

Fund Managers: Richard Pease, James Milne

TM CRUX European Special Situations Fund

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Equity markets lost ground in January. The majority of developments came from across the Atlantic: share prices started the new year in good form, buoyed by the Democrats gaining both Senate seats in Georgia, ensuring their majority in both houses, albeit slim. There appeared to be some political resistance to the stimulus bills in the US from Congress, not unexpected given the size, but generally observers appeared upbeat about the new administration's spending plans. However, this boost to value and cyclical stocks was short-lived as investor focus quickly switched to rising infection rates, new virus mutations and delayed vaccinations. The last week in January saw an unusual sequence of events which originated from mainly US retail investors buying highly shorted US stocks, leading to a short squeeze that rippled across into similar European names; this caused hedge funds to cover short positions and also scale back long positions, somewhat indiscriminately. Against this background, the TM CRUX European Special Situations Fund lost 1.4% compared to the IA Europe ex UK sector which fell 1.8%*

The Fund enjoyed several companies reporting well-received results such as IT-reseller Dustin, chip-maker STM and SoftwareOne rose as its main partner Microsoft showed surging demand for its software and services. Prosus advanced alongside its main asset Tencent and on a less combative US leadership. Performance was held back by Coor which lost a contract in Norway and some holdings that could suffer with continued lockdowns such as billboard advertiser Ströer and eyewear Essilor. In terms of transactions, we disposed of Kerry after holding it for many years as the company has become more than fully valued given the fairly modest, albeit consistent, growth, in our view. We started a small position in Adevinta which should benefit from the significant synergies from its eBay classifieds acquisition, yet the shares had dropped back recently.

Stock markets continue to whipsaw between highly-rated growth and lowly-rated value shares depending on levels of enthusiasm over stimulus and vaccinations

*Source: FE 31.12.20 - 31.01.21 Bid-Bid, income re-invested GBP

Important Information

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resulting in reflation compared to continued lockdowns and new virus mutations which derails the recovery. As usual and as bottom-up stock-pickers, the fund is a blend of both groups, though avoiding outliers such as deep value or concept stocks with no earnings. The common link is that all our holdings exhibit growth which is often augmented with bolt-on acquisitions. We continue to focus on companies that earn a high return on invested capital, resulting in a much higher metric than the wider market, but yet this is not yet reflected properly in valuations. This view is shared by the companies' management who tend to have significant stakes in their businesses.

Important Information

Please note: Due to rounding the figures in the holdings breakdown may not add up to 100%. Unless otherwise indicated all figures are sourced from Financial Express, Datastream, State Street and CRUX Asset Management Ltd. Third party data is believed to be reliable, but its completeness and accuracy is not guaranteed.

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