

LWM FUND SPOTLIGHT HERIOT GLOBAL SMALLER COMPANIES FUND

INVESTMENT OBJECTIVE

The aim of the Fund is to provide capital appreciation over the long term (5 years or more). The Fund will invest at least 90% of its assets in shares of companies, globally. The Fund is not constrained by a benchmark and will invest in shares of companies in any country and in any sector. These will typically, at the time of initial purchase, have a market capitalisation that is no larger (by market capitalisation) than the largest company in the MSCI ACWI Small Cap Index (the “Index”). The Investment Adviser will monitor the market capitalisation of companies held and will, using its discretion, seek, at the timing of its choice, to dispose of those holdings where the company’s market capitalisation has consistently outgrown that of the largest company in the Index.

INCEPTION DATE

27th September 2021

FUND FACTSHEET

<https://www.trustnet.com/factsheets/O/dnoo/heriot-global-smaller-companies/>

MANAGEMENT

Manager Name

Andrew Brown

Start Date

27th September 2021

RATIO DATA (1-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
-12.49	0.99	-11.47	7.52	-7.60	20	23	9.34

OTHER DATA

Benchmark	MSCI ACWI Small Cap
Fund Size	£10.5 million
Fees	0.50% (I Share Class)

BULL POINTS (PRO)

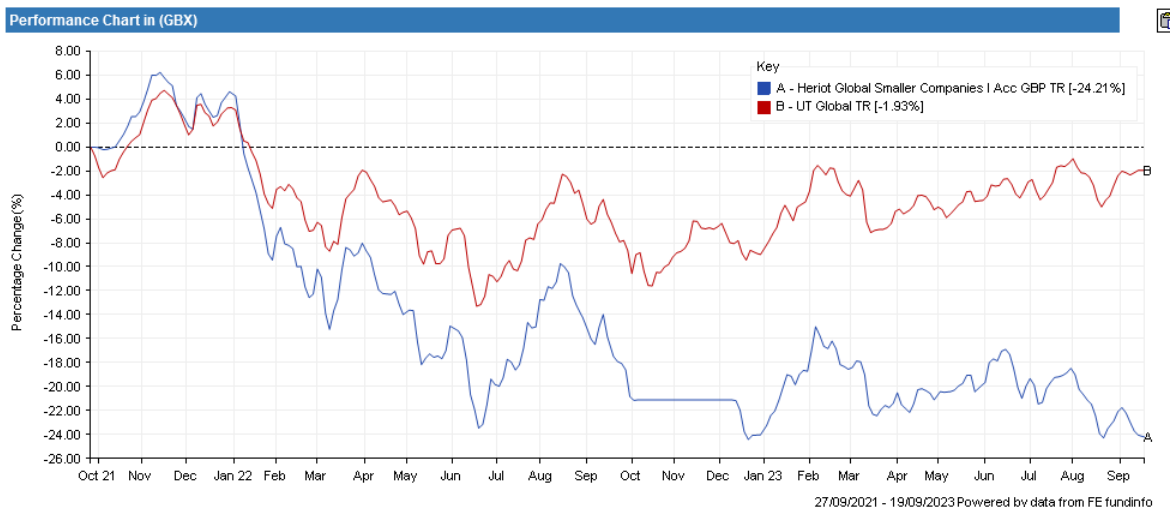
- Specialist fund house.
- Focus on high quality businesses.
- Ready made data base of information.
- Strong in-house team.
- Focus on what they are good at.

BEAR POINTS (CONS)

- Short track record.

Heriot Global Smaller Companies Fund – September 2023

FUND PERFORMANCE



Cumulative Performance (GBX)

	3 Months	6 Months	1 Year	3 Years	5 Years
Fund	-8.56%	-3.38%	-9.19%		
Sector	1.09%	5.20%	4.58%	20.87%	38.21%
Relative to Sector	-9.54%	-8.16%	-13.17%		
Rank in Sector *	360 / 364	342 / 358			
Fund Quartile *	4	4	N/A	N/A	N/A

Performance by Calendar Year in (GBX)

	YTD	2022	2021	2020	2019
Fund	-1.50%	-26.49%			
Sector	7.17%	-11.37%	16.90%	13.80%	21.20%
Relative to Sector	-8.08%	-17.06%			
Rank in Sector *	337 / 355				
Fund Quartile *	4	N/A	N/A	N/A	N/A

