

# QUARTERLY NEWSLETTER

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.

## BEST AIM IHT PORTFOLIO SERVICE

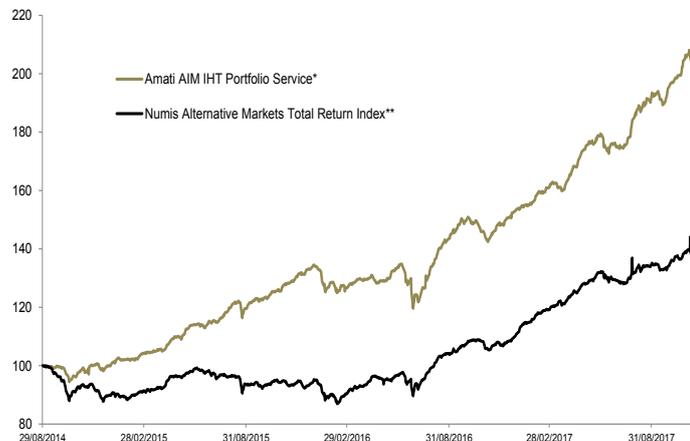


**INVESTMENT WEEK**  
**TAX EFFICIENCY AWARDS 2017/18**  
**WINNER**  
Best AIM IHT Portfolio Service

Amati is delighted to have won Investment Week's Best AIM IHT Portfolio Service for the second year in a row. The service has returned 100.42% since its launch in September 2014 against an index return of 37.64% (Numis Alternative Markets Index, Total Return)

### PERFORMANCE VS. BENCHMARK

Source: Amati Global Investors as at 30 November 2017



\*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  
\*\*Numis Alternative Markets Total Return Index  
Sources: Amati Global Investors Ltd, Numis Securities Ltd and Capita Financial  
**Past performance is not a reliable indicator to future performance.**

*"AIM provides a wealth of under-researched opportunities, but the work required to uncover them is significant. Dr Paul Jourdan and the Amati team have the experience and level-headed approach needed to succeed in this market."*

**Richard Troue, Head of Investment Analysis  
Hargreaves Lansdown**

Amati also took a Highly commended from Money Wise for Best UK Smaller Companies fund and Runner up for Best AIM Manager 2017 from Growth Investor. In 2017 we have also won IW Fund Manager of the Year and Money Observer's Best UK Smaller Companies Fund.

**Past performance is not a reliable indicator to future performance**

## AMATI VCTS—JOINT PROSPECTUS OFFERS

Amati VCTs currently has a Prospectus offer open and has raised c£5m to date (seeking a total raise of £20m) For further information on the Offers, please visit our [dedicated web page](#) or contact [info@amatiglobal.com](mailto:info@amatiglobal.com) should you wish to receive a copy of the prospectus

Amati are running a series of VCT seminars in January and should you wish to attend please contact us to reserve your slot. Details of the seminars are held on our [events page](#) or contact the office on 0131 503 9100.

## THE CHANCELLOR'S NOVEMBER BUDGET

### PAUL JOURDAN



There was some unusually intense speculation this year about what changes the November Budget would bring to the VCT legislation, stoked up by the consultation around the Patient Capital Review. Fortunately much of this was well wide of the mark. As it turned out the changes in the budget were not just benign, we see them as a significant endorsement of what the VCT and EIS schemes do. They signal a clear ongoing commitment to addressing the funding gaps faced by smaller companies in the UK, whilst at the same time introducing some new measures to make sure that tax advantaged money does not end up going to disguised capital preservation schemes. A new Risk-to-Capital condition will be introduced for qualifying investments, which is an elegant means of focusing the schemes more precisely. If HMRC take the view that capital is not sufficiently at risk, then they can decline to give an Advanced Assurance for the investment, without investigating any further. This will free up sufficient time to break the very extensive log jam that has emerged in obtaining such approvals. Beyond this from 6 April 2019 VCTs must be 80% invested in qualifying holdings, a rise from the current 70% required level, and 30% of new funds raised must be invested in qualifying holdings within one year from the end of the accounting period in which the shares are issued. These new rules ensure that a greater proportion of VCT funds go into qualifying investments than may previously have been the case. The Amati VCTs have held qualifying investments above the 80% level for many years now, however, so these new rules won't change the way in which they operate. Finally, the annual limit which a "Knowledge Intensive"

company can raise in any 12 month period has been raised from £5m to £10m, which is also a welcome development.

In addition, the quirk in the legislation around mergers which had been preventing the Amati VCTs from merging, has been amended, and we are grateful to HMRC for the very positive way in which they engaged with us over this point earlier this year. The possible merger outlined in the recent Prospectus can now be progressed and we expect firm proposals to be sent to shareholders in due course. It is worth noting, however, that under the new rules, once an investor knows that two VCTs are likely to merge, they will be not be able to claim income tax relief if they buy one having sold the same value in the other within six months either side of the purchase date. We would advise shareholders to seek professional advice if they are planning to invest in one of the Amati VCTs having sold the other one, or whilst intending to sell the other one.

