Vermeer Global Fund

December 2022

VERMEER
INVESTMENT MANAGEMENT

Investment Objective

The aim of the fund is to generate long term capital growth. The fund invests in a diversified portfolio of global equities that have an attractive growth potential. The portfolio will hold between 30 and 60 stocks.

Rolling Performance – Class A GBP

	1m	3m	6m	YTD
Class A	-3.15%	2.61%	4.66%	-12.94%

	1 Year	3 Year	5 Year	ITD
Class A	-12.94%	18.94%	46.70%	77.92%

Portfolio Manager	Tim Gregory
Inception Date	5th December 2016
Base Currency	GBP
Dealing	Daily
Initial Charge	None
AUM	£53.0m
Estimated Yield	1.8%
No. of Holdings	57 holdings
Active Share	83.3%

Available Platforms:

7IM, AllFunds, Ascentric, Aviva for Advisors, Embark, FNZ, Hargreaves Lansdown, Novia, Pershing, Platform Securities, Raymond James, RBC, Rensburg, Succession, Transact, FundsNetwork, AJ Bell

Share Class	AMC	OCF*	Min	Price
Class A	0.45%	0.70%	£3million	177.916013
Class A3	0.25%	0.50%	£20million	130.904666
Class B	0.75%	1.00%	£5,000	159.940562
Class B1	0.75%	1.00%	$7,500	133.867214
Class C	0.75%	1.00%	£5,000	163.810830

**Ongoing Charge Fee*
Full explanation of the Fund's charges can be found on the KIID and the Costs & Charges sheet

Top 10 Stock Holdings

Stock	Weight
BP	4.68%
Novo-Nordisk	3.98%
Oracle	3.62%
Microsoft	3.60%
Apple	3.35%
Roche	2.95%
Keyence	2.62%
United Parcel Service	2.43%
Toyota Motor	2.34%
DBS Group	2.28%
Cash	11.62%

Geographical Split

United States	41.33%
Europe	20.81%
United Kingdom	10.87%
Japan	10.61%
India	2.48%
Singapore	2.28%
Cash	11.62%

Sectors

Communication Services	5.93%
Consumer Discretionary	13.30%
Consumer Staples	5.33%
Energy	6.55%
Financials	3.10%
Healthcare	13.29%
Industrials	17.15%
Materials	3.23%
Technology	20.50%
Utilities	0.00%
Cash	11.62%

Monthly Performance Data – Class A GBP

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Year
2017	1.83%	3.16%	0.96%	-1.35%	5.19%	-1.18%	3.36%	3.97%	-2.29%	2.66%	0.39%	1.12%	18.99%
2018	1.29%	1.17%	-3.96%	2.87%	4.95%	-0.07%	1.07%	3.13%	0.03%	-7.61%	1.36%	-4.90%	-2.03%
2019	3.79%	2.40%	3.61%	2.88%	-1.43%	5.33%	5.12%	-1.75%	1.15%	-2.29%	3.84%	0.98%	25.90%
2020	-2.51%	-5.19%	-5.70%	7.56%	8.11%	2.63%	0.48%	3.82%	2.05%	-2.68%	6.76%	2.22%	17.60%
2021	-1.16%	-1.84%	2.60%	4.45%	0.01%	3.74%	2.10%	3.27%	-2.37%	2.87%	0.58%	1.11%	16.17%
2022	-7.19%	-2.36%	3.96%	-4.42%	-2.73%	-5.03%	7.65%	-0.06%	-5.20%	2.86%	3.00%	-3.15%	-12.94%

2022 was the worst year for the global equity market since 2008. The US market, which has led equities higher for so long, bore the brunt of market falls with the S&P 500 declining by 18.1% and the technology-based Nasdaq fell by as much as 32.5%. The Nasdaq also fell in every discreet quarter of 2022 for the first time in its history. Much of the fall in US markets was negated for Sterling based investors, thanks to the strength of the US Dollar against all major currencies, but notably the Pound and the Yen which both had very difficult years for very different reasons.

This time last year, we warned investors that we believed 2022 would be a more challenging year for equities. Excessively loose monetary policy led by the US Federal Reserve had enabled equities to pull forward future returns into 2021 and that 2022 would likely be much more difficult. We did not however, envisage just how far the Fed had got behind the curve on rates as inflation proved to be more stubborn at a higher rate than most commentators anticipated. Although the fall in the equity market was greater than we had anticipated, on a two-year basis the US equity market remains higher, after rising by around 29% in 2021.

Over December the top five contributors to return were Novo-Nordisk, Shiseido, Befesa, Zimmer Biomet and Varonis Systems. The top five detractors to return were Apple, Microsoft, UPS, BP and Alphabet.

In the final weeks of the year there was a major recovery in the beleaguered Yen as the Bank of Japan signalled the end of their yield curve control policy. BoJ Governor Kuroda announced that the ceiling on bond yields would be moved up from 0.25% to 0.50%, which completely wrong-footed investors who had been short the Yen and were not anticipating any change in policy until at least the change of Governor in April 2023. Although Japan is clearly not keen to import inflation and therefore does not wish the Yen to continue to be weak, it does not want to kill off its export led business, which plays such an important part in the economy. Policy decisions will be difficult for the incoming BoJ Governor, and it has also created an investment conundrum for Vermeer, as we have had a very globally oriented Japanese portfolio, which is a beneficiary of Chinese reopening, and it served us well for many years until 2022.

The reversal of Chinese COVID lockdown policy continued to benefit equities with a significant exposure to the Chinese economy. Luxury goods retailer Moncler has seen its shares rally 30% from their mid-year lows, whilst Japanese cosmetics firm Shiseido has seen its share price rise from 4,900 yen to over 6,400 since early November. As well as benefitting from a reopening of both the Chinese and Japanese tourism markets, Shiseido management has been affecting a successful restructuring of the company after many years of underperformance.

We closed the year with a high level of cash and remain cautious about the outlook for the equity market although potentially more optimistic that a more sustainable rally could ensue as the year progresses. After last year’s fall, valuations have really compressed down to more sensible levels, so we no longer see this as a risk to markets, although consensus estimates still have further to fall. Earnings may come under more pressure as the US economy slows and Europe remains weak. China’s reopening is unequivocally good news for the longer-term health of the global economy, but the process of normalisation will not be easy as we are already seeing with COVID cases rising rapidly in the country. We do not believe there will be a u-turn in policy but there could be further disruption to supply chains that may be a short-term negative influence on growth and inflation.