Discrete Annual Performance to Last Quarter End (GBX)

	0-12m	12m-24m	24m-36m	36m-48m	48m-60m
Fund	0.41%				
Sector	9.81%	-9.00%	24.91%	4.97%	6.74%
Relative to Sector	-8.56%				
Rank in Sector *					
Fund Quartile *	N/A	N/A	N/A	N/A	N/A

Fund Price Movement (GBX)

12 Month High	108.64 (Pence)	12 Month Low	95.37 (Pence)
---------------	----------------	--------------	---------------

Annualised Ratios Over 12 Months

No data available

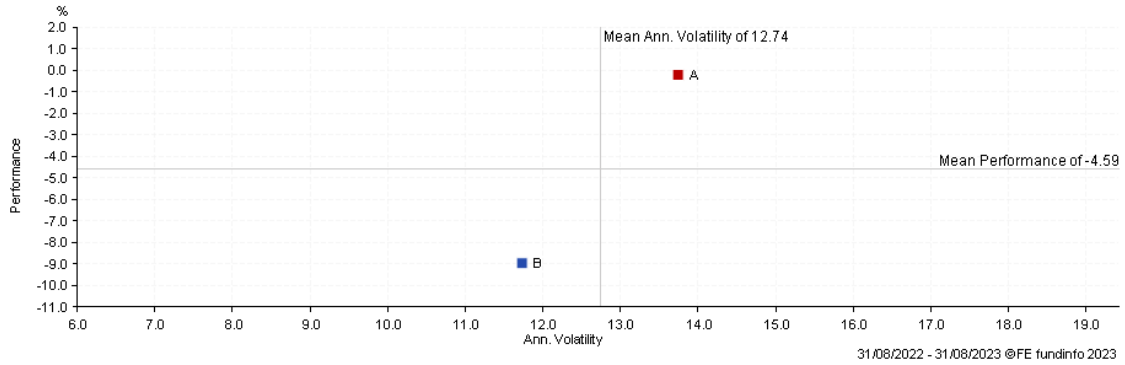
*Ranks & quartiles shown are for the primary share class, Heriot Global Smaller Companies A Acc GBP

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.

Heriot Global Smaller Companies Fund – September 2023

VOLATILITY / RISK SCORE

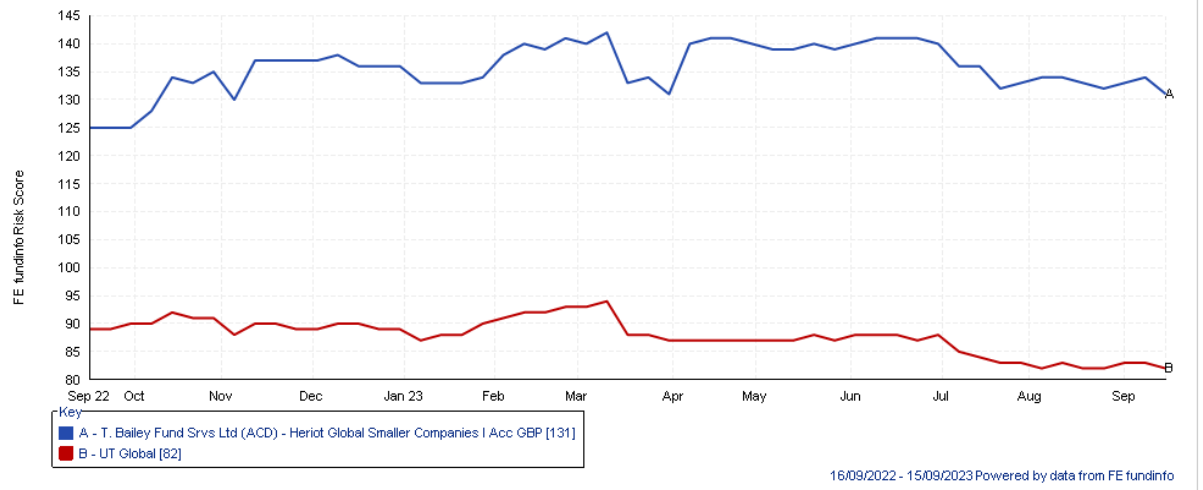
Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Performance	Annualised Volatility
A	MSCI ACWI Small Cap TR in GB	-0.21	13.74
B	T. Bailey Fund Srvs Ltd (ACD) - Heriot Global Smaller Companies I Acc GBP in GB**	-8.96	11.73

