VT Tyndall North American Fund

Monthly Commentary | May 2025

TYNDALL

Review

The Fund's F Acc share class units returned 2.72% compared to the S&P 500 Index ETF return of 5.54% in sterling terms.

The rally that started to form in April has continued into May and markets look like they are on a much surer footing. While there are still plenty of noisy headlines about tariffs and other topics, the equity and credit markets are reacting in a completely different way now than compared to early April. That relative calmness is a sign that this period of quite extreme volatility is most likely behind us, and that while the details of the tariffs and the ongoing trade relationships between America and the rest of the world are still to be finalised, the market has priced this in and has moved on.

We have been defensively positioned over the last two months or so which has helped us navigate this volatile period. The S&P 500 corrected just under 19% from the February peak to the April bottom and when the index corrects as much as this, it is quite common to see stocks correct 50% or more. This is the kind of drawdown at the individual stock level we actively seek to avoid and this is why we pivoted to a much more defensive portfolio. However, our macro work now suggests that the rate of change of growth in the US is about to inflect higher again and in response to this we have started to add back some beta to the fund. We have sold our gold miners for example and added back to technology, adding to Palantir and buying back our position in Broadcom. We have also increased our weighting to consumer discretionary, noting that consumers have continued to spend throughout this period of uncertainty. In financials we have sold some of insurance stocks and bought back into Robin Hood the online broker.

We lagged the market in May for two reasons. Firstly, the market bounced straight up from the lows, a 'V bottom', meaning the market goes up more or less in a straight line. Our process is not about picking bottoms but rather waiting for trends to form, so when conditions improve suddenly, it can leave us behind a bit in the short term. The second reason was two of our holdings, Fiserv and Fair Isaac, experienced some volatility in the quarter for separate idiosyncratic reasons. We've owned these stocks for a good while, but they hit their stop losses and we have sold them both. We'll keep them on the watch list but are out of them for now.

Areas of strength included NRG, one of our utility stocks. This stock shot higher on earnings and has also announced the acquisition of some power assets. The theme of power demand driven by AI is very much back on, having taken a backseat post the DeepSeek moment, but it's clear that power generation capacity has to be built, if America is to maintain its advantage in AI, and NRG is a leader in this field.

Aerospace and Defence has been another area of strength, with both GE Aerospace and Howmet performing well in the month.

Market Outlook

Our outlook has turned from cautious to bullish as we see a rate of change inflection in the US economy starting in June. Markets support this view in terms of their stronger performance but also in the much reduced volatility picture, and in the credit markets where spreads have tightened significantly. Our positioning reflects this more risk on tone, and our biggest weights in the fund are technology, consumer discretionary and industrials.

Felix Wintle, Fund Manager, 31 May 2025

Data sources: Bloomberg.

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