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WS Amati UK Listed Smaller Companies Fund

Quarterly Review

September 2025



By
Scott McKenzie, Fund Manager

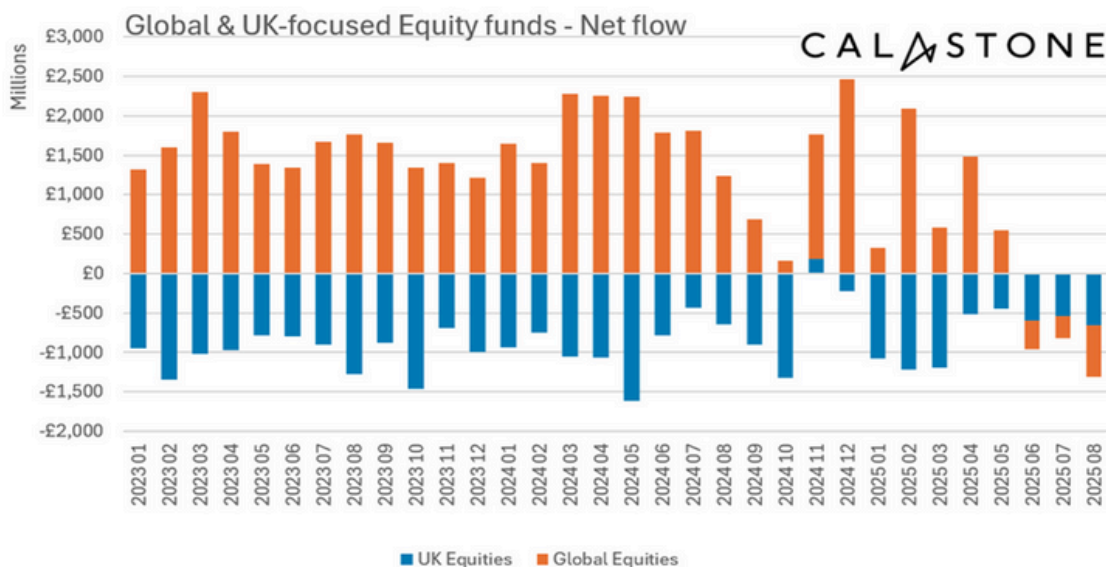


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Market Review

The third quarter was dominated by an elevated level of risk appetite, particularly in the US, where tech stocks (both profitable and unprofitable) prospered, leading to a further surge in the US stock market. As the quarter progressed, we witnessed what can probably be described as a frenzy towards all things AI-related. This saw the NASDAQ Index rise by more than 10% during the period, with the 'Magnificent 7' large tech stocks leading the charge once again. This translated to a strong performance from global equities, which rose by 7% over the quarter, with the UK large cap index also performing positively, driven by its more international earnings base. Unfortunately the strong momentum we saw in the UK mid-, small-cap and AIM indices during the second quarter fizzled out during this period, leaving this area of the market as a notable laggard during this period of animal spirits.

The metals markets were no less exciting and the boom in commodities, such as gold and silver, and alternative investments such as bitcoin intensified, with all three assets reaching record high prices. Gold rose 17% over the quarter and is up around 50% in the year to date, with strong evidence of central banks buying and investors globally continuing to turn away from government bonds and the US dollar. However, US government bond yields did fall modestly over the three months and the dollar was broadly unchanged against most major currencies. We are therefore in the unusual circumstance of seeing positive equity returns and record gold prices simultaneously, with investors seeking protection from rising levels of government debt, inflation and currency debasement. Despite strong equity returns, it was telling to see retail investor redemptions of global equity funds during the quarter as well as further selling of UK equity funds.



