

Amati
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Quarterly Review

September 2026

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WS Amati UK Listed Smaller Companies Fund



By
Gregor Paterson, Fund Manager



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UK equities made positive progress over the quarter, although the tone varied as the period developed. July provided a constructive start, with investors showing renewed interest in markets and companies that had been overlooked during the prolonged period of US technology leadership. This momentum continued into August as attractive valuations, improving corporate news flow and increasing caution around highly rated US technology, IT hardware and AI-related companies encouraged a broader reassessment of UK opportunities. Conditions became more challenging in September, when renewed inflation concerns, higher energy prices and rising government bond yields weighed on sentiment.

The macroeconomic backdrop remained mixed throughout the quarter. Disruption to shipping through the Strait of Hormuz and uncertainty over energy supplies kept oil prices elevated and added to inflationary pressure. At the same time, high levels of government borrowing and gilt yields of around 5% continued to limit fiscal flexibility. The Bank of England held Bank Rate at 3.75% throughout the period, but the September Monetary Policy Committee vote, in which three members supported an increase, highlighted the growing tension between persistent inflation and the need to support economic activity. UK CPI (Consumer Price Index) inflation rose to 3.1% in August, with the prospect of higher energy costs feeding through to households and businesses.

Despite these headwinds, the domestic economy demonstrated a degree of resilience. Consumer confidence reached a two-year high in September, new car sales remained firm and household and corporate balance sheets remain generally healthy. However, confidence

to spend and invest remained constrained by elevated borrowing costs, a softer labour market and uncertainty over the direction of fiscal and monetary policy. This combination continued to favour businesses with strong balance sheets, recurring revenues and the capacity to fund growth internally.

Valuation remained a central feature of the investment case for UK equities. The discount to larger overseas markets continued to attract interest from international investors, strategic buyers and private equity. More than \$90 billion had been spent on acquisitions of UK-listed companies during 2026 by the end of July, with buyers paying an average premium of around 40% to the undisturbed share price. Corporate activity therefore provided support to the market during the quarter, while also illustrating the extent to which many good UK businesses continue to be valued more highly by trade buyers than by public market investors.

Over the quarter, the Deutsche Numis Smaller Companies Index (plus AIM, ex. Investment Cos) added 8.0%, against which the Fund increased by 3.8%. Positive contributions came from several areas of the portfolio. Defence holdings **Chemring** and **QinetiQ** performed well as the scale of prospective European defence investment became clearer. In technology and communications, **Kainos** rallied following an upbeat trading update that showed strength across government and private-sector customers in the UK and North America, while **Gamma Communications** benefited as the takeover from private equity firm Epiris looked set to acquire the company at 1120p. Elsewhere, **AdvancedADVT** recovered well as the sector regained some investor confidence UK equities made positive progress over which was further enhanced by the



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company's ongoing share buy-back program. **Serica Energy** was also a notable positive as higher oil and gas prices across the expanding asset base drove a useful rerating.

Detractors reflected both stock-specific developments and sensitivity to the wider interest-rate and commodity environment. **GB Group** lowered its 2026 revenue growth expectations citing slower US sales, while **Greatland Resources** fell alongside the prevailing gold price. **Mortgage Advice Bureau** reported softer half-year results as the UK mortgage market remained subdued, and **Great Portland Estates** declined as the interest-rate outlook deteriorated despite multiple positive updates from the underlying property portfolio. Finally, international payments platform **Boku** fell after lowering guidance for 2026, which overshadowed new customer and channel partner, Stripe, a global payments provider which we think could be a significant development over the next year.

Portfolio activity remained selective. The fund exited **Ashtead Technology**, **ME Group International** and **Petrotal**. Profits were taken in **Chemring** and **QinetiQ** following strong defence-sector performance, while **Kainos** was reduced after its significant rally. The holding in **Serica Energy** was also trimmed after a period of good progress.

New holdings were established in businesses offering a combination of operational quality and attractive valuation. Greencore, the market-leading convenience food producer, and WAG Payment Solutions, a pan European commercial transport payments platform, were introduced and made an immediate positive contribution. A new position was also established in specialist

engineering and oil-services group **Hunting**, whose international customer base and innovative technologies provide exposure to a range of demanding energy, defence, medical and transport applications. The holding was subsequently increased in September, while the position in actuarial services firm **XPS Pensions** was also added to during the quarter.

Looking ahead, valuations across UK mid- and smaller-cap equities remain compelling relative both to their own history and to comparable overseas markets. Continued takeover interest and the growing participation of international institutional investors provide evidence of the relative value on offer. The higher rate environment brought by the oil price shock has been unhelpful but would reverse quickly if a peaceful resolution can be achieved in the Middle East.

The environment is therefore likely to remain cautious, with geopolitical developments, fiscal constraints and movements in bond and commodity markets all continuing to influence sentiment. Within this setting, the portfolio remains focused on companies with robust balance sheets, recurring revenues, strong competitive positions and the ability to finance their own growth. The combination of disciplined stock selection and selective portfolio activity, combined with a market that offers exceptional value versus its historic range as well as overseas peers, should provide a sound basis for positive returns.

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Risk Warning

Past performance is not a reliable guide to future performance. The value of your investment is not guaranteed and may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the markets in which the Fund invests. You should regard your investments as long-term. A dilution adjustment may be applied to the share price whenever the Fund is expanding or contracting. Should you buy when the Fund is expanding and sell when the Fund is contracting, this will have an adverse impact on the return from your investments.

This review does not provide you with all the facts you need to make an informed decision about investing in the Fund. Before investing you should read the Prospectus and the Key Investor Information Document (KIID). The Prospectus sets out the main risks associated with the Fund and the KIID shows you how costs and charges might affect your investment. If you are in any doubt as to how to proceed you should consult an authorised financial intermediary.

Fund documentation is available on request and can be downloaded from Waystone [here](#) or from our [website](#).

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