

“Success is a science; if you have the conditions, you get the result.” – Oscar Wilde.

The twin unknowns of the outcome of the US Presidential election and the first Labour party budget for 14 years cast a shadow over the market for UK investors during October. Despite this global equity markets had a strong first half of the month before giving up some of the gains towards the end of the month.

Geopolitical events continued to horrify people worldwide, with the situation in Gaza and Lebanon deteriorating and the UN warning that ‘the entire population of north Gaza is at risk of dying’, and North Korea now supplying troops to assist Russian forces in Ukraine. Equity and commodity prices seemed amazingly ambivalent about these atrocities and oil only moved significantly after the Israelis decided to target Iran’s military infrastructure rather than its oil and nuclear assets which was the fear.

Oil proves remarkably unfazed by geopolitics.



Source: Bloomberg

For much of the month markets and investors alike have been deliberating whether the latest raft of Chinese rescue measures are enough to stem the tide of assets fleeing the region and the knock-on effect to Chinese related stocks. Reassuringly, there have been announcements that, if the latest measures and funding do not improve consumer confidence and the real estate market, that the centre will continue to come up with additional measures. However, after the initial euphoria of the administration effectively putting a put option under the Chinese market, a lack of detail and the sums committed have underwhelmed, although as we write there is a four-day meeting in China about what to do next.

After the initial pop in Western listed companies with large Chinese exposure, there was a realisation that these measures do not immediately translate to an improved situation for retail and industrial sales. This was brought into stark focus when the current reporting season started with an unintentional pre-release by ASML this was followed later the same day by LVMH. Both companies released large profit-warnings due to lack of orders in China (ASMLs order book was half of the market expectations), and this phenomenon was reflected by most companies as the reporting season progressed. Although there has been little time since the announcement of stimulus measures, most companies report seeing little effect in the period post the implementation of these measures, and

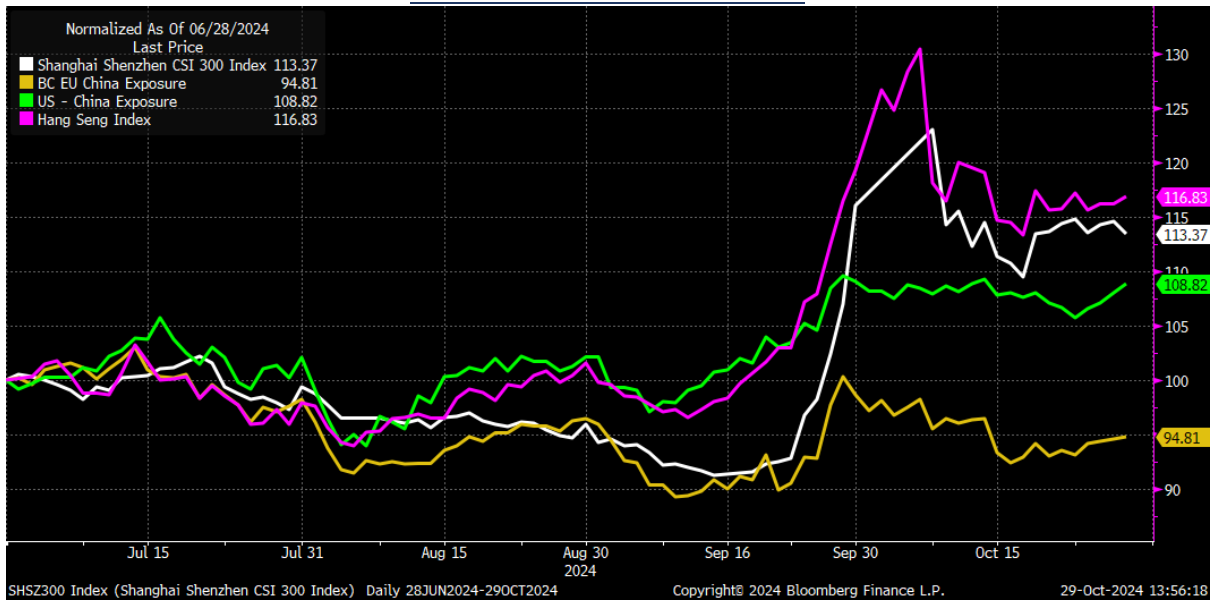


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China was a common cause of companies disappointing on their sales numbers as they gradually published their third-quarter numbers.

