CASTLEFIELD FUNDS QUARTERLY

Q3 2024

In this report...

CASTLEFIELD

THE THOUGHTFUL INVESTOR

MARKET COMMENTARY

> Against a backdrop of ongoing conflicts in Ukraine, Israel-Gaza-Lebanon, Yemen and across the Red Sea in Sudan and Somalia, all of which added to market volatility, the attention of investors – rightly or wrongly – remained on inflation, interest rates and asset prices."

Against a backdrop of ongoing conflicts in Ukraine, Israel-Gaza-Lebanon, Yemen and across the Red Sea in Sudan and Somalia, all of which added to market volatility, the attention of investors – rightly or wrongly – remained on inflation, interest rates and asset prices.

After a solid first half of 2024 in terms of investment returns, the third quarter saw higher volatility across global equity markets, especially through August and September, prompted by the surprise rate hike from the Bank of Japan and the Yen "carry trade" fall out, together with disappointing US jobs data and increasing concerns about recession versus a soft landing for the American economy.

This was a period in which we saw convincing evidence of a turn in markets away from high interest rates and inflation and back in the direction of more normal levels. Central bankers might not yet all claim to have "won" the battle against inflation, but they certainly have the upper hand. By the end of the quarter, rate cuts were the norm across markets including the US, UK and Eurozone. Inflation no longer dominates monetary policy, and markets have moved on to worrying about the outlook for economic growth. The downside to raising interest rates to prevent economies, especially the US, from "running hot" has been a slowdown in economic growth, with many of the companies we own reporting a challenging period of trading likely to persist for the rest of 2024.

In Britain, for example, due to the rising population, GDP per person in 2024 is still 1% below what it was before the pandemic[1] and the UK is not alone in facing this challenge.

> Tackling stagnating living standards and low-to-no growth in GDP per head will be a key task for the new government."

Tackling stagnating living standards and low-to-no growth in GDP per head will be a key task for the new government, with the Labour Party now occupying No. 10 after fourteen years in opposition. It is still very early days for this new, inexperienced regime and, as an industry, we await Chancellor Rachel Reeves' first budget with some trepidation, given the challenges she has already highlighted.

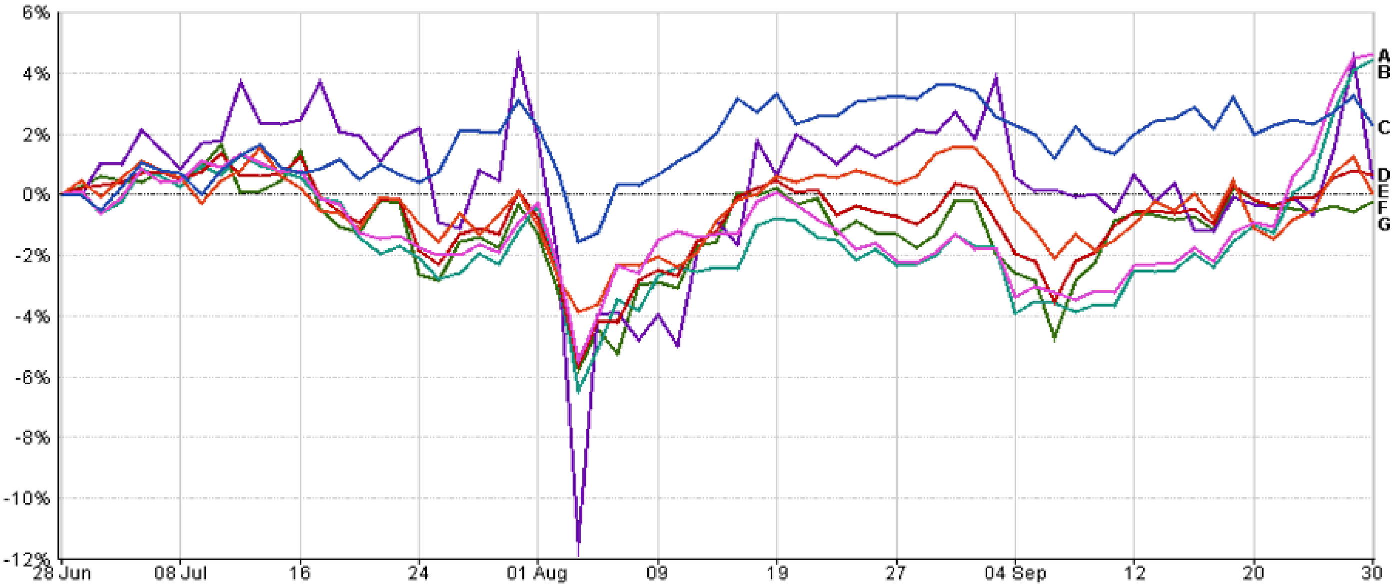
In August, the US Democrats finally saw sense and replaced Joe Biden as candidate for President with his current VP, Kamala Harris, a move which rejuvenated the party's campaign ahead of the November election.

In global equities in the first half of 2024, there was only one game in town - artificial intelligence or AI - and only one name to talk about, Nvidia. In the past few years, the company has gone from being just another semiconductor name to becoming a household name. The growing influence of companies like Nvidia, with high quality earnings and exposure to AI, helped US markets overcome the drag caused by high interest rates. During Q3, Nvidia reported growth in quarterly revenue of +122% year-on-year[2] and ahead of many forecasts. However, some investors were still disappointed that the company's forecasts for the next quarter were only just ahead of market expectations, prompting the share price to fall significantly. Oddly, for one of the biggest companies in the world, Nvidia's share price is quite volatile.

While noting that this quarter includes the traditional summer holiday period, Eurozone economies have been sluggish. Manufacturing activity across the continent declined at its fastest pace this year in September, while the German manufacturing sector also contracted at its fastest rate in a year[3]. Usually seen as

1. https://commonslibrary.parliament.uk/low-growth-the-economys-biggest-challenge/
2. https://nvidianews.nvidia.com/news/nvidia-announces-financial-results-for-second-quarter-fiscal-2025
3. https://www.reuters.com/markets/europe/european-shares-flat-key-inflation-data-focus-2024-10-01/

Index Returns



- A - Emerging Markets shares [4.62%]
- B - Asia Pacific excluding Japan shares [4.42%]
- C - UK All Companies shares [2.26%]
- D - Global shares [0.66%]
- E - Japan shares [0.53%]
- F - Europe excluding UK shares [-0.01%]
- G - United States of America shares [-0.21%]

28/06/2024 - 30/09/2024 Data from FE fundinfo2024

a manufacturing powerhouse, Germany has struggled with weaker demand as well as higher energy and labour costs, and there are concerns that German goods could be losing market share to products from Asia.

Anecdotal evidence from companies we speak to which operate in China points to a downturn there. Difficulties recovering from the stop-start period of heavy-handed Covid policy plus the partly politically motivated drop in demand for Chinese goods from Western companies have led to a cooling of the Chinese economy. In response to this problem, the instinctively anti-capitalist President Xi initiated a stimulus package to boost economic activity, using the People's Bank of China to announce a very large war chest designed to lower borrowing costs and boost the stock market by lending to asset managers, insurers and other investors to buy equities and for companies to repurchase their own shares.[4] This had a positive effect on Asian equity markets, ahead of the Golden Week holiday period.

> "The Japanese economy continues its slow awakening after a long sleep."

After a decade of Abenomics-inspired reforms and a pleasing improvement in corporate governance, the Japanese economy continues its slow awakening after a long sleep, with equity indices edging up after the Bank of Japan took the first step in a plan to normalise the economy gradually, by finally ending its longstanding policy of negative interest rates and putting rates up. One consequence of this was the unwinding of the so-called Yen "carry trade," which involves people borrowing Yen at low interest rates and investing the funds in higher-yielding assets such as US Treasuries, which contributed to some short-term market volatility. In this year of elections, Japan is holding a general election on October 27th.

So, what did all this mean for markets?

After a strong first half of 2024, the index of global shares edged ahead by 0.66% during quarter three, boosted by further strong contributions from Asia Pacific (up 4.42%) and Emerging Markets (up 4.62%). Here at home, we enjoyed a positive period, with the broadly-based index of all UK shares progressing by +2.26%.

