The WS Amati UK Listed Smaller Companies Fund

Capturing the Smaller Company Premium

Amati
Global Investors
Finely crafted investments

RISK WARNING

This brochure is a financial promotion issued by Amati Global Investors Ltd, authorised and regulated by the Financial Conduct Authority. 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. Full details of the WS Amati UK Listed Smaller Companies Fund, including costs and risk warnings, are published in the Prospectus of the WS Amati Investment Funds. This leaflet does not provide you with all the facts that you need to make an informed decision about investing in the Fund. You need to read the associated Key Investor Information Document (KIID) and the Supplementary Information Document (SID) and decide whether to contact an authorised intermediary. If you do not already have a copy of these two documents, please contact Waystone Fund Services on 0115 988 8275 (www.tbailey.co.uk/amati). The SID details your cancellation rights (if any) and the KIID shows you how charges and expenses might affect your investment. Tax rates, as well as the treatment of OEICs, could change at any time.

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.

OVERVIEW

Capturing the Smaller Company premium

UK Smaller Companies can represent an outstanding asset class for long term investors and there are few better investments than emerging businesses which can grow consistently over a long period. However, spotting them is difficult. The UK has a history of invention, innovation, appropriate regulation, entrepreneurialism and management skill, and this provides the right ingredients for the creation of well-managed, well-financed growth companies. Our job is to find them for you.

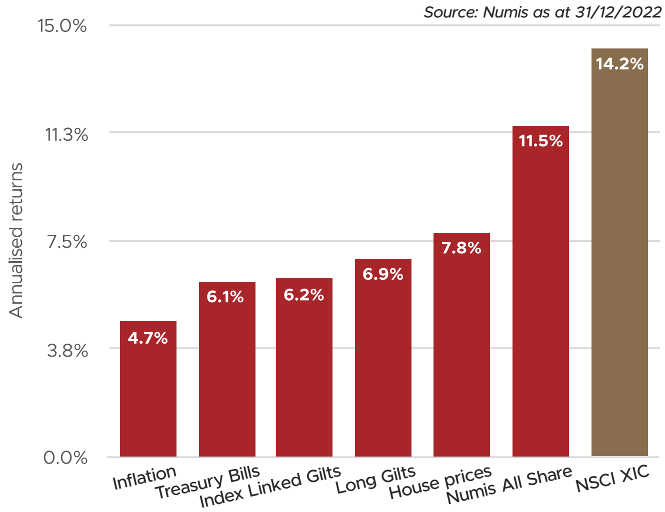
The table opposite demonstrates the superior returns to be gained over the very long run from investing in UK smaller companies. The Numis Smallcap Index (ex-Investment Companies) has returned 14.2% per annum since the study began in 1955. This compares favourably to the annual return of 11.5% delivered by the broad UK market index and is well ahead of other asset classes such as government bonds and housing, whilst outpacing overall levels of UK inflation to give positive real returns.

