

# Amati AIM VCT DDQ

December 2023

## Fund Objective

To achieve long term capital growth. The Company intends to generate tax free capital gains and income by building and maintaining a well-balanced portfolio of Qualifying Investments. The Qualifying Investments will predominantly be in AIM-traded companies or companies to be traded on AIM. The Company will be managed as a venture capital trust in order that Shareholders of the Company may benefit from the tax reliefs available. VCTs are companies broadly similar to investment trusts, in that the VCT's value is based on its trading price rather than its net asset value (NAV), and are listed on the London Stock Exchange.

## Risk Warning

Your attention is drawn to the following risk warnings which identify some of the risks associated with a Venture Capital Trust (VCT): The value of your investment in a VCT and the income from it can go down as well as up and you may not get back the amount invested, even allowing for the tax breaks. An investment in a VCT may not be suitable for all investors and you should only invest if you understand the nature of and risks inherent in such an investment and you should seek professional advice before effecting any such investment.

Past performance isn't a guide to future performance. Performance data is intended for existing investors and should not be relied upon by potential investors in making investment decisions. Changes in legislation may adversely affect the value of the investments. The levels and the basis of the reliefs from taxation may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

An investment in a VCT carries a higher risk than many other forms of investment. A VCT's shares, although listed, may be difficult to realise. VCT share trading is not particularly active, meaning that it may be difficult to sell VCT shares and most VCTs trade below their net asset value (NAV). Details of the buy-back policy are included in the prospectus. You should regard an investment in a VCT as a long term investment, particularly as regards a VCT's investment objectives and policy and the five year period for which shareholders must hold their ordinary shares to retain their initial income tax reliefs.

The investments made by VCTs will normally be in AIM listed companies or in other companies whose securities are not publicly traded or freely marketable and may therefore be difficult to realise and investments in such companies are substantially riskier than those in larger companies. If a VCT loses its Inland Revenue approval, tax reliefs previously obtained may be lost. The levels of charges for VCTs are generally higher than for unit trusts and open ended investment companies. Amati Global Investors may seek to offset the market risk of investing in smaller companies through the use of derivatives. There is no guarantee that this risk mitigation will be in place at any one time. Derivative transactions carry a high degree of risk. Amati AIM VCT can borrow money to make further investments. This is commonly referred to as gearing. The risk is that when this money is repaid by the VCT the value of these investments may not be enough to cover the borrowing and interest costs and the VCT will make a loss. If the VCT investments fall in value, gearing will increase the amount of this loss. The more highly geared the VCT, the greater this effect will be.

## Fund Details

Type of VCT	AIM (Evergreen)
Custodian	The Bank of New York Mellon SA/NV
Registrars	City Partnership (UK) Limited
Receiving Agents	City Partnership (UK) Limited
Website Address	www.amatiglobal.com
Benchmark Index	Numis Alternative Markets Total Returns Index
Ticker	AMAT.L
ISIN Code	GB00B641BB82
Unregulated Collective Investment Scheme	Yes
Target Dividend	5% of year end NAV
Investment Type	Portfolio
Investment Objective	Growth
Sector	Diversified Portfolio
Exit Strategy	Evergreen VCT, active buyback policy in place
Length of tenure on fund	Date of Inception: 29 January 2001/ Amati take-on 25 March 2010/ Merger of ViCTory VCT & Invesco Perpetual AIM VCT on 8 November 2011/ Merger of Amati VCT and Amati VCT 2 on 8 May 2018
Location of Manager & Team	8 Coates Crescent, Edinburgh, EH3 7AL
Independent Board of Directors	Fiona Wollocombe, Brian Scouler & Julia Henderson
Charges	Ongoing Charges Figure: 1.9% (including annual management fee of 1.75%)
Trail Commission	Paid by the manager to execution only intermediaries

## Investment Team



Dr Paul Jourdan  
Fund Manager



David Stevenson  
Fund Manager



Scott McKenzie  
Fund Manager



Dr Gareth Blades  
Analyst

## Sales Contacts

Should you have any questions concerning the Strategic Innovation Fund, please don't hesitate to contact one of the Amati Sales Team.