The UK economy remains in something of a doom loop, which has been exacerbated by the delay in the Budget until late November. Whilst the GDP numbers were no worse than expected, UK inflation remains stubbornly high at 3.8% and long bond yields rose by a further 30bps to 5.5% during the quarter, reflecting a lack of confidence in a Labour government which recently appears to have lurched into a beleaguered state. Business and consumer confidence remains fragile and savings ratios high, with a series of gloomy job market reports and falling vacancy levels unsettling an already challenged outlook. There is endless speculation of further tax rises to come in the Budget, leaving consumer-facing sectors such as hospitality, retail and housing in something of a crisis, whilst investors in tax-efficient products such as pensions are now fearing the worst.



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Portfolio Review

After a strong recovery in the second quarter, the Fund endured a challenging period over the summer months, falling by -2.6% over the quarter, compared to a return of +2.9% for the Deutsche Numis Smaller Companies plus AIM benchmark index.

The positive performers in the portfolio this quarter were a fairly broad church. Once again **Alpha Group International** was a highlight, rising 31% in response to an agreed cash takeover bid. This had a meaningful impact, being the largest holding in the Fund. It was pleasing to see a turnaround in the fortunes of IT services business **Kainos**, which rose 24% from a low valuation in response to signs of improved trading in its UK digital services as well as investors beginning to see hidden value in its software assets. We enjoyed further price momentum in the gold sector, where prices hit record highs, boosting our holding in **Greatland Resources**. Insolvency specialist **FRP Advisory** enjoyed a long-overdue recovery, rising by 14% as they confirmed their full year profits, continuing their excellent record of growth since IPO. Software business **AdvancedAdvT** continued to re-rate, with a wider investor group beginning to appreciate the positive impact of their well-timed acquisition strategy.

The summer months saw some of our holdings exposed to the UK consumer suffer from weaker trading. Consumer products wholesaler **Kitwave** was particularly disappointing, falling 28% on a profit warning in July. The leading holiday business **Jet2** also reported fragile consumer confidence leading to later booking patterns and weaker profit margins. Despite executing a significant share buyback the shares fell by 23%, having performed strongly previously. Another theme which impacted the portfolio negatively was the ongoing trend for businesses to leave the AIM index and move to the LSE main list. This impacted **Mortgage Advice Bureau**, which fell by 20% as the housing market slowed over the summer and they announced that they were considering a move from AIM to the main list in mid-2026. In a similar vein energy equipment hire business **Ashtead Technology** continued to weaken ahead of its move from AIM, not helped by the downgrading of its revenue outlook in July. **Gamma Communications**, which completed its move from AIM in June, continued to suffer price weakness, with a slowdown in its UK operations offsetting strong progress in Germany. A final pocket of weakness was in the real estate sector, where holdings such as **Grainger** and **CLS Holdings** struggled as UK long gilts continued to rise.

Two new holdings were added to the portfolio this quarter – **Coats Group** and **Alfa Financial Software**. Coats, a world leader in materials for apparel and footwear, announced the transformational acquisition of footwear competitor Ortholite in July. The Fund then participated in an equity placing to help fund the transaction. Alfa Financial Software is a business which enjoys a strong niche position in supplying software solutions for leasing to the banking, automotive and equipment sectors. Despite strong earnings momentum and increasingly visible repeat revenues, the shares had de-rated somewhat and therefore offered the Fund an attractive entry point.

