Fund Manager: Richard Penny

This is a Marketing Communication

TM CRUX UK Smaller Companies Fund

Over the period under review, the TM CRUX UK Smaller Companies Fund (B Accumulation GBP) returned 3.2% against its performance comparator the IA UK Smaller Companies Sector return of 1.4%.

Market Conditions

Q2 2024 was a strong quarter across the UK market. Small-caps outperformed significantly from mid-April through May due to a combination of cyclically and historically depressed valuations and improving trading updates, as well as economic data. The IMF upgraded its growth forecast for the UK and large institutions such as HSBC highlighted 'a golden buying opportunity' for UK stocks and UBS moved UK equities from their least to most preferred asset. Markets shrugged off Rishi Sunak's snap election announcement.

As widely anticipated, Kier Starmer became the new Prime Minister with a large Labour majority shortly after quarter-end. Within 72 hours of the election result, the new Chancellor of the Exchequer, Rachel Reeves, set out her vision for "stability, investment and reform". Reeves' plans included a significant increase in housebuilding with a return of mandatory housing targets, a loosening of planning red tape, unblocking stagnant infrastructure projects and the formation of a national wealth fund in a bid to attract international investors. We are encouraged by the cross-party support for unlocking institutional capital for investment in high-growth firms in the UK. The Labour Party appears to be continuing and enhancing the project recently initiated by the previous government.

We believe that UK small-caps should benefit from an economic recovery and falling UK interest rates, currently expected to begin in August, which 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.

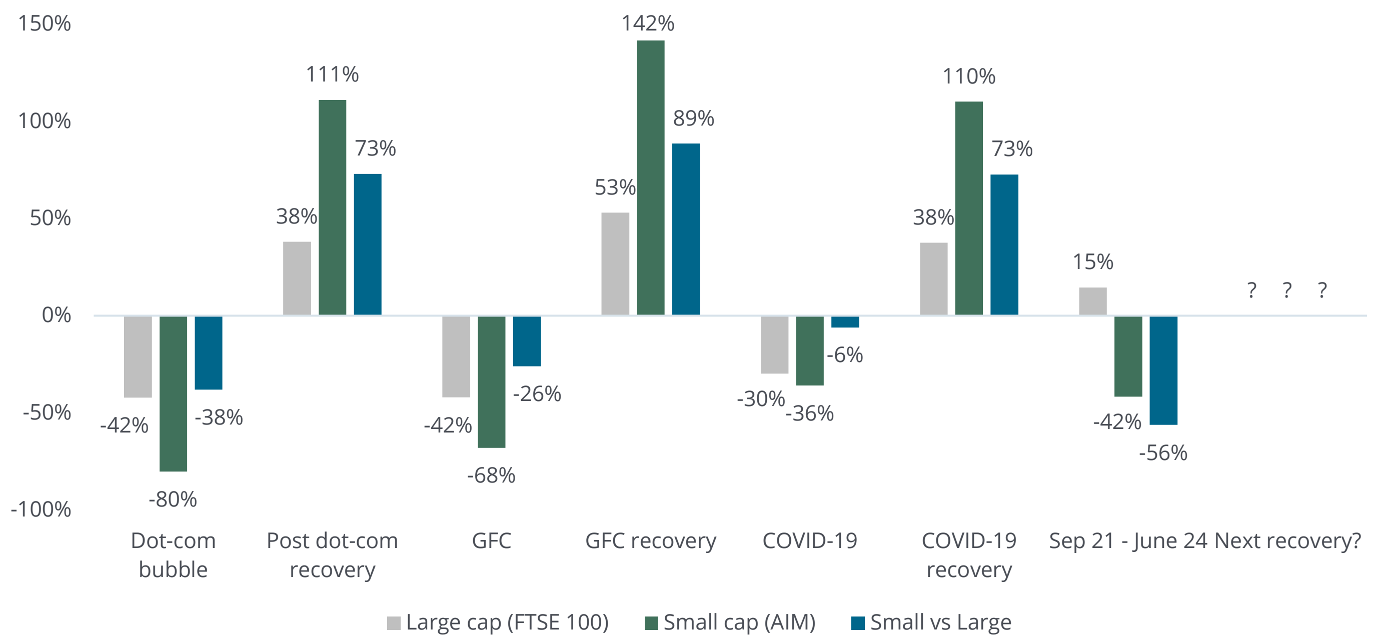
As illustrated by the chart on the next page, the drawdown in UK small-caps experienced since the highs of September 2021 has been the third worst period this century, only behind the bursting of the dot-com bubble and the global financial crisis. However, when looking at the relative performance of small-caps vs large-caps, this recent c.2year

