



AMATI GLOBAL INVESTORS

Newsletter

Spring 2023: Issue 23



“Amati Insights”

A fortnightly Zoom call open to investment professionals where Amati Managers aim to share opinions on the key events uppermost in investors' minds over the previous weeks. The format will be 10 minutes of concise comment at 8.45am every second Tuesday, so that it doesn't interfere with your working day, with an opportunity for Q&A.

If you'd like to receive the zoom invite, you can register by emailing info@amatiglobal.com. Some of the topics discussed recently have been:

- Machine Vision
- March 2023 bank rescues and their implications
- Lithium and Electric Vehicles
- Nuclear Energy
- Defence Spending



Factsheets

as at 28/02/2023

Please note that we have introduced an audio option to tune into fund commentary. You can find this at the top of each Factsheet.



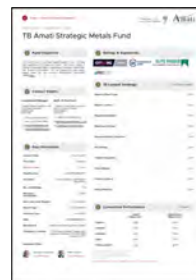
TB Amati UK
Listed Smaller
Companies Fund



Amati AIM VCT



Amati AIM IHT
Portfolio Service



TB Amati
Strategic Metals
Fund



TB Amati
Strategic
Innovation Fund

Upcoming Events

We are delighted to invite you to our upcoming Amati AIM IHT Portfolio Service seminars.

To secure your place, please RSVP to info@amatiglobal.com or call our investor line on 0131 503 9115.

Please [click here](#) to find out more information on the seminars.

Amati AIM IHT Portfolio Service - For Financial Intermediaries

18th April 2023 - Norwich Lunch Seminar

20th April 2023 - Glasgow Breakfast Seminar

20th April 2023 - Edinburgh Lunch Seminar

25th April 2023 - Aberdeen Lunch Seminar

26th April 2023 - Newcastle Lunch Seminar

27th April 2023 - Belfast Lunch Seminar

Upcoming Brighttalks

19th April 2023, 11am - TB Amati Strategic Metals Fund Update. To register, please [click here](#).

4th May 2023, 11am - Amati AIM IHT Portfolio Service Update. To register, please [click here](#).

11th May 2023, 11am - TB Amati UK Listed Smaller Companies Fund Update. To register, please [click here](#).

18th May 2023, 11am - Amati AIM VCT Fund Update. To register, please [click here](#).

25th May 2023, 11am - TB Amati Strategic Innovation Fund Update. To register, please [click here](#).

Opinion Pieces / Videos / Podcasts

In case you missed some of our recent publications, please note a selection below:

- [The UK Market - Outlook for UK companies](#)
- [Silver - Poised to Catch Up](#)
- [Amati AIM IHT Portfolio Service: Review and Outlook - Reasons for Optimism](#)
- [Video: Fund Calibre Fund Manager Interview with Georges Lequime & Mark Smith](#)
- [Podcast: Square Mile podcast with Dr Paul Jourdan](#)

Please [click here](#) to visit our media section to view further content.

Awards / Ratings

Amati's UK Smaller Companies Fund retains Morningstar Silver Rating.

"TB Amati UK Listed Smaller Companies Fund remains a strong offering for investors seeking exposure to the bottom end of the market-cap scale in the UK. Led by a best-in-class team with a process that has demonstrated its ability to add value over market cycles, all share classes retain a Morningstar Analyst Rating of Silver," - Jack Fletcher-Price, Morningstar Analyst.

[Click here](#) to read the detailed review.



Amati Global Investors is pleased to announce that we have been awarded a **Gold Citywire Group Rating** for performance in the Equity- UK Smaller Companies Sector and a **Silver Citywire Group Rating** for performance in the Equity- Gold & Precious Metals sector. Each Group Rating is based on the risk adjusted performance from all of Amati's portfolio managers that are active in each respective Citywire sector over the period 31/12/2015 – 31/12/2022. Only those managers with a minimum 36-month track record within the sector were considered in the analysis.



TB Amati Strategic Metals Fund was awarded the **Fund Calibre Elite Radar Rating** on the 10th February 2023



Amati News

Amati adopts 'Digbee' as ESG accreditation solution for TB Amati Strategic Metals Fund.

Amati announced that it has selected 'Digbee', an ESG disclosure platform dedicated to the mining sector, as a preferred ESG accreditation solution for the £90m TB Amati Strategic Metals Fund. The pioneering Amati fund, which celebrated its second anniversary on the 15th March, offers investors exposure both to precious metals as a store of value, and to the metals powering global efforts around decarbonization.

AMATI AIM VCT

VCT AGM & Investor Afternoon

The AGM & Investor Afternoon this year will be held at **The Barber-Surgeons' Hall**, Monkwell Square, Wood Street, London EC2Y 5BL on Thursday 15th June.

