

QUARTERLY NEWSLETTER

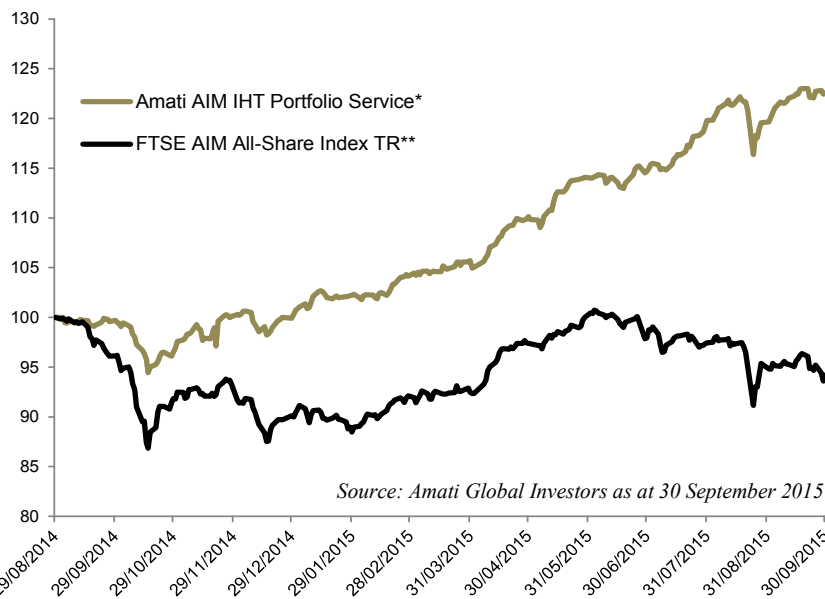
Welcome to the first Quarterly Newsletter from Amati Global Investors. Inside you will find a range of fund news, market insights and industry perspectives from the Amati team.

Investment in smaller companies can be higher risk than investment in well-established blue chip companies. Funds investing significantly in smaller companies can be subject to more volatility due to the limited marketability of the underlying asset. Please refer to the risk warning on page 4.

FIRST YEAR ANNIVERSARY FOR AMATI AIM IHT PORTFOLIO SERVICE

Amati AIM IHT has now reached its first year anniversary and the model portfolio has returned (at 30/9/15) +22.6% versus -5.8% for the FTSE AIM All Share TR Index.

The AIM service provides a model portfolio built around mature, well managed, profitable and cash generative businesses, with a particular focus on high quality family-owned or founder managed companies, and establishing technology enterprises. The Service is particularly suited to ISA Portfolios.



Source: Amati Global Investors as at 30 September 2015

*Amati AIM IHT Model Portfolio, dividends reinvested, net of AMC (manual adjustment for Sep 14–Feb 15), platform fees and trading costs, excluding advisory charges; **FTSE AIM All-Share Index Total Return (TR)

Amati AIM IHT Portfolio Service is a discretionary investment management service available to clients of Advisers on the Transact Platform.



For further information on the service, please visit our IHT page [here](#).

AMATI FUND RETURNS AND FUM

Source: Amati Global Investors as at 30 September 2015

	Fund Return (since launch#/takeon##)	Benchmark Return	Funds under Management
TB Amati UK Smaller Companies Fund (B)	331.47%##	134.78%**	£19.30m
Amati VCT	30.67%#	-28.18%*	£38.11m
Amati VCT 2	42.97%##	7.27%*	£33.53m
Amati AIM IHT Portfolio Service	22.57%#	-5.79%*	£0.7m

Benchmarks: *FTSE AIM All-Share Total Return Index

**Numis Smaller Companies plus AIM Excluding Investment Companies

Interactive graphs are available to view on the performance tabs for each of our funds on our website:

www.amatiglobal.com

Past performance is not a reliable indicator to future performance.



“Amati has a strong team with a clear focus on risk mitigation and a pioneering approach to VCT management”

Martin Churchill
Editor, Tax Efficient Review

An investment in a VCT carries higher risk than other forms of investment. An investment in the Amati VCTs is suitable only for investors who are capable of evaluating the risk and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Investors should check their eligibility for income tax relief with a professional adviser. The information presented here is intended as a summary only of information contained in the Offer Document and is not a substitute for reading the Offer Document.

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AMATI VCTs TOP UP OFFERS NOW OPEN

Target to raise, in aggregate, up to £7 million by way of an issue of New Shares in the Companies.

Some of the benefits of investing in Amati VCTs:

- Income tax relief can be claimed to the value of 30% of your investment subject to a VCT investment limit of £200,000 per tax year;
- Tax free dividends at around 5-6% of year end NAV;
- Investments into an existing portfolio of more than 60 companies in each VCT, covering both high growth and maturing businesses;
- AIM based VCTs typically have a more diversified portfolio than other types of VCT and are likely to be invested in larger, more established companies, with transparent market pricing and reasonable liquidity.



