

March was a solid month for global equities, rising 4.4% in Sterling and adding to their good start to the year as a whole as markets followed up strong performance in 2020 by gaining 3.8% in the first quarter of 2021. The Vermeer Global Fund had a relatively difficult month and first quarter, underperforming by 1.8% and 4.3% respectively. This followed very strong performance in 2020 where the Fund outperformed by over 5%, adding to consistent performance since the Fund launched in 2016.

Over the month, the top five contributors to return were Burlington Stores, UPS, ASML, Target and Newmont. The top five detractors to return were Moncler, Lululemon, Shiseido, IPG Photonics and Rio Tinto.

In March we made the decision to take profits in our position in Lululemon. We started the position in Lululemon in late 2019 on the strong growth outlook for the company based on its positioning in the growing “athleisure” space and the huge opportunity to expand overseas and take share in the overall market. Lululemon has delivered on this since our initial investment, with the COVID-19 pandemic and shift to working and exercising from home benefitting its products and leading to very strong growth and exceptional online performance. However, we felt that despite the strong execution, the valuation of the company had become stretched at just under 50x earnings with sales developments as we come out of pandemic related lockdowns very uncertain. We also took the decision to take profits in Carl Zeiss Meditec. We continue to like the company and its growth prospects over the long term, but similar to Lululemon, we felt its valuation had become stretched.

We took a new position in Flutter Entertainment, the leading betting company in the UK and Ireland. Flutter has shown consistent strong growth in both revenue and EBITDA and trades under brands including Paddy Power and Betfair, PokerStars and FanDuel. The US market remains a huge growth opportunity with the number of states deregulating the sports book and gaming market continuing to increase and Flutter is intent on maintaining its leading market share position with the FanDuel brand as the market opens up on a state-by-state basis. The company’s main US peer DraftKings trades on a much higher valuation to Flutter and a partial IPO would help it crystallise the value of its US business for its shareholders.

We believe that a large part of the significant rotation to the value part of the market has now occurred. This is not to say that we now expect growth stocks to regain the market leadership they have enjoyed for a long period of time. Our view is that the big moves we have seen in sectors like banks, insurance and materials and the stalled performance of many growth names has brought the market back into better balance. After a great run for the market overall since the outbreak of COVID-19 and its impact on markets in the first quarter of 2020, we expect equities to struggle to make material progress from here, but we expect individual companies who can continue to deliver strong performance will be able to deliver good investment performance and therefore drive solid returns for our Fund.

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