Finely crafted investments

TB Amati Investment Funds

Annual Short Report
For the year ended 31 January 2015

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.

Asset Allocation

The Fund primarily invests in UK smaller companies though there may be occasions when the Investment Manager chooses to hold large degrees 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 may invest up to 10% of its assets in collective investment schemes and over 35% of its assets in certain government and public securities.

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 focused 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

** Note: 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.*

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 begin 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 is CEO of Amati Global Investors Ltd, a Director of Fox Marble, 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 is Director of Amati Global Investors Limited, and of Polyhedra Group plc, a portfolio company of the Amati VCTs.

David Stevenson - Fund Manager

David joined Amati in 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.

TB AMATI UK SMALLER COMPANIES

FUND FACTS

Launch date[1]: 18 December 1998
Ex-dividend dates: 1 February, 1 August
Dividend payment dates: 31 March, 30 September
Synthetic Risk and Reward Indicator Ranking[2]: 5
Ongoing Charges figure[3]:

A Accumulation Shares – 1.77% p.a.

B Accumulation Shares – 1.02% p.a.

[1]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.

[2] 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.

[3] To 31 January 2015. 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 January 2015 (%)				
	1 year	3 years	5 years	10 years	From PJ take on*
A Accumulation Shares	1.92	40.92	108.65	128.93	235.56
B Accumulation Shares	2.67	43.83	115.78	144.96	275.64
Numis Smaller Companies Index (Inc AIM, ex Inv Trust)	(6.48)	40.29	71.91	101.16	119.88

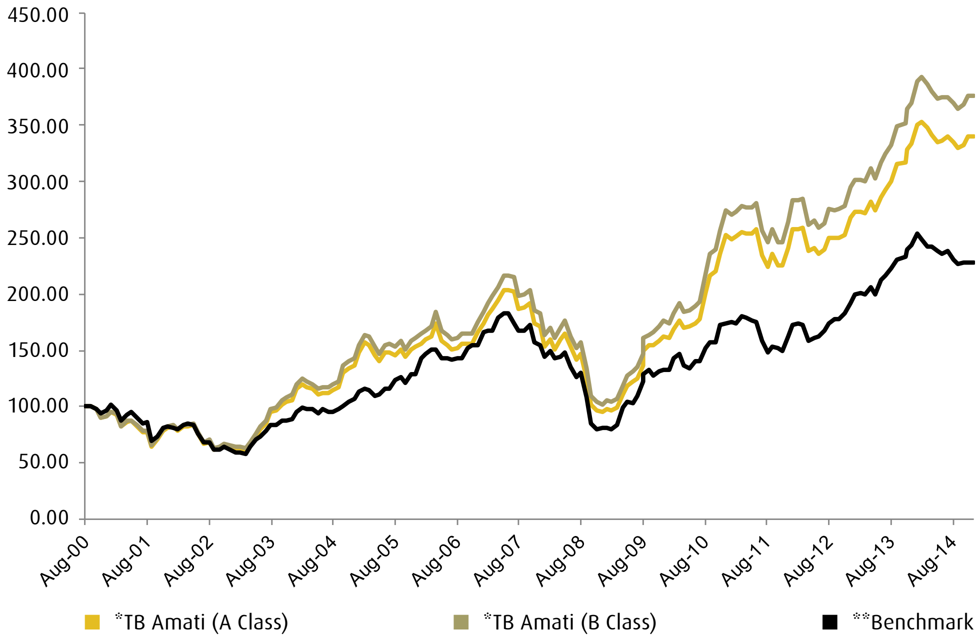
Source: Financial Express. Total Return, bid to bid. Sterling terms

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

Performance prior to 29 July 2008 relates to First State British Smaller Companies Fund (see note 1 in the Fund Facts Section above). This is relevant to the 4th and 5th columns.

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.

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



Performance prior to 29 July 2008 relates to First State British Smaller Companies Fund (see note 1 in Fund Facts Section on previous page).

**TB Amati (A Class & B Class) Fund Total Return Index (rebased to 100)*

***Benchmark Index: Numis (formerly RBS Hoare Govett) Smaller Companies (inc AIM, ex Inv Trusts) TR (rebased to 100)*

Source: Amati Global Investors Ltd as at 31 January 2015

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Market review

UK stock market momentum stalled in early 2014, and did not return until the third quarter. An explanation for this directional change is hard to pinpoint, but central bank announcements have played a crucial role. A year ago, investors were concerned about an imminent turning point in US and UK interest rates. By October, however, the Federal Reserve indicated weak inflationary pressures might defer this, and three months later the European Central Bank ("ECB") announced an aggressive bond buying programme to stimulate a stagnant Eurozone economy. Macro-economic uncertainty and a declining risk appetite, saw investors switch to more liquid stocks, with large and mid-caps producing net gains for the year. Small caps and AIM stocks, however, suffered a greater sell-off and a more muted recovery, finishing with losses for the period. AIM was particularly impacted by its heavier weighting in resources, as global commodity prices fell, and also by weakness in some of its largest constituents caused by specific negative news.

