

**SHINING A LIGHT ON THE.....
Unicorn UK Growth Fund**

AT A GLANCE

Investment Objective
The Unicorn UK Growth Fund aims to achieve long term capital growth through investment in a portfolio of UK Companies. UK Companies are defined as those which are incorporated or domiciled in the UK or have a significant part of their operations in the UK. The Fund may also invest in smaller companies including companies quoted on the AIM stock exchange. AIM is the London Stock Exchange's international market for smaller, growing companies. The Fund may also invest, at its discretion, in other transferable securities and deposits and cash. The Fund may also enter into certain derivative and forward transactions for hedging purposes.

Inception Date	31 st December 2001
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR0553T

Management	
Manager Name	Start Date
Fraser Mackersie	28 th February 2011
Alexander Game	1 st January 2021

FUND PERFORMANCE

Performance from 1st January 2016 to 31st July 2022:

	2016	2017	2018	2019	2020	2021	2022
Unicorn UK Growth Fund	17.88%	32.40%	-16.56%	33.91%	-2.11%	20.87%	-19.79%
FTSE Small Cap ex Invest Trust TR	12.54%	15.61%	-13.80%	17.68%	1.65%	31.26%	-13.48%
FTSE All Share TR	16.75%	13.10%	-9.47%	19.17%	-9.82%	18.32%	-0.41%

Performance over 12 months, 3 years, 5 years and since new fund manager:

	1 year	3 years	5 years	Since new fund manager
Unicorn UK Growth Fund	-18.40%	8.02%	20.02%	181.00%
FTSE Small Cap ex Invest Trust TR	-12.73%	30.39%	20.73%	175.12%
FTSE All Share TR	5.51%	9.89%	21.48%	98.70%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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Tracking Error	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
11.21	86.78	107.40	41.67	0.94	-5.21	Small/Growth

Volatility Measurements	
3-Yr Std Dev (volatility)	25.56%
3-Yr Mean Return (average)	2.60%

Investment Style Details	
Giant	0.00%
Large	3.23%
Medium	15.22%
Small	46.71%
Micro	26.73%

Top 5 Holdings (39 holdings – 34% in the top ten)		
Alpha FX Group PLC	Financial Services	4.80%
Alpha Financial Markets Consulti...	Industrials	4.55%
Restore PLC	Industrials	3.40%
Frontier Developments PLC	Communication Services	3.36%
NCC Group PLC	Technology	3.32%

Top 5 Sectors	
Technology	37.24%
Industrials	21.89%
Financial Services	14.39%
Communication Services	8.57%
Consumer Cyclical	6.33%

UPDATE....

To place this into context, there are 297 funds in the Investment Associate UK All Companies Sector and UK Smaller Companies Sector. Using screens on Trustnet it doesn't stand out as an exceptional performer against other strategies.

Over 12 months there has been a rotation to value and by its nature of being dominated by oil, gas, pharma etc, the FTSE 100. As the fund doesn't invest in these areas we would not expect it to be in the top group of funds. However, looking longer term to 3 to 5 years, we would expect this fund to be in the top grouping of funds, which it doesn't appear to be.

It is obviously easy to pick the best performing fund and invest in that but because there are different factors at play investors can be disappointed if that fund doesn't continue to outperform. So why might an investor consider this strategy?

The lead manager took over the strategy a decade ago and it looks to invest across the market cap but with a focus on smaller cap where they believe they have the "edge" in terms of identifying investment opportunities.

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Unicorn is a specialist UK fund manager offering a small range of strategies all focused on the UK. The managers invest their own money in the strategies. Importantly, they are independent which is becoming more unusual.

The question is really what makes the difference and why might it be a good long-term investment? They define this as a quality strategy. This is defined as high quality management teams and profitable companies. They are looking for genuine growth companies which lead to businesses which are self-funding and sustainable. They want businesses that are going to be there in the future. They expect earnings growth to drive the increase in share value.

We discussed the importance of ESG, and they explained that this reflects the characteristics of a good business. Sustainable businesses models are crucial and so understanding how staff are treated, supply chains etc is important if you are going to invest for the long-term. Investing in smaller companies means that they have greater corporate access. They want to select management teams that are well placed to run companies, but where they can help is with reporting on ESG which these companies tend to be weak on. Getting the reporting right can significantly benefit the value of a company.

They are long term investors, but they are realists. With a recession on the horizon, they have sold some of their consumer facing names like Jet2, JD Sports, Dr Martens, and Games Workshops. They feel these are great companies but come under pressure during a recession. They would certainly be happy to hold these names in the future. The money from these names has gone into companies such as Experian, Smith and Nephew and Renishaw.

The fund focuses on around 40 names. This means if they don't reduce holdings they will sell, especially where they can see opportunities to invest in other areas. The reasons for selling are a deterioration of the investment thesis, extreme valuations, or M&A. We talked about "mistakes" and every time they sell a stock, they analysis the reasons. Most of the recent changes have centred around the changing macro environment and a move away from consumer names.

In terms of the holdings, we discussed whether this adds additional volatility. They feel having a small number of holdings they can get to know the companies better and therefore reduce the volatility. It may again be the period we are in, but volatility is high for the strategy. This means that on one hand having a smaller number of holdings can be an advantage because they can focus on that small group of holdings, but equally however good a company is, when small / mid-cap is out of favour they can do down in value quickly. So investors need to be aware that this strategy can be volatile.

In summary, this is not a fund we would discount because it is not in the top group of funds. We can see that by not holding sectors such as oil and gas, mining, pharma, biotech, gambling, and tobacco has had a negative impact on the performance. We think the focus on quality and high growth companies should benefit the strategy going forward. A good period could shift where it sits in terms of its peers over the longer term. We would therefore be happy to add this to our watchlist and see how it performs over the next 12-months. If there is a shift away from value to quality, then we would expect this to do well. If this is the case, then we can see how it performs compared to similar strategies.

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The source of information in this note has been provided by Unicorn and is correct as of August 2022. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.