AMATI GLOBAL INVESTORS

Newsletter

Winter 2022: Issue 22

Introducing *"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.

· Relevant and interesting

· Interactive overview of key events of previous weeks and our highest conviction views and investment ideas

· 2 key subjects where managers have 3 minutes to say what they think

· Brief, to the point and doesn't interfere with your day

The first event is on 24th January 2023 at 8.45am – if you'd like to receive the zoom invite, you can register by emailing info@amatiglobal.com. The topics will be announced nearer the time! Please note recordings will be available on our website, following each session.

Factsheets

as at 30/11/2022

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 TB Amati UK Listed Smaller Companies and 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.**

TB Amati UK Listed Smaller Companies Fund - For Financial Intermediaries

31st January 2023 - Newmarket Breakfast Seminar

31st January 2023 - Norwich Lunch Seminar

1st February 2023 - Exeter Breakfast Seminar

1st February 2023 - Bristol Late Afternoon Seminar

2nd February 2023 - East Midlands Breakfast Seminar

2nd February 2023 - Leeds Lunch Seminar

7th February 2023 - Glasgow Breakfast Seminar

7th February 2023 - Edinburgh Lunch Seminar

8th February 2023 - Belfast Lunch Seminar

Amati AIM IHT Portfolio Service - For Financial Intermediaries

28th February 2023 - London Breakfast Seminar

28th February 2023 - London Lunch Seminar

1st March 2023 - Bristol Breakfast Seminar

1st March 2023 - Cardiff Lunch Seminar

2nd March 2023 - Liverpool Breakfast Seminar

2nd March 2023 - Manchester Lunch Seminar

18th April 2023 - Ipswich Breakfast Seminar

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

20th 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

In case you missed some of the opinion pieces on our funds, please note a selection below:

- Uranium - by Georges Lequime
- Amati Site Visit Series 3: Osino Resources
- When the chips are down - our view on the global semiconductor sector
- Batteries 101 - by Mark Smith
- Innovation Frontier: Machine Vision
- Video: Amati Strategic Innovation fund managers visit Proactive Investor to discuss investing in innovation
- Video: Amati sees UK Small Cap Valuations getting close to a very attractive entry point

Please click here to visit our media section to view further content.

Awards

Amati Global Investors is pleased to announce that the **Amati AIM VCT** has been awarded winner of the **'VCT AIM Quoted Category'** at Investment Week's Investment Company of the Year Awards 2022.

OreCorp

Written by
Mark Smith

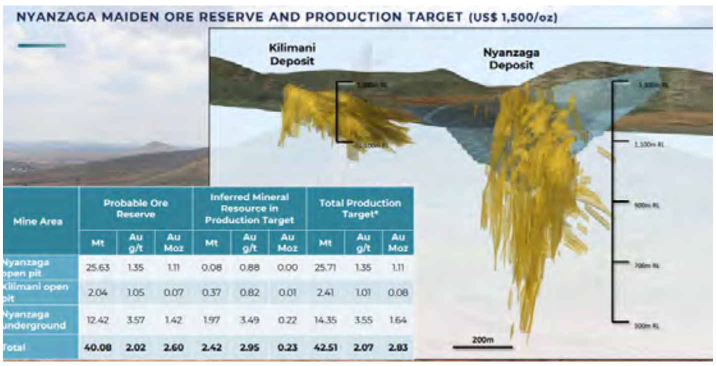
Gold's outlook has been transformed in recent weeks as the US inflation narrative shifts and the Fed signals that it may need to stamp on the brakes with (slightly) less aggression. Prices that came close to sinking into the $1,500s/oz just a month ago, rose back above $1,800/oz in early December. The drivers for bullion will be the US dollar no longer cast as all-conquering currency superhero, and 10-year REAL Treasury yields coming back in lower.

With many new projects struggling for valuation and financing, there is an opportunity for producers to buy developers to deliver growth. On average, project developers trade at 0.6x NPV while producers average 1.2x NPV, indicating that many accretive transactions are possible. Here we outline one gold developer we hold in the TB Amati Strategic Metals Fund (ASMF) – ORECORP LTD.