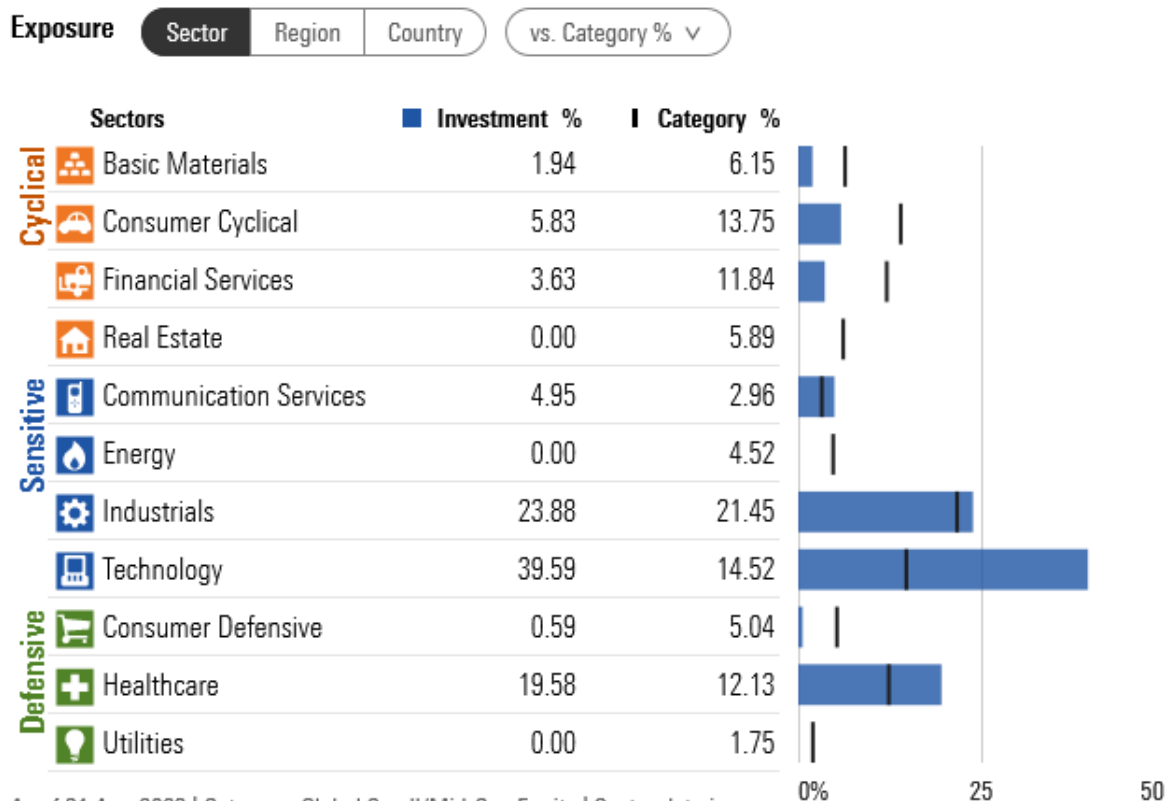
** The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

FE fundinfo Risk Score Chart Over 1 Year



Heriot Global Smaller Companies Fund – September 2023

SECTOR WEIGHTINGS



As of 31 Aug 2023 | Category: Global Small/Mid-Cap Equity | Sector data is based on the rescaled long position of the holdings. | Source: Holdings-based calculations.

REGION WEIGHTINGS

Country	Investment %	Category %
United States	21.30	57.51
United Kingdom	18.45	6.60
Japan	13.73	10.37
Switzerland	10.70	1.88
Italy	9.15	1.79
Sweden	5.91	1.76
Australia	4.55	2.55
Germany	4.14	2.47
France	2.51	1.81
Norway	2.33	0.86

