AMATI GLOBAL INVESTORS

Newsletter

Spring 2025: Issue 29

Amati in the Press.....

James Crux, from one of the leading B2C retail platforms and magazines, SHARES Magazine, AJ Bell's direct-to-investor publication, featured Georges Lequime & Mark Smith of the WS Amati Strategic Metals Fund. They have written an article spotlighting managers with practical experience within the sector they are investing in. 'Hands-on experience' or Boots on the ground!

Fund Managers with hands-on experience, please **click here** to read the full article

Opinion Pieces / Videos / Podcasts

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

- Vox Markets – Outlook for 2025 with Dr Paul Jourdan
- A Stealth Gold Bull Market Vlog
- A Look at Global Innovation (Active vs Passive)

Upcoming Event

Complementary Boutiques Spring Event

Tuesday 20 May 2025 in Edinburgh

(for financial intermediaries only)

We would like to invite you to join Amati Global Investors, Oldfield Partners and J Stern & Co for what will be an interesting set of presentations from three very different yet complementary propositions.

Please **click here** for the invitation which has all details enclosed.

Amati Insights

Please click below to tune into some of the more recent topics of discussion from the Amati teams:

- Trump Tariff Terror
- The robots are coming....and revolutionising logistics
- Global Industrials & Defence

Should you wish to join the distribution list for these fortnightly discussions, please contact: info@amatiglobal.com

AMATI GLOBAL INVESTORS

Change of VCT Investment Manager from 1 May 2025

Amati AIM VCT plc

Message from Dr Paul Jourdan

"It is with regret and sadness that I have to report that Amati will no longer be the manager of Amati AIM VCT ("the VCT") from the end of April, having agreed with the Board of the VCT to an early termination of Amati's management contract. As a result, from 1st May, the VCT will be managed by Maven Capital Partners and the name will change in due course, as announced by the VCT's Board on 16th April. At the same time, the Board announced a further special dividend of 10p per share which will be paid to shareholders on the register on 2nd May, returning cash to shareholders which came in from the recent takeovers of Learning Technologies, Intelligent Ultrasound and Equals.

From May onwards we will change the VCT's section of our website to redirect to the pages that Maven will create for it. Details of the forthcoming AGM and a vote on a widening of the investment policy will be sent to shareholders separately by the VCT Board.

Speaking personally, it is just over 20 years since I was involved in starting an AIM VCT at First State Investments, and I know some of our current shareholders first invested in the VCT all the way back then. I am profoundly grateful for the trust that you, our investors, have put in Amati to manage the VCT over the years. I will greatly miss being involved in helping the companies in the VCT's portfolio to achieve their growth ambitions and hope that some will mature to the point when we can consider them for Amati's UK Listed Smaller Companies Fund in the not too distant future."

Future Communications

If you would like to continue to receive communications from us about funds managed by Amati and other matters of interest to our investors, please email info@amatiglobal.com and we'll ensure you continue to receive correspondence from us.

Please find the various announcements by the VCT Board relating to the Strategic Review and the appointment of Maven Capital Partners for reference:

- 14 March 2024 Strategic Review
- 9 May 2024 Strategic Review and Special Dividend
- 3 September 2024 Update on Strategic Review
- 2 December 2024 Conclusion of Strategic Review & Change of Manager
- 16 April 2025 Update on Change of Investment Manager

