

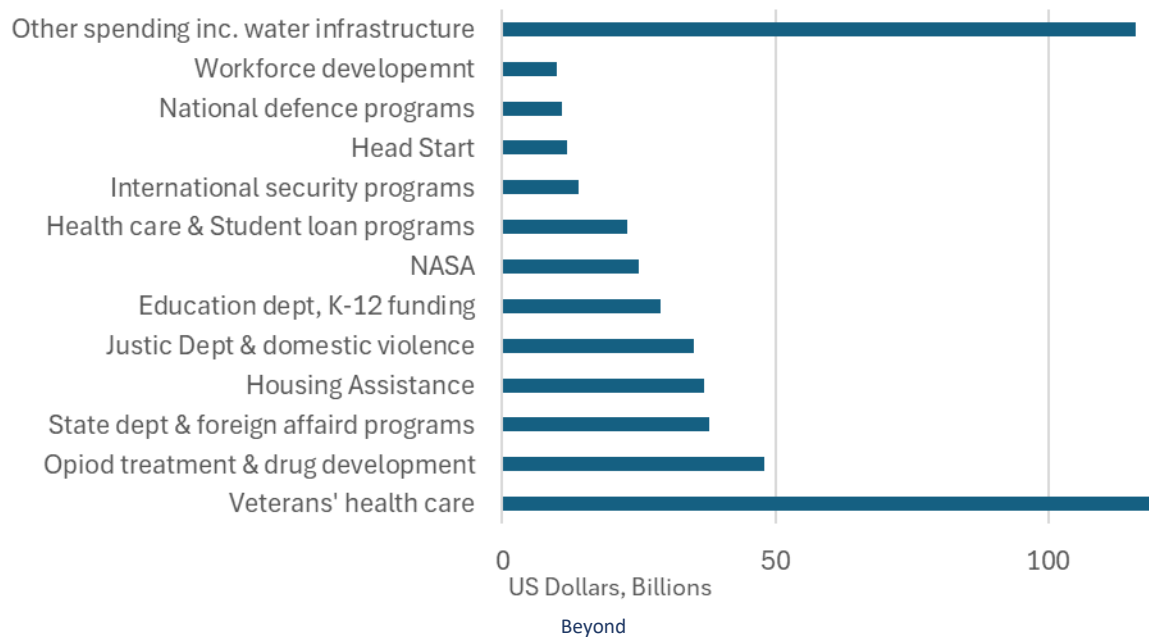


“I judge people based on their capability, honesty and merit.” – Donald Trump

Despite having over two months until Donald Trump formally takes the keys of the White House from President Biden, emboldened by the scale of his victory, the former President is making his mark on the market. Beyond Elon Musk looking to cut \$500 billion in annual spending, through the (yet to be approved) new Department of Government Efficiency, there has been no shortage of controversial appointments, all allegedly judged on ‘capability, honesty and merit’, of which some have caused shockwaves through the market.

Musk originally suggested cutting the spending by \$2 trillion, but that has since been scaled back, given that the two-thirds of the \$6.7 trillion that the government spends each year is mandatory, through programmes including Social Security, Medicare, and the Military accounts for a large portion of the ‘discretionary’ expense. Beyond some contracts with the private sector, with companies that have been milking the system for years, there is also a significant amount of unauthorised spending that the DOGE has said that it wants to cut, some more controversial than others.

Programs with expired funding in 2024.



Source: Congressional Budget Office

The appointment of the hedge fund manager, Scott Bessent, to be Treasury Secretary, was welcomed by the market, however his 3-3-3 plan also looks ambitious. The plan calls for 3% annual GDP growth through cutting regulation, increasing domestic oil production by 3 million barrels a day, and reducing the federal budget deficit to 3% of GDP. Given that the recent deficit/GDP ratio is 6.4%, this will also require significant cuts in government spending, so departments and companies receiving a proportion of the discretionary spending need to beware.

