June Review

The Fund’s F Acc share class units returned 1.93% compared to the S&P 500 Index ETF return of 4.86% in sterling terms.

The technology sector regained some strength in June and was the best performing sector for the month. One of the fund’s biggest positions is Broadcom which rose 20% in the month. This was due to quarterly earnings which surpassed expectations. Broadcom is one of the key beneficiaries of the AI boom and as such boosted guidance for 2024. As with many tech companies at the moment, the numbers are huge. Broadcom reported that revenue grew 43% year on year to $12.5bn in the quarter and increased guidance on revenue, margins and ebitda for the full year.

Other big contributors in the month were Lam Research, Eli Lilly, Novo Nordisk and DraftKings which are all top ten positions in the fund, and all performed well. But this month we did have a notable detractor to performance, which was Celsius, the energy drink company. This is a mid-cap growth stock we really like for its long-term growth trajectory which is supported by continued growth and market share gains in the US and also by its international expansion, which is in its early stages. However, in recent months, there has been a deceleration in growth rate as the company laps tough comps from its breakout year when it signed Pepsi as its distribution partner. This deceleration was expected, and we did trim our position by a third in May, but the stock pulled back 28% this month. We feel this is a pretty big move for no change in the outlook and so we are looking to add back the shares we sold higher. The company launched its Celsius drink in the UK in April, predominantly in the gym channel. It launched in Canada in January, and it has already reported share gains of up to 5.5%, which is a rapid pace of adoption for the brand.

Apple was an addition to the fund this month. We haven’t owned Apple for several years, our main concern being that the company was slowing going ex growth. However, things changed at their Worldwide Developers Conference (WWDC) when they announced their new AI features for the iPhone. The key message was that these new features would only be available to phones later than iPhone 15, meaning that an upgrade cycle is likely coming. This has been one of the key bear points around Apple handset upgrades; there hasn't been any real need to upgrade for several iPhone iterations, until now.

We also added Microsoft, another stock we haven’t owned for a long time. It is clear that it is a winner in AI and is also dominant in the other businesses it serves, and it was notable that during the recent weakness in the software sector, Microsoft outperformed other stocks quite significantly. We reduced our energy and materials positions to fund these purchases.

Market Outlook

As we look into the second half of the year, we remain bullish on the US market. Our macro outlook says that growth will decelerate a bit in the Q3 and Q4, offering a slightly less positive scenario than the first half of the year, which saw growth accelerating.

A backdrop with slowing growth just means we need to focus on companies that have pricing power and compelling growth stories, and that is how we are positioned.

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

Data sources: Bloomberg.

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