

Fund Manager: Richard Penny

This is a Marketing Communication

TM CRUX UK Special Situations Fund

The TM CRUX UK Special Situations Fund (I Accumulation GBP) returned 8.5% against its performance comparator the IA UK All Companies Sector return of 3.2% over the month of May 2024. Performance was led by the Fund's smaller companies, up c.12.4% on average and outperforming the FTSE AIM All-Share Index which was up c.6.1% over May. The mid-caps within the Fund were up c.5.1% on average, outperforming the FTSE 250 which was up c.4.2% over the month. The FTSE 100 was up c.2.1% during May and the Fund's large-cap exposure also performed strongly, up c.4.7% on average.

At a stock level, XP Factory (XPF) was the largest contributor to performance during the month. The company has been making progress for several months, but the share price seems to have been held down by forced sellers in the market, with many UK funds needing to fund redemptions. Despite no news during May, the shares were up c.29% and contributed c.0.7% to the Fund performance. Distribution Finance Capital Holdings (DFCH) also performed well on no news, up c.31.2% and contributing c.0.5% to Fund performance. Although fundamental performance here has been less impressive than XPF, share price reactions to poor trading updates were disproportionate in our view. It is an encouraging reminder of the performance possible from a relief in selling pressure alone and in our view the shares remain cheap, with a potential upside of >80% for both XPF and DFCH based on conservative forecast projections, despite recent progress.

The main detractor over May was Dowlais which was down c.15.4% and detracted c.0.3% from Fund performance. Dowlais announced a mixed trading update with outperformance in light vehicles but production volatility in electric vehicles which reduced certainty in Europe in the near-term. An FY25 P/E of c.4x, a free cashflow yield of c.13% and a dividend yield of c.6.5% suggests an outcome materially worse than the one reported remains priced into the shares. We believe Dowlais is a prime candidate for a takeover bid if the quality of the business is not adequately reflected in the share price.

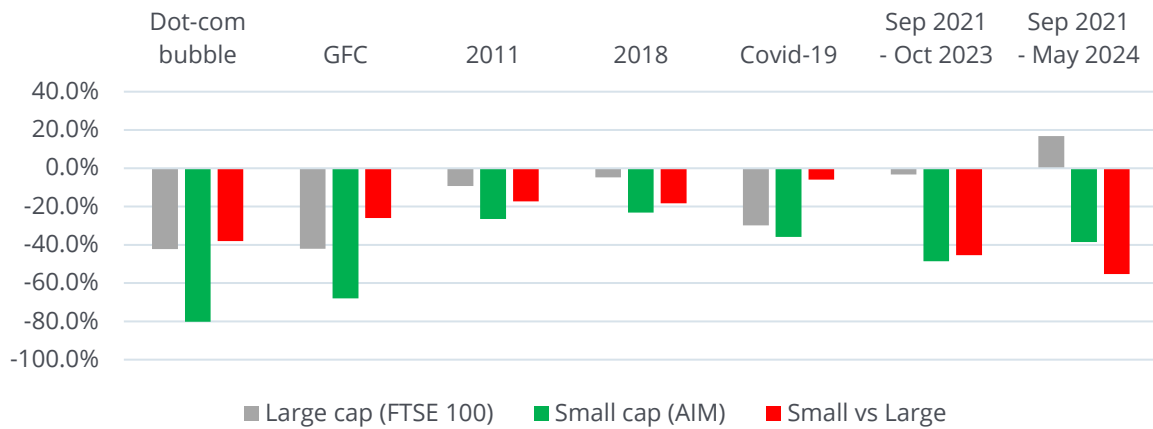
The Fund is well positioned for an economic recovery and falling UK interest rates, we currently expected this to begin in August, which should lead to a positive backdrop of attractive valuations and momentum and a reversal of the outperformance of large-cap defensives experienced over the past 2-3 years. As illustrated by the chart below, the drawdown in UK small-caps experienced since the highs of September 2021 has been the third worst period this century, only behind the bursting of the dot-com bubble and the global financial crisis. However, when looking at the relative performance of small-caps vs large-caps, this recent c.2-3-year period has been significantly worse (dot-com: c.38% underperformance; GFC: c.26% underperformance; and Sep 2021 – May 2024: c.55% underperformance).

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 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.

