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CRUX (Lux) Pan-European Growth Fund

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The CRUX (Lux) Pan-European Growth Fund fell -1.6% compared with the Offshore Mutual Equity Europe inc UK Sector return of +2.4%.*

May was characterised by further dispersion in the market with cyclical, financials and resource names generally performing well. A number of the fund's holdings fell back sharply despite generally continuing to report good results. We see the sell-off in selected growth names as quite indiscriminate with some now trading at trough multiples on a relative and even absolute basis. Despite this there is a risk of 'growth' continuing to roll over given that valuations in pockets of the market remain high. The Fund underperformed its peer group given its limited exposure to market leaders this month.

Key positive performance drivers included: Swedish Match (+11%) where short-sighted regulatory fears receded and strong operating results began to assert themselves. Cargurus (+14%) which presented strong results and guidance with particular strength in its recent wholesale acquisition. Plus500 (+6%) which is likely to benefit from the downside volatility in Bitcoin which occurred during the month.

Key detractors included: Merzell (-16%) which fell despite reporting strong earnings and long-term financial targets. We have maintained our position. Just Eat Takeaway (-14%) which fell on news that Delivery Hero and Doordash plan to enter the German market. We believe the market has overreacted to this news and have maintained our position. Pexip (-15%) which continued to sell off despite strong cash conversion in Q1. We added modestly to our position.

We started a new position in Zeal, a German lottery broker with strong growth, dominant market share and a highly scalable business model.

*Source: FE 30.04.21-31.05.21 Bid-Bid, EUR, net income re-invested

Important Information

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



We disposed of our positions in Exasol (on execution risk) and Zegona to fund Zeal and add to existing names which had sold off.

On a look-through basis the portfolio combines low-teens revenue growth and proven profitability (~20% average EBIT margins) or, in the case of our holdings that are reinvesting earnings for growth, a clear path to profitability (~60% average gross margins). This growth is achieved with low capex (~5% of sales) and limited financial leverage (net debt/EBITDA is <1x). Given these characteristics we see the portfolio's valuation (~16x normalised earnings) as highly attractive, complemented by a ~2% prospective dividend yield.

Important Information

Please note: Due to rounding the figures in the holdings breakdown may not add up to 100%. Unless otherwise indicated all figures 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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