AMATI GLOBAL INVESTORS

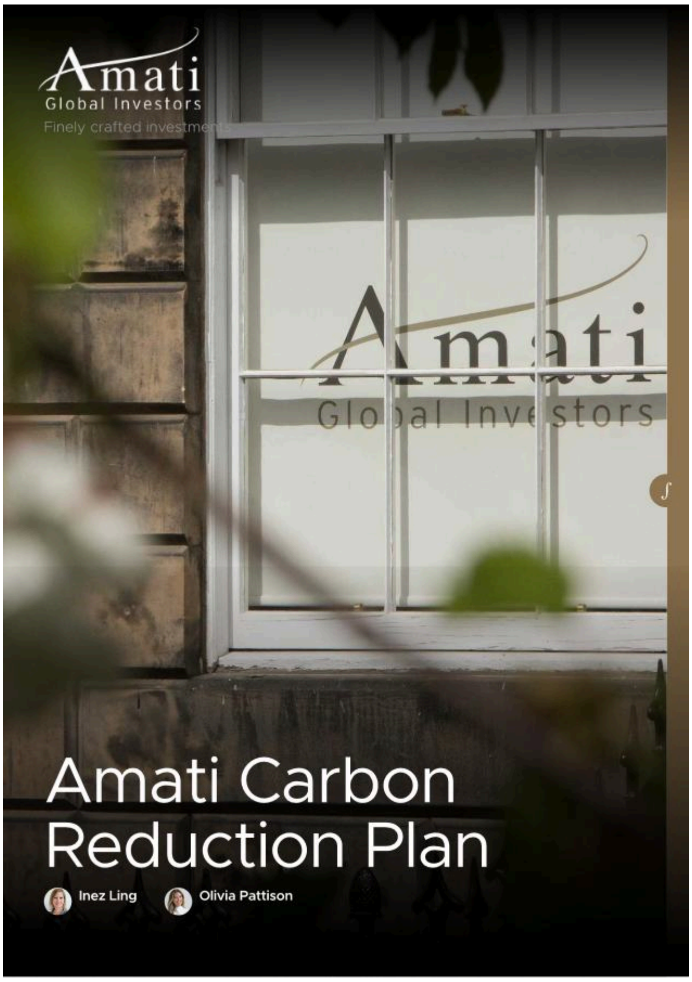
Amati Staff News: David Stevenson

It is with both joy and a touch of sadness that we announce the retirement of David Stevenson, Director and Fund Manager, after 13 years at Amati. David has been an invaluable member of the UK Equities team where he has co-managed the WS Amati UK Listed Smaller Companies Fund and the Amati AIM VCT since 2012, and the Amati AIM IHT Portfolio Service since 2014. We are pleased that David will continue to contribute to the business in his role as non exec Director, as he steps back from day-to-day fund management.

David's career spans from co-founding the 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 with KPMG where he qualified as a Chartered Accountant, before working in private equity with Bank of Scotland subsidiary, Dunedin Fund Managers.

From all of us at Amati, we extend our heartfelt thanks and warmest wishes to David as he enters this new chapter. We hope he enjoys a well-earned retirement—you will be greatly missed !

Carbon Reduction Plan



Amati Global Investors are pleased to announce we have developed a carbon reduction plan, with a view to reducing our carbon footprint as a business and to align with the Scottish Government's net zero target. This plan was prepared with the valuable support and assistance of the Edinburgh Climate Change Institute and the Edinburgh Chamber of Commerce through the Climate Springboard Programme.

This report outlines our approach to defining the company's boundaries, specifying which emissions are included in our assessment, and explaining the rationale for excluding certain emissions at this stage of our carbon reduction journey.

To read our progress to date in the full report, please **click here**

WS Amati UK Listed Smaller Companies Fund
AMATI AIM IHT

Times are Changing
the opportunity offered by UK Smaller companies

Written by
Jonathan Woolley, Sales Director

Over the past few years, U.S. markets have consistently outperformed those in the UK and Europe, and 2024 was no exception, confirming the ongoing economic dislocations and growth differentials between the major blocs.

Tariff war and capital flows...

However, in recent weeks Trump's so-called "reciprocal" tariffs, based on the absurd idea that trade deficits are a tax on the US, have intervened in the global economy and caused a level of disarray in stock markets not seen since the pandemic. With such wild cards being played, it is not possible to predict how this unfolds, but it is not far-fetched to suggest that some of the vast amount of capital that has flowed into the US from other countries, including the UK, in recent years, may start to want to flow out again.

UK smaller companies less impacted by tariffs...

Not only do UK equities offer fantastic value globally, particularly in the smaller companies' space, but it's possible to find companies that are more domestically orientated, with limited exposure to the US economy, perhaps less reliant on global supply chains and therefore less impacted by tariffs. Also, so far, the UK has been less impacted by tariffs versus say emerging markets and even Europe.

Valuations extremely attractive....

The valuations of UK smaller companies are extremely low and we're already of the opinion that that makes many UK listed companies vulnerable to ongoing takeover approaches, with bid activity likely to escalate even further as we progress through 2025, along with record levels of share buybacks. However, the latest tariff escalation potentially provides a further reason to look more closely at the asset class, as capital inflow would be very beneficial for valuations.

Amati UK Listed Smaller Companies Fund

The fund provides a focused (c. 50 holdings currently) yet liquid exposure to the UK smaller companies asset class, with a team approach that researches all sectors with a view to finding the best quality growth companies. In these uncertain times we believe that quality metrics will be desirable attributes for investors as well as our exposure to gold miners.