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# Amati AIM VCT DDQ

## What Resources are available to The Manager?

The software that we use for order management and compliance is also a proprietary system called the Amati Online Dealing System. This enables the fund managers to view the portfolio, to place new orders which are reconciled to current holdings and taken through pre-trade compliance checks, to view details of all outstanding orders, and to book out details of trades, automatically generating and sending a deal sheet for the back office settlement process. This system has many additional functions, including: daily post-trade compliance checks and reconciliation with the back office; performance measurement; data compilation for report writing; managing the restricted list of stocks; monitoring inflows and outflows from the fund; monitoring broker commissions; and generating alerts when regulatory notifications need to be issued. It is a core platform for the business, enabling Amati to run funds efficiently in compliance with all of the relevant legislation. The major third party systems we use include Fidessa for real time market data and Refinitiv and Quest for company analysis, screening, research, portfolio attribution and risk analysis.

## How are Investments Identified?

The management of the fund is team based, and the research and portfolio management functions are combined. This approach allows broader coverage of markets and stocks and enables the team to develop an in-depth knowledge of a prospective investee company prior to initiating a position in the stock. Although there is inevitably some crossover, due to the collaborative nature of the process, individual fund managers assume broad responsibility for originating deals and performing the initial due diligence across the following industry sectors:

### **Dr Paul Jourdan:**

Resources, Energy Transition, Financials, Healthcare & Technology

### **David Stevenson:**

Industrials, Telecoms, Support Services & Energy Transition

### **Scott McKenzie:**

Construction, Financials, Retail, Travel & Leisure

### **Dr Gareth Blades:**

Healthcare & Technology

We have extensive experience of investing in UK quoted smaller companies. Our investment process is first and foremost driven by company research, involving a bottom up, stock picking approach. Ideas are generated internally through our own research and also introduced to us by our sell-side contacts. We value input from the sell-side, maintaining a variety of broker and analyst relationships and accumulating the knowledge of their individual strengths and weaknesses. If possible, most offers of management contact are accepted, in order to effectively monitor companies and sectors. We average around 80 company meetings, conference calls and analyst discussions per month (around 5 per manager per week). We selectively undertake site visits.

Following contact, the fund managers will carry out their own research using external information such as prospectuses, annual reports, broker research notes and 3rd party industry sources, plus internally generated analytical tools and models.

Documentation relating to the research process is recorded on Amati's proprietary Connex research database, and available for peer review.

We look for a number of key attributes within potential investee companies:

- Barriers to entry
- Competitive advantage
- Proprietary IP
- Revenue visibility
- Pricing power
- Sustainable growth
- Balance sheet adequacy and ability to finance growth
- Incentivised management team with good track record
- Take-out potential

We also avoid weaknesses, or "red flags", such as:

- Aggressive accounting flattering revenues, profits and finances
- Growth by unnecessary acquisition, distorting costs with no underlying EPS enhancement
- Consistently reporting 'exceptional' and 'restructuring' costs
- Poor profit/cash conversion
- Competitive threats from larger companies with greater operating scale or from new technologies
- Repeated cash calls
- Significant liabilities – debt, lease, deferred considerations, pensions
- Lumpy, irregular income
- Fashion' stocks

A variety of valuation measures are used, including Market Cap and Enterprise Value based ratios, and these are compared across the peer groups and in relation to growth profiles. For little known companies we can build our own models. For better followed companies we will use brokers' forecasts and models as our starting point, and as a means of analysing the expectations in the market. Broker research, produced by reputable analysts, is normally referred to as part of the research process, acting as a channel for information and opinion, but is never the sole determining factor of our investment decision. We always like to form our own views on company management and business quality, and will use our own industry connections to sense check an investment case.

Our investable universe is defined by companies quoted on AIM which are raising fresh capital in any given period. The timing of qualifying investments is therefore mostly dictated by investee companies, as they determine when they want to raise new money.

We have well established relationships with nearly all brokers likely to raise money for qualifying investments on AIM. This can be companies floating on AIM, as well as secondary offerings by existing AIM companies. We like secondary offerings in companies we have known for some time, where we are able to build up a holding through several investment rounds as we gain confidence in management's abilities. AIM provides a good forum for such deals. We can invest in unquoted companies, but only on the basis that an exit is likely within a short timescale, either by way of a stock market listing or a trade sale. We can also use convertible loans as an investment instrument in these situations.

# Amati AIM VCT DDQ

We aim to make qualifying investments in companies that we are happy to hold for 5 years or more. We are wary about companies of less than £15m valuation, which we regard as too small, and also those which are inadequately financed.