Robert F Kennedy, following his withdrawal from the presidential race, and throwing his lot behind the Trump campaign has been nominated as the Health and Human Services Secretary, a role that oversees medical research, food safety and public welfare. Given his sceptical views on vaccines, drug



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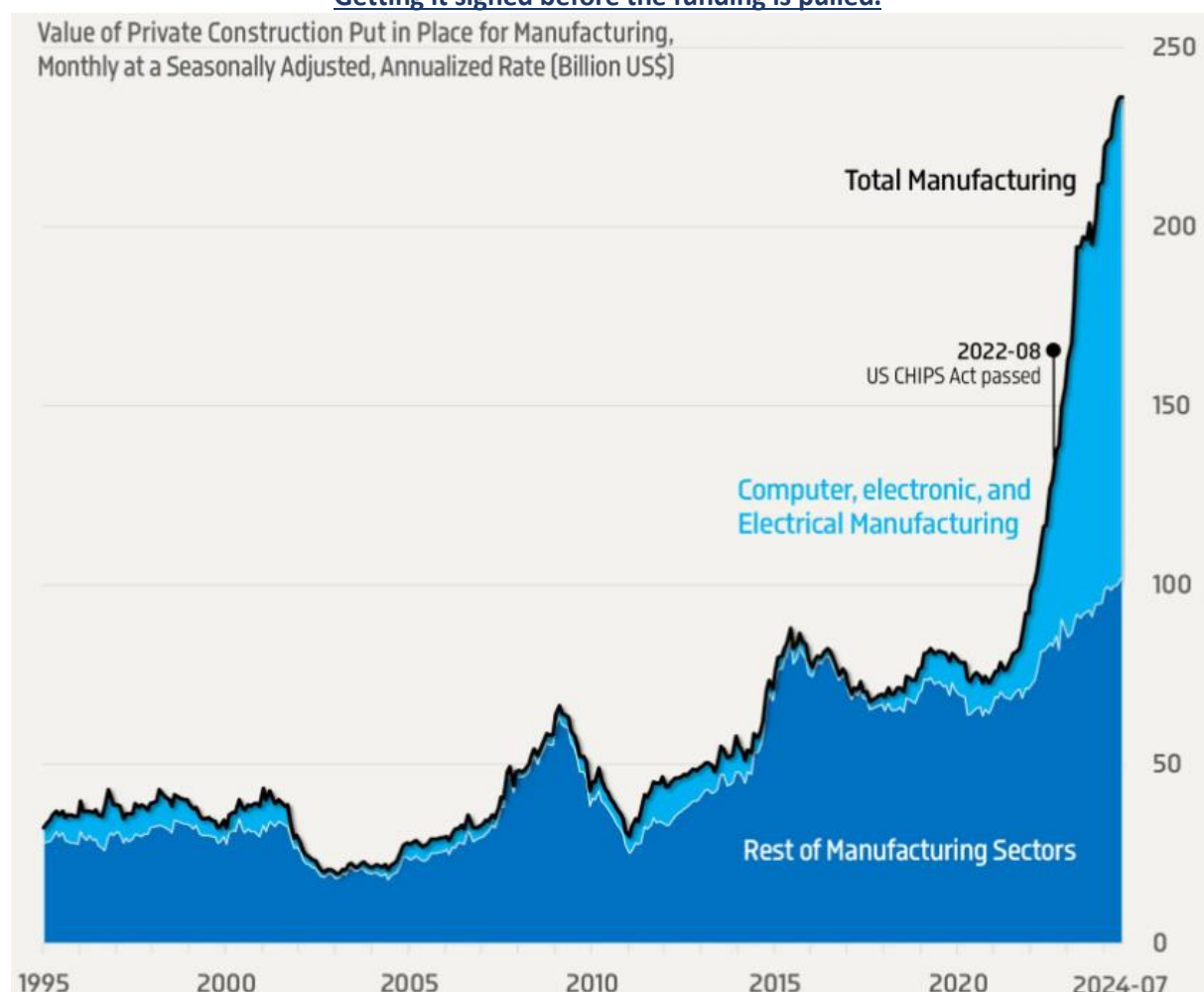
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research, and that he blames the large food companies for obesity, his appointment sent the healthcare sector down significantly following the news of his appointment, despite being photographed eating a Big Mac, chicken nuggets, fries and regular coke on Trump Force One.

All of the cabinet secretaries nominated by President Trump, and those related to national security need to be approved by the Senate, unless he uses recess appointments to bypass the system of checks and balances for his more controversial nominees. Given that the Republican party only has a three seat majority in the Senate, it only takes four members to oppose the nominee for them not to gain a seat at Trump's table. This fate seemed likely for Matt Gaetz faced after Trump endorsed him for Attorney General, despite the congressional investigation into his behaviour, before he withdrew himself from the role after realising that multiple Republican senators would not endorse him.

Despite the controversial announcements coming from the incoming President and the possible tariffs that may be forthcoming 'from day one', equity markets have reacted positively to the news of the Republican landslide. Despite being seen as a lame duck President, President Biden is using his last few months in office trying to distribute billions of dollars in grants and binding deals to secure his legacy before the new team try to pull the plug on parts of the Inflation Reduction and Chips acts.

