

JOHCM European Select Values Fund

Fund overview

- The Fund aims to generate long-term capital growth through active management of a portfolio of listed European equities
- Senior Fund Manager Robrecht Wouters has a highly selective, value-oriented investment style which focuses on undervalued pan-European companies that generate high returns on capital. His stock-picking approach is unconstrained by benchmark weightings and combines traditional 'value' investing (focusing on attractive valuations) and 'quality' characteristics, such as high return on capital employed
- Benchmark: MSCI Europe Index
- The use of the Index does not limit the investment decisions of the fund manager therefore the shareholdings of the Fund may differ significantly from those of the Index
- Please refer to the Prospectus/KID for further information

Share class: A GBP Class

ISIN: IE0032904223

Fund details

Fund size	GBP 94.13m
Strategy size	GBP 121.26m
Launch date	7 May 2003
Benchmark***	MSCI Europe NR Index (12pm adjusted)
No. of holdings	36
Domicile	Ireland
Fund structure	UCITS
Tax status	UK reporting status
Denominations	GBP, EUR
Valuation point	12pm Dublin time

Total strategy assets updated quarterly and shown as at 31 March 2024.

Fund managers



Robrecht Wouters

Senior Fund Manager

Robrecht has managed the Fund since mid-2008. He joined JOHCM in 2003 and has 34 years of industry experience.



Luis Fañanas

Fund Manager

Luis has worked on the Fund since he joined JOHCM in 2015 and has 28 years of industry experience.

Performance highlights

Return since launch (%)



Return history

	1m	3m	1yr	3yr	5yr	10yr	SL	Annualised*
A GBP Class	6.12	10.34	7.84	-6.81	7.99	46.63	564.60	9.40
Benchmark	2.14	5.56	14.93	25.60	52.73	102.02	458.04	8.50
Quartile**	1	1	4	4	4	4	1	-

Discrete 12 month performance to end of May

	05.24	05.23	05.22	05.21	05.20	05.19	05.18	05.17	05.16	05.15
A GBP Class	7.84	-3.24	-10.69	31.62	-11.96	-3.83	-3.21	33.34	0.63	8.72

Past performance is no guarantee of future performance.

The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. For further information on risks please refer to the Fund's KID and/or the Prospectus.

*Annualised since launch. **Refers to the fund's ranking in a peer group of funds made up from all funds classified as Europe including UK by either the Investment Association (IA) or Lipper Global. Funds included may be domiciled in the UK, Ireland, or Luxembourg.

NAV of Share Class A in GBP, net income reinvested, net of fees. The A GBP Class was launched on 7 May 2003.***Benchmark: MSCI Europe NR Index (12pm adjusted). During the period 7 May 2003 to 31 December 2012 the Fund was benchmarked against the FTSE Eurofirst 300 TR Index. For the period 1 January 2013 to present the Fund is benchmarked against the MSCI Europe NR Index (12pm adjusted). Performance of other share classes may vary and is available on request.

Contact details

Dealing & Investing
+353 1 434 5239

Fax
+353 1 553 9436

Email: JOH_Offshore_TAQueries@ntrs.com



Portfolio analysis (%)

Data as at 31 May 2024

Top 10 holdings

	Absolute	Relative
Grifols	6.6	6.6
Oracle	5.0	5.0
Elior	5.0	5.0
Oerlikon	4.8	4.8
United Internet	4.5	4.5
Corbion	4.1	4.1
Thyssen Krupp	3.9	3.9
Danone	3.8	3.4
Liberty Global	3.6	3.6
Ceconomy	3.5	3.5
Total	44.8	

Sector breakdown

	Absolute	Relative
Materials	14.7	8.1
Communication Services	10.9	7.9
Consumer Staples	18.2	7.5
Energy	9.6	4.1
Information Technology	11.5	3.7
Consumer Discretionary	12.4	2.0
Real Estate	0.0	-0.9
Utilities	0.0	-3.9
Industrials	12.2	-4.6
Health Care	8.4	-7.3
Financials	0.0	-18.7
Cash	2.1	2.1

