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Amati
Global Investors

T.BAILEY

TB Amati Investment Funds

INTERIM SHORT REPORT
For the six month period ended 31 July 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; a Lipper Fund Award 2012 for the best UK Small & Mid Cap Fund over 3 years; and a Money Observer Award 2016 for the best UK Small & Mid Cap Fund over 3 years. Dr Paul Jourdan is also a 2013 FE Alpha Manager. The fund has 4 Crowns from FE Trustnet, 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, which was taken over by First State in 2000, at which time 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 Paul Jourdan. Prior to this he worked in corporate finance and private equity, initially 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, 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 Ltd.

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 co-managed the TB Amati UK Smaller Companies fund, and the Amati VCTs, since 2012.

FUND FACTS

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

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 July 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 July 2016 (%)					
	6 months	1 year	3 years	5 years	10 years	From take on*
A Accumulation Shares	6.97	12.98	50.01	66.49	184.56	323.86
B Accumulation Shares	7.37	13.83	53.33	72.43	204.80	379.87
Numis Smaller Companies Index (Inc AIM, ex Inv Trusts)	7.59	(0.63)	18.33	44.26	77.97	143.65

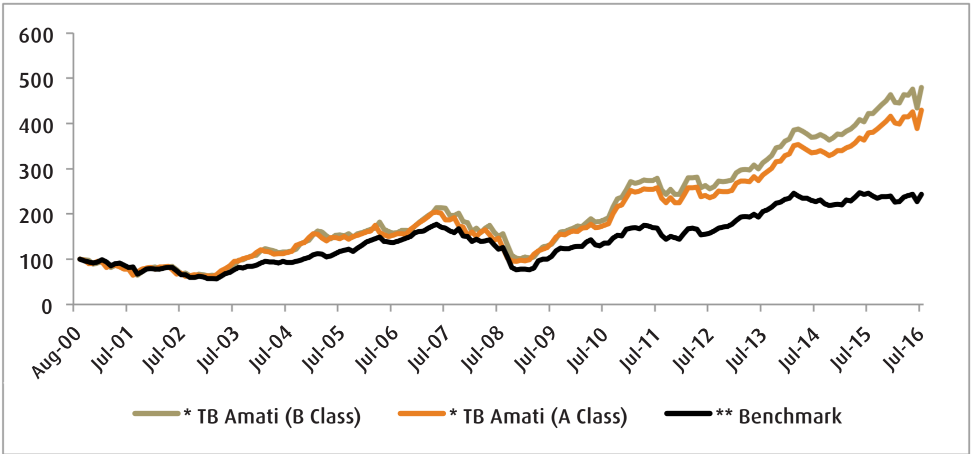
Source: Financial Express. Total return, bid to bid. Sterling terms.

** 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 5th and 6th 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 July 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

After significant market weakness in early January 2016, driven by fears of slowing global growth and mirrored in a slumping oil price, UK stocks reached a turning point around the middle of the month. The catalysts for this can be traced to comments from both the Bank of England and the European Central Bank ("ECB"), to the effect that, in response to the poor economic outlook, a rise in UK interest rates would be delayed and further EU monetary stimulus was likely. In March the ECB duly cut interest rates and announced further quantitative easing. A continued environment of ultra-accommodative policy boosted all capital markets, and the UK enjoyed a strong rebound, reaching a high point for the period immediately before the EU referendum in late June. The unexpected result initially created a high degree of investor uncertainty, causing UK equities and sterling to sell off dramatically, but a rapid transition to a new government stabilised concerns and saw the stock market return to its previous high by the end of the period, amidst the realisation that the Brexit process was not going to begin any time soon.

Index leadership came from large, FTSE 100, companies, influenced by a renewed appetite for resources stocks, but also from an upgrading of international earnings following the weakness of sterling late in the period. Smaller companies, including AIM stocks, also performed well, but mid-sized, FTSE 250 companies lagged due to a heavier dependency on UK based earnings within a more uncertain economic outlook. Sector patterns were polarised, with international mining, technology and industrials dominating amongst gainers, whilst domestically exposed construction and housebuilding suffered heavy losses.

Performance

The share price of the fund rose by 7.4% (B Accumulation) during the period, broadly in line with the benchmark index, which rose by 7.6%.