Getting it signed before the funding is pulled.



Source: US Census /www.econovis.net

While the world comes to terms with a Trump 2.0, the European politicians have done their best to make the worst of a bad situation. In Germany, where the IFO and ZEW surveys of the state of the German economy are close to the lows seen during the pandemic and the GFC, Chancellor Scholtz fired his finance minister, and in doing so split his coalition government and faces an early election,

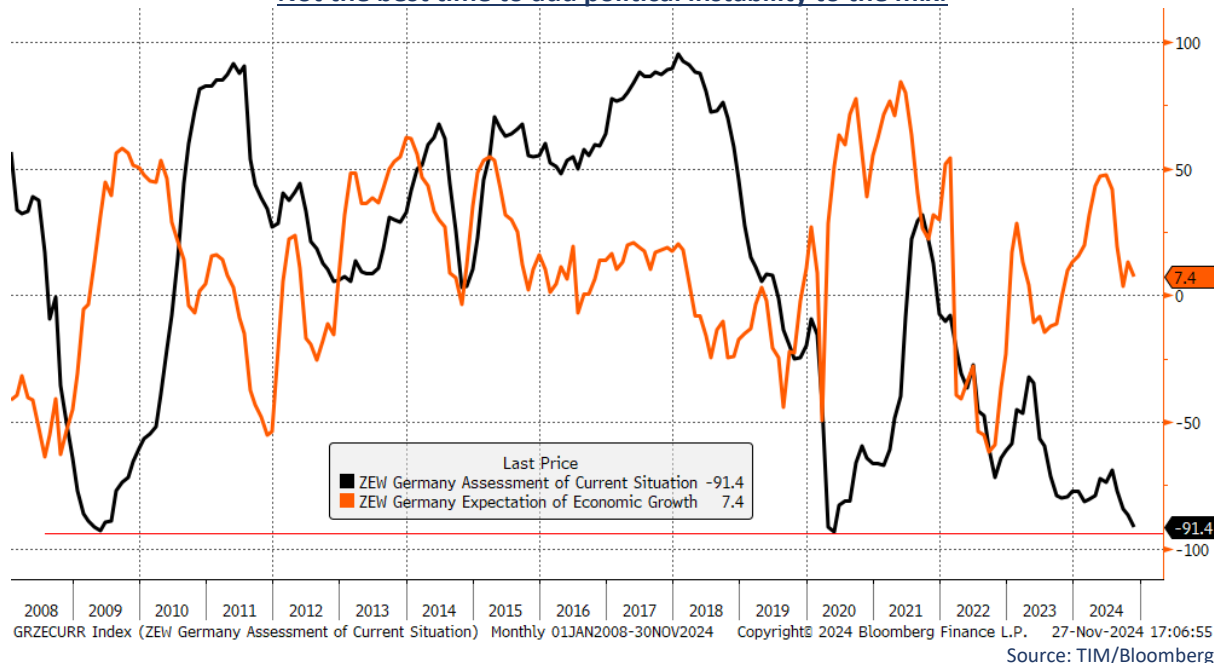


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which if polling is to be believed, his party will lose to the CDU/CSU but also fall behind the Alternative für Deutschland party.

Not the best time to add political instability to the mix.



Never wanting to be left out Marine Le Pen sought to topple Michel Barnier's government by looking to vote down his budget, threatening a vote of no confidence should he not change the proposals to cut spending and bring France's deficit back within the EU's 3% limit from more than six percent where it currently stands. The French 10-year OAT spread over the German 10-year Bund spiked to almost one percent on the news and the French 5 & 10-year yields are now above those of Greece.

And while on the topic of budgets, after months of talking down the UK, Sir Kier Starmer's government laid out their inaugural budget, pledging to increase public spending while simultaneously increasing the tax on businesses and farmers alike, raising opposition from all sides. The supposed 'growth' budget has been called into question, as the Office for Budget Responsibility (OBR) forecasts for growth when assessing the government's plans came in at 1.1% for 2024, 2.0% for 2025 and 1.8% for 2026.