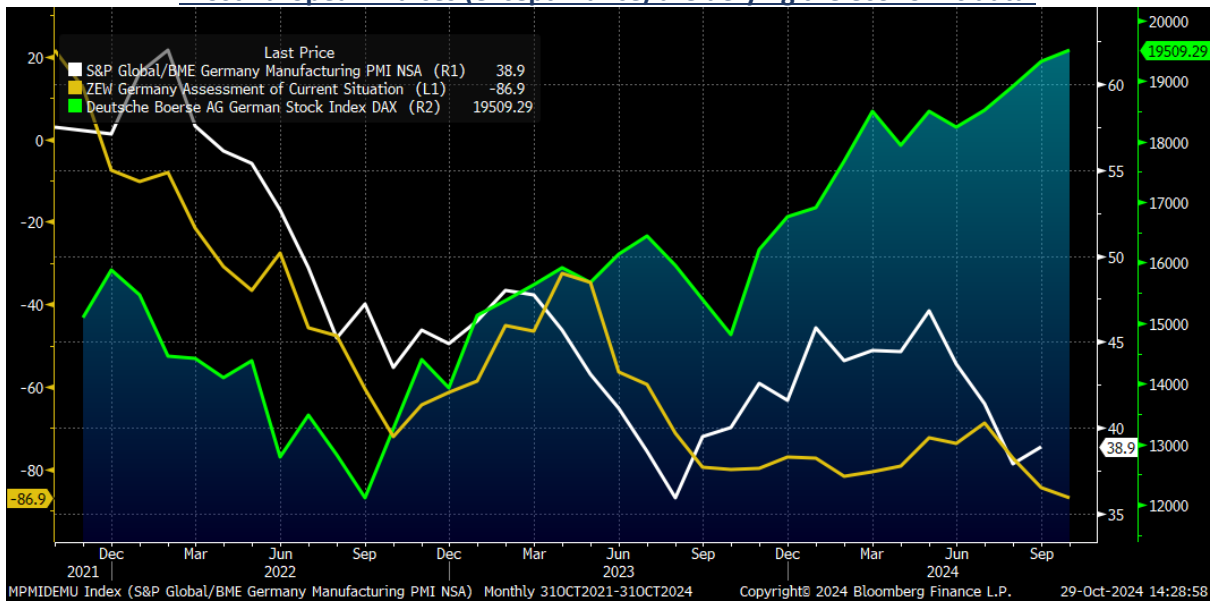
Chinese stimulus is home based.



Source: TIM/Bloomberg/ Barclays Capital

One of the ongoing themes of 2024 has been how the equity markets have defied the economic data. This best example of this is Germany, where the ZEW and GfK surveys of economic outlook, the PMIs or other surveys of industrial and manufacturing conditions all point to the former poster child of the EU being in dire straits, however the DAX index is now up over 16% this year, outperforming all the other European regional indices despite its exposure to the beleaguered automotive industry.

Most European indices (except France) are defying the economic data.



Source: Bloomberg

The US, however, appears to have passed the period where concerns over a hard landing or recession type scenario were high. Currently the economic data relating to consumer confidence and business outlook appear to be on the rise once again. The Federal Reserve, however, are concerned about unemployment (rather than inflation) and the housing sector which shows little sign of any increase in activity. All attention has been on the likelihood of Trump returning to the White House and what