Given that much of the period under review was dominated by the EU referendum and subsequent concerns over the economic fallout of Brexit, it is no surprise that the biggest contributors to portfolio performance were companies offering a haven from market volatility, as well as those with international earnings which would benefit from sterling weakness. **Centamin** operates the first large scale gold mine in Egypt, which has now reached a production rate of 450k-500k ounces of gold per annum, a doubling of capacity in the last four years and a remarkable achievement given the volatile political situation in the country for much of the period. Centamin continued to benefit from the attraction of gold as a haven from economic and geopolitical turmoil, at the same time as a weaker dollar and the prospect of lower-for-longer interest rates continued to reduce the opportunity cost of holding a non-yielding asset. **Fever-tree Drinks** is a leading supplier of premium tonic water and other mixers for alcoholic spirits to more than 50 countries worldwide. It is benefitting from the rise in artisan gin and other spirits, which is in turn creating demand for similarly upmarket mixers from a younger demographic, driving strong earnings growth across all regions and product lines. A premium canned version of the tonic water has now been rolled out across EasyJet and British Airways, helping it to achieve a doubling of profits in the first half of the year and an improvement in margins from 51% to 55%. Virtual queuing and ticketing specialist **Accesso Technology** bounced back sharply from the Brexit sell-off, along with other dollar earners, as it continued to position itself at the centre of the structural shift to online and mobile functionality in the global leisure industry. The rollout of last summer's landmark ticketing contract with Merlin Entertainments will take Accesso to over 100 countries worldwide and, given that many of the new venues do not currently use Accesso's queueing technology, the deal will provide considerable opportunities for cross-selling. In another significant development, a contract extension to 2025 with Six Flags Entertainment, the operator of 18 amusement parks in the US, represents a serious commitment by a major player in the industry and should lead to increased penetration among other theme park operators. Other strong contributors included **Base Resources**, a Kenyan-based mining company, which enjoyed record sales volumes for Ilmenite and Rutile and a marked improvement in titanium markets throughout the period; **Quixant**, a supplier of computing platforms for casino gaming and slot machines, which is enjoying strong revenue and sales growth internationally, driven by the structural trend towards outsourcing in the global gaming industry; and **Keywords Studios**, a provider of localisation, cultural adaption and testing services to the global video games industry, which has embarked on a series of acquisitions to enhance its product offering on the creative side and to position itself for the advent of Virtual Reality and Augmented Reality, in what will be a seismic shift in the industry.

The main detractors from portfolio performance were either domestically sensitive companies which fell back on Brexit-related concerns for the UK economy, or companies that declined due to stock-specific issues. For much of the period under review the so-called “challenger” lender **OneSavings Bank** defied the gloom in the banking sector, enjoying strong revenue and profit growth despite the efforts of the Chancellor to cool the buy-to-let industry with the introduction of a higher rate of stamp duty and stricter underwriting requirements. However, the bank succumbed to the general weakness in the financial sector due to concerns over what had become the ‘new normal’ environment of low interest rates and weak economic growth. These concerns were intensified post-Brexit and the challenger banks were amongst the heaviest fallers in anticipation of a contraction in the property market and of a further compression of net interest margins, as the Bank of England cut interest rates to a record low. However, the underlying performance of OneSavings Bank has been impressive throughout, and we see a significant structural opportunity here and in the challenger bank sector generally. **Sprue Aegis**, a leading manufacturer and distributor of smoke alarms and home safety products to European markets, was forced to make a large provision for smoke alarm warranties after a fault was discovered in batteries sourced from a third party supplier. Sprue also guided downwards on full year revenues due to overstocking in the maturing French market and weak trading in Germany after delays to product certification. Towards the end of the period, however, Sprue reached an agreement with the third party battery supplier on the warranty claim and now appears to be in recovery mode. Car retailer **Lookers** had been consistently delivering upgrades yet succumbed to the general weakness in retail stocks on survey data that indicated that UK consumers were retrenching as economic growth slowed. Another holding impacted by domestic concerns was affordable housebuilder and strategic land developer **Gleeson**, which fell sharply on fears of a post-Brexit slump in the housing market, although Gleeson’s unique business model and market positioning mean that it is far less exposed than many of its peers. Other fallers included electronic components manufacturer **Solid State**, which fell victim to the vagaries of Government policy when the Ministry of Justice cancelled a major contract to supply electronic monitoring hardware for prisoner tagging; and antibody developer **Bioventix**, on uncertainty over the timing of the launch of a new troponin product for heart attack diagnostics to offset declining vitamin D antibody revenues. Sprue Aegis, OneSavings Bank and Gleeson have been retained as holdings in the portfolio and each, with the exception of Sprue Aegis, has recovered strongly. The positions in Lookers and Solid State were sold.