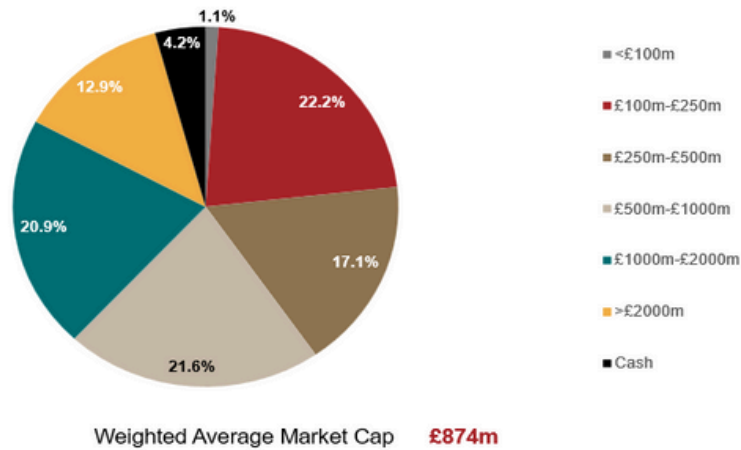
We added to the holding in **Kainos** ahead of a positive trading update and also added to positions in **ME Group** and **Ashtead Technology** after periods of share price weakness. Some profits were taken in some larger holdings such as **Greatland Resources**, **AJ Bell** and **FRP Advisory** and the remaining holding in **Alpha Group International** was sold upon receipt of the agreed cash takeover bid. The holding in **Wickes** was sold after a strong recovery during 2025 and **Bytes Technology** also left the Fund, having rallied after an unexpected profit warning in early July.



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Following a programme of selling smaller capitalisation holdings over the past two years, the Fund now has a focussed portfolio of 45 companies. The chart below confirms that exposure to the very smallest businesses is now minimal and the overall liquidity position is a healthy one, with a weighted average market capitalisation for the portfolio of £874m.

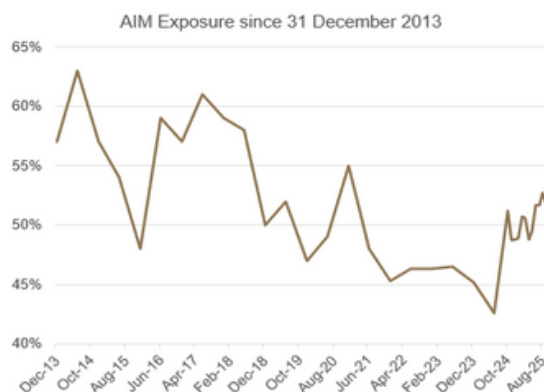
Portfolio By Market Capitalisation (£)



Source: Amati Global Investors as at 30/09/2025

The Fund has had a significant commitment to AIM-listed businesses since the inception of Amati in 2011. For much of this time these companies have in aggregate made materially positive contributions to investment performance but, in recent years, our AIM exposure has been a significant headwind for the returns of the Fund.

AIM – Fund Exposure since 31 December 2013



Index	SMCO Weighting	DNSCI + AIM XICs Weighting*
FTSE 100	0.0%	0.0%
Mid	35.7%	58.9%
Small	8.2%	11.2%
Other	0.0%	0.0%
AIM	51.8%	29.5%
Cash	4.2%	

Source: Amati Global Investors as at 30/09/2025

*Figures as at 31/12/2024 as index is only rebalanced once a year



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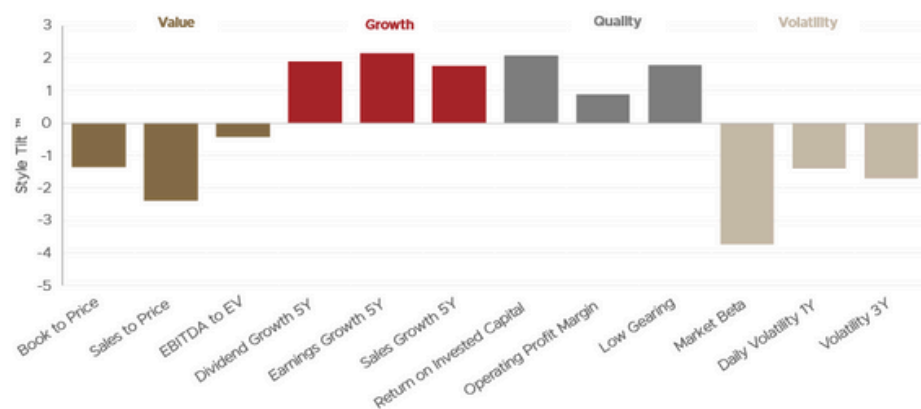
As part of the process of refocussing the portfolio described above, we significantly reduced our exposure to the smallest companies on AIM where the liquidity and outlook was most challenging. Our overall exposure to AIM therefore fell in early 2024 but more recently has risen again, as we sought to take advantage of some of the severe valuation and liquidity discounts on offer in the junior market. 52% of the Fund is currently held in AIM-listed stocks, but this figure will reduce in October when both Ashtead Technology and GB Group move to the main list.