The broad US index had a very strong second quarter but paused for breath in Q3, down 0.22%, while shares in the Eurozone were flat, with the European index (excluding UK shares) pausing for breath, down 0.01%. Japan, finally emerging from its decades-long hibernation, made further modest progress, ending the quarter up 0.53%.

4. https://www.bbc.co.uk/news/articles/cjd5xlv03jxo

STEWARDSHIP SNAPSHOT

Stewardship activity over the quarter:

JUL: Although not shareholders, we attended the **JD Sports** AGM and secured an agreement from the Chairman to meet with ShareAction, a Non-Governmental Organisation campaigning for retailers to adopt the Real Living Wage.

We invest in an external fund which holds an investment in **London Stock Exchange Group** (LSEG). With some encouragement from us, the managers of the fund joined an investor group, co-ordinated by ShareAction, to meet with LSEG and encourage the company to report on its ethnicity pay gap.

AUG: We met French power equipment maker, **Schneider Electric**, to provide recommendations on updating its sustainability strategy and targets which are due to be renewed next year.

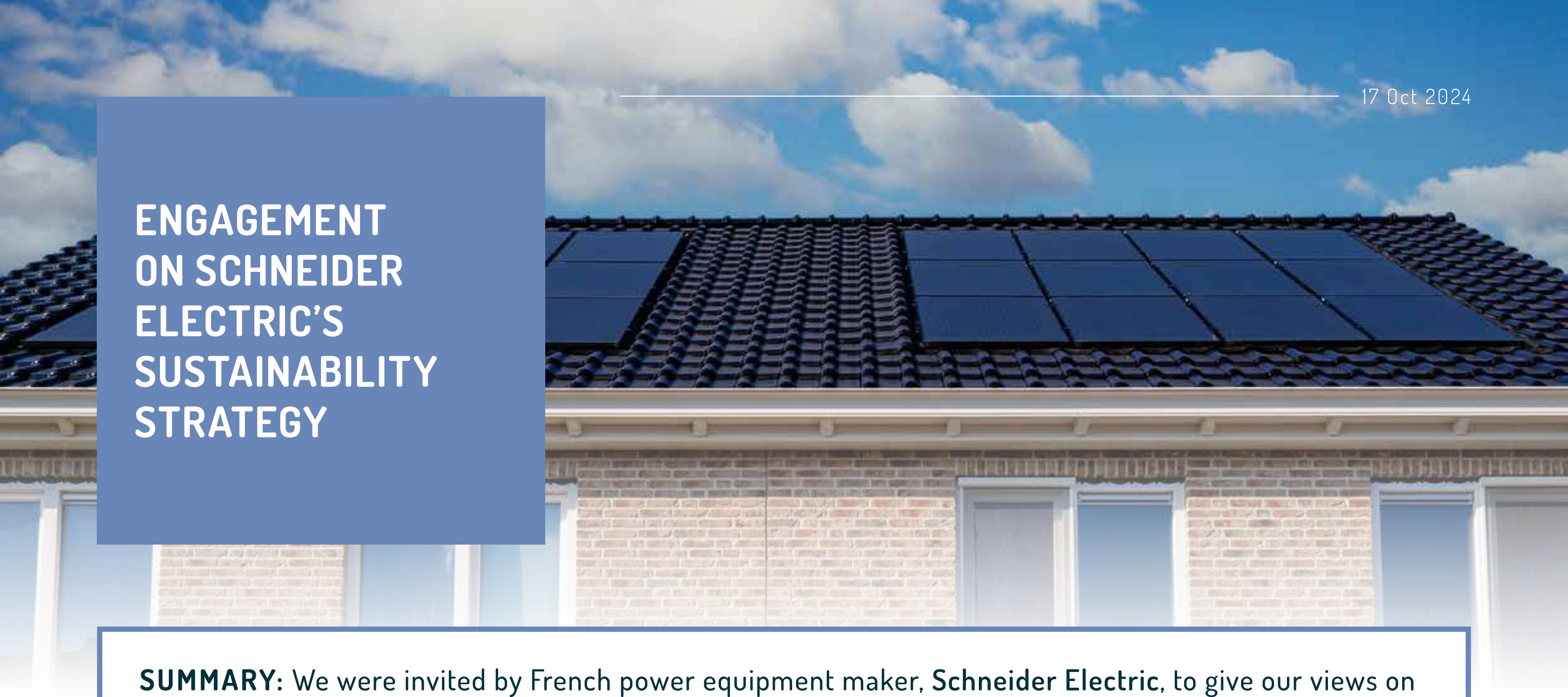
SEP: Our **external advisory committee** met in Manchester to scrutinise our funds' holdings, hear about recent engagement on climate and understand what employee ownership means at Castlefield.

Carbon Disclosure Project (CDP)

As supporters of the CDP, we've been encouraging companies to report on their environmental footprint. CDP has extended its target list to include smaller listed companies this year, and with our UK Smaller Companies Fund, we've been well-placed to encourage our holdings to get involved.

Workforce Disclosure Initiative (WDI)

As long-standing coalition members of the WDI, we contacted several holdings again this year to encourage improved disclosure of workforce data. We've been successful in getting four companies to report this time, including one first-time reporter.



17 Oct 2024

ENGAGEMENT ON SCHNEIDER ELECTRIC'S SUSTAINABILITY STRATEGY

SUMMARY: We were invited by French power equipment maker, **Schneider Electric**, to give our views on how the company can update their sustainability strategy and targets which are due to be renewed next year. We also talked to the company about its work on reducing its supply chain emissions.

Schneider Electric, a French firm held in our European Fund, provides products and solutions in the areas of electrification, automation and digitisation. The company has an extensive sustainability strategy in place and has a good track record on incorporating sustainability into its products and services. For example, it has recently acquired EcoAct, a sustainability consultancy with 1,000 consultants employed globally.

31%[1] of Schneider Electric's revenue meets the stringent EU Taxonomy standards, a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050. The company also has its own system for tracking products that have sustainability credentials. It has named this Schneider Sustainability Impact (SSI). Currently, 74% of revenue comes from products aligned to the SSI standard and the company has an ambition to increase that to 80% by 2025[2]. All of this illustrates the extent to which environmental considerations are embedded into the company and the end markets that it serves.

1. Pg 220, Schneider Sustainability Report 2023
2. Pg 3, Schneider Sustainability Impact Q2 2024 Report

In our conversation with Schneider we acknowledged the good work that the company has undertaken to date and also congratulated them for being an early adopter of the Science Based Target Initiative (SBTi) Corporate Net Zero Standard. This means that the company's planned pathway to net zero has been accredited by an independent body, the SBTi. The company talked about the most challenging area of carbon reduction – its supply chain emissions, and its plan to engage 1,000 of its top suppliers and help them reduce their emissions by 50%.

In terms of our recommendations for the future development of their sustainability strategy, we suggested that they focus on the idea of the circular economy, i.e. where products are not disposed of at the end of their useful life, but instead are repaired or repurposed. 22% of Schneider's 'product families' have a circular option available[3] and we think there's opportunity to go further still. We suggested that they set a target for increasing this further. They took the comment onboard and talked about their programme to embed 'eco-design' into their research and development processes so that circularity can be considered at the outset. All in all, this was a positive meeting, with a company that is already a leader in sustainable business and that is open to hearing from investors and other stakeholders on setting ambitious targets for the future.

Written by
Ita McMahon

3. Pg 8, Natural Resources Report 2023

GOOD WORK COALITION

Engaging with London Stock Exchange Group (LSEG) on Ethnicity Pay Gap Reporting

SUMMARY: We joined a coalition of investors working to improve corporate reporting on ethnicity pay gaps. We encouraged a third party fund that we invest in to join a specific call with the London Stock Exchange Group.

Good Work Coalition's ethnicity pay gap reporting campaign has recently focused on two areas: financial services and the food sector. Financial services companies play a pivotal role in influencing business practices across other sectors due to their dual role in the economy as corporate entities and through capital allocation.[1]

London Stock Exchange Group (LSEG) is one of the companies that the Coalition has been engaging with on this topic. Castlefield does not directly invest in LSEG, but our portfolio funds invest in a third party fund that has a holding in LSEG. We contacted this external fund manager to make them aware of this engagement and encouraged them to get involved. They agreed and joined in the company engagement call, along with Castlefield and other investors from the Good Work Coalition. The aim of the online meeting was to encourage LSEG to improve its ethnicity pay gap reporting.