The Fund owns many companies with strong balance sheets, low valuations and positive long term growth prospects, and we believe we have a portfolio with significant upside potential. Therefore, the challenge currently within the asset class is one of confidence/ liquidity, rather than valuation or lack of opportunity. We believe that today's buyers will be richly rewarded at some point and that perhaps the current tariff wars may be a contributing catalyst for a recovery in UK equities.

WS AMATI STRATEGIC METALS FUND

Greatland Gold

Written by
Mark Smith

Greatland Gold (GGPL.L) is a leading new Australian gold and copper producer

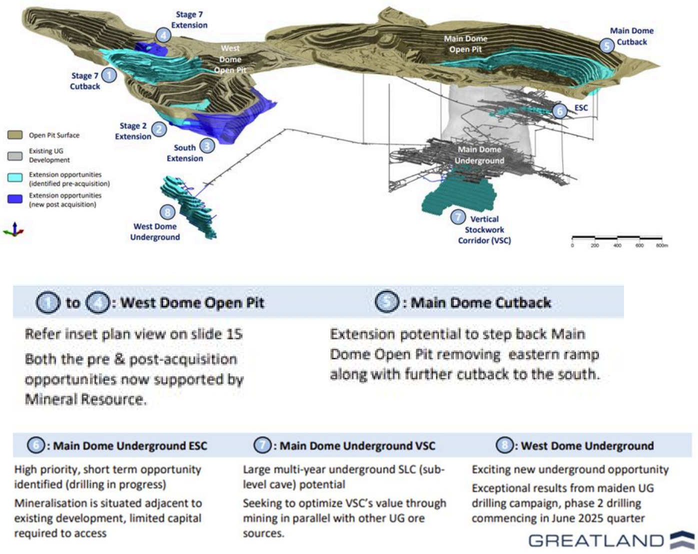
We added Greatland Gold to the WS Amati Strategic Metals Fund in May 2024 and have gained 74% return on the investment. We limited the weighting to 4%, taking profits as the share price rose in order to retain the target weighting.

Greatland's assets include the 100% owned Telfer gold-copper mine operations, one of Australia's largest gold-copper mining complexes with significant established processing and infrastructure; and the 100% owned Havieron development project, a high-grade world-class gold-copper deposit, located 45km west of Telfer that will utilise the existing Telfer infrastructure to process Havieron ore.

Greatland acquired 100% ownership of Telfer from Newmont Corporation on 4 December 2024 for US$450m. The mining complex had a mining inventory to support an initial 15 month mine plan producing 374Koz Au and 13kt Cu. The free cash flow from this production will largely offset the purchase price. A simple investment opportunity as the mine infrastructure and exploration potential came for free.

In March 2025, Greatland announced an update on the Telfer resource, which increased from 600koz to 3.2Moz Au while focusing just on active mining areas. Considering the mine plan had just 15 months / 374koz Au and 10kt Cu left, we think there's scope for significant mine life additions here. Given that Greatland have only owned the asset for ~15 weeks (since the hand over), we expect the initial reserve update (guided for the June 2025 quarter) to grow over time. This resource expansion should translate into at least 1.5 years of extra production.

In terms of the near term mine life, we expect the reserve update to focus on the stage 7 cutback and stage 2 extension shown below (figure 1), both moderate to low strip. Beyond this we see potential for further open pit extensions, as much of the ounces fall outside these areas. The Main Dome Underground/ VSC additions focused on the M and A reefs with potential for further additions from the Main VSC and West Dome Deeps (recent drilling averaged 25m @ 3.0g/t Au and 1.2% Cu in a high-grade zone along the fold hinge over 700m of strike), and the Main Dome open pit. Thus, we see potential for mine life additions, both from today's 3.2Moz resource, as well as future resource additions outside current active mining areas.



Source: Greatland Gold

Havieron

Havieron is a high-grade underground gold-copper deposit 45km to the east of Telfer and 485km southeast of Port Hedland. In 2024, Greatland acquired Newmont's 70% joint venture interest in Havieron to consolidate 100% ownership of the project, as well as 100% ownership of the nearby Telfer mine and infrastructure where Havieron ore is intended to be processed.

