

WS Amati Global Innovation Fund DDQ

June 2024

Risk Warning

Past performance is not a reliable guide to future performance. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. The return on investments in overseas markets may increase or decrease as a result of exchange rate movements. There may be occasions where there is an increased risk that a position in the Fund cannot be liquidated in a timely manner at a reasonable price. In extreme circumstances this may affect the ability of the Fund to meet redemption requests upon demand. Prospective investors should always read the Key Investor Document and the Prospectus, which contain full details of the costs and charges applicable to the Fund as well as specific risk warnings. These documents are available [here](#).

Sales Contacts

Should you have any questions concerning the Strategic Innovation Fund, please don't hesitate to contact one of the Amati Sales Team.

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Platforms

The fund launched on Monday 23 May 2022 and we are aiming to have the fund available on most platforms. Some platforms require an indication of demand before onboarding a fund, so would recommend you contact your platform provider if the fund is not currently available.

Aviva **AJ Bell**

Aegon Institutional **Embark**

Fidelity Funds Network **Hargreaves Lansdown**

Hubwise **Interactive Investor**

Nucleus **Novia**

Pershing **Raymond James**

Standard Life Wrap **Transact**

Fund Details

Type of Scheme	UK UCITS
ACD	Waystone Management (UK) Ltd
Depository	The Bank of New York Mellon (International) Limited
Auditors	Cooper Parry
Website Address	www.amatiglobal.com
Benchmark Index	MSCI ACWI
SEDOL Code	BKVF3N7
ISIN Code	GB00BKVF3N76
Domicile	UK Domiciled
Sector	IA Global
ISAable Fund	Yes
Dealing Time	Daily at 12:00pm
Holding Range	30 - 40
Launch Date	May 2022
Fund Size	£9.9m

Charges

Currency Class	GBP
Minimum Investment	£1000
Regular Savings	£50 pm
Initial Charge	0%
Ongoing Charges Figure	0.75% Annual Mgt Charge plus research charge of up to 0.10% (OCF capped at 1%)

Key Data

Number of Holdings	39
Median Market Cap	\$10.5bn
Market Cap Range	\$0.4bn - \$860.5bn
Weighted Average Market Cap	\$73.2bn

Source: Amati Global Investors as at 30/06/2024

Investment Team



Mikhail Zverev
Fund Manager



Gareth Blades
Analyst



Graeme Bencke
Fund Manager

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Fund Objective

The Fund aims to provide capital growth and to outperform global equity markets over the medium term (3-5 years) by investing in companies that create value from innovative products, services and business models that address key business, societal and consumer challenges, and where the impact of such innovation is not fully priced in by the market. The recommended holding period is 5 years or more.

These include traditional areas of innovation such as technology, healthcare and industrials as well as other sectors which pioneer, enable or adopt innovation. The Fund invests globally.

Investment Approach

The Strategic Innovation Fund looks for opportunities where the positive impact of innovation is not fully priced in by investors. That is best uncovered on a company level using a fundamental, bottom-up, stock picking approach.

Innovative companies are often involved in technically complex and specialist areas. We believe this complexity brings opportunity and are comfortable embracing and researching it to uncover differentiated stock ideas.

Our managers' experience and qualifications, as well as the informational advantage of the Amati research platform, enable us tackle that challenge. As a result, our stock ideas are often very different from the popular holdings in other global portfolios.

In looking for mis-priced beneficiaries of innovation we do not just focus on high growth early-stage innovators at the leading edge of the innovation frontier. We examine the whole value chain, mapping out the cluster of companies that are positively impacted.

We're interested in both transformative and incremental innovation opportunities. We're interested in the pioneers that drive innovation forward, the enablers that provide tools and services to these pioneering innovators, and we're also interested in companies that derive value from adopting that innovation (adopters) - either as fast followers (sometimes to avoid the threat of disruption) or as lateral beneficiaries.

We're looking for optimal risk/reward opportunities. In some areas it is worth taking the risk of investing in a pioneer but in others investors are better off backing lower risk beneficiaries that enable or adopt the innovation.

This approach avoids excessive style bias, reducing exposure to extreme style rotations and volatility that sometimes affects innovation-linked sectors.

Pioneers	Enablers	Adopters
Creating Innovation	Supporting Innovation	Implementing Innovation
Higher risk, higher reward, less mature businesses, often with a single product dependency.	Picks and shovels, suppliers with a diversified exposure to innovative clients and product.	Established businesses, lateral beneficiaries of innovation, fast followers in a changing industry.

By not limiting ourselves to only high growth early-stage companies we also ensure that portfolio holdings on average have lower balance sheet and funding risk, reducing the risk of permanent loss of capital.