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LSEG began reporting its ethnicity pay gap in December 2022, following ShareAction engagement in April 2022. The objective of this engagement was to understand why it uses a different methodology to its peers, thereby making direct comparisons between companies more difficult. LSEG was able to explain that its chosen methodology is used by some large US companies and also consultants with whom it is working.

We also highlighted the importance of reporting its ethnicity representation in each pay quartile, as well as disclosing the mean and median bonus pay gap. The company explained that a key challenge in providing granular pay gap data, for example disaggregating UK data by ethnicity, is the smaller number of employees in each category. LSEG is focused on balancing the desire to improve transparency, whilst also retaining and building trust with staff.

> LSEG is focused on balancing the desire to improve transparency, whilst also retaining and building trust with staff."

Earlier this year, the UK government claimed it would require large companies to publish ethnicity pay gap reports. Gender pay gap reporting has been mandatory for companies with over 250 employees since 2017 and we urge the government to take the same stance on ethnicity. In the meantime, we will continue to support the Good Work Coalition in a collaborative drive on this important topic.

Written by
Eleanor Walley

1. https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/Ethnicity-pay-gap-toolkit_2023-07-19-131921_pmyy.pdf?dm=1716973066

COLLABORATIVE ENGAGEMENT UPDATE

SUMMARY: Collaborative engagement remains a central component of our stewardship programme. By joining forces with other investors we can amplify our calls to make progress on social and environmental issues. Here, we give an update on our work on the Carbon Disclosure Project (CDP) and the Workforce Disclosure Initiative (WDI).

CDP: For the fourth year running, Castlefield is participating in CDP's non-disclosure campaign, which seeks to encourage companies to disclose their climate, water and forestry risks by completing their questionnaires that are aligned with the Task Force on Climate-related Financial Disclosure. The 2024 iteration is aligned with the ISSB (International Sustainability Standards Board) climate standard and is now fully integrated, with every company required to complete a climate change segment alongside sections on biodiversity and plastics. Water security and forestry sections are shown if the company meets the materiality assessment. This new approach attempts to reduce the duplication of any answers and encourages a more holistic approach to environmental management.

In 2024, we approached five names across the fund range, three on the topic of climate change and the other two on water. All of the names we approached were UK-listed but notably included companies of varying size as measured by market capitalisation. Historically this has not been the case, but the recent expansion of CDP's campaign to include companies listed on the Alternative Investment Market has increased the pool of names we can approach within our fund range. To help these smaller companies disclose their data (for what might be the first time in many cases), CDP has created a slimmed down version of its questionnaire and offers additional support.

We have spoken directly with senior management at a number of companies already to encourage their participation in the campaign, although the final results will not be available until later in the year as the disclosure window currently remains open. We are encouraged by the conversations we have had so far, especially amongst some of the smaller names, where we believe we can have a significant influence.

WDI: Castlefield has actively supported WDI since 2018, recognising the need for standardised and comparable data on workforce issues such as health and safety, diversity and inclusion, human rights, employee wellbeing and many more. As the 2024 disclosure window concludes, we're pleased to see that four of the companies we approached this year have now completed the survey, one of which is a first-time responder.

Written by Barney Timson and Eleanor Walley

ADVISORY COMMITTEE: UPDATE FROM SEPT 2024 MEETING

SUMMARY: Our advisory committee is made up of clients and experts in responsible business. They meet twice a year to act as a sounding board for our investment team. We ask them to review our funds' holdings, update them on fund changes and ask for their opinions on emerging social and environmental topics that should be on our radar.

The committee met in September and started the meeting by welcoming a new member to the Committee, Mike Hart from the United Reformed Church, North West Synod.

First, the committee received an update on new holdings to the fund range as well as recent divestments. This included the introduction of cyber security firm, NCC, to our Smaller Companies Fund and AstraZeneca to the UK Opportunities Fund.

The Committee then discussed the use of estimated data in our fund-level social and environmental reporting. It's a topical issue because investors like us want to publish more data on, for example, the carbon footprint of our funds but have reservations about the extent to which estimated data is used at present. We talked to our advisory committee about this earlier in the year and they provided some useful recommendations which we were able to give an update on. These included working with our data providers to understand their own data scrutiny processes in more detail and the extent of any third party verification on estimated data.

In terms of environmental topics, the Committee members gave their views on how we can amend our voting escalation process next year. We want to maximise our leverage as investors to vote against directors at companies that facilitate the expansion of fossil fuel extraction. The committee also discussed the difficult issue of investment and conflict zones and we were able to talk to them about some new resources that can help investors navigate this issue.

Finally, we gave the members a short briefing on our status as an employee-owned company, outlining the benefits that brings to our clients and our colleagues. We sought the Committee's opinions on how we can better convey this to our client base. We were pleased that the committee could see the value in talking to clients about how we manage our business as well as how we manage our funds.

Castlefield External Advisory Committee

Lisa Stonestreet (Chairperson)
Head of Communications & Charity Impact
EIRIS Foundation

Ilma Nur Chowdhury
Senior Lecturer/Associate Professor in Marketing
Alliance Manchester Business School

Juliana Burden
Head of Ethical Research
Ethical Screening

Gilbert Stephenson
Trustee of the Evangelical Fellowship of Congregational Churches

Mike Hart
Transformation Director
United Reform Church, North West Synod

Written by
Ita McMahon

ATTENDING THE JD SPORTS AGM

SUMMARY: Although not shareholders, we attended the **JD Sports** Annual General Meeting (AGM) and secured an agreement from the Chairman to meet with ShareAction, an NGO campaigning for retailers to adopt the Real Living Wage.

We're longstanding supporters of ShareAction, an Non-Governmental Organisation (NGO) that works with investors to bring about positive social and environmental change at listed companies.

For many years, ShareAction has worked with investors to attend company AGMs. Listed companies are required to hold an AGM and these meetings are open to shareholders. AGMs are a great way of putting questions directly to management teams in a public forum. As shareholders, we'd usually opt for having a private meeting over a public debate but ShareAction hadn't been able to establish a private dialogue with JD Sports and asked us if we'd be able to attend the company's AGM, given our proximity to the meeting's venue in Manchester.

> Although we're not investors in JD Sports, we wanted to be supportive of ShareAction's work and agreed to attend on their behalf."

Although we're not investors in JD Sports, we wanted to be supportive of ShareAction's work and agreed to attend on their behalf. This year, ShareAction has been targeting the AGMs of supermarkets and high street retailers to ask for commitments to pay the Real Living Wage.

At the JD Sports AGM we were able to read out a prepared statement on the increased costs of price of essential goods, the impact on low paid employees and the importance of paying the Real Living Wage. Next, we asked the company to commit to paying the Real Living Wage and also to agree to meeting ShareAction and the Good Work Coalition which ShareAction co-ordinates.

We were pleased that the Chairperson agreed to meet with ShareAction and provided an email address for future correspondence. He noted that the company does not like to sign up to external commitments that relinquish company control, and this is a common objection that companies make when asked to become a Real Living Wage employer.

> The Chairperson was keen to point out that the company has spent £70m on improving pay this year, with £30m being spent on removing the age bracket pay ranges and adopting the national living wage across the workforce."

The Chairperson was keen to point out that the company has spent £70m on improving pay this year, with £30m being spent on removing the age bracket pay ranges and adopting the national living wage across the workforce. This included £40m spent on increasing pay through initiatives such as increasing the ratio of guaranteed payments within pay packages compared with bonuses. He noted that staff have received a 7.1% in salary across the workforce, with more significant increases in place for front line staff. The Chairman went onto say that work has also been undertaken to enhance maternity pay.

This is all very welcome news. ShareAction has updated us to say that they will be contacting the company in October with the aim of securing a meeting. Let's hope that JD Sports upholds its promise.

Written by
Ita McMahon

VOTING ACTIVITY:
Q3 2024

As investors, we believe that we have a responsibility to our clients, as well as the companies that we hold, to vote on issues such as executive pay, director nominations and political donations. We aim to vote on all the stocks held in the funds we manage. We consider each resolution carefully and often engage with companies where we disagree with their stance. We have an in-house set of voting guidelines that we update annually. The guidelines ensure that we vote consistently across all our fund holdings; they are made publicly available on our website, as is our full voting history.