OreCorp is a development and exploration company listed on the Australian Securities Exchange (ASX) under the code ORR. OreCorp's key project is the advanced high-grade multi-million ounce (3.07Moz grading 4.03g/t gold) Nyanzaga Gold Project in northwest Tanzania.

The project is being developed as a conventional open pit operation at 2.5Mtpa mining rate producing 1.2Moz of gold over 11 years. The company plans to develop the underground portal 6 months ahead of the open pit mine at 1.5Mtpa using long hole open stopping with cemented back fill. An additional 1.64Moz of gold will be mined. The plant will be a conventional 4Mtpa carbon-in-leach flow sheet and the all-in production cost will be US$953/oz. The pre-production capital is estimated at US$474m, designed and costed to produce over 250Koz/yr of gold over 11 years.

Figure 1 - Resource and orebody outline



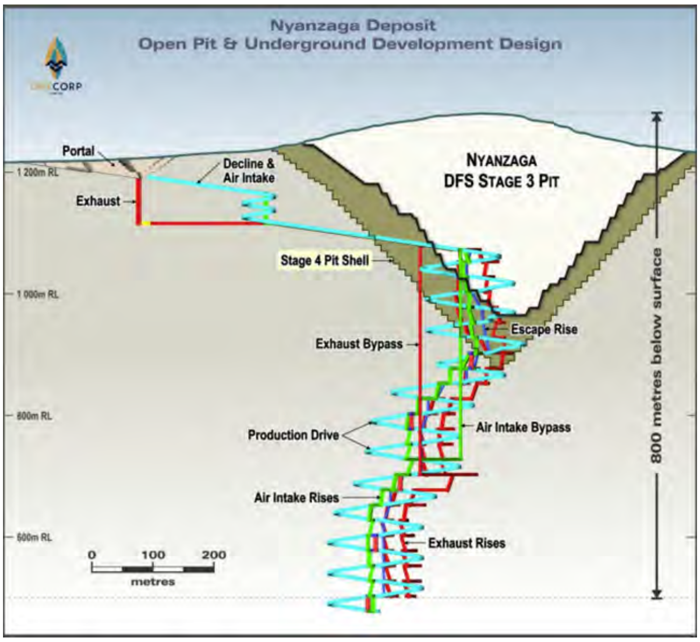
Mine Area	Probable Ore Reserve			Inferred Mineral Resource in Production Target			Total Production Target*		
	Mt	Au g/t	Au Moz	Mt	Au g/t	Au Moz	Mt	Au g/t	Au Moz
Nyanzaga open pit	25.63	1.35	1.11	0.08	0.88	0.00	25.71	1.35	1.11
Kilimani open pit	2.04	1.05	0.07	0.37	0.82	0.01	2.41	1.01	0.08
Nyanzaga underground	12.42	3.57	1.42	1.97	3.49	0.22	14.35	3.55	1.64
Total	**40.08**	**2.02**	**2.60**	**2.42**	**2.95**	**0.23**	**42.51**	**2.07**	**2.83**

Source: Orecorp

Given the relative consistent mineralisation and relatively high grade nature of the orebody, the production ounces of gold per vertical metre of mine development is high at over 4000oz/m. This lends itself to low sustaining development costs and higher annual profit. When ranked against the other development assets in Africa, Nyanzaga ranks very high. First gold is targeted for H2-2025 and could be the first new major gold mine in Tanzania for 15 years.

Late in November, 2022 OreCorp reported that it had received non-binding, indicative debt funding proposals in excess of US$400M from a series of European, African and Tanzanian banks. OreCorp also said that it had commenced discussions with potential credit funds and royalty/streaming groups. Tanzania has flagged that it may reduce the national gold royalty rate from 6% to 4% if in-country refineries are used. On our project level valuation, a 2% royalty reduction would add ~A$50M to the project level NPV(5%) after factoring in the government free carry. At US$1750/oz gold the project has a post-tax NPV(5%) of US$618m.

Figure 2 - Open pit and Underground Development



Source: Orecorp

OreCorp provided an exploration update outlining the results from recent exploration activities around Kilimani. Kilimani is a satellite deposit located immediately northeast of Nyanzaga.

TB AMATI STRATEGIC METALS FUND

OreCorp

Written by
Mark Smith

It holds a current mineral resource estimate of 6.3Mt @ 1.1 g/t Au for 213kozs. Around one third of this is included in the current reserve estimate. The existing resource sits almost entirely in oxide and transitional material, with limited drilling to depth.