Country breakdown

	Absolute	Relative
Germany	27.9	14.8
France	12.1	-6.0
Switzerland	10.2	-4.2
Netherlands	9.7	1.9
United Kingdom	8.9	-13.6
Spain	6.6	2.5
Finland	3.5	2.0
Italy	3.1	-1.1
Norway	2.4	1.5
Other	13.6	0.3
Cash	2.1	2.1

Market cap breakdown

	Absolute	Relative
Large (>EUR 5bn)	45.3	-54.3
Mid (EUR 2 - 5bn)	20.8	20.3
Small (<EUR 2bn)	31.9	31.9
Cash	2.1	2.1

Attribution & contribution (%)

Sector attribution*

	Relative return
Consumer Discretionary	3.22
Industrials	0.79
Energy	0.75
Health Care	0.36
Materials	0.06
Information Technology	-0.01
Real Estate	-0.02
Utilities	-0.03
Communication Services	-0.08
Consumer Staples	-0.22
Financials	-0.50

*Excludes cash

Please note that due to rounding breakdowns may not add to 100.00%. All Attribution figures are as at end of day and are calculated on a gross basis. Other includes: Portugal, Belgium, Austria, Denmark, Ireland, Sweden and non-benchmark countries. Please note cash figure includes a put option of 0.22%.



Fund manager's commentary

- Anticipated ECB interest rate cuts boosted European equities by 2.45% in May, aiding small and midcaps recovery
- The fund invested in small cap Italian Newlat Food - following the transformational Princess acquisition, free cash flow will rise dramatically to an equivalent to 33% Newlat Food's current market cap
- The weighted average upside of fund investments remains above 140%

The anticipation of interest rate cuts by the European Central Bank (meanwhile, at the time of writing, a fact) propelled European equities up by 2.45% (in euro terms) in May and helped small and midcaps to recover much of their year-to-date relative losses.

This was a tailwind for the fund, which performed strongly for a second month and returned 6.46% (in euro terms) in May. Interestingly, only four stocks explain the fund's 4% relative performance: French caterer Elior (shares rallied 42%), electrical retailer Ceconomy (up 44%), surface solution and polymer processor Oerlikon (up 25%), and minerals group Imerys (up 23%).

Each reported earnings and forward guidance 'somewhat' above expectations, but price reactions were fast and aggressive. This was not a surprise to us, with valuations rock bottom: the intrinsic value of each of these four stocks is still more than double current, increased prices. Therefore, despite these investments now having a much larger weight in the Fund, we did not reduce any of the investments with, finally, momentum turning.

The weighted upside of our investments in the fund remains above +140%. This upside percentage might seem aggressive but reflects the Fund's contrarian and patient value strategy to exploit the polarisation of valuations in the broader market. In the world of passive investing, where index and thematic ETFs are gaining popularity, ever-accumulating flows reinforce price momentum, with prices running further ahead of economic reality and valuations implicitly discounting an ever-further-away future as a fact. In crowded ETF stocks, both stock-specific and macro-related risks are building.

But outside the undifferentiated world of passive investing, lack of (or often negative) money flows had the reverse effects on prices, valuations and risk. For example, as European Small Cap (MSCI) accumulated a -30% underperformance in the last 3 years, small and midcap prices discount less and less a positive future and in selective cases run behind positive economic realities. Too low valuations and earnings stability or improvements are the sweet spot for patient value investors.