We target strong businesses that can grow faster than GDP by virtue of proprietary intellectual property, by taking market share, or for structural reasons. We try to avoid “me-too” companies with no clear competitive advantage, operating in markets dominated by larger rivals or with no entry barriers. We like companies with a high level of valuable intellectual property, and a proven ability to commercialise it. We like companies exposed to non-cyclical sectors, preferably with structural growth drivers. We deliberately seek to diversify a dominant exposure to the UK and sterling within the portfolio by investing in companies exposed to other economies.

We scrutinise company accounts in detail, as part of our selection process. We also look at board structures, remuneration, share ownership and other incentivisation. We like companies where the board owns material shareholdings but are wary of company boards controlled by major shareholders. We prefer share ownership to option schemes. We prefer companies to have independent non-executive chairmen, and avoid those which regard the UK Corporate Governance Code as applicable only to larger companies.

We generally like to have face to face meetings with company management teams prior to investment, but will settle for a conference call, particularly if it is a management team we already know

## How is the portfolio constructed?

All due diligence carried out by individual managers is subject to peer review, before a final buy or sell investment decision is made. Consequently portfolio construction reflects a consensus, team-based view.

VCT portfolios comprise qualifying (minimum 80% by value) and non-qualifying (maximum 20% by value) segments. We use our own systems to model sector exposures, real time stock weightings, top ten investments, liquidity exposure and market cap distribution. Our aim is that the portfolio as a whole is well-diversified and exposed to what we see as the most attractive global investment themes, with little duplication of risk within particular industries or companies.

### Qualifying Investments

Qualifying investments are selected on their specific merits. We don't like to duplicate specific company risks, so are unlikely to buy two companies doing the same thing. Weightings will take account of the risk profile of the investment (the lower the risk, the larger our weighting might be), our degree of confidence in the management team, and overall sectoral and industry exposures in the portfolio.

Maximum individual holding exposures are limited to 10%.

### Non-Qualifying Investments

The role of non-qualifying holdings is to provide diversification in terms of exposure to sectors not available within the qualifying portfolio, to improve overall liquidity, and to access higher dividend yields. The objective is to provide additional stock market exposure as required, but for this to be easily disposable to finance share buybacks or qualifying deals as necessary.

We pay attention to the macro environment, and will also wind down the non-qualifying portfolio should we wish to reduce market risk.

Non-qualifying exposure is achieved through investment in the WS Amati UK Listed Smaller Companies Fund (the “Fund”), which is one of Amati's core products alongside the VCTs, and to which we devote significant research time.

The Fund aims to achieve long term capital growth through investing in a well diversified portfolio of UK smaller companies, which is consistent with the IA UK Smaller Companies sector definition, but includes in scope all stocks beneath the index of the UK's largest companies. The portfolio is therefore spread across medium and small Capitalisation stocks on the UK's Main Market and AIM.

## How are portfolios valued?

For quoted companies, valuations are set by market prices. Unquoted holdings, including derivatives such as contingent value rights (CVR) are valued quarterly by the manager, and the valuations are reviewed by the Board. Any changes need Board approval. If a significant event occurs between quarterly valuations then the manager will make an ad-hoc recommendation to the Board.

Valuation methods follow IPEVCA guidelines, and look at a variety of appropriate valuation techniques. Convertible loans are valued weekly. This involves running a black-Scholes calculation to obtain the fair option value of the conversion rights, and forming a view for the appropriate discount rate applicable to value the loan, from which a DCF valuation is formulated.

VCT portfolio net asset values are published weekly.

## What prompts the manager to sell?

There are a number of factors influencing sell discipline within the investment process. Portfolio holdings are under constant re-appraisal in the light of market dynamics and we will adjust position sizes to maintain appropriate weightings.

Fundamental issues with a holding, including signs of poor corporate governance or where the original investment premise no longer applies, will prompt an outright sale.

Another key selling influence is competition for portfolio space, particularly at times of greater qualifying deal activity. Existing positions will be substituted when they offer a poorer risk-reward ratio than new ideas, thereby maintaining strong conviction views within the portfolio. A deteriorating sector or macro outlook will also be an environmental factor determining when to sell or reduce holdings.

