TYPICAL PAN EUROPEAN MANDATE

EUROPEAN EQUITY

All Cap Pan European Equities
Long Only Managed Account

July 2024 **Newsletter**

INVESTMENT OBJECTIVE

To generate long term capital growth for investors, primarily by investing long in European equities.

Manager AUM $853m

FUND MANAGER

Stuart Mitchell

Stuart is the Managing Partner and CIO of S. W. Mitchell Capital.

Prior to founding the firm in 2005, Stuart was Head of Specialist Equities at JO Hambro Investment Management.

Stuart started his career at Morgan Grenfell in 1987 where he subsequently became Head of European Equities.

CONTACT US

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PERFORMANCE (EUR %)

	Mandate	Index
1 Month	2.2	1.2
YTD	8.6	10.9
1 Year	8.2	13.5
3 Years	28.1	25.6
5 Years	67.5	55.8
10 Years	112.5	109.5
SI	671.2	281.2
2023	13.0	16.6
2022	(2.3)	(8.9)
2021	24.7	25.9
2020	2.4	(2.8)
2019	34.7	26.9
2018	(18.1)	(10.0)
2017	15.0	10.9
2016	(6.3)	3.2
2015	12.1	8.8
2014	4.6	7.4
2013	29.2	20.5
2012	26.1	18.1
2011	(17.8)	(7.5)
2010	27.8	11.7
2009	35.1	32.5
2008	(38.6)	(43.3)
2007	(0.4)	3.2
2006	31.4	20.2
2005	23.7	26.7
2004	9.9	12.6
2003	15.4	15.8
2002	(20.0)	(30.5)
2001	(9.5)	(15.3)
2000	19.0	(1.9)
1999	44.2	32.5

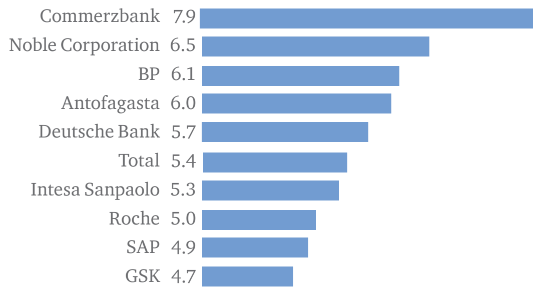
Top Five Contributors

Company	%
Roche	0.7
Commerzbank	0.5
Intesa Sanpaolo	0.4
Eurofins	0.4
Lloyds	0.4

Bottom Five Contributors

Company	%
UMG	(1.1)
Antofagasta	(0.2)
BASF	(0.2)
BP	(0.2)
Deutsche Bank	(0.2)

Top Ten Holdings



Portfolio construction

Number of positions	Top 10 positions %	Invested position %	Cash %
23	57.4	99.8	0.2

Country exposure

Country	%
United Kingdom	30.9
Germany	25.7
France	25.1
Switzerland	8.7
Italy	5.3
Netherlands	4.1

Sector exposure

Sector	%
Financials	28.6
Energy	18.0
Health Care	15.2
Materials	13.2
Consumer Discretionary	7.0
Information Technology	6.9
Communication Services	4.1
Industrials	3.8
Consumer Staples	3.1

Market capitalisation

Market cap	%
€0-0.4bn	—
€0.4-0.75bn	—
€0.75-1.5bn	—
€1.5-7.5bn	11.4
€7.5-15bn	10.9
€15-50bn	39.4
€50bn +	38.1

Risk characteristics

Risk characteristics	
Annualised alpha %	3.3
Information ratio	0.3
Beta	1.0
Up-market capture ratio %	175.9
Down-market capture ratio %	101.0
Annualised volatility %	16.8
Active share %	88.7
Tracking error %	7.5

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European markets rose by 1% in July, boosted by generally better than expected second quarter results.

