CRUX
ASSET MANAGEMENT

Fund Manager: Richard Penny

This is a Marketing Communication

TM CRUX UK Core Fund

The TM CRUX UK Core Fund (B Inc GBP) returned 6.8% against its performance comparator the IA UK All Companies Sector return of 3.2% over the month of May 2024. Performance was led by the Fund's smaller companies, up c.10.3% on average and outperforming the FTSE AIM All-Share Index which was up c.6.1% over May. The mid-caps within the Fund were up c.9.0% on average, outperforming the FTSE 250 which was up c.4.2% over the month. The FTSE 100 was up c.2.1% during May and the Fund's large-cap exposure also performed strongly, up c.5.5% on average.

At a stock level, One Savings Bank (OSB) was the largest contributor to performance during the month, up c.13% and contributing c.0.6% to the Fund. An in-line update was enough to reassure investors following previous downgrades, and disproportionately negative share price reactions in our view. With a c.8% cash return and significant buybacks expected in 2024, we believe investors are being well compensated whilst the shares are valued below book value which is too low in the context of a return on tangible equity of close to c.20%.

IQE was another strong performer for the Fund during May, up c.15% and contributing c.0.5% to performance. Share price momentum continued in May following an encouraging update at the beginning of April. Management noted increasingly positive signs that the global semiconductor industry is recovering. The H2 2023 recovery beat market expectations and strong performance has continued into 2024.

MaxCyte also contributed strongly to performance, up c.25% and adding c.0.5% to the Fund. MaxCyte reported Q1 results ahead of expectations both in the core business and in revenue from strategic partnership licenses. This follows commercial progress with 4 new strategic partnership license agreements signed since January, in what we would describe as being significantly ahead of expectations. The company appears to be benefiting from increasing activity in cell therapy and gene editing, including the approval of Casgevy, the first of MaxCyte's partnered programmes to receive regulatory approval.

There were no significant detractors from performance, albeit the worst performer was Hostelworld which was down c.5% and detracted c.0.1% from performance. The shares drifted during May following an extremely strong run since the end of October 2023. We remain excited by the prospects of the business and it was encouraging to see two board members buying shares during the month.

The Fund is well positioned for an economic recovery and falling UK interest rates, currently expected to begin in August, which, we believe, should lead to a positive backdrop of attractive valuations and momentum and a reversal of the outperformance of large-cap defensives experienced over the past 2-3 years.

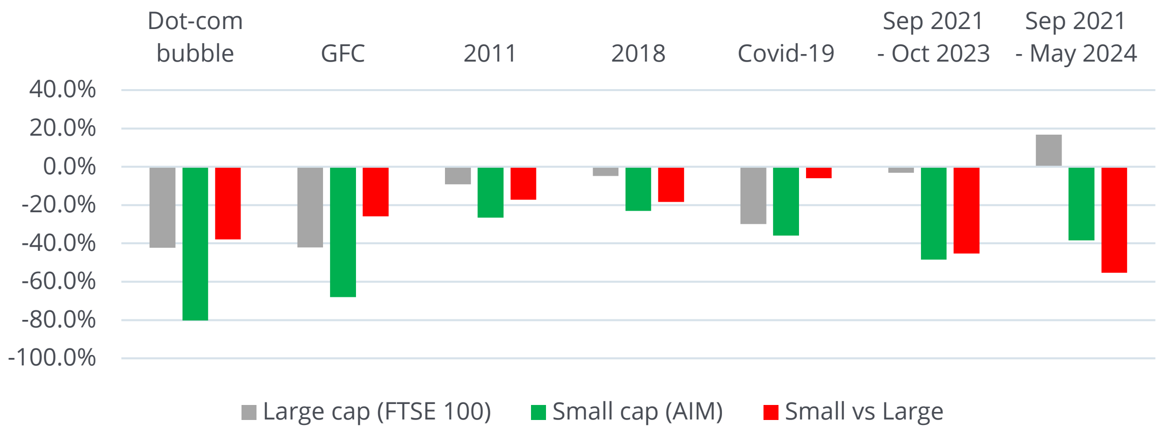
clientservices@cruxam.com | 020 7499 4454 | www.cruxam.com

We believe that valuations being close to historic lows in the UK, 35 consecutive months of outflows depressing share prices and being on the cusp of UK interest rate reductions and an economic recovery sets up the potential for a phase of strong performance for the Fund. External institutions launching takeover bids in the UK and almost half of approaches coming from overseas, is a strong indication of value and should help to mitigate the impact of outflows from the UK market in the interim.

We are excited by the opportunities available across the UK market, however the opportunity is most pronounced in smaller companies in our view, and c.1/3rd of the Fund is allocated to small-caps.