The Managers

Fund Managers Mikhail Zverev, Graeme Bencke and analyst, Gareth Blades, the team running the Global Innovation Fund have collective investment experience spanning more than 50 years. Their investment careers span several market cycles, having worked through both exciting and challenging times for innovation equities, going back to the dot com boom and crash of 1998-2000.

The Fund Managers, who joined Amati in 2022 to launch the fund, have track records of long-term top quartile outperformance in global equity and ran successful multi billion-dollar global equity franchises for major international investment firms.

They also bring valuable first-hand insights into the dynamics of innovative companies, acquired in previous roles advising and raising capital for high growth businesses in technology, healthcare and engineering sectors.

The managers also have diverse academic and research backgrounds spanning semiconductors, biochemistry, neuroscience, nanotechnology, accounting and finance. This brings with it the knowledge of complex and highly technical industries at the forefront of innovation as well as sound judgement of the business and financial models and valuation discipline.

They share a history of an investment approach focused on technological change and innovation in global companies, backed by rigorous fundamental research and disciplined stock-picking.

As importantly, they are aligned with Amati's values and culture. Mikhail Zverev has a long-standing association with Amati founder and CEO Paul Jourdan, having known each other professionally for more than two decades and worked together for five years earlier in their careers. Managers have made significant investments into the fund at launch, fully aligning their interests with the fund investors.

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The Amati Innovation Network

The UK is a global centre of excellence in multiple innovation areas - healthcare, technology, materials science, specialist industrials to name a few. It consistently ranks among the most innovative countries on key innovation metrics.

Investment research across the WS Amati UK Listed Smaller Companies Fund and Venture Capital Trust puts us in daily, in-depth contact with companies at the leading edge of these innovative industries. We benefit from direct access to founder entrepreneurs, senior executives and technical experts in these firms; with relationships often built over many years. This enables us to identify promising areas of innovation, assess their value and build an understanding of the global ecosystem of companies that are involved. This research synergy provides us with a unique and tangible informational advantage in managing the Strategic Innovation Fund.

Amati Global Investors is a focused, specialist, independent, investor-run and investor-owned firm, with a patient, long term outlook, and a real alignment of interest between managers and clients. These values and alignment of interests extend to the Global Innovation Fund and its managers, who have invested a significant amount of their personal savings into this Fund.

Resources Available to the Managers

Over many years Amati has developed its own browser based research system: Amati Connex. Notes of every phone conversation and meeting we have with companies, brokers and advisers are logged in this system alongside research. The result is that we have all information and analysis on the universe of companies that we follow logged in one system, from where it can be retrieved expeditiously.

The software that we use for order management and compliance is also a proprietary system called the Amati Online Dealing System. This enables the fund managers to view the portfolio, to place new orders which are reconciled to current holdings and taken through pre trade compliance checks, to view details of all outstanding orders, and to book out details of trades, automatically generating and sending a deal sheet to the back-office.

This system has many additional functions, including: daily post-trade compliance checks and reconciliation with the back office; performance measurement; data compilation for report writing; managing the restricted list of stocks; monitoring inflows and outflows from the fund; monitoring broker commissions; and generating alerts when regulatory notifications need to be issued. It also allows screening of our addressable market of stocks by various parameters. It is a core platform for the business, enabling Amati to run funds efficiently in compliance with all of the relevant legislation.

Investment Process Overview

We adopt a disciplined idea generation, research, stock selection and portfolio construction process to identify and assess stock ideas for the Fund.

Our process consists of five distinct stages:

Innovation frontiers: we identify areas where we see tangible and valuable innovation that addresses a large and growing market. We prefer to back innovation which is already making a difference but has a lot further to grow, rather than making very long-term projections of what the world might look like in decades time.

Innovation clusters: we map out which companies are involved in the innovation frontier and stand to benefit from it - as Pioneers, Enablers or Adopters. We look across industries, regions and value chains to identify research targets.

Fundamental analysis: we analyse the exposure of the company to the innovation and model the financial impact of innovation on the business, as well as assessing the sustainability of the business model. We look for companies where innovation success brings or perpetuates superior growth, margins and return on capital with a 3-5 year investment horizon. Crucially, we also test whether our view is materially different from the market consensus.

Stock selection: we pick the highest conviction ideas which offer optimal risk/reward based on our non-consensus insight. We consider whether to back lower risk Enablers or Adopters or higher risk Pioneers.

Portfolio construction: we construct a high conviction, high active share portfolio which is suitably diversified by sectors, regions, innovation frontiers and by innovator categories.

