VT WOODHILL UK EQUITY STRATEGIC FUND INCOME   NEWSLETTER SEPTEMBER 2024
Managed by Woodhill Asset Management LLP

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Unit price at midday 30th September was 89.2

Assets under management: £29.6m

	1 month	6 month	1 year	3 year	5 year	Inception
Total return	-0.2%	1.5%	8.0%	26.0%	25.5%	27.4%

VT Woodhill UK Equity Strategy Fund, five-year performance, dividends re-invested (UKp)

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS   *Source: VTIM*

In September our fund was down very slightly (inc. dividend) compared to the overall UK market, which was down around 1.7%. We were hedged for much of the month but did take our hedge[1] off in the second half of September. The market had been going sideways for quite a long time and had shaken off its previously overbought condition. In addition to this we had been curious that China was acting so slowly to respond to its troubled economy, and felt that after the US cut interest rates, that this was opening the door to the Chinese action. This is what happened, and it is important for the UK equity market.

It is a well-known fact that the UK stock market is dominated by commodity producers (oils and miners) and banking giant, HSBC. Outside of China and Hong Kong itself, the UK market is probably the most direct beneficiary of the current Chinese stimulus campaign of any stock market in the world. On top of this the Bank of England (along with the European Central Bank and the US Federal Reserve) are likely to be cutting interest rates in the months ahead. This should be quite positive – at least in the near term.

While some significant and historically meaningful indicators (such as Western bond yield curves and the Sahm* recession rule) are strongly hinting that a recession is imminent, it may take a little longer to arrive than expected. There are two reasons for this.

1 From time to time, the fund uses FTSE 100 equity futures to protect the value of the fund. When the hedge is applied, net equity exposure is reduced, and the capital should be largely protected.

In the US the budget deficit (ahead of the November election) is currently annualizing at around 8% of GDP. While this is a shocking number and points to something deeply negative further down the line, in the shorter term this huge fiscal stimulus is likely to support the US and Western economies. At the same time in Europe there seems to be no rush to get spending under control. France is now openly talking about targeting a 3% budget deficit (as required by the Maastricht rules) in 2029! In essence no one is talking about fiscal tightening and balancing budgets.

The other factor is the Chinese stimulus. We had for a while been concerned that China was falling into a recession and that it was perhaps following the example of Japan in the early 1990s. We were concerned that China was falling from boom conditions into a deflationary slump. While the Chinese problems surrounding property may not be solved quickly, or even at all, by the current stimulus, at least in the near term there is some support in place. The chance of China dragging the rest of the world into recession has retreated.

So, what could go wrong? Obviously, the current events in the Middle East are concerning. It is also quite possible that the Chinese attempt to reflate their economy will fail from a longer-term perspective. On top of this the world is not so far away from the US Presidential election. We do not want to make any comments about who is better or worse between the two candidates. However, it is our impression that the stock market believes that Trump will be good for equities and that Trump will win. To us, looking at the odds embedded in the US market, this implies that if Trump does not win, that the market reaction could be notably negative. Also, we find this current election to be an unusual one. Both candidates are promoting economic policies that have been shown to have been failures in the past. Trump's potential tariff campaign looks as if it would mean higher prices for goods and a decline in global trade. We also think that it is very unlikely that whatever tariff is deployed, the US will soon be getting into the business of electronics assembly or making cheap shoes and toys. It is arguable that the Smoot-Hawley Tarriff Act of 1930 (USA) made the Great Depression worse and longer lasting than it might otherwise have been.

On the other side of the political divide Harris appears to be promoting price controls, which is likely, from our perspective, to lead to a decline in supply, shortages and ultimately higher prices. It is remarkable that in the 'Land of the Free' that both candidates are promoting highly economically interventionist policies. In addition, neither of them seem to want to think about controlling America's run-away budget deficit and national debt. Despite all the heat and noise, it is quite possible that from a market perspective, neither candidate will turn out to have been a good choice.

We are currently living in dramatic times, and we will continue to do all we can to grow and protect investors' capital. Thank you for your on-going support.

*https://fred.stlouisfed.org/series/SAHMREALTIME

TOP FIFTEEN EQUITY HOLDINGS 30th SEPTEMBER 2024

AstraZeneca PLC	7.0%
Shell plc	6.2%
HSBC Holdings PLC	5.7%
BAE Systems PLC	3.3%
Relx PLC	3.1%
National Grid PLC	2.9%
Compass Group PLC	2.8%
Rio Tinto PLC	2.8%
BP PLC	2.8%
3i Group PLC	2.8%
GSK plc	2.4%
Diageo PLC	2.3%
Unilever PLC	2.3%
British American Tobacco	2.3%
Lloyds Banking Group PLC	1.8%

Fund manager: Paul Wood

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