'The Small Cap Effect' - A Long term view

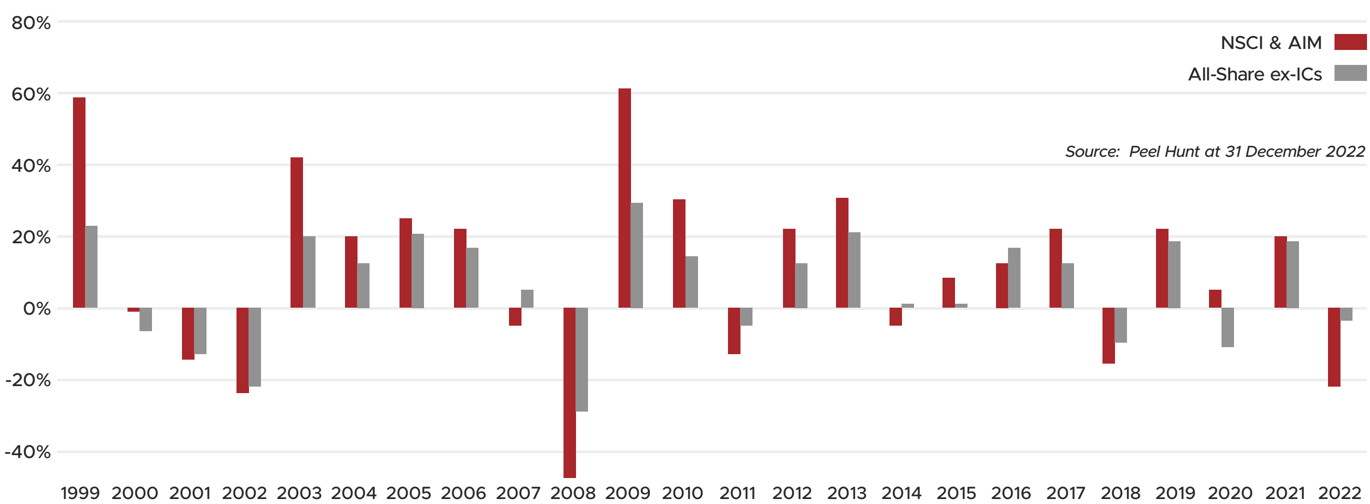
It is important to note however that such superior returns do come with additional risks and volatility. Over the past two decades annual returns from smaller companies have generally been well ahead of the broad UK index during years of positive market returns but have suffered disproportionately during the years of negative market returns, such as the 'tech bubble' of 2000/02, the Global Financial crisis of 2007/08 and, more recently, in 2022. However, as the chart below shows it is rare for the smaller company indices to be negative for two consecutive years and the recoveries when they come can be rapid, such as in 2003 and 2009.

Past performance is not a guide to future performance

ANNUALISED RETURNS,1955-2022



DISCRETE ANNUAL RETURNS



KEY ADVANTAGES

Why this fund?

01 FOCUSSED
UK Smaller Companies investment specialists

02 ALIGNED
Investment team have significant personal investments in both the Fund and Amati

03 EXPERIENCED
An award-winning investment team with an established track record since 2000

04 DYNAMIC
Active exposure to an important and exciting area of the stock market

05 TEAM APPROACH
Waterfront coverage of the broad UK smaller company universe with reduced exposure to key manager risks

06 AIM INSIGHT
The team also manage the Amati AIM Venture Capital Trust, providing insight to promising growth companies at the earliest stage of their development

FUND AIMS

The WS Amati UK Listed Smaller Companies Fund aims to achieve long-term capital growth through investing in a well-diversified portfolio of UK smaller companies, with a focus on the bottom 10% of the entire UK stock market. This is a vast and dynamic universe encompassing over 1,000 companies across a broad range of sectors. The Fund is designed to be a savings vehicle providing a broadly based, actively managed exposure to this exciting segment of the stock market. We aim to achieve superior long term returns with a lower volatility than our benchmark index, the Numis Smaller Companies plus AIM (ex Investment Companies) Index.

All due diligence carried out by individual managers is subject to peer review

A team approach based on experience and collaboration

The team managing the WS Amati UK Listed Smaller Companies Fund has a wealth of combined experience in investing in the UK smaller company asset class. Given the hugely diverse nature of our investment universe we believe that having such an experienced, well-resourced investment team is a critical competitive advantage.

We have a team-based approach to investing, seeking collaboration and consensus, where investment ideas are generated by the free flow of thought and where positions are constantly challenged. We avoid a rigid investment style and seek out opportunities regardless of market conditions. We do not favour one valuation technique to the exclusion of others, preferring to use all the tools at our disposal, including fundamental analysis, technical indicators and style factors.

This approach allows broader coverage of markets and stocks, enabling every member of the team to develop in-depth knowledge of prospective investee companies prior to making an investment. It also helps avoid the biases and blind spots that may constrain an individual fund manager whilst also reducing the key person risks which are all too common in the fund management industry.

Although there is inevitably some crossover due to the collaborative nature of the process, individual fund managers within the team assume broad responsibility for research and due diligence across a range of industry sectors.

