

VT Teviot UK Smaller Companies Fund

Monthly Fact Sheet – December 2022



Key Facts

Launch Date: 29.08.17		Fund Size: £76m
Price at 30.12.22 (12:00)	Accumulation 173.0120p	Income 156.8719p
Sedol	BF6X212	BF6X223
ISIN	GB00BF6X2124	GB00BF6X2231
Annual Management Fee	0.75%	
Ongoing Charges	0.85%	
Minimum Investment	£1,000	
Dilution Levy: (effective 1 January 2023)	Purchases: 1.46%	Redemptions: 1.12%
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 81%
- ❖ 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.

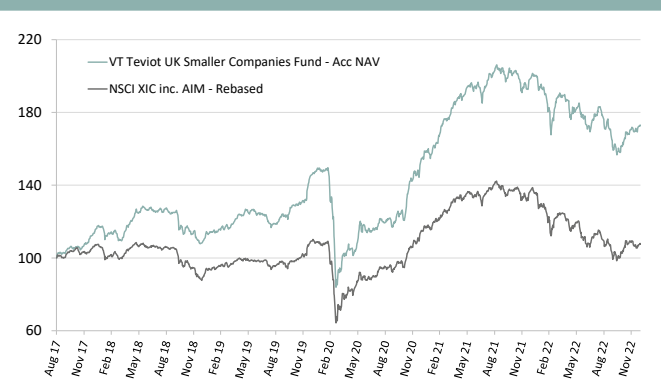
In addition to equities, the asset classes in which the Fund may invest includes transferable securities, units in collective investment schemes, money-market instruments, cash and near cash and deposits

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	+1.3%	+8.7%	-0.5%	-13.3%	+18.4%	+73.0%
NSCI (XIC) incl. AIM	-1.2%	+6.9%	-0.6%	-21.9%	-1.7%	+7.5%

12 months Discrete Returns (%) – To End Q4					
	2022	2021	2020	2019	2018
The Fund	-13.3%	+29.1%	+5.8%	+33.6%	-3.6%
NSCI (XIC) incl. AIM	-21.9%	+20.0%	+4.9%	+22.2%	-15.8%

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

Stock markets remained a little volatile in Q4, but perhaps began to offer a bit more hope of stability. The global backdrop remains unsettled, and the Ukraine war shows little signs of abating. However, energy prices have retreated from recent highs and the consequent impact on inflation should be helpful. If inflation does begin to ease in the coming months, central banks may then begin to consider the risk of recession more in setting interest rates. Sterling has responded positively to a more becalmed UK political and fiscal environment since September, although gilt yields remain elevated.

Against this calmer background, there were gains in Q4 for both the Fund (+8.7%) and its NSCI index benchmark (+6.9%). Material out-performance in Q4 was also reflected for the year as a whole: Fund -13.3% versus Index -21.9%.

Investor sentiment remains weak, and small caps always suffer in times of uncertainty. But with a 21.9% drop in the Index in 2022, compared to the Numis Large Cap index of +3.7%, Teviot is of the view that a lot of the pain has already been felt in terms of the capital withdrawal from our Index. Small caps are generally more cyclical and domestic-oriented, but in many cases valuations are discounting a severe reduction in earnings. Such under-performance by Small Cap Indices is rare, and history teaches us that investors are rewarded for investing at times of uncertainty.

Our portfolio is orientated towards robust franchises that are resilient, with modest financial leverage. Our “value” bias should keep serving us well in a world of rising interest rates, as “growth” companies struggle to justify their high multiples and need to adjust their strategies in order to generate cash. Our exposures to energy producers, power generators and defence stocks have served us well; and we continue to selectively invest in what we consider to be oversold cyclical recovery situations. Global supply chains have improved, and freight rates have fallen considerably. However, investors need to watch carefully for how China emerges from lockdown and the weakening demand backdrop in Western economies.

Contributors to the Fund’s performance in Q4 were broad based. Devro (+84%) received a recommended bid approach; Atalaya Mining (+71%) benefitted from a strong rebound in the copper price; Indivior (+34%) had a positive Q3 trading update and Capital Markets Day; and Fonix Mobile (+34%) responded well to solid results. In contrast, the Fund’s performance was hindered by the falls in Tribal (-34%) and Allergy Therapeutics (-74%) – both suffered earnings downgrades; and Serica (-20%) which succumbed to weaker gas prices and elevated windfall taxes.

2022 was a milestone year for the Fund, passing its five-year anniversary and winning the Investment Week’s “Fund Manager of the Year Award 2022” in the UK Smaller Companies category. The fund has delivered material outperformance over five years, against both its benchmark index and its peer group UK Small Cap funds. The team is looking forward to the next five years!

Fund Managers



**Barney Randle,
Partner**

Barney has a strong c.5 year performance record managing the VT Teviot UK Smaller Companies Fund since launch in August 2017. UK Smaller Companies has been his area of focus for 27 years, initially advising investors and corporates on the sell side where he specialised in original and rigorous investment analysis, and where he developed a deep understanding of the implications of liquidity in an illiquid asset class.



**Dan Vaughan,
Partner**

After graduating from Oxford University, Dan specialised in UK Smaller Companies in the mid-1990s at Aviva. He then spent 13 years managing UK Smaller Companies pension and life funds at Colombia Threadneedle, of which the final 7 years were as Head of Team. Dan joined Teviot in May 2021 and acceded to Partner in January 2022.

VT Teviot UK Smaller Companies Fund

Top 10 Holdings as at 30/12/22

Holding	Sector	% of portfolio
1. Drax Group	Electricity Provider	3.0
2. Mears Group	Property Management & Maintenance	2.3
3. Energiean	Oil & Gas Producer	2.2
4. Rathbones Group	Wealth Manager	2.1
5. Wilmington	Information, Training & Education Solutions	2.0
6. Renewi	Waste Services	2.0
7. SThree	Recruitment	2.0
8. Keller Group	Construction Services	1.7
9. Kitwave Group	Independent Wholesaler	1.7
10. Indivior	Speciality Pharmaceuticals	1.7
Total		20.7

Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above £1bn	19.4	14
£500m - £1bn	18.5	16
£250m - £500m	22.9	21
£100m - £250m	25.3	26
Below £100m	10.3	21
Cash	3.6	
Total	100.0	98

Listing	%
Main	67.6
Aim	28.8
Cash	3.6

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
+44 (0)1343 880344

Platforms

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

Authorised Corporate Director & Administrator

* Valu-Trac Administration Services
Orton, Moray, IV32 7QE
Tel: +44 (0)1343 880344
Fax: +44 (0)1343 880267
www.valu-trac.com

Teviot Partners LLP

46 Charlotte Square
Edinburgh EH2 4HQ
Tel: +44 (0)131 510 7280
info@teviotpartners.com www.teviotpartners.com

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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