UK Small cap vs Large cap performance during drawdowns



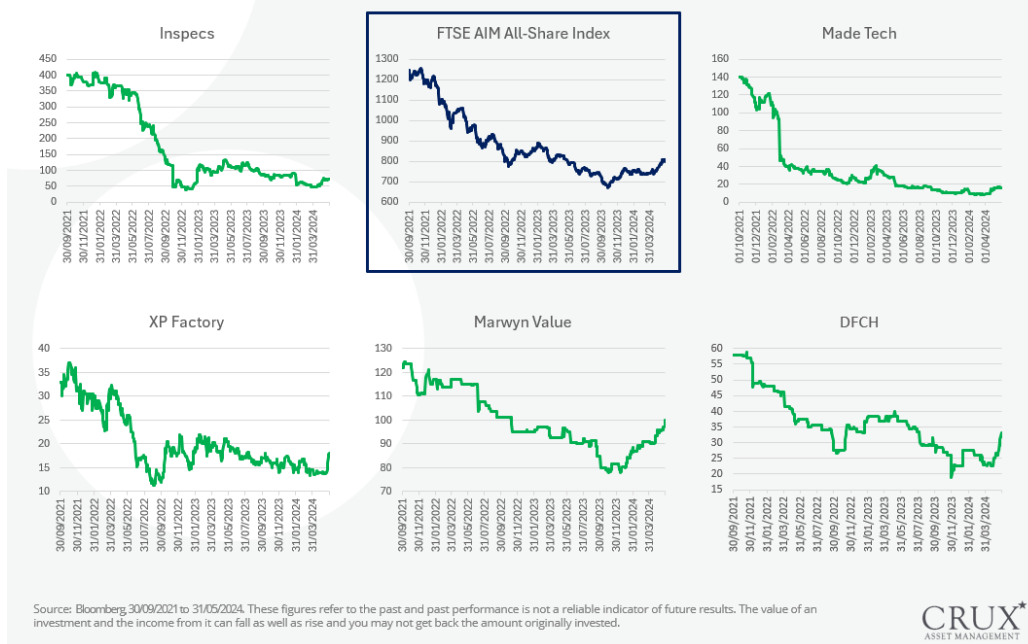
Source: Bloomberg 31 May 2024

The underperformance of small-caps has been driven by a combination of difficult macroeconomic headwinds and 35 consecutive months of outflows, significantly depressing share prices in less liquid names. Macroeconomic data has been improving and a simple relief in selling pressure has led to significant performance in some cases e.g. XPF and DFCH as discussed above.

Although small-caps have turned a corner, it is important to note the significant upside that remains in our view. Despite the FTSE 100 hitting a new all-time high during May, the FTSE AIM All-Share Index remains c.38.5% below its peak. The charts below illustrate that although a corner has been turned in some of our preferred small-cap holdings, they remain significantly below previous highs. Although previous highs are not the most appropriate benchmark, some share prices do have the potential to return to these levels and surpass them. In our experience it is not unusual for some individual small-caps to go up many multiples in a recovery.

Turning a corner...but significant upside remains in our view

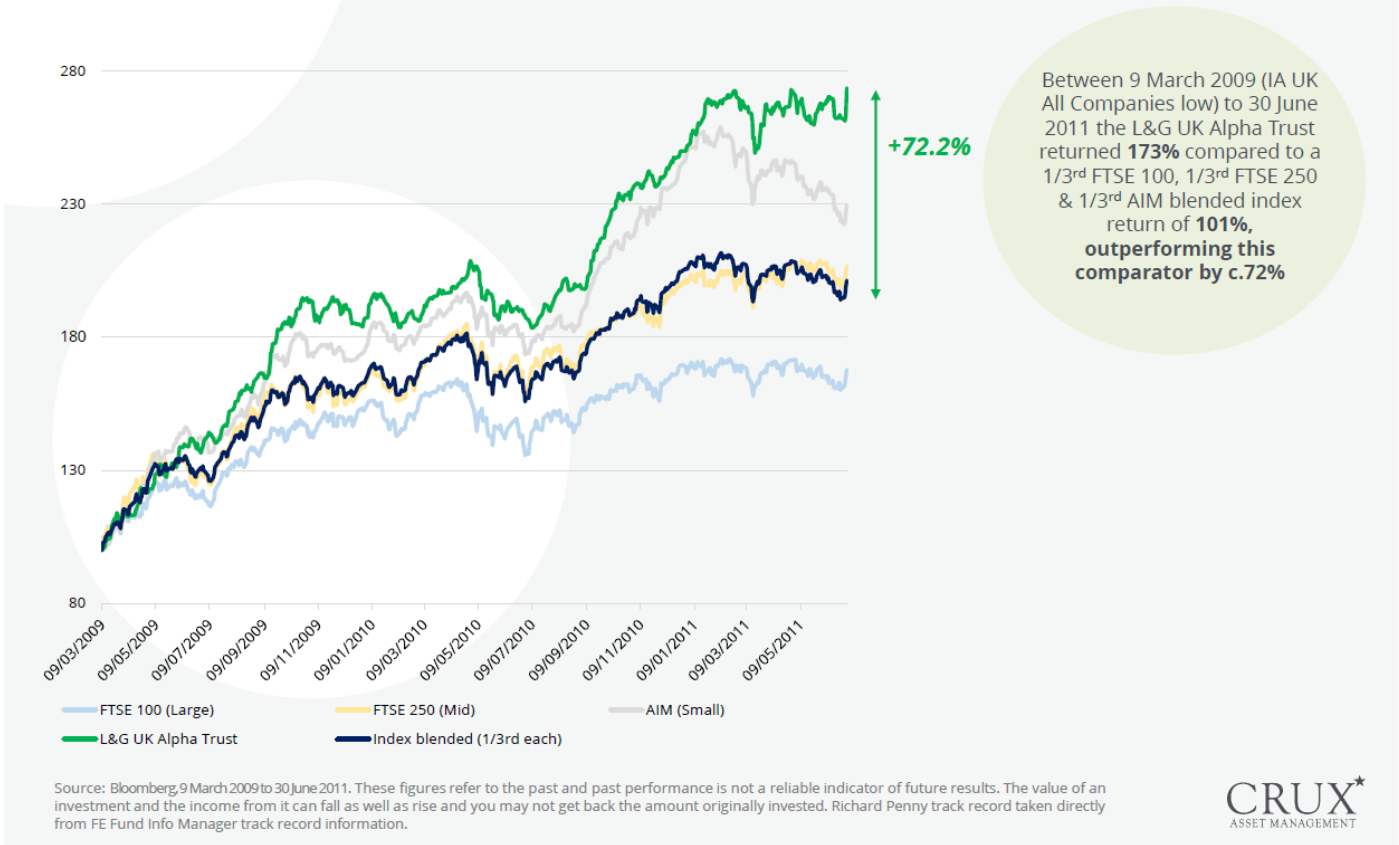
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Following the bursting of the dot-com bubble, the FTSE AIM All-Share went up c.111% over a c.2-year period and outperformed the FTSE 100 by c.73%. Following the global financial crisis (GFC), the FTSE AIM All-Share Index went up by c.142% and outperformed the FTSE 100 by c.89%. Following the COVID-19 low, the FTSE AIM All-Share Index went up by c.110% over a c.1.5-year period and outperformed the FTSE 100 by c.74%. As illustrated by the slides below, Fund's managed by Richard Penny have historically significantly outperformed the IA UK All Companies Sector during an economic recovery (L&G UK Alpha Trust returned c.173% following the GFC, outperforming the IA UK All Companies Sector by c.72.2% and the CRUX UK Special Situations Fund returned c.151% following COVID-19, outperforming the IA UK All Companies Sector by c.71.7%), with significant performance coming from small-caps.