The pool of European opportunities remains large and deep for fundamental, bottom-up stock pickers. At the end of last month, we invested in the family-controlled Italian food group Newlat Food (Mkt Cap €350m). Newlat Food produces branded agri-food products (milk, dairy, pasta, etc.) and generates €800 m in sales, mainly to retailers across Italy, Germany, and the UK. The announcement of a £700m leveraged acquisition of Princes Ltd (€2bn of sales) will transform the scale and structural profitability of the group with complementary products/brands and existing spare production footprint, providing very quantifiable cost synergies that will lift Equity Free Cash Flow quickly to above €100mn. At our purchase price, Newlat Food trades on only 3.5x Equity Free Cash Flow. We estimate the absolute fair value to be well above €1.1bn (i.e. triple current market cap), and this reasonable valuation is supported by looking at the relative valuation of industry peers like UK-listed Premier Foods or Spanish Ebro Foods.

After careful consideration and in light of recent strong performance, we made a strategic decision to sell our long-term holding in SBM Offshore. SBM is in the process of transforming away from a low-beta capital intensive FPSO (floating oil production storage and offloading) 'build, lease and operate' model, to its original 1990s model of turnkey 'build and deliver'. The market (especially quant funds and the like) might like the optical effect of low capital intensity and higher returns. We remember well the unquantifiable impact of a rising beta.

Performance over 1 month	%
Fund - A GBP Class	6.12
Benchmark	2.14

Statistics

	Annualised since launch
Active share* (%)	96.57
Fund volatility (%)	15.78
Benchmark volatility (%)	16.08
Alpha	1.79
R squared	0.83
Correlation	0.91
Tracking error (%)	6.75
Information ratio	0.13
Sharpe ratio	0.52

Data calculated weekly.

*The proportion of stock holdings in a fund's composition is different from the composition found in its benchmark. The greater the difference between the composition of the fund and its benchmark, the greater the active share.

Country registration

	A GBP	B GBP	A EUR	B EUR
Austria	✓	✓	✓	✓
Belgium	x	x	✓	✓
Denmark	✓	✓	✓	✓
Finland	✓	✓	✓	✓
France	✓	✓	✓	✓
Germany	✓	✓	✓	✓
Ireland	✓	✓	✓	✓
Italy	x	x	✓	✓
Jersey	✓	✓	✓	✓
Liechtenstein	x	x	✓	✓
Luxembourg	✓	✓	✓	✓
Netherlands	✓	✓	✓	✓
Norway	✓	✓	✓	✓
Singapore	✓	✓	✓	✓
Spain	✓	✓	✓	✓
Sweden	✓	✓	✓	✓
Switzerland	✓	✓	✓	✓
UK	✓	✓	✓	✓

Swiss representative and paying agent

Copies of the fund's current prospectus, key investor information document (KID) and financial statements can be obtained free of charge from the Swiss Representative, 1741 Fund Solutions Ltd., Burggraben 16, 9000 St. Gallen, Switzerland.

Share class details (Further details on additional share classes are available on request)

	ISIN	SEDOL	Bloomberg	WKN	Initial charge	Annual charge	Ongoing charge	Minimum investment*
A GBP Class	IE0032904223	3290422	JOHESSI ID	A0BLYV	Up to 5%	0.75%	0.82%	£1,000
B GBP Class	IE0032904009	3290400	JOHESVS ID	A0BLYT	Up to 5%	1.249%	1.31%	£1,000

Performance fee: A performance fee of 15% is payable on the excess if the NAV outperforms the Index Adjusted NAV (as defined in the Fund supplement) on an annual basis. The calculation is performed daily. Any underperformance is carried forward.

Ongoing Charge is as at 31 May 2024.

*Other currency equivalents apply.

Important information

Professional investors only.

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This is a marketing communication. Please refer to the fund prospectus and to the KIID / KID before making any final investment decisions.

These documents are available in English at www.johcm.com, and available from JOHCM, or (for UK investors) JOHCM, at the addresses set out above.

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The investment promoted concerns the acquisition of shares in a fund and not the underlying assets.

Past performance is no guarantee of future performance. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Investments may include shares in small cap companies and these tend to be traded less frequently and in lower volumes than larger companies making them potentially less liquid and more volatile.

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