Fund Selection and Asset Allocation

Sector	Asset allocation as at 31 July 2016 (%)	Asset allocation as at 31 January 2016 (%)
Alternative Energy	0.4	-
Beverages	2.9	4.1
Construction & Materials	0.2	0.4
Electronic & Electrical Equipment	2.4	2.2
Financial Services	6.5	7.0
Fixed Line Telecommunications	1.0	1.1
Food Producers	1.1	-
General Retailers	7.0	6.5
Health Care Equipment & Services	2.6	3.6
Household Goods & Home Construction	3.7	6.5
Leisure Goods	2.3	2.6
Media	1.0	1.8
Mining	9.8	2.7
Mobile Telecommunications	1.1	-
Nonlife Insurance	2.8	2.0
Oil & Gas Producers	2.9	0.5
Personal Goods	-	1.4
Pharmaceuticals & Biotechnology	8.1	5.3
Real Estate Investment & Services	2.2	5.8
Real Estate Investment Trusts	2.0	2.6
Software & Computer Services	12.7	15.4
Support Services	14.2	15.9
Technology Hardware & Equipment	2.8	3.3
Travel & Leisure	-	2.0
Cash and Other	10.3	7.3
Total	**100.0**	**100.0**

Activity

We continued to adjust our portfolio weightings away from companies more directly exposed to consumer discretionary spending and the economic cycle, in favour of those with clear drivers for structural growth which would render them more resilient in an uncertain environment. Many of these companies also have significant international earnings and will benefit from the weakness in sterling, which looks set to remain a feature of the economic landscape. In the aftermath of the referendum we increased our cash levels and reduced exposure to vulnerable areas such as commercial property, housebuilding and retail, while maintaining exposure to those premium growth companies which had suffered indiscriminately from the sell-off.

With a view to reducing consumer exposure we sold positions in **Restaurant Group**, owner of Frankie & Benny's, Chiquito and other branded restaurants in the casual dining sector; **Ted Baker**, the designer label and global lifestyle brand; and **Howden Joinery**, a supplier of kitchens and joinery products to small builders. Exits in commercial property and related areas included property developer **Palace Capital**; business accommodation provider **Workspace**; rental property landlord and manager **Grainger**; and self-storage operator **Safestore**. Other positions sold included **Vislink**, a provider of wireless delivery systems to global broadcasting and surveillance markets; and asset manager **River & Mercantile**. We also made an exit from **Paysafe**, the global online payments provider, to lock in significant gains.

Despite the uncertainty created by the run up to the Brexit vote we were able to participate in four IPOs to establish new positions during the period: **Watkin Jones**, a Welsh construction group specialising in student accommodation; **Morses Club**, the second largest operator in the home collected credit (HCC) market after Provident Financial; **Midwich**, an international distributor of audio-visual equipment; and luxury chocolate maker **Hotel Chocolat**. We increased our exposure to the resources sector, which had begun to recover strongly on the back of a sustained rally in the oil price, buying back into **Pantheon Resources**, an onshore oil and gas exploration company with assets in south-east Texas; and taking a new position in **Faroe Petroleum**, an independent oil and gas explorer operating in the North Sea. Other new positions included **Atlantis Resources**, a developer of tidal power; SkyePharma (now merged with **Vectura**), a developer of inhalation devices for the treatment of respiratory diseases; **Beazley**, the specialist non-life insurer; **LondonMetric**, the specialist investor in distribution and logistics real estate; and **Mortgage Advice Bureau**, the high street mortgage broker. In advance of the referendum we increased our weighting in gold shares, taking new positions in **Pan African Resources** and **Highland Gold**.

