January Review

The Fund's F Acc share class units returned 5.72% compared to the S&P 500 Index ETF return of 2.78% in sterling terms.

The New Year has got off to a positive start. The 'risk on' attitude of investors which took hold in early November has continued throughout January, and the continued broadening out of the market is much more conducive to performance for the fund. 2024 is already very different from 2023 and is shaping up to be a much better year for active funds like this one.

Tech spending and AI remain key investment themes, and this earnings season has not disappointed. Whilst we do not yet know how AI will be monetised by the big hyperscale players, we can see the capex build-out of AI is happening already; where dollars are being spent today to enable AI tomorrow. We have invested in some of those companies that benefit from AI capex rather than AI hype, and one such company is Super Micro Computer, a company we bought in early January. This company makes the servers that enable AI. In order for AI to work, servers need to be upgraded in terms of their capacity, and Super Micro is the leading player in this field. Their biggest customers are the likes of Nvidia, AMD and Intel. The company pre-announced blockbuster earnings this month and the stock popped 35% on the day and has since continued to run, returning 86% in January. This has been the best performer in the fund. Other top contributors to performance were Nvidia, Novo Nordisk and Eli Lilly. The fund also benefitted from not owning Apple and Tesla which have both been underperformers of late.

Our preferred sector exposures are Technology, Healthcare, Industrials and Consumer. These are all sectors that are showing new leadership qualities, and we are finding plenty of new stock ideas which have true innovation and are taking advantage of secular themes. An example of this is our recent investment in Cameco Energy, the leading Uranium supplier to the nuclear energy industry.

Market Outlook

The market is looking much better, as defined by the fact that it's not just seven stocks leading the way. Not that all mega caps are under-performing, many of them are doing very well – it's more that as we have come out of this period of uncertainty where recession fears have plagued sentiment, investors are looking forward to better economic times ahead. I believe that the fact that we are in an election year is very important. Indeed, re-election years tend to outperform open election years by 13%, as incumbents have a central tendency to try and persuade the electorate that they've done a great job, and they need a second and final term.

This has been evidenced by President Biden's profligate fiscal give away, which has ballooned the deficit, but which will not reverse in this election year. Liquidity and fiscal stimulus are back on the table, despite the Fed's efforts to curb inflation, and couple this with some strong secular investment themes in the Tech sector and elsewhere and 2024 is likely to be a good year for equity investors.

Felix Wintle Fund Manager, VT Tyndall North American Fund, 31 January 2024

Data sources: Strategas Research Partners & Bloomberg.

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