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

period has been significantly worse (dot-com: c.38% underperformance; GFC: c.26% underperformance; and Sep 2021 – June 2024: c.56% underperformance).

The underperformance of small-caps has been driven by a combination of difficult macroeconomic headwinds and 36 consecutive months of outflows, significantly depressing share prices in less liquid names. Macroeconomic data has shown improvement and a simple relief in selling pressure has led to significant performance in some instances.

UK Small-cap vs Large-cap performance during drawdowns and recoveries



Source: Bloomberg 30 June 2023

Although small-caps have turned a corner, it is important to note the potentially 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.42% below its peak at the end of June with some individual small-caps off c.90%. 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.

Fund Performance

The TM CRUX UK Smaller Companies Fund (I Accumulation GBP) returned 15.4% against its performance comparator the IA UK Smaller Companies Sector return of 7.4% over Q2 2024.

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

A notable proportion of the Fund's outperformance can be attributed to micro-cap Incanthera, up c.77% and contributing c.3.4% to Fund performance over the quarter. At the end of 2023, Incanthera announced a deal with Marionnaud in Switzerland to distribute 'Skin+CELL', its advanced dermatological solution for the delivery of vitamin B3 for skin protection and cosmetic rejuvenation. Marionnaud is part of the A.S. Watson Group who operate over 16,000 retail and online stores globally. The Fund participated in a fundraise to fund the manufacture of the initial order of products and in March 2024 the company announced that the initial order size had been doubled due to the anticipation of strong demand by Marionnaud's management.

The initial order size was doubled again in early June 2024 and the company announced that they are in discussion to bring forward the roll-out of the product across Asia through A.S. Watson's stores. The enlarged order is being manufactured and is on track for launch in Switzerland and Austria during September 2024. Should the initial launch of the product prove to be a success, much larger follow-on orders are expected to roll-out the product across the rest of Europe and into Asia which would likely be transformational for the business. Incanthera shares are up c.280% since the initial fundraise in December 2023.

Made Tech also contributed very strongly to Fund performance during the quarter, up c.109% and contributing c.2.5% to Fund performance. In April 2024, Made Tech announced a material contract expansion with a long-standing customer, The Department for Levelling Up, Housing and Communities, reassuring the market following a soft H1 bookings performance. At the end of June 2024, Made Tech released a strong year-end update, whereby all key metrics were either in-line or ahead of expectations, with further contract wins in June through a renewal and expansion with the Met Office, despite the announcement of a snap election. We believe this bodes well for FY25, where forecasts have been conservatively set on the assumption that trading would be subdued in the lead-up to an Autumn election.

IQE was another strong performer for the Fund over the quarter, up c.49% and contributing c.1.8% to performance. Following an encouraging update at the beginning of April, share price momentum continued in May. 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.

Oxford Biodynamics was the most significant detractor from performance during the quarter, down c.23% and detracting c.0.7% from Fund performance. A lacklustre trading update provoked concerns that a further fundraise would be needed to commercialise the company's products. Accelerating sales through a distribution partner or the sale of non-core parts of the business, we expect, would be welcomed by the market.

