

Finely crafted investments

Amati
Global Investors



T.BAILEY

TB Amati Investment Funds

ANNUAL SHORT REPORT

For the year ended 31 January 2016

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. The fund was awarded 5 Crowns from FE Trustnet in January 2016 and the managers are AAA Citywire rated.

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

Dr 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 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 with Dr Paul Jourdan. 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.



David Stevenson - Fund Manager

David joined Amati in 2012. In 2005, he was a co-founding partner of investment boutique Cartesian Capital, which managed a range of retail and institutional UK equity funds in long only and long/short strategies. Prior to that he was Assistant Director at SVM, where he also managed equity products including the UK Opportunities small/midcap fund which was ranked top decile for the 5 year period from inception to 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. David has been co-manager of the TB Amati UK Smaller Companies fund, and the Amati VCTs, since 2012.



CHANGE OF NAME OF AUTHORISED CORPORATE DIRECTOR

The Authorised Corporate Director (the 'ACD') of TB Amati UK Smaller Companies Fund is T. Bailey Fund Services Limited ('TBFS'). TBFS was previously called T. Bailey Fund Managers Limited and the name was changed on 30 June 2015.

FUND FACTS

Launch date¹: 18 December 1998

Ex-distribution dates: 1 February, 1 August

Distribution payment dates: 31 March, 30 September

Synthetic Risk and Reward Indicator Ranking²: 5

Ongoing Charges Figure³:

A Accumulation Shares – 1.71% p.a.

B Accumulation Shares – 0.96% 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 2016. 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 2016 (%)				
	1 year	3 years	5 years	10 years	From take on*
A Accumulation Shares	18.09	50.06	58.96	156.20	296.26
B Accumulation Shares	18.98	53.29	64.56	174.37	346.94
Numis Smaller Companies Index (Inc AIM, ex Inv Trusts)	2.99	21.99	34.75	64.31	126.46

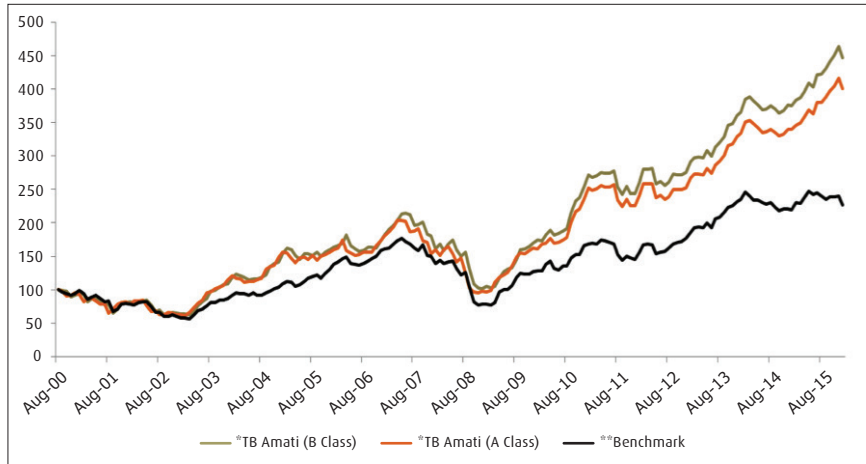
Source: Financial Express. Total return, bid to bid. Sterling terms.

* 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. 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 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.

** 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 2016.

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

News in 2015 was dominated by the unsettling events in Syria, from the increasing influence and territorial gains of ISIS to the ensuing humanitarian crisis that has witnessed an estimated 9 million Syrians fleeing their homes. In economics, it was the Chinese slowdown that preoccupied commentators and led to questions over the sustainability of global growth without a strong contribution from emerging markets. In the US, the first interest rise for 9 years should have been a signal of confidence by the Federal Reserve. Instead they have been variously criticised for acting too slowly, failing to give markets sufficiently clear guidance, or even at risk of having to reverse their decision in the light of slowing US data. These geopolitical and economic events had a varied effect on asset values, the most marked of which was the savage decline in commodity prices. The oil price fall was the most significant and led to drastic earnings downgrades for companies in the sector. For the UK consumer, the falling oil price was a boon. The resultant lower petrol prices and utility bills, alongside the return of wage inflation and a continued policy of low interest rates, served to increase household cash flows. Companies in the retail and leisure sectors were the predictable beneficiaries. As a consequence, stock market indices which are heavily resource weighted, such as the FTSE 100, endured a disappointing year, whereas those less focused on these sectors, such as the UK Mid and Small cap indices, fared better.