If you are considering the Offers you should read through the Offer Document which contains the full terms & conditions and the application form. It is recommended that you seek guidance from a Professional Adviser.

The Offer Document is available from fund platforms, fund advisers or can be downloaded from our [website](#).

A hard copy can be requested by calling 0131 503 9115 or email at vct-enquiries@amatiglobal.com.

Please refer to the risk warning on Page 4 and specifically to those in the Offer Document.

PORTFOLIO COMPANY SPOTLIGHT: LEARNING TECHNOLOGIES GROUP (LTG)

Learning Technologies provides e-learning services to corporate and government clients, whereby teaching is carried out online, rather than in the classroom. The cost benefits and greater flexibility offered by this approach has driven rapid growth in the e-learning market, which is now estimated at \$225 billion globally. Advances in technology are also helping to drive growth in e-learning, as courses and modules can be delivered over a variety of platforms (tablet, smartphone, desktop) and



through new media such as video.

Learning Technologies recently acquired Eukleia, a fast growing e-learning business that specialises in the Governance, Risk and Compliance (GRC) market, and expands Learning Technologies' sector, geographic and customer reach.

Eukleia also has a technology platform called “GoMo”, which allows companies to create their own e-learning packages.

Learning Technologies was known to Amati as far back as 1999, when it was listed on AIM under the name “Epic”. It was acquired by Huveaux but taken back into private hands by current CEO, Jonathan Satchell, who brought the business back to AIM in 2013. Amati VCT & Amati VCT 2 acquired LTG.L in July 2015 and represents 2.6% of the portfolio in each fund.

INVESTING FOR NON-FINANCIAL RETURNS

RACHEL LE DERF

Amati Global Partners sets aside 10% of profits available to be distributed to partners to fund UK charities, either through donations or through sponsoring specific events. This is a form of investment, but one where the funder is not the beneficiary. Each Partner chooses which charity they wish to support with their share.

I have been supporting the Anne Rowling Regenerative Neurology Clinic since it opened in 2013 and this year



Anne Rowling Regenerative Neurology Clinic

I have decided to use my Amati charitable donation to organise an event at the Royal College of Physicians in Edinburgh on 30 October 2015 in the hope that I will significantly increase the amount otherwise donated. Neurological diseases represent one of the major public health threats in the industrialised world. These diseases include multiple

sclerosis (MS), motor neurone disease (MND or ALS), Parkinson's disease (PD) and movement disorders, cognitive disorders and dementias, brain haemorrhage after stroke, Huntington's disease (HD) and fragile X syndrome.

More information on the event at the backstage area of our website [here](#).

SMALL CAP - A GOOD PLACE TO BE IN A LOW GROWTH/DEFLATION WORLD? DAVID STEVENSON

At first glance, the wider picture for equity investment does not look promising. The IMF has just downgraded its 2015 forecast for global growth to the lowest level for six years; China, the biggest engine, is slowing; two of the other "BRIC" constituents – Brazil and Russia – are in recession; world trade volumes have stalled; commodity prices have collapsed; debt levels remain stubbornly high; and stock market volatility has spiked. There are positives nevertheless: in the US the consumer is benefiting from cheap fuel and is inclined to buy cars, and houses, amidst a broadly supportive jobs market; the UK economy is similarly robust; and Continental Europe is showing signs of recovery even if the European Central Bank remains ready to provide further stimulus. After seven years of extremely accommodative monetary policy, however, the strongest regions of global growth still look pretty average by historic standards.

Clearly, as a specialist investor, Amati is a firm believer in UK smaller companies as an asset class. But even an unbiased assessment of the global landscape should identify the appeal of the UK market relative to an unnerv-

ing global picture. A combination of subdued inflation, rising real incomes and growing job vacancies, has created a confident consumer, which in turn has benefited the domestic economy. Whilst there are manufacturing headwinds, particularly due to the strength of sterling, UK service activity provides a buoyant, offsetting influence. In addition, there are plenty of structural growth themes to play within the UK stock market, including a vibrant technology sector including disruptive areas such as cleantech, medtech, fintech and social media. With the strength of the consumer economy, there is also a helpful tailwind for emergent retail and leisure brands, whilst outsourcing trends continue to benefit support services companies.

The old adage that small caps are permanently disadvantaged by a lack of access to talent pools and finance, is beginning to look less relevant in an environment where graduates and apprentices are attracted to entrepreneurial, start-up companies, rather than less dynamic, large organisations; and where crowd funding is re-writing the rules for business financing.

