Vermeer Global Fund

December 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	2.31%	5.91%	5.32%	16.25%

	1 Year	3 Year	5 Year	ITD
Class A	16.25%	17.57%	74.07%	106.82%

Portfolio Manager	Tim Gregory
Inception Date	5th December 2016
Base Currency	GBP
Dealing	Daily
Initial Charge	None
AUM	£48.4m
Estimated Yield	1.6%
No. of Holdings	57 holdings
Active Share	79.4%

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%	0.85%	£3million	206.821078
Class A3	0.25%	0.65%	£20million	149.641422
Class B	0.75%	1.15%	£5,000	185.369804
Class B1	0.75%	1.15%	$7,500	163.471599
Class C	0.75%	1.15%	£5,000	186.337215

**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	5.79%
Cameco	3.66%
Oracle	3.35%
Toyota Motor	3.19%
Novo-Nordisk	3.15%
Keyence	3.02%
Nvidia	2.98%
Alphabet	2.79%
Ferrari	2.53%
Linde	2.52%
Cash	2.96%

Geographical Split

United States	56.85%
Europe	18.91%
Japan	10.61%
United Kingdom	8.59%
India	2.08%
Cash	2.96%

Sectors

Communication Services	9.63%
Consumer Discretionary	13.93%
Consumer Staples	5.67%
Energy	6.20%
Financials	0.88%
Healthcare	13.32%
Industrials	20.13%
Materials	1.96%
Technology	25.32%
Utilities	0.00%
Cash	2.96%

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%	2.44%	0.95%	-0.33%	-1.17%	-1.83%	5.44%	2.31%	16.25%

Commentary – December 2023

December was another strong month for global equity markets in what proved to be a great year for stock markets around the world. Once again, the US market was the main driver of performance with the S&P 500 rising by over 26%. Japanese equities did even better in local currency terms, with the Nikkei rising by over 30%, but once again the weak performance of the Yen negatively impacted overall returns and fund performance. Sterling had a slightly better year in 2023, strengthening over 5% against the Dollar. The Vermeer Global Fund returned 16.3% in 2023, 3.6% better than the global peer group.

For much of the year it was the so called "magnificent seven" that drove nearly all of the performance of the market but in the latter stages of the year the rally broadened out to many sectors. In fact, although most of the magnificent seven finished the year close to their respective all-time highs, they mostly saw their peak levels earlier in 2023. Indeed Apple, which we substantially reduced over the second half of the year, actually saw its peak at the end of July but was still up just under 50% for the year as a whole.

Over December the top five contributors to return were Caterpillar, Carl Zeiss Meditec, ASML, Rational and Schneider Electric. The top five detractors to return were Oracle, Cameco, Ferrari, Toyota Motor and Orange.

December's strong performance can be attributed to the long-awaited Federal Reserve pivot on interest rates. The final FOMC meeting of the year was highlighted by the unexpectedly dovish commentary of Chairman Jerome Powell. Although investors had already moved to anticipate lower interest rates in 2024, with a material shift lower in both bond yields and interest rate futures, it was widely expected that Mr Powell would maintain a more hawkish stance. However, the Fed shifted to a much more dovish position signalling the potential for three rate cuts in 2024 and four more cuts in 2025. Investors immediately viewed these projections as too conservative and have pencilled in as many as six 25 basis point cuts in 2024 alone.

Inevitably stocks reacted positively to the commentary and the expectation of further positive inflation data as we move through 2024. While we have run with a fully invested portfolio in the latter part of 2023, we are somewhat concerned that equities are simultaneously anticipating that rates will be cut aggressively at the same time as the economy continues to hold up well, which it clearly did in 2023 despite the significant rise in interest rates that put pressure on some areas of consumer spending. This seems to us somewhat unlikely, as if the economy continues to perform well, the scope for rate reductions will likely be considerably less than currently forecast. If, on the other hand, the economy does weaken more substantially, then greater cuts could be necessary, but this would also be accompanied by a weaker earnings performance for the market, which would likely hamper the performance of equities after such a strong run in 2023.

Japanese equities had a strong year, although the weakness of the Yen once again detracted from overall performance. Despite persistent rumours that the Bank of Japan would row back from its yield curve management strategy, the final BoJ meeting of 2023 showed no such intention and policy was left unchanged. A shift in US interest rate policy has been helpful to Japanese policy makers and the Yen has strengthened from its mid-year lows, but in our view, this has been a function of Dollar weakness.

We noted the end of the so-called TINA trade (there is no alternative to equities) a number of times in 2023 but the strength of the recovery in bond markets ultimately only helped equities. This would only be likely to continue in 2024 if strength in bond markets is not driven by fears of a global recession. There is also the considerable uncertainty caused by US presidential elections later this year, but we view positioning ahead of this as currently premature. We will be maintaining our current positive stance to markets in the early part of the year but will be very vigilant to any changes we need to make to move to a more defensive stance as the year progresses.