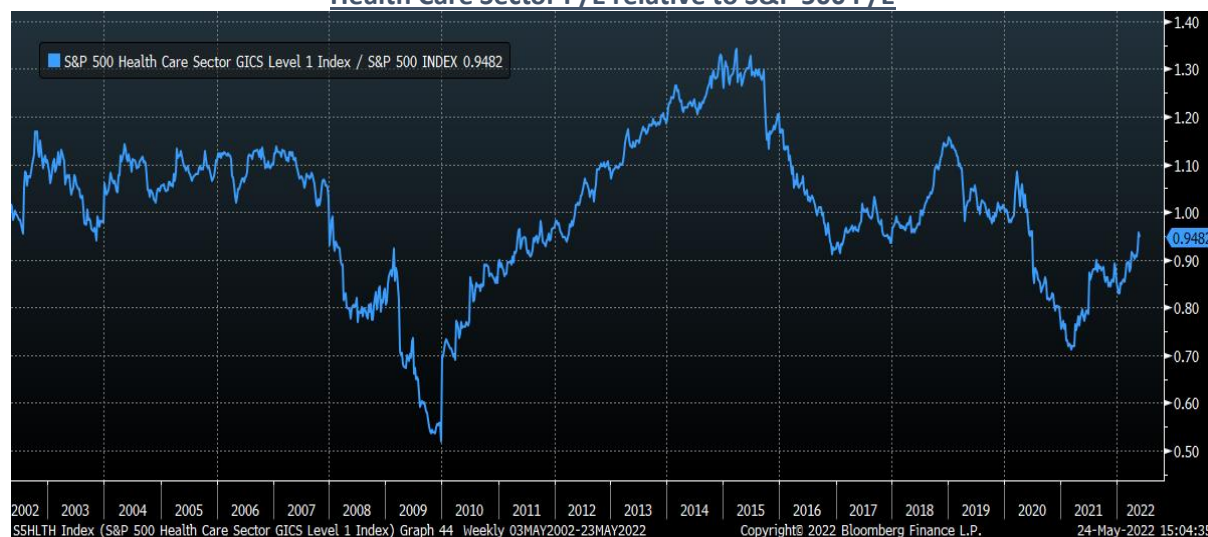
HPC sector premium relative to S&P 500



Source:Atlantic Equities

Beyond Consumer Staples, Health care is another sector that tends to act as a more defensive sector during market corrections, and this year the sector has the positive backdrop of the mid-term elections, which are likely to see the democratic control of both the Presidency and both Houses on Capitol Hill be overturned. A split within the law making bodies in Washington reduces the risk of sweeping reforms and legislation reducing pharmaceutical pricing. Compared to the Consumer Staples sector the valuations appear much more attractive and are inline with their long-term average.

Health Care Sector P/E relative to S&P 500 P/E



Source: TIM/Bloomberg

The pharmaceutical sector’s vast research and development spending, that leads to new drug discovery and equipment development serves to enable companies to push through pricing on a regular basis as medical care and treatment is effectively an essential service where the customer tends to be price agnostic. Treatment programmes and consumables provide the companies with a



Capital at Risk – the value of investments can fall as well as rise and you may not get back what you invested

Past performance is not a reliable indicator of future results.

high percent of recurring revenues, and in many treatment areas, the total addressable market is increasing every year.

As with Consumer Staples, we believe that the sector needs to be analysed on a bottom up basis, with careful stock selection, but we believe that the sector has many attractive companies with fundamental growth drivers, many of which are a-cyclical, and is thus well set up to preserve and enhance consumer wealth through periods of uncertainty.

Richard Scrope CFA, Fund Manager, VT Tyndall Global Select Fund, 26th May 2022

Contact Details:

Fund Manager – rscrope@tyndallim.co.uk

Sales Director - hnolan@tyndallim.co.uk



Capital at Risk – the value of investments can fall as well as rise and you may not get back what you invested

Past performance is not a reliable indicator of future results.

Disclaimer:

Not for retail distribution, this document is intended for professional clients only

WARNING: All information about the VT Tyndall Global Select 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.

Capital at Risk - 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.

© 2022 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.



Capital at Risk – the value of investments can fall as well as rise and you may not get back what you invested

Past performance is not a reliable indicator of future results.