

# WS Amati UK Listed Smaller Companies Fund DDQ

June 2024

## Risk Warning

The value of your investment is not guaranteed and may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the markets in which the Fund invests. As a result of the initial charge, should you sell after a short period, you may not get back the amount invested, irrespective of market movements. You should regard your investments as long-term. A dilution levy may be applied to the share price whenever the Fund is expanding or contracting. Should you buy when the Fund is expanding and sell when the Fund is contracting, this will have an adverse impact on the return from your investments. Full details of the WS Amati UK Listed Smaller Companies Fund, including costs and risk warnings, are published in the Prospectus of the WS Amati Investment Funds. This factsheet does not provide you with all the facts that you need to make an informed decision about investing in the Fund. You need to read the Key Investor Information Document (KIID) and associated fund documentation and decide whether to contact an authorised intermediary. If you do not have this documentation, please contact Waystone Management (UK) Limited on 0345 922 0044 or view it [here](#). Tax rates, as well as the treatment of OEICs, could change at any time.

Smaller Companies - 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.

## Fund Objective

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.

## Investment Approach

Amati recognises a need for 'through the cycle investing', and seeks for this to be, as much as possible, a fund for all seasons. Our focus is on quality growing business models, sustainable revenues and margins and strong balance sheets. We adjust the positioning of the portfolio over time to keep a focus on the best investment propositions we can find, taking into account the underlying macro-economic and political risks and industry trends present, as well as the specific circumstances of individual companies. The aim is to produce a savings vehicle providing actively managed exposure to this dynamic segment of the stock market, which has proven itself capable of delivering superior long-term returns in the past (based on the data from the Numis Smaller Companies Index study published once a year by Scott Evans and Paul Marsh), whilst targeting lower than average volatility compared to our peer group of funds.

## Investment Team



Dr Paul Jourdan  
Fund Manager



David Stevenson  
Fund Manager



Scott McKenzie  
Fund Manager



Dr Gareth Blades  
Analyst

## Fund Details

Type of Scheme	UK UCITS
ACD	Waystone Management (UK) Ltd
Depository	The Bank of New York Mellon (International) Ltd
Auditors	Cooper Parry
Website Address	<a href="http://www.amatiglobal.com">www.amatiglobal.com</a>
Benchmark Index	Numis Smaller Companies Index (plus AIM, ex Investment Cos, Total Return)
SEDOL Code	B2NG4R3
ISIN Code	GB00B2NG4R39
Sector	IA UK Smaller Companies
ISAable Fund	Yes
Currency Class	GBP
Minimum Investment	£1000
Regular Savings	£50 pm
Initial Charge	0%
Dealing Time and Basis	Daily at 12:00pm
Ongoing Charges Figure	B Class- 0.90% (inc annual management charge of 0.75% and research charge of up to 0.10%)

## Key Data

Fund Size	£401m
Share price	1,196.69p
Number of Holdings	58
Median market cap	£462m
Weighted average market cap	£850m
Market Cap range of portfolio	£14m - £3999m
Turnover (Buys & Sells)	20.6%
Total AUM	£652m

Source: Amati Global Investors as at 30/06/2024

## Platforms

The WS Amati UK Listed Smaller Companies fund is available on the majority of platforms. If your chosen platform does not currently hold the fund, please contact the relevant platform manager and ask that they contact us on 0131 503 9115 or email us on: [info@amatiglobal.com](mailto:info@amatiglobal.com)

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## What resources are available to the manager?

Over many years Amati has developed its own browser-based research system: Amati Connex. Notes of every phone conversation and meeting we have with companies, brokers and advisers are logged in this system alongside research. The result is that we have all information and analysis on the universe of companies that we follow logged in one system, from where it can be retrieved expediently.

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; 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 TR1 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

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 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. We scrutinise company accounts in detail, particularly

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cashflow and accounting policies, as part of our selection process. We look for companies that can consistently generate high returns on cash invested. We look for companies that are financed appropriately for the nature, maturity and cyclicity of their business. We also look at board structures, remuneration, share ownership and incentivisation. 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.

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 financial 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 view on company management and business quality, and to use our own industry connections to sense check an investment case.

## 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.

The process we adopt is distinctive in relation to our handling of liquidity risk and our combining of bottom up stock research with overall market views.

We treat liquidity as a distinct category of risk, which we seek to diversify through holding stocks capitalised above £1 billion alongside those below £250m. This allows us to benefit from the exceptional returns quite commonly given by smaller stocks, while ensuring that we maintain sufficient flexibility and liquidity in the advent of the market taking a downturn.