This approach is backed by a broad range of information sources: hundreds of targeted company meetings per year, specialist information systems, external experts, as well as specialist industry and academic publications.

We employ a consistent framework for value of the impact of innovation fundamentals and for assessing whether priced in by the market consensus.

Fundamental Research

This involves four tests that we apply to prospective investee companies:

Innovation test:

Is there novelty? Is there a clear, proven benefit in cost and functionality? Is there initial traction and adoption? What is the size of the addressable market?

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Company test:

What gives company a "license" to benefit from innovation? How material is its exposure? Is there a roadmap to defensible competitive advantage? Is there a business model with attractive economics or a roadmap to one?

ESG and human rights test:

Are inputs and outputs/externalities sustainable and responsibly managed? Is there the right governance structure or roadmap to its improvement? Are there risks from the company's exposure to countries with poor freedom and human rights scores?

Non-consensus test:

Is there a material difference between our assessment of value of innovation impact vs. consensus expectations?

In performing these tests we are guided by 3-5 year time horizon. We expect the impact of innovation to become more visible to market consensus over this period and to begin being priced in into the share price.

Applying this framework enables us to quantify the upside if our view on innovation impact is right, understand the downside if we're wrong and determine our conviction and the level of non-consensus in our view.

How is the Portfolio Constructed?

The portfolio is constructed using rigorous, bottom-up stock-picking combined with an overlay of macroeconomic and sectoral factors. We diversify exposure over a number of innovation frontiers and also the allocation between pioneer, enabler and adopter categories.

Initial holdings are typically introduced at a 2%-3% weighting, expandable to 5% holding levels are led by conviction. We are benchmark agnostic in terms of construction. Maximum exposures are limited to 10%. Normally the portfolio is limited to between 30-40 holdings.

All due diligence carried out is subject to peer review before a final buy or sell investment decision is made.

We use our industry knowledge gained from company meetings, industry specialists and academic papers together with our own analysis to form views as to how the fund should be strategically positioned, and which types of risk to favour in our stock selection.

What prompts the Managers to sell?

There are a number of factors influencing sell discipline within the investment process.

We sell if our investment case has been realised and market consensus fully reflects the impact of innovation on company fundamentals.

We sell if our investment case is subsequently challenged by new information that reduces our conviction in our non-consensus view.

We sell if our fundamental, company specific investment case is materially threatened by exogenous risks such as macro, regulatory or ESG and human rights factors.

Environmental, Social and Governance

Amati Global Investors recognises that managing investments on behalf of clients requires considering a wider set of responsibilities in addition to seeking to maximise financial returns for investors.

Industry practice in this area is evolving rapidly and at Amati we have sought to define and strengthen our principles accordingly. Consideration of environmental, social and governance (ESG) issues has always been implicit in our investment decision-making process. In practice, almost every interaction with investee or potential investee companies involves engaging on some aspect of ESG. In fact, our responsible investment approach is ESGH - where H stands for human rights. Human rights concerns as well as wider ESG issues are fully integrated into our investment decision-making process. This reflects our commitment to considering the impact of our investments on people as well as the planet.

We are a signatory of the Principles for Responsible Investment (PRI), the world's leading proponent of responsible investment. We are also signatories to the UK Stewardship Code, which sets high standards for those investing money on behalf of UK savers and pensioners, and those that support them. The results of our engagement with investee companies vary and will depend on the degree of influence we have, which is linked to the size of our shareholding. In the interests of transparency and accountability, we publish our voting record on companies' proposals to shareholders every quarter on our website.

We always try to make a positive difference, even if only at the margins. Importantly, we almost always engage directly with the company itself and our views are not mediated by a broker or by an institutional proxy voting adviser.

Our ESG Statement is available on our website. It provides an overview of how our investment process takes account of our responsibility to represent investors in our funds in their capacity as shareholders in portfolio companies. It also explains the more complex issue of how our investment decisions consider the broader social and environmental impact of these companies.

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Clean Trade Approach

Companies are becoming increasingly global in their operations, regardless of where they are registered or headquartered. For all Amati funds, including the WS Amati Strategic Innovation Fund, we have a global perspective when assessing ESGH issues in relation to current or potential future investee companies.

Amati CEO Dr Paul Jourdan is a founder trustee of the Clean Trade organisation which pursues a vision of a world free from the workings of the “natural resource curse”, which works to deepen conflict and perpetuate oppression, corruption and poverty. Its overarching mission is to secure the rights of all people to their natural resource wealth.

Clean Trade argues that where the level of freedom in a country falls below certain thresholds, there can be no reasonable expectation that Article 1(2) of the International Covenants on Human Rights being satisfied. In practice, this means Amati avoids investing in companies extracting natural resources from countries with severely authoritarian regimes, where civil liberties are greatly compromised, and governments are not at all accountable to citizens.