Those businesses who have moved to the main list of the LSE so far have not found this process an easy one and unfortunately this has had a negative impact on the portfolio, with some of these moves acting against shareholders' interests in the short term. In the long run we remain agnostic as to the listing preference of the businesses we own in the Fund, but we do now see signs that this trend of moving listing is beginning to dissipate, which should allow the AIM market to settle down after a period of turbulence.

It is also worth noting that the style profile of the portfolio has remained fairly constant in recent years despite the performance challenges we have faced. The Fund continues to demonstrate a positive tilt towards growth and quality factors, as it has for many years, with an ongoing focus on positive returns and low levels of debt.

Portfolio Style Factors- Focus on Growth & Quality

Focus on growth and quality over value



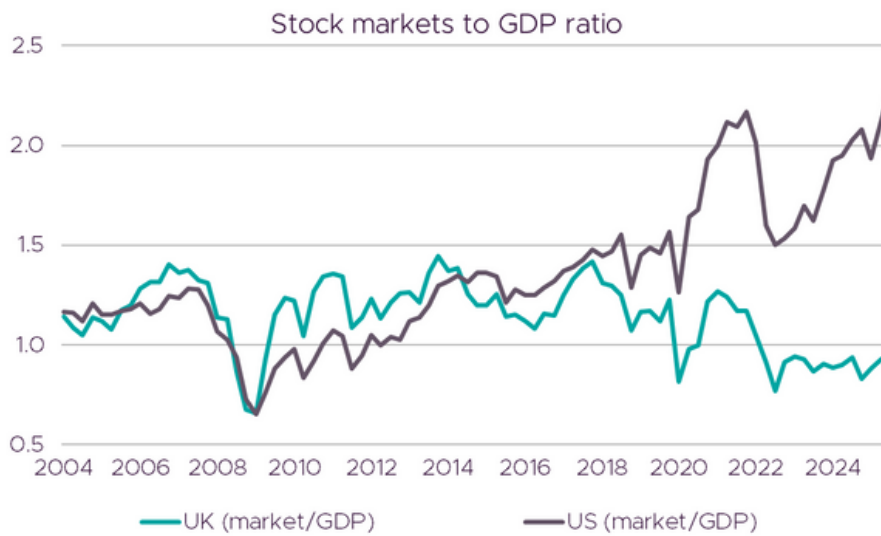
Source: Style Analytics as at 30/09/2025

Market Outlook

At the time of writing, there are signs of a speculative bubble in spending relating to artificial intelligence, with the major US tech businesses committing to eye watering increases in capital spend as well as announcing a series of investments in each others' assets. The US equity market has rarely been as highly valued as it is today by a variety of measures, including Schiller PE ratios and market cap to GDP. By contrast the UK stock market continues to trade at depressed levels despite improved returns this year.



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With an uncertain UK economic outlook and weakening public finances, the environment for investing in UK-listed companies remains a challenging one, but we believe that there is still good investor appetite for UK quoted companies with positive stories to tell.

We very much hope that investors will turn their attention back towards UK small and mid-cap companies where valuations are highly attractive compared to history, as evidenced by the ongoing takeover activity and elevated levels of share buybacks. Ahead of the Budget, the UK economic expectations are now very low and any positive outcomes could see confidence and company valuations improve quickly, particularly if there is any money flow back into UK equities.

After a difficult few months we see scope for the portfolio returns to improve markedly from here and we look forward to a more positive end to 2025.

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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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