

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 26th June 2020



MACRO

- In the UK, Boris Johnson announced that hospitality businesses such as pubs, bars and restaurants can re-open on July 4th under certain restrictions
- In the US election, polls show Biden a long way ahead in six critical swing states
- Following annual stress tests, the Federal Reserve ordered US banks to cap dividends and suspend share buybacks to conserve funds

STATISTIC OF THE WEEK

Bank of England data shows that household balance sheets are in good nick as £30bn was saved in March and April, three times as much as in January and February; and that £7.4bn of outstanding consumer loans were repaid in April alone

COMPANY NEWS

- **Facebook** had a bad week as a series of high-profile companies pulled advertising on the social media site, citing Facebook's lack of response to hate speech on their platforms
- **Tesco** showed strong like for like sales growth over the quarter but this was offset by increased spend on hiring temporary staff and preparing stores for lockdown
- **Nike** reported a 38% drop in sales over the last quarter as mass closures of physical stores overshadowed surging demand online

SMALL-CAP NEWS

Following impressive results last week, we had a call with the management of **Volex** who produce power cords for clients such as Tesla, Dyson and Philips. They seem to have positioned themselves in growing sub sectors (experiencing revenue uplift even through the Covid crisis) and expect to see more growth and margin expansion both organically and through M&A.

FUNDS

An update from a new boutique UK small cap manager showed us data suggesting that the size of a fund can have a significantly detrimental effect on performance. They estimate that 487 companies out of 765 small cap index constituents are largely off the radar for the larger funds that are unable to build meaningful positions in these smaller companies

THIS WEEK IN HISTORY

1914: Archduke Franz Ferdinand is murdered in Sarajevo, an event that is widely agreed to have triggered the outbreak of the First World War. The US stock market is largely unperturbed when it opens the following day, falling by just 0.11 points

2016: A surprise referendum result shows the UK voting to leave the European Union. The UK stock market opens down sharply the following morning but had recovered most of its losses within a week

LOCKDOWN LOWDOWN

Following a steep drop in ale consumption because of the pandemic, brewers in the UK have been faced with a surplus of hops. Trade groups estimate that only 40% of this year's crop is under contract to brewers and many growers could quit the industry. This risks the loss of varieties like Goldings, which dates back to 1790, and the 170-year-old Fuggles.

MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	-2.12	1.40	-15.17	8.68
World Equities (% return GBP)	-1.96	2.53	5.22	75.50
10 Year US Treasury Yield	0.64	0.69	2.05	2.49
GBP / USD (fx rate)	1.23	1.23	1.27	1.57

As at 26th June 2020. Source: Financial Express

Vermeer Partners

130 Jermyn Street, London, SW1Y 4UR

T +44 (0)20 7123 5200

E info@vermeerllp.com

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 26th June 2020



This publication has been produced by Vermeer Investment Management Limited (VIM) trading as Vermeer Partners. It is provided for information purposes only. VIM makes no express or implied warranties and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this publication. VIM will not treat unauthorised recipients of this publication as its clients. Prices shown are indicative and VIM is not offering to buy or sell or soliciting offers to buy or sell any financial instrument.

Without limiting any of the foregoing and to the extent permitted by law, in no event shall VIM, nor any of its officers, directors, partners, or employees, have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this publication or its contents.

Other than disclosures relating to VIM, the information contained in this publication has been obtained from sources that VIM believes to be reliable, but VIM does not represent or warrant that it is accurate or complete. VIM is not responsible for, and makes no warranties whatsoever as to, the content of any third-party website referred to herein or accessed via a hyperlink in this publication and such information is not incorporated by reference.

The views in this publication are those of the author(s) and are subject to change. VIM has no obligation to update its opinions or the information in this publication. This publication does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the client who receives it. Any securities discussed herein may not be suitable for all investors. VIM recommends that investors independently evaluate each issuer, security or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This material has been issued and approved for distribution in the UK and European Economic Area by VIM.

©2019 Vermeer Investment Management Limited. All rights reserved. No part of this publication may be reproduced or redistributed in any manner without the prior written permission of VIM.

VIM is authorised and regulated by the Financial Conduct Authority (FRN: 710280) and is incorporated in England and Wales (company number: 09081916).