

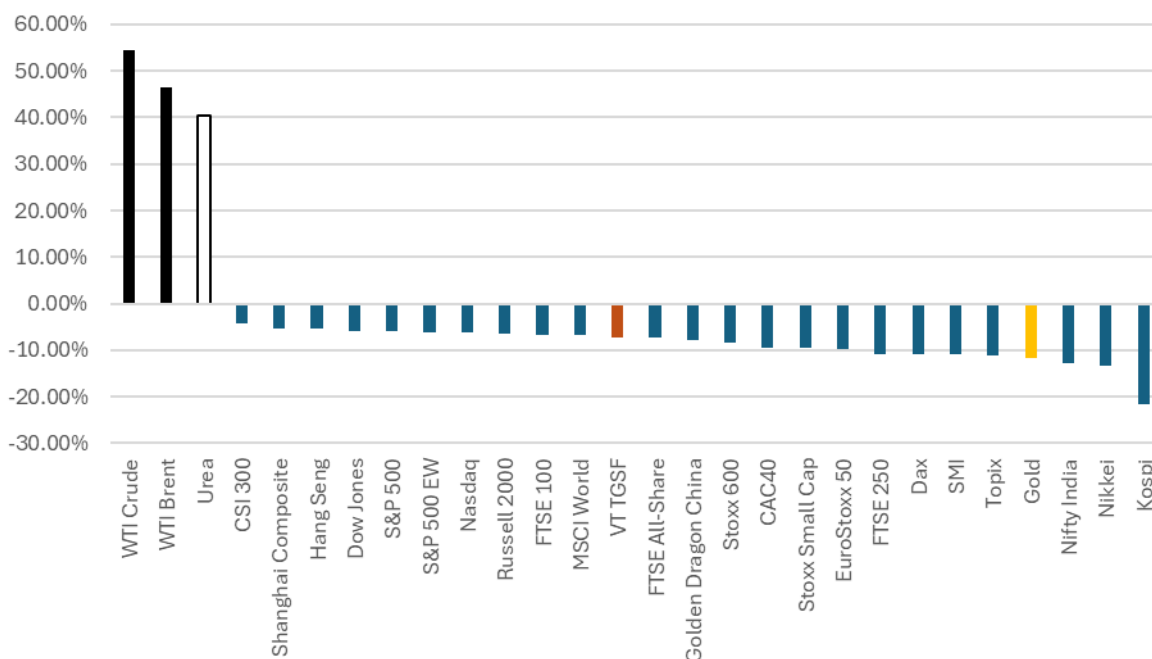


## Review

Over the course of the last weekend of February, Donald Trump and Benjamin Netanyahu surprised the world by unleashing the might of their combined air forces' power onto Iran causing havoc and destruction on a scale unfathomable only a few hours before. This surprise attack left erstwhile allies reeling as whether to support the attacks or condemn them, complicated by the matter that Iran's response was, not only to defend itself and strike back at US bases in the region, but also to strike infrastructure in the neighbouring states, and playing its trump card by blocking the Strait of Hormuz to all traffic.

Although 80% of the oil that must pass through the Straits is headed to Asia, the disruption to the oil & gas supply, as well as other chemicals such as fertiliser, resulted in an inflationary shock across the globe, with the price of oil rising 80% in a month. With no end of the conflict yet in sight, and Isreal intent on taking the opportunity to re-open its front against Hezbollah in Lebanon, with devastating results to the residents of the nation, peace appears to be a long way off. Worryingly, as the month drew to a close, Iran's Houthi allies decided to also enter the conflict, potentially closing the Red Sea as a safe passage for those tankers who are headed westwards, and thus the inflation in petrochemical prices may not be totally played out.

March Returns (GBP)



Source: TIM/Bloomberg

Unsurprisingly, global economic surveys such as the Purchasing Mangers' Index fell across the world as the world came to terms with the increase in costs of goods ranging from oil and gas to fertiliser, and consumers faced the prospects of inflation and a shortage of goods. Other biproducts of the month were the resumption of US Dollar outperformance as investors reverted to seeing it as a haven of safety. The price of Gold, so often seen as a protector of value during times of market stress, fell by almost 18% as central banks and investors reduced exposure after the 230% gain over the past 4 years.



Capital at Risk – the value of investments can fall as well as rise and you may not get back what you invested

Past performance is not a reliable indicator of future results.

## Fund performance / Activity

The change in the geo-political landscape led to some outsized moves in global equity markets, and we made some changes in our holdings to take advantage of the situation and opportunities that arose. Immediately after the initial attacks on Iran, we increased our holding in Canadian Natural Resources, which stood to benefit from the rising oil and gas prices, while also having no exposure to the gulf region, and a break-even cost of \$44 bbl. The company also benefits from China needing to source oil from other regions, especially if they struggle to get sufficient oil from Iran, now that Venezuela has been cut off for them.

We also initiated a position in Hermès International, which had been on our watchlist for almost 18 years, as getting opportunities in this best-in-class haute couture company are few and far between. Having fallen by over 35% in the past year in Sterling terms and over 27% since the start of 2026, the P/E ratio fell to levels last seen at the depths of the pandemic.