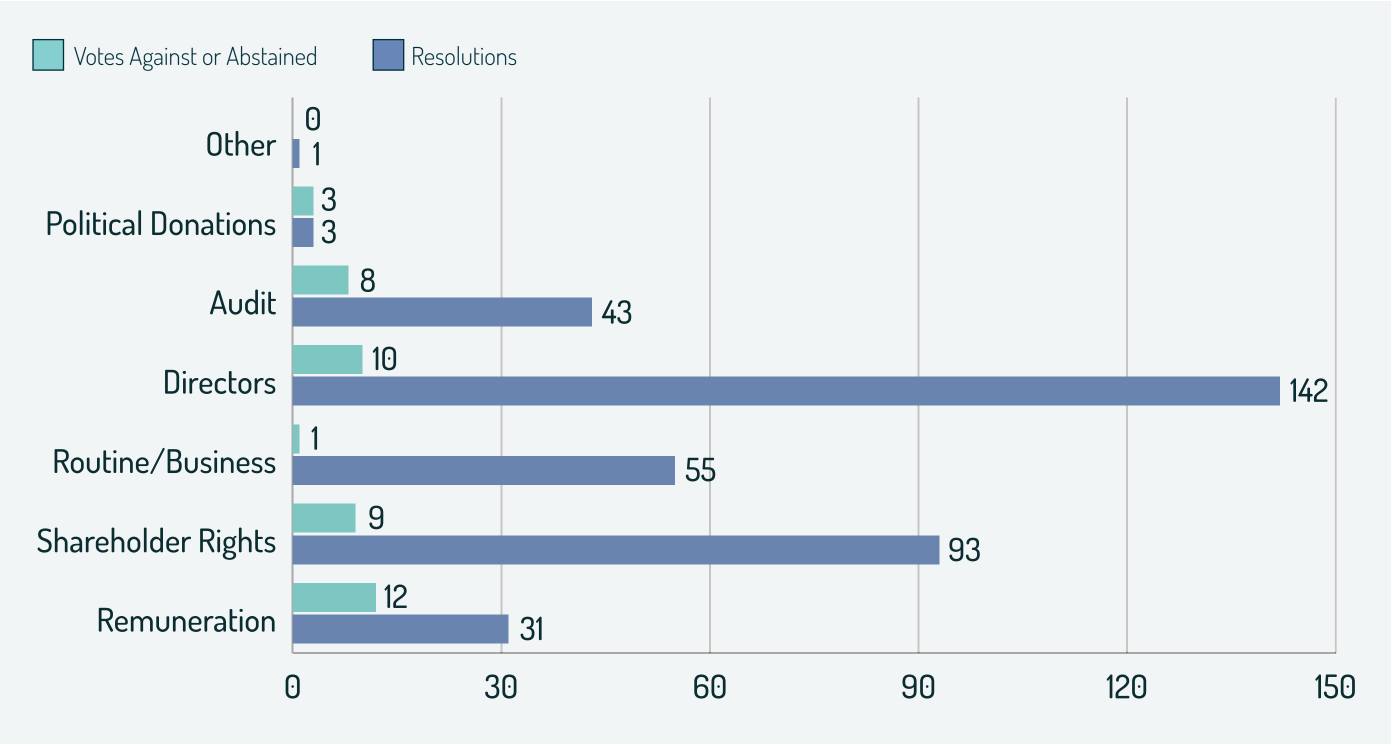
RESOLUTIONS

Number of resolutions where votes were cast For	325	88.3%
Number of resolutions where votes were cast Against	41	11.1%
Number of resolutions where votes were Abstained	2	0.5%

During the quarter, we voted at 32 meetings hosted by our investee companies, with a total of 368 resolutions.

1.	**REMUNERATION:**	We vote against excessive pay awards and awards that are not attached to sufficiently stretching performance targets. Particularly in light of the impact of coronavirus, we believe it is important that executive pay is reflective of the experiences and outcomes of all stakeholders.
2.	**DIRECTOR INDEPENDENCE & EFFECTIVENESS:**	Non-Executive Directors (NEDs) who sit on the boards of listed companies should be independent in order to be effective. The UK Corporate Governance Code sets limits on tenure which we apply across all geographies as a factor to determine independence. We have also long taken the view that directors should not hold a lot of other external positions. This is because, at a time of crisis, we expect directors to have enough additional time to dedicate to the company and the issues that it is facing.
3.	**SHAREHOLDER RIGHTS:**	This topic includes votes on issues such as share placings that a company might undertake to raise capital, as well as requests a company might make to repurchase its own shares. These requests have the potential to be detrimental to existing shareholders. One topic which falls under this heading, which we will always vote against, is the request to hold meetings with just 14 days' notice, as we do not believe this is sufficient time for shareholders to prepare to exercise their voting rights.
4.	**POLITICAL DONATIONS:**	We do not think it is appropriate for companies to make political donations and consequently will always vote against a resolution seeking permission to do so.
5.	**THE AUDIT PROCESS:**	Auditor independence may be compromised if the auditor has been in place for a long time and no tendering process has been undertaken, or if fees paid are for services other than their primary audit function.
6.	**ROUTINE/BUSINESS:**	Items in this category include resolutions that are often uncontentious, such as accepting a company's Financial Report & Accounts for the previous year. It also includes resolutions to approve dividends.
7.	**OTHER:**	This category may include certain resolutions proposed by shareholders and votes on topics such as Environmental, Social or Governance (ESG) issues and reporting.

Resolutions during the quarter by category and how frequently we voted against or abstained:



PORTFOLIO FUNDS: HOLDINGS IN THE SPOTLIGHT...

Tritax Big Box REIT PLC

Tritax Big Box is a specialist, UK-focused Real Estate Investment Trust (REIT) focused on – unsurprisingly – big box industrial and logistics properties. The trust owns, manages, and develops critical UK logistics properties, with a focus on sustainable buildings and the social value that they can create.

The trust's £6.4bn portfolio, consisting of 78 individual industrial and logistics assets, yields a healthy and growing £293m rent roll derived from a diverse range of high-quality tenants, such as Amazon, Next, Rolls Royce, Unilever and DPD, amongst others.

Tritax has a strong track record of portfolio investment to drive growth in Estimated Rental Value (ERV) by delivering high value-add improvements, such as solar PV installations and improvements in cladding and insulation.

In addition to the main portfolio, Tritax also holds a portfolio of strategic land assets to support further development of the portfolio. Additionally, the trust's Development Management Agreements (DMA) segment offers turnkey development solutions to owner-occupiers, a recent example of which would be the group's 371,000sqft development for Siemens Healthineers. DMA offers the group a capital-efficient way to drive further value to unit holders, without the need for dilutive equity raises to support further portfolio expansion.

While real estate has been a tough part of the market for the past two years as rising interest rates have pushed down capital values, the logistics and industrial segments have fared far better. With rates rolling over, we see a number of signs that the valuation environment for assets like Tritax is becoming much more favourable.

Tritax Big Box REIT PLC is held in the Castlefield Sustainable Portfolio Growth fund, as well as the Castlefield Real Return fund.

AstraZeneca PLC

AstraZeneca is a global healthcare business with a world-leading position across three therapeutic areas; Oncology, BioPharmaceuticals, and Rare Diseases.

AstraZeneca today is the product of the 1999 merger of Astra AB – Sweden's then largest pharmaceutical group – with Zeneca Group PLC, itself a spinout of Imperial Chemical Industries (ICI)'s pharmaceuticals division. Over the years, AstraZeneca has expanded its portfolio and global reach, driven by a mission to deliver innovative medicines that address unmet medical needs.

The Group's $45bn of global revenue places it firmly within the top 10 of global pharmaceutical companies, with AstraZeneca's Oncology platform representing its single biggest therapy area, with $17.15bn of revenue across relevant product lines. Within oncology, AstraZeneca's Non-Small-Cell Lung Cancer (NSCLC) treatment, Tagrisso, was its single largest individual product revenue line, delivering almost $6bn in sales. Other key treatments include Imfinzi, also designed to treat NSCLC, alongside certain bladder cancers, and Farxiga, part of the group's Cardiovascular, Renal & Metabolism platform, to treat Type 2 Diabetes, Heart Failure, and Chronic Kidney Disease.

