October Review

The Fund's F Acc share class units returned -3.92% compared to the S&P 500 Index ETF return of -2.76% in sterling terms.

October was another volatile month as companies reported their Q3 earnings. Earnings have been a mixed bag to say the least with many companies calling out the tougher environment, and some stocks selling off on worse than expected guidance. Most of the mega caps have reported earnings in line with expectations, with the exception of Alphabet which disappointed investors with slower than expected growth in their cloud business. This sent the stock down 10% on the day which was a drag on fund performance and engendered a risk off period in technology and communication services. Meta, reported a good Q3, but it sold off post the number. We had trimmed the position going into the report as we were concerned about the market's reaction to earnings. The stock sold off some 6% on the day but soon recovered. There are some bright spots too however, our energy stocks have reported some excellent results, and we continue to be overweight that sector. Our recent purchases of insurance stocks Aflac and Arch have also reported strong results and have performed well. We wait for the rest of the fund to report over the next few weeks.

We raised cash levels as we have reduced our tech weightings on concern over slowing growth in some areas. We have reduced Tech from 21.7% to 17.6% but remain confident about other areas of the market. Eli Lilly and Novo Nordisk continue to work well as the promise of their weight loss drugs plays out and some areas of consumer discretionary are performing well, our holdings in DraftKings (online betting) and Celsius (energy drinks) are working well. Our holdings in Industrials are also doing well, Comfort Systems which provides essential services for data centres had excellent results and was up 14% when they reported this week. Our exposures remain un-benchmarked, and the fund's active share is still in the high 80%, as we continue to believe that the best opportunities lie outside of the major weights in the index.

The 10 year bond yield has begun to come off its highest levels and this has helped risk appetite. Whilst inflation is likely to remain higher for longer, a lot has been priced in already and as the market gets more confidence that the Federal Reserve is indeed at the end of its rate rising cycle, equities are likely to perform better.

Market Outlook

It remains a stock picker's market and we remain positive despite the fact that many sectors have been aggressively sold. This provides the opportunity for longs and with sentiment generally quite bearish, the setup is actually positive for those companies that can outperform expectations and deliver superior earnings and outlooks.

Felix Wintle Fund Manager, VT Tyndall North American Fund, 31 October 2023

Data sources: Bloomberg

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