Geological interpretation previously flagged that Kilimani may represent an up-sequence extension of the Nyanzaga deposit that had been offset. This would imply that the Nyanzaga stratigraphy may sit at a depth beneath Kilimani. If this were the case, then there may be high-grade feeder structures beneath the existing Resource estimate.

As always the fund managers look for upside potential in the investments in the ASMF and Orecorp is no exception. Geologically we expect: Nyanzaga gold mineralisation depth extensions; Kilimani down dip extensions and feeder zones; and saddle target between open pits and regional satellite targets.

Lake Victoria Goldfields is a major gold producer ~25Moz historical gold production ~25Moz of gold reserves and resources within 100km radius of Nyanzaga. Where better to find a deposit than 'under the headframe of existing mines'

Mark Smith will be visiting this deposit in February 2023 as part of the ever expanding Amati Site Visit Series.

Figure 3 - Lake Victoria Gold belts

Source: Orecorp

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.

Please click here for audio

TB AMATI STRATEGIC INNOVATIN FUND

Unleashing Innovation

Written by
Graeme Bencke

People often think of innovation as a proxy for pioneering technological change, a sort of process of product development. While this can certainly be true, it is only a subset of the various ways companies use innovation to their advantage. Some develop unique service models to add value in ever changing ways, such as **Edenred** the French listed digital service group who have continued to add new digital offerings to their core meal voucher customers; or the video game companies who have adopted digital connectivity technologies to their advantage, by offering in-game purchasing direct to their players. From our perspective the key is to identify the lasting benefit that comes from the innovation, regardless of its form. One of the most exciting of these is when innovation in product or service is compounded by a truly innovative model of doing business.

Two of the most powerful forces for success in human endeavours are incentivisation and empowerment, and a business model that brings these to bear effectively offers significant advantages. Focussing the drive, energy and inventiveness of a workforce, and then giving them sufficient freedom (with oversight) to put it to work, is a potent recipe for success. Think of the Ukrainian forces in opposition to their Russian invaders. After the playing field was levelled with the provision of weapons from the West, President Zelensky was able to focus the very powerful incentives of the population defending family and livelihood, while at the same time implementing a highly decentralised control structure, empowering local commanders to make battlefield decisions. Contrast this with the poorly incentivised army of Russia operating under an inflexible and unresponsive centralised command structure and the relative success of the Ukrainian forces is not such a surprise.

One of the most successful investors of all time, Charlie Munger, once said "Show me the incentive and I'll show you the outcome".[1] A carefully designed incentive process is a vital tool for a management team looking to get the best from their workforce. The C-suite can effectively steer a business by adapting incentives to the required outcomes be they growth, profitability, or cost cutting. Yet incentivising is only one part of the process as employees must also be given the scope and the tools to achieve their targets.

Most companies still operate hierarchical structures which work well in some cases, but often have slow and disjointed decision processes.

A recent study by McKinsey estimated that "a typical Fortune 500 company may waste more than 500,000 days a year on ineffective decision making - equivalent to some $250 million in wages annually."[1] Identifying companies who have created innovative approaches to mastering these twin forces of incentive and empowerment can be an important indicator of future success. Two such examples in our portfolio are **Reply** and **Amphenol.**

Reply, an Italian listed technology and digital services provider was incorporated in Turin in 1996 and is still majority controlled by the founding Rizzante family. The company grew through offering services at the cutting edge of technology, from engineer to engineer, and rapidly expanding its range of offerings both organically and by acquisition. Today the company spans 18 countries and a vast variety of specialist services from AI to mixed reality and from robotics to cyber security. Although it has grown consistently since launch, it has maintained its targeted, customer centric and highly decentralised approach. This allows it to offer extraordinary focus within its specialist areas while providing the collaborative depth of a much larger organisation. Unlike an oil tanker the business is operated as 'a fleet of speedboats' making it incredibly agile and able to provide almost unparalleled customer responsiveness. Local managers operate their own quasi autonomous businesses with carefully designed incentives - an approach that continues to deliver as the company grows.

