

Three Years In, How Time Flies.....

The end of January 2023 marked our three-year anniversary running the VT Tyndall Real Income Fund and whilst it is true, time does indeed fly, we hesitate to finish the sentence ‘...when you’re having fun’ given the truly tumultuous three years we have all lived through. Nonetheless, and we hope regular readers will forgive our indulgence this once, we outline below what we think are the salient points in relation to the fund’s progress over this period.

- The fund has delivered a return of +20.2% over the period (+8.9% ahead of the peer group average); it is top quartile, ranked 12th of 79 funds.*
- Since the Covid market bottom in March 2020, just seven weeks into our tenure, the fund is ranked 3rd out of 79 funds, +37.4% ahead of the peer group average (chart below).*
- The fund was the best performing fund in the sector over the last 6 months;* it is also second quartile for the year ended 31st January 2023, despite a significant overweight exposure to UK mid-caps which lagged materially behind the FTSE 100 over the period.
- Assets under management have grown steadily: at 31st Jan 2023, AUM stood at £17.5m, up from £10.8m a year ago and £1.8m when we started three years ago, against a backdrop of significant outflows from UK equity funds over that period.
- For the year ended 31st March 2022, income distribution grew a very healthy +23%. For the year to 31st March 2023, we hope to achieve distribution growth of c. +16%, although this is not guaranteed. This will take the fund comfortably to a new peak in distributions, whilst the broader market remains at c.2017 levels of dividends.
- The fund AMC remains at 0.35% meaning the current OCF on the fund is c.0.68%. This remains highly competitive and will get even more so as the fund continues to scale.



23/03/2020 - 31/01/2023 Data from FE fundinfo 2023



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.

The last three years have been intensely volatile. We have witnessed the first global pandemic for over 100 years, a war in Europe and the highest inflation rates in over 40 years. In addition, in the UK a 'cost of living' crisis and extraordinary political shenanigans have created further headwinds.

This volatility has been reflected in a genuine 'roller coaster' ride in markets too. For example, the FTSE Mid 250 (ex-IT's), an area of the market we invest heavily in, fell -8.5% over the 3 years. However, this masked a fall of -43% during the initial Covid panic, a rebound of +93% over the next 18 months, a subsequent fall of -35% driven by rising inflation and interest rates and the war in Ukraine, before embarking on its latest rally of +23% so far.

In aggregate, this has been more than enough to fray the nerves of most investors, perhaps only surpassed in our careers by the most intense phase of the global financial crisis back in 2008/9. Throughout the period, we have sought to focus on the medium-term investment opportunities being presented to us, consciously trying to avoid overt focus on short term market movements.

We have consistently argued that the economic outlook, whilst not great in the short-term, is considerably less bleak than many commentators suggest. We continue to hold this view and believe this extreme bearishness is creating fantastic individual stock opportunities in cyclical areas of the market, particularly in the mid-market space. Indeed, the UK equity market remains deeply unpopular and is now, by some metrics, the cheapest major market globally.

The weighted average share price performance of stocks in the portfolio today is still -11% since the end of 2019 which means the upside potential in the portfolio remains outstanding in our view. Furthermore, the historic income yield on the portfolio as at end January 2023 was 3.9%, comfortably more than the market yield of c.3.5%, and we still see many exciting dividend growth opportunities in the current portfolio for the years ahead.

We are utterly convinced that our concentrated, high active share (88%), mid-market focused fund, is significantly different from other UK equity income offerings, including most 'multi-cap' funds.

Notwithstanding the difficulties of the past three years, we have genuinely enjoyed running the VT Tyndall Real Income Fund and developing Tyndall's UK equity income franchise, and we are enormously excited for the years ahead. We cannot promise that it will be plain sailing from here but we can, perhaps, hope for some calmer waters in due course.

We are immensely grateful for the ongoing support of our existing clients and we look forward to welcoming many more new clients in the future. We wish all our readers the very best for 2023 and beyond and please do not hesitate to get in touch if you would like any further information.

Simon Murphy, Fund Manager, VT Tyndall Real Income Fund, February 8th 2023

*Source: FE Analytics as at 31/01/2023.
All other data sources: Bloomberg/ Tyndall

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