Clean Trade founding principles relate to natural resources industries, but this framework is relevant to innovation as well. Innovation in areas like law enforcement, surveillance or military technology can make societies less just and people less free if they fall into the wrong hands or are governed poorly.

Labour standards and environmental impact in technology supply chains, or negative social externalities of technological products and services are also more acute risks in countries with weaker freedoms. This is something we consider when managing the WS Amati Strategic Innovation Fund.

Freedom House Score

Using the Freedom House scale provides clarity, transparency and accountability on investment decisions. It is based on a methodology developed by an organisation whose reports are widely used by international policy makers, the media and political and business leaders.

Amati aims to avoid investing in companies operating in any country that scores 15 or below, or companies which serve to perpetuate such regimes in other ways. Where a country scores more than 15, but is still rated as Not Free, we would raise questions on human rights in relation to specific company projects or operations. We would need to be convinced that we had received positive and credible responses in relation to safeguarding human rights before deciding to invest. We would require clarity on this issue before considering the investment merits of the company’s projects.

Our guiding principle is that an investment should only be made where the benefits of foreign investment in terms of economic development are likely to outweigh risks to human rights more generally.

Investment Checklist

Environmental:

Appropriate environmental procedures
Adequate waste disposal systems
Initiatives to reduce emissions

Social:

Worker safety
Labour relations
Community and governmental relations

Governance:

Robust anti-corruption measures
Board and share structure
Well-managed supply chain contractors

Human Rights

Adopting and advocating for a Clean Trade approach
Avoiding companies that tacitly support oppressive regimes

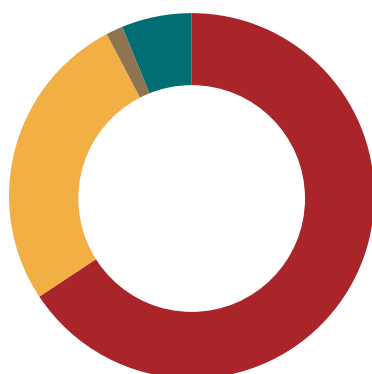
Amati is signatory to the UK Stewardship Code, a signatory to the UN-supported Principles for Responsible investment (PRI), and a supporter of the Task Force on Climate-related Financial Disclosures (TCFD).

Key Differentiators

- Growing demand and scope for innovation create a large and diverse opportunity set.
- Recognised stock market inefficiency creates an opportunity to outperform.
- Bottom-up, fundamental approach, embracing complexity and differentiated stock ideas.
- Balanced approach to innovation (Pioneers, Enablers, Adopters) improves portfolio risk profile.
- High conviction, very high active share, low overlap with generalist global funds.
- Team experience and qualifications strongly aligned to the opportunity.
- Amati network is an informational advantage in discovering and analysing innovation.

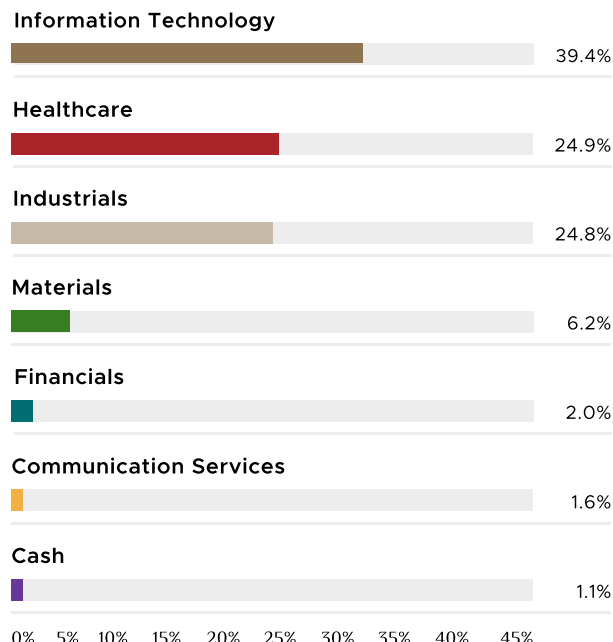
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Geographical Distribution by Revenue



