VT Tyndall North American Fund

Monthly Commentary | 31 May 2024

TYNDALL

May Review

The Fund's F Acc share class units returned 1.41% compared to the S&P 500 Index ETF return of 0.98% in sterling terms.

After a good period of performance in the first three months of the year, equity markets have started to get a bit more discerning. The Q1 earnings season has highlighted some dispersions among stocks and although the market is still quite broad in terms of which stocks and sectors are participating, it is not a market where the tide lifts all boats.

The Fund's returns in May were led by Consumer Discretionary & Staples, Energy and Healthcare. These are all sectors where there has been a significant bifurcation in returns at the stock level. We saw this play out with our two of our biggest weightings. Celsius, was up 12% in the month, yet DraftKings fell 15%. There was some concern around the State of Illinois raising the tax rate that the online betting companies pay, and whilst this was not a complete surprise, it did knock the stock in the near term. It doesn't change the story for us, and we remain holders. One of the newer stocks to the fund, Cava, also performed well this month, rising 28%. Cava is a quick service restaurant chain specialising in Mediterranean food, which has caught the attention of the health and wellness crowd and is a fast-growing concept. We are encouraged by their recent results and think this could be a great growth opportunity within the restaurant space.

Cameco, has again been the best performer among our Energy stocks and Eli Lilly and Novo Nordisk continue to perform well in Healthcare. In terms of detractors, we did have some stocks underperform on numbers, Nutanix being the worst offender, falling 18%. It is noticeable that many of the stocks with exposure to enterprise spending our missing numbers and guiding lower and this is a new and important factor to consider. The software subsector has been particularly weak and we are currently underweight tech for this very reason.

Market Outlook

Our market outlook is still bullish but it's worth noting that there are some subtle changes in terms of leadership. Tech is no longer the strongest sector and a lot of the performance is skewed by Nvidia's incredible rise. Nvidia was up another 26% in May and this is a major reason why the Nasdaq and S&P 500 are performing well. Nvidia's quarterly earnings report on 22 May was another moment where the market seemed to hold its breath in anticipation and hope, and Nvidia did not disappoint, rising 9% the following day.

Other sectors are beginning to perform better than tech, with Utilities and Materials now taking a leadership role. Copper has been a big story so far this year as has power generation, and this has helped these two sectors. Traditional Energy has slipped back somewhat and Financials has remained solid.

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

Data sources: Bloomberg.

Contact Details:

Fund Manager –Felix Wintle fwintle@tyndallim.co.uk
Sales Director – Theresa Russell trussell@tyndallim.co.uk

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Investment Manager: 5-8 The Sanctuary, London, SW1P 3JP.