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*Amati*  
Global Investors



T.BAILEY

## TB Amati Investment Funds

**Interim Short Report**  
31 July 2014

**TB Amati UK Smaller Companies Fund**

## INVESTMENT OBJECTIVE & POLICY

The investment objective of the TB Amati UK Smaller Companies Fund is to achieve long-term capital growth.

The target universe ranges from the Alternative Investment Market ("AIM") to fully listed constituents of the FTSE Fledgling, Small Cap and Mid 250 indices. There may be occasions when the Investment Manager chooses to hold increased levels of cash or money market instruments.

The Fund will primarily invest in companies which are either incorporated in the UK or are listed in the UK and have the majority of their economic activity in the UK. The Fund may also invest in companies which are listed in the UK but are not incorporated and do not have the majority of their economic activity in the UK.

The Fund has authority to invest up to 10% of its assets in collective investment schemes and over 35% of its assets in certain government and public securities, although in the past ten years these authorities have rarely been used.

The benchmark of the Fund is the Numis Smaller Companies (inc AIM ex investment trusts) index.

## THE INVESTMENT MANAGEMENT TEAM

The TB Amati UK Smaller Companies Fund has been managed by Dr Paul Jourdan since 2000, and co-managed with Douglas Lawson since 2009 and David Stevenson since 2012. The management team believe that smaller companies are a highly attractive asset class for long-term savers, on the proviso that investors appreciate that historically, relative to larger company funds, the significant additional performance has come with some additional volatility of returns. The management team seek to manage the additional risks involved in small company investing by taking a view on the business cycle and other macro-risks in structuring the portfolio. Individual company investments are chosen on the basis of proprietary company research. Amati Global Investors is a specialist investment manager, solely focussed on the universe of UK smaller companies.

The Fund's long term performance record is award winning, including Growth Company Small-Cap Fund of the Year 2011 and a Lipper Fund Award 2012 for the best UK Small & Mid Cap Fund over 3 years. Dr Paul Jourdan is also a 2013 FE Alpha Manager.

Should you wish to receive monthly fund factsheets and updates on events by email, please contact: [info@amatiglobal.com](mailto:info@amatiglobal.com)

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**BIOGRAPHIES**

**Dr Paul Jourdan - CEO**

Paul Jourdan is an award-winning fund manager, with a strong track record in small cap investment. He co-founded Amati Global Investors following the management buyout of Noble Fund Managers from Noble Group in January 2010, having joined Noble in 2007 as Head of Equities. His fund management career began in 1998



with Stewart Ivory, where he gained experience in UK, emerging market, and global equities. In 2000 Stewart Ivory was taken over by First State and Paul became manager of what is now TB Amati UK Smaller Companies Fund. In 2004 he was appointed Head of UK Equities at First State. In early 2005 he launched what is now Amati VCT plc and he also manages Amati VCT 2 after the investment management contract moved to Amati Global Investors in 2010. Prior to 1998 Paul worked as a professional violinist, including a four year period with the City of Birmingham Symphony Orchestra. He currently serves as a Director of Fox Marble plc, a portfolio company of the Amati VCTs and also a Governor of the Royal Conservatoire of Scotland.

**Douglas Lawson - Director**

Douglas Lawson co-founded Amati Global Investors following the management buyout of Noble Fund Managers from Noble Group in January 2010. Prior to this he worked in corporate



finance and private equity, initially as an associate focusing on middle market UK private equity and listed company M&A at British Linen Advisers, and latterly as an investment manager in the private equity team at Noble. Douglas has co-managed the TB Amati UK Smaller Companies Fund since 2009. He has also been co-manager of Amati VCT since 2009 and Amati VCT 2 since 2010. Douglas started his career at Ernst & Young in London, where he qualified as a Chartered Accountant in 2002. He serves as a Director of Amati Global Investors Limited and Polyhedra Group plc, an Amati VCT and Amati VCT 2 portfolio company.

**David Stevenson - Fund Manager**

David joined Amati in February 2012. Prior to this he was a partner with investment boutique Cartesian Capital, which managed a range of retail and institutional UK equity funds in long only and long/short strategies. David co-founded Cartesian in 2005, and saw growth in client assets to a peak of £600m. Previously he was Assistant Director at SVM, where he also managed equity products including the UK Opportunities small/midcap fund which was ranked top decile amongst peers for the 5 year period from inception to late 2005. David started his career at KPMG where he qualified as a Chartered Accountant. He latterly specialised in corporate finance, before moving into private equity with Dunedin Fund Managers



## FUND FACTS

**Launch date<sup>1</sup>:** 18 December 1998

**Ex-dividend date:** 1 February, 1 August

**Dividend payment date:** 31 March, 30 September

**Synthetic Risk and Reward Indicator Ranking<sup>2</sup>:** 5

**Ongoing Charges figure<sup>3</sup>**

A Accumulation Shares – 1.78% p.a.