# Amati AIM VCT DDQ



## List of Dividends paid since Merger (2012 merger with Victory VCT)

17 July 2012	3.13p
26 October 2012	2.50p
15 July 2013	3.50p
25 October 2013	2.75p
25 July 2014	4.00p
7 November 2014	2.75p
14 July 2015	3.50p
13 November 2015	2.75p
22 July 2016	3.50p
25 Novmeber 2016	2.75p
21 July 2017	4.25p
24 November 2017	3.25p
27 July 2018	5.25p
23 November 2018	3.50p
27 July 2019	4.00p
22 November 2019	3.50p
24 July 2020	4.25p
27 November 2020	3.50p
23 July 2021	7.00p
26 November 2021	4.50p
22 July 2022	4.50p
25 November 2022	3.50p
27 July 2023	3.50p
25 November 2023	2.50p
12 January 2024	2.50p
<b>Total</b>	<b>90.63p</b>



## 10 Largest Holdings

% OF TOTAL ASSETS

WS Amati UK Listed Smaller Companies Fund	8.1%
Keywords Studios	4.8%
AB Dynamics	4.0%
Learning Technologies	3.9%
Aurrigo International	2.7%
Craneware	2.6%
Maxcyte	2.4%
Water Intelligence	2.3%
GB Group	2.2%
Fadel Partners	2.1%



## Cumulative Performance

	Nav Return (%)*	Index Return (%)**
1 month	1.78	6.53
3 months	-2.04	4.52
6 months	-10.42	1.13
1 year	-24.71	-7.19
2 years	-44.80	-36.05
3 years	-43.76	-31.16
5 years	-7.07	-5.77
Since take-on#	94.09	20.11

Cumulative performance data as at 31/12/2023

\*NAV Total Return, uses NAV per share, net of fees, assuming dividends are re-invested on the ex-dividend date, excluding tax reliefs and up-front costs.

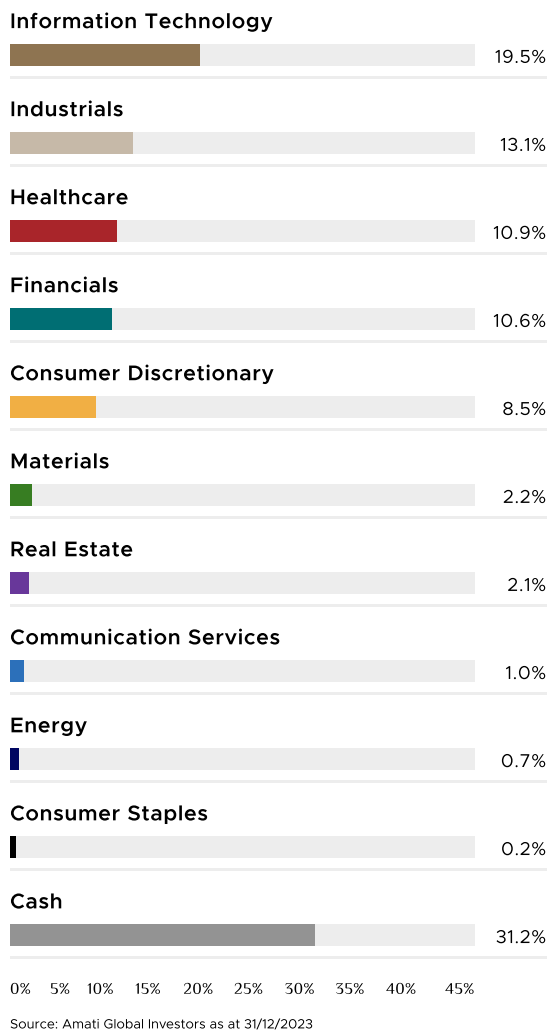
\*\*Numis Alternative Markets Total Return Index

#Take-on date: 25 March 2010

Past performance is not a reliable indicator of future performance.

