



Review

The Fund's F Acc share class units returned -4.04% compared to the S&P 500 Index ETF return of -0.59% in sterling terms. The IA North American sector average return was -1.06%.

December was a frustrating month for the fund, as the market rotated under the surface. Stocks that had performed well corrected, and this was a drag on performance. Most of the pullbacks occurred in the technology sector, with stocks like Broadcom and Snowflake pulling back 14% and 11%, respectively, and we owned other tech stocks that corrected in the mid to high single digits.

We have reduced our tech weighting as the AI trade moves into a new phase. We are still long AI as a theme and are concentrating on the beneficiaries of the AI buildout, stocks like Amphenol and Nvidia rather than those who are paying for it all, the hyperscalers. The market is anointing winners and losers amongst the hyperscalers now, and it is our belief that Google is in the winner's category, and Meta is in the loser's category. For this reason, Google is our biggest weighting in the fund, and we do not own Meta. Semis is still a focus area for us and software is an area we are avoiding; the tech sector is very bifurcated at the moment, and this is good for active strategies like ours.

We have been adding to the cyclical parts of the market, and have allocated capital to Industrials, Consumer Discretionary and Materials. The outlook is very promising for these parts of the market as they benefit from the strong economic growth cycle that we see coming and are also somewhat forgotten parts of the market, as many investors have focused exclusively on tech and AI. Examples of stocks we have recently invested in would include Caterpillar and CH Robinson, the logistics company. Both these companies should continue to benefit from growth in the 'real economy'.

We also believe that 2026 is going to be a great environment for the consumer. CPI Inflation has very likely peaked, the recent high point was back in September, and we anticipate this number to surprise to the downside through the first half of 2026. Added to this is the relentless bear market in the oil price bringing down the cost of gasoline. Natural gas is also in a bear market which helps with electricity costs. On top of this, there are tax cuts and the high probability of rate cuts. This is a very bullish condition set and we have 10% allocated to this sector and are looking for more opportunities.

Market Outlook

The outlook for 2026 is very bullish in our view. Our forward-looking macro process identifies a quad 1 environment, which means growth accelerates while inflation decelerates. This means real growth accelerating which is a condition that equities typically perform well in. This also means that early cyclicals should perform well, hence the positioning outlined above. This is also likely to be a time when the market broadens out, which it is already doing, and returns can be found from areas outside of the Mag 7.

Felix Wintle, Fund Manager, 31 December 2025

Data sources: Bloomberg.

Contact Details:

Fund Manager – Felix Wintle fwintle@tyndallim.co.uk

Head of Distribution – Theresa Russell trussell@tyndallim.co.uk



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Investment Manager: 5-8 The Sanctuary, London, SW1P 3JS.



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