HM Treasury has also now published its response to the Patient Capital Review consultation, which touches briefly on Business Property Relief (BPR). This is the relief which after two years allows a large number of AIM investments to be exempt from inheritance tax. For AIM investors such as Amati, there is a very important sentence in this document: "The government will keep BRP under review, and is committed to protecting the important role that this tax relief plays in supporting family-owned businesses, and growth investment in the Alternative Investment Market and other growth markets." In our view AIM has become the best functioning stock market in the world for companies capitalised from £15-500m, and it has taken 22 years of careful nurturing through government policy to achieve this. It is very encouraging for the future to see such a strong endorsement of AIM in HMT's response paper.

**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.**

**Amati**  
Global Investors

## PORTFOLIO COMPANIES SPOTLIGHT

**Victoria PLC** - Victoria Carpets was founded in Victoria Street, Kirkcaldy, Scotland in 1895. The shares were first quoted on the London Stock Exchange in 1963 and moved to AIM in 2013. In 2013, under the leadership of Executive Chairman Geoff Wilding, the company began a 'buy and build' strategy, completing ten acquisitions to create a leading, global manufacturer and distributor of flooring products. The most ambitious deal was completed in November 2017 when Victoria acquired Keraben Grupo, a European manufacturer of branded floor and wall ceramic tiles. The combination of these transactions and the resulting post-acquisition synergy benefits, as well as operational



improvements and balance sheet efficiencies, have driven a remarkable rise in Victoria's share price. The market capitalisation of the company is now £950 million, placing Victoria in the top 20 AIM companies by size. The company is held in the TB Amati UK Smaller Companies Fund and the Amati AIM IHT Portfolio Service.

**dotDigital**- DotDigital provides a Software-as-a-Service (SaaS) based platform to marketing professionals.



DotDigital's 'dotmailer' platform. The software facilitates email marketing campaigns by providing marketers with the tools to tailor make responsive and interactive emails that improve customer conversion. DotDigital has developed integrations for all the major e-commerce and Customer Relationship Management (CRM) platforms, which has significantly expanded the addressable market. The business has recently expanded into the US and Australia. This international expansion is augmenting the strong growth that DotDigital continues to generate in the UK. The marketing automation

market is set to expand from \$3.8 billion in

2016 to \$8.6 billion by 2025, according to Inkwood Research. Currently email marketing automation represents 30% of the global market but is expected to lead this growth due to the increased adoption of digitisation and email's status as a relatively low cost but effective marketing method. The company is held in the TB Amati UK Smaller Companies Fund and the Amati AIM IHT Portfolio Service.

**Amati**  
Global Investors

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.**



**Science in Sport**- Science in Sport (SiS) supplies many of the world's leading athletes with sports nutrition products. SiS designs and manufactures a range of products, which include energy powders, isotonic gels, energy bars and hydration tablets. These products are sold in specialist sport retailers, major supermarkets and e-commerce websites. The company is the official nutrition partner of British Cycling, USA Cycling and British Triathlon and supplies seven Premiership football teams. These relationships, alongside the company's associations with brand ambassadors such as Sir Chris Hoy and Katarina Johnson-Thompson,

give SiS a high level of endorsement from the world's elite sporting community. One of the factors behind athletes' willingness to support SiS is their control of the manufacturing process (for most products) through their production facility in Preston. This close control of the supply chain means that the company can evidence product compliance with the banned substance prevention regime. In turn, the association with leading sports figures has helped the brand expand internationally as well as deeper into mainstream retail channels. SiS is held in Amati VCT and Amati VCT 2.



We would welcome your feedback/comments on any of the areas covered in this issue. Please either email the team on [info@amatiglobal.com](mailto: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](mailto:info@amatiglobal.com).

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Calls are recorded and monitored.

The logo for Amati Global Investors features the word "Amati" in a large, bold, serif font, with a thin, curved line arching over the letters. Below "Amati" is the phrase "Global Investors" in a smaller, sans-serif font.

## INSIGHT INTO FUND MANAGEMENT

We were delighted to have been involved with The Business Society (Edinburgh University) in coordinating a session with Dr Paul Jourdan, CEO and fund manager of Amati Global Investors and Tom Burnet, Chairman of Accesso to present on 30 November to students from different faculties at the University of Edinburgh.

The main purpose of the session was to offer the students an insight into the fund management industry and also the opportunity to witness a live fund manager/portfolio company meeting. After giving the audience a detailed explanation of the financial services industry and the role that fund managers play within that, Paul then hosted a live company meeting with Tom Burnet, Chairman of Accesso Technology Group\* following their latest results. This gave the students a chance to understand the types of questions the fund manager poses in order to satisfy their investment position or indeed to highlight areas that may cause concern/need for review. Time was left at the end to give the audience the opportunity to question both fund manager and portfolio company.

“Paul catered to the different knowledge levels of the audience. It gave an insight into funds and a useful background to finance  
– The Q&A session was really informative”

“Both Paul and Tom were able to deliver complex information on the industry and their companies in a way that was very easy to understand. The live meeting especially was very engaging”

“A very informative and insightful presentation which opened my eyes to new ideas and career opportunities that I hadn’t considered or known much about before”

“.... this event was an invaluable experience for me”

\*Accesso Technology Group is held in Amati VCT 2 & TB Amati UK Smaller Companies Fund

### 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.