B Accumulation Shares – 1.03% p.a.\*

\* On 7 April 2014 the Annual Management Charge for the B Shares was reduced from 0.85% to 0.75% p.a. The ex-post OCF for the B Shares for the period ended 31/07/14 would therefore be slightly higher than that disclosed.

<sup>1</sup>The TB Amati UK Smaller Companies Fund (formerly CF Amati UK Smaller Companies Fund) was seeded by the transfer of the First State British Smaller Companies Fund to CFM on 29 July 2008.

<sup>2</sup>As calculated in accordance with ESMA guidelines. It is based on historical data and uses a scale of 1 to 7. The higher the rank the greater the potential reward but the greater the risk of losing money.

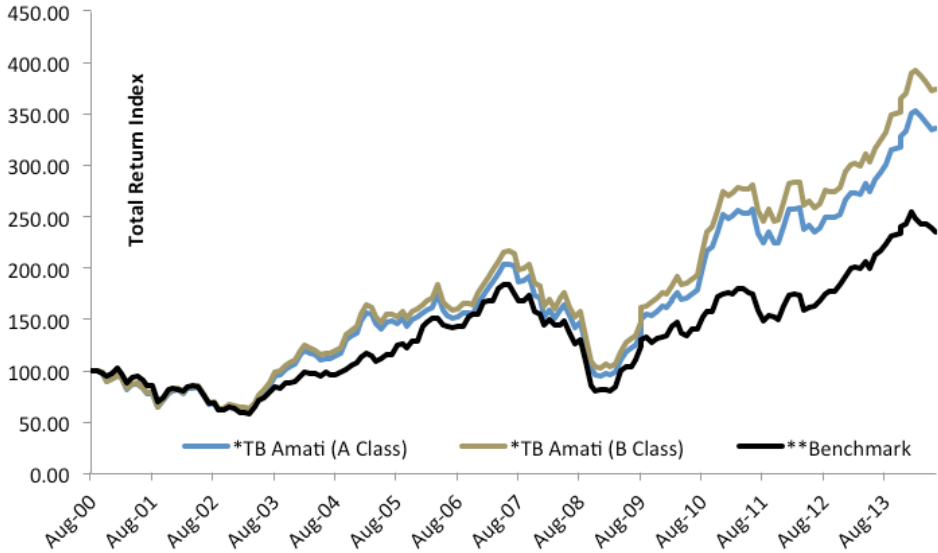
<sup>3</sup>To 31 July 2014. As calculated in accordance with ESMA guidelines. The Ongoing Charge Figure ('OCF') includes annual management charges ('AMCs') and other operating expenses (Depositary's fee, audit fee etc).

## INVESTMENT REVIEW

Performance	Cumulative returns for the periods ended 31 July 2014 (%)					
	6 months	1 year	3 years	5 years	10 years	From PJ take on*
A Accumulation Shares	0.85	17.51	30.43	167.74	199.08	232.04
B Accumulation Shares	1.21	18.32	33.05	177.48	219.75	270.29
Numis Smaller Companies Index (Inc AIM, ex Inv Trust)	(3.30)	10.41	34.61	113.41	146.60	127.35

Source: Financial Express. Total Return, bid to bid.

\* Performance since Dr Paul Jourdan take on of fund on 31 August 2000.



Performance since Dr Paul Jourdan take-on of fund on 31 August 2000.

\* TB Amati UK Smaller Companies Fund (A Class & B Class) Total Return Index (rebased to 100). \*\*Benchmark Index: Numis (formerly RBS Hoare Govett) Smaller Companies (ex Inv Trusts, inc AIM) TR (rebased to 100).

Source: Amati Global Investors Ltd as at 31 July 2014.

Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.

### Market review

The UK stock market plateaued in February, with mid and small cap indices achieving all-time highs and AIM stocks reaching a three year peak. No single catalyst appeared to be responsible for the subsequent stalling of momentum, with the most likely cause being a build-up of numerous headwinds. Over the remainder of the period, investors reacted with increasing caution to international conflicts, persistent earnings downgrades, an anticipated turning point in interest rates and a steady stream of company fund raisings.

The reduced appetite for risk saw declines across wide areas of the market, ranging from premium rated growth stocks to interest rate sensitive companies. This translated into heavy underperformance by sectors such as technology and telecoms, plus industrial and consumer cyclicals. Defensive areas like utilities and healthcare saw gains, whilst resources rebounded after previous weakness. Although selling pressure was widespread, it was heaviest within AIM and mid cap stocks.

### Performance

The fund resisted the market weakness in the period, strongly outperforming a benchmark decline of 3.3% with a gain of 1.2% (B Shares).

