

Amati
Global Investors

Newsletter

Winter 2021: Issue 19



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.

Past performance is not a reliable indicator to future performance

Amati AIM VCT Prospectus Offer 2021/22 & 2022/23 Over Allotment Facility of up to £25m

The Board of Amati AIM VCT announced on 15th December 2021 that after considering the current rate of investment activity, it will trigger the over-allotment facility of up to £25 million and re-open the Offer in February 2022. We expect to be able to accept subscriptions for both 2021/22 and 2022/23 tax years.

Should you require further information on the over-allotment facility or if you would like to receive email notifications on further updates, please contact the team at info@amatiglobal.com or contact the investor line on **0131 503 9115**. To view the Prospectus please [click here](#)

Amati Fund Factsheets are now available end November 2021. To view, please click on the relevant factsheet thumbnail below:

TB Amati UK
Smaller Companies

Amati AIM VCT

TB Amati Strategic
Metals

Amati AIM IHT

Amati Portfolio Updates in 2022

1. Amati AIM VCT– 27 January 2022 - [click here](#) to register
2. TB Amati UK Smaller Companies - February 2022 [email here](#) to register interest
3. TB Amati Strategic Metals– 17 March 2022 - [click here](#) to register
4. Amati AIM IHT Portfolio Service– 14 April 2022 - [click here](#) to register

Signatory of:



Portfolio
company
spotlight

essensys



f

Essensys is a software business which was purchased for the TB Amati UK Smaller Companies fund in July 2021. It is currently 1% of the fund's assets.

Essensys is a digital infrastructure and software platform designed for owners, operators and occupiers of flexible office space. It enables them to manage their buildings efficiently and maximise returns from the flexible model. Key features include networking, occupancy, space management and tenant services such as virtual meetings. The platform was launched by founder and CEO Mark Furness in 2010 and Essensys then listed on AIM in 2019. At the moment the business is split roughly equally between the UK and North America but, following a £33m equity raise in July, Essensys is now rolling out its services globally, with funding in place to penetrate the US further whilst moving at pace into Europe and Asia Pacific, where the markets are more nascent.

The market for flexible office space looks set to expand rapidly in the light of the significant changes that the COVID pandemic has brought to workplaces everywhere, with the vast majority of office-based businesses now set to adopt hybrid working practices. Landlords everywhere are now facing challenges and threats to their traditional long term letting model, with tenants requiring far more flexible arrangements going forward. Leading property consultant JLL now forecast that c.30% of the total global office footprint will be flexible by 2030, opening up 2.5bn sq ft of additional office footprint to flex (versus a total of 226m sq ft in 2020), and creating a £2.5bn pa addressable market for Essensys to target. This compares to Essensys' current revenue run rate of c.£25m.

Having started with a UK base and then expanded into North America (a far larger market) We believe that Essensys now has a huge opportunity ahead of it with it's 'land, expand, grow' strategy, which involves linking up with key strategic landlords initially in one building perhaps in one city and then rolling out further services to an ever increasing number of buildings across multiple cities. This strategy can then be rolled out to new geographies, working with other distributors such as property agents and consultants, who will increasingly be advising landlords and tenants on their flexible needs. The beauty of the model is that at its core it is software as a service (SAAS), with over 85% of revenues recurring in nature, thereby leading to both high growth and high quality of earnings in the long run. The financial metrics are very attractive with gross margins in excess of 65% currently being achieved. The cost to the customer of running the Essensys model is very small in the context of their portfolio values and rental income too. The key risks therefore are execution related, as Essensys attempt to grow rapidly across multiple territories whilst still incurring losses as they grab the land in front of them. The model has yet to be proven in Europe and Asia Pacific so these areas can be regarded as both opportunities and risks.

As things stand we believe that Essensys has a unique service offering with an equity valuation at a fraction of some of the startup businesses now emerging in their field, particularly in the US. With the founder/CEO still owning 30% of the business we can therefore see the potential for the business to attract corporate interest as the model is rolled out and proven, with over 100 customers and almost 500 buildings already on their books in the US and UK. Whilst not without risk Essensys has the potential to be one of the most rewarding investments in the fund over the coming years.