Heriot Global Smaller Companies Fund – September 2023

TOP TEN HOLDINGS

Holdings

Equity ▾

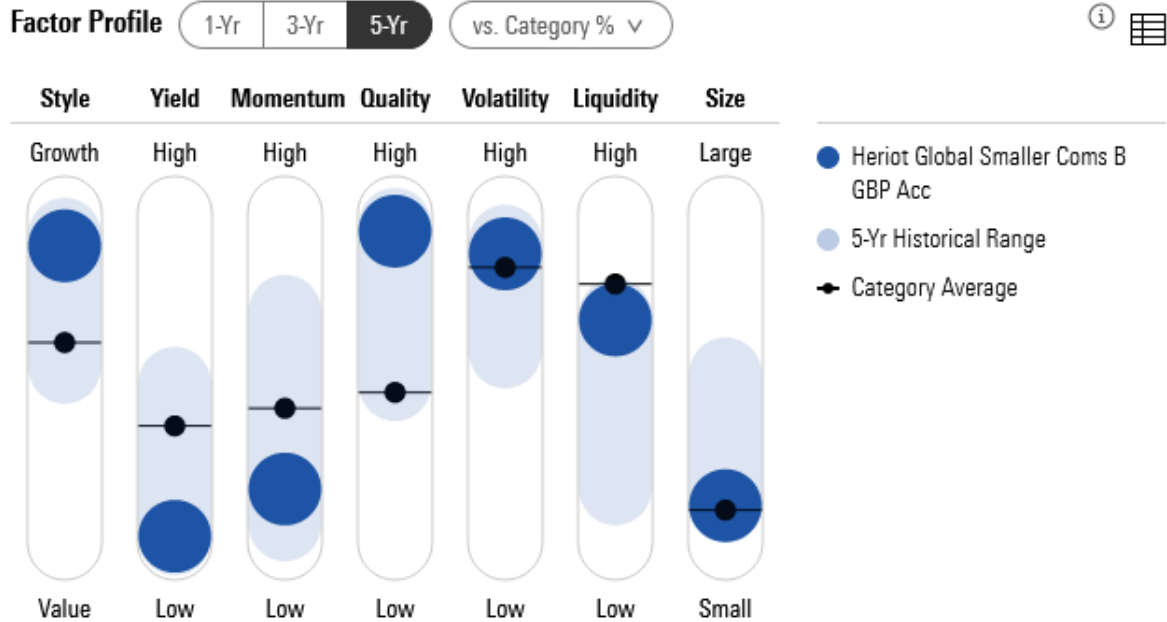
Equity Holdings	Bond Holdings	Other Holdings	% Assets in Top 10 Holdings
65	0	2	—

Reported Turnover %	Women Directors %	Women Executives %
—	31	19
As of —		

Holdings	% Portfolio Weight	First Bought	Market Value GBP as of 31 Aug 2023	CI
TechnoPro Holdings Inc	2.85	31 Oct 2021	318,360	
Disco Corp	2.75	31 Oct 2021	307,792	
Spirent Communications PLC	2.39	31 Oct 2021	266,932	
Littelfuse Inc	2.34	31 Oct 2021	261,884	
Trend Micro Inc	2.20	31 Oct 2021	246,460	
Graco Inc	2.19	31 Oct 2021	244,539	
Diasorin SpA	2.15	31 Oct 2021	241,015	
National Instruments Corp	2.11	31 Oct 2021	236,632	
Paradox Interactive AB	2.01	31 Oct 2021	225,222	
Vitasoy International Holdings Ltd	2.01	31 Oct 2021	224,507	

Heriot Global Smaller Companies Fund – September 2023

FACTOR PROFILE



Investment as of 31 Jul 2023 | Category: Global Small/Mid-Cap Equity as of 30 Jun 2023

STYLE MEASURES (MARKET CAP)

Market Cap

Avg Market Cap
2.72 Bil

Category Avg Market Cap
4.21 Bil

Index Avg Market Cap
6.24 Bil

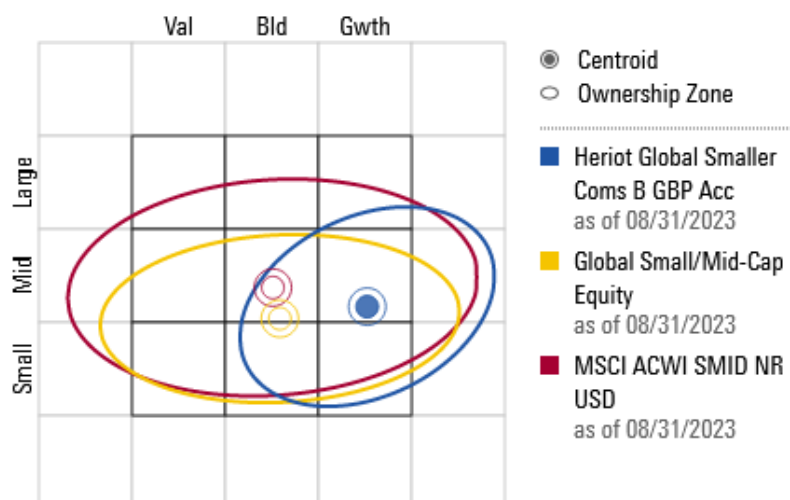
Size	Investment %	Cat. Average %	Index %
Giant	0.00	0.31	0.10
Large	3.39	2.84	14.39
Mid	53.05	37.76	57.64
Small	38.64	53.51	22.61
Micro	3.66	3.20	4.94

