



January 2021 proved to be an eventful start to the year with a high level of volatility, but early gains in the month that extended the market's strong performance of 2020 evaporated to finish the month modestly lower. The Vermeer Global Fund fell just under 1.2% in the month, in line with global markets.

Tragically, the COVID-19 pandemic continues to have a grip on the global economy and is effectively the sole focus of attention for policy makers. President Joe Biden has announced a wide-ranging stimulus package that is intended to continue to bridge the economy until it is able to fully reopen. Hopefully, the vaccines will be successful in allowing the economy to reopen with a degree of normality in the second half of 2021. However, the collision that occurs from a combination of fiscal and monetary stimulus and all the pent up demand for services caused by the long lockdowns could lead to explosive growth and the return of a higher rate of inflation that could push bond yields higher. This potential move in yields could cause a shift in the performance of equities that have benefited from the low yield environment that has prevailed for so long and allowed stocks to trade for ever higher multiples. We are monitoring this situation very carefully and it is a clear reason for us to maintain our balanced strategy.

Over the month the top five contributors to return were Varta, Ocado, Treatt, Microsoft and Carl Zeiss Meditec. The top five detractors to return were Nihon M&A Center, Toyota, Ferrari, UPS and Walt Disney.

We sold our position in Orsted in January following a trading update which included disappointing EBITDA guidance for 2021 that accompanied a full year update led us to the view that the shares were simply too expensive for us to justify continuing to hold the position. We also noted the additional uncertainty with respect to the increased intensity of competition for renewable energy contracts that we believe is occurring as oil companies and private equity become more active in the industry.

We rotated capital from Orsted into a new position in steel dust and aluminium salt slags recycling company Befesa. Befesa collects hazardous waste from the manufacturing of steel in electric arc furnaces for a fee which is then recycled at its plants and sold on as zinc. The company has huge growth opportunities in China, where there is a focus on shifting to a cleaner form of steel production, with new Befesa facilities coming online this year to support this market. Befesa has strong visibility due to its business model and generates good free cash flow and along with its growth opportunities in China and Asia as a result of changing emissions regulations, we feel the company is very well positioned for long term growth.

Our cash position has nudged back to around 4% and may continue to rise as we see some of the excesses of liquidity created by policy makers as moving the balance of risk and reward somewhat more negative, after such a phenomenal run for the global equity market in 2020 despite the significant economic uncertainty created by the pandemic.

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