The format will be as follows:

- 1:30pm:** Registration (tea & coffee served)
- 2:00pm:** AGM
- 2:30pm:** Investor Afternoon - presentations by Amati Fund Managers on the VCT and two VCT portfolio companies, Ensilica and Sosandar followed by Q&A
- 4:00pm:** Break (tea, coffee & biscuits served) & an opportunity to meet the wider Amati team and network with fellow investors
- 4:30pm:** Amati Fund Managers update on other Amati funds followed by Q&A
- 5:15pm:** Drinks & Canapes
- 6:30pm:** Close

Should you like to register to attend the AGM & Investor Afternoon in person, please either email info@amatiglobal.com or call our investor line on 0131 503 9115. (Please note that places are limited for the Investor Afternoon). We will also be livestreaming the event, therefore should you be unable to attend in person, you will be able to watch and listen remotely.




 TB AMATI STRATEGIC METALS FUND

Uranium Energy Corp


 Written by
Mark Smith

After a short sell attack on Piedmont Lithium by Blue Orca Capital in early March (which had greater repercussions for London-listed Atlantic Lithium), it was the turn of the uranium company, Uranium Energy Corporation or UEC, to come under attack from a short seller report in late March. This time, the short seller was Kerrisdale Capital.

About 13% of UEC's free float was shorted by Kerrisdale Capital as of 22nd March, according to data from Ortex, before an internal report was leaked to the public.

A short attack on a uranium stock is an incredibly dangerous financial strategy. As we know, not only is uranium completely and utterly price inelastic, but it can move sharply to the upside. Kerrisdale is actually optimistic about uranium prices, although it believes that the company will not be successful in capitalizing on it.

We have known the management of UEC for many years and recently bought a small position in the company for the TB Amati Strategic Metals Fund after due diligence

on the assets and being encouraged by the positioning of the company in supplying uranium to the US nuclear power industry in the medium to longer term as the USA naturally weans itself off Russian-sourced uranium for its nuclear power utilities.

We have high respect for the management team, especially Scott Melbye, UEC's Executive VP, who is currently the President of the Uranium Producers of America and is a past Chair of the Board of Governors of the World Nuclear Fuel Market. UEC's resources are backed by third-party technical reports aligned with SK-1300, which is the new SEC mineral disclosure system and the most rigorous in the industry.

Kerrisdale's principal argument it seems is that the company's stated US uranium resources of approximately 198.4m lbs cannot be mined profitably at current prices. It is well documented that many conventional uranium projects, and curtailed operations, need a uranium price of around US\$80-85/lb to breakeven, or restart. However, US in-situ recovery (ISR) production platforms are much more cost competitive.



INAUGURAL SUSTAINABILITY REPORT

POWERING THE CLEAN ENERGY FUTURE


 TB AMATI STRATEGIC METALS FUND

Uranium Energy Corp



Written by
Mark Smith

UEC's assets

UEC's ISR projects in Wyoming and Texas are proven/past producers. UEC's all-in costs are in the US\$40-US\$45 range and they have stated their intention to restart when uranium gets to US\$60. The UEC CEO, Amir Adnani, always states that UEC will not begin production of uranium at current prices.

UEC have US\$138.2m of cash, no debt, and a liquid inventory of 5.8m lbs of uranium oxide, which at current prices is worth US\$292m. In other words, almost 40% of the company's current market capitalisation consists of cash or near-cash. This is before considering their assets in Texas, Wyoming, New Mexico, Arizona, Canada and Paraguay.

UEC announced further drill results from its Christie Lake project, located in the Athabasca Basin. To date, the company has completed 7,500m of drilling in the winter portion of its 2023 drill program at Christie Lake. Christie Lake was acquired through UEC's acquisition of UEX Corporation last year and the company currently holds 82.775% of the project through both direct and indirect interests via a joint venture with JCU (Canada) Exploration Company.

We view these results as positive. These results successfully extend the recently discovered Sakura Zone, which previously intersected an impressive 2.1m at 68.7% U₃O₈ (triuranium octoxide, a compound of uranium), by 14m to the northeast. Recent results from Christie Lake have demonstrated exceptionally high grade over decent widths, suggesting that an increase in both tonnage and grade is likely in the updated mineral resource.



Christie Lake currently has an inferred mineral resource of 588kt grading 1.57% U₃O₈ or ~20mlbs U₃O₈ (100% basis). Given the results released to date at the Sakura Zone, we believe that UEC has added at least an additional 10mlbs U₃O₈ at this time.