GBP | As of 31 Aug 2023 | Category: Global Small/Mid-Cap Equity | Index: MSCI ACWI SMID NR USD | Data is based on the long position of the equity holdings.

Heriot Global Smaller Companies Fund – September 2023

Stock Style

Map Weight Historical



Measures

Value & Growth Measures	Investment	Cat. Average	Index
Price/Earnings	25.20	14.33	14.32
Price/Book	3.19	1.75	1.61
Price/Sales	2.43	0.96	1.00
Price/Cash Flow	16.44	8.25	7.30
Dividend Yield %	1.55	2.23	2.75
Long-Term Earnings %	8.74	12.13	11.84
Historical Earnings %	12.52	15.99	11.06
Sales Growth %	13.89	9.61	7.88
Cash-Flow Growth %	-4.66	-1.98	3.75
Book-Value Growth %	17.57	4.47	3.59

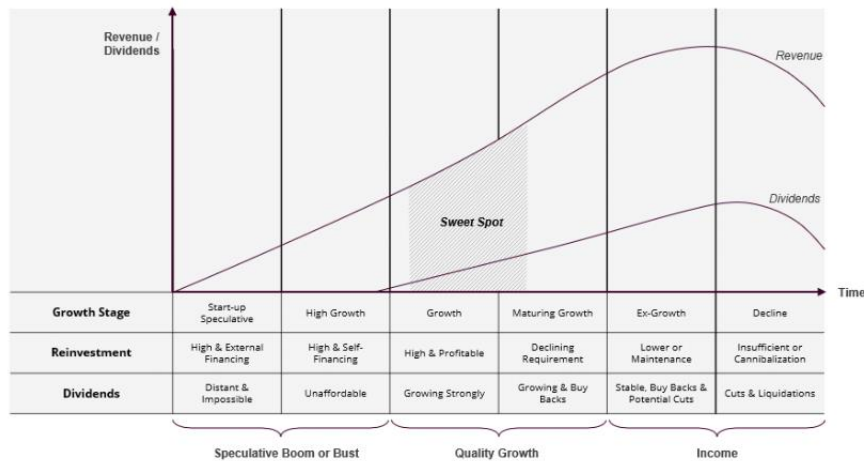
As of 31 Aug 2023 | Category: Global Small/Mid-Cap Equity | Index: MSCI ACWI SMID NR USD | Data is based on the long position of the equity holdings.

Heriot Global Smaller Companies Fund – September 2023

LWM FUND ANALYSIS

Dundas Global Investors do one thing, and one thing well. They manage global equities within a consistent team and process throughout. The original strategy is the Apostle Dundas Global Equity Fund for clients in Australia and New Zealand, and in the UK the strategy they launched was the Heriot Global Fund. They see themselves as journalists and students and look to learn about stocks and the underlying world. They write up every stock they look at and over time have built a bank of 700 small cap stocks they have researched.

The Heriot strategy does not hold small cap and so the smaller cap strategy was built to tap into this bank of information. Their argument is that investing in small cap doesn't have to be risky if you tap into the right part of the market. The style follows the main strategy. It looks for high quality companies that grow their dividends, market leading specialist businesses with durable positions through sustainable competitive advantages, reinvestment which creates wealth through compounding and decades of growth.



It is within that sweet spot that they look to identify opportunities and control the risk normally associated with small cap. This strategy by its very nature is different to index with a 98% active share class.

It is worth adding that although this is not a dividend strategy, dividends are an important element.