Portfolio company spotlight



HOCHSCHILD



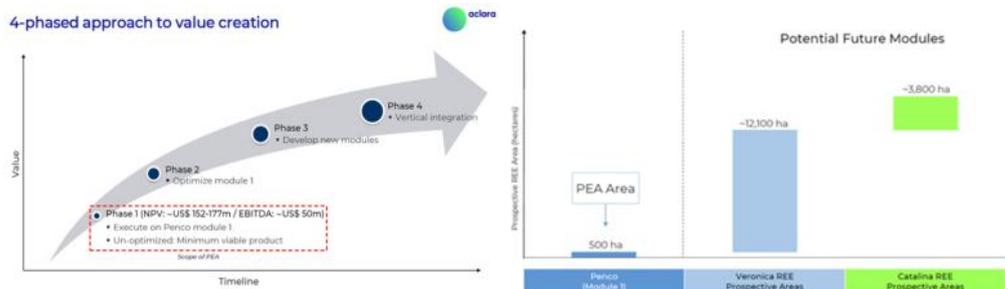
Hochschild Mining IPO'ed its Chilean rare earth project



Hochschild Mining has a 1.8% weighting within the TB Amati Strategic Metals fund at 17 December 2021 and 0.4% of the TB Amati UK Smaller Companies fund.

Last month Hochschild Mining spun out its unique high value Ionic Clay rare earth project in Chile into a separate vehicle, Aclara Resources, listed in Canada. The rare earth industry is dominated by China, which produces 72% of the world's light rare earths elements (LREE) and 93% of heavy rare earth elements (HREE). Aclara is a unique heavy rare earth project, as there are very few of its kind outside China. It contains dysprosium and terbium, key heavy rare earth elements used in high performance magnets, which are found in electric vehicles (EVs), wind turbines, drones, planes, and home appliances.

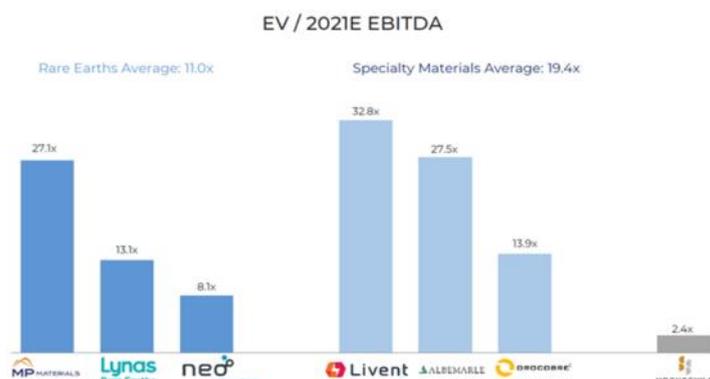
The initial project envisaged by Aclara is low cost, low capex and free from radioactivity, which plagues most hard rock rare earth operations. A preliminary feasibility study (PEA) has been completed on the initial project, which is three and a half years into a five year permitting process. This is virtually a pilot plant for a much larger project in the years to come given that the PEA covers a prospective area of only 500 hectares out of a total land area of 16,400 hectares (3%).



The IPO was priced at essentially the net present value of the initial un-optimised project with only US\$47m in new shares issued at IPO. The market value of Aclara immediately following the IPO will be US\$216m. We hold a 2.37% of weighting in the fund.

We would expect that the shares will command a premium to its listing price given the production upside potential and the strategic nature of its positioning outside China. Rare earths and speciality metal companies tend to trade at significant premium to other metal stocks, especially relative to precious metals companies. Post demerger, Hochschild is expected to be trading at around 2.4x EV/EBITDA – although this is a function of Peruvian mining license risk, which is still affecting the stock's current rating.

The TB Amati Strategic Metals Fund invests in companies that have operations in developing markets and which therefore may be subject to higher volatility due to political, economic and currency instability.



Portfolio
company
spotlight

FLYLOGIX



§

Flylogix is held within the Amati AIM VCT in a combination of convertible loan notes and equity

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 of future performance.

The most recent pre-IPO investment made by Amati AIM VCT during 2021 was into Flylogix. Founded in 2015, Flylogix has established a growing business using unmanned aircraft to conduct remote methane emission measurements for offshore oil and gas installations. Their unmanned aircraft incorporate a combination of artificial intelligence, satellite communication and low-cost electronics. Flylogix uses a proprietary software platform to allow a pilot to control and operate the aircraft remotely. The use of unmanned aircraft reduces carbon emissions, improves safety and provides a cost-effective solution for accurately verifying the level of methane emissions from operating plant in hard-to-reach locations. President Biden's announcement on 2 November at COP26 of a US Methane Emissions Reduction Action Plan provides a helpful backdrop for Flylogix and highlighted the importance of tackling methane emissions more effectively.