UEC's Potential upcoming catalysts:

- Formal restart decision for US ISR project(s)
- Further announcements from US government in support of the domestic uranium industry
- Signing of long-term contracts
- Additional exploration drilling at Canadian assets
- Receipt of additional physical uranium deliveries (2023-2026)
- Updates/plans for other newly acquired properties

We believe that the sector requires higher uranium prices to incentivise new production. UEC are well placed to meet the needs of the US nuclear energy industry going forward, if it moves to distance itself from Russian-sourced uranium. UEC is also 100% unhedged, although we would expect them to enter into supply contracts at uranium prices above US\$60/lb.

Historically, short seller reports have a 10-15% success rate in doing medium to longer term damage to a company's share price. Very soon after the report is leaked, the short seller has already covered its short position. For informed investors, it provides a good opportunity to add to positions on weakness.

The TB Amati Strategic Metals Fund invests in companies that have operations in developing markets and which therefore may be subject to higher volatility due to political, economic and currency instability.

Past performance is not a reliable indicator of future performance.

Next Generation Sequencing



Written by
Dr Gareth Blades

The Human Genome Project (HGP) was conducted over 13 years with the first sequenced human genome published as a draft in 2000 and finalised in 2003. It is reported to have cost \$3bn over the course of the project. Contrast that with today, where next generation sequencing (NGS) companies are touting whole human genome (WGS) sequencing in less than 20 hours at a cost of \$200 per genome.

This significant fall in sequencing costs has created vast new applications to the point where there is an extreme vision of having sequencing at every point in the healthcare continuum; from family planning through to disease recurrence testing. The unifying element of these applications is the growth of clinical testing, the most valuable part of the market. For example, those considering starting a family would get tested for disease-causing genetic variants they might pass to their off-spring; whilst pregnant non-invasive testing would look for chromosomal number disorders; through-out the life course, NGS disease screening could be used in early and more accurate diagnosis; if diagnosed, a therapy developed with the aid of NGS, could be selected for maximal efficacy based on your detailed genetic background; the effectiveness of the therapy could be confirmed with NGS; and once in remission, recurrence monitoring can take place with NGS.

While this is currently an extreme vision, WGS does take place in isolated pockets. Most testing involves productised tests that focus not on the whole genome but on specific genes. This aids test speed and usability. Broader adoption of WGS will be driven by falling sequencing costs as well as data analysis and genetic testing service providers. These three buckets, as we would refer to them in the TB Amati Strategic Innovation Fund, are pioneers (sequencing tech), enablers (data analysis) and adopters (genetic testing service providers). Each one forming an essential link between genetic discovery, analysis and finally patient facing product.

WGS generates vast quantities of data that needs processing to generate meaningful insights. For example, to understand the importance of different genetic changes in relation to risk of disease onset and progression.

In addition, when clinical decisions need to be made and smaller parts of the genome are examined with a productised test, how can the results be interpreted accurately? Ready to use workflows and services already exist to place the genomic data in its biomedical context.

Qiagen, a holding in the TB Amati Strategic Innovation Fund, has a suite of services that enable placing genomic data into its biological and clinical niche. Downstream effects can be predicted as can new drug targets or disease biomarkers. **Qiagen's** suite of analysis tools and AI are compatible with the output from all NGS machines. Its offering is the leading solution because of its breadth and clinical insight. In NGS/Bioinformatics, **Qiagen** is the leading provider by revenue, having twice the sales of the number two provider. It is this area of innovation and growth that I think is under-appreciated. This is a view supported by the recent news that **Qiagen** is looking at options to increase investment in this business through the sale of a minority stake. **Qiagen** also offers lab machines and reagents which give it direct access to productised applications of genetic discoveries.

Once disease insights have been productised into kits and tests, they must get to the patient. LabCorp, another Strategic Innovation Fund holding, is an expert at test productization and particularly patient access, and patient access on a massive scale. Due to the pandemic, there has been a broadening of where testing takes place, whether that is at home, in diagnostic hubs, pharmacies or "in store" in the US. Patients have got used to being able to order tests online or through an app and take the test at their convenience. LabCorp has patient access either directly through their app and website, or partnerships with companies like Walgreens, a US pharmacy chain. More recently, LabCorp has completed acquisitions of central and community hospital testing infrastructure. Consequently, LabCorp has successfully located itself anywhere testing can happen. On top of which, LabCorp's tests cover every healthcare decision from prenatal planning to disease recurrence. Perhaps the vision of sequencing across the healthcare continuum is already a reality? If so, and this trend will grow, there is a large opportunity ahead.

Past performance is not a reliable indicator of future performance. The value of investments and the income from them may go down as well as up and is not guaranteed; investors may not get back the amount originally invested.