Last year AstraZeneca spent over $10bn supporting its future pipeline, with over 180 active projects focused on delivering powerful, real-world outcomes.

AstraZeneca PLC is a new holding in the Castlefield Sustainable UK Opportunities fund.

EssilorLuxottica S.A.

EssilorLuxottica is a global leader in the eyewear industry, formed in 2018 through the merger of two major players: Essilor, a pioneer in optical lenses, and Luxottica, the world's largest manufacturer and retailer of eyewear. This partnership combined extensive expertise in lens technology with robust retail capabilities, establishing a comprehensive ecosystem that encompasses everything from design and production to distribution and retail.

The company has over 190,000 employees and operates in more than 150 countries, boasting an impressive presence with over 17,000 retail stores globally. In 2023, EssilorLuxottica reported revenues of approximately €25 billion.

A central tenet of EssilorLuxottica's mission is to improve vision care and health outcomes worldwide. The company is committed to addressing the global vision care crisis, which affects over 2.7 billion people. Through initiatives like "Vision Ambassador" programs and partnerships with NGOs, EssilorLuxottica aims to enhance access to eyewear, particularly in underserved communities. Their products are designed not only for style but also for functionality, promoting eye health with innovations like blue light filters and UV protection.

EssilorLuxottica recently announced a partnership with Meta, focused on shaping the future of the smart eyewear category. The latest generation of Ray-Ban Meta glasses, introduced by EssilorLuxottica and Meta in late 2023, have advanced technology built seamlessly into Ray-Ban's iconic frames. They give consumers superpowers, including the ability to make phone calls, capture and share photos and videos, listen to music, and livestream content.

EssilorLuxottica SA is a new holding in the Castlefield Sustainable European fund.

Learning Technologies Group PLC

Learning Technologies Group PLC (LTG) is a leading global provider of digital learning and talent management solutions, dedicated to enhancing organisational performance through innovative technologies. Established in 2013, LTG has rapidly positioned itself as a key player in the learning and development sector, driven by strategic acquisitions and a commitment to delivering high-quality learning experiences.

LTG's journey began with Epic Group, which set the stage for its growth in the e-learning market. Over the years, LTG has expanded its portfolio significantly by acquiring a range of companies, including Rustici Software, Elucidat, and Guroo. These acquisitions have allowed LTG to offer a comprehensive suite of services, from content creation and learning management systems to analytics and performance tracking, enabling organisations to meet their specific training and development needs.

Today, LTG operates in over 30 locations and serves a diverse clientele that includes major corporations, public sector organisations, and educational institutions. With a workforce of more than 5,000 employees, LTG has positioned itself as a trusted partner in digital learning. In May 2018, LTG completed the acquisition of PeopleFluent, a leading US independent provider of cloud-based integrated recruiting, talent management, and compensation management solutions, for a cash consideration of $150 million. Over two-thirds of LTG's revenue now comes from recurring software licences in its Software & Platforms division.

Joining a string of similar stories, in late September LTG was approached by private equity with a £792m takeover bid, representing a c. 33% premium to the group's undisturbed share price.

Learning Technology Group PLC is held in the Castlefield Sustainable UK Opportunities fund.

SPOTLIGHT ON THE PORTFOLIO FUNDS – OUTLOOK

CFP Castlefield Sustainable Portfolio Growth Fund

The third quarter saw a continuation of positive returns from most major asset classes, including the growth-orientated assets that make up the majority of the fund's portfolio. The stylistic and investment-specific headwinds the fund encountered in the first quarter of the year abated and began to turn, reflected by a modest uptick in relative performance. The portfolio is well-positioned to benefit from normalising interest rates and a 'broadening out' of equity market returns.

The major political event on our immediate horizon – the US Election – continues to look too finely balanced to call. While the outcome remains uncertain, the respective policy platforms are becoming clearer.

Former President Trump – unsurprisingly – favours the costly extension of his 2017 Tax Cuts and Jobs Act, which academics at the University of Pennsylvania's Wharton Business School estimate would cost a cool $4tn over the next decade; an enormous absolute number, though important to position in its proper context – within the Federal Budget of the world's largest economy. Importantly, this isn't expected to be set against a large package of spending cuts, leaving the US fiscal deficit continuing its ascent. Markets would undoubtedly welcome the tax relief, though for how much longer they would be willing to turn a blind eye to the US's large and growing pile of debt remains to be seen.

On the other side of the aisle, Vice President Kamala Harris favours more aggregate spending restraint, though this will largely be achieved by higher taxes. While the exact shape of Harris' tax policy isn't certain, a higher level of capital gains tax (CGT) has been trailed as one likely source of additional Federal revenue. Corporate tax rates, however, remain the market's chief concern, with any material increases here destined to hit corporate earnings, with the market impact a further multiple thereof.

While tax and spend policies differ, both candidates take a similar approach to US economic nationalism – with a clear focus on tariffs and protectionism. Pre-electoral rhetoric – which ought to be taken with the appropriate pinch of salt – suggests sizable implications for labour markets, trade, and inflation.

Meanwhile, of disproportionate relevance to those of us residing in the UK, we await the new chancellor's October 30th budget. Again, we see little value in overly indexing the portfolio to a single policy outcome, not least because there's very little certainty – save perhaps an increase in CGT –over what they may be. The chancellor finds herself stuck between the rock of her campaign commitments to 'not raise taxes on working people', namely Income Tax, VAT and National Insurance, and the hard place of an avowedly pro-growth policy stance. Outside of CGT, we wouldn't be surprised to see some tinkering with inheritance tax, perhaps with some pension reform in her sights. We also wouldn't discount the possibility of further spending cuts to bolster the UK Government's ability to stimulate investment.

Moving from politics to geopolitics, we're saddened to see a continued escalation of the conflict in the Middle East, coupled with no sign of cessation of the conflict still raging in Ukraine. Taking a clinical, economic view of the situation, the global dependence on the key commodity markets involved has lessened over recent decades, with any international spillover likely to be contained to a modest and manageable upward impulse to inflation.

CFP Castlefield Sustainable Portfolio Income Fund

For several quarters now we've spoken about the power of natural income – now that we're once again receiving some – to drive portfolio returns. 2024 has thus far been a strong year for portfolios with lower levels of equity risk, with fixed income delivering a healthy stream of income returns. This comes alongside some modest capital appreciation as interest rates continue to normalise. Whilst that normalisation has begun, there is clearly much more to do in that area. Absolute yields still look relatively attractive – particularly to recent history – and some recently unpopular assets, such as property and infrastructure, are still offering compelling forward-looking returns.

Global monetary policy (and expectations thereof) will continue to be the key determinants of returns for the lower-risk and diversifying parts of your portfolio. While expectations in sovereign bond markets have accounted for the anticipated path back toward normal, some assets are still waiting to see it in order for it to be believed. The strength that we saw in rate-sensitive assets in Q4 of last year still hasn't been repeated, despite a greater conviction around the path that we're following. In fact, last quarter saw us take our first steps along that path, with a 0.25% and 0.50% cut to policy rates by the Bank of England and the US Federal Reserve respectively.

The portfolio continues to be well positioned to deliver compelling total returns, supported by generous levels of income from many different parts of the portfolio. Inflationary increases in distributions amongst many of the portfolio's renewable energy assets, combined with a high absolute yield from the portfolio's fixed income assets, have set the fund up to deliver the majority of our target returns from income alone. Capital growth will remain the cherry on top.

Last quarter we closed with the idea that 'there's a real risk that by doing too little today, a whole lot more may be needed tomorrow'. A few recent economic wobbles have seen this view cemented in the eyes of policy makers.

