

Fund Managers: Richard Pease & James Milne

TM CRUX European Special Situations Fund

“The fund benefitted from several strong share price performances from large positions including Novo Nordisk on increasing optimism over its obesity drug Wegovy.

Market Update

Equities rose during the October and November. In the month of December, equities dipped back slightly, despite the weakness of sterling benefitting UK investors. During December economic data remained in prime focus, firstly US employment data showed a continued tight labour market and rising wages. Secondly, US consumer price inflation was +7.1% since last year. As this reading was slightly cooler than forecast, it led to a lowering of interest rate expectations coupled with a significant rally in more highly rated names including technology as well as cyclicals. However this trend quickly reversed as the European Central Bank appeared to become noticeably more hawkish than expected on raising rates to tame inflation. The US Federal Reserve raised rates by 50 basis points and estimated the rate will rise to 5.1% during 2023. Against this background the TM CRUX European Special Situations Fund gained 10.1% over the quarter compared to its performance comparator the IA Europe ex UK Sector which rose 12.8%.*

*Source: FE 30.09.22-31.12.22 Bid-Bid in GBP, TR, net income re-invested.

Attribution Stock Level Q4 2022

Top 5 Contributors (%)	Bottom 5 Contributors (%)
Novo Nordisk +1.43	Alphabet -0.66
Bawag +0.84	Roche -0.25
Nordea +0.81	Porsche -0.18
Smurfit Kappa +0.74	Coor -0.18
Fineco +0.73	Allfunds -0.17

Source: Stat Pro as at 31.12.22

The fund benefitted from several strong share price performances from large positions including Novo Nordisk on increasing optimism over its obesity drug Wegovy. Maintenance firm Bravida continued its run since releasing solid results. Bawag and Nordea banks advanced with optimism on European interest rates rising. Recent purchase Teleperformance continued to recover as management signed a labour agreement with a large employee union. Bright spots were seen in those reporting strong third-quarter results such as reseller SoftwareOne and

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 European 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 European Special Situations Fund was renamed the TM CRUX European 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.

microchip-maker Infineon. Smurfit Kappa rebounded as peer DS Smith reported strong results. Freight forwarders DSV and Kuehne+Nagel also reported strong results during the period, as well as IT distributor Atea.

The fund underperformed its peer group due to being underweight in cyclicals, consumer discretionary and energy which rallied strongly. Performance was held back by more defensive names which trod water such as testing companies SGS and Bureau Veritas, and large pharmaceutical Roche and some cyclicals such as Aalberts and chip-makers STMicroelectronics.

Financials versus the Index

	Fund	Index
PE 2023	12.5x	13.0x
ROCE	30%	13%
Financials	ex	
Net debt/EBITDA	0.6x	0.8x

Source: 31.12..22 CRUX/Bloomberg
atastream
Index: Datastream 400 Index
upon.

Transactions

In terms of transactions, we added Merck KGAA whose main division is manufacturing consumables for customers producing biologic drugs and enjoys secular growth; the group was trading on 16x price/earnings, a significant discount to peers and attractive compared to its mid-term growth of around 7%. We also re-entered DCC, whose divisions include energy distribution and healthcare, where management have a strong track record of accretive acquisitions and cost cutting, but the shares had de-rated, in our view, to a compelling 10x P/E.

We added NTG which is a freight forwarder with little debt and acquiring small competitors in a highly fragmented market, as well as poaching sales teams from peers and incentivising them via a generous shareholding structure. The founder and management own big stakes, and the share price had fallen back significantly to an attractive valuation. In terms of transactions, we disposed of our residual position in adidas after a well-regarded new CEO was announced and the shares jumped significantly. We trimmed Schneider, Novartis, Fineco and SGS, and topped up recent-addition Eurofins.

Outlook

Although rising interest rates will slow economic growth, it should also dampen inflation. Portfolio holdings are well-placed to handle any kind of downturn as history has shown, and our banks should enjoy higher earnings as rates increase, but are located in more resilient geographies with sensible management. 2022 saw some dramatic share price corrections on a range of businesses. This has uncovered fresh opportunities as valuations are now attractive on companies with the characteristics that we like: capital-light business models with high recurring revenues and capital returns, coupled with good management. We are optimistic about our portfolio, which has rarely had a more robust balance sheet and trading on an attractive valuation, especially given the high return on capital which the underlying companies command.

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.