Performance

The share price of the Fund (B accumulation shares) rose by 19.0% during the period, significantly outperforming the benchmark index, which rose by 3.0%.

Although we maintained a domestic bias in the portfolio, the biggest contributors to performance in value terms came from companies operating in international markets, and across a variety of sectors. **Fever-Tree Drinks** is a leading supplier of premium tonic water, and other mixers for alcoholic spirits, to more than 50 countries worldwide. The company is benefiting from the resurgent popularity of gin and other traditional spirits, which has inspired a new wave of artisan producers and created demand for similarly upmarket mixers, from a new generation of consumers willing to pay a premium for high quality products made from natural ingredients. Fever-Tree is enjoying rapid growth in the UK and in international markets, and despite significant currency headwinds in Europe and the US is maintaining gross margins of over 50%. Although our exposure to the resources sector was very small, we saw some strong gains from the holding in **Pantheon Resources**, an onshore oil and gas exploration company with assets in south-east Texas, which rose more than seven fold after an outstandingly successful drilling programme. Flow testing on a first exploratory well indicated significant quantities of recoverable hydrocarbons, estimated to be able to produce oil at a cost of around \$5 per barrel due to the close proximity of refining and transport links. We took the decision, however, to lock in our profits in advance of the second flow test, taking the view that another positive result was 'in the price' and aware that the company would inevitably need to raise money to continue its exploration programme, at which time there may well be another entry point. **Paysafe** also made solid gains, having conducted a rights issue to make the ambitious acquisition of Skril, a much larger competitor in the international online payments sector. The acquisition adds functionality to Paysafe's digital 'wallet', which enables gamblers to play across multiple sites without the need for a bank account or credit card, and the added scale and geographical reach leaves the combined company well positioned to compete with the US technology giants in the wider mobile payments market. A recent move from AIM to the Main Market of the London Stock Exchange has increased the liquidity of the shares and widened the company's shareholder base. Other strong contributors included **FDM**, an IT services provider, which has positioned itself to meet the growing global demand for IT outsourcing and recruitment; and **CVS**, an operator of a nationwide chain of veterinary surgeries, as it continued to execute an aggressive acquisition strategy, amidst rapid industry consolidation.

There was no sectoral pattern to the companies that detracted from portfolio performance, as the declines were the result of the stock specific issues. These were generally in small holdings. **Sabien Technology** is a manufacturer and supplier of energy efficient boilers, which help commercial customers reduce energy costs and carbon emissions and thus reduce operational expenditure. Its flagship product is the MG2, a boiler load optimisation control that can be retrofitted to old boilers or as part of a new installation, with a payback time of less than two years and requiring no ongoing maintenance or seasonal calibration. Despite the clear commercial benefits, sales have been disappointing and recently prompted a change of strategy, whereby free pilot programmes are offered to prospective customers in order to boost sales. **Vislink**, a provider of high performance wireless delivery systems to the global broadcasting, surveillance and public safety markets, was also disappointing after reporting weakness in its core markets, despite an increasing contribution from its higher margin software business and a promising partnership with action camera maker GoPro. **Matomy Media**, a performance-based digital marketing company, issued a profit warning after several major digital media advertising trading platforms introduced verification tools to screen out fraudulent and low conversion websites. Realising there were bigger issues here than met the eye, we sold this holding immediately. Other fallers included **Base Resources**, a titanium producer with assets in Kenya, which is one of the lowest cost producers in the world but drifted lower as commodity prices continued to fall and **Mirada**, a provider of interactive services for digital television platforms and broadcasters with a focus on the Latin American market, after delays to the rollout of set top boxes by two cable television operators owned by a major Tier 1 client.

Activity

Whilst maintaining a broad exposure to the UK economy, we adjusted our portfolio weightings away from companies more directly exposed to discretionary consumer spending, especially towards the end of the period as wage growth slowed and the economic recovery lost some momentum. Significant profits were taken in veterinary services company **CVS**, and positions were sold in roadside assistance and insurance services brand **AA**; cinema operator **Cineworld**; five-a side football operator **Goals Soccer Centres**; and retailers **Dunelm**, **Pets at Home**, **Entu** and **Vertu Motors** some profits were also taken in premium tonic water manufacturer **Fever-Tree Drinks**, virtual queuing and ticketing specialist **Accesso Technology**, and online payments provider **Paysafe**, although these remain core portfolio holdings.

