

**Managers**

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Date

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

Monthly Commentary: February 2025

Special Situations

- ▀ Invests in the superior growth potential of the UK's small and mid-cap companies
- ▀ Highly diversified portfolio of around 160 stocks to help manage risk
- ▀ Experienced, award-winning investment team

Performance

During January, the price of the fund's P class units fell 0.81%. This compared to falls of 0.10% and 1.24% for the FTSE AIM and FTSE SmallCap (Ex IT) indices, and a rise of 1.78% for the FTSE 250 Index. The IA UK All Companies sector rose 4.23%.

Biggest winner in the month was **Alliance Pharma** (+34%), the consumer healthcare company, which rose post the management team recommending a takeover by DBAY. The cash offer of 62.5p per share valued the business at c.£350m and was a 40.9% premium to the previous day closing price. The takeover once again highlights the perceived value of certain assets on the UK stock market. **Anglogold Ashanti** (+31%), the gold mining company, rose on limited news flow but likely trended up as gold hit record highs due to ongoing geopolitical concerns and the threat of inflation remaining higher for longer. **Genus** (+25%), the animal genetics company enabling farmers to produce animal protein more efficiently, rose following the release of a trading update that was ahead of expectations. The shares have languished for a few years, but business fundamentals appear to be improving as strong pork prices in the US have led to producers restocking and there are also signs of improvement in China.

IG Design (-59%), the gift wrapping and stationery company, fell after the company issued a profit warning and withdrew guidance. The company saw continued challenging trading conditions over the key Christmas period and certain US customers faced increased financial distress, with a major customer entering bankruptcy protection. Although disappointing, the company has a net cash position and expects to receive a cash inflow from property disposals and should therefore continue as a going concern. We will continue to monitor the situation closely.

Portfolio Activity

We increased our position in **Judges Scientific**, the scientific instrument company, and reduced our position in **Trustpilot**, the online trust-based platform.

Investment Outlook

President Trump's inauguration stole the headlines in January and financial markets proved volatile as investors prepared for unpredictability and the potential ramifications of tariffs being imposed on countries by the new US administration. In the UK, the Office for Budget Responsibility's estimates indicated that the government's fiscal headroom of c.£10bn has been eliminated due to low economic growth, higher borrowing costs and unexpectedly high interest rates. This potentially means that Chancellor Reeves will have to consider spending cuts, something the Treasury has asked various government departments to assess, and/or tax increases. Surprisingly, the IMF projected 1.6% growth in the UK for 2025, an increase of 0.1% versus October 2024's projection, which although small, indicates some confidence in the economy despite the naysayers.

Data source:
Morningstar,
Canaccord, FTSE
[www.ftserussell.com/
legal/legal-disclaimer](http://www.ftserussell.com/legal/legal-disclaimer)

In particular, the IMF noted a pickup in real incomes and consumption in the UK and the potential benefit of higher public investment. The mood music is gloomy but with UK equity indices performing well year to date and the currency and gilt markets stable for now, allocators might consider the UK to be somewhat stable relative to the political uncertainty in Europe and across the pond.

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.

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