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CRUX (Lux) European Special Situations Fund

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Equity markets were volatile during August with an initial sell-off subsequently nearly offset by a month-end rally. At the beginning of the month, markets roiled as President Trump suddenly escalated the US-China trade war with a 10% tariff on \$300bn of imports from China, adding that the rate could increase to 25%. In response, China let their currency weaken slightly, which triggered the US president to accuse them of currency manipulation. However, some of the tariffs were subsequently delayed so as not to affect US Christmas present prices. Along with comments that exchanges with China had been productive, stocks began to rally. In Europe, the industrial production malaise has resulted in near-recessions for many countries, resulting in Germany, for example, to consider fresh stimulus plans. Against this background, the CRUX (Lux) European Special Situations Fund lost 0.7% compared to the IA Europe ex UK which fell 1.5%.*

The fund slightly outperformed its IA peer group due to some strong second quarter results which boosted share prices in healthcare supplier Convatec (+12%), Eurofins Scientific (+8%), and Intertrust (+9%). Elsewhere, Bayer gained on news of a potential lump-sum settlement for their outstanding lawsuits related to glyphosate. Regarding detractors, the US-China trade conflict weighed on some of our medium-sized companies with manufacturing exposure such as Kion, Aalberts and Stabilus. ISS reported results which disappointed the market due to some items which we consider temporary. In terms of transactions, we trimmed Convatec and Elis.

Despite the negative headlines, particularly regarding weak European manufacturing output, many of our holdings still report solid sales growth in their respective niches, for example testing companies Bureau Veritas and SGS reported roughly 4% sales growth in the second quarter. We take comfort from shares like these which have global sales exposure (but happen to be listed in Europe), have low capital requirements, solid balance sheets and attractive dividend yields. Outside of the fund, we continue to look for companies with similar characteristics but which have been overly punished after a minor mishap.

Important Information

*Source: FE 31.07.19 - 31.08.19 Bid-Bid, net income re-invested EUR.

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On 8th March 2019 CRUX European Special Situations Feeder Fund was renamed CRUX (Lux) European Special Situations Fund. For more information please follow the link www.cruxam.com.



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Important Information

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