VT Tyndall European Unconstrained Fund

Monthly Commentary | February 2026

TYNDALL

Review

European equity markets advanced in February, driven by a broadening earnings season, rising fiscal spending commitments and renewed enthusiasm for European defence and industrial names. The month was characterised by strong individual results and a sustained focus on European strategic autonomy, as NATO members debated further increases to defence budgets and geopolitical tensions prompted rotation into European-listed defence and aerospace stocks.

Sector performance was mixed, with Banks the weakest area (-11%), followed by Travel & Leisure (-7.6%) and Autos & Parts (-5.5%). Healthcare held up relatively well (-1.9%), while Telecoms and Utilities offered some shelter. Losses were broad-based across cyclicals, with individual stock moves heavily driven by results season news flow creating significant divergence between winners and losers.

The European earnings season provided a broadly supportive backdrop, with a number of companies delivering ahead of consensus and raising guidance.

Fund performance / Activity

The VT Tyndall European Unconstrained Fund returned 1.99% in February, behind the IA Europe-ex-UK sector which returned 4.17% with investors rotating into consumer cyclicals and commodity related sectors where the fund is light. Small cap stocks also lagged behind the market.

The Fund's strongest contributor was Rovi, the Spanish specialty pharma and CDMO group. Full year 2025 results on 25 February were well received: EBITDA rose 4% to €216 million and net profit increased 3% to €140 million, as 11% growth in the specialty pharmaceutical business — driven by heparin franchise momentum — more than offset a 20% decline in CDMO revenues from lower Moderna-related volumes. The company also announced a manufacturing collaboration with Roche and a toll manufacturing agreement with Bristol Myers Squibb, underpinning its medium-term CDMO growth outlook.

Austrian steel and technology group Voestalpine was the second largest contributor. Nine-month 2025/26 results on 11 February showed EBITDA up 7.2% to €1 billion and profit before tax up 46.5% to €372 million, with full-year guidance of €1.4–1.55 billion reaffirmed. The stock reached a five-year high during the month, supported by robust fundamentals and improving EU steel trade protection.

Indra Sistemas surged to a record high following exceptional full year 2025 results on 25 February. Revenues grew 13% to €5.46 billion, net income of €436 million beat consensus materially, and the order backlog more than doubled to €16 billion, driven by a surge in defence modernisation programmes. Management set 2026 guidance at least 17% above its original strategic plan. The backdrop of rapidly increasing European defence budgets continues to provide a powerful structural tailwind for Indra's growth outlook.

The largest detractor was BFF Bank, the Italian public administration receivables specialist. The shares fell sharply at the start of February after the company disclosed a €95 million provision ahead of a planned securitisation, restated its 2024 accounts, cut its 2026 adjusted net profit target from €240 million to €160 million, and announced the departure of its long-standing CEO. Given the material deterioration in the investment case, we exited our position during the month.

Novo Nordisk was the second largest detractor. The company's 2026 guidance, released alongside full year results, was worse than expected, with sales and operating profit both guided to decline 5–13% at constant exchange rates. US pricing headwinds, from compounding pharmacy competition, Medicaid reductions and a most-favoured-nation pricing agreement, were the primary drivers. While the early uptake of the oral Wegovy pill was encouraging, with 170,000 patients enrolled within four weeks of launch, near-term earnings pressure remains significant. The company also announced the results of its REDEFINE 4 trial results which compared CagriSema against Eli Lilly's next generation drug. The results were disappointing with CagriSema failing to show non-inferiority which put more pressure on the shares. We remain positive on the stock as the current share price discounts most of the value of the pipeline.

doValue also detracted during the month. The Italian non-performing loan servicer reported preliminary full year 2025 results on 27 February that were broadly in line with estimates, with EBITDA reaching a record €217 million at a 37% margin. However, the shares had already performed strongly in prior months.

During the month we exited three more positions. We sold Eramet, the French mining group, following a 54% decline in adjusted EBITDA, a net loss of €370 million, and the departure of both the CEO and CFO in circumstances that raised corporate governance concerns. The combination of deteriorating fundamentals, management instability and balance sheet uncertainty warranted a full exit.

We also sold our position in INWIT, the Italian tower operator, where the risk-reward had become less compelling following the company's November 2025 decision to cut its long-term growth outlook.

Finally, we exited Allfunds following the announcement that Deutsche Börse had entered exclusive discussions to acquire the company, with the shares having moved to reflect a meaningful portion of the potential deal premium.

Market Outlook

The European macroeconomic backdrop remains broadly supportive, with growth indicators improving across key economies and inflation continuing to moderate towards central bank targets. The ECB is expected to maintain an accommodative stance, providing a constructive backdrop for risk assets, particularly in the small and mid-cap segment where valuations remain attractive relative to history.

The theme of European strategic autonomy continues to gain momentum, with rising defence budgets across NATO member states generating a sustained pipeline of orders for European defence and technology companies. We view this as a multi-year structural tailwind for a number of fund holdings, complemented by the broader reshoring and domestic investment cycle.

While risks from tariff developments and geopolitical uncertainty remain, we believe the Fund is well positioned to deliver strong relative performance over the medium term.

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