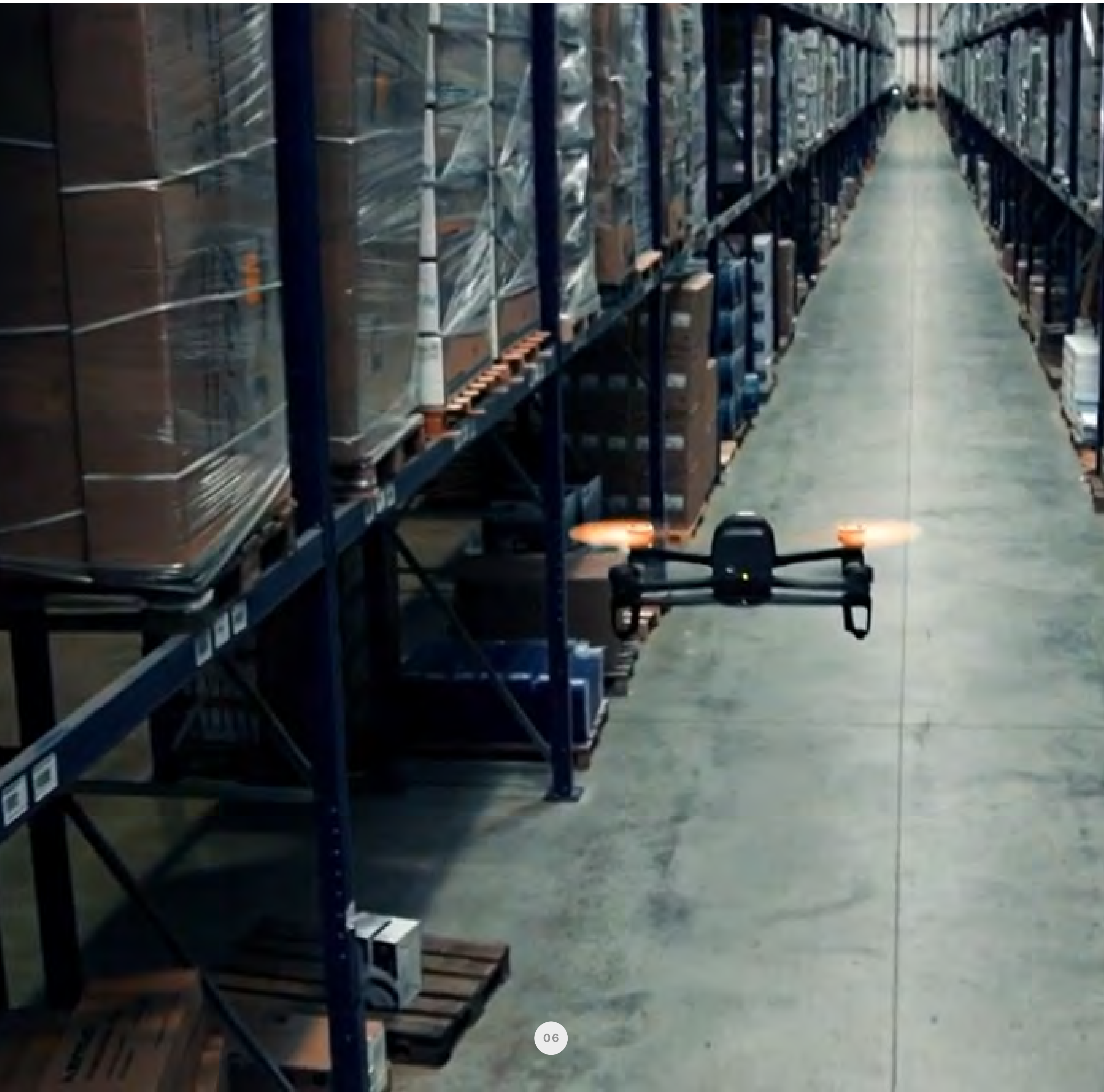
Headquartered in Connecticut, **Amphenol** takes a slightly different but equally innovative approach. The company produces a vast range of connectors and sensors wherever needed including applications across the automotive, industrial, communications and defence industries. Given the often highly bespoke nature of the products the company has grown to provide a range of skills and manufacturing techniques at each site.