Outlook

The immediate aftermath of the referendum has been an environment in which every item of macroeconomic and market sentiment data published for the UK has been heavily scrutinised. So far the interpretation is that whilst there was a degree of slowdown in domestic economic activity before the vote, there has been no marked change in direction thereafter, perhaps in no small part due to the massive new injection of liquidity announced by the Bank of England. The stock market has responded positively to this, with all indices now well above the levels of late June. The UK is, however, barely at the beginning of a long and complex Brexit process, which is likely to extend into 2019 at the earliest. The stock market will not only have to address the final negotiated outcomes for major issues, such as access to the single market with or without labour mobility, but also the intervening impact of structurally weak sterling, lower interest rates, higher inflation, and a likely worsening spending deficit alongside fiscal stimulus. The fund remains focused on dynamic smaller companies, many of which are achieving durable growth from a combination of technology, intellectual property or strong market position. These types of companies were amongst the first to bounce following the referendum, and should be less affected by an unpredictable outlook for the UK economy, particularly where they have significant overseas earnings.

Paul Jourdan
CEO
Amati Global Investors Limited
16 September 2016

Douglas Lawson
Director
Amati Global Investors Limited
16 September 2016

David Stevenson
Fund Manager
Amati Global Investors Limited
16 September 2016

TOP TEN HOLDINGS

Top Ten Holdings as at 31 July 2016	(%)	Top Ten Holdings as at 31 January 2016	(%)
Smart Metering Systems	4.9	Smart Metering Systems	4.4
Vectura Group	3.1	Fever-Tree Drinks	4.1
Pan African Resources	2.9	Consort Medical	3.6
Fever-Tree Drinks	2.9	FDM Group	3.5
FDM Group	2.9	M J Gleeson	3.3
BCA Marketplace	2.7	Paysafe	3.1
Centamin	2.6	Photo-Me International	2.6
Consort Medical	2.6	dotDigital Group	2.5
Accesso Technology Group	2.5	Bioventix	2.3
Highland Gold Mining	2.4	OneSavings Bank	2.2

PERFORMANCE

A Accumulation Shares	1 Feb 2016 to 31 July 2016 (pence per share)	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	576.05	485.43	478.40	381.40
Return before operating charges*	46.54	99.82	15.69	104.72
Operating charges	(5.04)	(9.20)	(8.66)	(7.72)
Return after operating charges*	41.50	90.62	7.03	97.00
Closing net asset value per share	617.55	576.05	485.43	478.40
Retained distributions on accumulation shares	0.18	0.17	0.00	0.00
*after direct transaction costs of:	1.69	2.68	2.66	2.46
Performance				
Return after charges	7.20%	18.67%	1.47%	25.43%
Other information				
Closing net asset value	£4,742,372	£5,294,095	£7,958,055	£9,629,297
Closing number of shares	767,938	919,041	1,639,390	2,012,818
Operating charges (p.a.)	1.71%	1.71%	1.77%	1.83%
Direct transaction costs (p.a.)	0.57%	0.50%	0.54%	0.58%
Prices				
Highest published share price	620.01	600.80	517.46	498.65
Lowest published share price	548.88	488.40	450.78	381.80

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B Accumulation Shares	1 Feb 2016 to 31 July 2016 (pence per share)	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	658.08	550.40	538.44	426.50
Return before operating charges*	53.34	113.70	17.71	117.53
Operating charges	(3.27)	(6.02)	(5.75)	(5.59)
Return after operating charges*	50.07	107.68	11.96	111.94
Closing net asset value per share	708.15	658.08	550.40	538.44
Retained distributions on accumulation shares	2.81	4.88	2.14	1.17
*after direct transaction costs of:	1.94	3.10	3.00	2.76
Performance				
Return after charges	7.61%	19.56%	2.22%	26.25%
Other information				
Closing net asset value	£24,444,707	£15,156,764	£7,399,466	£3,102,706
Closing number of shares	3,451,925	2,303,167	1,344,382	576,238
Operating charges (p.a.)	0.96%	0.96%	1.02%	1.18%
Direct transaction costs (p.a.)	0.57%	0.50%	0.53%	0.58%
Prices				
Highest published share price	710.20	685.91	583.04	561.04
Lowest published share price	628.97	553.77	509.96	427.45

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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

Authorised and regulated by the Financial Conduct Authority.

Depositary

National Westminster Bank Plc
Trustee & Depositary Services
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