

SHINING A LIGHT ON THE..... Amati UK Smaller Companies Fund

AT A GLANCE

Investment Objective

The investment objective of the Fund is to deliver long-term capital growth. The Fund shall invest in small and midcap companies primarily quoted in global markets and whose market capitalisation does not exceed that of the largest unadjusted market capitalisation of any of the constituents of Benchmark at the time of initial investment.

Inception Date	29 th July 2008
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=f00000212d

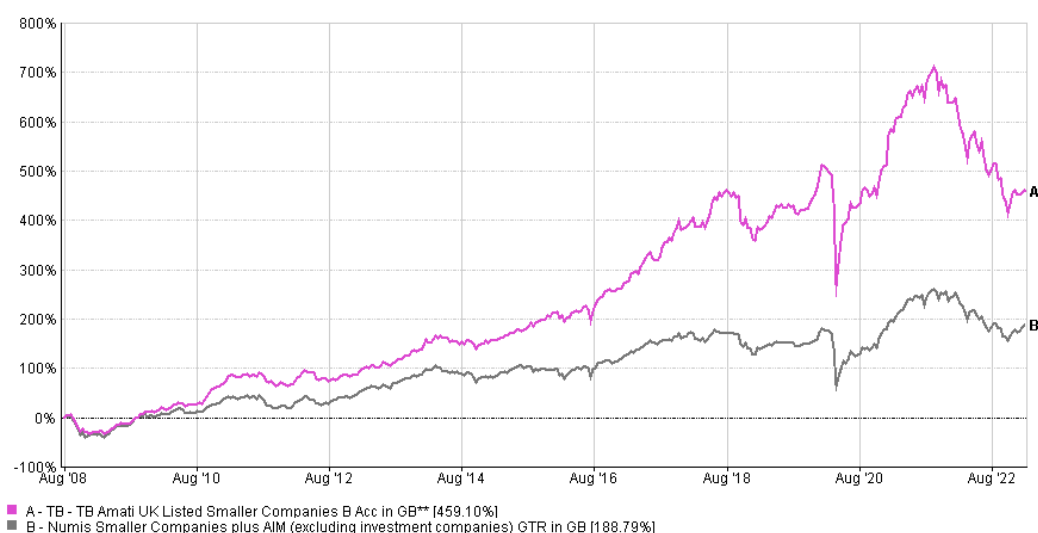
Management

Manager Name	Start Date
Paul Jourdan	29 th July 2008
Anna Macdonald	17 th January 2018
Scott McKenzie	7 th April 2021
David Stevenson	6 th February 2012

FUND PERFORMANCE

Performance from 29th July 2008 to 31st January 2023:

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



29/07/2008 - 31/01/2023 Data from FE fundinfo2023

** The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

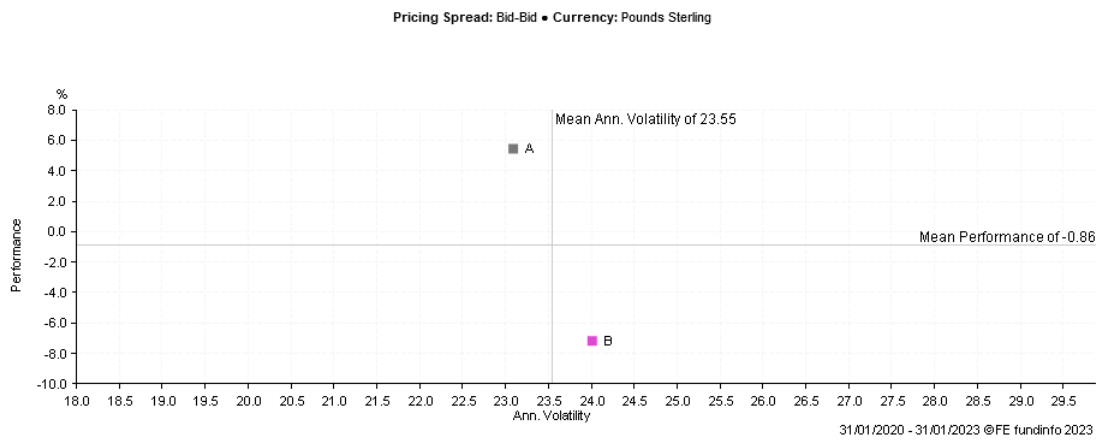
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Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect 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.

RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
-2.15	0.99	-36.82	18.68	-35.38	71	85	5.23

VOLATILITY / RISK SCORE



Key	Name	Performance	Annualised Volatility
■ A	Numis Smaller Companies plus AIM (excluding investment companies) GTR in GB	5.45	23.09
■ B	TB - TB Amati UK Listed Smaller Companies B Acc in GB**	-7.17	24.01

** The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

FE fundinfo Risk Score Chart Over 1 Year



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MARKET CAP

Avg Market Cap
577.43 Mil

Category Avg Market Cap
852.44 Mil

Index Avg Market Cap
1.63 Bil

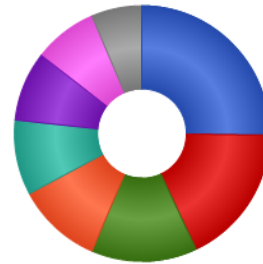
Size	Investment %	Cat. Average %	Index %
Giant	0.00	0.55	0.00
Large	0.00	1.69	0.00
Mid	8.55	7.76	9.62
Small	45.70	59.93	85.76
Micro	38.45	25.71	1.49

GBP | As of 31 Jan 2023 | Category: UK Small-Cap Equity | Index: Morningstar UK Sml GR GBP | Data is based on the long position of the equity holdings.

SECTOR WEIGHTING

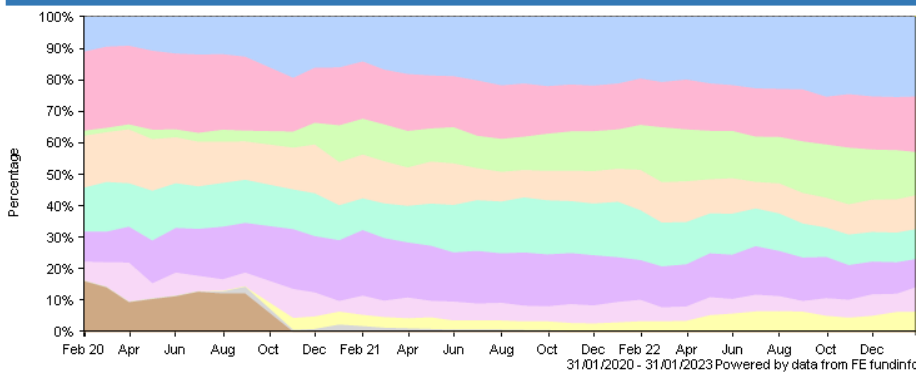
Sector Weightings as at January 31, 2023

Rank	Change	Name	%
1	►	TELECOM, MEDIA & TECHNOLOGY	25.20
2	►	FINANCIALS	17.80
3	►	BASIC MATERIALS	13.40
4	►	INDUSTRIALS	10.80
5	▲	CONSUMER PRODUCTS	9.50
6	▼	HEALTH CARE	8.80
7	▲	MONEY MARKET	8.10
8	▼	REAL ESTATE	6.40



▼ Faller ▲ Riser ► No Change ■ New Entry

Sector Weightings



Sector holdings as at 31/01/2023

Name	% Weighting
Telecom, Media & Technology	25.20
Financials	17.80
Basic Materials	13.40
Industrials	10.80
Consumer Products	9.50
Health Care	8.80
Money Market	8.10
Real Estate	6.40
Utilities	0.00
Others	0.00

