

VT Teviot UK Smaller Companies Fund

Monthly Fact Sheet – September 2017

Key Facts		
Launch Date	29 August 2017	
Fund Size	£6.9m	
	Income	Accumulation
Price at 29.9.17 (12 noon)	103.8287p	103.8287p
Sedol	BF6X223	BF6X212
ISIN	GB00BF6X2231	GB00BF6X2124
Annual Management Fee	0.75%	
Ongoing Charges *	1.00%	
* The investment manager has undertaken to absorb any operating costs that would otherwise cause the Fund to have an OCF (before transaction costs) in excess of 1.00%, and has committed to do so for the first 12 months from launch.		
Minimum Investment	£1,000	
Dilution Levy: (effective 1 October 2017)	Purchases: 1.33% Redemptions: 1.03%	
Dilution levy is updated monthly. For more information visit www.teviotpartners.com		

Summary Investment Objective

The objective of the fund is to achieve a total return (of growth and income, after fees) greater than the Numis Smaller Companies Index (including AIM but excluding Investment Companies).

Fund Attributes

- ❖ A value investment style
- ❖ Small unit size of investment confers a significant advantage in an illiquid asset class.
- ❖ Broad and diverse investment universe.
- ❖ Invest in less than 1 in 12 companies of the available universe.
- ❖ Bottom up driven with an asset allocation overview.

Monthly Manager Commentary

The Fund launched on 29 August 2017 and we report here on the period from launch until the end of September 2017.

The Fund shares launched at 100p and closed at 103.8p at the end of September. The Fund has made good progress in getting invested and was 87% invested at the end of September, partly reflecting fund inflows close to the period end. We expect to be close to fully invested over the coming month. The contributors to the Fund value were broadly spread reflecting the benefit of a clean portfolio.

Our strategy is to apply a value based investment approach to a broad universe of companies and the portfolio comprises the best value opportunities currently presented. Importantly we have tried to identify opportunities with catalysts for the value gap to close and exploit our relative liquidity advantage. We are investing into a market where there is extreme levels of polarisation between the valuations of growth and value companies. Investor behaviour could be characterised by a willingness to own certain stocks at all costs while not wishing to touch others at almost any cost. This pattern has persisted for a long period of time and will reverse sooner or later. For us, it presents a good environment for value based stock picking where share prices become detached from the fundamental attributes of the companies. During September it was clear that political uncertainty was affecting certain segments of the UK economy, while inflation expectations prompted more speculation about a turn in the interest rate cycle. These uncertainties resulted in further polarisation and bring further opportunities. The current year dividend yield on the portfolio is 3.4%, which points to the inherent value within the portfolio.

Premier Oil was the most significant contributor. The prospects for deleveraging have improved with disposals, reduced capital expenditure and good operational performance. A firmer oil price also helped. While there are further hurdles to overcome, there is growing evidence that deleveraging will drive value into the equity. Ricardo, an international engineering consultancy, contributed strongly and is now the largest holding in the portfolio. The company has an excellent long term record. Disruption to order patterns around the Brexit vote made for some short term challenges but the order book has recovered strongly. The price was hit by fears of a growing number of electric vehicles reducing demand for its services when perversely demand has increased. We capitalised on this weakness and were able to acquire a position close to the inflexion point. Amino Technologies announced contract wins and WYG was deeply oversold after the new Chief Executive rebased expectations. The principle laggard was Card Factory where management has elected to drive for volume rather than pass through price increases. It remains a high quality business.

How to Invest

Details of how to invest in the VT Teviot UK Smaller Companies Fund are available from our website at:

www.teviotpartners.com

Application forms and other supporting documents are also available at:

www.valu-trac.com/teviot

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Platforms

AJ Bell
Allfunds
Hargreaves Lansdown
Transact

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Top 10 Holdings

Holding	Sector	% of Portfolio
1. Ricardo Plc	Business Consultancy	4.1
2. Acal Plc	Electronics	3.7
3. Headlam Plc	Carpet Distributor	3.5
4. SQS Software Plc	Software & Services	3.5
5. Morses Club Plc	Home Collected Credit	3.4
6. Macfarlane Group Plc	Packaging Distributor	3.2
7. Premier Oil Plc	Oil & Gas Producer	3.2
8. Central Asia Metals Plc	Mining	3.2
9. Amino Technologies Plc	Media Technology	3.2
10. WYG Plc	Engineering Consultancy	3.0

Source: Teviot Partners LLP

Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above £1bn	10.8	4
£500m - £1bn	11.7	5
£250m - £500m	20.8	7
£100m - £250m	27.7	10
Below £100m	15.7	9
Cash	13.2	
Total	100.0	35

Listing

	%
Main	59.6
Aim	27.2
Cash	13.2

Fund Managers



Andy Bamford

Andy has a 25-year track record of investing in UK smaller companies, running large and prestigious mandates.

He is a trained accountant who worked with General Accident and Edinburgh Fund Managers before joining Aberforth Partners in 2001 where he became a partner. Aberforth is a respected value investor and Andy had a successful 15-year career with the firm. Passionate about investing in small companies, Andy set up Teviot Partners in November 2016.



Barney Randle

Barney has a 23-year career working for a variety of investment banks including Merrill Lynch, JP Morgan and latterly Arden Partners.

He has always specialised in UK smaller companies and enjoys a strong reputation for original and rigorous investment analysis. His non-consensual and value orientated approach was well received by some of the largest and most successful investors in the asset class.

Important Information / Risk Warnings

This fund invests in smaller companies and carries a higher degree of risk than funds investing in larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. The fund can also invest in smaller companies listed on the Alternative Investment Market (AIM) which also carry the risk described above.

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