

Bloomberg ID: VTWARNI LN

SEDOL: BMTRT64

ISIN: GB00BMTRT641

Fund value at midday 28TH February was 79.2034

Assets under management: £24.5m

	Mar-21 *	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21 *	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Total Return	1.13% *	-0.17%	0.77%	0.62%	1.99%	0.01%	-2.36% *	-0.08%	-2.42%	3.81%	-0.08%	2.29%

*Inc. Distributed Dividend

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



PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Source: Morningstar

For February the UK stock market only fell relatively slightly. Given all the events that have taken place this is just another one of the remarkable events of the last few weeks. We are happy to say that instead of our fund falling in value during February, we were up 2.3%.

We were exposed to the market for the earlier parts of the month but as the clouds started to gather over Ukraine, we fully hedged¹ and protected the portfolio. This is something that very few equity funds are capable of or able to do. The gains we made in February came from our exposure to UK equities prior to the invasion. Once we were protected, we were able to ride out the shocking volatility around the invasion with no adverse effects.

We certainly make no claim to have predicted what was going to happen in Ukraine. Instead, our market analysis toolset was clearly telling us that there was nothing 'in the price' for a bad event to take place. We felt that there was high chance of something "bad" happening but at the same time, the market was assuming a benign outlook. This created a negative asymmetry of risk. We have remained hedged since initially protecting the portfolio.

What concerns us from here are second order effects and aftershocks that could easily emerge from this crisis. Most notable of all are the sanctions that have been put on Russian banks, corporations and on the Russian central bank. At the moment it is not at all clear what the situation regarding SWIFT and the sanctions are, or what they may become. Will Russia be able to pay its foreign US\$ denominated sovereign debts, will large Russian corporations that owe money to banks outside Russia be able to stay current on their loans? If a

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.

Russian corporation owes money to, let's say, an Italian bank, and if the Russian corporation cannot get the dollars or euros it needs to pay back these loans, then it will be in default. The same applies for the Russian state. If this occurs, it could knock substantial holes into the Western financial system. Signs of Western financial distress may already be making themselves present in the UK government bond market. Over the last day or so, UK six-month money saw a sudden temporary rise in yields from less than 1% to over 4%. This suggests that there may be funding stress somewhere in the Western / UK banking system. In these circumstances, we will remain cautious.

At Woodhill we are students of history, and rather than discuss what may or may not happen in Ukraine, we cannot help but be reminded of events that took place a long time ago. In the years around and following 200ad, the Roman Empire had reached its largest size from a geographical perspective. The same Roman and Hellenic culture was common around the whole of the empire and Roman gold coins were acceptable everywhere from what is now Turkey right through to the very Western ends of the empire. Trade over wide distances was normal. This was the peak. The empire had overreached itself. Inflation followed and taxation became an increasing burden on all. A substantial loss of confidence emerged in the Roman ruling classes. The result was the invasion of Rome by Germanic 'barbarian' tribes. The empire had in effect bankrupted itself, and once the weakness of the edifice had become apparent the confidence of the barbarians expanded.

We are certainly not suggesting this ancient history will repeat itself but following the Iraq and Afghan wars a lack of confidence has grown in the West. Hopefully events in the Ukraine can help the West to restore its confidence and determination and can act as a kind of renewal. Even if any parts of this analogy are reasonable, the investment advice would be as follows; own some precious metals or own a fund that has the capacity to protect investors from what may come. Few funds are set up for this, but we are.

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

TOP FIFTEEN EQUITY HOLDINGS 28th FEBRUARY 2022

Shell	6.4%
AstraZeneca	6.1%
HSBC	4.8%
Rio Tinto	4.0%
Diageo	3.9%
BP	3.6%
BATS	3.3%
BHP Group	3.1%
National Grid	2.9%
Relx	2.4%
Compass Group	2.4%
BAE	2.4%
Unilever	2.1%
GSK	2.0%
Reckitt Benckiser	1.9%

Fund manager: Paul Wood

8th March 2022

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