As illustrated by the chart below, the drawdown in UK small-caps experienced since the highs of September 2021 has been the third worst period this century, only behind the bursting of the dot-com bubble and the global financial crisis. However, when looking at the relative performance of small-caps vs large-caps, this recent c.2-3-year period has been significantly worse (dot-com: c.38% underperformance; GFC: c.26% underperformance; and Sep 2021 – May 2024: c.55% underperformance).

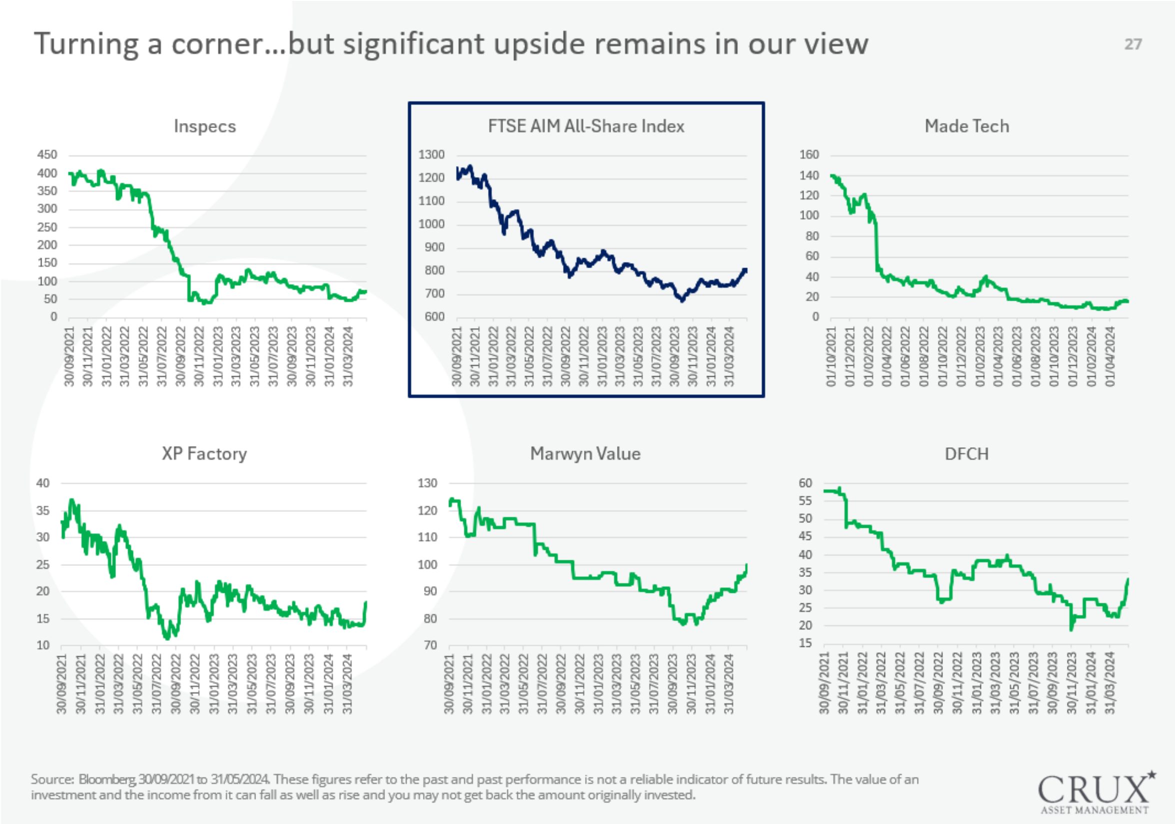
UK Small cap vs Large cap performance during drawdowns



Source: Bloomberg 31 May 2024

The underperformance of small caps has been driven by a combination of difficult macroeconomic headwinds and 35 consecutive months of outflows, significantly depressing share prices in less liquid names. Macroeconomic data has been improving and a simple relief in selling pressure has led to significant performance in some cases.

Although small-caps have turned a corner, it is important to note the significant upside that remains in our view. Despite the FTSE 100 hitting a new all-time high during May, the FTSE AIM All-Share Index remains c.38.5% below its peak. The charts below illustrate that although a corner has been turned in some of our preferred small-cap holdings, they remain significantly below previous highs. Although previous highs are not the most appropriate benchmark, some share prices do have the potential to return to these levels and surpass them. In our experience it is not unusual for some individual small-caps to go up many multiples in a recovery.



Following the bursting of the dot-com bubble, the FTSE AIM All-Share went up c.111% over a c.2-year period and outperformed the FTSE 100 by c.73%. Following the global financial crisis, the FTSE AIM All-Share Index went up by c.142% and outperformed the FTSE 100 by c.89%. Following the COVID-19 low, the FTSE AIM All-Share Index went up by c.110% over a c.1.5-year period and outperformed the FTSE 100 by c.74%.

clientservices@cruxam.com | 020 7499 4454 | www.cruxam.com