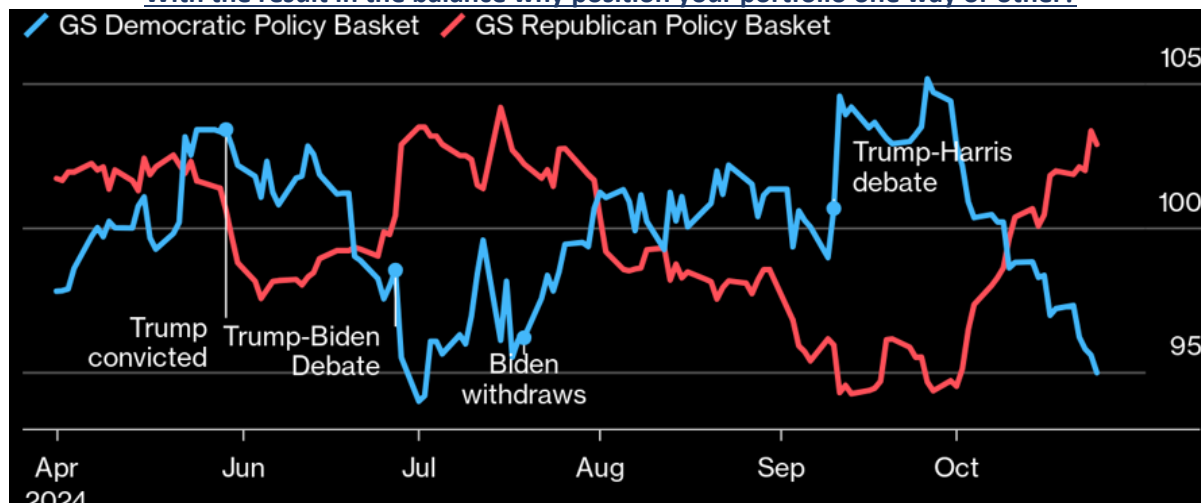


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this would entail, or conversely how Kamala Harris would differ from the status quo. With the elections later this week Polymarket has a Trump win as the market favourite and a Republican clean sweep the most likely outcome, however, as history tells, these predictions can be very wide of the mark.

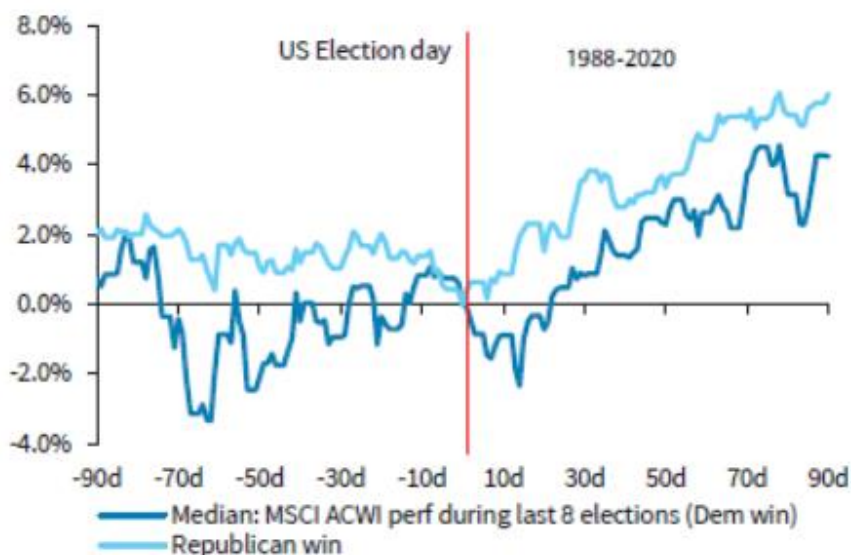
With the result in the balance why position your portfolio one way or other?



Source: Bloomberg/ Goldman Sachs

We do not believe in shifting one’s Fund for one result or another, preferring companies that are less policy dependent, while keeping a watchful eye on the ramifications of ideas like a 20% import tariff on all goods coming to the United States. On the whole, most corporates we speak to have already got plans A and B in their top drawer about how they can best profit from one administration or another, in the event that they need to pivot rather than continuing as they are. Although this is proving to be one of the most polarizing elections on record, on average markets tend to increase post the election regardless of who wins. Uncertainty or an election with no clear winner are situations that equity markets abhor more than the consequences of either candidate winning.

Markets normally go higher irrespective of which party wins



Source: Barclays Research

During the month The VT Tyndall Global Select Fund B Acc (GBP) rose by 1.24%, having made seven new all-time highs earlier in the month. Underlying stock performance was varied and not tied to any specific sectors. While many reported the impact from weak China demand weighing on results, it was



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for the most part cautious guidance for 2025 that held back the underperforming names. Holdings L'Oréal, Nike, Sika, Brenntag and Thermo Fisher detracted from performance, while our positions in Nvidia, Fiserv, DSV, JP Morgan Chase and Canadian Natural Resources all performed strongly. The year-to-date return now stands at 8.27%.

