

Fund Manager: Richard Penny

TM CRUX UK Special Situations Fund

“ ”

The Fund was outperforming its performance comparator over Q1 2023 until fears of a global banking crisis materialised at the beginning of March, after which the mid and small-caps within the portfolio underperformed. At a stock level, the main contributors were the larger positions in cyclicals, including JD Sports Fashion, Melrose Industries, Prudential and Whitbread.

Fund Performance

Over the period under review, the TM CRUX UK Special Situations Fund (I Accumulation GBP) returned 0.7% against its performance comparator the IA UK All Companies Sector return of 2.6%.

During Q1 2023, the UK market continued to move away from the October lows, following Trussonomics and the accompanying LDI crisis, amid signs that the UK economy was holding up better than expected and growing hopes that the US Federal Reserve might be in a position to 'pivot' to cutting interest rates in the second half of 2023. The market recovery ended abruptly in early March amid fears of a global banking crisis, fuelled by the collapse of Silicon Valley Bank in the US. Since mid-March markets have displayed green shoots, with investors increasingly comfortable that a global banking crisis is likely to be avoided.

The Fund was outperforming its performance comparator over Q1 2023 until fears of a global banking crisis materialised at the beginning of March, after which the mid and small-caps within the portfolio underperformed. At a stock level, the main contributors were the larger positions in cyclicals, including JD Sports Fashion, Melrose Industries, Prudential and Whitbread.

The portfolio's best performer over the period was JD Sports Fashion, which rose c.41% to 178p as at 31 March 2023. Shares bottomed at 89p in mid-October, having fallen from a peak of over 230p in November 2021, as investors priced in aggressive earnings downgrades which failed to materialise amid ongoing resilience of consumers. Melrose's share price was impacted by prospects of a global economic recession, and we believed the announcement of a separation of the automotive and aerospace divisions should help management to realise the upside we believe exists in the shares.

The shares were purchased near their trough in Q4 2022 and have returned 25% during Q1 2023, contributing c.0.6% to performance. FD Technologies was a

Important Information

Please note the views, opinions and forecasts expressed in this document are based on CRUX's research and analysis at the time of publication. Before entering into an investment agreement in respect of an investment referred to in this document, you should consult your own professional and/or investment adviser. TM CRUX UK Special Situations Fund (the 'Fund') is a sub-fund of TM CRUX OEIC (the 'Company'). The Company is an investment company with variable capital and is a UCITS Scheme. It is incorporated under the Open-Ended Investment Companies Regulations 2001 ('OEIC Regulations') in England and Wales under registry number IC001022. The Company is regulated by the FCA and was authorised on 10 December 2014. The FP CRUX UK Special Situations Fund was renamed the TM CRUX UK Special Situations Fund on 28 September 2019.

This information is only directed at persons residing in jurisdictions where the Company and its shares are authorised for distribution or where no such authorisation is required. Please read all scheme documents prior to investing. The KIID and Fund Prospectus and other documentation related to the Scheme, are available from the CRUX website. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially than those shown on this document.

strong performing small-cap amid signs of encouraging progress in regards to the KX Insights partnership with Microsoft. Shares were up 26% during the quarter and contributing c.0.8% to Fund performance.

Attribution Stock Level Q1 2023

Top 5 Contributors (%)	Bottom 5 Contributors (%)
JD Sports Fashion 1.6%	Kistos -0.2%
FD Technologies 0.8%	Serinus Energy -0.3%
Whitbread 0.7%	Heiq -0.4%
Melrose Industries 0.6%	Glencore -0.8%
Vistry Group 0.6%	WANdisco -2.8%

Source: Bloomberg as at 31.03.23

The main detractor from performance over the period was WANdisco, a Sheffield based technology company, which reported ‘significant, sophisticated and potentially fraudulent irregularities with regard to received purchase orders and related revenue and bookings, as represented by one senior sales employee’. The shares had been purchased for the Fund at a low price and had performed strongly until the unprecedented and sophisticated fraud was uncovered. Although it is incredibly disappointing that the profits made by the Fund will not be realised, the start to finish detraction from Fund performance was limited to c.0.75%, assuming the unlikely scenario that no value remains in the shares on resumption of trading.