DUE DILIGENCE BY SECTOR

Paul Jourdan, Fund Manager
Sectors: Resources; Insurance; Technology; Media

David Stevenson, Fund Manager
Sectors: Industrials; Telecoms; Support Services; Technology

Scott McKenzie, Fund Manager
Sectors: Construction; Financials; Consumer; Real Estate

Gareth Blades, Analyst
Sectors: Healthcare; Technology

Since Amati was founded in 2010 we have continued to develop our own proprietary research database, Connex, which fully documents the research process at all stages, from initial meetings and desk research through to the investment stage and subsequent monitoring. This allows our managers to form a fully informed view when coming to a decision and facilitates collaborative peer reviews, with in-built checks and balances to avoid biases. All due diligence carried out by individual managers is subject to peer review before a final buy or sell investment decision is made. Consequently, portfolio construction reflects a consensus, team-based view.

AMATI PEOPLE

UK Smaller Companies Investment team

Within the team, Amati offers a wealth of combined experience in UK Smaller Companies, and an award-winning track record

Dr Paul Jourdan co-founded Amati Global Investors in January 2010. His career began in 1998 with Stewart Ivory, where he gained experience in UK and global equities. Stewart Ivory was taken over by First State, and Paul was subsequently appointed Head of UK Equities. He moved to Noble Fund Managers in 2007, becoming Head of Equities. Paul previously worked as a professional violinist, including a four-year period with the City of Birmingham Symphony Orchestra.

David Stevenson joined Amati in 2012. He previously co-founded investment boutique Cartesian Capital, which managed a range of retail and institutional UK equity funds. Prior to that, he was Assistant Director at SVM. David started his career with KPMG where he qualified as a Chartered Accountant, before working in private equity with Bank of Scotland subsidiary, Dunedin Fund Managers.

Scott McKenzie joined Amati in 2021. His career began in Glasgow at Britannia IM, before he moved to London with Aviva Investors in 1999. He returned to Scotland in 2005, joining Martin Currie where he remained until 2009. After a period running his own private businesses, he joined Saracen Fund Managers in 2014, where he launched the TB Saracen UK Income Fund and became manager of the TB Saracen UK Alpha Fund.

Dr Gareth Blades joined Amati in 2019 as an Analyst supporting the fund management team. Previously he had worked as an independent consultant supporting life science companies in their operational and strategic decision making. Prior to that, he worked on building spin-out companies for the College of Medicine and Veterinary Medicine at the University of Edinburgh, and in healthcare corporate finance at PharmaVentures in Oxford.

We expect the majority of the returns from the portfolio to come from bottom-up stock selection rather than macro economic or sector calls

Our investment approach

Our philosophy is based on 'through the cycle investing', and it is our aim for the Fund to be, as far as possible, an investment for all seasons. We are active, high-conviction managers. Whilst our focus is on UK listed businesses, we take a global perspective in our analysis and deliberately seek to diversify the exposure within the portfolio away from the UK economy and sterling. The portfolio will typically have more than 50% of its underlying revenues from outside the UK.

We aim to own businesses that can deliver superior growth by virtue of their proprietary intellectual property or by taking market share, or for structural reasons. We try to avoid companies with no clear competitive advantage, which operate in markets dominated by larger rivals and where profit margins or entry barriers are low.

We have extensive experience of investing in UK quoted smaller companies and our investment process is first and foremost driven by company research. The fund managers carry out their own research using external information such as prospectuses, annual reports, broker research notes and third-party industry sources, plus internally generated analytical tools and models. The team meet extensively with company management prior to and post investment, including site visits where appropriate. In developing these direct relationships with our investee companies, we see our role as longer term business owners rather than merely shareholders.

We scrutinise company accounts in detail, particularly cashflow and accounting policies, as part of our selection process. We look for companies that can consistently generate high returns on cash invested. We place great emphasis on companies that are financed appropriately for the nature of their business, and carefully consider board structures, remuneration, share ownership and incentivisation, preferring share ownership to option schemes.

Building the portfolio

We expect the majority of the returns from the portfolio to come from bottom-up stock selection rather than macro-economic or sector calls. The allocation to different sectors within the portfolio is therefore largely a residual outcome of our underlying stock selection process.

