VT Tyndall European Unconstrained Fund

Monthly Commentary | March 2026

TYNDALL

Review

March proved to be one of the most turbulent months for European equity markets in recent years. The dramatic escalation of the US-Iran conflict drove Brent crude oil to above $100 per barrel and triggered a sharp spike in European gas prices. Concerns around this leading to stagflation saw a broad sell-off across equity markets.

Sector performance was sharply divergent, reflecting the geopolitical backdrop. Energy was the clear standout, rising strongly, while cyclical sectors bore the brunt of the selling. Banks, Industrials, Luxury and Consumer Discretionary all fell sharply. Defensives offered relative shelter, with Healthcare, Utilities and Telecoms proving more resilient than the wider market. The bond market moved aggressively to price in potential central bank rate hikes in response to the energy-driven inflation shock, adding a further headwind for rate-sensitive equities like Real Estate.

Against this backdrop, equity markets appeared to be pricing in a sharp but relatively short-lived oil supply shock but not fully discounting a more severe and sustained crisis. Historically, equity markets have tended to deliver positive returns on a 6–12 month horizon following major oil spikes of this magnitude, and the macro setup entering the conflict was more supportive than during the 2022 Ukraine crisis.

Fund performance / Activity

The VT Tyndall European Unconstrained Fund fell -9.5% in March, broadly in line with the sector which fell 9.0%.

The Fund's strongest contributor was Alzchem Group, the German specialty chemicals company which reported strong results at the end of February. Alzchem's Specialty Chemicals segment, which supplies creatine and defence-related products continued to grow strongly. The stock's defensive and defence-related exposures made it an outperformer in a difficult market environment.

Deutsche Börse and Flow Traders were also contributors as they benefited directly from the sharp increase in market volatility and trading volumes during March as markets sold off on the concerns in the Middle East. In its pre-close call, Flow Traders noted that volatility had materially increased across all asset classes and regions during the month on the back of geopolitical tensions, with ETP value trading up significantly versus the same period a year ago.

Indra Sistemas was the largest detractor. The Spanish defence group, which had been among the strongest performers in prior months, fell sharply in March as European defence stocks came under profit-taking pressure. More specifically, the shares were hit by the collapse of the proposed acquisition of Escribano Mechanical & Engineering (EM&E) on conflicts of interests concerns.

doValue, the Italian non-performing loan servicer, was the second largest detractor. Despite reporting solid full year 2025 preliminary results in late February, the shares fell in March as the stock was caught up in the broader sell-off in financials and cyclicals. Investor confidence was also dented by ongoing uncertainty around the completion of the acquisition of German credit servicer, coeo, which had originally been expected to close at the start of 2026 but has faced delays in obtaining regulatory approvals. Management expect this to be completed shortly.

Voestalpine, the Austrian steel company, was weak as its shares got caught up in the broader de-rating of European cyclicals in the face of rising energy costs.

During the month we exited our position in Sveafastigheter, the Swedish real estate company. As interest rate expectations shifted materially higher in response to the energy-driven inflation shock, the valuation risks for real estate equities deteriorated significantly.

We initiated a new position in Bachem Holding, the Swiss healthcare contract manufacturer and peptide specialist. Bachem is one of the world's leading manufacturers of peptide active pharmaceutical ingredients, operating in a structurally growing market driven by the rapid expansion of GLP-1 and other peptide-based therapeutics. As well as being exposed to the sharp growth in obesity medication, Bachem has a strong track record of capacity investment, high barriers to entry given the complexity of peptide synthesis, and an industry-leading EBITDA margin profile.

We also initiated a new position in Vopak, the Dutch tank storage operator. Vopak is the world's largest operator of independent bulk liquid storage terminals. The company's critical infrastructure benefits from long-term contracted revenues. As the Middle East conflict highlighted vulnerabilities in global energy supply chains, Vopak's strategic importance as an operator of critical gas and LNG terminals has become more pronounced. We continue to look for beneficiaries from the disrupted oil and energy value chains.

Market Outlook

The outlook for European equities is unusually binary at present. The trajectory of the US-Iran conflict and the duration of the energy supply disruption are the key concerns. If the conflict de-escalates, energy prices could normalise meaningfully, and the significant oversold conditions now visible in European equity markets would likely trigger a sharp recovery.

Conversely, if oil and gas prices remain elevated for an extended period, macro conditions could deteriorate further, with central banks potentially having to respond to inflation even as growth slows. This stagflationary scenario would represent a more challenging environment for equities, particularly cyclicals and rate-sensitive sectors.

Within this context, the Fund is positioned for a degree of near-term caution, with the recent exits from rate-sensitive real estate and the ongoing preference for companies with defensive earnings profiles, pricing power and exposure to structural growth themes. We continue to see compelling medium-term opportunities in exciting themes or disrupted value chains. We believe the Fund is well positioned to capitalise on the valuation dislocations that volatile markets create.

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

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