



Lead Manager  
David Walton

Supported by  
Tom Livesey &  
Steve Robertson

Date  
07/04/25

Capital is at risk.  
Please read full risk  
warning at the end  
of this document.

Monthly Commentary: April 2025

## European Special Situations

- ▀ Multi-cap investment strategy, with a bias to smaller companies
- ▀ Invests in undervalued, well-managed companies with above-market growth potential
- ▀ Award-winning performance track record

### Performance

European markets mostly declined in March, as US tariff threats intensified, causing the share prices of larger companies to decline more than those of smaller ones, due to their generally greater exposure to global trade. The MSCI Europe ex-UK index returns for the month were -3.02% (standard), -1.16% (small cap), +0.03% (micro cap) and the fund returned +0.37% (all figures net returns in GBP).

The best performers for the fund over the month were German rail products supplier **Vossloh** (beneficiary of higher infrastructure spending), German military headset producer **CeoTronics** (addresses fast-growing defence market), Spanish insurer **Grupo Catalana Occidente** (take-private offer from controlling shareholder), French staffing agency **Groupe Crit** (resilient earnings in difficult demand environment, raised dividend) and Italian jewellery brand **Fope** (significant holder bought more shares).

The worst performers were Italian laser equipment manufacturer **Ei.En.** (relatively high tariff exposure, given around a quarter of sales are exports to the US), French contract caterer **Sodexo** (profit warning due to slower US education and healthcare demand), Italian vehicle brake producer **Brembo** (automotive industry downturn widely anticipated), Swedish telecom network software vendor **Enea** (profit taking after a strong run) and French employee benefits scheme administrator **Pluxee** (France considering changes to meal voucher rules).

### Portfolio Activity

In terms of trading, we added to fund holding **Solar** (see scope for recovery in its end markets) and reduced holdings in **Vossloh** and Finnish drugmaker **Orion** – both on valuation grounds after a good performance.

### Investment Outlook

Post month-end US President Donald Trump unveiled his tariffs on US trading partners, which were viewed as more punitive than expected (at the time of writing, 20% for the European Union and 54% in total now for China). Those of the fund's holdings that export to the US now face a decision about how much of the tariff they will pass on to US consumers and how much they will absorb through lower profit margins. This will vary depending on the demand elasticity of what they sell (how much the US consumer is likely to cut back on consumption if prices are increased) and the competitive dynamics (do competitors produce in the US or do they also import from abroad). For example, in the case of fund holding **Ei.En.**, the medical laser machinery it exports to the US has a mixture of discretionary (hair removal, skin tightening) and less discretionary (urological surgery) applications. Its competitors also mostly produce outside of the US, so face the same tariff challenge.

Data source:  
Morningstar,  
Canaccord

---

We hear from a number of companies that production costs in the US are uncompetitively high, so it still makes sense to export into the US and pay additional tariffs in some cases.

Looking at the fund as a whole, we estimate goods exported to the US account for 6% of total aggregate sales by our portfolio companies. This suggests a relatively limited direct impact from US tariffs. Clearly, the much larger potential impact is likely to be indirect, from a global economic slowdown or recession that results from the US tariffs and retaliatory tariff increases from trading partners (for example China has, at the time of writing, responded with a 34% general tariff, taking the total to 54% for several sectors). We continue to ensure that the fund is invested in well-managed companies capable of expanding their businesses and with balance sheets able to withstand more difficult trading conditions, should they arise.

However, it is too early to judge the scale of any economic slowdown as we do not know yet whether the tariff war will escalate further or de-escalate, and over what timeframe.

---

## Risk Warnings

Capital is at risk. The value and income from investments can go down as well as up and are not guaranteed. An investor may get back significantly less than they invest. Past performance is not a reliable indicator of current or future performance and should not be the sole factor considered when selecting funds. Our funds invest for the long-term and may not be appropriate for investors who plan to take money out within five years. The Fund will be exposed to stock markets and market conditions can change rapidly. Prices can move irrationally and be affected unpredictably by diverse factors, including political and economic events. The Fund will be exposed to smaller companies which are typically riskier than larger, more established companies. Difficulty in trading may arise, resulting in a negative impact on your investment. Shares in smaller companies may be harder to sell at a desired price and/or in a timely manner, especially in difficult market conditions. The Fund invests in other currencies. Changes in exchange rates will therefore affect the value of your investment. In certain market conditions some assets may be less predictable than usual. This may make it harder to sell at a desired price and/or in a timely manner. In extreme market conditions redemptions in the underlying funds or the Fund itself may be deferred or suspended.

This material is for distribution to professional clients only and should not be distributed to or relied upon by any other persons. It's provided for general information purposes only and is not personal advice to anyone to invest in any fund or product. Information taken from trade and other sources is believed to be reliable, although we don't represent this as accurate or complete and it shouldn't be relied upon as such. Calls will be recorded for training and monitoring purposes.

## Regulatory Information

Issued by Marlborough Investment Management Limited, authorised and regulated by the Financial Conduct Authority (FRN115231). Registered in England No. 01947598. Investment Fund Services Limited (IFSL) is the Authorised Fund Manager of the Fund. IFSL is registered in England No. 06110770 (FRN 464193). Both firms are authorised and regulated by the Financial Conduct Authority in the UK. Registered Office: Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP.

Copies of the Prospectus and Key Investor Information Documents are available from [www.ifslfunds.com](http://www.ifslfunds.com) or can be requested as a paper copy by calling 0808 178 9321 or writing to IFSL at the registered office above.

---

Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP

Intermediary Support. 0808 145 2502

Email. [service@marlboroughgroup.com](mailto:service@marlboroughgroup.com)

Website. [marlboroughgroup.com](http://marlboroughgroup.com)