Source: Bloomberg

Hermès remains 66% held by the founding family, which helped it hold off an attempt by Bernard Anault of LVMH to acquire the company in 2014. With an average organic sales growth, pricing power, a net cash position of €12 billion, and the highest operating margin of 41% within the luxury sector, the company has consistently generated a return on invested capital well in excess of 40% for the past five years, only dropping to just below 20% during the Pandemic. Owing to the high-end nature of its products, its client base is largely insulated from any economic slowdown, supporting the superior organic growth and backlog for products, such as the €6,300 (median price) Birkin handbag, which stands at 3-6 years for specific models and colours. In high demand regions, such as Hong-Kong, this even extends to waitlists for waitlists. Last year the original Hermès Birkin bag was sold at Sotheby's Paris for €8.6 million to a Japanese buyer, indicating the price agnostic nature of some of their client base.

With only 4% of sales coming from the Middle East, we believe that the price correction was overdone and provided the opportunity that we had been patiently waiting for. Conversely, we reduced our holding in Amadeus, despite its lower valuation after the perceived AI threat de-rating of February, due to its exposure to the Middle East.



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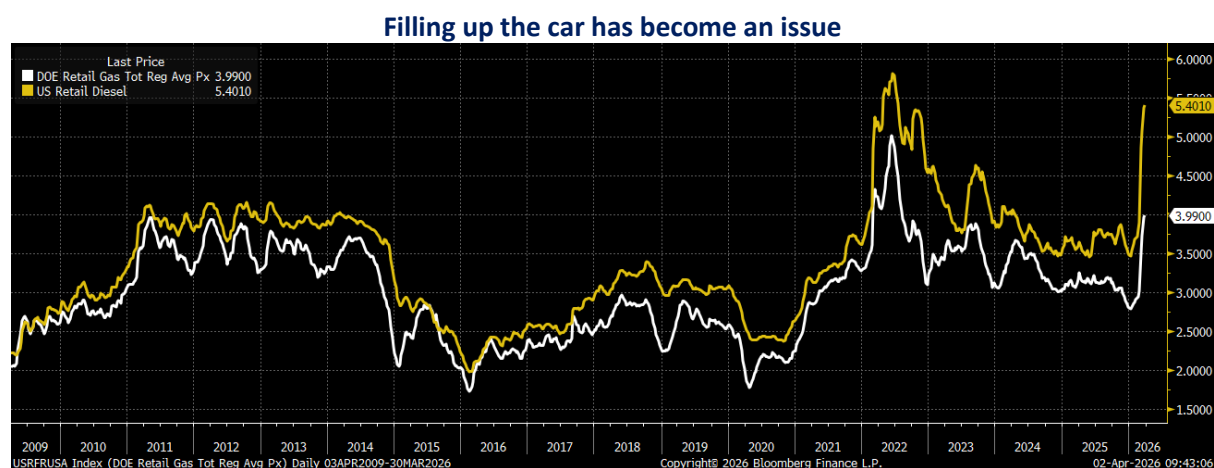
The company holds global distribution partnerships with Emirates, Qatar and Etihad Airways and 13 other airlines across Africa and the Middle East, which are likely to be affected by the reduction and cancellation of flights to and from the region. Furthermore, the company has a physical presence in the Dubai Airport Freezone and Abu Dhabi airport, providing airport IT solutions such as the departure control and flight management. Both airports have been hit by drones and Dubai is currently running at 40% of normal capacity, while Abu Dhabi is implementing a rolling lot system and Etihad has a near-blanket suspension of departures. Although the company is yet to report on any impact on their outlook, we suspect that it will not be insignificant.

The largest contributors to the Fund’s performance, posting positive returns during the month, came from our holdings in Canadian Natural Resources, Banque Cantonale Vaudoise, Intuit, London Stock Exchange Group and Amazon, while our positions in Sika, Schneider Electric, Howden Joinery, Otis and Rational all fell in the selling that resulted in the wake of the reduction in investor sentiment. The Fund fell by 7.13% during the month.

## Market Outlook

The ambitions and intentions of the US administration towards Iran remains fluid and unpredictable, but undoubtedly will be classified as ‘mission accomplished’ whether the world believes this or not. Entering a conflict with fluid objectives will continue to spook both equity and commodity markets, given such a great deal of uncertainty remains over the timescale for airstrikes to finish, and for a solution leading to the free movement of trade.

For a President who intended to fight the mid-terms on a cost-of-living campaign, the operations in the Middle East have not been a success. Despite the US being a net oil exporter and thus not reliant on oil from the region, both Brent and Crude oil prices have increased significantly. For the consumer, food prices have already started to increase, and more importantly for the US voters the price of diesel and gas at the pump have increased significantly. Polymarket now shows that the most likely outcome in the mid-term elections is for a Democratic clean sweep taking both the House and Congress from the Republicans, which if it comes to pass, could go some way to restraining a President who seems set on overturning the world order.



As yet we have not seen any meaningful cuts to earning numbers and corporate profit margins look robust, despite the significant derating in the valuations of most equities outside of the energy sector both in the US and worldwide.



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While we suspect that some estimates may come down during the first quarter reporting season, we also believe that there are many opportunities that are lurking for those investors who are willing to take a longer-term view on investing and look through the current uncertainties in the market.

Much like March five years ago, when we continued to invest at the height of the worries in the Pandemic, this too is proving to be an opportunity to profit from investor concerns.

**Richard Scrope, Fund Manager, VT Tyndall Global Select Fund, 1<sup>st</sup> April 2026**

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