September Review

The Fund's F Acc share class units returned -0.74% compared to the S&P 500 Index ETF return of -3.96% in sterling terms.

September continued its historical reputation as the market's worst month with a significant drop. The S&P 500 fell 9.34%, the Nasdaq fell 10.5% and the Nasdaq 100 Index (QQQ) fell 10.7%, further highlighting the poor performance of Tech and Large Cap growth stocks. What stands out in the numbers of course is the significant strength in the dollar and weakness in the pound, which has been a great benefit to the fund for those investors in the non-hedged share class. The US Dollar strengthens when economic fears abound, as investors globally find shelter in the world's reserve currency. Interestingly, although Tech and growth stocks were poor performers, the worst performing sectors in the month were Utilities and REITs, both of which are interest rate sensitive and declined as rates continued to rise. The best performing sector was Healthcare (-2.93%) and within that pharmaceutical stocks performed quite well. Our second biggest weighting in the fund is Eli Lilly (+7.34% in the month) which had two pieces of good news that helped the stock perform well in a tricky market. First, it achieved approval for Retevmo, a cancer drug for solid tumours and secondly it reacted strongly to another company's positive Alzheimer's data, for which it has a similar drug. Alzheimer's is a huge market with very few effective therapies, so good clinical news was well received, we'll get the Lilly data in Spring of next year.

Bristol-Myers Squibb (+5.46%) also got a drug approved, Sotyktu, for psoriasis. This drug was approved with a superior safety profile to competitor drugs and could dominate in this $25bn dollar global market. We are excited by the prospects for this drug and for the company as a whole.

Market Outlook

We continue to be defensively positioned and conservative. As we cycle the boom years of 2021 it's going to be tough sledding for growth equities, and defensive positioning is absolutely critical in my view. With Q3 earnings coming through in the next few weeks we continue to believe that discretion is the better part of valour, as companies are having to deal with inflation, inventory bloats and falling earnings. Our key underweights remain in Tech and Consumer Discretionary and this means we continue to be less correlated to the S&P 500 and to the majority of peer group funds.

There are some bright spots however, as mentioned above, in Pharma and other areas like Solar which is outperforming and has federal stimulus supporting the industry via the Inflation Reduction Act. We are looking for opportunities in that sector.

Value of investments can fall as well as rise and you may not get back the amount you have invested

Felix Wintle Fund Manager, VT Tyndall North American Fund, 30 September 2022

Data sources: Bloomberg

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