Flylogix offers an integrated service, under which they arrange the risk assessment, regulatory requirements, permits, data gathering and processing, and post mission reporting. Their aircraft have an operating range of 500km and the company is licensed to undertake remote missions with each mission piloted from the shore and monitored centrally, with real time data and insight. This is a highly regulated industry, and aircraft can only be flown by fully trained pilots. Each flight currently requires individual regulatory clearance from the CAA. The company is working on a new classification of air space which would reduce the time taken for flights to be cleared greatly.

Management's strategy is to focus initially on the methane measurement market as they believe there are limited alternatives for the measurement of emissions in an offshore environment. Previously, companies have attempted such measurements using satellites - however this solution failed as it did not provide the granularity required to meet the regulatory requirements. Manned aviation methods have also been used - although this has generally proved to be expensive and inefficient. Flylogix have partnered with a company who have developed specialist methane sensors able to detect tiny amounts of methane in the atmosphere, and they have developed a specific pattern of flight paths around assets to ensure highly accurate reporting.

During 2021 the six largest UK North Sea operators formed a Methane Measurement Working Group which deployed Flylogix measurement flights across a range of assets on a trial basis. The results were taken positively and this is leading to a wider adoption by the group in 2022. Flylogix have already won a contract for a different geographic region as well, and expect to expand into further new regions in the coming year.

Beyond methane measurement, Flylogix see good market potential for conducting bird surveys for offshore wind farms, as well as providing assets to be available to aid marine search and rescue operations. The company plans to float on AIM in the second half of 2022.





Amati Global Investors gives 10% of its net profits to UK registered charities. These are chosen by Amati's shareholders in proportion to the percentage that they own. Below is an example of a recent Amati Charitable donation....



For any further information on the work that Rock Trust do, please visit their website at

www.rocktrust.org

or email:

hello@rocktrust.org

Rock Trust is Scotland's leading youth-specific homelessness charity. For the last 30 years, they have championed bespoke housing and support models to help young people aged 16-25 avoid, resolve, and move on from homelessness and safely transition to adulthood. The charity helps them to build better futures.

We believe that accommodation, support, education and employment are the best routes off the streets and away from the misery that accompanies homelessness, leading to a better future for our young people. The variety of services we offer young people have been developed to address the broad range of needs and experiences of young people, with an emphasis on creating choice. No one version of support is appropriate for every person. Just some of their services include: Housing, Advice, Nightstop Accommodation, Health & Wellbeing, Employability, Mentoring and Crisis Support

In 2020-21, Rock Trust worked with **636 young people** across their services, with **99% of these young people** moving on to more secure long term accommodation or maintained their Rock Trust accommodation.

Case Study: At aged 19, Georgia found herself without a family support system and homeless in December last year, in the middle of a global pandemic. Like many, lockdown restrictions saw Georgia placed on furlough from her full-time job and at risk of redundancy. In addition, after constant arguments with her mum, Georgia ended up homeless and fearful of the future.

Fortunately, Georgia was referred to Rock Trust's Nightstop service, and with the help of development coordinator, Moreen Watson, she was able to secure a free bus pass and a place to stay with Nightstop host Mary. Mary welcomed Georgia into her home, showed her the room she would be staying in, and, courtesy of Rock Trust, was able to give her a dressing gown, new pyjamas, slippers and fresh towels to help Georgia feel 'at home'. During her stay, Georgia and Mary built up a great relationship and routine, cooking homemade meals together, walking daily, and lots more.

Georgia stayed a total of 26 nights with Mary, the longest-ever stay with a volunteer Nightstop host, before moving on to more permanent accommodation. You can watch Georgia's full story as an animation on Rock Trust's YouTube channel here: <https://youtu.be/WpYKkL62NHQ>

Just a £20 donation could provide a safe night's stay with one of our volunteer Nightstop hosts like Mary. Everyone at Rock Trust is so grateful for the support that organisations like Amati give to the cause of ending youth homelessness.



In case you missed some of the features on our funds, portfolio companies, podcasts, opinion pieces in 2021, please note a selection below:

- [FUNDEYE](#) “Amati has come a long way in just a few years & is a firm with wind in its sails”
- [Scott McKenzie](#) shares his thoughts on the challenges we all face in achieving our own net zero targets
- [Development and Discovery = Capital return for investors, NOT a dividend yield!](#) Fund manager of Amati Strategic Metals fund, Mark Smith offers some insight
- [Dr Paul Jourdan](#) shares his thoughts on [Engagement vs. Divestment](#) in a Citywire Head to Head Podcast with Montanaro’s Head of Sustainable Investment
- [“Mining should not be a dirty word”](#) - Dr Paul Jourdan discusses his thoughts with Citywire
- [Asset TV interview](#) with Georges Lequime & Mark Smith from Amati Strategic Metals Fund—click here to gain insight into the aims and objectives of the fund

Please visit our media section to view further content.

