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This is a Marketing Communication

TM CRUX UK Smaller Companies Fund

The TM CRUX UK Smaller Companies Fund (I Accumulation GBP) returned 6.0% against its performance comparator the IA UK Smaller Companies Sector return of 4.3% over the month of July 2024.

At a stock level, Zegona Communications was the largest contributor to performance during the month, up c.32% and contributing c.1.5% to fund performance. The Fund participated in an equity raise to acquire Vodafone Spain in November 2023 at 150p and the shares ended July 2024 at c.348p. During the month Zegona announced two separate agreements to monetise Vodafone Spain's fixed network infrastructure. The deals will be opened to external financial investors which will allow Zegona to extract upfront cash while still retaining equity stakes to participate in any future value uplift. Although subject to regulatory approval, we believe the market is materially underappreciating the potential value creation from these deals. Separately, the Zegona management team are embarking on a transformation plan to improve the underlying Vodafone Spain business and have a strong track record of creating value for investors. Despite the very strong share price performance so far, we believe there is more to come.

Another strong performer during the month was small-cap Beeks Financial Cloud Group which was up c.43%, contributing c.1.3% to fund performance. A trading update pointed to c.30% organic growth in H2, representing an acceleration from the first half, and a higher cash balance than expected. The company also noted that regulatory approval of the large Exchange Cloud contract won earlier this year appears imminent. The company also highlighted that FY25 had started strongly with a record pipeline, including advanced discussions with a number of major global exchanges.

The largest detractor from performance during July was Mincon Group which was down c.17%, detracting 0.6% from performance. A trading update noted a challenging H1 due to the construction and waterwell/geothermal environment. However, signs of improvement have been noted at the end of Q2, with the second half of the year expected to show strong sequential growth as order activity resumes.

The second largest detractor from performance during July was Hostelworld which was down c.13%, detracting c.0.2% from performance. Hostelworld's H1 trading update reported strong booking volumes offset by a larger contribution from low-cost geographies. However, the continued success of its social media strategy has brought marketing costs down, meaning full year EBITDA expectations could still be achieved. Marketing efficiencies could translate into earnings momentum shortly as the low-cost Asia and Central America comparatives ease.

In summary, July was a strong month of performance for the Fund, outperforming the performance comparator by c.1.7%. The Fund is well positioned for an economic recovery and falling UK interest rates 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.

Important Information

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