VT WOODHILL UK EQUITY STRATEGIC FUND
Managed by Woodhill Asset Management LLP

NEWSLETTER APRIL 2022

Bloomberg ID: VTWARNI LN **SEDOL: BMTRT64** **ISIN: GB00BMTRT641**

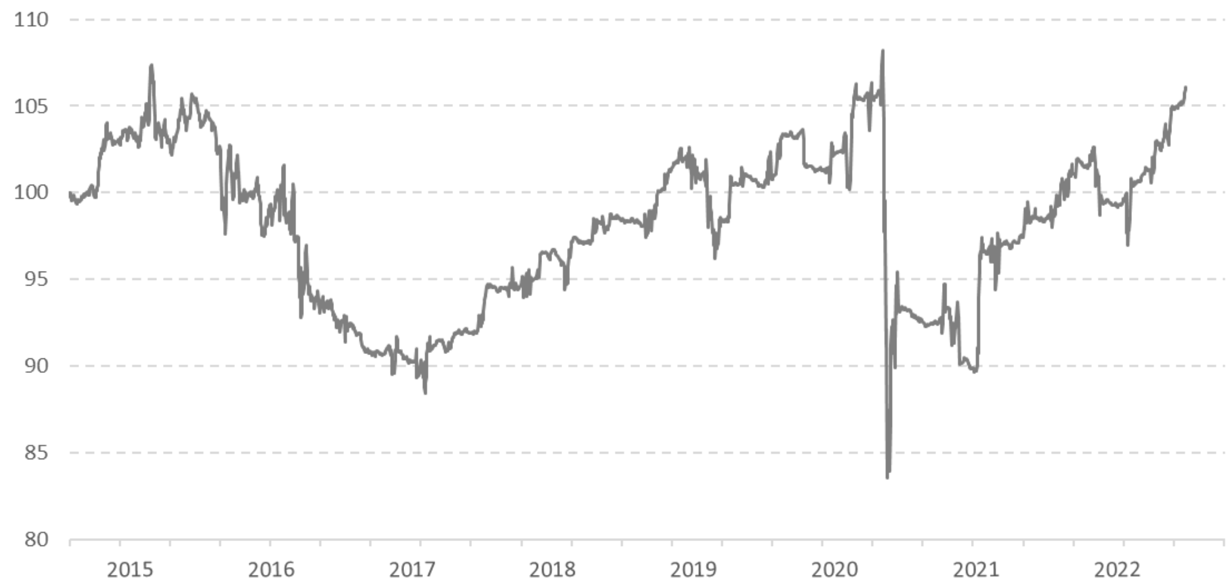
Fund value at midday 28[TH] April was 80.4142

Assets under management: £24.9m

	May-21	Jun-21	Jul-21	Aug-21	Sep-21 *	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22 *	Apr-22
Total Return	0.77%	0.62%	1.99%	0.01%	-2.36% *	-0.08%	-2.42%	3.81%	-0.08%	2.29%	2.03% *	1.07%

*Inc. Distributed Dividend

VT WoodHill UK Equity Strategy Fund, dividends re-invested (UK p)



PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Source: VTIM

We had another positive month in April with our fund rising in value by just over 1%. By comparison the UK stock market was roughly flat over the same period. We were partly exposed[1] to the market during the second half of the month for a few reasons. The market had become notably oversold. There were some signs that the inflationary environment is moderating very slightly, and sentiment had fallen to very low levels. Moreover, the notable weakness we have seen in Sterling benefits many of the larger companies in the UK stock market.

Despite being partly exposed to the market at the end of last month we do not expect this is the start of a new bull market. We believe that we are now probably in either a longer-term bear market, or more likely one where the market is going sideways, potentially for a long time. This is based on our analysis of work done by Professor Shiller on the cyclically adjusted price earnings ratio. This might be the only long-term valuation method that has consistently worked well for US equities for well over 100 years.

The most likely historical analogue is, however, not a stock market that goes sideways in a steady manner, but rather a choppy and difficult market with sharp falls followed by meaningful rallies. To us, this is a plausible long-term base case outlook.

Looking nearer to the present we are a little more constructive. We suspect that the strongly hawkish language being deployed by some Western central banks on the prospect for higher interest rates will be overdone. For

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.

much of the rest of this year we believe that the environment is one that could be described as a version of "Goldie locks". For those who have not crossed Goldie locks path before this is a popular, bullishly tilted stock market narrative that has popped up a few times in the last few decades. The idea was that the economy would be growing enough for companies to grow profits, but that economic growth was not fast enough to create troublesome levels of inflation or rising interest rates. This was a good environment for equities where things were not too hot or too cold. Interest rates are certainly rising but if economies weaken in the second half of this year (quite plausible from our perspective) then central banks may find themselves in a position to pause their tightening plans.

For the stock market this will be a fine line to tread. If economies slow enough for central banks to pause, and if a recession is averted, then this could be a supportive environment for equities. If recession is not averted, then equities could be in trouble. Alternatively, if inflation does not ease off, or at least look like it has peaked, then equities again might be in trouble. Central banks would most likely have to increase interest rates more sharply.

Further out, perhaps well into next year, we are concerned that if central banks do take their foot off the accelerator, that inflation could pick up again. While some of the inflation that the world has experienced has been down to both supply chain issues as well as the war in the Ukraine, it is also true that Western central banks have printed more money during the covid lockdown period than at any time in history. This does sadly have consequences. If, after a patch of economic weakness, and a central bank pause, inflation starts to rise again, the consequences could be serious. The result may be that only a recession and/or real interest rates will put an end to inflation rates that might be well above central bank targets.

Altogether the next few years could be difficult to navigate. Traditional long-only investment in equities or bonds seem unlikely to be a successful strategy. We do have the tools and approach to at least try to both make money and to protect investors in this new investment environment. We will continue to act as prudently and as cautiously as we can while also making progress.

As always, we would like to thank everyone involved with our fund and we will proceed with caution.

TOP FIFTEEN EQUITY HOLDINGS 28th APRIL 2022

AstraZeneca	7.0%
Shell	6.8%
HSBC	4.5%
Diageo	4.2%
Rio Tinto	4.0%
BP	3.9%
BATS	3.3%
National Grid	3.0%
Relx	2.5%
Compass Group	2.4%
BAE	2.3%
GSK	2.3%
BHP Group	2.2%
Glencore	2.1%
Unilever	2.1%

Fund manager: Paul Wood

4th May 2022

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