Major contributors to performance included a group of specialist software companies, which enjoyed gains despite the overall sector weakness. Global money transfer providers, **Earthport** and **Optimal Payments**; GP patient management software specialist, **EMIS**; and UK public sector and engineering solutions supplier, **IDOX**, all reported a combination of organic and acquisitive growth. These are companies with strong product offerings supplying growing markets.

Other good performances came from veterinary services provider, **CVS**, which continues to expand its UK network by taking a growing share of a fragmented market; gas meter installer and manager, **Smart Metering**, which combines strong revenue visibility with growth prospects in other utility areas; Scottish television broadcaster, **STV**, which is growing both channel and service offerings as it diversifies into a broader earnings base; South American oil and gas explorer, **Amerisur**, which joined in the sector strength as well as announcing positive operational news; and German commercial property investor, **Sirius**, which continued to be re-rated on improving domestic market conditions plus future development potential.

The weakest performers featured a number of growth stocks suffering profit-taking amidst the market uncertainty. Recently listed animal drug manufacturer, **Benchmark**, gave back most of its post-IPO gains on unchanged underlying prospects, as did genomic research tool and personalised medicine developer, **Horizon Discovery**. **Accesso**, which supplies ticketing and queuing software to the leisure industry, also fell in spite of a steady stream of new business wins; whilst speciality pharmaceuticals company, **Vectura**, suffered despite announcing several drug development milestones and approvals. Mobile financial services provider, **eServGlobal**, was similarly weak although recent business momentum has returned it to profitability. **Sabien**, the manufacturer of energy efficient boilers, was, however, impacted by order delays

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and an investment in sales and distribution which weighed on earnings; whilst plastics technology group, **Carclo**, warned on competitive market conditions and slower than expected sales for its touch sensors. This prompted a sale of the position.

### Activity

There was a significant increase in new listing activity during the period, in which the fund selectively participated. Investments were made in postal services group, **DX**, IT staffing services provider, **FDM**, medical researcher, **Horizon**, and niche retail bank, **Onesavings**. A position was also taken in home safety products developer, **Sprue Aegis**, which transferred from ISDX to AIM and was an existing Amati VCT holding prior to this. Other placing activity was used to gain exposure to gaming and slot machine technology developer, **Quixant**; identity software specialist **GB Group** (both pre-existing holdings within Amati VCT portfolios); North Sea energy explorer and producer, **Faroe Petroleum**; regional commercial property developer, **McKay**; and specialist engineer, **Pressure Technologies**. Share softness was exploited to take positions in household multi-utility supplier, **Telecom Plus**; software escrow and testing services provider, **NCC**; property and casualty insurer, **Novae**; and insurance software and services specialist, **Innovation**.

As expectations of an upturn in interest rates became more embedded in market sentiment, profits were taken on a number of consumer cyclical holdings, such as estate agent, **Foxtons**; property website, **Rightmove**; and restaurant operator, **Restaurant Group**. Other fairly valued positions were exited to provide proceeds for re-investment, such as film and TV content manager, **Entertainment One**; sports gaming specialist, **Sportech**; overseas consumer loan provider, **International Personal Finance**; asset management group, **Jupiter**; and speciality chemicals manufacturer, **Elementis**.

Sector	Asset allocation as at 31 July 2014 (%)	Asset allocation as at 31 January 2014 (%)
Alternative Energy	0.9	1.1
Banks	1.1	-
Beverages	1.3	1.5
Chemicals	-	4.0
Electronic & Electrical Equipment	2.7	1.2
Equity Investment Instruments	-	1.5
Financial Services	2.9	5.5
Fixed Line Telecommunications	1.7	-
Food Producers	-	0.6
General Retailers	14.1	11.6
Household Goods & Home Construction	5.0	3.6
Industrial Engineering	1.2	-
Industrial Transportation	1.6	0.4
Leisure Goods	2.9	2.7
Media	4.6	8.0
Mining	2.4	3.3
Nonlife Insurance	1.5	1.2
Oil Equipment, Services & Distribution	-	1.1
Oil & Gas Producers	4.4	4.8
Personal Goods	0.9	1.2
Pharmaceuticals & Biotechnology	6.2	6.3
Real Estate Investment & Services	3.7	3.1
Software & Computer Services	19.3	12.9
Support Services	12.6	13.7
Technology Hardware & Equipment	2.6	-
Travel & Leisure	4.6	6.2
Cash and Other	1.8	4.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>



### **Outlook**

The peak in UK stock market momentum, together with a sector pattern showing rotation from highly rated growth and rate-sensitive companies into cheaper, lagging areas, suggests investors are seeking value in an environment which otherwise appears up with events. This market tilt also reflects a high degree of uncertainty. UK and US economic news remains broadly supportive, but Europe is weak and aggregate earnings forecasts continue to fall. Tensions in the Middle East and North Africa present longer term headwinds, whilst the UK picture is further complicated by the impact of sterling strength on exports, and the ongoing debate about the timing, and degree, of interest rate rises. Unless, and until, earnings upgrades make a re-appearance, the Bank of England's handling of forward guidance assumes even greater significance, with the most likely near term outcome being continued market churn and loss of momentum. Against this backdrop, there should be scope for active fund managers to add portfolio value from selective stock picking.