HeiQ Anti-Viral Facemasks



Unfortunately we do not have any more Amati branded HeiQ facemasks available, however, by [clicking this link](#), you can purchase a selection of HeiQ masks from their UK distributor. (Add in the code “Amati” to receive a 20% discount.) The original HeiQ Viroblock masks are treated with HeiQ Viroblock technology, a very efficient antimicrobial that protects it from microbes and germs. The masks are produced with Swiss technology complying with the highest standards and come highly recommended.

HeiQ currently has a 1.1% weighting in our TB Amati UK Smaller Companies Fund.



Mark Llewelyn Evans, Founder & Creative Director of ABC of Opera, was our Amati Guildhall Creative Entrepreneur winner in 2019. Unfortunately we have not been able to host this award in 2020 and 2021 due to Covid, however we have been pleased to have continued to support Mark in developing his workshops for children and the development of his teachers' resource packs, creating opportunities for children to engage with all aspects of the Curriculum in Wales as they learn about opera and the amazing characters which populate its history. For further information on ABC of Opera's educational projects, please visit www.abcofopera.com



We are delighted to share with you an update from Mark surrounding the soon to be launched film *Save the Cinema* based on his mum's amazing efforts to save their local theatre in Wales

... "I've wined and dined for years over the remarkable story of my mum (Liz Evans) a hairdresser from Carmarthen, who in 1993 decided to prevent the local council from knocking down the town's derelict theatre. Mum believed that the arts opened our imagination to so many possibilities and she wanted to persevere it for the next generation.

She managed to acquire the Lyric theatre's keys for 3 weeks before the town would bid farewell to the art deco building. Her plan was to show the theatre in its glory once more with a performance of JC Superstar as well as a screening of Jurassic Park that she hoped would be enough to stir the town and save the theatre.

All was going to plan until mum received a phone call telling her that she wouldn't be receiving the movie as there weren't enough copies to go around. Devastated for herself as well as all the children she had pried piped to help her she needed a plan B and quick!!

That afternoon Mum and Richard (the local mayor) sent an email to Steven Spielberg telling him how she had been let down and why she was saving the theatre / cinema.

All I say is that mum woke and changed a community as Mr Spielberg came to her rescue. She stayed in the theatre for almost 30 years and with a pandemic keeping me at home it was time to tell her story. This January sees her story on the big screen. Samantha Morton, Tom Felton, Rod Gilbert, Sir Jonathan Pryce and many more "Save the Cinema" a Sky original movie already having won the Cardiff International film Festival is now up for four Baftas. I'm so proud that my mum's incredible story at long last will be shared with the world.

As the founder and creative director of ABC of opera, a children's education project that empowers children through the lives and music of the world's greatest composers I'm proud to carry on my mum's vision and open our next generation to creativity in their day to day lives."

For further information on ABC of opera educational projects, please visit the following website:

www.abcofopera.com

or contact Mark by email at:

mark@abcofopera.com

To view the trailer please click on the image below:





Amati Global Investors are managers for:

- Amati AIM VCT
- TB Amati UK Smaller Companies Fund
- TB Amati Strategic Metals Fund
- Amati AIM IHT Portfolio Service
- Combined AUM of £1.4bn (as at 30 November 2021)

Amati Global Investors Ltd

8 Coates Crescent
Edinburgh
EH3 7AL

Phone: +44 (0)131 503 9115
www.amatiglobal.com

Email: info@amatiglobal.com

Calls are recorded and monitored.

Amati Global Investors Limited is authorised and regulated by the Financial Conduct Authority



We are delighted to have again been awarded winner of the VCT AIM Quoted award at Investment Week's Investment Company of the Year Awards 2021

The awards, which reward excellence in closed-ended fund management, highlight managers who have delivered consistently strong performance for investors and the judges believe can continue to perform well.

To view all the 2021 winners, please click [here](#).



We hope that you are keeping well and safe, and as always, we welcome any feedback, thoughts or comments.

Please either email the team at info@amatiglobal.com or call us on 0131 503 9115.

In the meantime, we would like to wish you a **Merry Christmas** and a **Happy New Year** from all the team at Amati!

Risk Warning

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.