

## July Review

The Fund's F Acc share class units returned 2.79% compared to the S&P 500 Index ETF return of 2.13% in sterling terms.

The market continued its upward momentum in July, with most sectors in the green. We are in the heart of the second quarter earnings season which has been generally well received by investors although those companies that miss their numbers or disappoint on guidance are being sold off quite sharply. However, those that are beating numbers are being rewarded.

It seems as if there are many different cycles at play at the moment, with some areas like online advertising having bottomed and now accelerating, whereas retail and restaurants are seeing weakening trends. We bought Meta and Alphabet back in May to take advantage of the recovery in online advertising and that has played out well so far, with both companies beating expectations for Q2 earnings. Another stock performing well, and also at the beginning of a cyclical upswing in its fundamentals, is DraftKings, the online betting company. This was the biggest contributor to the Fund's return in July, returning 19.5%. It is also the biggest holding, at just over 6% of the fund. The company had very strong results and we believe is at an inflection point in margins as this new industry consolidates and grows.

We sold our holding in Activision Blizzard, as it moved ever closer to being acquired by Microsoft. There has been a bit of a drama surrounding the acquisition as the CMA (the UK competition authority) blocked the deal, whilst the European Union approved it. It looks increasingly likely that the US authorities will bless the deal as Microsoft is willing to make concessions to get the deal done. The stock is almost at the buy out price, so we've taken our gains and moved on. We added to our weighting in Take Two Interactive, another video game company, whose biggest franchise, Grand Theft Auto, will release version 6 of the game at some point in the next 12 months. This is the biggest selling entertainment IP in the world, with Grand Theft Auto V grossing over \$7bn since its 2013 release.

## Market Outlook

The market has been a strange place in the first half of the year. As has been well documented, almost all of the S&P 500's gains have been down to 7 of the largest cap tech and consumer discretionary stocks. However, we are beginning to see this set up change, as the rally is broadening out to include more sectors and smaller stocks. This is a bullish sign for the market as a whole but also will suit the fund, as we have a very high active share of 90%. As the participation broadens out away from the 'Magnificent Seven' mega cap growth stocks, the fund should benefit.



**Felix Wintle Fund Manager, VT Tyndall North American Fund, 31 July 2023**

**Data sources:** Bloomberg

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