	2022	2023 YTD	% of stocks held
Number of holdings where DPS:			
Increased	56	38	83%
Held	5	5	7%
Cut	0	3	0%
Non-Payers	7	6	10%
Heriot Global Smaller Companies strategy estimated dividend growth	19%	10%	14%
MSCI ACWI SC dividend growth	10%	4%	7%

• 13 stocks still to declare their dividends for 2023

Heriot Global Smaller Companies Fund – September 2023

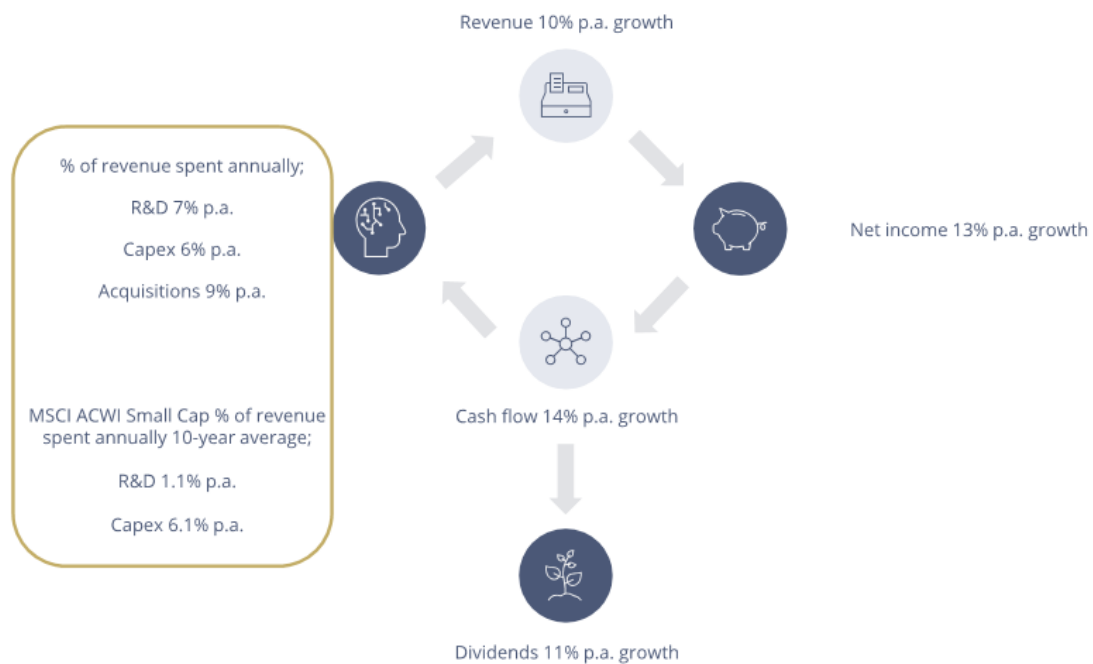
The tendency with small cap is to invest until they expand then sell. They take a different approach. As an example, Badger Meter is a manufacturer and marketer of products incorporating flow measurement, quality, control, and other system solutions serving markets worldwide. As a niche business it remains a small cap company but is expanding into other markets and so has decades of growth ahead.

Another example is Brembo Brakes who are leading supplier of disc brake technology. One of the key elements of this is that they are used across different manufacturers of electric vehicles. This is not about selecting who will win in the electric car race but about participating in the race in a way that either way they will win.

What they are happy with is the concept of getting rich slowly. They are not looking for the big next thing to happen like, Nvidia, equally they want to avoid companies that are operating in declining markets.

The chart below is key to how they manage money:

Data below is based on the Fund's positions as at 31st December 2022 and rolled back 10 years.



Data is annualised at 31st December 2022.

Data represented in GBP

How companies use cash is as important as the dividend. Everything must come together to deliver the return. This is not about buying on hope but a variety of fundamentals. They use a method of sifting which means the portfolio has exposure to 31 economic drivers of returns. This is not a thematic fund but by the nature of what they do it is tapping into the key themes around the world.

Heriot Global Smaller Companies Fund – September 2023



The research process is shown below:



We talked about how they hunt out good businesses. They explained that CEOs are salespeople. They look to screen out boom and bust strategies and look to those companies that are committed to growing dividends. This is a good indication of quality. Engagement is important but also making sure this is strategic and relevant. Importantly they believe you should never take anything on trust. It is about observing behaviour and what is actually happening.

The chart below shows the investment team. As a team they believe in honest discussions. The comment they use is “truth emerges from a good argument between friends”. Honest discussions are key to developing the strategy and within this they may not always agree.