We used these gains to diversify into UK regional commercial property and housebuilding, taking new positions in developers **CLS**, **St. Modwen** and **Palace Capital**; rental property landlord and manager **Grainger**; self-storage operator **Safestore**; business accommodation provider **Workspace**; and affordable housebuilder and strategic land developer Gleeson. New positions in the health care and biotechnology space included **Consort Medical**, an international developer and manufacturer of devices for drug delivery; and **Genus**, an animal genetics specialist. We also added **Hiscox**, the international specialist insurer. Other new positions, each with a domestic focus, included **BCA Marketplace**, Europe's largest used car market place and owner of the WeBuyAnyCar.com website; network infrastructure owner **CityFibre**; motor retailer **Lookers**; UK and European floor coverings retailer **Headlam**; office services provider **Restore**; and **Bilby**, a property services provider to local authorities and housing associations in London and the South-East. We were very selective in our exposure to the resources sector, however we did establish various small positions, including **Pantheon Resources** and **Base Resources**; **Amerisur**, an oil and gas exploration company with assets in Columbia and Paraguay; and **Gemfields**, the world's leading supplier of ethically sourced coloured gemstones and owner of the iconic Fabergé brand. We took a somewhat larger defensive position in **Centamin**, operators of the first large scale gold mine in Egypt, as gold began to regain its traditional status as a haven from economic and geopolitical turmoil. We maintained our commitment to technology, with new positions taken in **Keywords Studios**, a provider of localisation, cultural adaption and testing services to the global video games industry; and **Tracsis**, a provider of software and services to the rail and transport industries. Latterly we took profits on Tracsis and sold the position on valuation grounds.

Towards the end of the period we took advantage of the market volatility to add to some of our top holdings, including **FDM**, **Smart Metering Group**, **Consort Medical**, **Photo-Me International** and **Gleeson**.

Sector	Asset allocation as at 31 January 2016 (%)	Asset allocation as at 31 January 2015 (%)
Banks	2.2	1.1
Beverages	4.1	3.1
Electronic & Electrical Equipment	2.2	5.1
Financial Services	4.8	4.3
Fixed Line Telecommunications	1.1	-
General Retailers	6.5	16.2
Health Care Equipment & Services	3.6	2.6
Household Goods & Home Construction	6.5	3.7
Industrial Transportation	-	1.0
Leisure Goods	2.6	2.2
Media	1.8	4.3
Mining	3.1	1.8
Mobile Telecommunications	-	0.9
Nonlife Insurance	2.0	1.8
Oil & Gas Producers	0.5	0.9
Personal Goods	1.4	1.4
Pharmaceuticals & Biotechnology	5.3	6.1
Real Estate Investment & Services	5.8	1.6
Real Estate Investment Trusts	2.6	-
Software & Computer Services	15.4	19.9
Support Services	15.9	7.9
Technology Hardware & Equipment	3.3	4.4
Travel & Leisure	2.0	4.0
Cash and Other	7.3	5.7
Total	100.0	100.0

Outlook

Having endured a torrid start to 2016, stock markets have subsequently recovered most of their losses. As ever, it is difficult to predict the direction of travel from here. Many of the issues which created the nervousness and sharp falls in January and February remain unresolved. Central bank policy has been a key driver in the pricing of financial assets since the global crisis of 2008 and there is a fear that capital markets will adjust unpredictably when accommodative policies begin to be withdrawn. There is also a headwind created by the short-term uncertainty surrounding Britain's membership of the EU. Despite this, the UK remains an attractive destination for equity investment, and one of the best environments in which to nurture a small business. Furthermore, our belief is that selective small companies, operating in niche growing markets, are more in control of their own destiny and less at the mercy of wider stock market trends.

