Vermeer Global Fund

May 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	-2.73%	-3.34%	-11.44%	-12.41%

	1 Year	3 Year	5 Year	ITD
Class A	-2.14%	34.89%	59.59%	79.00%

Portfolio Manager	Tim Gregory
Inception Date	5th December 2016
Base Currency	GBP
Dealing	Daily
Initial Charge	None
AUM	£53.3m
Estimated Yield	1.7%
No. of Holdings	56 holdings
Active Share	82.4%

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	178.995817
Class A3	0.25%	0.50%	£20million	133.400057
Class B	0.75%	1.00%	£5,000	161.193235
Class B1	0.75%	1.00%	$7,500	140.710694
Class C	0.75%	1.00%	£5,000	167.358109

**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	5.41%
Apple	3.97%
Microsoft	3.92%
Novo-Nordisk	3.14%
Oracle	3.06%
Roche	2.71%
Toyota Motor	2.68%
Keyence	2.57%
United Parcel Service	2.45%
Amazon	2.27%
Cash	12.59%

Geographical Split

Region	Weight
United States	39.36%
Europe	19.55%
United Kingdom	13.37%
Japan	11.03%
India	2.45%
Singapore	1.65%
Cash	12.59%

Sectors

Sector	Weight
Communication Services	5.63%
Consumer Discretionary	14.31%
Consumer Staples	5.48%
Energy	7.06%
Financials	2.37%
Healthcare	11.73%
Industrials	17.23%
Materials	4.11%
Technology	19.49%
Utilities	0.00%
Cash	12.59%

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%								-12.41%

May was another volatile month for global equities, initially continuing the sharp falls of April before rallying to close the month flat. The Vermeer Global Fund fell by just over 2.5% in May and is down by a disappointing 12.4% year to date.

Inflation data continues to show a significantly elevated level of price pressures, although there are some early signs that large companies are beginning to slow hiring as concerns of a future recession mount. This may help alleviate some wage related pressure as the year develops. The high oil price and elevated food prices, which have both been heightened by the war in Ukraine, are causing a very high level of headline inflation, reaching 8% in the US and over 9% in the UK. The Federal Reserve is showing every indication that it will continue to raise interest rates by 50bps at the next two meetings in an attempt to get close to their view of a "neutral policy" stance at 2.5% by the year end. Although exogenous factors such as the war in Ukraine and Chinese COVID lockdowns are keeping inflation stubbornly higher, we do not believe that some of the more hawkish views of how far rates should go up will prevail as we expect fears of a recession to become far more prevalent for policy makers as the year progresses.

Over May the top five contributors to return were BP, Olympus, Sony, Pets at Home and T-Mobile US. The top five detractors to return were Target, Varonis Systems, Roche, Evoqua Water Technologies and Apple.

Target, which has been one of the best performing stocks in our portfolio over the last two years, shocked the market with a very poor quarterly result for its April quarter end and a further profit warning in early June. Target has executed its strategy robustly throughout the pandemic, so while it was no surprise that revenue growth slowed, we did not expect the company to have to take a meaningful inventory writedown having been caught with product that was delivered too late to be sold at full price during the holiday season. More recently, Target has stated that it will cancel orders and further mark down prices to deal with this excess inventory. Retail spending patterns are clearly changing, and this is occurring concurrently with the cost of living crisis, forcing many families to trade down or indeed just completely hold off spending on discretionary items. Target shares fell over 20% on the day of its results and whilst we reduced our overall position, we have retained a holding on the basis that the stock looks very cheap if it can get back to its planned algorithm of mid-single digit growth and an 8% margin.

Similar to April, the Fund saw little trading activity in May. As discussed above we reduced our position in Target whilst also selling our holding in Pinnacle Financial Partners on concerns over an economic slowdown and its subsequent impact on the lending environment.

It has been a painful start to the year after several years of very strong performance. We have been patiently holding on to a higher than usual level of cash to reflect the significant challenges that lie ahead for markets. However, we are also aware that rallies in the market are likely to be very short and sharp and could easily occur if, for example, a more benign inflation print occurs in the US. We will be watching this situation vigilantly in the weeks and months ahead and since the month end, we have reduced our cash position to around 8%, adding to existing holdings in the portfolio in both defensive and more cyclical parts of the portfolio that have suffered in recent months.

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