Vermeer Global Fund

May 2023

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	0.31%	2.18%	4.35%	7.75%

	1 Year	3 Year	5 Year	ITD
Class A	7.10%	26.44%	48.76%	91.71%

Portfolio Manager	Tim Gregory
Inception Date	5th December 2016
Base Currency	GBP
Dealing	Daily
Initial Charge	None
AUM	£58.2m
Estimated Yield	1.8%
No. of Holdings	56 holdings
Active Share	79.9%

Available Platforms:

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

Share Class	AMC	OCF*	Min	Price
Class A	0.45%	0.70%	£3million	191.705196
Class A3	0.25%	0.50%	£20million	141.167819
Class B	0.75%	1.00%	£5,000	172.121397
Class B1	0.75%	1.00%	$7,500	148.330673
Class C	0.75%	1.00%	£5,000	176.286420

**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
Microsoft	4.39%
Novo-Nordisk	4.21%
Oracle	4.18%
BP	4.09%
Apple	3.46%
Keyence	2.89%
Roche	2.65%
Davide Campari-Milano	2.26%
Nvidia	2.14%
Alphabet	2.13%
Cash	9.95%

Geographical Split

United States	46.57%
Europe	19.58%
United Kingdom	10.23%
Japan	10.12%
Singapore	1.80%
India	1.75%
Cash	9.95%

Sectors

Communication Services	6.55%
Consumer Discretionary	11.04%
Consumer Staples	7.09%
Energy	6.14%
Financials	2.52%
Healthcare	13.20%
Industrials	15.62%
Materials	3.30%
Technology	24.59%
Utilities	0.00%
Cash	9.95%

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%
2023	5.22%	0.22%	1.61%	0.25%	0.31%								7.75%

Commentary – May 2023

Global equities were broadly stable at an index level in May, rising modestly in Sterling terms. Markets over the month were totally dominated by the performance of the tech heavy Nasdaq which rose nearly 6% and was completely propelled by the artificial intelligence (AI) trade that has been dominating recent headlines with positive news flow accelerating in May after the astonishing results posted by chipmaker Nvidia. This helped the S&P 500 post a modest gain and disguised the fact that most of the market was lower over May and indeed a number of sectors really struggled.

Over May the top five contributors to return were Nvidia, Oracle, Microsoft, Alphabet and ASML. The top five detractors to return were BP, Burlington Stores, Nike, Carl Zeiss Meditec and Trane Technologies.

As the year has progressed, the market has become more narrowly focussed to a handful of stocks that have completely dominated performance. Whilst Nvidia is at the forefront of the AI boom and has more than doubled in share price terms this year and crossed the $1trillion market cap level in intraday trading at the end of the month, the returns generated by Amazon, Alphabet, Apple, Meta, Microsoft and Tesla have also been seriously impressive. Of these companies, we own all but Meta and Tesla but we do also own ASML and Oracle, one of the largest positions in the Fund, which both have an AI angle and has aided year to date performance.

The astonishing results delivered by Nvidia were powered by the early adoption of AI tools that is accelerating demand for its GPU chips. Effectively Nvidia has been anticipating this shift in computing for some time so had positioned itself to meet the acceleration in demand when it occurred. Nvidia shares rose 25% on the day after they produced results but in effect this represented a derating of the shares as earnings forecasts have been upgraded by such a large amount to reflect the shift in its business model. We have held a position in Nvidia for a number of years and it has been a real rollercoaster, performing well in 2021 and disastrously in 2022 before this year's incredible, but in our view totally justifiable recovery. However, we are mindful that a bubble of expectations is now inflating in AI and are reviewing all of our positions that have recently been material beneficiaries of the significant re-rating of just a handful of companies that have delivered virtually all of the returns for global markets this year.

In Japan the Nikkei 225 index has performed very well this year in local currency but a significant amount of these gains have been eradicated by the renewed weakness of the Yen. New Bank of Japan Governor Kazuo Ueda has steadfastly maintained a no change to policy attitude, for the time being at least, removing expectations that there will be a further shift in yield curve management. Despite the significant weakness of the Yen, Japanese stocks have posted solid gains this year and we believe that one of the major factors behind this is a significant improvement in shareholder returns that has been sparked by pressure from the Tokyo Stock Exchange, which earlier this year mandated companies that have been consistently trading below book value to announce improvement plans. Recent results show early signs that this has been effective as buybacks and dividend growth have notably improved.

We reluctantly closed out our position in Befesa this month whilst adding to our holdings in Newmont and Varonis Systems. Whilst Befesa is executing well in a very tough operating environment, we felt that the short term macro headwinds facing the company are likely to continue and despite the company trying to mitigate as much impact of this on the business as they can, a lot of these factors are out of their control and so will likely continue to pressure earnings. We will continue to monitor the stock as we still believe it is very well positioned to benefit from secular tailwinds driven by climate policy.

The market has become very narrowly focussed, with really only the AI trade working for investors as they scramble to get positions in the stocks they see as the long term winners. Sustained high interest rates and quantitative tightening continue to constrain liquidity in the market and this is hindering many other sectors. We are maintaining a reasonably high level of cash as markets remain uncertain and when so much performance has been crowded into such a small number of stocks, this inevitably creates a degree of caution in our thinking.