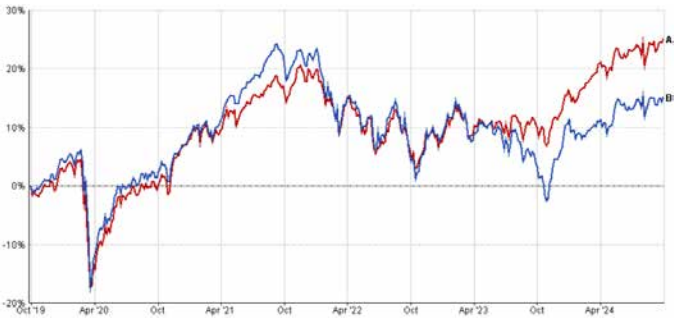
FUND COMMENTARY

CFP Castlefield Sustainable Portfolio Growth Fund

Key Information

Fund Size:	£74.53m
Investment Association Sector	Mixed Investment 40-85% shares
Launch Date:	1st February 2018
Managers:	Callum Wells
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)



■ A - IA Mixed Investment 40-85% Shares [25.16%]
■ B - CFP Castlefield Sustainable Portfolio Growth G Income [15.18%]

Source: 30/09/2019 - 30/09/2024. Data from FE fundinfo 2024

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	0.06	1.99	3.69	11.59	-4.63	15.18
Sector	0.54	1.64	3.34	13.85	7.52	25.16

Discrete Performance (%)

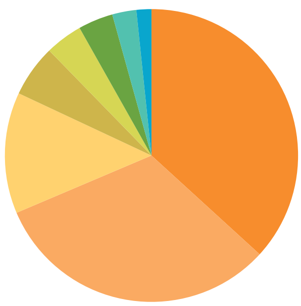
	2024 YTD	2023	2022	2021	2020	2019
Fund	3.45	2.85	-12.14	13.63	3.91	17.86
Sector	7.65	8.08	-10.04	10.94	5.32	15.78

Source: FE fundinfo

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

■ Global Equity, 36.79%
■ UK Equity, 31.81%
■ Fixed Income, 13.38%
■ Alternative, 5.74%
■ Real Estate Investment, 4.12%
■ Renewable Energy, 3.85%
■ Infrastructure, 2.66%
■ Cash, 1.65%



Top 10 Holdings

	Top 10 Holdings	%
1	SARASIN RESPONSIBLE GLOBAL EQUITY FUND	13.83
2	CASTLEFIELD SUSTAINABLE UK OPPORTUNITIES FUND	13.81
3	CASTLEFIELD SUSTAINABLE UK SMALLER COM FUND	11.40
4	FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	9.18
5	CASTLEFIELD SUSTAINABLE EUROPEAN FUND	7.51
6	LIONTRUST SUSTAINABLE FUTURE ICVC UK ETHIC FUND	6.60
7	LIONTRUST SUSTAINABLE FUTURE ICVC LION TRUST FUT GLB GROWTH	6.27
8	RATHBONE ETHICAL BOND FUND	4.99
9	ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	4.98
10	CASTLEFIELD REAL RETURN FUND	4.78

Fund Commentary

Performance across the third quarter was robust, delivering positive, low-single-digit absolute returns, slightly ahead of peers. Performance was broad-based, with all major asset classes contributing positively. The CFP Castlefield Sustainable Portfolio Growth Fund returned +1.99% (General share class) in the third quarter of 2024, versus +1.66% for its peer group. The CFP Castlefield Sustainable Portfolio Growth Fund predominately owns assets focused on delivering capital growth, however, it also owns a number of income-generating assets. These assets are covered in greater detail in our overview of the Portfolio Income Fund.

UK equities continued their strong run relative to global peers, largely helped along by meaningful Sterling appreciation for a second consecutive quarter. A fairly typical performance outturn masks the mild volatility we saw throughout the quarter. Two small and short-lived bouts of pessimism took hold in both early August and early September, with equity markets losing mid- to high-single-digit percentages at worst. Market concerns about sticky inflation, delays to interest rate normalisation, and risks to labour markets catalysed nervous investors to 'lock in' what had been a very handsome period of returns in equities thus far in 2024. Markets came particularly unstuck when the July US Non-Farm Payrolls data showed materially fewer jobs created than economists had hoped for.

Perceived risks evaporated as the quarter closed and the process of interest rate normalisation began in earnest. We saw an early 0.25% cut by the Bank of England, followed by an outsized 0.50% cut by the US Federal Reserve. While falling interest rates is welcome news for equity investors, the impact was felt more strongly in the portfolio's income-generating assets.

Lastly, shifting focus to emerging markets, the quarter ended with the announcement of a package of economic interventions by the Chinese state to stimulate the domestic economy. Although intervention was expected, the quantum of the stimulus took markets by surprise. Authorities revealed a range of stimulus measures, including interest-rate cuts, relaxed capital requirements for banks, and liquidity support for stocks. The combined stimulus saw Chinese stocks deliver an impressive +17.87% local currency return over the quarter, with more than +20% coming from the last 6 working days of the quarter.

There were no substantive changes to the portfolio this quarter, rather a number of gradual shifts as market conditions permitted. The combination of domestic UK equity outperformance and a strong Pound presented opportunities to move the portfolio gradually more toward a global allocation. Unitholders can expect a further flow of capital to the portfolio's international exposure as market conditions permit.

Source: Castlefield, Factset

FUND COMMENTARY

CFP Castlefield Sustainable Portfolio Income Fund

Key Information

Fund Size:	£12.88m
Investment Association Sector	Mixed Investment 20-60% shares
Launch Date:	6th July 2020
Managers:	Callum Wells
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)

A - IA Mixed Investment 20-60% Shares TR in GB [17.71%]
B - CFP Castlefield Sustainable Portfolio Income G Income [8.68%]

Source:06/07/2020 - 30/09/2024. Data from FE fundinfo 2024

	1 Mth	3Mths	6 Mths	1 Yr	3 Yrs	Since Launch
Fund	0.34	2.87	4.27	10.35	-3.19	8.68
Sector	0.62	2.28	3.44	12.01	4.36	17.71

Discrete Performance (%)

	2024 YTD	2023	2022	2021	2020	2019
Fund	2.77	2.53	-9.38	8.71	-	-
Sector	6.01	6.81	-9.47	7.20	-	-

Source: FE fundinfo

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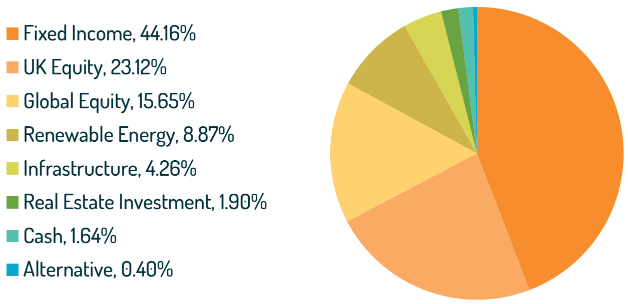
Sector Allocation



Top 10 Holdings

	Top 10 Holdings	%
1	CASTLEFIELD SUSTAINABLE UK OPPORTUNITIES FUND	18.18
2	RATHBONE ETHICAL BOND FUND INSTITUTIONAL INC	13.57
3	ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	13.54
4	EDENTREE RESPONSIBLE AND SUSTAINABLE STERLING BOND FUND	9.10
5	SARASIN RESPONSIBLE GLOBAL EQUITY FUND	5.20
6	FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	4.06
7	CASTLEFIELD SUSTAINABLE EUROPEAN FUND	3.93
8	CASTLEFIELD SUSTAINABLE UK SMALLER COM FUND	2.82
9	LIONTRUST SUSTAINABLE FUTURE ICVC LION TRUST FUT GLB GROWTH	2.46
10	GREENCOAT UK WIND PLC	2.39

Fund Commentary

For a second successive quarter, third-quarter 2024 returns were relatively attractive for lower-risk and income-orientated strategies such as those the fund owns. The CFP Castlefield Sustainable Portfolio Income Fund returned +2.87% in the third quarter of 2024, versus +2.31% for its peer group. Strong performance in the portfolio's core income-generating assets delivered the bulk of absolute and relative performance. The Portfolio Income Fund predominately owns stable, income-generating assets, but it also owns a number of more growth-oriented investments. These assets are covered in greater detail in our overview of the Portfolio Growth Fund.

