

Fund Manager: Jamie Ward

FP CRUX UK Fund

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*I could never imagine a
time when I could afford
a car, but couldn't afford
servants*
”

Agatha Christie

The NAV of the B Accumulation shares stood at 243.35p, up 15.1% for the year as at 12pm on August 30th. The fund's performance comparator; the IA UK All Companies was up 11.2% year-to-date.*

The three months to the end of July were relatively energetic for the fund. We had an addition, a disposal and turned over a reasonably large amount of the fund (on our terms) rebalancing the fund. This followed a period in which the stock market became increasingly divided in its relative valuations (a more detailed explanation is available in the preceding three commentaries). August represented a return to the more typical modus operandi with activity within the fund rather more sedate - we prefer the descriptor; thoughtful inactivity. The conclusion to be drawn from this is that we feel comfortable with the shape of the portfolio as it stands at present.

Rather than talking about the market, what follows is a little bit of self-congratulatory horn tooting. Our investment in DMGT is beginning to yield handsome returns. We talked extensively about the opportunity presented by the business in our March 2019 commentary (ask for a copy). Contained within, we mentioned that an important part of the value would be derived from the rationalisation program; three years ago, there were ten distinct business units, where now there are five. The overarching strategic value in this process is that by simplifying the lines of business, management will be in a better position to manage more effectively some high quality but oft neglected divisions. More immediately though, disposals have the capacity to realise value that is depressed by way of the conglomerate discount. In August we saw a very clear indication of this when the company announced the sale of Genscape to US listed information services business, Verisk. We talked about Genscape in brief in March but a little more flesh is required. Genscape owns several pieces of entirely unique data collection equipment that gives it unparalleled real-time data on several commodity industries, but global energy in particular. Within DMGT it was a classic in the genre of 'dominant niche but

Important Information

*Source: FE 31.12.18-31.08.19 Bid-Bid, net income re-invested GBP

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neglected business'. In the last few years it has generated very little profit and around £18m EBITDA off c. £100m revenue. We suspected that it has tremendous strategic value that a sum-of-the-parts valuation would not appreciate but an acquirer might. This month, our belief was confirmed given that Verisk is paying c. £300m for the asset.

Given the way that DMGT is valued, Genscape's valuation was low (£100m at most) and so this takeover, crystallises £200m increase in DMGT's valuation. In the context of a <£2bn market capitalisation, this represents an increase of more than 10%. Furthermore, we believe that there are businesses within DMGT that are considerably larger in scope which are similarly lowly valued such as RMS and Hobsons. The fund has already made good money in DMGT but believe that the market continues to misvalue the group.

Please be aware on the 28th September 2019 the funds ACD is changing from FundRock Partners to Thesis Unit Trust Management Limited ('TUTMAN') as a result the fund name will change to TM CRUX UK Fund. No other service providers to the fund are affected. Please contact us if you require further information.

Important Information

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