Havieron Mineral Resource estimate comprises 131Mt @ 1.7g/t Au and 0.21% Cu, for a total of 7Moz of gold and 275kt of copper or 8.4Moz

AuEq. The Mineral Resource averages more than 9,150 gold equivalent ounces per vertical metre through the top 300 metres of the ore body, and more than 7,900 gold equivalent ounces through the top 1,000 metres.

In September 2024, Greatland published an independently reviewed 'base case' development and mine plan for Havieron, with a 2.8Mtpa mining operation to produce an average 258koz gold equivalent per annum at lowest quartile costs in steady state, utilising the Telfer processing infrastructure, with a 20-year total mine life commencing in 2027. Greatland is currently completing a feasibility study for the completion of Havieron's development, targeted to be completed in 2025, which will refine the base case and assess optimisation opportunities, including potential expansion of Havieron mining rates utilising a bulk ore handling solution.

Why we like Greatland Gold:

- No additional dilution with Telfer FCF and existing debt facilities funding build
- Havieron 2.4Moz @ 3.0g/t AuEq high-grade reserve could lift to 9Moz SCPe on infill and roots
- Reserve increases at Havieron could support elevated 6-9Mtpa for long-life Tier 1 asset
- Existing Telfer mill and infrastructure offers production without (plant) build risk
- Management track record at Northern Star / Fortescue streamlines execution and brings expertise in scaling operations

Catalysts:

- CY 2Q25: Telfer reserve update and operating updates
- CY 2025-27: Telfer extension opportunities assessment
- CY 4Q25: Havieron FS
- LCY 2026: Havieron first ore
- CY 2027: Havieron first gold

3.5% of Greatland Gold is held in Amati Strategic Metals Fund and 3.7% in Amati UK Listed Smaller Companies Fund (as at 28 April 2025)

WS AMATI GLOBAL INNOVATION FUND

Electrification by Stealth: surviving the "EV Winter"

Written by
Graeme Bencke

"EV Winter"

Electric vehicles (EVs) have received a lot of bad press lately. Once one of the most popular investment themes in the market, EVs are now widely perceived to be both cyclically and structurally challenged.

President Trump had targeted $7.5 thousand US EV credits in his rhetoric and talked about removing funding for EV charging stations. Details are still to be determined but the mood music remained hostile. In the UK and Europe there are calls for diluting net zero commitments, including zero emission vehicles quotas.

The auto industry is slow to respond (production planning and model cycles take many years to change) but we have seen signs of de-commitment: for example, in the US Ford delayed their launch of new EV models and investment in EV manufacturing capacity. Its CEO publicly expressed regret in the excessive pace of their EV investment during the previous few years. Some industry executives have even called EV investments "the biggest capital misallocation" in living memory.

Even Tesla, which has been a category leader, saw a decline in deliveries – down 13% year on year in Q1 2025, after a lacklustre 2024.

China remained a bright spot, with EVs comprising over 40% of all vehicles sold in the country. Indeed, China largely drove the global EV penetration statistics to just over 20%, while the US and Europe were weak even before the likely impact of regulatory changes and trade tariffs.

No wonder the industry is talking about an "EV Winter".

Technological progress continues

No technological change ever occurs in a straight line. It often follows a hype-reality curve, which has initial peaks of enthusiasm, followed by the subsequent troughs of disillusionment. The underlying picture is a lot more nuanced and suggests the long-term opportunity to electrify transport is still intact and in fact is progressing at pace, even if obscured by the negative headlines. This is what we refer to as "electrification by stealth".

The first point to make is that EV technology continues to progress. Often cited obstacles to broader adoption of battery electric vehicles are battery cost, range anxiety and charging time. In Spring 2024 CATL, the leading Chinese battery maker, demonstrated its Shenxing Plus battery, which has a range of 1000km and a charging time to 600km of only 10 minutes. We have not yet seen EVs incorporating this technology, but it appears to offer significant improvements. The company uses a subtly different chemistry, known as LFP, which avoids some of the more expensive battery materials that push the EV prices higher. Since then, we have also seen BYD, the Chinese carmaker, launching EV models with charging times of only 5 minutes.

China leads the world in battery manufacturing, with its two leading giants, CATL and BYD, accounting for 55% of the global market share in 2024. That said, in our conversations with the industry it looks like this leadership is not due to some unique and irreplicable technological breakthroughs – it is a consequence of investments at scale, policy decisions and the size of the domestic market demand. These advances will proliferate throughout EV markets globally and will benefit multiple OEMs (Original Equipment Manufacturers) and EV buyers over time. The same Ford which delayed some of their EV initiatives, has hired an illustrious team of EV designers, some with Tesla backgrounds, to work on its next generation EV platforms. Global auto makers are not changing their mind about the long-term future – it remains electric.