# Amati AIM VCT DDQ

## Sector Weightings

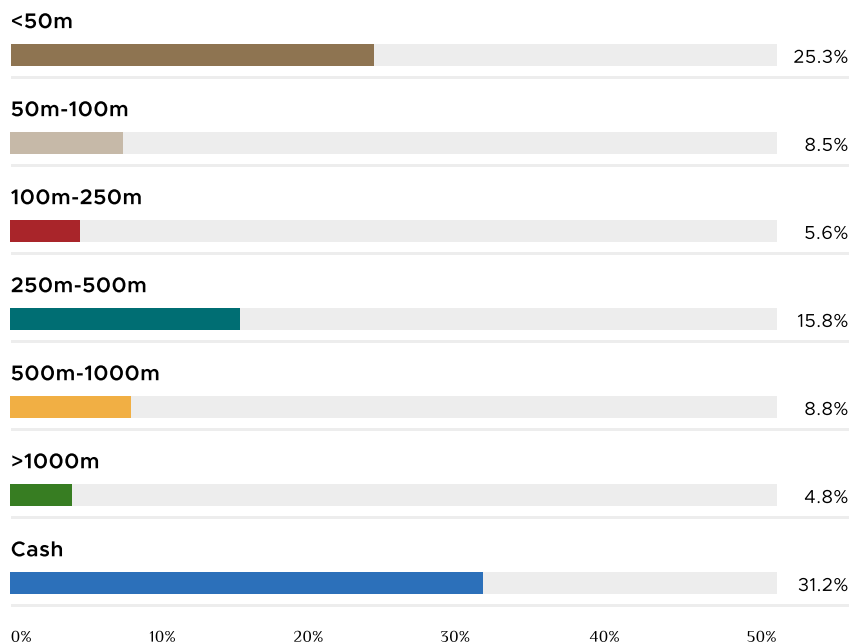


## Geographical Distribution by Revenue



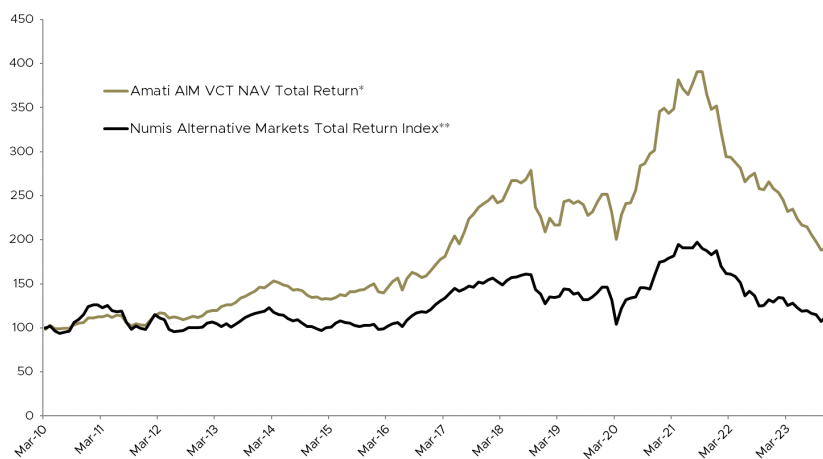
Source: Amati Global Investors as at 31/12/2023

## Market Cap (£)



## NAV Total Return vs AIM

(since take-on)



\*NAV Total Return (since take-on 25/03/2010), uses NAV per share, net of fees, assuming dividends are re-invested on the ex-dividend date, excluding tax reliefs and up-front costs.

\*\*The stocks comprising the Index are aligned with the Fund's objectives, and on that basis the Index is considered an appropriate performance comparator for the Fund. Please note that the Fund is not constrained by or managed to the Index.

Sources: Amati Global Investors Ltd, Numis Securities Ltd and Link Asset Services. Issued by Amati Global Investors Ltd, authorised and regulated by the Financial Conduct Authority. Registered in Scotland, number: SC199908. Registered address: 8 Coates Crescent, Edinburgh EH3 7AL

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# Amati AIM VCT DDQ

## Stewardship & ESG

Amati Global Investors recognises that managing investments on behalf of clients involves taking into account a wide set of responsibilities in addition to seeking to maximise financial returns for investors. Industry practice in this area has been evolving rapidly and Amati Global Investors has been an active participant in seeking to define and strengthen its principles accordingly. This involves both integrating ESG considerations into the investment managers' decision-making process as a matter of course, and also signing up to major external bodies who are leading influences in the formation of industry best practice. The consideration of ESG issues has always been implicit in our investment process, and at some level there is engagement on some aspect of ESG during almost every interaction with investee or potential investee companies.

The results of our engagement with companies varies and will depend on the amount of leverage we have in terms of our shareholding, but in any case we always try to make a difference, even if only at the margins. Importantly, we almost always engage directly with the company itself and our views are not mediated by the broker or by an institutional proxy voting advisor. We believe that our investment process should take into account the broader social and environmental impact of the companies in which we invest.

The following is an outline of the kinds of ESG considerations that the investment manager will take into account as part of the investment process:

**Environmental** - examining issues arising from supply chains, climate change and contamination. The investment manager looks for management teams who are aware of the issues and are proactive in responding to them.