As our portfolios are constructed with a bottom-up approach, we expect the majority of our value-added performance to come from stock selection. Subject to the limitations imposed by our portfolio construction parameters, the sector allocation is largely a residual of our underlying stock selection process.

We use our industry knowledge gained from company meetings, and our own analysis of market behaviour to form views as to how the fund should be strategically positioned, and which types of risk to favour in our stock selection. The aim here is to keep the fund well positioned for whatever the prevailing market environment is, and to allow sustainable performance.

Initial holdings are typically introduced at a 1-2% weighting, expandable to 4% subject to liquidity, and to allow for cost averaging. Maximum exposures are limited to 5%. Normally the portfolio is limited to around 70 holdings.

## What prompts the manager to sell?

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.

# WS Amati UK Listed Smaller Companies Fund DDQ



## Cumulative Performance

(B CLASS)#

	Fund Return #(% )	Benchmark Return (%)	Avg Sector ##(% )	Q'tile Rank
1 month	-4.55	-3.16	-1.73	4
3 months	7.69	5.04	7.36	2
6 months	7.32	4.19	8.91	3
1 year	7.71	9.96	8.91	4
3 years	-27.48	-13.47	-16.04	4
5 years	3.96	17.65	20.10	4
10 years	119.09	54.60	85.64	1
Since take-on*	708.74	255.95	364.18	1

Cumulative performance data as at 30/06/2024

#Total return, after all charges, net of UK tax.

##IA UK Smaller Cos Sector Total Return.

\*Since take-on 31/08/2000

Past performance is not a reliable indicator of future performance.



## Geographical Distribution by Revenue



United Kingdom	65.2%
Europe (ex UK)	12.9%
North America	12.9%
Rest of the World	9.0%

Source: Amati Global Investors as at 30/06/2024



## Performance vs Benchmark

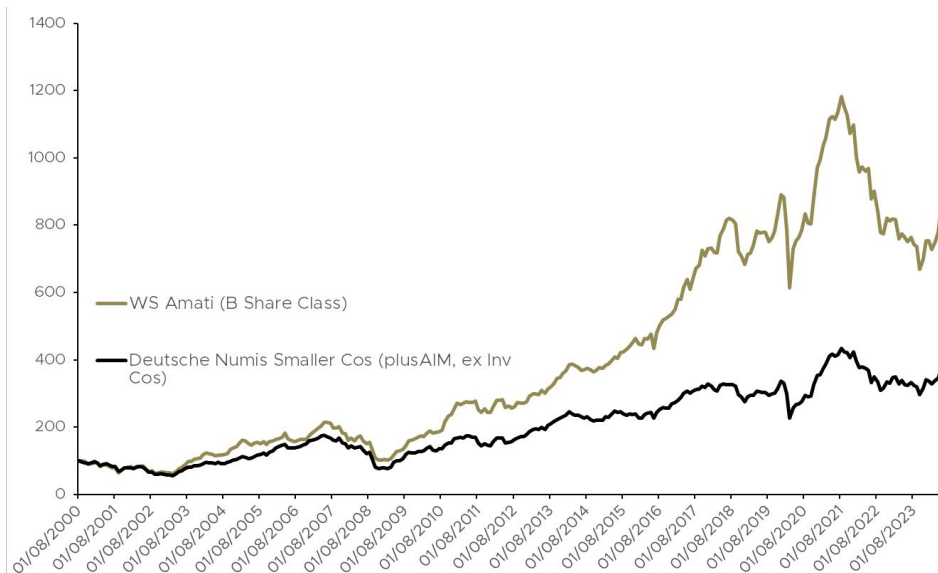
\*WS Amati UK Listed Smaller Companies Fund, Total Return, since Paul Jourdan take-on of predecessor fund (31 August 2000). See Key Investor Information Document p.2.

\*\*Numis Smaller Companies Index (plus AIM, excluding Investment Companies), Total Return. 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.

##The Investment Association's UK Smaller Companies sector return gives investors an indication of how the Fund is performing compared with others investing in a similar, but not identical, investment universe. Sources: Waystone Management UK Limited, Financial Express Analytics and Numis Securities. Information in this factsheet is at the last valuation point of the month, except where indicated.

\*WS Amati UK Listed Smaller Companies Fund, Total Return, since Paul Jourdan take-on of predecessor fund (31 August 2000). See Key Investor Information Document p.2.

Past performance is not a reliable indicator of future performance.



