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## TM CRUX European Special Situations 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 Special Situations Fund gained 0.2% compared to the IA Europe ex UK sector which rose 0.4% for the month.\*

The fund slightly underperformed the peer group due to its technology holdings which fell back with their US peers as well as Aroundtown and Bawag Bank that edged lower on rising covid cases. Bright spots included Smurfit Kappa which soared as peers pushed up prices and as a competitor saw improving paper-based packaging demand in Europe. Chemical distributor Brenntag moved higher as it announced new guidance, above analyst expectations. Novo Nordisk advanced on improving drug newsflow, particularly an oral tablet for early-stage diabetes. In terms of transactions, we trimmed Bureau Veritas and topped up healthcare holding Grifols.

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

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

### Important Information

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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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