

# VT Teviot UK Smaller Companies Fund

## Monthly Fact Sheet – June 2023



Key Facts		
<b>Launch Date:</b> 29.08.17	<b>Fund Size:</b> £78m	
Price at 30.06.23 (12:00)	<b>Accumulation</b> 170.1901p	<b>Income</b> 151.8335p
Sedol	BF6X212	BF6X223
ISIN	GB00BF6X2124	GB00BF6X2231
<b>Annual Management Fee</b>	0.75%	
<b>Ongoing Charges</b>	0.86%	
<b>Minimum Investment</b>	£1,000	
<b>Dilution Levy:</b> (effective 1 July 2023)	Purchases: 1.32% Redemptions: 0.99%	
Dilution levy is updated monthly. For more information visit <a href="http://www.teviotpartners.com">www.teviotpartners.com</a>		

### 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 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.

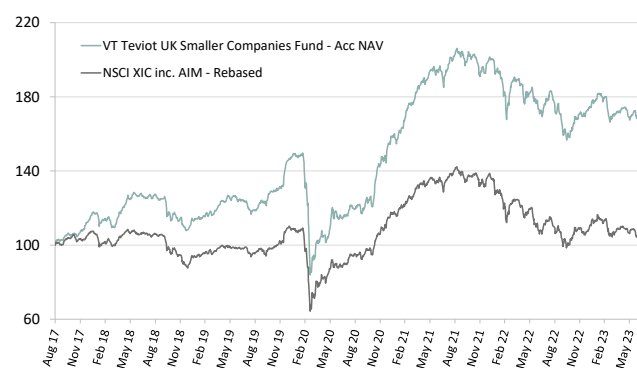
In addition to equities, the asset classes in which the Fund may invest includes transferable securities, units in collective investment schemes, money-market instruments, cash and near cash and deposits

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	+1.6%	+0.3%	-1.6%	-2.1%	+48.4%	+70.2%
NSCI (XIC) incl. AIM	-1.0%	-1.6%	-2.2%	-2.8%	+19.9%	+5.2%

#### 12 months Discrete Returns (%) – To End Q2

	2023	2022	2021	2020	2019
The Fund	-2.1%	-9.9%	+68.3%	-7.1%	-2.5%
NSCI (XIC) incl. AIM	-2.8%	-19.0%	+52.3%	-10.7%	-7.2%

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 second quarter of 2023 delivered a resilient performance for the Fund: +0.3%, compared to the benchmark index (the Numis Smaller Companies Index plus AIM, excluding Investment Companies) which was -1.6%.

Given the undervaluation of UK small caps, it is of little surprise that M&A remains a feature. Key contributors included Lookers and Sureserve, both of whom recommended takeover offers at significant premiums. Mears was also a strong performer (+47% in the quarter), having consistently delivered upgrades and proved out the duration of its earnings. Key detractors in the quarter were Energean (continued weaker gas prices), Renewi (in line update but investor worries about the economic cycle impacting future earnings) and SThree (recruitment revenues are notoriously cyclical, although SThree is holding up well given the structural drivers). Much of the exuberant performance of the demoted new entrants into the Index that characterised Q1, reversed in Q2, presenting an Index headwind for the quarter.

Sectorally, the Fund continues to be underweight (relative to the benchmark Index) Financials, Real Estate, Basic Materials, Consumer Discretionary, Technology and Healthcare; and overweight Industrials (largely Industrial Support Services), Utilities, Consumer Staples and Telecoms. The Fund is still relatively defensively positioned and of course retains its “value” bias. The global backdrop remains unsettled, and inflation remains stubbornly high. However, commodity and energy prices are retrenching, as are freight rates; although wage inflation continues to pose a threat. With weakening economic data, the interest rate cycle may be close to the peak.

Investor sentiment remains fragile. Small caps tend to suffer in times of uncertainty, being more illiquid, and generally more cyclical and domestic-oriented. However, the Index was down 22% in 2022 and a further -2.2% year to date; compared to UK large cap indices that are comfortably up over this period. Naturally, this also reflects how much investor capital has already been withdrawn from our Index, and how much potential investor capital is currently sat on the sidelines, waiting for the perceived ‘right moment’. In our experience, the nature of an illiquid asset class makes it nigh-on impossible to accurately predict this timing. Many small cap valuations are discounting a severe reduction in earnings, which may prove overly pessimistic. When net capital flows into our Index turn positive then prices could move noticeably.

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). We will continue to cautiously rotate capital into cyclical recovery as the outlook starts improving.

### VT Teviot UK Smaller Companies Fund

Top 10 Holdings as at 30/06/23

Holding	Sector	% of portfolio
1. Mears Group	Property Management & Maintenance	2.9
2. Kitwave Group	Independent Wholesaler	2.4
3. Drax Group	Electricity Provider	2.3
4. Wilmington	Information, Training & Education Solutions	2.0
5. Premier Foods	Branded Foods Producer	2.0
6. Rathbones Group	Wealth Manager	1.9
7. Ricardo	Business Consultancy	1.8
8. Jet2	Leisure Travel Group	1.8
9. Keller Group	Construction Services	1.8
10. SThree	Recruitment	1.8
Total		20.7

### Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above £1bn	18.9	14
£500m - £1bn	11.9	12
£250m - £500m	28.1	26
£100m - £250m	30.0	28
Below £100m	8.0	16
Cash	3.1	
Total	100.0	96

### Listing

	%
Main	65.1
Aim	31.8
Cash	3.1

## 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](http://www.teviotpartners.com)

Application forms and other supporting documents are also available at [www.valu-trac.com/teviot](http://www.valu-trac.com/teviot)  
+44 (0)1343 880344

## The Fund is available on most major Platforms including

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

## 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](http://www.valu-trac.com)

## Teviot Partners LLP

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

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](http://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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