Source: Amati Global Investors as at 30/06/2024

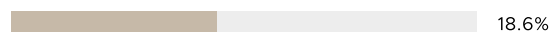


## Sector Weightings

### Financials



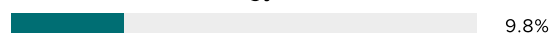
### Industrials



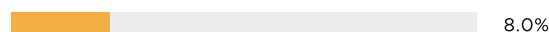
### Consumer Discretionary



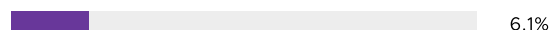
### Information Technology



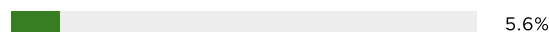
### Real Estate



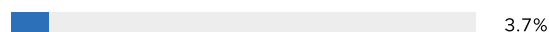
### Communication Services



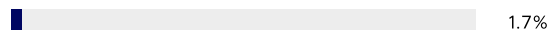
### Healthcare



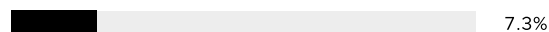
### Materials



### Energy



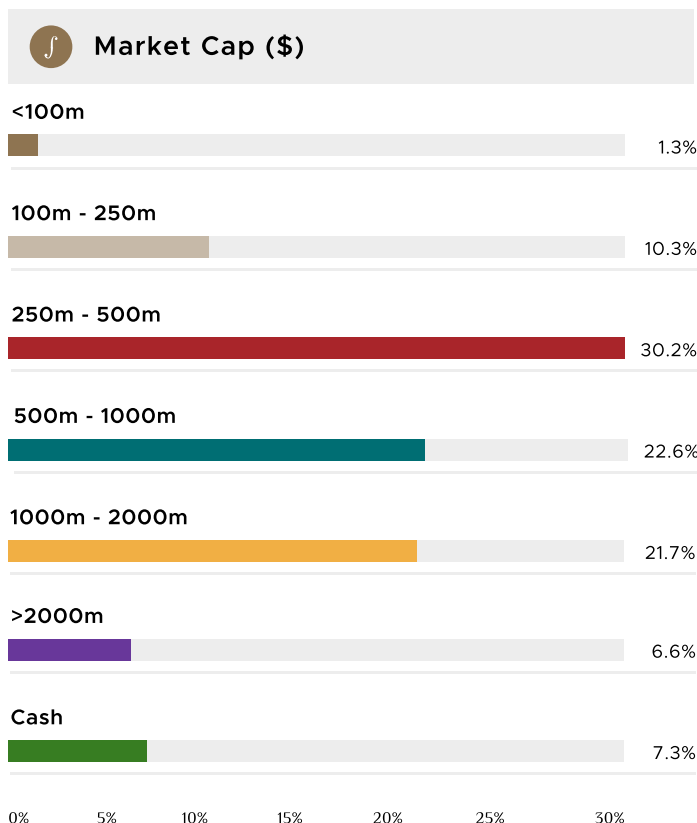
### Cash




0% 5% 10% 15% 20% 25% 30% 35% 40% 45%

Source: Amati Global Investors as at 30/06/2024

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Source: Amati Global Investors as at 30/06/2024

 **10 Largest Holdings** % OF TOTAL ASSETS

<b>Qinetiq Group</b>	4.2%
<b>Alpha Group</b>	3.5%
<b>Pollen Street</b>	3.0%
<b>Gamma Communications</b>	2.9%
<b>Great Portland Estates</b>	2.9%
<b>Trainline Plc</b>	2.7%
<b>Accesso Technology</b>	2.6%
<b>Volox Plc</b>	2.5%
<b>Polar Capital</b>	2.4%
<b>Vistry Group</b>	2.4%

Source: Amati Global Investors as at 30/06/2024

## What is our Investment Philosophy?

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 Shareholder Engagement, please visit our [website](#).