Fund Activity and News

During the month we did not make any substantial changes to the underlying holdings of the Fund. We did, however, trim our holding in American Express, as for the sixth time this year it breached our self-imposed 5% maximum position size which we implement as a control to avoid too much stock specific risk. Similarly, we also trimmed our position in Fiserv, which has grown to be the largest holding in the Fund but also breached the 5%.

In 2016, when Novo Nordisk started splitting out its revenues from Saxenda it got minimal attention from the investment world as few realised the market potential should obesity drugs become widely adopted. Today these drugs are not only seeing rapid order growth but the impact on the co-morbidities that they can prevent are becoming household topics of discussion.

Both Eli Lilly and Novo Nordisk have struggled with the explosion of growth in demand for these drugs, however earlier in the month the FDA removed the shortage order from Lilly's Zepbound, which had allowed third party manufacturers to produce generic versions without being deemed to have infringed the patents. Novo Nordisk still has the shortage in supply designation, however, the latest release from the FDA shows that all of their obesity drugs are now available. We expect to see the status warning be removed in the near future.

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Semaglutide Injection
 Status: Currently in Shortage
 »Date first posted: 03/31/2022
 »Therapeutic Categories: Endocrinology/Metabolism

Company Contact Information:
 833-493-4689

Presentation	Availability and Estimated Shortage Duration
Wegovy, Injection, .25 mg/.5 mL (NDC 0169-4525-14)	Available
Wegovy, Injection, .5 mg/.5 mL (NDC 0169-4505-14)	Available
Wegovy, Injection, 1 mg/.5 mL (NDC 0169-4501-14)	Available
Wegovy, Injection, 1.7 mg/.75 mL (NDC 0169-4517-14)	Available
Wegovy, Injection, 2.4 mg/.75 mL (NDC 0169-4524-14)	Available
Ozempic, Injection, 1.34 mg/1 mL (NDC 0169-4130-13)	Available
Ozempic, Injection, 2.68 mg/1 mL (NDC 0169-4772-12)	Available
Ozempic, Injection, .68 mg/1 mL (NDC 0169-4181-13)	Available