Source: Amati Global Investors as at 30/06/2024

Sector Weightings



Source: Amati Global Investors as at 30/06/2024

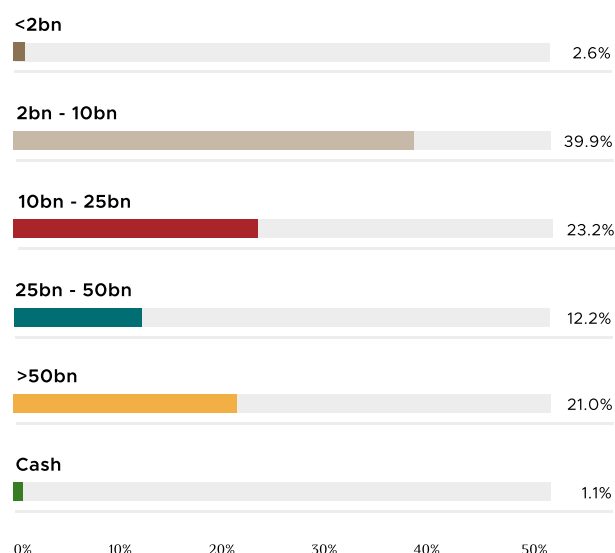
10 Largest Holdings

% OF TOTAL ASSETS

Samsung Electronics	4.0%
Novonosis	4.0%
Danaher Corp	3.8%
PTC Inc	3.5%
Eli Lilly & Co	3.4%
Intuitive Surgical	3.3%
Cognex Corp	3.1%
Leonardo DRS	3.1%
Laboratory Corp	3.1%
IQVIA	3.0%

Source: Amati Global Investors as at 30/06/2024

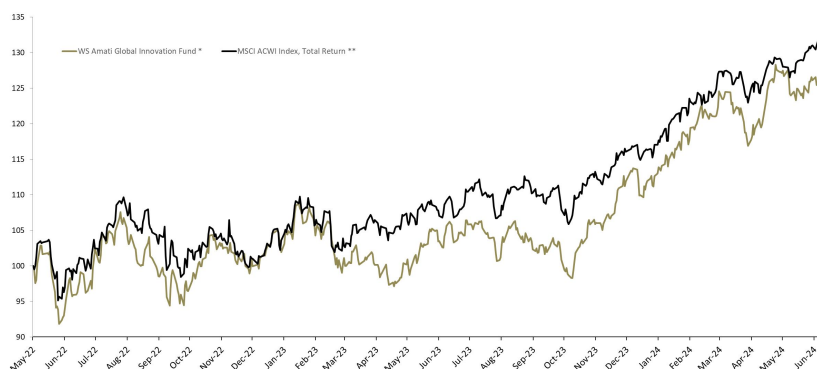
Market Cap (\$)



Source: Amati Global Investors as at 30/06/2024

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Performance vs Benchmark



Source: Amati Global Investors as at 30/06/2024

*WS Amati Strategic Innovation Fund, Total Return.

**MSCI ACWI Index (GBP), Total Return. The stocks comprising the index are aligned with the Fund's objectives, and on that basis the index is considered an appropriate performance comparator for the Fund. Please note that the Fund is not constrained by or managed to the index.

Sources: Amati Global Investors Ltd and MSCI Inc

Past performance is not a reliable indicator of future performance.

Cumulative Performance

	Fund Return (%)	Benchmark Return (%)
1 month	1.44	2.97
3 months	1.06	2.80
6 months	10.61	12.24
1 year	19.09	20.06
2 years	31.42	33.64
Since Launch	25.77	31.05

Investment Team



Mikhail Zverev
Fund Manager

- BSc Semiconductor Physics (St Petersburg State Technical University)
- MSc Accounting and Finance (London School of Economics)
- Chartered Financial Analyst
- 24 years' investment experience, previous roles include:
 - Aviva Investors - Head of Global Equities team. Lead PM on Global Equity Unconstrained strategy.
 - Standard Life Investments - Head of Global Equities team. Lead PM on Global Equity Unconstrained strategy
 - Trigroup Capital, Citigroup Investment Bank and First State Investments



Graeme Bencke
Fund Manager

- BSc Business Management from Royal Holloway University of London
- AIMR qualification
- 25 years' investment experience, previous roles include:
 - PineBridge Investments – Head of Global Equities team, lead PM on Global Focus Equity Fund
 - Torvius – Partner, advisory firm focussed on consulting and investor relations for emerging technology companies
 - PM on equity strategies for Columbus Investment Partners, Gresham House and F&C



Gareth Blades
Analyst

- DPhil in Systems Biology - Biochemistry from the University of Oxford
- MPhil in Micro and Nanotechnology Enterprise from the University of Cambridge
- First in Neuroscience from Cardiff University
- 8 years' investment experience, previous roles include:
 - Edinburgh University College of Medicine – specialist in IP commercialisation and commercial spin-outs
 - PharmaVentures Oxford - healthcare corporate finance

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Amati Organisational Chart

