

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.

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

Commerzbank	7.9
Noble Corporation	6.5
BP	6.1
Antofagasta	6.0
Deutsche Bank	5.7
Total	5.4
Intesa Sanpaolo	5.3
Roche	5.0
SAP	4.9
GSK	4.7

CONTACT US

S. W. Mitchell Capital LLP
Princes House, 38 Jermyn Street, London
SW1Y 6DN

ir@swmitchellcapital.com

swmitchellcapital.com

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

This newsletter is for informational purposes only and is not a buy or sell recommendation.
Past performance is not a reliable indicator of future results.

TYPICAL PAN EUROPEAN MANDATE

All Cap Pan European Equities

Long Only Managed Account

July 2024 Newsletter

TYPICAL PAN
EUROPEAN EQUITY

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 Lilly.

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 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.

DISCLAIMER

This presentation has been prepared by S. W. Mitchell Capital LLP only for persons reasonably believed by it to qualify as Professional Clients or Eligible Counterparties under the rules of the Financial Conduct Authority ("FCA"), including appropriate institutional investors and intermediaries, to give preliminary information about the investment proposition described herein. This is a marketing communication and it is not intended for the use of and should not be relied on by any person who would qualify as a Retail Client. The information contained in this presentation is subject to updating, completing, modification and amendment.

This is a confidential communication, only for the use of those persons to whom it is addressed and for information only. It does not constitute an offer to sell investments and may not be used to make such an offer. Therefore no person receiving a copy of this presentation may treat it as constituting an offer or invitation to him to buy investments, nor may he copy it for transmission to another person. If, however, an offer to sell investments is made in the future, it will be subject to information circulated at the time in a formal prospectus or equivalent document (the "Offering Circular") and not on the basis of the information contained in this presentation. Investment may only be made on the basis of the Offering Circular.

It is the responsibility of every person reading this document to satisfy himself as to the full observance of the laws of any relevant country, including obtaining any government or other consent which may be required or observing any other formality which needs to be observed in that country.

Past performance is not a reliable indicator of future results and will not necessarily be repeated. The value of investments and the income from them may fall as well as rise and is not guaranteed. The investor may not get back the original amount invested. Changes in rates of exchange may cause the value of investments to fluctuate.

This document is written for the benefit of the category of persons described above. It is not addressed to any other person and may not be used by them for any purpose whatsoever. It expresses no views as to the suitability of the investments described herein to the individual circumstances of any recipient.

S. W. Mitchell Capital LLP is a limited liability partnership incorporated in England and Wales (number OC312953), with its registered address at Suite 3A, Princes House, 38 Jermyn Street, London SW1Y 6DN, United Kingdom. S. W. Mitchell Capital LLP is authorised and regulated by the Financial Services Authority.

This newsletter is for informational purposes only and is not a buy or sell recommendation.

Past performance is not a reliable indicator of future results.