**Paul Jourdan**  
**Amati Global**  
**Investors Limited**  
**CEO**

**Douglas Lawson**  
**Amati Global**  
**Investors Limited**  
**Director**

**David Stevenson**  
**Amati Global**  
**Investors Limited**  
**Fund Manager**

**12 September 2014**

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**TOP TEN HOLDINGS**

<b>Top Ten Holdings as at 31 July 2014</b>	<b>(%)</b>	<b>Top Ten Holdings as at 31 January 2014</b>	<b>(%)</b>
Earthport	3.6	Optimal Payments	4.0
Optimal Payments	3.6	STV Group	3.9
STV Group	3.4	Vectura	3.0
Photo-Me International	2.9	Photo-Me International	2.7
CVS Group	2.7	Eservglobal	2.6
Dignity	2.6	Tribal Group	2.6
EMIS Group	2.6	Earthport	2.4
Cambria Automobiles	2.5	Elementis	2.4
Goals Soccer	2.4	Vertu Motors	2.3
Smart Metering Group	2.3	Entertainment One	2.2

**PERFORMANCE**

<b>A Accumulation Shares</b>	<b>1 Feb 2014 to 31 Jul 2014 (pence per share)</b>	<b>1 Feb 2013 to 31 Jan 2014 (pence per share)</b>	<b>1 Feb 2012 to 31 Jan 2013 (pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	478.40	381.40	343.63
Return before operating charges*	3.91	104.72	44.54
Operating charges	(4.39)	(7.72)	(6.77)
Return after operating charges*	(0.48)	97.00	37.77
Closing net asset value per share	477.92	478.40	381.40
Retained distributions on accumulation shares	0.00	0.00	0.00
*after direct transaction costs of:	1.28	2.46	3.29
<b>Performance</b>			
Return after charges	(0.10)%	25.43%	10.99%
<b>Other Information</b>			
Closing net asset value	£8,909,641	£9,629,297	£8,998,429
Closing number of shares	1,864,246	2,012,818	2,359,334
Operating charges (p.a.)	1.78%	1.83%	1.89%
Direct transaction costs (p.a.)	0.51%	0.58%	0.92%
<b>Prices</b>			
Highest published share price	517.46	498.65	388.95
Lowest published share price	478.02	381.80	336.38

*Note: Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

<b>B Accumulation Shares</b>	<b>1 Feb 2014 to 31 Jul 2014 (pence per share)</b>	<b>1 Feb 2013 to 31 Jan 2014 (pence per share)</b>	<b>1 Feb 2012 to 31 Jan 2013 (pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	538.44	426.50	381.71
Return before operating charges*	4.32	117.53	49.77
Operating charges	(2.95)	(5.59)	(4.98)
Return after operating charges*	1.37	111.94	44.79
Closing net asset value per share	539.81	538.44	426.50
Retained distributions on accumulation shares	0.00	1.17	0.65
*after direct transaction costs of:	1.44	2.76	3.69
<b>Performance</b>			
Return after charges	0.25%	26.25%	11.73%
<b>Other Information</b>			
Closing net asset value	£3,410,915	£3,102,706	£4,057,218
Closing number of shares	631,870	576,238	951,283
Operating charges (p.a.)	1.03%	1.18%	1.24%
Direct transaction costs (p.a.)	0.51%	0.58%	0.92%
<b>Prices</b>			
Highest published share price	583.04	561.04	434.91
Lowest published share price	539.69	427.45	374.88

*Note: Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

**RISK PROFILE**

Please remember that both the price of shares and the revenue derived from them may go down as well as up and that you may not get back the amount originally invested. Furthermore, changes in foreign currency exchange rates may cause the value of your investment to increase or diminish. Capital appreciation in the early years will be adversely affected by the impact of initial charges which by their nature are not levied uniformly throughout the life of the investment. You should, therefore, regard your investment as medium to long term. Past performance is not a reliable indicator of future results.



## OTHER INFORMATION

### The Company

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Nottingham NG1 6FJ

### ACD

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Authorised and regulated by the Financial Conduct Authority.

### Investment Manager

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18 Charlotte Square  
Edinburgh EH2 4DF

Authorised and regulated by the Financial Conduct Authority.

### Depositary

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Authorised and regulated by the Financial Conduct Authority and by the Prudential Regulation Authority.

### Auditors

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Registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.



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