

**Managers**

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**Date**

05/11/24

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

Monthly Commentary: November 2024

## 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 October, the price of the fund's P class units fell 0.50%. This compared with falls of 0.27%, 0.98% and 2.92% for the FTSE AIM, FTSE SmallCap (Ex IT) and FTSE 250 indices respectively. The IA UK All Companies sector fell 2.00%.

Year to date, the P class units are up 4.95%, compared with a fall of 1.94% for the FTSE AIM Index and increases of 13.79% and 6.50% for the FTSE SmallCap FTSE 250 indices respectively. Over the same time period, the IA UK All Companies sector is up 7.12%.

Biggest winner in the month was **1Spatial** (+28%), the geospatial software and solutions provider, which rose following a new customer contract in the US and an encouraging set of interim results that highlighted continued execution. 1Spatial has long been seeking to increase the percentage of software-derived recurring revenue within its business and recent contract wins bode well, which in turn should enhance the valuation multiple investors ascribe to the company. **Mortgage Advice Bureau** (+24%), the mortgage advisory company, rose on limited news flow, however it is likely investors were taking advantage of a weak share price despite the company issuing a robust set of interim results at the end of September. The company should also benefit from a potential increase in housing transactions now that budget uncertainty has alleviated. **Moonpig** (+22%), the online greeting card and gifting platform, rose following an announcement that the company would return excess capital to shareholders via a £25m buyback programme commencing in November 2024 and a dividend of £10m in FY25. The company expects leverage to continue to reduce and this capital allocation policy signifies management's confidence in the business moving forward.

**IQE** (-28%), the epitaxial wafer company, fell after the company announced the departure of its CEO with immediate effect. The CFO has been appointed interim CEO whilst a replacement is found and her priority will be to strengthen the company's balance sheet which could be achieved through the full or partial divestment of certain assets. The replacement value of IQE's assets underpin the strategic value in the company but execution has thus far been lacking. The newly installed Chairman can assist with this and we will continue to monitor the situation closely.

### Portfolio Activity

During the month, we increased our position in **Gamma Communications**, the communications and telephony business, as the company continues to generate solid returns and we believe the valuation does not give full credit to the overseas opportunities. Partial sales in the month included specialist media platform, **Future**, and the publisher and owner of price comparison website, **GoCompare.com**, after the CEO announced his departure.

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## Investment Outlook

October saw Rachel Reeves deliver her much anticipated inaugural budget as Chancellor of the Exchequer. As expected, it was laden with a swathe of tax changes aimed at increasing government revenue to bolster public services and the nation's infrastructure. UK borrowing costs rose in the wake of the announcement, but gilt yields behaved rationally, and sterling broadly treaded water, indicating market participants were not too perturbed with the policies for now. There are however muted concerns regarding the long-term impact of higher government debt on growth and inflation expectations. The Labour party has consistently stated they want to stimulate growth whilst establishing long term fiscal stability and this budget arguably goes some way towards balancing the books. Businesses and the City are now eagerly waiting to learn of the stimulatory growth policies being proposed, the details of which should be revealed at the Mansion House Speech on 14th November.

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## 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](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.

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