We aim to keep the Fund flexible and well positioned for whatever the prevailing market environment is, and to allow for sustainable performance across a business cycle. We therefore cover the waterfront of all available opportunities to us, utilising our experienced team. There are no sector exclusions.

Initial holdings are typically introduced at a 0.5%-2.0% weighting based on our assessments of risk and liquidity, and, as confidence in the investment case grows, these positions can expand. The maximum exposure to any one stock is limited at 5%. The portfolio has a typical range of 60-70 holdings at any given time.

PORTFOLIO SNAPSHOT

NUMBER OF HOLDINGS: 60-70

POSITION SIZES: 0.5%-2.0% INITIAL, 5.0% MAXIMUM

TARGET MARKET CAP RANGE £100M TO £3BN

WEIGHTED AVERAGE MARKET CAP c£700M+*

NO SECTOR EXCLUSIONS – WATERFRONT COVERAGE

BOTTOM UP

Rigorous bottom-up stock picking
Team-based approach; Focus on liquidity

*As at 31/12/22

Portfolio style

The Managers have access to a variety of third-party research databases which help them formulate the style of the portfolio. These act as an important independent check both at the individual company level and also for the positioning of the portfolio as a whole.

The key style characteristics which the portfolio has demonstrated over the long run has been a positive slant towards Quality and Growth factors. The portfolio also tends to demonstrate lower Volatility factors than its benchmark index, in terms of market beta and the daily volatility of the portfolio over the short and medium term.

The key positive measures we look for in determining Quality factors for a business include:

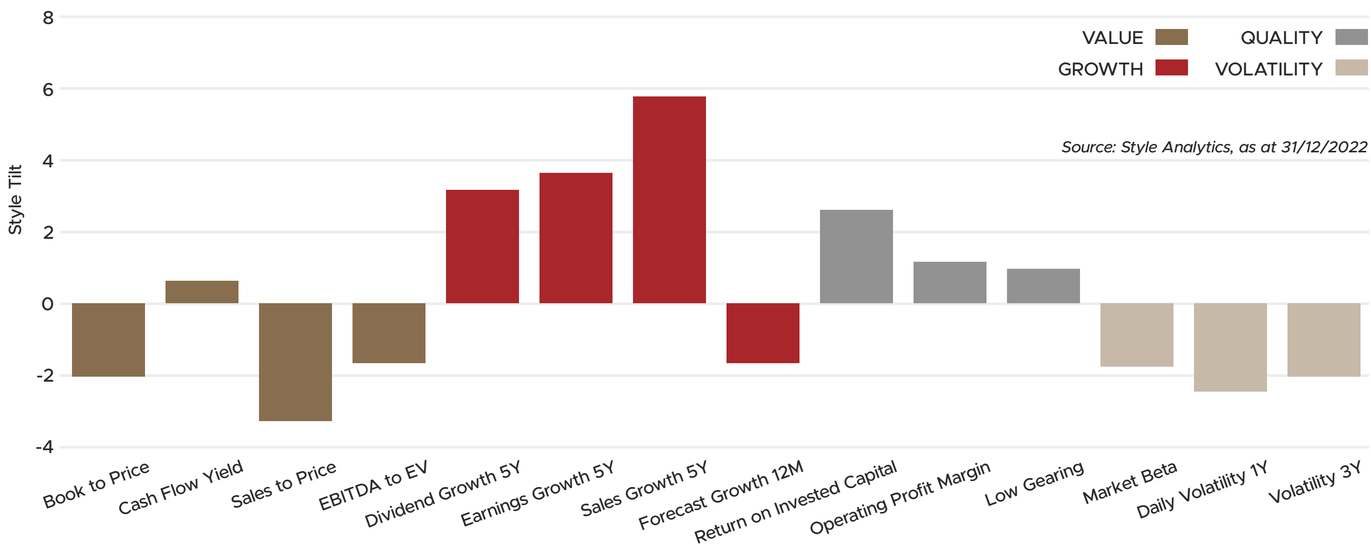
- Sustained returns on capital employed in excess of the cost of capital, leading to compounding, added-value investments being made for the future
- High and durable profit margins
- Low levels of indebtedness

Key Growth factors we look for include the ability of a business to deliver compounding growth in sales, earnings and dividends over the medium term.