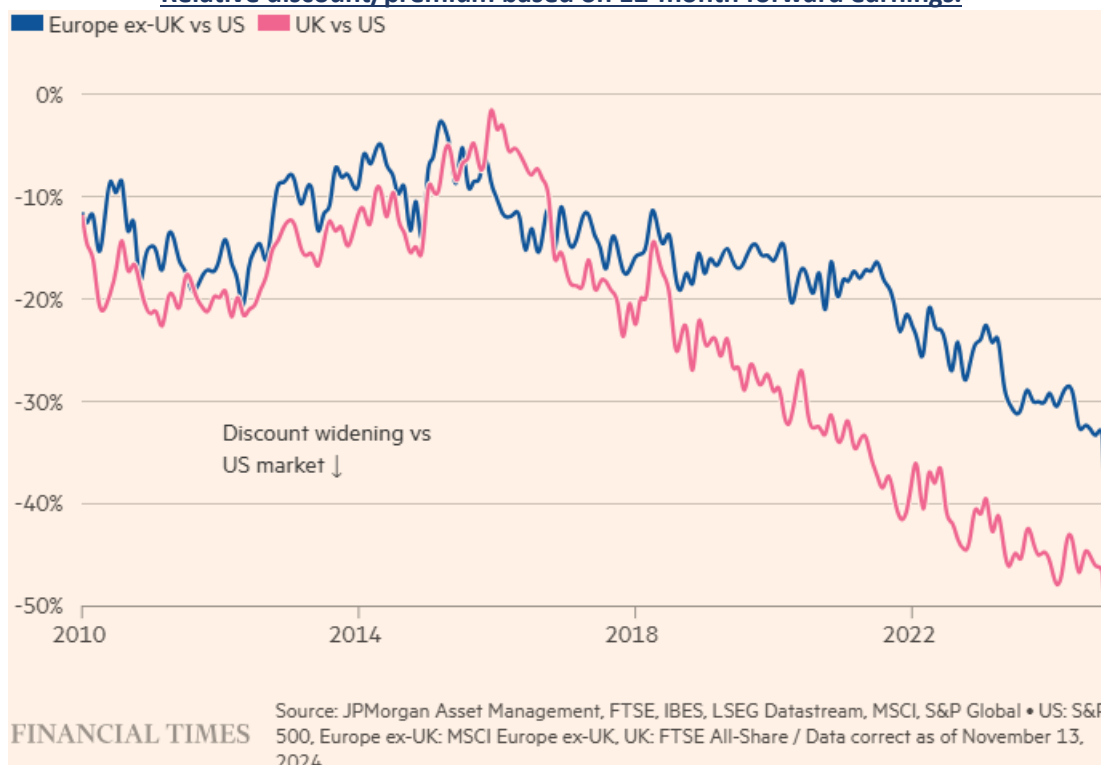
This was reinforced when KPMG subsequently released a forecast for long-term growth to be limited to round 1.1%, as business have to limit investment and hiring to offset the increased tax burden; perhaps the 'growth' mentioned was for public investment not the economy. UK equities, which now trade at a record 40% discount to the US, struggled to make much headway after the budget despite the attractive valuations on offer.



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Relative discount/premium based on 12-month forward earnings.



During the month The VT Tyndall Global Select Fund B Acc (GBP) rose by 4.51%, having made a further three new all-time highs during the month. The Trump victory led to a strong US equity market, but the subsequent appointees and their related policies led to some underperformance in specific sectors and regions. Holdings Nestlé, AstraZeneca, Heineken, Sika, L'Oréal, and Howden Joinery detracted from performance, while our positions in Booking Holdings, American Express, Visa, JP Morgan Chase and Fiserv all performed strongly returning 10% or more during the month. The year-to-date return now stands at 13.15%.

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 holdings in American Express, Booking Holdings and Fiserv, which after strong performance, breached out self-imposed 5% maximum position size which we implement as a control to avoid too much stock specific risk. Despite taking some of the gains off the table, all three remain the largest positions in the Fund.

Our holding in Intuit was featured in an article by the Washington Post this month, which claimed that the DOGE panel discussed creating a mobile app for Americans to file their taxes for free, following a post from the DOGE about how the tax code had become too complex. If this was to be the case it would become a threat to TurboTax, Intuit's market leading tax preparation software for filling in federal and state income tax returns.

The idea of a federal backed, free, tax filing solution is not a new idea, and the Biden administration even went as far as creating one and rolling it out in 14 states as part of the Inflation Reduction Act, but to date it has had little impact on Intuit or H&R Block's revenues.