Despite the extremely disappointing WANdisco experience, fraud (especially at this scale) remains very rare in the stock market. We remain firm believers in the small-cap premium and the potential for small companies’ share prices to go up many multiples on the way out of a recessionary environment, as was demonstrated by the Fund’s outperformance on the way out of the pandemic, and by Richard Penny’s previous Funds during the 1998, 2003 and 2008 recoveries. Although there has been significant selling of small and mid-cap UK companies by institutions under liquidity pressures, other participants have been buyers. Companies are repurchasing their own shares at substantial levels, which is testimony to the strength of corporate balance sheets. Elsewhere, the level of director purchasing and takeover approaches for UK companies speaks to the long-term value that the “stock market” cannot see.

In terms of transactions, we added sports betting and gaming group Entain - we believe these now offer a highly attractive entry price, particularly given the significant potential of the BetMGM joint venture in the US which is being ascribed little to no value by the market. We added Ascential to the portfolio after management announced plans to list

Market Cap

	Fund
>£5bn	31.0%
£500m - £5bn	35.8%
<£500m	32.0%

Source: CRUX Asset Management as at 31.03.23

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.

This document has been approved under Section 21 of the Financial Services and Markets Act 2000 by CRUX Asset Management Ltd. This document is issued by CRUX Asset Management Ltd which is registered in England and Wales (Company no. 08697189) and whose registered address is 48 Pall Mall, London, SW1Y 5JG. It is authorised and regulated by the Financial Conduct Authority (FRN 623757). These figures refer to the past and past performance is not a reliable indicator of future results. The Authorised Corporate Director is Thesis Unit Trust Management Limited, Exchange Building, St John’s Street, Chichester, West Sussex, PO19 1UP. Authorised and regulated by the Financial Conduct Authority.

the Digital Commerce business in the US and the sale of WGSN, returning a significant portion of the proceeds to shareholders. We believe a sum of the parts valuation of Ascential points to material upside from the prevailing share price and this is now in sight given the strategic review taking place. Baltic Classifieds was also purchased for the first time due to the company's dominant market position and low take-rates which should allow material price rises over the medium-long-term with little resistance.

We reinitiated the Fund's holding in Chemring on valuation grounds having derated despite resilient underlying performance, new contract wins, sector leading margins and a deployable balance sheet. We also added small-cap Made Tech to the portfolio. Made Tech floated at 140p in October 2021 and fell c.85% to c.22p in December 2022 despite just one earnings downgrade during the period. We took the opportunity to purchase the shares following a positive update and new contract wins announced, having met with management several weeks earlier and being impressed with the significant potential that remains in the business. In terms of disposals, we sold Darktrace, Cranswick and 888 Holdings.

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 generated overseas, thus the UK economy is not the UK stock market. Secondly, many of the UK earners in impacted sectors have already declined significantly. Whilst 2023 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 special situations fund should be able to find the companies that are overly discounted or can outperform in difficult market conditions.

In 2020, distressed market conditions brought about the low prices that facilitated the Fund's subsequent significant outperformance from larger cyclical businesses and disruptive small and mid-cap companies. We believe current depressed conditions offer a strong opportunity to buy well-run sensibly financed businesses for the long term.

Source of performance data: FE, 31.12.22-31.03.23, I Accumulation GBP share class, Bid-Bid basis, net income re-invested GBP

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.

This document has been approved under Section 21 of the Financial Services and Markets Act 2000 by CRUX Asset Management Ltd. This document is issued by CRUX Asset Management Ltd which is registered in England and Wales (Company no. 08697189) and whose registered address is 48 Pall Mall, London, SW1Y 5JG. It is authorised and regulated by the Financial Conduct Authority (FRN 623757). These figures refer to the past and past performance is not a reliable indicator of future results. The Authorised Corporate Director is Thesis Unit Trust Management Limited, Exchange Building, St John's Street, Chichester, West Sussex, PO19 1UP. Authorised and regulated by the Financial Conduct Authority.