All of these factors are likely contributors to the significant outperformance that UK small-

er companies have already achieved. Over five years, it is the best performing global IMA asset class, with emerging markets the worst, and over ten years it ranks sixth. It would be fair to say that valuations across a broad swathe of the UK mid and small cap universe are beginning to look up with events. However, based on forward price earnings multiples, a pocket of value still exists within companies of £350 million capitalisation or less. This reflects one of the few remaining areas of UK stock market inefficiency, caused by limited research coverage or institutional ownership of companies at this end of the size spectrum. Disciplined, experienced active management can still uncover investment opportunities, with the added advantage that companies of this size have the potential to generate superior earnings momentum given their lower base and exposure to many of the fastest expanding niches within the UK economy. An important tenet within active investing is not to be too distracted by the big picture. Active investors focus on the micro, not the macro. They buy into companies, not economies or indices, and whilst the overall environment may be troubling, there are always growth opportunities to invest in.

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Amati Global Investors are managers for:

- Amati VCT
- Amati VCT 2
- TB Amati UK Smaller Companies Fund
- Amati AIM IHT Portfolio Service

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions. Past performance is not a reliable indicator to future performance.



Upcoming Events:

- 26 November 2015: VCT & EIS Investor Forum, London
- Details of forthcoming events will be posted on our [events page](#)

We would welcome your feedback/comments on any of the areas covered in this issue. Please either email the team on info@amatiglobal.com or call on 0131 503 9100. If you would like to receive our monthly fact sheets by email please send a request to info@amatiglobal.com.

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Calls are recorded and monitored.

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Finely crafted investments

AMATI'S MUSICAL HISTORY

The violin pictured on the second page of this newsletter belongs to Dr Paul Jourdan, CEO of Amati Global Investors. It is not an Amati, but is attributed to Antonio Stradivari, who was reportedly a pupil of Nicolo Amati.

Paul started off his career as first violinist for The City of

Birmingham Symphony Orchestra under Sir Simon Rattle.

Even though Paul moved from music into finance back in 1998, he retains strong ties. He currently serves on the boards of the Royal Conservatoire of Scotland, and of Sistema Scotland.

Sistema Scotland is a charity which aims to transform the lives of children through music making in orchestras, operating currently in three centres: Raploch in Stirling; Govan Hill in Glasgow; and Torry in Aberdeen.

To view Paul performing at the Amati VCTs' 2014 AGMs visit our website [here](#).

AMATI VCTs' INVESTOR DAY & GUILDHALL CREATIVE ENTREPRENEURS' AWARD 2015

Amati VCTs' AGMs & Investor Day took place at The Guildhall School of Music & Drama on 25 June 2015. We were delighted that Noel Collet, CEO of Crawshaws and Tom Burnett, CEO of Accesso could attend offering our investors an overview and insight into

their respective companies.

Our later session hosted the Amati Guildhall Creative Entrepreneurs' Award where we had a distinguished judging panel made up of Sir Stephen Waley-Cohen, Ann Cottis, Christopher Moorsom and Brian Scouler. The three pitches were delivered by Docklands Sinfonia, Turn of Phrase and Bach to Baby.

The Amati Investor Day was recorded and you can view



the session at the backstage area of our website [here](#).

See who won the 2015 Amati Creative Entrepreneurs' Award at our backstage area [here](#).



RISK WARNINGS

This newsletter does not constitute investment, tax, or legal advice, and nor does it constitute an offer, invitation or solicitation to invest in the products described.

Amati will not provide any investment, tax, or legal advice, or make any personal recommendations as to the suitability or otherwise of these products. Before investing in our products we recommend that you contact your financial adviser.

These investment products place your capital at risk and you may not get back the full amount invested, even allowing for any tax breaks. The value of your investment may go down as well as up. Past performance is not a reliable indicator of future performance. Investors should be aware that any investment in equities is subject to risk, and that investment in smaller companies, in particular unquoted companies and those quoted on the Alternative Investment Market (AIM), carries an even higher risk than that of larger companies listed on the main market of the London Stock Exchange. This is due to the higher volatility and lack of liquidity often found in smaller company shares, as well as typically higher levels of business specific risks. Illiquidity means that buying and selling portfolio holdings may take some time, and in a worst case scenario portfolio companies could be delisted from AIM, making them very difficult to buy or sell, which in turn could affect the value of your investment. Current tax rules and the available tax reliefs offered on investments into AIM-quoted stocks may change at any time, and there is a considerable risk that if the legislation changed in respect of these tax reliefs, then those portfolio companies that no longer qualified for such reliefs would be subject to heavy selling pressure, potentially leading to significant investment losses.

Your attention is drawn to the risk warnings in the VCTs Top Up Offer Document—these are in respect of matters such as liquidity, tax reliefs, charges, derivatives and gearing.