

VT Teviot UK Smaller Companies Fund

Monthly Fact Sheet – March 2022



Key Facts		
Launch Date: 29.08.17	Fund Size: £80m	
Price at 31.03.22 (12:00)	Accumulation 188.8860p	Income 176.0412p
Sedol	BF6X212	BF6X223
ISIN	GB00BF6X2124	GB00BF6X2231
Annual Management Fee	0.75%	
Ongoing Charges	0.85%	
Minimum Investment	£1,000	
Dilution Levy: (effective 1 April 2022)	Purchases: 1.36% Redemptions: 1.01%	
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 circa 1 in 9 companies of the available universe
 - ❖ Active Share 85%
 - ❖ Bottom up driven with an asset allocation overview

Objectives and Investment Policy

The investment objective of the VT Teviot UK Smaller Companies Fund is to achieve a total return (of growth and income, after fees) greater than the Benchmark Index over the long term. The Benchmark Index is the Numis Smaller Companies Index (including AIM but excluding investment companies).

The Fund will seek to achieve its investment objective by investing in a diversified portfolio of companies which shall primarily consist of small UK quoted companies. Small companies are those having a market capitalisation, at the time of purchase, equal to or lower than the largest company in the Numis Smaller Companies Index (including AIM but excluding investment companies).

The Manager actively manages the portfolio in order to achieve the objective and will not be restricted in respect of investments by industrial sectors.

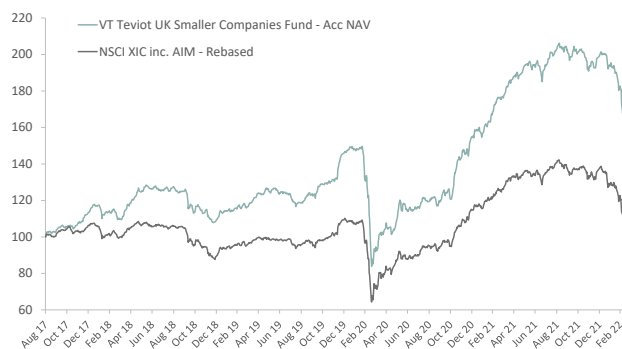
In addition to equities, the asset classes in which the Fund may invest includes transferable securities, units in collective investment schemes, money-market instruments, cash and near cash and deposits

The Fund will not invest in any immovable property or tangible movable property. The Fund may hold derivatives for efficient portfolio management purposes. It is not intended that the use of derivatives for efficient portfolio management purposes will increase the risk profile of the Sub-Fund. The Fund's base currency is Pounds Sterling.

If you hold income shares any income from the Fund may be paid out to you. If you hold accumulation shares, any income from the Fund will be re-invested to grow the value of your investment. You can buy and sell shares on any business day.

As indicated above, the Fund aims to achieve a total return over the longer term. Nevertheless capital is in fact at risk and there is no guarantee that a total return will be achieved over that specific, or any, time period. For full investment objectives and policy details, please refer to the Prospectus.

Performance



Returns (%)	1 m	3 m	6 m	1 Year	3 Years	Since Launch
The Fund	+3.4%	-5.3%	-6.8%	+7.2%	+62.1%	+88.9%
NSCI (XIC) incl. AIM	+0.6%	-10.4%	-10.3%	-2.1%	+28.8%	+23.4%

12 months Discrete Returns (%) – To End Q1	2022	2021	2020	2019
The Fund	+7.2%	+86.4%	-18.9%	+5.9%
NSCI (XIC) incl. AIM	-2.1%	+71.3%	-23.2%	-4.1%

Past performance is not necessarily a guide to future performance. Fund launched on 29 August 2017. Fund performance is illustrated by the Accumulation Share Class NAV. Discrete performance is updated on a calendar quarter basis and reflects all available discrete periods since launch.

Quarterly Manager Commentary

Given the turbulent global events, it is no surprise that stock markets were volatile in the first quarter of 2022. The continuing impact of COVID-19 (in its Omicron variant), supply chain disruption, rising inflation and rising interest rates were causing uncertainty in the global economic outlook, even before Russia's invasion of Ukraine in late February.

Against that backdrop, the fund performed relatively well. Its benchmark index (Numis Smaller Companies Index including AIM, excluding Investment Companies) fell 10.4% in the quarter whereas the fund fell only 5.3%. Encouragingly, the fund also finished the quarter strongly, rising by 3.4% in March versus the index which was up just 0.6%.

