



April Review

The Fund's F Acc share class units returned -4.39% compared to the S&P 500 Index ETF return of -1.93% in sterling terms.

The US equity markets, having enjoyed a good run in the first three months of the year, gave some of it back in April, which was a tougher month for markets. The S&P 500 and the Nasdaq were both off over 4% in April, with the Technology sector bearing the brunt of the decline. The S&P Tech sector was -5.7%, and there has been some broad weakness in this sector for some weeks now. Software in particular has sold off, with that sub-sector declining 7.4%. Some of the big bellwethers are showing some cracks in performance and this is a trend we are closely watching.

We have continued to diversify the portfolio into the more cyclical parts of the market, adding to Energy, Materials and Industrials and reducing Tech and Communication Services.

We sold our holding in Meta before their earnings print as our research identified that although they would beat the quarter, the growth trajectory that has propelled this to be one of the best stocks in the market over the last year was likely to slow. The stock fell 10.5% on the report.

We have reduced our position in Nvidia to 3.2% and have exited Super Micro Computer, both of which have been top contributors to performance so far this year. We still like both these companies over the longer term but believe a lot of upside has already been priced in. 2024 will also be a year of tough comparisons for many of the beneficiaries of the AI boom theme and we believe it's best to take profits now and revisit later.

One of the core themes in the portfolio is the electrification of the economy and the increased demand for energy. The grid requires a huge upgrade if EVs are to be supported and AI itself is predicted to be a significant consumer of energy going forward. We have bought Constellation Energy as a play on the energy demand theme as it is one of the few ways of getting exposure to nuclear power generation. This is favoured by the big tech companies looking for an energy provider which is both reliable and zero emission.

On the electrification theme we have added Freeport McMoran and Southern Copper, both leading copper producers.

Market Outlook

The market is currently focused on the Federal Reserve and its expectations for inflation. Back in December, the market was pricing in up to six interest rate cuts; fast forward to the end of April and that expectation is now for less than one.



We think inflation is likely to remain higher for longer and is currently accelerating, putting interest cuts off the agenda for now, in our view. However, the market does not require interest rate cuts to perform, and any cuts will perpetuate that inflation, so Wall Street clamouring for them is not logical.

There are many investment themes and new product growth cycles happening right now in America, and that's where the Fund is focused.

Felix Wintle Fund Manager, VT Tyndall North American Fund, 30 April 2024

Data sources: Bloomberg.

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