

VT Teviot UK Smaller Companies Fund

Monthly Fact Sheet – March 2023



Key Facts		
Launch Date: 29.08.17	Fund Size: £78m	
Price at 31.03.23 (12:00)	Accumulation 169.7324p	Income 153.8976p
Sedol	BF6X212	BF6X223
ISIN	GB00BF6X2124	GB00BF6X2231
Annual Management Fee	0.75%	
Ongoing Charges	0.86%	
Minimum Investment	£1,000	
Dilution Levy: (effective 1 April 2023)	Purchases: 1.37% Redemptions: 1.04%	
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 8 companies of the available universe
❖ Active Share 86%
❖ 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.

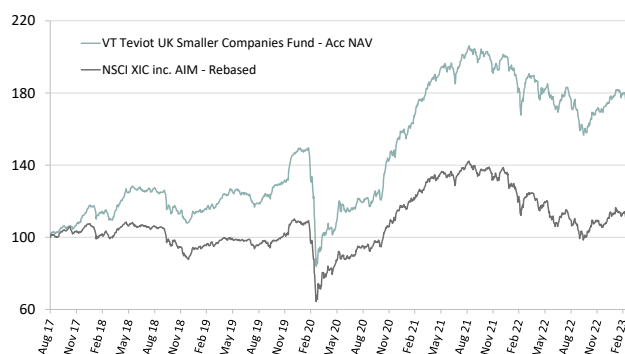
In addition to equities, the asset classes in which the Fund may invest includes transferable securities, units in collective investment schemes, money-market instruments, cash and near cash and deposits

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	-5.5%	-1.9%	+6.6%	-10.1%	+79.6%	+69.7%
NSCI (XIC) incl. AIM	-5.7%	-0.6%	+6.3%	-13.4%	+45.2%	+6.9%

12 months Discrete Returns (%) – To End Q1

	2023	2022	2021	2020	2019
The Fund	-10.1%	+7.2%	+86.4%	-18.9%	+5.9%
NSCI (XIC) incl. AIM	-13.4%	-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.

Quarterly Manager Commentary

The first quarter of the year was volatile and ultimately slightly disappointing for both the Fund and its Index benchmark (the Numis Smaller Companies Index plus AIM, excluding Investment Companies).

After a strong end to 2022, the year began in exuberant fashion as many of the new entrants “demoted” into the rebalanced Index in January rallied hard (after heavily under-performing in 2022). Examples (none of which the Fund owned) included consumer-facing stocks ASOS (+61% in Q1), THG (+54%), Pets at Home (+30%) and Carnival (+27%).

The Fund therefore struggled to keep up in January (+3.3% versus Index +5.0%), but mildly outperformed in both February and March. The better news - as the performance table above shows - is that over 12 months the Fund is comfortably outperforming, and that the long-term performance is strong.

The Fund did have some notable winners of its own. Key contributors included Kitwave (+41% in the quarter), Jet2 (+40%) and Inspecs (+121%). Kitwave (a UK food wholesaler) published another outstanding set of annual results, making its low valuation seem very undeserved. Jet2’s robust finances and excellent customer service are being rewarded as demand for holidays recovers post-Covid. Inspecs (an eyewear business) rallied strongly after a reassuring trading update proved that an equity fundraise was unnecessary – the Fund had materially added to its position in December. In a similar vein, building contractor Costain was up 38% after another set of results confirmed its rehabilitation. The Fund also benefited (relative to the Index) from avoiding several substantial profit warnings. Examples included Spirent (-32%), NCC (-48%), Pantheon Resources (-44%), RWS (-18%), Kin & Carta (-64%) and Craneware (-36%). A common theme among many of the profit warnings was a slowdown in global technology spending, especially with many such “growth” stocks being on high valuations.

In contrast, however, the Fund missed out on not owning Aston Martin (+48%), Wood Group (+48%), Bank of Cyprus (+57%), Moneysupermarket (+34%) and JD Wetherspoon (+61%), as well as the stocks mentioned above, such as ASOS. Wood Group rose after receiving several takeover approaches. The others tended to be beneficiaries of improved sentiment towards their prospects after poor performances in 2022. Of the Fund’s holdings, the main disappointments were Drax (-14%), Indivior (-26%), EMIS (-20%) and Serica (-22%). EMIS (healthcare IT) suffered when its takeover approach from a competitor was referred to the UK regulator – which may lead to the deal being cancelled. The others suffered to some extent from “mean reversion” – all having performed very well for the Fund in 2022, and now seem to us to be oversold. Sectorally, the Fund’s key underweight positions relative to the Index are Financials, Real Estate, Basic Materials, Consumer Discretionary, Technology and Healthcare. Its main overweights are Industrials (largely via the Industrial Support Services sub-sector), Utilities, Consumer Staples and Telecoms.

From this sectoral perspective, the Fund is still quite defensively positioned and of course retains its “value” bias. Whilst the global backdrop remains unsettled, energy prices do continue to normalise and so the consequent reduction of inflation rates should be helpful. Combined with the impact of recent bank failures, the interest rate cycle may be close to the peak.

Investor sentiment is off its lows but remains fragile, and small caps always suffer in times of uncertainty, being generally more cyclical and domestic-oriented. However, in many cases valuations are discounting a severe reduction in earnings, which may prove overly pessimistic. Our portfolio is oriented towards robust franchises that are resilient, with modest financial leverage. Our “value” bias should keep serving us well in a world of higher interest rates, as “growth” companies struggle to justify their high multiples and need to adjust their strategies to try to generate cash (or preserve their dwindling resources).

It also seems likely to us, given the undervaluation of small caps, that M&A will pick up, especially by overseas trade buyers. In the meantime our focus continues to be on investing in companies that are resilient given the economic uncertainty. We are avoiding stocks with high financial leverage and those that do not have the pricing power to offset inflationary pressures. However, given that we prioritise liquidity at all times, we are seeking to take advantage of oversold situations (perhaps caused by other funds having to sell due to redemptions), and will be seeking – with suitable caution - to rotate our capital into cyclical recovery as the outlook starts improving.

Finally, we were pleased to be short-listed for Fund Manager of the Year at the recent PLC Awards Dinner, and - following last year’s first prize - we have again been short-listed for Investment Week’s Fund Manager of the Year Awards in the UK Smaller Companies category. We will do our very best to try to maintain the strong performance of the Fund that such nominations require!

VT Teviot UK Smaller Companies Fund

Top 10 Holdings as at 31/03/23

Holding	Sector	% of portfolio
1. Drax Group	Electricity Provider	2.5
2. Mears Group	Property Management & Maintenance	2.3
3. Kitwave Group	Independent Wholesaler	2.2
4. Energean	Oil & Gas Producer	2.1
5. SThree	Recruitment	2.1
6. Wilmington	Information, Training & Education Solutions	2.0
7. Renewi	Waste Services	2.0
8. Rathbones Group	Wealth Manager	1.9
9. Premier Foods	Branded Foods Producer	1.9
10. Jet2	Leisure Travel Group	1.9
Total		20.9

Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above £1bn	19.9	15
£500m - £1bn	13.2	13
£250m - £500m	26.6	24
£100m - £250m	26.8	26
Below £100m	10.1	18
Cash	3.4	
Total	100.0	96

Listing	%
Main	66.4
Aim	30.2
Cash	3.4

Fund Managers



Barney Randle,
Partner

Barney has a strong 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 over 25 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 Columbia 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.

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

The Fund is available on most major Platforms including

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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