Paul Jourdan
CEO
Amati Global Investors Limited
6 May 2016

Douglas Lawson
Director
Amati Global Investors Limited
6 May 2016

David Stevenson
Fund Manager
Amati Global Investors Limited
6 May 2016



TOP TEN HOLDINGS

Top Ten Holdings as at 31 January 2016	(%)	Top Ten Holdings as at 31 January 2015	(%)
Smart Metering Systems	4.4	Earthport	2.8
Fever-Tree Drinks	4.1	EMIS Group	2.8
Consort Medical	3.6	Sprue Aegis	2.7
FDM Group	3.5	Spire Healthcare Group	2.6
M J Gleeson	3.3	Dignity	2.5
Paysafe	3.1	CVS Group	2.5
Photo-Me International	2.6	Goals Soccer	2.5
dotDigital Group	2.5	Quixant	2.4
Bioventix	2.3	Photo-Me International	2.2
OneSavings Bank	2.2	NCC Group	2.2

PERFORMANCE

A Accumulation Shares	1 Feb 2015 to 31 Jan 2016 (pence per share)	1 Feb 2014 to 31 Jan 2015 (pence per share)	1 Feb 2013 to 31 Jan 2014 (pence per share)
Change in net assets per share			
Opening net asset value per share	485.43	478.40	381.40
Return before operating charges*	99.82	15.69	104.72
Operating charges	(9.20)	(8.66)	(7.72)
Return after operating charges*	90.62	7.03	97.00
Closing net asset value per share	576.05	485.43	478.40
Retained distributions on accumulation shares	0.17	0.00	0.00
*after direct transaction costs of:	2.68	2.66	2.46
Performance			
Return after charges	18.67%	1.47%	25.43%
Other information			
Closing net asset value	£5,294,095	£7,958,055	£9,629,297
Closing number of shares	919,041	1,639,390	2,012,818
Operating charges (p.a.)	1.71%	1.77%	1.83%
Direct transaction costs (p.a.)	0.50%	0.54%	0.58%
Prices			
Highest published share price	600.80	517.46	498.65
Lowest published share price	488.40	450.78	381.80

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 2015 to 31 Jan 2016 (pence per share)	1 Feb 2014 to 31 Jan 2015 (pence per share)	1 Feb 2013 to 31 Jan 2014 (pence per share)
Change in net assets per share			
Opening net asset value per share	550.40	538.44	426.50
Return before operating charges*	113.70	17.71	117.53
Operating charges	(6.02)	(5.75)	(5.59)
Return after operating charges*	107.68	11.96	111.94
Closing net asset value per share	658.08	550.40	538.44
Retained distributions on accumulation shares	4.88	2.14	1.17
*after direct transaction costs of:	3.10	3.00	2.76
Performance			
Return after charges	19.56%	2.22%	26.25%
Other information			
Closing net asset value	£15,156,764	£7,399,466	£3,102,706
Closing number of shares	2,303,167	1,344,382	576,238
Operating charges (p.a.)	0.96%	1.02%	1.18%
Direct transaction costs (p.a.)	0.50%	0.53%	0.58%
Prices			
Highest published share price	685.91	583.04	561.04
Lowest published share price	553.77	509.96	427.45

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.

Dividend distributions/accumulations for the year ended 31 January 2016

Share Class	Period Ended	
	31 July 2015 (pence per share)	31 January 2016 (pence per share)
A Accumulation	0.1746	-
B Accumulation	2.5000	2.3824

RISK PROFILE

Smaller companies' securities are often traded less frequently than those of larger companies, this means they may be more difficult to buy and sell. Their prices may also be subject to short term swings.

The value of investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested.

There is no guarantee that the Fund will meet its stated objectives.

The movements of exchange rates may lead to further changes in the value of investments and the income from them.

There is a risk that any company providing services such as safe keeping of assets or acting as counterparty to derivatives may become insolvent, which may cause losses to the Fund.

OTHER INFORMATION

The Company

TB Amati Investment Funds
64 St. James's Street
Nottingham NG1 6FJ

Authorised Corporate Director

T. Bailey Fund Services Limited
64 St. James's Street
Nottingham NG1 6FJ

Tel: 0115 9888 200
Fax: 0115 9888 222
Website: www.tbaileyfs.co.uk/funds/tb-amati-investment-funds

Authorised and regulated by the Financial Conduct Authority.

Investment Manager

Amati Global Investors Limited
18 Charlotte Square
Edinburgh EH2 4DF

Website: www.amatiglobal.com

Authorised and regulated by the Financial Conduct Authority.

Depositary

National Westminster Bank Plc
135 Bishopsgate
London EC2M 3UR

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

Auditors

Deloitte LLP
4 Brindleyplace
Birmingham B1 2HZ

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 and Interim Report and Financial Statements.



TBFS

Issued by T. Bailey Fund Services Limited ('TBFS'). TBFS is a Regulated Collective Investment Scheme Manager and is authorised and regulated by the Financial Conduct Authority. Registered in England No: 3720363.
