

Fund Managers: Roland Grender & Richard Pease

CRUX (Lux) Pan-European Growth Fund

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Fund Performance

The CRUX (Lux) Pan-European Growth Fund fell 8.1% for the quarter. The Offshore Mutual Europe including UK sector fell 6.6% over the same period.* Equities fell in January on concerns that the governments will raise rates faster than expected to combat inflation. Highly rated stocks were the worst casualties. In February concerns over Russia’s invasion of Ukraine drove the stock markets down. Weakness was more broad based than in January with cyclicals and financials under pressure. Energy stocks rallied sharply during the month, which is not an area the fund is invested in. In March growth equities rebounded from oversold levels but concerns around macroeconomic threats from inflation and waning demand continued to pressure markets.

*Source: FE 31.12.21-31.03.22 Bid-Bid in GBP, TR, net income re-invested.

Attribution Stock Level Q1 2022

Top 5 Contributors	Bottom 5 Contributors
British American Tobacco +1.22	Just Eat Takeaway -1.41
Cargurus +1.11	Auto1 -1.29
Amazon +0.67	Softwareone -1.09
Cake Box +0.48	Prosus -1.06
Compugroup +0.47	House of Control -1.01

Source: Stat Pro

Key positive performance drivers over the period included Compugroup a new position which rebounded from oversold levels. British American Tobacco, our largest position which is seen as well insulated from an inflationary environment and rallied on decent results and the announcement of a share repurchase. Cargurus where a recent wholesale platform acquisition is performing very strongly and Balta which completed the sale of its rug business, which the market has taken well. Finally, Opap rallied on minimal news.

Important Information

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Key detractors included Just Eat Takeaway which fell along with other loss-making businesses, Auto1 which reported solid results but slightly weaker than expected unit guidance and SoftwareONE which rebased margin guidance. We trimmed our position on this announcement but added at substantially lower oversold levels (~5x EV/EBITDA). Scout24 fell in tandem with other growth stocks during the quarter, we used this opportunity to add to our position. Finally Argentex which saw selling pressure along with other small caps despite being a rising rate beneficiary.

Transactions

During the quarter we purchased positions in: Allfunds, an advantaged fund distribution platform which benefits from shared scale economies. Compugroup, a medical software business with potential to significantly improve margins. Countryside Partnerships, which has refocused on its lucrative social housing business and is repurchasing shares at a very low valuation.

We purchased a small starter position in Shopify where we see attractive long-term upside but potential for continued short-term price pressure given the optically high valuation. We purchased a new position in Amazon, the leader in developed world online retail and cloud services and a business we have admired for a long time, when it had fallen >20% from its peak. We disposed of position in Alibaba and GoDaddy to fund the Amazon position, as we see a better risk reward. We re-entered previous holding Cake Box which had fallen almost 40% on overdone accounting concerns. We expect continued strong execution on the company's long-term franchise plans

We disposed of our position in Meta, Shopify and Ping An Insurance to fund our new purchases. We disposed of our position in Exasol where we now see liquidity risk.

Outlook

We remain enthusiastic about the portfolio's potential from here especially given our limited exposure to cyclical or consumer facing businesses.

On a look-through basis the portfolio combines low-double digit 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 (<15x normalised earnings) as highly attractive, complemented by a ~3% 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 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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