**Social** - seeking to avoid unequivocal social negatives, such as profiting from addiction or forced labour and to support positive impacts which will more likely find support from customers and see rising demand.

**Governance** - examining and, where appropriate, engaging with companies on board membership, remuneration, conflicts of interest such as related party transactions, business leadership and culture.

**Human rights** - adopting and advocating a Clean Trade approach, which means avoiding companies that tacitly support the most oppressive regimes.

There are specific concerns in relation to resources companies such as environmental degradation, labour relations and oppressive regimes. Dr Paul Jourdan has very good credentials in this area and is a trustee of the Clean Trade charity. The Clean Trade principles concern the interpretation of Article 1(ii) of the International Covenant on Civil and Political Rights, which states: "All peoples, may, for their own ends freely dispose of their natural wealth and resources without prejudice to any obligation arising out of international economic co-operation, based upon the principle of mutual benefit, and international law." Clean Trade argues that where the level of freedom in a country falls below certain thresholds, then there can be no reasonable expectation of this article being satisfied.

## How are investments identified?

We are active, high-conviction investment managers and our investment process is driven by fundamental research and analysis, which we undertake in order to identify outstanding growth companies. We also seek to determine the most appropriate time in which to invest in them in terms of their risk/ reward characteristics.

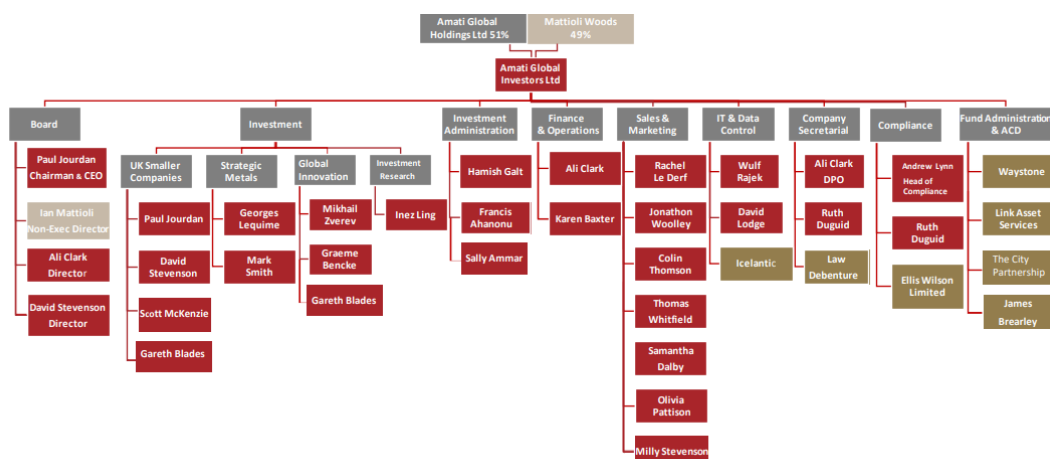
We have a team-based approach to investing, preferring collaborative and consensus views, where investment ideas are generated by the free flow of thought and where positions are constantly challenged. We avoid rigid style categories and seek out opportunities regardless of market conditions, and we do not favour one valuation technique to the exclusion of others, preferring to use all the tools at our disposal, including fundamental analysis, technical indicators and market sentiment.

We seek to diversify liquidity risk through holding stocks capitalised at £1 billion and above, alongside those which are below £250m. This allows us to benefit from the exceptional returns quite commonly given by micro-cap stocks, while ensuring that we maintain sufficient flexibility and liquidity in the event of a market sell-off. While we construct our portfolios from the bottom-up, we are also aware of macroeconomic and sectoral factors, and we believe that this, combined with our disciplined approach to risk, delivers a distinctive approach to investment management and compelling client investment proposition.

Dr Paul Jourdan offers an insight into Amati's approach on ESG. To view please [click here](#).

To read our statement on [Stewardship and ESG](#) please visit our website.

## Amati Organisational Chart



# Amati AIM VCT DDQ

## Other funds the management are responsible for

WS Amati Strategic Metals Fund	£65.1m
Amati AIM IHT Portfolio Service	£58.3m
WS Amati UK Listed Smaller Companies Fund	£470.2m
WS Amati Strategic Innovation Fund	£6.8m

Source: Amati Global Investors as at 31/12/2023

## Ratings, Awards & Signatories



To view all fund awards, please [click here](#)