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TM CRUX European Fund

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Equity markets continued their upward path in August with a weaker sterling benefitting UK investors. The main news came from China, where the government continued to announce heightened regulations on a slew of sectors including restricting computer gaming use by children. This led to a setback in Chinese stocks whereas US and European stock markets were, on the whole, unaffected. However, investors were briefly jittery in the middle of the month after Chinese officials repeated phrases of “common prosperity” and “wealth redistribution” which knocked luxury goods share prices in particular. At the month end, observers were comforted by remarks from the US Federal Reserve on a gradual tapering of stimulus with no rush for interest rate increases. Against this background, the TM CRUX European Fund gained 4.8% compared to the IA Europe ex UK sector which rose 3.6%.*

The fund outperformed due to strong performance from a variety of holdings. Those reporting well-received results included testing company Eurofins Scientific, diabetes specialist Novo Nordisk with large growth prospects in its Wegovy obesity drug, chemical distributor IMCD and payments provider Adyen. Vivendi gained as it released more details about the forthcoming spin off of Universal Music. Performance was held back by GN which edged lower as its audio division grew slightly less than expected, Porsche slipped back as VW announced some production stoppages caused by the global microchip shortage and LVMH lost ground with luxury goods peers. In terms of transactions, we disposed of Hella after the founding family announced their intention to sell their majority stake to automobile supplier Faurecia. We started a position in Suse AG, a niche software company based in Germany that helps clients manage Linux, a free to download operating system, and enjoy a recurring subscription revenue; they grow with the relentless rise of computers in devices and the CEO owns a significant stake.

Over the summer, investors have started to appreciate that governments will have to manage rather than eliminate covid, and that habits disrupted by the pandemic are unlikely to snap back soon; on top of this, inflation and interest

*Source: FE 31.07.21-31.08.21 Bid-Bid, income re-invested. GBP

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rate expectations have also cooled. This has led to a rotation out of cyclical stocks as well as pandemic-affected companies and into businesses that enjoy secular growth whatever the weather. This has benefitted the fund, as we focus on the latter, with niches such as technology, testing, food ingredients, sustainable packaging, energy efficiency and software. This growth, coupled with high returns on capital and incentivised management but on undemanding valuations, make for an attractive fund proposition in our view.

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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