We outperformed the index over the month. The following investments performed well:

Eurofins	+19%
Roche	+16%
Soitec	+15%
Compass	+12%
Lloyds	+10%

Eurofins bounced back strongly having come under attack from the short seller Muddy Waters. An attack that was based on some of the flimsiest arguments I have seen in my thirty-five years of managing money. Management responded by confidently rebutting the various allegations made, and visited their major shareholders (including ourselves) to answer questions.

Roche also continued to perform well. You may recall that the share rose in the previous month following a well-received diagnostics capital markets day. In addition, CEO Thomas Schinecker held a number of meetings (one of which we attended) in which he suggested that the business would grow faster than most analysts expected. This was topped by a set of second quarter figures which significantly beat market estimates. Sales and earnings per share rose by 8% and 9% respectively. Management also gave some more information on their phase 1 obesity drug trial. As well as having the advantage of being orally administered, it may well have fewer side effects than the first-generation drugs from Novo and Lily.

The following among our investments, on the other hand, acted poorly in July:

UMG	-21%
BASF	-5%
Antofagasta	-4%
Deutsche Bank	-3%
BP	-3%

UMG fell sharply. Although the headline Q2 result was marginally better than we had expected (+8%) with revenues up 10%, the surprise was that streaming growth slowed down from 13% in Q1 to 7% in Q2. It seems that whilst Spotify and YouTube are performing well, Apple and Amazon are struggling. This raises again questions around 'the ability of the industry to better monetise music content'. Perhaps the view that streamed music is great value and can be priced more expensively is too optimistic. We will be revisiting the arguments very carefully in the coming weeks. But again, this is just a single quarter and it should be noted that the leader, Spotify, continues to perform well.

* * *

Since the end of the month, equity markets have come under considerable selling pressure. A number of investors have grown fearful that the US economy may be slowing, and that this will impact other economies around the world. This is, of course, not impossible, but we have never invested on the basis of economic forecasts and we have built a portfolio of world beating companies which should be able to continue to develop into even better businesses irrespective of the economic backdrop. Furthermore, our investments are minimally leveraged – their average net debt to EBITDA is just 0.8 times. This would enable them take advantage in tougher times when their weaker competitors are struggling.

Our hope is that the market turmoil will undermine confidence in the bubble companies, such as ASML and Novo, and reveal the worth of careful value investing. Commerzbank trades on under 5 times earnings, Novo comes in at a hefty 41 times. What is everyone smoking…?

Our portfolio remains compellingly valued:

	2024(e)		
	PER (x)	Price/Book Value (x)	Dividend Yield (%)
S.W. Mitchell Capital	10.7	1.2	3.7

Source: S. W. Mitchell Capital

Stuart . .

Stuart Mitchell
Founder and Investment Manager

1. All data sources: Waverton, FactSet as at 31 July 2024 unless otherwise stated. All performance shown is cumulative and net of fees for a typical S.W. Mitchell Capital Pan European equity mandate unless otherwise stated
2. Index: MSCI Europe.
3. The performance results presented are hypothetical, for informational purposes only, and are not intended to, nor do they, represent the actual performance of any one specific client or group of clients over the time period shown. There can be no assurances that the performance can or will be achieved. No guarantee of future performance can or will be made. Actual returns will vary depending on a variety of factors and conditions. Performance shown is for four chain linked typical Pan European Mandates that had a similar investment objective ; the first from Feb 1999 until Aug 1999, the second between Sept 1999 and Dec 2011, the third from Jan 2012 to Jan 2019, and the fourth from Feb 2019 to current. Any further information required is available from the Investment Manager upon request.
4. Figures are subject to rounding.
5. Please note that all risk metrics, other than up-market capture ratio, down-market capture ratio, annualised volatility tracking error, active share, are from inception.
6. Up/down-market capture ratio %, annualised volatility and tracking error data from 1 January 2003 when the mandate used was valued on a monthly basis. Mandate was valued quarterly prior to this.
7. Changes in rate of exchange may cause the value of investments to fluctuate.