Sector performance for the period mirrored investor uncertainty, with defensive areas such as consumer goods, utilities and healthcare providing leadership, whilst cyclicals, such as resources and industrials, lagged. Currencies also played a part, with Sterling strength against the Euro causing competitive headwinds and translation based downgrades for international exporters, compared to domestically exposed companies.

Performance

The Fund (B Accumulation shares) gave a positive return of 2.7% in the period, significantly outperforming the benchmark loss of 6.5%, with absolute gains achieved in both the first and second half of the year despite a falling index.

The biggest contributions came from a variety of companies exposed to the domestic economy. Veterinary services provider, **CVS**, continues to expand its market leading UK network with earnings enhancing acquisitions. Organic growth is also being driven by initiatives such as a pet owners loyalty scheme, an online medicine dispensary, own brand products and in-house 24 hour services. With plenty of consolidation opportunity remaining from a fragmented market, CVS offers good visibility, plus exposure to a robust consumer economy. A similar analysis applies to funeral services provider, **Dignity**, which is also achieving a strong combination of organic and acquisitive growth on a sustainable basis. Dignity is the second largest operator in the UK after the Co-op, offering funerals and crematoria nationwide. The cash generative nature of the company's earnings has allowed a history of capital returns to shareholders, and this was repeated during the year. GP patient management software specialist, **EMIS**, was another strong contributor reflecting its market domination and very high levels of recurring revenue. EMIS is used by over 50% of GP practices in the UK. Scottish TV broadcaster, **STV**, achieved growing airtime and digital revenues as it diversified into a broader earnings base with the launch of new City TV and consumer services. Cross border money transfer platform, **Earthport**, responded well to a series of contracts signed with major banking clients, as it continued to build its global capability.

Underperformers during the period included stocks exposed to the weakness in global oil and gas prices which took hold from September onwards. North Sea and Norwegian specialist, **Faroe Petroleum**, announced a major discovery at its Pil well and has increased its reserves over the course of the year, however lower realised barrel prices for production plus asset value impairments have been a significant earnings headwind. North Sea and Netherlands operator, **Parkmead**, experienced a similar outcome, whilst methane gas to power generator, **Alkane Energy**, faced declining electricity prices as a consequence of the weak commodities environment. The largest negative contribution came from emerging markets mobile financial services provider, **eServGlobal**, which suffered from a combination of senior management change, plus project delays which meant profits and cashflow flat-lined. Specialty pharmaceuticals company, **Vectura**, was also weak but this reflected profit-taking after the shares peaked in early 2014 following significant product approval news. The positions in Parkmead, Alkane and Vectura were sold.

Activity

During the year the Fund maintained its exposure to the domestic economy. A combination of declining inflation, rising real incomes, jobs growth and robust consumer confidence, is supportive of UK household spending. Domestic markets are also insulated from the effects of currency volatility, which is likely to persist with quantitative easing. The portfolio mix of consumer exposures was adjusted, however, in favour of less discretionary areas of spending. New positions were taken in AA, the UK's leading roadside assistance provider, which is cross-selling its brand into financial services; **Sprue Aegis**, one of the UK's largest manufacturers of household smoke and carbon monoxide alarms, which is enjoying regulatory driven demand for its products across Europe; discount retailers **Card Factory** and **Poundland**, both of which are gaining market share as consumers continue to favour value for money offerings; **Entu**, a fast growing distributor of energy efficient building products and boilers; and **Fevertree**, a world leading supplier of premium carbonated mixers for alcoholic spirits which is displacing competitor products. Reflecting their previous strong performance, profits were taken in housing market beneficiaries such as builder **Telford Homes**; London estate agent **Foxtons**, and property marketing website **Rightmove**. Gains were also taken in casual dining operator, **Restaurant Group**; motor distributor, **Cambria Automobiles**; sports betting group, **Sportech**; and broadcaster **STV**.

The Fund's exposure to technology was also maintained. New positions included **Quixant**, a specialist hardware and software provider to casino gaming and slot machine manufacturers; **GB Group**, a supplier of identity management software and services; **Seeing Machines**, a developer of unique eye-tracking technology to improve performance and safety amongst vehicle and machinery operators; **dotDigital**, an email marketing automation platform; and **Iomart**, a cloud computing and managed hosting services specialist. A position in engineering software provider, **Aveva**, was sold due to its exposure to energy market softness; whilst gains were taken in communications technology developer, **Telit**.