TB AMATI UK LISTED SMALLER COMPANIES FUND
AMATI AIM IHT

Ashtead Tech



Written by
David Stevenson

Ashtead Technology (“AT”) listed on AIM in late 2021. We researched the company at the time but decided to wait and monitor its progress.

AT is a provider of subsea rental equipment and solutions to the global offshore energy sector, comprising both conventional oil & gas and renewable wind. In 2021 conventional energy markets were experiencing slowing activity, which meant there was a risk that the strength in renewable energy would be cancelled out. In practice, the disruption to oil & gas supply chains from the Ukrainian conflict has meant that conventional activity has rebounded significantly and is likely to be sustained. AT is now enjoying strong growth in both its end markets. This overlapped in mid-2022 with a further placing of private equity stock, which provided an entry opportunity for both our Smaller Companies Fund and our AIM IHT Portfolio Service.

Offshore renewables now account for a third of AT’s revenues, with the target mix being 50%. Proforma results for the year ending December 2022 show constant currency organic revenue growth of 22%, boosted to 30% with acquisitions and favourable FX. AT is a global market leader in its field with a more than 20% share and has been proactive on pricing, putting through 4% year-on-year increases to offset inflation pressures. With equipment utilisation also strong, margins and earnings are ahead of expectations.

Propensity to rent has become heightened in the energy industry as producers have reduced capex resulting in obsolete equipment and reduced maintenance staffing. Nevertheless, c70% of subsea equipment is still owned by international oil and companies, and so there is considerable market share to go for.



Investment in smaller companies can be higher risk than investment in well-established blue chip companies. Funds investing significantly in smaller companies can be subject to more volatility due to the limited marketability of the underlying asset.

TB AMATI UK LISTED SMALLER COMPANIES FUND
AMATI AIM IHT

Begbies



Written by
David Stevenson

Begbies provides a variety of professional services in the UK, ranging from business recovery to financial advisory and property. Close to 75% of the business relates to corporate and personal insolvency, business restructuring, debt advisory, and distressed asset valuations and sales. Consequently, the group offers significant counter-cyclical exposure at a time when insolvencies and administrations are rising. The last peak in activity was in 2008-2010, during the financial crisis. Thereafter, low interest rates and creditor forbearance by banks and creditors, created an environment in which “zombie” companies could survive, and this has persisted until fairly recently. However, the combination of rising interest rates, banks now prepared to call up their security, HMRC pursuing tax debts, plus a weak post-pandemic environment, has driven the re-emergence of distressed businesses.

In competition with accounting firms and smaller insolvency specialists, Begbies has grown its overall share of the business recovery and financial advisory market to 14%. This has come about through organic and acquisitive growth. During the long period of low activity, the group diversified into property advisory and transactional services such as management, auctioneering and valuations, and also into transport planning and forensic accounting. This means Begbies is not solely dependent on a weak economy. The founder of the business owns c. 17% of the group, and strong cashflow funds a dividend yield of more than 3%. For these reasons we not only hold Begbies in our UK Listed Smaller Companies Fund but also our AIM IHT Portfolio Service.

Welcome to Begbies Traynor Group

A leading business recovery, financial advisory, and property services consultancy.

Providing independent professional advice and solutions in corporate recovery and restructuring as well as corporate finance, forensic accounting, investigations and risk consulting.

Our Group Wide Offering Includes:

- ✓ Corporate insolvency
- ✓ Transactional services
- ✓ Financial advisory
- ✓ Personal insolvency
- ✓ Valuations
- ✓ Property consultancy

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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

Happy Easter!

We would like to thank all of our investors for their continued support and wish everyone a Happy Easter from all the team at Amati!

We welcome regular feedback, thoughts or comments so please do get in touch via email at info@amatiglobal.com or call us on 0131 503 9115.



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Risk Warning

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These investment products place your capital at risk and you may not get back the full amount invested, even allowing for any tax breaks. The value of your investment may go down as well as up. Past performance is not a reliable indicator of future performance. Investors should be aware that any investment in equities is subject to risk, and that investment in smaller companies, in particular unquoted companies and those quoted on the Alternative Investment Market (AIM), carries an even higher risk than that of larger companies listed on the main market of the London Stock Exchange. This is due to the higher volatility and lack of liquidity often found in smaller company shares, as well as typically higher levels of business specific risks. Illiquidity means that buying and selling portfolio holdings may take some time, and in a worst case scenario portfolio companies could be delisted from AIM, making them very difficult to buy or sell, which in turn could affect the value of your investment. Current tax rules and the available tax reliefs offered on investments into AIM-quoted stocks may change at any time, and there is a considerable risk that if the legislation changed in respect of these tax reliefs, then those portfolio companies that no longer qualified for such reliefs would be subject to heavy selling pressure, potentially leading to significant investment losses.



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