

Fund Manager: Richard Penny

TM CRUX UK Special Situations Fund

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Early volatility in the month belied generally positive markets in May driven by the continued reflation trade, which favours the more value-oriented parts of the market like mining companies and banks. The TM CRUX UK Special Situations Fund rose 1.5% during the month, in line with its performance comparator the IA UK All Companies which rose 1.6%.*

The fund's performance was helped by its mid-sized more defensive holdings Cranswick (+6%), Chemring (+16%) and Premier Foods (+9%). Cranswick and Chemring saw good trading updates whilst Premier Foods completed a refinancing at a preferential rate. Performance was held back from some of the fund's smaller holdings this month including Infrastrata, which took part in fund raising down 26%, First Derivatives (-28%) and Amryt (-17%). Although these declines seem large, the nature of how we size positions, considering liquidity and risk meant that the overall effect on the portfolio was small.

First Derivatives a software company with a World class time series database software, provided an in-line trading update, and announced a material investment to grow the business. Whilst this will depress short term profits, over the long-term it will benefit profits and value. We took this opportunity to add to our position. Speciality pharma business Amryt, which had strong revenue and profit growth, announced the acquisition of the US acromegaly drug Chiasma. Chiasma has great potential from its approved Mycapssa drug, but it is not yet launched and the near \$300m cost of this deal we believe negatively changes the risk profile. Since this business no longer fits into the way we invest we exited the position.

During May we started a position in contextual digital advertising company Dianomi. We have watched the company for about a year and believe it is well placed to deliver on its historic record of organic revenue growth. Dianomi is a “platform” company where once the platform is built revenue drops through to

*Source: FE 30.04.21-31.05.21 Bid-Bid, net income re-invested.

Important Information

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profit incrementally. Developments in the advertising market where Apple and Google are reducing the use of cookies and personal data should increase the demand for Dianomi's platform which places adverts that are relevant to the context of the adjacent media.

We also added a holding in Marwyn Value Investors (MVI). MVI is a concentrated investment vehicle which invests in proven management teams. We believe that MVI's asset value of 180p look likely to grow well over the next 12-36 months, we purchased shares at 108p. This transaction is similar to transactions in IP group (University spin outs) and Trufin (Fintech) where both investments were bought at significant discounts to underlying value and where both have returned 100% to the Fund since purchase.

Global stock markets look to be playing out a classical recovery. Many of the large companies that were impacted by the downturn in H1 2020 have recovered. The search for value is now moving to mid, small, and micro-cap especially the special situations companies within these, we believe this leaves the fund well positioned with c.33% in companies outside the large and mid-tier of the UK market.

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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