Sondrel was another poor performer during the quarter, down c.40% and detracting c.0.5% from Fund performance. Sondrel has been an extremely frustrating holding, initially due to experiencing delays to projects as clients delayed spending amidst the challenging macroeconomic environment, and more recently due to announcing the decision to delist from AIM. The Fund has fully exited the position prior to Sondrel transitioning to a private company.

Transactions

In terms of transactions, the Fund exited its position in 1Spatial during the quarter. The shares have performed reasonably well year-to-date however we are somewhat sceptical as to whether the company's balance sheet is sufficient for management to deliver their growth ambitions.

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

The Fund also exited from Sondrel ahead of the company delisting from AIM and shares in HeiQ and Pinewood Technologies were sold with the proceeds redeployed in preferred names. Shares in Phoenix Copper were also disposed of during the quarter after returning c.50% since the Fund participated in a fundraise at the beginning of the year. The Fund also participated in a discounted placing of Warpaint shares during the quarter and sold them for an attractive profit.

We took the opportunity to participate in a c.£10m fundraise for Surface Transforms at a share price of 1p, reflecting a pre-money valuation of just £3.5m, representing a sizable discount to the previous fundraise at 10p, the £390m contracted order book and a fraction of invested capital. Manufacturing scale-up issues appear to have led to lower revenues and higher cash burn than had previously been expected pre-fundraise. The new COO appears to be making progress on reducing scrappage and fixing process-line pinch points.

The Fund also initiated a position in Xaar during the quarter. Xaar is a world leader in the development of inkjet technology and manufacturer of drop-on-demand industrial inkjet printheads. Xaar's USP is that it can handle more challenging inks which have a viscosity 4x thicker than those that can be handled by the competition. This means a larger range of thicker fluids/inks can be 'jetted' which have less water content leading to less drying time and lower energy costs. There is a delay of 2-3 years between initial delivery of the machine and material revenues from other components (such as inks, ink supply systems and electronics) due to testing and system integration timeframes. With 12 machine launches in 2023 and a further 12 expected in 2024, significant acceleration could materialise in 2025 and 2026.

Mincon was also added to the Fund during the quarter. Mincon specialises in the design, development, manufacture, and service of hard-rock drilling solutions for applications around the world. Mincon has the competitive benefit of a strong balance sheet combined with superior product characteristics and high-quality customer servicing. The shares were impacted significantly over the past c.3 years by contraction in construction activity in the US and Europe, reflecting the higher interest rate environment. We initiated a position in the Fund following signs of order books recovering in construction and large mining customers returning to a more regular ordering pattern.

Outlook

We believe that with the underperformance of small-caps relative to large-caps being at historic levels in the UK, 36 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 strong phase of performance for the TM CRUX UK Smaller Companies Fund.

As discussed at the beginning of the update, the underperformance of small-caps vs large-caps experienced since September 2021 to June 2024 has been worse than the underperformance experienced during the bursting of the dot-com bubble, the global financial crisis and Covid-19. 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%.

Fund's managed by Richard Penny have historically outperformed significantly during economic recoveries. Recent examples include the L&G UK Alpha Trust returning c.173% trough to peak following the Global Financial Crisis in 2008/2009,

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

outperforming the IA UK All Companies Sector by c.88% and the TM CRUX UK Special Situations Fund returning c.151% trough to peak following the COVID19 pandemic, outperforming the IA UK All Companies Sector by c.75%, with significant performance coming from small-caps. We are excited by the prospects of a dedicated Smaller Companies Fund.

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.

This document has been approved under Section 21 of the Financial Services and Markets Act 2000 by CRUX Asset Management Ltd. This document is issued by CRUX Asset Management Ltd which is registered in England and Wales (Company no. 08697189) and whose registered address is 65 Curzon Street, London W1J 8PE. It is authorised and regulated by the Financial Conduct Authority (FRN 623757). These figures refer to the past and past performance is not a reliable indicator of future results. The Authorised Corporate Director is Thesis Unit Trust Management Limited, Exchange Building, St John's Street, Chichester, West Sussex, PO19 1UP. Authorised and regulated by the Financial Conduct Authority.

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