31/01/2020 - 31/01/2023 Powered by data from FE fundinfo

HOLDINGS

Top 10 Holdings as at January 31, 2023

Rank	Change	Name	%	Sector Ranking*
1	▲	OSB GROUP PLC	4.20	n/a
2	▼	ACCESSO TECHNOLOGY GRP PLC	3.60	n/a
3	▲	QINETIQ GROUP	3.00	n/a
4	▲	GAMMA COMMUNICATIONS PLC	3.00	n/a
5	▲	ERGOMED PLC	2.80	n/a
6	▲	POLAR CAPITAL HOLDINGS PLC.	2.50	n/a
7	▼	CRANWARE PLC	2.40	n/a
8	▲	INDIVIOR PLC	2.40	n/a
9	▼	SPIRENT COMMUNICATIONS	2.30	n/a
10	■	GRESHAM TECHNOLOGIES PLC	2.00	n/a
Total			28.20	



* This is the holding ranking within the fund sector composite portfolio (calculated from all available concurrent full portfolios of funds within the sector).

▼ Faller ▲ Riser ► No Change ■ New Entry

FUND SIZE

Fund Size (£)



■ A - TB Amati UK Listed Smaller Companies B Acc [665.80]

31/01/2020 - 31/01/2023 Data from FE fundinfo2023

OTHER DATA

Benchmark	Numis Smaller Companies plus AIM (excluding investment companies)
Fees	0.84%

Bull Points (pros)	Bear points (cons)
<ul style="list-style-type: none"> • Good long term track record • Specialists in small cap, also managing venture capital trusts • Stable team with team aligned to interests of investors • Good access to small cap market 	<ul style="list-style-type: none"> • Poor recent performance

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UPDATE....

Amati are well recognised as a specialist small cap investor. They can also lean on their expertise with managing venture capital trusts as a means of understanding the market and identifying opportunities.

The prime focus is to find high quality companies in the belief that over time these will deliver superior returns. The team focus on the bottom 10% of the UK market where they see the greatest opportunities.

It is very much a team approach with everyone involved in idea generation. Everything is stored on their proprietary system, "ConneX".



They do invest in early stage companies but this is a smaller part of the portfolio, less than 5%. Companies they hold in the VCT can come into the fund, but the number has come down recently.

It has a high weighting to the AIM market and this was hit hard in 2022 which is reflective of the underperformance during this period. The gap between large and small cap performance was the largest for 25 years. The fund was also impacted by the strong dollar and greater exposure to domestic UK.

The UK has seen a steady drop in institutional investors from overseas and they feel this is coming to an end which could be positive for the asset class.

M&A is not something they are keen on as they are looking to hold companies for the long term, and benefit from that growth. However, companies within the sector do get bid for as the chart below shows.

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The strategy classes quality across factors such as return on capital, cash flow, debt and ability to grow earnings. The screening will identify around 300 companies. Focusing on competitive advantages, business lines, pricing power and management, this distils down to around 60 to 70 holdings. New holdings come in around 1% to 2% but can be 4% where there is enough liquidity. The maximum exposure is 5%.

We discussed how they expect companies to grow, and with this they are less clear. The argument is that buying a quality company at a good price and then holding for a long period of time will give that level of return. This is common for many equity funds where the level of engagement may not necessarily be such that it is looking to drive different elements of return. They do engage, but whether this directly impacts the returns, or is more about understanding the business, is a point of debate.

