Amati Global Investors

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# WS Amati UK Listed Smaller Companies Fund

# Quarterly Review

March 2026

By
**Gregor Paterson, Fund Manager**

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After a strong start to the year, debt markets were upended by the hostilities in the Middle East throughout March. Oil prices increased by around 60% as the closure of the Strait of Hormuz effectively gave Iran control over around 20% of world supply, while natural gas prices saw a similar increase as the world's largest LNG plant in Qatar was partially taken offline early in the month, with jet fuel and heating oil prices in the UK and Europe almost doubling.

The knock-on effects on economic growth were quickly assimilated by investors and sovereign bond yields leapt as markets repriced GDP and inflation expectations for already indebted economies. The UK, with already high debt and taxes but low private sector growth, fared poorly, and yields on UK gilts rose above the highs of 2025. Hopes that lowering rates would stimulate a mortgage driven housing revival from an emboldened UK consumer, hitherto the outlook for 2026, were dashed.

Unusually, even gold offered little protection from the falling markets. Central banks took profits to fund activities elsewhere, while the momentum that had latterly attracted geared trading was stopped out as the market processed the effects that higher diesel costs and other oil derived inputs would have on producer margins.

As we enter the second quarter, it is notable that mid and small cap UK shares trade, in aggregate, on around 11x forward earnings and come with a dividend income of over 4%. The UK is a world leader at creating disruptive businesses that can grow much faster than GDP, and it is unusual to find them on such a stark discount to US peers, despite the ongoing reassurance that comes via takeover activity from international investors and private equity suitors.

Nevertheless, all equity markets fell in response to the hostilities. Against this backdrop, the Fund fell by 5.0% over the period, compared to a decline of 6.6% for the benchmark index. Protection was forthcoming from holdings in energy and natural resources, as well as continued take-over activity. We also saw strong results for 2025 accompanied by confident outlooks statements for the majority of companies in the fund.

Unsurprisingly the largest positive contributions came from our natural resources stocks. North Sea oil and gas producer, **Serica Energy**, rose in line with the big increase in UK oil and gas prices, supported also by a growing realisation that the Government's policy of dismantling the supply of hydrocarbons from the North Sea, will not reduce oil and gas demand in the UK, but will simply make the UK ever more reliant on higher carbon imports from abroad. Bringing forward the change to the UK's current ludicrously excessive tax regime, which is currently planned for 2030, as well as reviving the flow of permits for production from new fields, could unshackle an industry of high strategic importance, generating significant tax receipts for the Exchequer at the same time. It may even help to preserve what is left of the UK's position as a European energy champion, as we transition to alternative energy sources.

Silver and gold miners, **Hochschild Mining** and **Greatland Resources** continued to shine as underlying commodity prices reached all-time highs, attracting new buyers into the sector, as well as Greatland upgrading its financial guidance for 2026. We exited our position in Hochschild Mining during the quarter and took some profits in Greatland. Greatland has made remarkable progress with extending the mine life of its core operations at Telfer by adding 4.8Moz of gold mineral resources

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at a discovery cost of $5 per oz. This gives it the basis for establishing a world-class highly cash generative operation as it develops new resources around its nearby project at Havieron.

Energy engineering solutions business **Ashtead Technologies** also made a notable positive contribution. Active across oil, gas and renewables, and operating globally, the shares are also recovering from a bruising move last year from AIM to the Main market. Momentum could be bolstered further by being included in the FTSE250, which would usher in passive buying.

Finally, food distributor **Kitwave** performed strongly over the quarter as an agreed bid from private equity firm OEP Capital was revealed in January at a 33% premium. The ongoing bid activity in the UK serves as a constant reminder of the value on offer from the UK stock market, as buyers emerge across all sectors and market caps.

Detractors from the Fund's performance over the quarter came mainly from the technology sector, where worries that artificial intelligence (AI) could disrupt the sector in hitherto unimagined ways. We agree, but believe that established technology platforms and providers are more likely to benefit from the increased cadence of progress rather than be swept away by AI. **Gamma Communications**, **Alfa Financial Software**, **Kainos** and **Boku** were all affected, although Gamma is now the subject of bid interest from several interested parties and has recovered well. We also expect the others to recover in due course. Affordable housebuilder and land developer, **MJ Gleeson**, was also weak as hopes of falling mortgage rates were thrown into question as the energy price rise feeds into inflation numbers.

We added two new holdings during the quarter: **Paragon Banking Group** and **Wilmington**. Paragon is a specialist UK bank which offers mortgage and commercial lending, funded by deposits from savers, including the new and impressive Spring Savings App, and wholesale funding. Mid-sized UK banks are the cheapest in Europe and although Paragon has delivered consistently over a 10-year period, the shares are lowly valued and come with an above average dividend income. Wilmington provides education and training within highly regulated markets. The company has grown organically and via nimbly executed M&A, yet the shares sold off recently on fears that AI could be disruptive. We agree, but this should help rather than hinder Wilmington's capabilities and reach. Elsewhere, we added to the position in **Yu Group** and **Jadestone Energy**.

We sold out **Impax Asset Management**, **CLS Holdings**, **Hochschild Mining** and **Franchise Brands**. **Kitwave** left the portfolio following a bid from private equity and profits were taken from **Volex** following a strong run.

As we enter the second quarter, the fund's companies remain attractively priced compared to other markets, the long run average and the inherent growth prospects. Two of the fund's larger holdings, Gamma and BRCK, are currently engaged in early stage bid talks and, in the absence of a broader rally, we expect this trend to continue through 2026.

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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 levy 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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