The 130 autonomous General Managers situated over 39 countries manage to the needs of their local customer base but draw on the oversight of the Group executive management team for sharing and developing best practice. This structure allows design and development to happen as close as possible to the customer to provide a continuing stream of innovation and added value, as well as ensuring cost and investment decisions are taken in real time based on knowledge of customer ordering patterns.

Both Reply and Amphenol are great examples of companies which have developed highly differentiated and innovative business models to unleash and benefit from the twin forces of incentive and empowerment. We believe they have many years of growth ahead.

Citations

1. www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/three-keys-to-faster-better-decisions



TB AMATI UK LISTED SMALLER COMPANIES FUND
AMATI AIM IHT

Tracsis

Written by
Anna MacDonald

Tracsis has grown through acquisition and also organically to provide software, hardware and consultancy to the transport sector.

The Rail Technology and Services Division has brought together different companies to service all parts of the UK's rail provision. Tracsis's software delivers efficiency gains in terms of improved operational performance, timetabling and staff rostering. They are one of only three companies in the UK accredited to do remote condition monitoring technology. Tracsis provides operators with the necessary technology to serve travellers better, through smart ticketing, delay repay systems and data analytics. The software and services have been traditionally deployed individually and the company is now aiming to cross-sell and upsell its solutions by providing them on a single TRACS Enterprise Solutions platform.

Covid dealt a tough hand to the network operators, and staffing issues and labour costs since the end of the pandemic have compounded the challenges. However, there is a long-term commitment from Government to grow rail capacity which is greener than cars or planes and delivers productivity improvements.

Tracsis's products can help companies run more efficiently. Amid strikes and travel disruption, Tracsis has been able to demonstrate that its train companies can get back to full operational speed after strike days much faster than others, this saves companies money through more effective timetabling and staff management, reducing the dependence on overtime and plays an important part in modernising the railway.

Management sees the opportunity to use its technology to serve the complex US rail industry and it has made their first acquisition there, RailComm.

The other part of Tracsis's business is Data, Analytics, Consultancy and Events (DACE). The Events division saw a strong recovery in 2022, as large events such as Glastonbury rebounded after the pandemic, which led to significant revenue growth, but at a lower margin. DACE is considered non-core and management may exit the business over time, redeploying proceeds into the Rail Technology division.

Tracsis has a strong balance sheet and is cash generative. It's a company that is relatively well protected from the consumer side of the train industry as it provides critical 'behind the scenes' software for the operating companies, apps such as Trainline, and the owner of the infrastructure Network Rail. Direct competitors are few and far between. Tracsis will continue to consolidate its market position and sees an attractive pipeline of UK and US opportunities.

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.

Amati AIM VCT plc

EnSilica

Written by
David Stevenson

EnSilica is a rare thing in the UK - a chip designer. It specialises in Application Specific Integrated Circuits ("ASICs"), which are custom designed for a particular use in contrast to standardised off-the-shelf chips. ASICs generally have smaller size, lower power consumption, greater functionality, better data security (through encryption), and are harder to copy (due to IP content) with more resilient supply chains (due to less catalogue sourced componentry). EnSilica's ASICs are complex mixed signal ICs, which means they combine digital and analogue functions onto a single chip. The global ASIC market is forecast to grow at more than 8% CAGR from 2021 to 2026.

EnSilica was founded by the current CEO in 2001, and up until a strategy change in 2016 it was purely an ASIC design consultancy doing contract work for the likes of Imagination Tech, Wolfson, Nokia, ARM, Panasonic and Sony. The decision was then taken to monetise the value-add they were creating for clients, and move into design & fabless supply ("D&S") where fabrication, packaging, testing and production are all outsourced. To make this step change they have acquired mixed signal engineering teams alongwith IP. EnSilica has a well-established reputation and industry presence, reflected in being a Design Partner with ARM, TSMC and GlobalFoundries.

EnSilica's end markets range across automotive, industrial, satellite and healthcare, which offer faster growth than saturated areas like computing, mobile and consumer electronics. Structural demand drivers include autonomous sensors, satellite connectivity, industrial IoT & AI, wearable healthcare and 5G networks.