Source: FDA

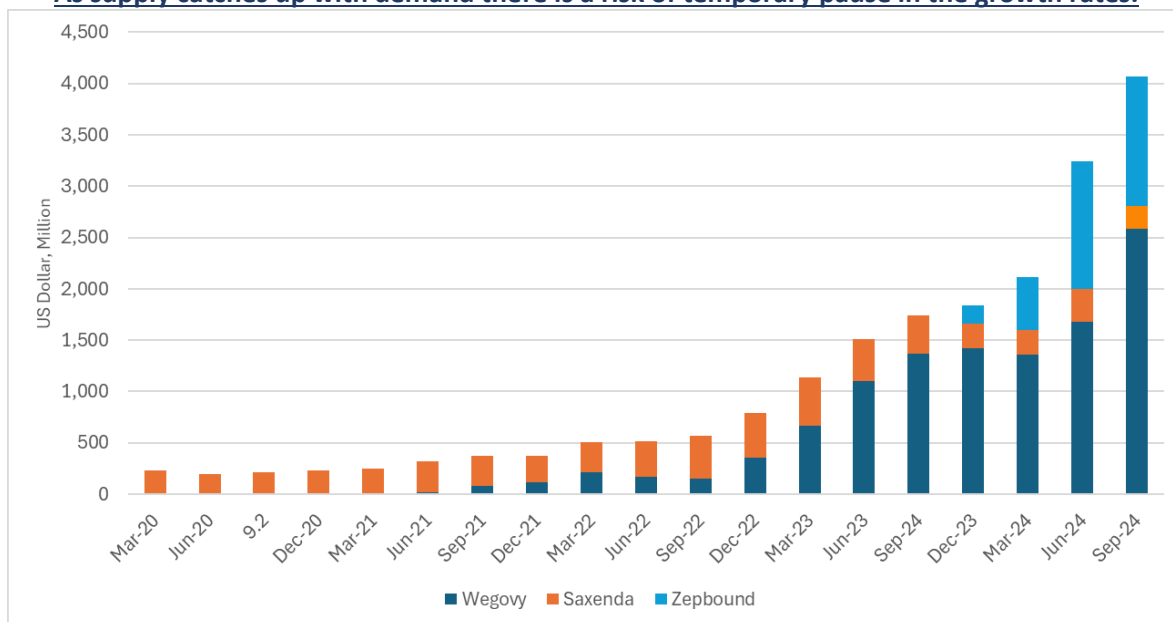


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The supply issues led to inventory build-up at the distributors as they sought to get as much of these drugs as they could, however, as supply comes onstream the need to hold such inventory levels has dissipated. Eli Lilly recently experienced this effect, as, although they continue to see strong demand for Zepbound, the \$1.26m of sales was below the market expectations of \$1.75m where the market had extrapolated the historical growth rate. Novo Nordisk experienced a significant pick-up in sales of Wegovy over the same period, although a continued decline in sales of Saxenda and they will be wary of the issues that Eli Lilly has just experienced.

As supply catches up with demand there is a risk of temporary pause in the growth rates.



Source: TIM/ Company Data/ Bloomberg consensus forecast

While the supply constraints have caused volatility in the share prices of the two major players in this burgeoning field, we remain optimistic as to the long-term potential. Although other pharmaceutical companies are rushing to try and develop products to compete, Novo Nordisk and Eli Lilly have a strong first mover advantage and wide defensive moats created by years of research and development in the fields of obesity and diabetes. According to Airfinity there are 83 weight loss drugs in phase 2 trials, 24 in phase 3, 12 in phase 4 and 31 approved, yet only those by the big two register any significant sales.

We expect oral obesity drugs are likely to come to the market in coming years, and although Roche and AstraZeneca is trialling a drug in this field, both Novo and Lilly have oral variants awaiting approval by the various drug regulators, which are expected to be available in 2025, many years ahead of the competition. Combined with the other products in their pipeline, we expect them to continue to dominate this fast-growing field for years to come.

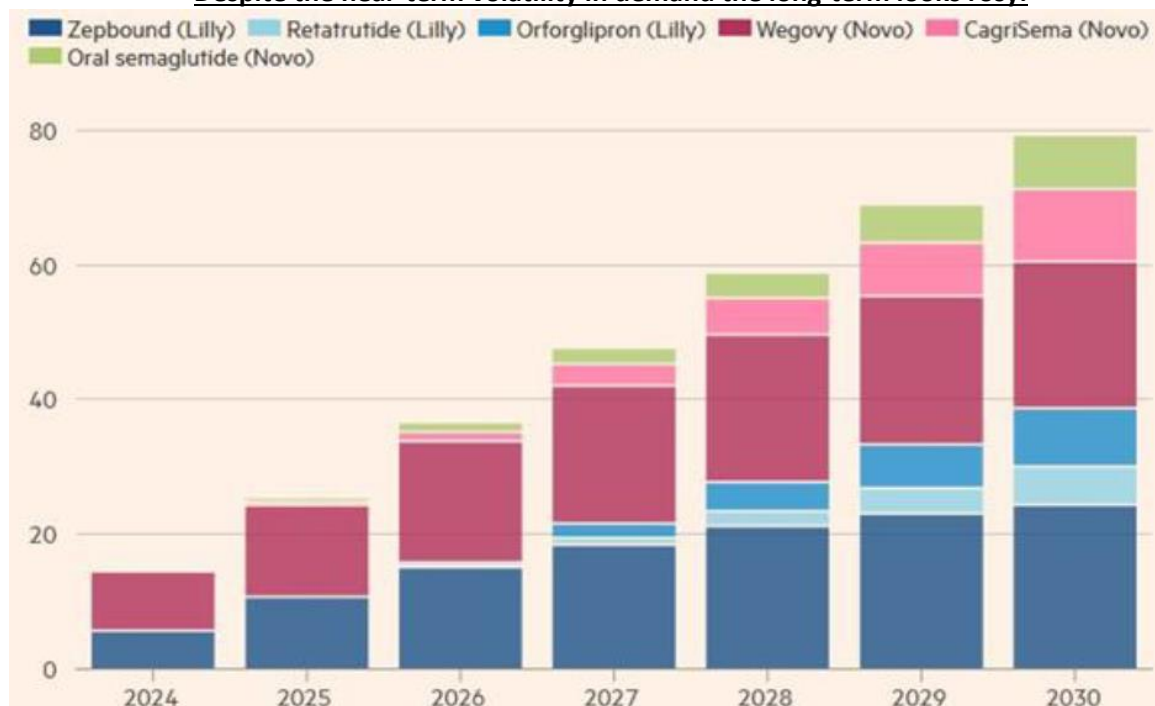
The approval of Wegovy for cardiovascular disease in overweight people is just one of the comorbidity benefits that that Lilly and Novo are investigating. Zepbound reported positive late-stage results for sleep apnoea and both companies have early-stage data showing that it helps in reducing chronic kidney disease. We believe that these results will prove to be a further catalyst for demand and expect that more positive benefits will be announced as other trials come to conclusion.