The third-quarter of 2024 saw something of a transformation in market narratives, with central bankers all but declaring victory over excess inflation. After a prolonged period of holding rates at what central banks consider 'restrictive' levels, the quarter saw cuts from both the Bank of England and the US Federal Reserve, of 0.25% and 0.50%, respectively. Market preoccupations shifted accordingly, with the major focus now placed on what – if any – lasting damage has been done to the broader economy in the fight against inflation. Globally, the US appears to be in the enviable position of having largely eradicated its inflation problem without any meaningful consequences to jobs and growth. The situation in the UK and Europe is less clear, with the former still struggling to bring inflation sustainably to target, and the latter struggling to deliver meaningful growth.

Fixed income is the natural beneficiary of falling rates, with stronger performance seen from those assets with pure interest rate sensitivity, such as sovereign debt, when compared to bonds with an element of company risk, such as corporate credit. UK fixed income also underperformed international peers, with concerns resurfacing that the fight against inflation is not yet finished in the UK, and that the path to interest rate normalisation will be longer and shallower than that of other developed market countries.

The portfolio's large allocation to infrastructure assets was the stand-out beneficiary of declining interest rates. The nature of these types of assets – that is, of extremely long duration, quasi-fixed cash flows – is such that they are disproportionately impacted by interest rates. The portfolio's spread of infrastructure assets saw returns ranging from low- to mid-single-digits, all the way through to the high teens. While performance was relatively strong over the quarter, the forward-looking returns still look compelling for this portion of the portfolio.

There were no substantive changes in portfolio allocations over the quarter.

Source: Castlefield, Factset

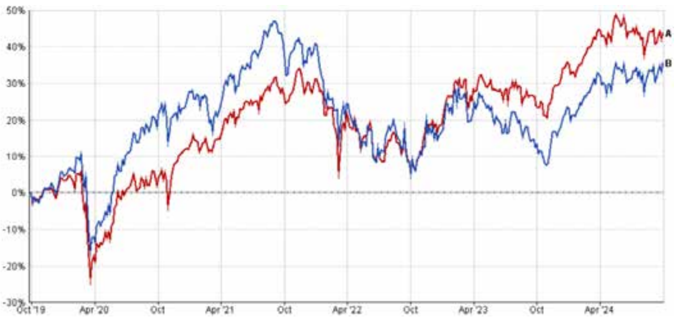
FUND COMMENTARY

CFP Castlefield Sustainable European Fund

Key Information

Fund Size:	£23.31m
Investment Association Sector	Europe (ex-UK)
Launch Date:	1st November 2017
Manager:	James Buckley
Number of Holdings:	30 - 50
Payment Dates:	Semi-annual

Cumulative Performance (%)



A - IA Europe Excluding UK [43.91%]
B - CFP Castlefield Sustainable European G Income [35.87%]

Source: 30/09/2019 - 30/09/2024. Data from FE fundinfo 2024

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	1.04	3.86	2.89	20.02	-1.99	35.87
Sector	-0.90	0.28	-0.43	14.57	14.07	43.91

Discrete Performance (%)

	2024 YTD	2023	2022	2021	2020	2019
Fund	9.45	5.68	-16.68	11.85	20.42	27.37
Sector	5.97	13.99	-9.02	15.76	10.28	20.33

Source: FE fundinfo

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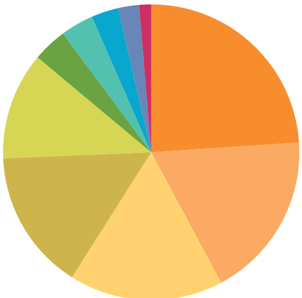
Sector Allocation

- Financials, 23.94%
- Technology, 18.23%
- Industrials, 16.81%
- Healthcare Equipment, 15.37%
- Consumer Goods, 11.74%
- Food Producers, 3.75%
- Consumer Services, 3.61%
- Chemicals, 2.97%
- Travel & Leisure, 2.28%
- Cash, 1.30%



Top 10 Holdings

	Top 10 Holdings	%
1	SCHNEIDER ELECTRIC SA	6.39
2	ASML HOLDING	6.15
3	UNICREDIT	5.99
4	CAIRN HOMES PLC ORD EUR0.	5.72
5	SAP SE	5.18
6	ALLIANZ SE NPV(REGD)(VINK	5.10
7	SANOFI SA	4.95
8	PARTNERS GROUP	4.71
9	CAPGEMINI EUR8	4.07
10	STRAUMANN HOLDINGS	4.00

Fund Commentary

European equity markets recorded modest positive returns in the third quarter, building on existing gains in the first half of 2024, to close September trading at or around all-time highs. Investors welcomed the European Central Bank's (ECB) decision to follow its initial 25bps interest rate cut in June with a similar reduction in September, as inflationary pressures further recede, with at least one further 25bps rate cut expected before the year-end. The fund performed strongly over the quarter in both absolute and relative terms, gaining 3.9% against 0.9% for the sector peer group. Twelve-month returns for the fund are also strong, gaining 20% versus 15% for the peer group.

Irish homebuilder, Cairn, which was purchased at the beginning of Q4 last year and is one of the largest holdings in the portfolio, was the biggest positive contributor to performance as it reported continued robust trading figures. Dental implant group, Straumann, delivered Q2 figures ahead of expectations in August and was another strong contributor to performance, as was French healthcare name, Sanofi, which has had positive news on the drug pipeline front. Amongst the biggest detractors were Dutch IT Hardware group, ASML, which suffered profit-taking after previous strong performance, wind turbine maker, Vestas Wind Systems, and Belgian auto-components name, Melexis, which was sold towards the end of September, with the proceeds reinvested into EssilorLuxottica, a global leader in the eyecare industry. Against a background of falling interest rates, European equities continue to offer reasonable value, relative to both their own history and when compared to US equity markets.

On 1st September 2023, James Buckley joined Castlefield Investment Partners. James, who spent almost fifteen years managing European equity funds at Barings, assumed lead responsibility for managing the Castlefield Sustainable European Fund at the end of September 2023 and made some significant changes to the fund's holdings. The emphasis on high conviction investing, with relatively low turnover, a concentrated portfolio and a heavy emphasis on ESG-driven investment has remained, but James increased the fund's weighting to larger-capitalisation European stocks. This change meant the disposal of some existing holdings, particularly those which have found the slowing economic environment more challenging. Characteristics we looked for in the new holdings include strong free-cashflow generation, robust balance sheets, return of capital to shareholders and a strong and improving ESG profile. The existing industry exclusions remain unchanged.

Source: Castlefield, Factset

FUND COMMENTARY

CFP Castlefield Sustainable UK Opportunities Fund

Key Information

Fund Size:	£43.05M
Investment Association Sector	UK All Companies
Launch Date:	1st June 2007
Manager:	Mark Elliott
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)

A - IA UK All Companies [25.91%]
B - CFP Castlefield Sustainable UK Opportunites G Income [13.17%]

Source: 30/09/2019 - 30/09/2024. Data from FE fundinfo 2024

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-0.03	1.69	7.01	12.90	-4.02	13.17
Sector	-1.33	2.32	6.24	14.19	9.02	25.91

Discrete Performance (%)

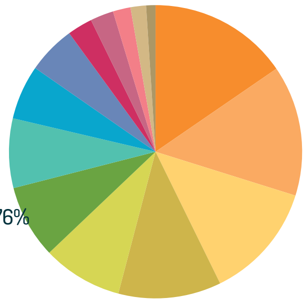
	2024 YTD	2023	2022	2021	2020	2019
Fund	7.53	1.29	-13.59	19.96	-5.53	17.07
Sector	9.31	7.38	-9.06	17.25	-6.01	22.24

Source: FE fundinfo

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Healthcare, 15.42%
- Industrials, 14.41%
- Consumer Goods, 12.91%
- Financials, 11.35%
- Consumer Services, 8.82%
- Support Services, 8.10%
- Media, 7.66%
- Technology, 6.00%
- Telecommunications, 5.31%
- Software and Computer Services, 2.76%
- Construction and Materials, 2.57%
- Real Estate Investment Trusts, 1.95%
- Chemicals, 1.71%
- Cash, 1.03%



Top 10 Holdings

	Top 10 Holdings	%
1	ASTRAZENECA PLC	7.84
2	RELX	7.66
3	EXPERIAN	7.07
4	UNILEVER PLC	6.20
5	INTERTEK GROUP	4.74
6	HIKMA PHARMACEUTICALS	4.17
7	GAMMA COMMUNICATIONS	3.89
8	LANCASHIRE HOLDINGS	3.80
9	WHITBREAD	3.69
10	CITY OF LONDON INV	3.65

Fund Commentary

The fund returned 1.69% in Q3, compared to a return from the peer group of funds of 2.32%.

