

Bloomberg ID: VTWARNI LN

SEDOL: BMTRT64

ISIN: GB00BMTRT641

Fund value at midday 30th September 2020 was 71.7209

Assets under management: £22.5m

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20 *	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20 *
Total Return	0.98%	0.95%	2.07%	-1.71%	2.09%	-12.36% *	0.68%	-0.48%	-0.51%	0.36%	-0.25%	-2.43% *

*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

September has been another tricky month for most investors. It is now apparent that the UK stock market has been stuck in a mildly falling trend since the summer of this year. Each time it looks as if an event is going to break the market out of this trend nothing substantial seems to develop. We have found ourselves getting 'bumped around in these little ups and downs that ultimately went nowhere.

Ironically, there have been many events that should shake the market out of its torpor. The UK governments deadline with the EU over trade negotiations is not far away. The US presidential election will follow quickly after that and we now also seem to be well into a pandemic second wave in Europe. A second wave in the US also seems quite plausible.

It is possible that once we are past the EU/UK trade issues, and the US election, we will be in a position for a classic year-end rally to emerge. Such a rally could also be fuelled by positive news on vaccines, and by the prospect of the second wave having run its course. Until then, things look uncertain and somewhat tricky.

A substantial aspect of market dynamics in the last six months or so has been the amount of fiscal and monetary support that has underpinned markets and economies. For a while it seems that the bulk of this support is now somewhat in the past. In practical terms many central banks feel that they have done pretty much what they can. At the same time, it seems that the UK government is not willing to go on spending huge quantities on covid-19 related support forever, while in the US, nothing dramatically new on the stimulus side seems likely until the next president is in office. While the longer-term view can potentially be perceived as

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.

being more constructive, the near term one is less encouraging. Most year-end rallies do not tend to start until November, or even December, while the late autumn is often a tricky time.

It is also worth noting that the huge disparity between the performance and valuation of high-tech equities (mainly in the US) and what can broadly be described as being value, or in fact in reality, the rest of the equity world. The fact that this divergence has opened is very well known and takes up a lot of space in market commentary and strategy discussions. Many of the discussions on this issue focus accurately, from our perspective, on how huge amounts of central bank liquidity have found a home in high tech. It is also true that some high-tech names have benefitted from the lock down. What is not discussed so much is how this tech bubble may end, and what this might mean. In 2000 many value names looked reasonably valued in absolute terms and cheap from a relative value perspective. However, when the 2000 tech bubble deflated it took everything, including the economy with it. This along with deeply indebted governments and consumers could be the making of a difficult longer-term picture.

We also want to discuss a change we are making in an aspect of our operating procedures because of the collapse we saw in the Spring. This change would also be relevant in any major market dislocation in the future. Following the events in March of this year we are introducing a new "circuit breaker" type of feature to how we approach risk. We have done a substantial amount of research into when markets are much more dangerous than usual and when they are not behaving normally. In practice this means identifying moments when equities are likely to fall well beyond their 'normal' historical ranges. We found that if the UK stock market falls more than 5% in total over five consecutive trading days then this has been a particularly good indicator that the market is behaving unusually.

Surprisingly, this sort of event is quite rare. If we see this signal occur in the future, we will fully hedge the portfolio even if the market looks oversold and even if sentiment and volatility are already signalling that there is quite a lot of stress in financial markets. From this position we will then act to only take the hedge off with the most reliable and conservative of the data series we analyse turn positive. This should mean that we should not ever get caught again by an oversold market falling further than we would have otherwise expected. We have back tested this approach and the results are very encouraging. We hope that we will not see this sort of extreme event happen again, but we should be ready if it does.

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 SEPTEMBER 2020

AstraZeneca	7.0%
Rio Tinto	4.2%
BP	3.4%
Diageo	3.4%
HSBC	3.3%
BATS	3.0%
Unilever	3.0%
Royal Dutch Shell 'A'	2.9%
Reckitt Benckiser	2.5%
National Grid	2.4%
BHP Group	2.2%
Ferguson	2.2%
GSK	2.0%
Relx	2.0%
Prudential	1.9%

Fund manager: Paul Wood

7TH October 2020

www.woodhillam.co.uk

Disclaimer

The information in this Report is presented by WoodHill using all reasonable skill, care and diligence and has been obtained from or is based on third party sources believed to be reliable but is not guaranteed as to its accuracy, completeness or timeliness, nor is it a complete statement or summary of any securities, markets or developments referred to. The information within this Report should not be regarded by recipients as a substitute for the exercise of their own judgement.

The information in this Report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. In the absence of detailed information about you, your circumstances or your investment portfolio, the information does not in any way constitute investment advice. If you have any doubt about any of the information presented, please consult your stockbroker, accountant, bank manager or other independent financial advisor.

Value of investments can fall as well as rise and you may not get back the amount you have invested. Income from an investment may fluctuate in money terms. If the investment involves exposure to a currency other than that in which acquisitions of the investments are invited, changes in the rates of exchange may cause the value of the investment to go up or down. Past performance is not necessarily a guide to future performance.

Any opinions expressed in this Report are subject to change without notice and WoodHill is not under any obligation to update or keep current the information contained herein. Sources for all tables and graphs herein are WoodHill unless otherwise indicated. The information provided is "as is" without any express or implied warranty of any kind including warranties of merchantability, non-infringement of intellectual property, or fitness for any purpose.

Because some jurisdictions prohibit the exclusion or limitation of liability for consequential or incidental damages, the above limitation may not apply to you. Users are therefore warned not to rely exclusively on the comments or conclusions within the Report but to carry out their own due diligence before making their own decisions.

Unless otherwise stated Equity Market price indices used within this publication are sourced or derived from data supplied by MSCI Inc. 2020.

WoodHill Asset Management LLP and its affiliated companies, employees and appointed representatives of WoodHill Asset Management LLP and its affiliated companies, or individuals connected to them, may have or have had interests of long or short positions in, and may at any time make purchases and/or sales as principal or agent in, the relevant securities or related financial instruments discussed in this Report.

No part of this report may be reproduced or distributed in any manner without the written permission of WoodHill Asset Management LLP.

Authorised and regulated by the Financial Conduct Authority (FCA), registration number 649832.

This status can be checked with the FCA on 0800 111 6768, or on the FCA website.

Registered in England No: OC389733.

If you do not wish to receive any further emails from us, please reply "Unsubscribe" in the subject line.