



Manager
Richard Hallett

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

Monthly Commentary: February 2025

Multi-Cap Growth

- ▶ Portfolio of exceptional, primarily UK companies selected from across the market cap spectrum
- ▶ Companies must have a sustainable competitive advantage and growth underpinned by one or more long-term structural trends
- ▶ They must also demonstrate resilient earnings growth and an attractive valuation

Performance

During January, the value of the fund's 'P' class units rose 8.1%, while the FTSE 100 rose 6.2%, the FTSE 250 rose 1.8% and the FTSE SmallCap (ex-IT) fell 1.2%.

Overall, investor sentiment remained positive, as markets priced in further interest rate cuts. However, US President Donald Trump has started to impose tariffs on trading partners. He has slapped an additional 10% levy on Chinese goods and threatened tariffs on imports from the European Union, which is one of the largest exporters to the US. Given the UK has a more balanced trading relationship with the US, it is possible this country may avoid the same treatment. This would provide a comparative advantage for UK companies. Chinese start-up DeepSeek's new artificial intelligence model sparked volatility in technology stocks. However, on balance, it acted as a net positive for the software sector, as lower costs spur innovation and demand.

Our strongest performer was **Alphawave IP Group**, a data connectivity technology business. The company reported Q4 trading above expectations, reflecting significant revenues secured from technology clients for silicon products. This represents a turnaround after the company's convertible bond offering in December. However, we expect the shares to remain volatile for a while longer. Another positive performer was promotional products group **4Imprint**, which reported trading at the upper end of analyst forecasts. While the company is dependent on cyclical demand in North America, it has offset difficult economic conditions with efficiency improvements in its flexible operating model. Alternative asset manager **Intermediate Capital Group** reported strong fund raising during the year. At \$22 billion, this was more than twice what was achieved in 2023 and suggests long-term growth in client capital and management fees.

There was little negative news flow about stocks we hold during the month. US-focused software business **Craneware** was one of our weaker performers. It fell despite a positive year-end trading update. We can only speculate that the drop was related to continued negative liquidity flows at the lower end of the UK market. Pharmaceutical company **Indivior** and ventilation systems business **Volution Group** also saw share price weakness on no news flow.

Portfolio activity

We added two financial services companies to the portfolio during the month. We bought **St James's Place**, which continues to take market share in the domestic investment advisory market. The company is increasing inflows, and we regard its regulatory issues as historic. Similarly, we initiated a small holding in **Close Brothers**, which we view as undervalued. It is trading at about 0.35x book value. We added to our holdings in fintech company **Wise plc**,

Data source:
Morningstar,
Canaccord, FTSE
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online gambling firm **Flutter plc** and events organiser **Informa**. We sold our position in sports fashion retailer **JD Sports**, which was disappointing because we have only held it for a brief period. However, we have changed our view on the company because trading remains variable and like-for-like revenues in North America were negative. We reduced our position in **London Stock Exchange Group (LSEG)** as we saw a closing of the valuation discount relative to US peers in the information services sector. We also trimmed our holding in online reviews platform **Trustpilot**. This was for risk management purposes, as the position size increased due to outperformance. In addition, we reduced our holdings in investment platform **AJ Bell**, food processing and packaging firm **Hilton Foods**, animal genetics company **Genus** and software business **Intuit**.

Investment outlook

The fund's strong performance was notable in a market environment where banks and tobacco companies are leading the way. Despite wider uncertainty and volatility, our consistent investment process is driving positive performance. This gives us cause for optimism, since our best forecast is that little will fundamentally change in the short term. We believe geopolitical and macroeconomic risks will remain heightened, economic growth will be tepid and interest rates will continue trending downward. This is a backdrop which favours the businesses we seek out: differentiated growth companies with pricing power that are benefitting from structural growth trends.

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 mainly in the UK therefore investments will be vulnerable to sentiment in that market which may strongly affect the value of the Fund. 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.

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Copies of the Prospectus and Key Investor Information Documents are available from 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

Website. marlboroughgroup.com