They have a diversified mix of holdings across different sectors and regions:

Top 10 Fund Holdings – A Diverse Group

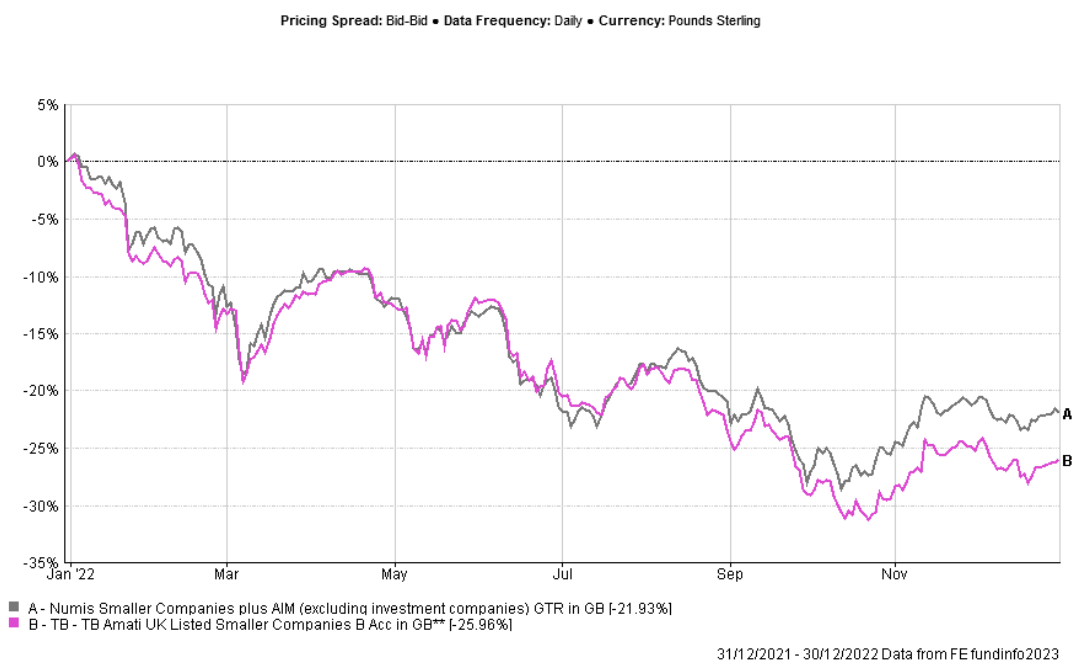
Company	Portfolio Weighting	Description
OSB Group	3.7%	Specialist UK buy-to-let mortgage lender
Accesso Technology Group	3.7%	Global ticketing solutions for the leisure industry
Spirent Comms	3.2%	Global provider of products and services for the testing, assurance and automation of communications networks
Qinetiq Group	3.1%	A science and engineering company, providing products and services to Western defence and security markets
Craneware	3.1%	Develops operational and financial software to simplify billing and reporting for US healthcare providers
Ergomed	3.1%	Provider of research and detection services to the biopharmaceutical industry
Gamma Communications	2.8%	A provider of integrated digital communications to corporates and the public sector in Western Europe, underpinned by cloud transition
I3 Energy	2.7%	Oil & gas producer focused on Canada and the North Sea
Indivior	2.4%	Pharma company focused primarily on the treatment of opioid addiction
Polar Capital Holdings	2.3%	Specialist global equity asset manager
Total	30.1%	

Fundamentally, with any small cap investing the reason for doing it is that over the longer term investors should get superior returns. However, the journey will not be smooth.

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Ultimately, most UK small cap funds are the same. They are looking for quality. They don't want to overpay and they believe over the long term they can deliver superior returns. This fund is really no different.

It underperformed the index in 2022 which could have been the exposure to AIM. However, longer term it has outperformed.



The other argument for the strategy is the expertise and focus on small cap. They have built a good reputation in venture capital trusts and that knowledge feeds into everything they do. For larger firm's small cap is part of a range. Amati are very good at focusing on what they are good at.

In summary, we wouldn't say that this investment style is that different to others. It is more focused towards the AIM market but the focus on quality and looking for a re-rating in prices is really no different. However, having a strong focus on UK small cap should reassure investors that they are in a safe pair of hands with a proven track record.

The source of information in this note has been provided by Amati and is correct as of January 2023. 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 make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.