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

NEWSLETTER OCTOBER 2020

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

Fund value at midday 30th October 2020 was 71.3788

Assets under management: £22.3m

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20 *	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20 *	Oct-20
Total Return	0.95%	2.07%	-1.71%	2.09%	-12.36% *	0.68%	-0.48%	-0.51%	0.36%	-0.25%	-2.43% *	-0.48%

*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

October was a poor month for the UK stock market. It followed what had been a mild downtrend that had been in place since the summer. We were fully hedged[1] in October and although our NAV was slightly down, we did largely avoid what was almost a five percent decline for the UK stock market.

Looking back at events that have taken place since all this started, it appears to us that despite the enormously large and numerous news events that have taken place, the overriding driver of market direction has been the progress of the Covid-19 virus itself. Despite all the central bank activity, the various government support programmes, the EU trade deal and of course the build up to the US election, the UK stock market has been following the trends in new virus cases. As the number of cases rose sharply in the spring the market fell, as soon as cases started to fall the market improved and then in the mid-summer the market stopped rising and went into a period of mild but steady decline. It was in the mid-summer that the decline in UK new cases stopped and then started to reverse.

It seems that falling or static new cases is required for the UK market to rise in a sustained way. If this correlation continues the next major buying opportunity for UK equity might come when the infection rates start to fall again. Following the progress and retreat in the virus appears to be a sensible roadmap for investors even if events such as the US election and the outcome of the EU/UK trade talks provide temporary distractions.

Regarding our own equity portfolio, we have continued to focus on quality names without being too far away from the UK market sector weightings. In the past this has been a strategy that has produced steady

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.

outperformance over time. Recently however our equity performance has been a little bumpy, but we believe that focussing on quality will be a sensible way to keep investing. For instance, we have avoided names like Rolls Royce which has been a heavily indebted company that has also been a regular loss maker. Rolls Royce has managed to get a large rights issue away, and it needed to do this if it was going to survive. Since the rights issue the Rolls Royce share price has bounced powerfully as the alternative to the rights issue was probable bankruptcy. However, the fact that Rolls Royce is now probably a survivor does not mean that it is cheap or especially well positioned for the future. Sometimes focussing on quality can have a short-term cost but in the longer term it is a sensible and more reliable approach.

At the time that this newsletter was written we are just a few days ahead of the US election and following that there is likely to be some conclusion to the EU / UK trade talks. These events create a great deal of media and investor focus and could easily turn out to be especially important. However, it is hard to know what will happen or exactly what the financial market reaction will be to the outcomes. We will continue to watch these events closely and the progress or not of the virus. We will act cautiously and will be happier to get into the eventual rally a little late rather than get caught in a continuation of the slow decline that we have been in since the summer.

As always, we will do everything we can to try and navigate the changing world we find ourselves in and as always would like to thank everyone for their support.

TOP FIFTEEN EQUITY HOLDINGS 30TH OCTOBER 2020

AstraZeneca	5.6%
HSBC	3.6%
Rio Tinto	3.4%
Diageo	3.2%
BP	2.9%
Royal Dutch Shell 'A'	2.8%
Unilever	2.7%
BATS	2.7%
National Grid	2.5%
Reckitt Benckiser	2.3%
Ferguson	2.2%
BHP Group	2.0%
GSK	1.8%
Relx	1.8%
Prudential	1.6%

Fund manager: Paul Wood

4TH November 2020

www.woodhillam.co.uk

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