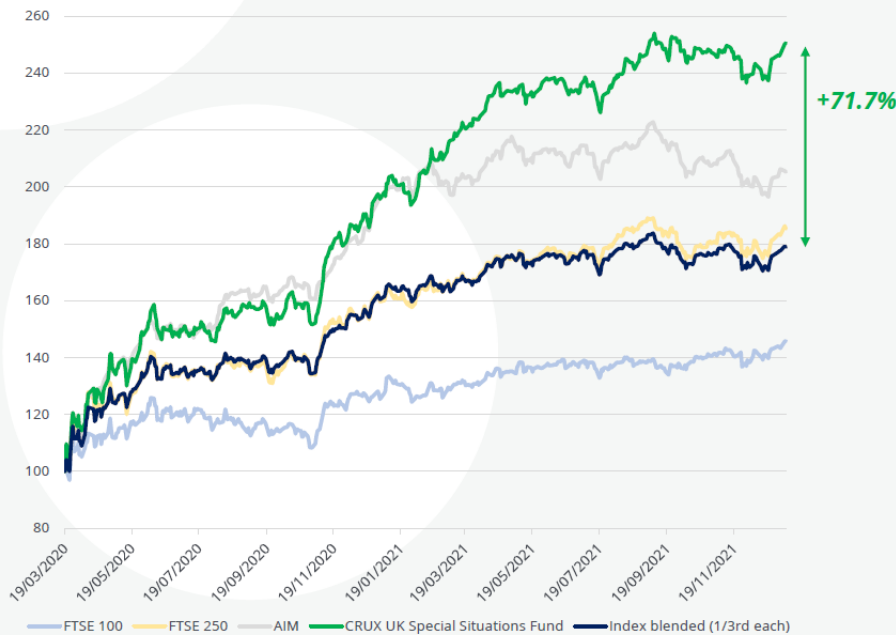
Richard Penny track record – L&G UK Alpha Trust GFC recovery - 9 March 2009 to 30 June 2011

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Richard Penny track record – TM CRUX UK Special Situations Fund COVID-19 recovery - 19 March 2020 to 5 January 2022

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Between 19 March 2020 (IA UK All Companies low) to 5 January 2022 (high) the TM CRUX UK Special Situations Fund returned **151%** compared to a 1/3rd FTSE 100, 1/3rd FTSE 250 & 1/3rd AIM blended index return of **79%**, **outperforming this comparator by c.72%**

Source: Bloomberg, 19 March 2020 to 5 January 2022. These figures refer to the past and past performance is not a reliable indicator of future results. 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. Richard Penny track record taken directly from FE Fund Info Manager track record 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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