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TM CRUX European Fund

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Equities lost ground in September. After surging particularly strongly in August, US technology stocks suddenly handed back these gains in the first few days of the month; observers suggested causes such as heightened US-China reciprocal bans on products from Huawei to WeChat, unusual effects from Softbank options trading and Robinhood consumer day-traders. In Europe, bank shares briefly rose on Spanish merger news of Bankia and Caixa, and rumours of a Swiss tie up between UBS and Credit Suisse, but then quickly dropped back after a leaked report highlighted widespread money laundering in the banking sector. Towards the end of the month, markets retreated as vaccine updates were generally showing little progress and rising COVID-19 cases in Europe led to increased fears over new lockdown restrictions. Returns for UK investors were boosted by weak sterling, as the UK government increased combative Brexit rhetoric. Against this background, the TM CRUX European Fund gained 2.2% compared to the IA sector which rose 0.4%.*

The fund outperformed the peer group due to strong performance from adidas and Puma which climbed on positive results from US peer Nike. Chemical distributor IMCD jumped after announcing a well-received Indian acquisition. Recent addition Soitec rose after a handful of analysts upgraded their expectations. DSV rallied on continued pricing power in air cargo due to limited market capacity, as well as recovering volume demand and on successful synergies from a recent deal. Performance was held back by technology holdings such as Prosus and Fineco which fell with their US peers. Safran lost ground on rising COVID-19 cases. In terms of transactions, we sold the energy business spun out of Siemens (Siemens Energy) and sold our remaining positions in Vinci and Carlsberg on concerns of continuing covid cases holding back growth. We added Hexagon which makes the Leica rangefinder that surveyors and engineers use on the motorway or building sites, but has expanded so that 60% of revenue is now from software and services; it grows both organically and via bolt-on acquisitions. We also bought-back Swiss-based SIG Combibloc

*Source: FE 31.08.20-30.09.20 Bid-Bid, income re-invested. GBP

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which sells paper-based packaging for beverages which has historically been resilient in downturns and which continues to enjoy growth even after the temporary boost from pantry-loading in the spring.

The outlook for certain sectors of the economy looks downbeat such as the high street, travel and entertainment, particularly if COVID-19 cases continue to increase into the winter. However, many other sectors are seeing a return to growth including industry and automobiles. Merger and acquisition activity is also picking up, and this is starting to be seen in some of our holdings and this boosts their growth. The vast majority of our companies enjoy structural demand growth and dominate their niches in healthcare, technology, testing, food ingredients, energy efficiency and software, and these growth drivers seem to be intensifying. We continue to focus on global franchises (but listed in Europe) which can maintain a high return on a capital-light business model, and are run by managers with significant equity stakes.

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.

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