Sector	Asset allocation as at 31 January 2015 (%)	Asset allocation as at 31 January 2014 (%)
Alternative Energy	-	1.1
Banks	1.1	-
Beverages	3.1	1.5
Chemicals	-	4.0
Electronic & Electrical Equipment	5.1	1.2
Equity Investment Instruments	-	1.5
Financial Services	4.3	5.5
Food Producers	-	0.6
General Retailers	16.2	11.6
Health Care Equipment & Services	2.6	-
Household Goods & Home Construction	3.7	3.6
Industrial Transportation	1.0	0.4
Leisure Goods	2.2	2.7
Media	4.3	8.0
Mining	1.8	3.3
Nonlife Insurance	1.8	1.2
Oil Equipment, Services & Distribution	-	1.1
Oil & Gas Producers	0.9	4.8
Personal Goods	1.4	1.2
Pharmaceuticals & Biotechnology	6.1	6.3
Real Estate Investment & Services	1.6	3.1
Software & Computer Services	19.9	12.9
Support Services	7.9	13.7
Technology Hardware & Equipment	4.4	-
Telecommunications	0.9	-
Travel & Leisure	4.0	6.2
Cash and Other	5.7	4.5
Total	**100.0**	**100.0**

Outlook

In many respects current prospects feel little changed on a year ago. Investors still appear hesitant, awaiting the first move by the US central bank to increase interest rates, amidst global concerns that equity valuations have moved too far ahead of earnings progress. Whilst macro data indicates a robust UK economic environment, there is the suspicion that this is still too dependent on consumer spending with insufficient rebalancing towards manufacturing and investment. Some new variables have been added, including the prospect of a hung Parliament in the UK and how that might impact a referendum on EU membership, the shift towards anti-austerity politics within Europe following the Greek election result, and the likely consequences of aggressive ECB quantitative easing. Nevertheless, it is important to also consider the possibility that corporate confidence will eventually pick-up and generate a more normal business cycle. That is what policy makers on both sides of the Atlantic are hoping for, in which case the dip in investor risk appetite over the last year could be reversed, offering enhanced prospects for the performance of smaller companies.

Paul Jourdan
Amati Global Investors Limited
CEO

Douglas Lawson
Amati Global Investors Limited
Director

David Stevenson
Amati Global Investors Limited
Fund Manager

14 May 2015

TOP TEN HOLDINGS

Top Ten Holdings as at 31 January 2015	(%)	Top Ten Holdings as at 31 January 2014	(%)
Earthport	2.8	Optimal Payments	4.0
EMIS Group	2.8	STV Group	3.9
Sprue Aegis	2.7	Vectura	3.0
Spire Healthcare Group	2.6	Photo-Me International	2.7
Dignity	2.5	eServGlobal	2.6
CVS Group	2.5	Tribal Group	2.6
Goals Soccer	2.5	Earthport	2.4
Quixant	2.4	Elementis	2.4
Photo-Me International	2.2	Vertu Motors	2.3
NCC Group	2.2	Entertainment One	2.2

PERFORMANCE

A Accumulation Shares	1 Feb 2014 to 31 Jan 2015 (pence per share)	1 Feb 2013 to 31 Jan 2014 (pence per share)	1 Feb 2012 to 31 Jan 2013 (pence per share)
Change in net assets per share			
Opening net asset value per share	478.40	381.40	343.63
Return before operating charges*	15.69	104.72	44.54
Operating charges	(8.66)	(7.72)	(6.77)
Return after operating charges*	7.03	97.00	37.77
Closing net asset value per share	485.43	478.40	381.40
Retained distributions on accumulation shares	0.00	0.00	0.00
*after direct transaction costs of:	2.66	2.46	3.29
Performance			
Return after charges	1.47%	25.43%	10.99%
Other information			
Closing net asset value	£7,958,055	£9,629,297	£8,998,429
Closing number of shares	1,639,390	2,012,818	2,359,334
Operating charges (p.a.)	1.77%	1.83%	1.89%
Direct transaction costs (p.a.)	0.54%	0.58%	0.92%
Prices			
Highest published share price	517.46	498.65	388.95
Lowest published share price	450.78	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 Accumulation Shares	1 Feb 2014 to 31 Jan 2015 (pence per share)	1 Feb 2013 to 31 Jan 2014 (pence per share)	1 Feb 2012 to 31 Jan 2013 (pence per share)
Change in net assets per share			
Opening net asset value per share	538.44	426.50	381.71
Return before operating charges*	17.71	117.53	49.77
Operating charges	(5.75)	(5.59)	(4.98)
Return after operating charges*	11.96	111.94	44.79
Closing net asset value per share	550.40	538.44	426.50
Retained distributions on accumulation shares	2.14	1.17	0.65
*after direct transaction costs of:	3.00	2.76	3.69
Performance			
Return after charges	2.22%	26.25%	11.73%
Other information			
Closing net asset value	£7,399,466	£3,102,706	£4,057,218
Closing number of shares	1,344,382	576,238	951,283
Operating charges (p.a.)	1.02%	1.18%	1.24%
Direct transaction costs (p.a.)	0.54%	0.58%	0.92%
Prices			
Highest published share price	583.04	561.04	434.91
Lowest published share price	509.96	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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ACD

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Authorised and regulated by the Financial Conduct Authority.

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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.

Further information regarding the activities and performance of the Fund for this period and previous periods is available on request from the ACD as are copies of the Annual Report and Financial Statements.

TB
FUNDS