

Review

European markets finished the year strongly, ending what has been a very positive, albeit volatile, year for returns shaking off growing concerns amongst investors about the sustainability of the AI boom and continued uncertainty around the progression of ceasefire talks between the US, Russia and Ukraine.

December saw a wide dispersion in returns between different sectors. Basic Resources was the stand-out sector driven by record highs in gold, silver and copper which lifted the mining stocks sharply. More defensive sectors such as Real Estate and Consumer Staples lagged behind. Europe once again outperformed the US with Germany, Spain and the Nordics helping to lift the overall market.

Fund performance / Activity

The VT Tyndall European Unconstrained Fund rose by 1.04% in December, underperforming the sector which rose 2.03%.

Our critical minerals development companies, Talga Group and Vulcan Energy Resources, were weak during the month as both companies completed equity raises to help finalise the financing of their graphite and integrated lithium/thermal energy projects respectively. Both projects are progressing well, and we expect further positive news flow during 2026.

The more interest rate sensitive stocks in the fund such as Cibus Nordic Real Estate and Vonovia also declined, despite the ECB maintaining rates at its December meeting as investors reacted to more hawkish comments from some ECB board members and began to price in rate rises later in 2026.

The financial stocks contributed positively to returns with doValue and Raiffeisen Bank both appreciating. doValue was boosted by news that it had signed a new agreement with Santander to service its bad debts in Spain for another two years extending a longstanding contract that was due to terminate at the end of the month. Raiffeisen was lifted by more positive sentiment towards a possible ceasefire in Ukraine which may eventually allow them to unlock from shareholder value from its frozen Russian assets. German chemical producer Alzchem also rose sharply on the announcement that it is expanding its creatine capacity to meet strong demand.

We started a new position in Glanbia during the month. Glanbia is a leading nutrition business focused on the protein powder market through its leading Global Nutrition brand. With renewed consumer focus on healthy living, we believe that the market is undervaluing the likely strong growth in revenues and profits.

The fund exited its position in SES. The competitive pressures on the company are intensifying with Starlink, in particular, continuing to aggressively launch new satellites. Whilst the valuation looks attractive, we believe that profitability could come under more pressure than we expected.



Market Outlook

The direction of the European equity market in 2026 is likely to be driven by similar factors as the second half of 2025. The outcome of negotiations around a ceasefire in Ukraine is important in terms of helping to lower energy prices for the region as well as improving general investor sentiment. The US intervention in Venezuela in early January does not help in that regards as it lowers the likelihood of a Ukraine ceasefire in the short term.

We continue to see meaningful opportunities over the medium term in the defence names as Europe continues to increase its spending in order to rebuild its capabilities. If a ceasefire is eventually agreed, this would pave the way for a broad-based reconstruction effort that, alongside the increase fiscal spending in Germany, would support industrial activity and investment.

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Data source (unless otherwise stated): Bloomberg, FE fundinfo 2026

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