The UK market enjoyed a positive run up to a much-anticipated interest rate cut that was announced by the Bank Of England at the beginning of August. This was the first reduction in UK base-rates in over four years, taking reference rates down by 0.25% from 5.25% to 5.0%. The positive sentiment generated by the easing of rates was short-lived, as a sharp fall in the value of tech-sector equity investments rippled out across other market sectors. This was followed by an almost equally steep recovery, however the volatility caused an uneven outturn for the quarter overall. Larger-capitalisation stocks were favoured through the market turbulence, ultimately proving a headwind for the mid-market companies that we favour and where we continue to find businesses able to demonstrate strong environmental and social characteristics and where we also continue to see better value.

This was neatly illustrated as the period was book-ended with corporate activity. Britvic, the soft drinks group that had previously received a bid towards the end of the second quarter from European drinks group Carlsberg received an enhanced offer at the start of July. The improved final offer, including a 25p special dividend, better reflects the value built up by management over the years. The end of the quarter coincided with a bid for another portfolio company, Learning Technologies Group, (LTG). The group provides software and online content for vocational training and employee management. LTG has grown over the years by adding further software tools to its offering, delivering services such as safety or compliance-based online training courses, diversity and inclusion training and software to assist with hiring and onboarding new staff. The group acquired a large US peer shortly before we invested which we felt would bring a step change in scale and geographic reach of the group. Fears that integration risks would be too high have meant the shares have not performed as well as they might have, despite management largely delivering on their objectives. This included substantially improving profitability and paying down the debt taken on to complete the acquisition. At the end of August, the company announced it had received an offer from a private equity group to acquire the entire business. This offer appears opportunistic and coincides with a period where the group has done the "heavy lifting" of the integration. Nevertheless, this is further evidence of the value apparent in the UK stock market.

During the period we invested in UK pharmaceutical firm AstraZeneca. Whilst it had a hand in developing vaccines to combat the pandemic, AZ is largely focused on complex therapies in oncology and neurological diseases. AZ has a local UK expertise in research but distributes globally, obtaining a ranking of 3rd place in the global Access to Medicines index, which provides a measure of the efforts of global pharmaceutical firms in making their drugs available on an affordable basis to those most in need. We have used the proceeds from a reduction in our investment in Britvic on risk-control grounds to fund the purchase of AstraZeneca.

Source: Castlefield, Factset

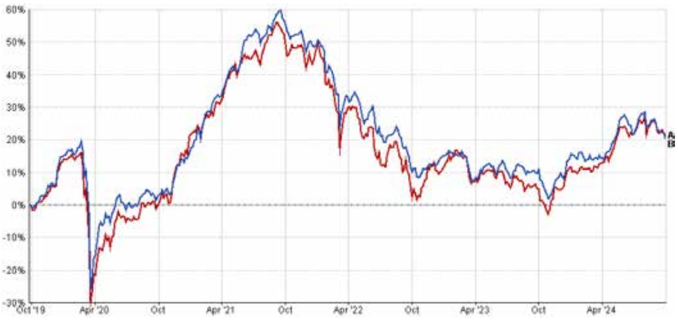
FUND COMMENTARY

CFP Castlefield Sustainable UK Smaller Companies Fund

Key Information

Fund Size:	£36.89M
Investment Association Sector	UK Smaller Companies
Launch Date:	1st June 2007
Manager:	David Elton
Number of Holdings:	30 - 50
Payment Dates:	Semi-annual

Cumulative Performance (%)



■ A - IA UK Smaller Companies [21.60%]
■ B - CFP Castlefield Sustainable UK Smaller Companies G Income [20.54%]

Source: 30/09/2019 - 30/09/2024. Data from FE fundinfo 2024

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-4.66	-1.06	5.27	8.72	-22.99	20.54
Sector	-3.40	-0.17	7.18	16.08	-19.24	21.60

Discrete Performance (%)

	2024 YTD	2023	2022	2021	2020	2019
Fund	4.81	0.17	-23.61	27.83	2.49	25.46
Sector	8.73	0.50	-25.17	22.92	6.48	25.34

Source: FE fundinfo

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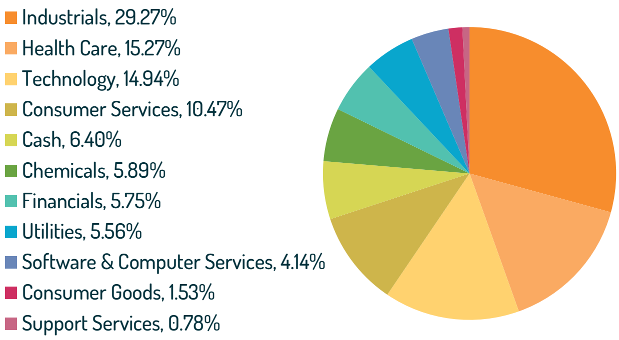

Top 10 Holdings

		%
1	THE GYM GROUP PLC	5.30
2	ALUMASC GROUP PLC	4.40
3	WILMINGTON PLC	3.94
4	PORVAIR PLC	3.82
5	RENEWI PLC	3.32
6	ANIMALCARE GROUP PLC	3.30
7	FORESIGHT GROUP HL ORD NP	3.18
8	ECKOH	3.10
9	EKF DIAGNOSTICS HOLDINGS PLC	3.03
10	ZOTEFOAMS PLC	3.01

Fund Commentary

After a strong first half of 2024, UK smaller companies paused for breath, with attention turning to the new government's inaugural Budget next month. The Fund gave back modest gains, registering a total return of -1.06% for the quarter, compared to a sector return of -0.12%.

The biggest three positive contributors to Fund performance were The Gym Group, Alumasc Group, and Marlowe. Leading low-cost gym operator, The Gym Group announced interim results, highlighting positive trading trends and upgrading earnings expectations for the year. Revenue was 12% higher year-on-year driven by an increased number of sites, memberships volumes and pricing. The company remains on track to open 10-12 new gyms this year as its expansion continues. Alumasc – the sustainable building products, systems and solutions group – also upgraded expectations for its full year results. This showcased impressive outperformance against a challenging backdrop, with overall organic revenue growth of 6.5% and all three of its divisions ahead of the prior year. Marlowe, the leader in regulatory compliance services, continued to trade in-line with expectations with mid-single digit organic growth, whilst going through further strategic change. Following the sale of its 'Governance, Risk and Compliance' assets earlier this year, the company repaid its debt and returned capital to shareholders via a special dividend and share buyback programme. More recently, the Group announced the demerger of its Occupational Health division, a UK leading operator under the Optima Health brand. This leaves Marlowe to focus solely on its 'Testing, Inspection and Certification' business while Marlowe shareholders will additionally receive shares in Optima Health, which is joining the market as a separate entity. The demerger enables the two businesses to pursue separate strategies to help generate maximum value for shareholders.

The largest detractors to performance were Inspired, Oxford Metrics, and Tracsis. Corporate energy consulting group, Inspired, gave back its share price gains from last quarter. While the company continues to trade in-line with expectations, there is a risk to earnings for the year because of the dependence on delivering a small number of significant optimisation projects in Q4. Smart sensing company Oxford Metrics updated the market that, although it continued to have a healthy order pipeline, customers were being cautious in decision-making, so the company is seeing a number of opportunities shift into the next financial year. Whilst frustrating, the business remains in an exceptionally strong financial position, with cash of c.£50 million vs a market capitalisation of c.£79m end-September, enabling its active pursuit of M&A opportunities. Tracsis – the transport software and technology group – remained out of favour despite confirming performance in-line with its June trading update and its UK business returning to normal levels following pre-election restrictions. The market's concern seems to be on progress in the US, where there is a continued focus on higher-margin business at the cost of short-term revenue.

Source: Castlefield, Factset

MEET THE TEAM

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Bronwyn Riley

Chartered MCSI, ASIP

Client Manager

Callum Wells

Chartered FCSI, Chartered Wealth Manager

Investment Manager

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