VT Tyndall North American Fund

Monthly Commentary | 30 April 2023

TYNDALL

April Review

The Fund's F Acc share class units returned 0.66% compared to the S&P 500 Index ETF return of 1.02% in sterling terms.

This month has been all about Q1 earnings reports and the state of play remains mixed. As can be seen in the table below, different sectors are experiencing different outcomes in terms of revenue and earnings, with areas like Materials and REITS doing worse than most and Energy and Industrials doing best. Much of this strength has come from the late cycle pricing dynamics which many companies in these two sectors have benefitted from. Rapidly rising interest rates and a very challenging backdrop in the Commercial Real Estate market have caused the REITS to underperform.

S&P 500 INDEX

Surprise | Growth

Sector (BICS)	Reported	Sales Growth	Earnings Growth
11) All Securities	265 / 500	4.37%	-0.13%
12) > Materials	13 / 29	-12.86%	-35.99%
13) > Industrials	46 / 68	7.14%	26.32%
14) > Consumer Staples	18 / 37	5.39%	1.80%
15) > Energy	12 / 26	-1.64%	27.61%
16) > Technology	35 / 79	2.80%	-4.11%
17) > Consumer Discretionary	27 / 53	9.84%	10.29%
18) > Communications	12 / 23	-2.79%	-7.75%
19) > Financials	46 / 60	12.44%	6.06%
20) > Health Care	31 / 65	4.46%	-12.12%
21) > Utilities	9 / 30	11.97%	-4.69%
22) > Real Estate	16 / 30	1.48%	-10.04%

We had some M&A activity in the fund with our holding of WWE (World Wrestling Entertainment) merging with Endeavor Group to form a new company, joining together wrestling with UFC or Ultimate Fighting Championship. We sold our position on the news and will wait for further details on the combination before getting involved again.

The top contributor to the fund in the month was Eli Lilly, which continues to perform well. We have trimmed the position of late but continue to like the story which centres around the new class of weight loss drugs. The biggest detractor to performance was First Solar, which makes solar panels. This has been a good performer for the fund but fell post the Q1 earnings report, we are appraising the situation going forward. Outside of Healthcare, Consumer Discretionary performed next best, with AutoZone, the car parts retailer being the best contributor to performance. Unfortunately, some of our technology stocks were a drag on performance, with MSCI missing the quarter and CDW the distributor also missing numbers.

Market Outlook

The stress in the bank sector is an ongoing concern and even after JP Morgan's acquisition of First Republic, the market is searching for the next bank to go. Although the Fed's emergency program has helped to stem a quicker rate of deposit flight, it is still the core risk. This is both from a safety angle, my money is probably safer in JP Morgan than a regional bank, but also from a interest rate point of view; if you can 5% on a 6 month T Bill, why would you let your savings languish in a small bank yielding you almost nothing?

Added to this is the looming Debt Ceiling problem, where both sides of Congress have to come to an agreement on how to increase the level of debt, to avoid a technical default by the US Government. We last had this to deal with back in 2011 and it turned out to be quite a volatile period for markets. The timeline is tight, with Treasury Secretary Yellen calling out that 1 June was the date by which an agreement had to be reached. This does not give anyone much time, to say the least, and is another reason why we are quite defensively minded.

Felix Wintle Fund Manager, VT Tyndall North American Fund, 30 April 2023

Data sources: Bloomberg

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