

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 5.2% against its performance comparator the IA UK All Companies Sector return of 3.6% over the month of July 2024. Performance was led by the Fund's mid-caps, up c.11.9% and outperforming the FTSE 250 which was up c.6.7% over July. The small-cap segment of the Fund was broadly flat during July, underperforming relative to the FTSE AIM All-Share Index which was up c.3.1%. This underperformance was almost entirely attributable to two companies which are discussed below. The large caps within the portfolio were up c.3.2% during the month, outperforming the FTSE 100 which was up c.2.5%.

At a stock level, Zegona Communications was the largest contributor to performance during the month, up c.32% and contributing c.1.4% 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 significant value for investors. Despite the strong share price performance so far, we believe there is more to come.

Following Zegona, the next best contributors to fund performance during July included a variety of cyclical mid-caps trading on low valuations which were up c.15-25% over the month. These included OSB Group, Marshalls, Bellway, SSP Group, Inchcape, Savills and Alpha Group which each added c.0.5% to Fund performance.

The main detractor over the month of July was Trufin which was down c.37.5% and detracted c.0.8% from Fund performance. Trufin announced that Lloyds Bank had decided to terminate its contract with one of its portfolio companies, Satago. The termination will result in reduced revenues for Satago, but cost savings combined with improved trading at another Trufin portfolio company, Playstack, is expected to offset most or all of the Satago shortfall. The contract termination appears not to be related to performance or quality of technology and we understand that the remaining Satago clients continue to be very positive and there is a strong pipeline of potential business.

Another detractor from performance during July was Arecor, down c.23% and detracting c.0.2% from fund performance. Arecor announced a fundraise which would provide the company with a two-year cash runway with working capital to drive commercial sales of Ogluo, a two-step glucagon emergency pen for treating severe hypoglycaemia, and continued development of the internal pipeline, including the GLP-1. Notwithstanding further funding requirements which could be resolved through partnership/co-development, we believe Arecor's ultra-concentrated ultra-rapid acting novel formulation of insulin has the potential to be a significant driver of future share price performance.

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clientservices@cruxam.com | 020 7499 4454 | www.cruxam.com

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In summary, July was a strong month of performance for the Fund, outperforming the performance comparator by c.1.6%, and despite the underperformance of the smaller companies within the portfolio, we believe this segment of the market contains the greatest opportunity for investors. 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.