## Other funds the management are responsible for

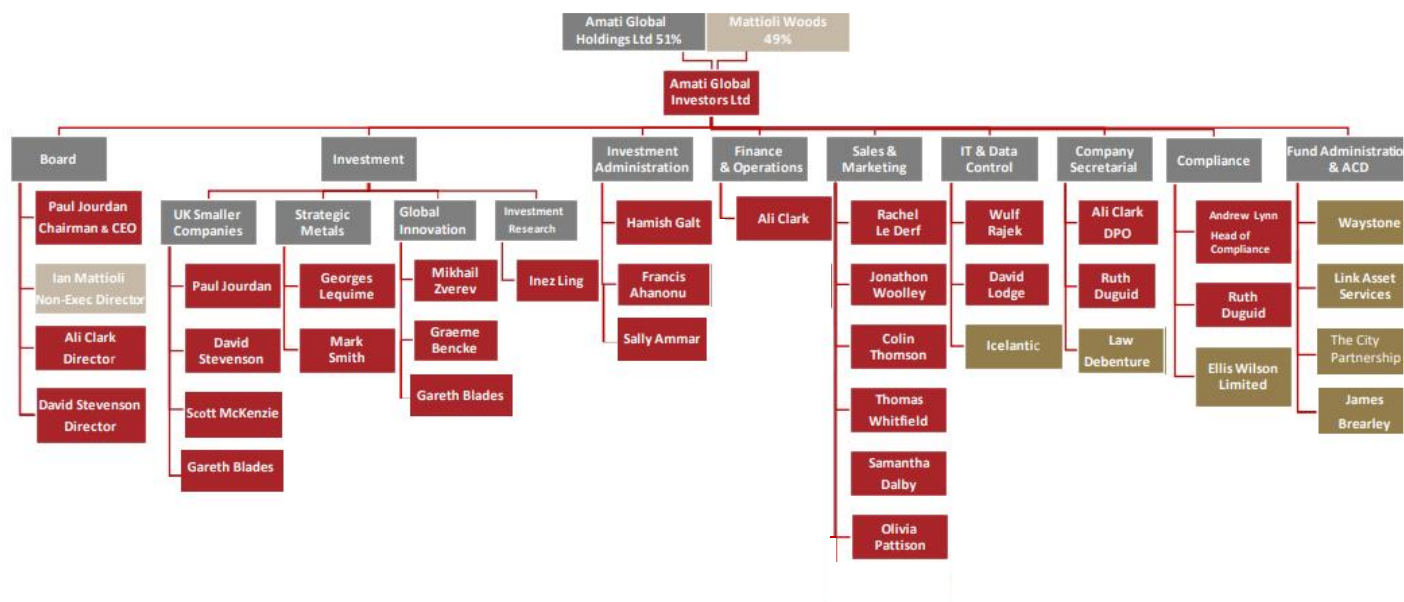
<b>WS Amati Strategic Metals Fund</b>	£64m
<b>Amati AIM VCT</b>	£131m
<b>Amati AIM IHT Portfolio Service</b>	£58m
<b>WS Amati Global Innovation Fund</b>	£10m

Source: Amati Global Investors as at 30/06/2024



# WS Amati UK Listed Smaller Companies Fund DDQ

## Amati Organisational Chart



## Investment Team



Dr Paul Jourdan  
Fund Manager

Dr Paul Jourdan co-founded Amati Global Investors in January 2010. His career began in 1998 with Stewart Ivory, where he gained experience in UK and global equities. Stewart Ivory was taken over by First State and Paul was subsequently appointed Head of UK Equities. He moved to Noble Fund managers in 2007, becoming Head of Equities. Paul previously worked as a professional violinist, including a four-year period with the City of Birmingham Symphony Orchestra.



David Stevenson  
Fund Manager

David Stevenson joined Amati in 2012. He previously co-founded investment boutique Cartesian Capital, which managed a range of retail and institutional UK equity funds. Prior to that, he was Assistant Director at SVM. David started his career at KPMG where he qualified as a Chartered Accountant, before working in private equity with Bank of Scotland subsidiary, Dunedin Fund Managers.



Scott McKenzie  
Fund Manager

Scott McKenzie joined Amati in April 2021. His career began in Glasgow at Britannia IM before he moved to London with Aviva Investors in 1999. He returned to Scotland in 2005, joining Martin Currie where he remained until 2009. After a period running his own private businesses, he joined Saracen Fund Managers in 2014, where he launched the TB Saracen UK Income fund and became manager of the TB Saracen UK Alpha fund.



Dr Gareth Blades  
Analyst

Dr Gareth Blades joined Amati in 2019 as an Analyst supporting the fund management team. Previously he worked as an independent consultant supporting life science companies in their operational and strategic decision making. In 2016 he worked on building spin-out companies for the College of Medicine and Veterinary Medicine at the University of Edinburgh. Prior to that Gareth worked in healthcare corporate finance at PharmaVentures in Oxford.

# WS Amati UK Listed Smaller Companies Fund DDQ

## Sales Contacts

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

### Rachel Le Derf

Head of Sales & Marketing

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07979601223

### Jonathan Woolley

Sales Director

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07818203013

### Colin Thomson

Head of Intermediary Distribution

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07884026517

### Thomas Whitfield

Sales Director

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