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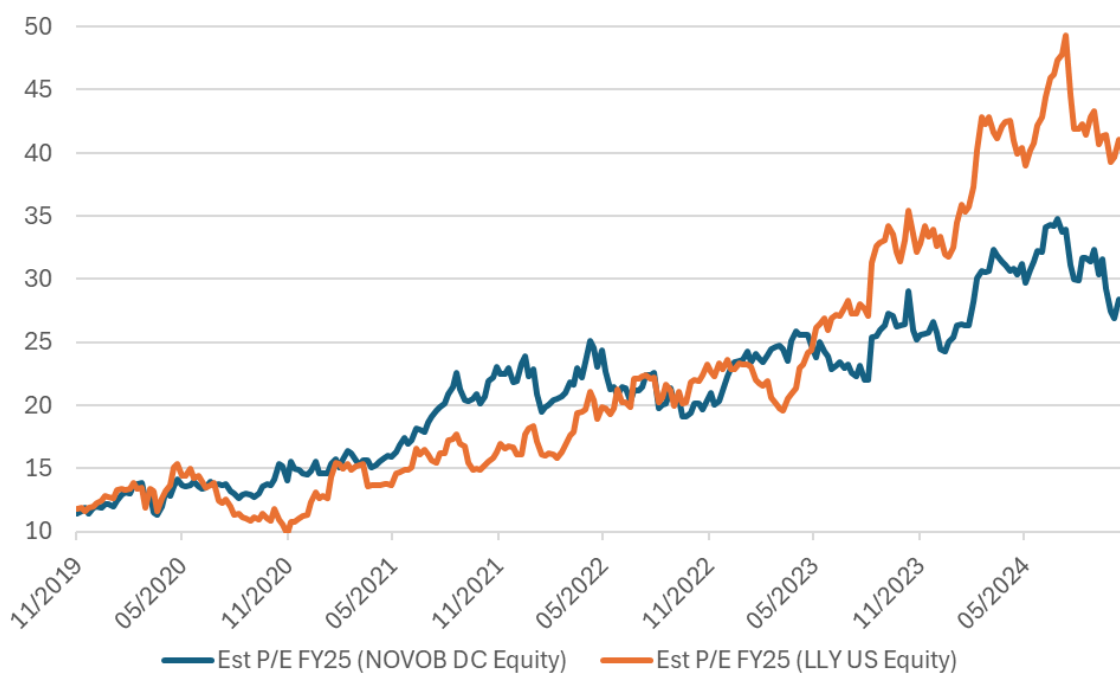
Despite the near-term volatility in demand the long-term looks rosy.



Source: Financial Times/ Bloomberg

The increase in knowledge about the potential benefits and uptake of these weight loss drugs has led to significant appreciation in the share prices of both Novo and Lilly, and while we acknowledge that Lilly has more than just a diabetes and obesity franchise (its pipeline includes Kisunla, which is in trials for early-stage Alzheimer’s), Novo also has products such as Mim8, which it aims to have on the market this year for haemophilia, a market that is currently dominated by Roche’s Hemlibra. Although both trade at a significant premium to the pharma sector, we question if Novo’s discount to Lilly is warranted.

The valuations have reduced significantly, but is Novo’s discount to Lilly warranted?



Source: TIM/Bloomberg



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The Tyndall Global Select Fund has held a position in Novo Nordisk since 2011.

Richard Scrope, Fund Manager, VT Global Select Fund, 31st October 2024

Data source (unless otherwise stated): Bloomberg, FE Analytics

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