

VT Teviot UK Smaller Companies Fund

Monthly Fact Sheet – September 2023



TEVIOT PARTNERS
investment managers

Key Facts		
Launch Date: 29.08.17	Fund Size: £84m	
Price at 29.09.23 (12:00)	Accumulation 168.0675p	Income 149.9398p
Sedol	BF6X212	BF6X223
ISIN	GB00BF6X2124	GB00BF6X2231
Annual Management Fee	0.75%	
Ongoing Charges	0.86%	
Minimum Investment	£1,000	
Dilution Levy: (effective 1 October 2023)	Purchases: 1.51% Redemptions: 1.18%	
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 84%
❖ 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.

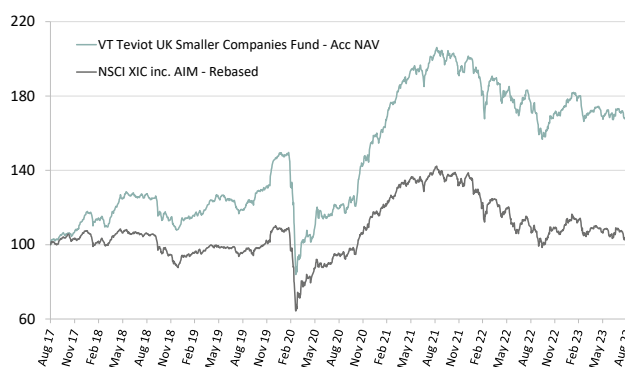
In addition to equities, the asset classes in which the Fund may invest includes transferable securities, units in collective investment schemes, money-market instruments, cash and near cash and deposits

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	1 Year	3 Years	5 Years	Since Launch
The Fund	-0.7%	-1.2%	+5.6%	+41.2%	+34.5%	+68.1%
NSCI (XIC) incl. AIM	-1.6%	-1.3%	+3.3%	+9.9%	-1.0%	+3.8%

12 months Discrete Returns (%) – To End Q3					
	2023	2022	2021	2020	2019
The Fund	+5.6%	-21.5%	+70.3%	-3.5%	-1.3%
NSCI (XIC) incl. AIM	+3.3%	-26.9%	+45.7%	-2.8%	-7.3%

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 third quarter of 2023 saw the Fund slightly outperform its benchmark index: the Fund was down 1.2%, compared to the Numis Smaller Companies Index plus AIM, excluding Investment Companies, which was down 1.3%. In difficult markets, it is also outperforming for the year-to-date, and as the table above shows, performance remains strong over all longer-term time periods since its launch in 2017.

Continued interest rate rises, and the fear that inflation will be “higher for longer” have sapped investor confidence in recent months but given the severe undervaluation of UK small-caps, it is of little surprise that M&A remains a feature. At the end of September, the Fund benefited from a possible offer for waste services & recycling company Renewi from Macquarie Asset Management. The share price was up over 40% on the news, and it is now the Fund’s largest holding. We believe that it remains undervalued, and we are supportive of the rejection of the approach by the Renewi board. Takeover activity has continued in the 4th quarter, with the Fund’s holdings in Smoove plc and Tribal Group both receiving recommended cash bids at substantial premiums in early-October.

The other strongest stock performers in Q3 included EMIS Group (+41%, as last year’s takeover was finally approved by the UK regulator (the CMA), information & training business Wilmington (+16% after strong results), pensions consultancy XPS (+15% - another robust update) and energy stocks Energean (+16%) and Serica (+18%) – both bounced after a weak previous quarter, as oil prices then rose. In contrast, there were disappointing performances from Videndum (-52% - sales hit by the US writers’ strike and the possible need for an equity raise), Drax (-22% - lack of progress with the UK Government’s carbon capture policies), OSB (-30% - profit warning, affected by mortgage rate changes) and Inspec (-18% - profit taking after a very strong first half of 2023).

Relative to the Index benchmark, the fund benefited from not owning positions in companies such as IT stock Wandisco (-95% after materially overstating its revenues), cruise company Carnival (-23%) and car-maker Aston Martin Lagonda (-19%) who both succumbed to profit-taking, and Sir Martin Sorrell’s media agency S4 Capital which fell 46% after a profit warning. Conversely, the fund was impacted by not owning defence contractor Babcock International (+46% after a reassuring update and contract wins) and Domino’s Pizza (+37% - stronger trading and improved relationships with franchisees).

Sectorally, the Fund continues to be underweight (relative to the benchmark Index) in Financials, Real Estate, Basic Materials, Energy, Consumer Discretionary, Technology, and Healthcare; and overweight Industrials (largely via the Industrial Support Services, Construction & Materials and Industrial Transportation sub-sectors), Consumer Staples and Telecoms. The Fund is still relatively defensively positioned and of course retains its “value” bias. The global backdrop remains unsettled, and higher than desired inflation may mean that whilst interest rates are finally peaking, they will not be cut until 2024 at the earliest. Investor sentiment is fragile – which we view as an opportunity to buy undervalued stocks whilst others are selling (often because other UK small-cap funds are seeing continued redemptions). UK small-caps tend to suffer in times of uncertainty, being more illiquid, and generally more cyclical and domestic-oriented. A difficult period for the asset class since Brexit and Covid provides us with a large choice of companies on compelling valuations. Against that backdrop, at the point that net capital flows into our Index turn positive then prices could move upwards noticeably. Until then it seems inevitable that M&A activity will continue to accelerate. So far in 2023 the Fund has benefited from takeover approaches to Sureserve, Lookers, EMIS, RHI Magnesita (partial tender offer), Renewi, Smoove and Tribal. We continue to see plenty of value elsewhere.

With caution, we are seeking to rotate capital into cyclical recovery as the outlook starts improving, enhanced both by inflows into the Fund and from takeover cash. Stocks added in recent months reflect that gradual shift – Halfords, Ten Entertainment and Rank reduce our negative stance on the UK consumer, whilst Bodycote and Morgan Advanced Materials raise our global industrial exposures.

Given the pessimism of the investment community, whilst prioritising liquidity at all times, we are seeking to take advantage of oversold situations. We are excited by the material upside potential in our portfolio of stocks.

VT Teviot UK Smaller Companies Fund		
Top 10 Holdings as at 29/09/23		
Holding	Sector	% of portfolio
1. Renewi	Waste Services	2.5
2. Mears Group	Property Management & Maintenance	2.4
3. Wilmington	Information, Training & Education Solutions	2.3
4. Kitwave Group	Independent Wholesaler	2.1
5. Premier Foods	Branded Foods Producer	2.0
6. SThree	Recruitment	1.9
7. Keller Group	Construction Services	1.9
8. Rathbones Group	Wealth Manager	1.9
9. Lookers	Motor Retail	1.7
10. Drax Group	Electricity Provider	1.7
Total		20.4

Market Cap Breakdown		
	% of Portfolio	No. of Stocks
Above £1bn	20.5	17
£500m - £1bn	16.3	13
£250m - £500m	24.2	22
£100m - £250m	26.6	30
Below £100m	9.2	16
Cash	3.2	
Total	100.0	98

Listing	%
Main	67.3
Aim	29.5
Cash	3.2

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
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The Fund is available on most major Platforms including

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

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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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