The growth coming through in D&S prompted EnSilica to float in mid 2022, to raise funding for future ASIC development spend, the hiring of more engineers, and balance sheet strengthening. End markets look like offering a strong tailwind, and the company has announced a number of material contract wins since flotation. With an experienced management team and an established business reputation, EnSilica represented an attractive investment opportunity for our VCT, and the shares have performed well since listing.

Charitable Engagement

Amati Global Investors gives 10% of its net profits to UK registered charities. These are nominated by Amati's shareholders in proportion to their ownership.

Based on 2021 results, Amati is expecting to have made donations of around £376,000 in 2022. One of the charities supported in 2022 was **'Farms for City Children,'** a charity founded by the children's author Michael Morpurgo and his wife, Clare, which enables children from disadvantaged communities to experience working together on farms in the British countryside. Since it started in 1976, it has helped more than 100,000 children at three farms in Devon, Pembrokeshire and Gloucestershire. The children experience contact with nature and the sources of the food they eat, which are things they otherwise are increasingly disconnected from. For more info on the charity, please click here.

Following on from Georges Lequime & Mark Smith's Amati office to office sponsored cycle in April 2022, we chose to further support the charity "World Bicycle Relief" Since 2005, World Bicycle Relief has collaborated with thousands of communities in Africa to connect hard-working rural women, men, girls, and boys with the services and opportunities they need to thrive. Women, in particular, face significant cultural barriers to accessing education, healthcare and employment. World Bicycle Relief's approach prioritizes women and girls, aiming for 70% of participants receiving their bicycles to be female.

For more information on the charity please click here.

WORLD BICYCLE RELIEF®

Amati continued to support Children 1st (which used to be the Royal Scottish Society for the Prevention of Cruelty to Children). Children 1st works across Scotland to provide practical, emotional and financial support to families and to protect children from harm. They operate Parentline, a 24/7 help line supported by a network of volunteers. For the last couple of years they have been working to redesign the way in which the state deals with children who have suffered or witnessed abuse and need to appear in court. Currently, the investigation and court process can be as traumatic for a child as the experience which triggers proceedings.

Children 1st are pioneering an approach based on the Scandinavian Barnahus, a single child-friendly centre which feels more like a house than an office, at which all the state agencies are co-ordinated by a Children 1st worker. This radically reduces the number of separate interviews required and allows court evidence to be given by secure video link. Currently, children can be required to attend up to 14 interviews at police stations and civic offices, as well as attending court in person.

Children 1st are calling their version a Bairns Hoose, and the first are due to open in Glasgow 2023. If successful, they hope that this model will be rolled out across the UK as a whole.

Children 1st

Another charity supported in 2022 was Winston's Wish. This was the UK's first childhood bereavement charity and has been supporting grieving children and young people since 1992. Winston's Wish provides emotional and practical bereavement support to children, young people and those who care for them. In 2021, Winston's Wish supported 22,778 children and young people after the death of a parent or sibling.

WINSTON'S WISH WW
Giving hope to grieving children

New people

Thomas Whitfield

Prior to joining Amati in November 2022, Thomas Whitfield worked at Sanlam Investments where he held the position of Account Director. During this time, he looked after wholesale and institutional clients across London and the surrounding areas. Prior to that, he held an investment management position at Brewin Dolphin where he worked on a team managing significant assets under management for discretionary and advisory client portfolios. Tom is an Associate Member of the Chartered Institute for Securities & Investment and holds a BA Hons degree in Architecture.

Milly Stevenson

Milly Stevenson will be joining Amati in January 2023 as a Sales Support Exectutive. Milly completed her undergraduate degree at the Univerisy of Dundee in 2018, before moving to Australia to work in the renewable energy sector for two years. Her time abroad provided her with experience in business, marketing, and sales. Since returning to Edinburgh, Milly has received a Masters with Distinction in Marketing with Digital Strategy at Napier University.

Merry Christmas!

We would like to thank all of our investors for their continued support and wish everyone a Merry Christmas and Prosperous New Year 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.

Risk Warning

This newsletter does not constitute investment, tax, or legal advice, and nor does it constitute an offer, invitation or solicitation to invest in the products described. Amati will not provide any investment, tax, or legal advice, or make any personal recommendations as to the suitability or otherwise of these products. Before investing in our products we recommend that you contact your financial adviser.

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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