VT Tyndall North American Fund

Monthly Commentary | 31 March 2024

TYNDALL

March Review

The Fund's F Acc share class units returned 3.96 % compared to the S&P 500 Index ETF return of 3.98% in sterling terms.

US equity markets continued their good performance in March. The first quarter delivered a 11.2% return for the S&P 500 which is the 14th best Q1 return since 1927. The fund rose 19.33% over the same period. We have now seen two quarters of 10%+ returns for the index which tends to bode well for the rest of the year. Our macro work confirms this bullish trend as sustainable, as we see the rate of change of growth and the rate of change of inflation inflecting higher at the same time. This is a positive backdrop for equities in general, but particularly supportive of areas like commodities and this is one area that we've been adding to in the fund. We have bought back into Freeport McMoran, the copper producer, and are looking for further opportunities in the Materials and Energy sectors. These economically sensitive sectors perform well when the economy is coming out of a downturn and we are now seeing this not just in the US, but in Europe and China too. This is the time to be long cyclicals, and this is being borne out by the strong move in oil, copper and many other industrial commodities so far in 2024.

The Fund's returns in March were led by the Consumer Discretionary sector. We are overweight this sector and are finding plenty of interesting opportunities. This sector is also a beneficiary of an improving economy and one of the key positions for us is our holding in DraftKings, the online sports betting company. This has continued to perform well and became our biggest position in the fund during the month. We do like to actively manage our holdings and we have recently trimmed some of the position back on strength.

Our focus continues to be on finding the leaders of this new cycle and therefore our market cap exposure is quite different from the index. We are underweight mega caps and are overweight the mid and small cap parts of the market. This is where we think the new winners will emerge from, and we are already beginning to see this happen as the market participation broadens out at the same time as some of the biggest stocks in the index underperform.

Market Outlook

The market is strong, and we are expecting this to continue, but what could destabilise this thesis? Obviously, we have the presidential election coming up later in the year and that is as unpredictable as it is close, with recent polls showing a tie, albeit Trump leading in some key swing states. But in my opinion, it's the outlook for inflation that could most surprise the market, particularly given its dovish expectations.

The market is still pricing in 3-4 cuts this year but our view is that inflation is likely to move higher rather than lower over the next several months and this may take interest cuts off the menu for

2024. This may sound bearish but given the broad market participation and the upward trajectory for growth, I believe the market can handle this, should it occur.

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

Data sources: Bloomberg.

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