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Department of Government Efficiency ✓

@DOGE

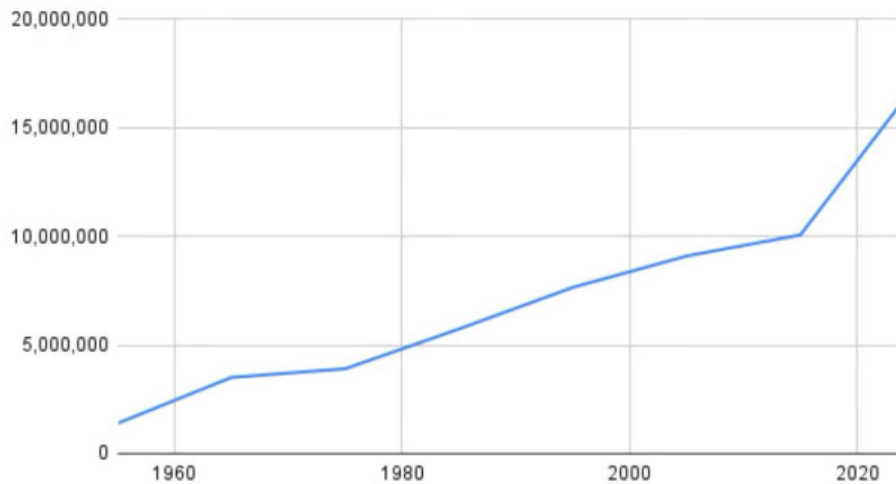
In 1955, there were less than 1.5 million words in the U.S. Tax Code.

Today, there are more than 16 million words.

Because of this complexity, Americans collectively spend 6.5 billion hours preparing and filing their taxes each year.

This must be simplified.

Number of Words in The Federal Tax Code and Regulations



Sources: Government Publishing Office (2005, 2013), West Publishing Company (1955-2005), House of Representatives' Office of the Law Revision Counsel and the United States Government Publishing Office

We support Intuit's view that this is unlikely to disrupt their business model for a variety of reasons. Firstly, the project is unlikely to be high up on DOGE's list of initiatives to reduce government waste, especially as the current IRS pilot program has had little success. Furthermore, the chart above shows just how complex the US tax code is, and to set up and maintain a product that can keep up with the ever-changing rules and regulations will be costly. and DOGE's remit is to reduce waste and costs.

Given that Intuit and H&R Block have developed and continued to evolve their products over many years, there are efficient products on the market. Relying on the widely available existing solutions can save the IRS the costs that it would incur to create and maintain the software necessary to appeal to taxpayers, let alone build the trust that their tax returns have been filled with 100% accuracy. Although, historically as part of the IRS Free File program TurboTax allowed individuals earning less than \$39,000 a year to use a free version of TurboTax, this was mired in controversy, as many ended up using the pay version, so this year Intuit stepped away from the free Tax service alliance.





Given the cost of using TurboTax is minimal, the size of the potential fines for submitting an incorrect return, and that Intuit offers three versions of the product depending on the complexity of an individual's tax affairs, we see that customers would rather use an established, market leading, user-friendly product for a relatively small fee than a more complex version. Intuit has fostered relationships with a pool of over 12,000 accountants, who see the benefits of partnering with the company for their Live Assisted and Live Full-Service solutions, thus giving the customer products that the IRS free file service cannot offer. This claim is backed by Forbes which ranked Intuit third in its



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America's Best Companies List, which is evaluated on factors including financial performance, trust, customer and employee satisfaction.

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Source: Intuit

On their quarterly result call, Sasin Goodarzi, CEO of Intuit took the Washington Post headlines straight on saying:

“First and foremost, I am personally engaged with the new leaders and the new administration coming in. And what I would share with you is a couple of key priorities that I think all of you have seen in the news, but I've personally also learned that really matters to the new leaders and new administration coming in.

One is being very aggressive on budget cuts and workforce reduction, just really streamlined the operations of the government. Two is to really look at the regulatory environment and to reduce the regulatory environment that ultimately will benefit consumers and businesses. Third, reduce fraud, whether it's from identity theft and/or loans. And then last but not least is if there's an opportunity to actually simplify the tax code. I'm excited about those priorities because those are all priorities that we can help as a company.

I would tell you that the last thing that sort of is on the mind of the new leaders coming in is adding to the bureaucracy and adding to the investment levels of something that already exists in private industry. So, when it comes to pre-tax software, as you all know our stance is, it already exists. Private industry has free software available to all Americans. Our perspective in my learning in terms of what's



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most important, the last thing that the new folks want to do is to add to that bureaucracy and to add investments in an area where the offerings already exist, and private industry already serves it.”

While headlines that those seen in the Washington Post are unhelpful and likely to create a headwind, the threat of an IRS backed product is not a new one, and Intuit has successfully created solutions that customers have preferred in the past and will likely continue to do so should the DOGE continue to back the Biden administration’s solution.

Richard Scrope, Fund Manager, VT Global Select Fund, 30th November 2024

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

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