

Fund Manager: Jamie Ward

FP CRUX UK Fund

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*Lotta strands in old
Duder's head*
Jeffrey Lebowski

As at midday on Wednesday 31st October 2018, the NAV of the B Accumulation shares stood at 220.34p, down 3.04% for the year. Thus far, in 2018 the FTSE All Share has fallen 4.37%, whilst the FTSE100 is down 3.89% - both on a total return basis.*

Markets in October proved choppy for equity investors. It was the weakest performance for the FTSE since August 2015 and for the S&P you have to go back as far as September 2011, during the first flare up of the European debt problems, to find a worse month. Ordinarily, we are sceptical of those that attribute cause-and-effect narratives on market moves but October's equity sell-off was particularly pronounced amongst long duration businesses with valuations therefore sensitive to interest rate movements. As this followed hard on the heels of a jump in the US risk-free rate we are inclined to accept that the two were related. Historically, interest rates have been related to nominal growth but we have had years of artificially very low yields so there has always been a risk that economic laws would re-emerge. Why US yields are rising now specifically is any body's guess; perhaps it is just atavism, but whatever it is, it affects equity valuations. Be warned; no condition is permanent.

Relative performance during this period of weakness was good; the precise amount of outperformance is always tricky because funds only price once per day and, for reasons beyond me, the pricing point is the middle of the trading day rather than after the market close. Nevertheless, exactitude aside, our lead over the market improved.

We used the intra-month moves to deploy a couple of percentage points of our cash reserve, which began the month at around the 8% mark and finished closer to 6%. We did this via a new position (see below) as well as opportunistic purchases of some existing investees. We made purchases of HSBC, Breedon, Intertek, Burberry, Goldman Sachs, Schroders non-voting shares and RELX. We also sold small amounts of Compass, GlaxoSmithKline and Smith & Nephew for rebalancing following strong performances.

The new position we added in the month was Renishaw, which is the world leader in metrology equipment (measurement devices). This in itself makes it a very

*Source: FE 31.12.17-31.10.18 Bid-Bid, net income re-invested. Benchmark: FTSE All Share GBP.

Sector: IA UK All Companies

Important Information

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interesting business but, additionally, it has two potentially huge drivers of future value buried within relating to metal additive manufacturing and ultra-precise surgical equipment. Until recently, it has appeared too expensive for our risk tolerance, but the aforementioned sell off in interest rate sensitive businesses has pushed the value considerably lower this month. At present, this is a small position, which we intend to build when opportunities arise and, once up to a full position, we may write more on the opportunity in a future newsletter. For now though, it is enough to say that companies like Renishaw will make the future.

As always, we appreciate feedback, whether it be positive or negative.

Important Information

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