Given this tilt towards Quality and Growth factors the portfolio will typically have a lower exposure to Value factors such as high dividend yield, low price to sales and low price to book. Our experience over many years has led us to conclude that such valuation factors are rarely attributed to long term quality growth businesses.

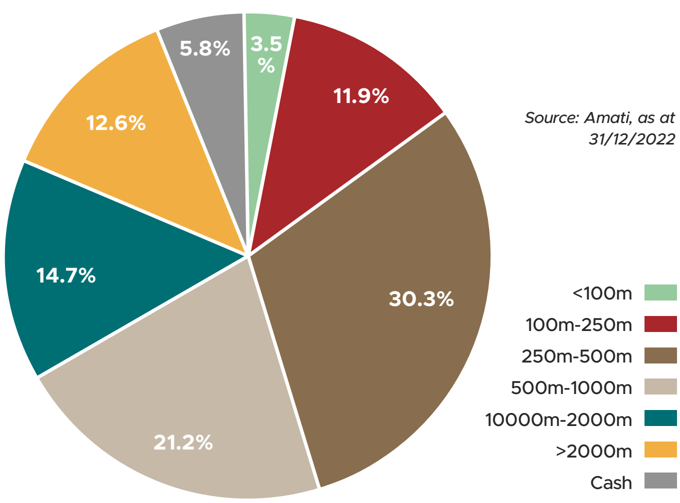
The chart below provides a snapshot of these key factors and compares the portfolio style to its benchmark, the Numis Smaller Companies Index plus AIM (ex-Investment Companies), with above zero measurements indicating a positive tilt.

PORTFOLIO STYLE FACTORS



Managing liquidity risk

We treat liquidity as a distinct category of risk, which we seek to diversify through holding stocks with a wide array of market capitalisations. Typically, we hold over 80% of the fund in businesses with market capitalisations above £250m. Our investment mandate also allows us to hold up to 20% of the Fund in cash and companies outwith our benchmark index. The chart opposite shows a representative asset mix:



ETHICAL

Our commitment to responsible investment

We recognise 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.

INVESTMENT CHECKLIST

Human rights:
Adopting and advocating for a Clean Trade approach
Avoiding companies which tacitly support oppressive regimes

Social:
Worker safety and Labour relations
Community and governmental relations

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

Environmental:
Appropriate environmental procedures
Adequate waste disposal system
Initiatives to reduce emissions

The ESG Statement and Stewardship Report is available to view 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.

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 UK Listed Smaller Companies 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 in 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 UK Listed Smaller Companies 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 (in aggregate for political rights and civil liberties), 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.

FREEDOM HOUSE SCORE

		Political Rights score						
		0-5*	6-11	12-17	18-23	24-29	30-35	36-40
Civil Liberties Score	53-60	PF	PF	PF	F	F	F	F
	44-52	PF	PF	PF	PF	F	F	F
	35-43	PF	PF	PF	PF	PF	F	F
	26-34	NF	PF	PF	PF	PF	PF	F
	17-25	NF	NF	PF	PF	PF	PF	PF
	8-16	NF	NF	NF	PF	PF	PF	PF
	0-7	NF	NF	NF	NF	PF	PF	PF

KEY: F = Free, PF = Partly Free, and NF = Not Free

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WS Amati UK Listed Smaller Companies – Key Information

Fund Type: OEIC

IA Sector: UK Smaller Companies

ISIN: GB00B2NG4R39

AMC: 0.75% (OCF0.84%)

Minimum investment: £1,000

Settlement: T+4

Benchmark: Numis Smaller Companies plus AIM (ex Investment Companies) Index, Total Return

Domicile: UK

ACD: Waystone Management (UK) Limited

Depositary: NatWest

WS Amati UK Listed Smaller Companies Fund is available on most major fund platforms, please consult our website www.amatiglobal.com or contact the fund's ACD, Waystone on +44 (0)345 922 0044 for details.

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