



Review

November proved to be a month of two halves, with equity markets initially coming under pressure as concerns over an AI bubble were raised by Michael Burry, of Scion Capital and 'The Big Short' fame, fuelling a significant fall in AI and tech related companies. Given the weighting of the technology sector in global indices and the explosion of 2x and even 4x leveraged ETFs, any change in sentiment becomes quickly distorted by ETF selling, and this was evident in the volumes traded during the early part of the month.

Much of the fall was quickly reversed in the later part of the month, as various members of the Federal Reserve hinted that a rate cut might be forthcoming in the December meeting. The odds of a cut swiftly shifted from about a 30% probability to 95%. One of the themes that we regularly heard over in the US last month was the need for interest and mortgage rates to come down, and these comments bear out the reaction of US equities.

The month, however, was not all about US equity performance as potential progress in peace talks in Ukraine, even if the initial proposal seemed very lopsided, had ramifications in the defence markets, which proved to have a volatile month, as the proposals ebbed and flowed. Healthcare stocks (ex Novo Nordisk) reacted positively after settling pricing settlements with President Trump, clearing an overhanging issue that had led many investors to avoid the sector.

Despite managing to enter into a war of words with China, and concerns over the size of the Government debt, Japanese equities continued their period of outperformance under the new leadership, and stimulus plans, of Prime Minister Sanae Takaichi. Closer to home the long awaited and largely trailed budget, split opinions, as it appeared to have no discernible growth measures, and many of the tax rises are pencilled in for the 2028/29, when the current government will be facing a general election, calling into question their implementation, as questions are being asked as whether Labour will want to campaign of with increasing tax backdrop.

Fund performance / Activity

After a significant fall in the share price, on the grounds that its proprietary data will be disintermediated by AI, we switched our position in Deutsche Börse into London Stock Exchange Group, which we believe offers better returns to our shareholders from these valuations. Licensing deals with Anthropic, Snowflake, Databricks and Microsoft are signs that even the large AI companies see the value of LSEGs data and should eventually dispel the myth that LSEG is under existential threat from the advent of AI. We believe that LSEG has a combination of a large recurring revenue base which is continuing to grow, with leverage to operating margins and EPS, underpinned by management being proactive in buying back shares given the valuation gap between the company and its US peer group and a best-in-class FCF yield of 7.6%.

After visiting numerous industrial companies in and around Chicago this month, we decided to exit our remaining position in Zebra Technologies. While we like the base business of the company, we were dismayed by the execution of the business strategy, which is being compounded by companies postponing their capex plans, as they reassess their investment priorities. We reinvested the proceeds to add to our position in Novo Nordisk which had fallen its lowest level this century, despite revenues



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growing from DKK 20bn in 2000 to over DKK 300bn today and earnings posting an even larger percentage gain.

In terms of performance, the biggest contributors to the Fund return over the month were AstraZeneca, Johnson & Johnson, Thermo Fisher, Canadian Natural Resources and Broadcom, reflecting the outperformance of most health care stocks post pricing agreements with the Trump administration. Conversely our holdings in Relx, Microsoft, Nvidia, Schneider Electric and Zoetis all underperformed, as Alphabet's launch of Gemini 3 and its Tensor Processing Units (TPUs) led to a divergence between those AI related stocks seen to be more aligned with OpenAI and those more aligned with Google. The Fund fell by 2.03% during the month, resulting in a year-to-date return of -1.81%.

Market Outlook

With the UK budget now in the rear-view mirror, the uncertainty it caused is no longer a headwind to UK equities, despite there being no consequential growth measures unveiled. There remains much to do to rebuild trust in the management of the UK economy, but markets hate uncertainty and the major cause of this has now passed so there is potential for the investment case of undervalued and unloved UK companies to be revisited.

The debate over an AI bubble remains a cause for concern, but we believe there is a distinction to be made between those who sell tangible products with strong free cash flows and profits and those non-profitable companies with negative free cash flows, and no visibility over returns on investment. Concerns over the capital spending plans of the hyper-scalers do not seem problematic (apart from Oracle) when assessed as a percentage of Free Cash Flow, as such is their cash generation, that their capex plans can be easily funded with cash to spare.

As we head towards the end of 2025 and look forward to the year ahead, we remain upbeat on the prospects for further growth in 2026, and a broadening out of the market, that has been lacking in the past few years and has proved a drag on performance. A broadening out of the market is likely to be beneficial for fundamental based investing rather than momentum driven investing that we have experienced for the majority of 2025 and should also prove beneficial for active managers who can adapt to the shift, and invest in areas which remain underinvested yet have improving fundamentals.

Richard Scrope, Fund Manager, VT Tyndall Global Select Fund, 28th November 2025

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