# Vermeer Global Fund

June 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 | -5.03% | -11.70% | -16.82% | -16.82% |

| | 1 Year | 3 Year | 5 Year | ITD |
|---|---|---|---|---|
| Class A | -10.41% | 21.62% | 53.38% | 70.00% |

| Portfolio Manager | Tim Gregory |
|---|---|
| Inception Date | 5th December 2016 |
| Base Currency | GBP |
| Dealing | Daily |
| Initial Charge | None |
| AUM | £51.6m |
| Estimated Yield | 1.9% |
| No. of Holdings | 56 holdings |
| Active Share | 84.1% |

Available Platforms:

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

| Share Class | AMC | OCF* | Min | Price |
|---|---|---|---|---|
| Class A | 0.45% | 0.70% | £3million | 169.995906 |
| Class A3 | 0.25% | 0.50% | £20million | 126.713530 |
| Class B | 0.75% | 1.00% | £5,000 | 153.050693 |
| Class B1 | 0.75% | 1.00% | $7,500 | 129.107684 |
| Class C | 0.75% | 1.00% | £5,000 | 158.904154 |

**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 | 5.02% |
| Microsoft | 3.98% |
| Apple | 3.91% |
| Novo-Nordisk | 3.38% |
| Roche | 3.24% |
| Oracle | 3.19% |
| Toyota Motor | 2.70% |
| United Parcel Service | 2.63% |
| Keyence | 2.35% |
| Amazon | 2.15% |
| Cash | 10.58% |

## Geographical Split

| | |
|---|---|
| United States | 40.44% |
| Europe | 20.57% |
| United Kingdom | 12.80% |
| Japan | 11.14% |
| India | 2.49% |
| Singapore | 1.98% |
| Cash | 10.58% |

## Sectors

| | |
|---|---|
| Communication Services | 6.74% |
| Consumer Discretionary | 14.34% |
| Consumer Staples | 5.70% |
| Energy | 6.81% |
| Financials | 2.72% |
| Healthcare | 12.49% |
| Industrials | 16.63% |
| Materials | 3.75% |
| Technology | 20.24% |
| Utilities | 0.00% |
| Cash | 10.58% |

## 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% | | | | | | | -16.82% |

The first half of 2022 turned out to be the most difficult for global stock markets in many years. The S&P 500 recorded its worst start to the year since 1970, falling 20% with the Nasdaq ending the first half down just under 30%. Overall global equity markets declined by 11.4% in Sterling terms, and over 20% in US Dollars. The Vermeer Global Fund declined 5% in June, slightly better than global markets taking the overall first half decline to just over 16.5%, impeded by the performance of long standing growth orientated winners that have performed well over the longer term and the material weakness of currencies like the Yen, which declined by 18% against the US Dollar over the first half.

The global stock market is facing a number of hurdles at the current time, not least the tragic outbreak of a war in the Ukraine that has destabilised the supply of many commodities like oil and food. This has sent prices spiralling higher and is causing very high levels of inflation, exacerbating the need for central banks to accelerate the rate at which they tighten monetary policy. The US Federal Reserve is now on an aggressive tightening path to try to normalise policy and has already lifted interest rates by 1.50 percentage points over its last three meetings and is likely to raise by another 125bps at its next two meetings. Unfortunately, the high levels of inflation and the war in Ukraine has created a great deal of uncertainty, causing the global economy to slow down quickly, and leading to fears that the world will move into a recession at the same time that interest rates continue to rise.

Over June the top five contributors to return were Novo Nordisk, UPS, Amazon, T-Mobile US and Roche. The top five detractors to return were BP, Befesa, Keyence, ASML and Caterpillar.

Both Nike and Accenture reported results over the month which both showed resilient business performance. Nike continues to show tremendous strength and very strong growth in its Nike Direct and digital offerings, which are driving higher margins as it reduces its commitment to wholesalers, which have traditionally been the mainstay of its business model. Accenture has been a big winner from the digital transformation and remains confident that it will be at the forefront of aiding companies to both manage their transition to the cloud and enable them to get the full value of the operational benefits it provides. Accenture management also noted that they expected to see continued resilience in their business as they help companies to save money in a more difficult business environment. As we now move into the next major US earnings season, like Nike, we expect companies to offer very cautious guidance given all the uncertainties that the world economy is facing at the current time, and this is likely to be another challenge for the markets at a time of already heightened anxiety.

Over the month we slightly reduced our cash position by adding to both defensive positions and some of the more growth oriented stocks that have pulled back this year to maintain balance within the portfolio. We are maintaining a cash position of over 10%, the majority of which is currently held in US Dollars, which we believe reflects the considerable uncertainty that global stock markets continue to face. We believe the Fed's forecasts for 1.7% growth in 2022 and 1.9% in the next two subsequent years, implying it can engineer a soft landing for the US economy, looks very optimistic and as with many commentators our base case is that we now head into recession. It remains to be seen the degree to which the Federal Reserve will have the appetite to continue with its aggressive policy especially as this may coincide with the US mid-term elections.

We are in no hurry to reduce our cash position but nevertheless will be on the lookout for what we consider bargain opportunities in high quality franchises whose business model may be being hurt in the short term by macro-economic factors that we consider to be temporary and create an opportunity for long term investment.

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