Heriot Global Smaller Companies Fund – September 2023

Team member	Title	Industry tenure	Dundas tenure	Research	Portfolio	Performance & Risk	Execution	Clients
James Curry	Partner	12	12	✓	✓			
Gavin Harvie, CFA	Partner	12	12	✓	✓			
Andrew Brown, CFA*	Investment Manager	18	-	✓	✓			
Russell Hogan	Partner	36	12	✓	✓			
David Keir, CFA	Partner	25	2	✓	✓			
Alan McFarlane	Senior Partner	44	12	✓	✓	✓	✓	
Kevin Hepburn	Partner	10	8			✓	✓	
Natasha Hayward	Investment Support Analyst	24	1			✓	✓	✓
Neil Sutherland	Partner	30	9					
Average		24	9					

The danger with many strategies is egos and biases. Their approach is to take this off the table. Open discussion and a generalist approach means that they are developing something that they believe is very different for investors.

We touched on Mergers & Acquisitions (M&A), and this is something they accept happens. It is not something they look for but when it happens, often it is at a premium. Examples of recent M&A.

Strategic acquirers are recognising quality & value

Four deals with an average premium of 40% to pre-deal value

mimecast[®]

Acquired by PE firm Permira for 16% premium to pre-deal value

NATIONAL INSTRUMENTS



Acquired by Emerson Electric, a large public industrial conglomerate, for a 49% premium to pre-strategic review value

Dechra
Veterinary Products

Acquired by PE firm EQT, as part of their veterinary sciences roll-up programme, for a 44% premium to the value before EQT's interest became public

abcam[®]
discover more

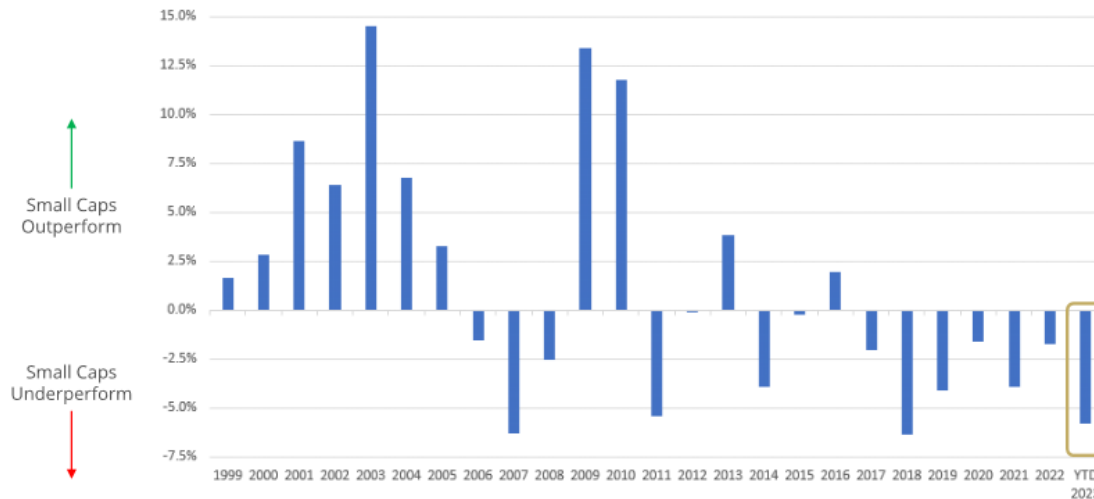
Acquired by Danaher, a large public healthcare conglomerate, for a 48% premium to the value prior to the announcement of the strategic review including sale

Heriot Global Smaller Companies Fund – September 2023

In summary, we know the large cap global fund well. To adopt the same process and team into a small cap strategy seems to make sense. The idea that small cap can be a long term holding if you select the right company is perhaps what really makes this different. Small cap has been challenged and when the market turns this could be the area that recovers fastest.

The smaller companies' premium

MSCI ACWI Small Cap total return less MSCI ACWI total return measured in US dollars.



The rise of passive investing, and mega cap technology stocks has diminished the smaller companies' premium in recent years. Calendar year to date, small cap stocks have underperformed at an annualised rate of -12%.

On the downside, this has a limited track record and that might discourage investors until a longer term history is built.

The source of information in this note has been provided by Dundas and is correct as of September 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.

LWM Consultants Ltd is authorised and regulated by the Financial Conduct Authority. FCA Number 728107. Registered in England & Wales under Company Number 07408315.
Registered Office: The Garden Suite, 23 Westfield Park, Redland, Bristol, BS6 6LT