Elements of this out-performance can be explained by two key themes. The first – particularly relevant in January, but likely to persist – was the evidence of rising inflation and the need for interest rate increases. Rising interest rates imply higher discount rates for future cash flows. Consequently, elevated asset valuations whose present values depend on long duration returns were pressured. This enabled 'value' stocks to outperform 'growth' stocks, suiting the fund's positioning. The fund's underweight position in Technology stocks served it well, for example. In addition, we have been seeking to ensure our stocks have resilient operating margins and pricing power so that they can mitigate (or benefit from) higher inflation. The second theme, which was benefiting the fund even before Russia's actions, was exposure to rising energy prices and energy security. Not only does the Teviot fund have overweight positions in Oil & Gas producers such as Serica Energy, Energean and Gulf Keystone Petroleum, it was also aided by the strong share price performance in power generator Drax Group. Drax is a leading player in sustainable biomass generation and supply, whilst also developing its plans for bioenergy with carbon capture and storage (BECCS).

In addition to Drax, Serica, Gulf Keystone and Energean, the top contributors (in absolute terms) to performance in the quarter were Lookers and Hargreaves Services. Lookers has combined strong trading updates with the possibility of corporate activity – Constellation Automotive Holdings Ltd acquired a 19.9% stake at a large premium to the share price in January. Hargreaves Services has had material earnings upgrades which drove the share price up nearly 42% in the quarter.

We have not been immune to disappointments however, which has caused us to re-evaluate and "stress test" the resilience of the profitability of our stocks given the macroeconomic and geopolitical issues highlighted. Studio Retail Group was a particular disappointment when it was put into administration after its main lender unexpectedly refused to extend its credit (supply chain disruption had affected Christmas trading). IG Design performed poorly having also been similarly affected (freight rate rises and shortages of containers getting from China to America hurt both sales and margins). A profit warning from De La Rue – caused by COVID-affected staff shortages – also cost performance.

At a sector level, relative to the index, the fund's overweight exposures to Energy and Utilities were beneficial as were its underweights in Health and Technology. Overweights in Retail and Consumer Non-Durables hurt performance.

VT Teviot UK Smaller Companies Fund

Top 10 Holdings as at 31/03/22

Holding	Sector	% of portfolio
1. Drax	Electricity Provider	2.9
2. Renewi	Waste Services	2.2
3. Energean	Oil & Gas Producer	2.0
4. Indivior	Speciality Pharmaceuticals	2.0
5. Staffline Group	Recruitment & Training	2.0
6. Mears Group	Property Management & Maintenance	2.0
7. De La Rue	Bank Note & Authentication Solutions	1.9
8. OSB Group	Specialist Mortgage Lender	1.8
9. Serica Energy	North Sea Oil & Gas Producer	1.8
10. Capricorn Energy	Oil Exploration & Production	1.7
Total		20.3

Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above £1bn	23.3	16
£500m - £1bn	21.1	19
£250m - £500m	15.8	17
£100m - £250m	27.5	27
Below £100m	9.6	16
Cash	2.7	
Total	100.0	95

Listing

	%
Main	69.1
Aim	28.2
Cash	2.7

How to Invest

Details of how to invest in the VT Teviot UK Smaller Companies Fund are available from our website: www.teviotpartners.com

Application forms and other supporting documents are also available at www.valu-trac.com/teviot
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Platforms

Aegon	AJ Bell
Allfunds	Aviva
Hargreaves Lansdown	Interactive Investor
Pershing	Transact
7IM	

Authorised Corporate Director & Administrator

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Fund Managers



Barney Randle,
Partner

Barney has a strong 4-year performance record managing the VT Teviot UK Smaller Companies Fund. Prior to founding Teviot Partners in November 2016, Barney spent over 20 years on the sell side on UK Small Caps, advising investors and corporates, working for a variety of investment banks including Merrill Lynch and JP Morgan. Barney specialised in original and rigorous investment analysis, with a non-consensual approach, and has a deep understanding of the implications of liquidity in an illiquid asset class.



Dan Vaughan,
Partner

Dan joined Teviot in May 2021. He has a strong pedigree in UK Smaller Company investing, having managed UK Smaller Companies pension and life money at Colombia Threadneedle for 13 years, latterly heading up the team until 2013 when he took a career break. As a specialist in UK Small Caps, Dan was an analyst then fund manager at CU/CGU/Morley Fund Management as the organisation grew with the mergers of Commercial Union with General Accident in 1998 and then CGU with Norwich Union in 2000.

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.

This document is provided for general information purposes only and should not be interpreted as investment advice. It is not a personal recommendation and it should not be regarded as a solicitation or an offer to buy or sell any securities or instruments mentioned in it. We recommend retail investors seek the services of a Financial Adviser. Full details of the VT Teviot UK Smaller Companies Fund (the "Fund"), including risk warnings are published in the Key Investor Information document and Prospectus all available from www.valu-trac.com/teviot. The Fund is subject to normal stock market fluctuations and other risks inherent in such investments.

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