

Fund Manager: Richard Penny

## TM CRUX UK Core Fund

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### Fund Performance

During Q3 the TM CRUX UK Core Fund returned -3.4% versus its performance comparator the IA UK All Companies return of -5.1%.\* During the period a variety of factors contributed to a difficult economic and market backdrop. Central Bank intervention and the war in the Ukraine has led to rising interest rates and commodity prices, with resulting pressures on consumer demand, an inflationary environment and deteriorating sterling. Falling markets favoured defensive positioning, and currency weakness which helped international businesses over domestic ones. This was advantageous to the fund as it benefitted from its structural bias toward large-cap companies and international businesses whilst being underweight to mid and small-cap companies. Rising interest rates helped the funds financial companies during the quarter, and having an underweight position to housing related stocks which were negatively affected by the interest rate rise.

\*Source: FE 30.06.22-30.09.22 Bid-Bid in GBP, TR, net income re-invested.

### Attribution Stock Level Q3 2022

Top 5 Contributors (%)	Bottom 5 Contributors (%)
WANdisco +0.86	OSB Group -0.96
MaxCyte +0.48	Inspecs -0.82
Sage +0.42	GSK -0.74
Beazley +0.41	FD Technologies -0.73
Euromoney +0.32	Serco -0.45

Source: Stat Pro

During Q3 it was announced that Serco CEO Rupert Soames would be stepping down as CEO of the business after 8 years. Mr Soames will continue to be an advisor to the Business until September 2023. The business continues to trade well, but the shares still retreated 10% over the period. We trimmed the position slightly, but it continues to fit our investment process and we believe this should be a smooth transition.

### Important Information

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GSK was weak following reports that historic blockbuster Zantac causes cancer. The legal case has yet to be made, but collective legal actions have been filed stating that a cancer causing compound NDMA is also found in ranitidine (Zantac). The shares fell 16%. Prior to this incident we had sold spin-off company Haleon, which was demerged from the GSK parent in the period and also has involvement with over-the-counter sales of zantac. We continue to hold a position in GSK.

WANdisco, one of the funds selection of high conviction smaller companies positions, was a standout performer with a return of 66% over the period. The business announced funding from the US, and twice confirmed new record orders. WANdisco is benefitting from the need to store huge quantities of data from wind farms, electric vehicles and smart meters. The Company clearly has improving commercial traction with Telecom Companies and Tier 1 automotive suppliers. FD Technologie share price fell by 27% and now is at lower levels than when the transformative deal with Microsoft was signed earlier this year. Although there has been weakness amid similar US software stocks, FD Technologie had not participated in the “NASDAQ run” of the previous two years and is now incredibly undervalued.

#### Transactions

During the quarter we added a position in Whitbread funded by selling our position in AB Foods. We continue to see AB Foods as well financed and undervalued, similar to Whitbread, but AB Foods clearly has headwinds at Primark that Whitbread does not. Whitbread has a strong balance sheet and asset backing and continues to see some recovery from depressed levels of Covid trading. Their German operation may be weaker given in- country problems, but the London market should see strengthening as a weak Pound and the coronation drive tourist footfall, and work patterns recover. Finally, we sold our position in HSBC, and added to our position in Aviva.

#### Outlook

Headlines for the UK economy remain negative and have been for some time. Paradoxically, although the temptation is to sell any asset listed on the UK stock market, there are three specific reasons why this is not the case. Firstly, the majority of revenues on the UK stock market are earned overseas, thus the weakness in sterling will lead to stronger profits for these companies in sterling terms. Secondly, many of the UK earners in impacted sectors have already declined by 50% or more. Whilst next year will see deteriorations in underlying profit, we believe many of these businesses are now valued too low for their long-term earning power. Thirdly, notwithstanding general economic headwinds, a focussed fund will always be able to find the companies that are overly discounted or can outperform in difficult market conditions.

#### 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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