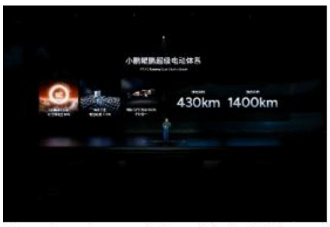
Many shades of electrification

Electrification is not binary, with the extremes of either internal combustion or pure battery electric options.

Hybrids are a part of the electrification continuum. Plug-in hybrid electric vehicles were 7.4% of total global vehicle sales in 2024, about a third of the combined 20.1% global EV penetration number. That share has increased significantly from 4.9% in 2023. If China is a guide to how the EV market will develop, hybrids will continue to grow – they amounted to about 19% of all vehicles sold in China last year.

One success story in the China hybrid market is the "extended range hybrid electric vehicle", or EREV. This is a vehicle architecture in which an electric car with a smaller battery is supplemented with a petrol-powered generator, that tops up the battery charge. This way the battery can be smaller than otherwise would have been the case (saving costs), and the range will be longer than without the extra generator. The generator of course comes at an additional cost, but since it never really drives the car, it can run on the most optimal RPM (Revolutions Per Minute) speed, maximising efficiency and avoiding the need for expensive drive train components.

EREVs already on the market demonstrate the benefit of this approach. XPeng, another Chinese car maker, has launched an EREV system that has a total range of 1,400km, of which 430m are battery powered. Talk about range anxiety – 1,400 is better than internal combustion vehicles are capable of, and even longer range EREVs have already been announced.



XPeng launch presentation of their EREV system. Source: XPeng

Dodge Ramcharger 1500 EREV. Source: Stellantis

Again, despite this vehicle architecture originating from China, EREVs will proliferate across the world. Stellantis (the parent company of Fiat, Peugeot Citroen and Chrysler groups) is launching an EREV pick-up truck, Dodge Ramcharger 1500, in Spring 2025. It uses the benefits of EREV to combine torque, range and towing capacity, which could not have been achieved by pure battery electric vehicles before.

Crab walks and tank turns

Electrification of separate vehicle systems such as braking or power steering is another growth driver. The schematic below shows how braking and power steering is moving from hydraulic to electric power, decoupling from the internal combustion engine, and eventually converging into a "corner module", a unit that combines a traction motor, steering and breaking in one wheel assembly.

Braking and steering systems and corner module. Source: Allegro Microsystems

Hyundai vehicle demonstrating "crab walk" manoeuvre. Source: Hyundai Mobis

This technology change, which is already underway, is leading to tangible improvements in how cars function, enabling them to "tank turn", or spin on the spot, or "crab-walk" sideways into a parking place. Doing away with parking place. Doing away with the dreaded parallel parking or 3-point turn may become an even more compelling reason to upgrade to an electric car, over and above the quietness and acceleration which appeals to EV owners today.

Implications for the supply chain

Electrification of vehicles has profound implications for the supply chain, and a number of specialist components are enabling this technology transition. EVs and hybrids have increased connectivity, requiring specialist connectors, that can reliably work in the harsh environments that the vehicle has to cope with. Managing high voltages of electric drive train requires power semiconductors and passive electronic components with performance and ruggedness far above those required for consumer electronics, for example. Specialist sensors are needed to both measure the currents inside the EV circuitry and to sense the speed and positioning of various moving parts. The attraction of these Enabler business models is that investors do not have to bet on a winning EV brand – these companies benefit whether it's Tesla, Volkswagen or BYD that succeeds in the market. The content per vehicle growth is another factor – EVs sometimes contain multiples of these components compared to traditional cars, driving growth even if overall auto market volumes remain flat. The Amati Global Innovation Fund holds Amphenol (US, connectors), Allegro Microsystems (US, sensors), Infineon Technologies (Germany, power semiconductors and controllers) and Yageo (Taiwan, passive components), which are all positioned to benefit from the ongoing electrification of the global auto sector, even through the "EV Winter".

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Should you have any comments, questions or feedback on any of the topics covered, please don't hesitate to contact our investor line on 0131 503 9115 or email info@amatiglobal.com - we would love to hear from you!

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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