

Newsletter

Autumn 2026: Issue 30

Amati
Global Investors
Finely crafted investments



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Autumn Update

Welcome back after the summer break. We hope you had an enjoyable and restorative few months. As we move into autumn, this edition brings together fresh perspectives from across our investment teams. We spotlight Skeena Gold & Silver from the **WS Amati Strategic Metals Fund**, examine the UK energy market crisis through two holdings in the **WS Amati UK Listed Smaller Companies Fund**, Yu Group and Serica Energy, and share the **WS Amati Global Innovation Fund** team's insights into Physical AI. We also provide details of our forthcoming **Strategic Metals event in London** and introduce the **newest members of the Amati team**:

- **Skeena Gold & Silver:** Georges Lequime of the WS Amati Strategic Metals Fund examines the company's progress and long-term potential;
- **Physical AI:** Mikhail Zverev and Graeme Bencke of the WS Amati Global Innovation Fund discuss the foundational fabric for Physical AI;

- Paul Jourdan of the WS Amati UK Listed Smaller Companies Fund examines the **UK energy market crisis** through two holdings in the fund. Top 10 holdings **Yu Group** and **Serica Energy**;
- Our forthcoming London event on 14 October, **The Mining Supercycle: Structural Tailwinds and Enduring Growth Opportunities for Investors**, featuring Helen Amos of BMO Capital Partners and Georges Lequime and Mark Smith of the Amati Strategic Metals Fund;
- An introduction to three new members of the Amati team: **Jack Fairbairn, Mark Ingram and Gavin White**.

If you have any questions or comments, we would love to hear from you. We appreciate and welcome feedback and suggestions on how we can improve our communications or provide content that is of most interest to you.

Please email your thoughts to:
info@amatiglobal.com.



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Upcoming Event

The Mining Supercycle: Structural Tailwinds and Enduring Growth Opportunities for Investors

When: Wednesday 14 October 2026

Venue: Vintry & Mercer, 20 Garlick Hill, London EC4V 2AU

Timing: 8.00am: arrival for breakfast, 8.30am: presentations, Q&A and networking, 10.00am: Close

RSVP: info@amatiglobal.com to secure your place (available on a first come first served basis).

(for Financial Intermediaries only)

Join us to celebrate the fifth anniversary of the Amati Strategic Metals Fund. We are delighted to welcome Helen Amos, Managing Director and Commodities Analyst at BMO Capital Markets, who will share her perspective on where we are in the commodities cycle, the global macro backdrop and the outlook for key commodities. The Amati Fund Managers will then reflect on the Fund's journey over the past five years and discuss the opportunities they see ahead in the strategic metals sector.



Helen Amos
BMO Capital Partners



Georges Lequime
Amati Strategic Metals Fund



Mark Smith
Amati Strategic Metals Fund

Our Stewardship Activities in 2026

So far in 2026, Amati has continued to develop its stewardship activities across reporting, disclosure and climate-related engagement. We have remained a signatory to the revised UK Stewardship Code 2026 and have published both our Activities & Outcomes Report and Policy & Context Disclosure Report. Together, these reports provide an overview of our approach to stewardship, including practical examples of engagement and the outcomes achieved. These reports are available on our website at <https://www.amatiglobal.com/our-values>. We have also completed our 2026 PRI submission in order to retain our signatory status and have been advised that we have met PRI's minimum requirements, with full disclosure expected later in 2026.

For our UCITS funds, we have continued to work with the fund's Authorised Corporate Director (ACD), Waystone Management (UK) Limited, on climate-related reporting, including the combined SDR/TCFD Product Reports published from 31 December 2025. These reports provide year-on-year climate data for the portfolios, including carbon-related measures, and help us monitor whether portfolio carbon intensity is changing over time. We have not yet set formal targets for reducing portfolio climate risk, but this remains under regular review by Amati and Waystone as regulatory and reporting expectations continue to evolve. The relevant product reports are available on Waystone's website

at <https://www.fundsolutions.net/uk/amati-global-investors/ws-amati-investment-funds/>





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People News



Jack Fairbairn - Investment Administrator

Jack joined Amati in June as part of the Investment Administration team, having recently graduated from the University of St Andrews with a degree in Economics. He will support the investment administration function and assist with queries relating to the Amati AIM IHT Service. Outside work, Jack enjoys playing golf and, after having played rugby at school and university, remains an enthusiastic supporter from the sidelines. "I am delighted to have joined Amati and to be supporting the Investment Administration team. I look forward to applying my economics background, developing my industry knowledge, and helping support clients of the Amati AIM IHT Service."



Mark Ingram - Sales Director

Mark joined Amati in July 2026 working as part of the Sales & Marketing team. He joins from Jupiter Asset Management where he spent 16 years as Sales Director covering the South West & Midlands. Prior to that Mark held roles at Credit Suisse & Kleinwort Benson developing relationships with discretionary and advisory accounts. "I am genuinely delighted to have joined Amati and am excited about the future. Amati is exactly the company I am proud to represent. It embraces true active management, with a bottom up, value driven thematic culture, driven by Fund Managers who are best in class. As an employee owned boutique our interests are aligned, and we are all committed to seeking the best possible outcomes for clients."



Gavin White - Sales Director

Gavin joined Amati in September 2026 following the recent appointment of Mark Ingram. Their appointments strengthen the firm's intermediary expertise and support its ambitions for the next phase of growth. Gavin was previously Head of UK Wholesale at Octopus Investments and, before that, Head of UK Intermediary Sales at J O Hambro. "Amati has built a strong reputation for combining specialist investment thinking with a clear focus on its clients. I am pleased to be joining a business with such a distinctive culture and look forward to drawing on my experience across the UK intermediary market to introduce its capabilities to new clients. This is a compelling time to be joining the firm, and I am keen to play my part in developing new partnerships and contributing to Amati's growth."



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Portfolio Spotlight : Skeena Gold & Silver

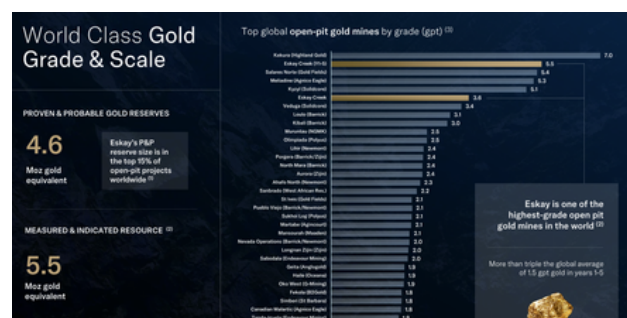
One of the key investments made by the Fund in 2024 was Skeena Gold + Silver. Skeena is a New York and Toronto listed company owning 100% of the past-producing Eskay Creek mining project in the Golden Triangle of British Columbia, Canada, a world-renowned mining jurisdiction located in the province's northwest. Skeena also owns 100% of the Snip project, ~40km west of Eskay Creek. Their flagship asset, Eskay Creek, is currently being developed to become Canada's next Tier 1 gold mine with projected all in sustaining costs of US\$687/oz over the life of the mine and a production rate of over 450,000oz per year over the first year of operation. This would make it Canada's third largest gold mine (with significant silver credits) with a cost profile more than 60% lower than the current Tier 1 gold producers in North America.

As of 30 June 2026, the development of the new Eskay Creek mine was 62% complete with first production expected in less than nine months' time, followed by commercial production, expected in less than 12 months' time. At that stage, the project is expected to generate free cash flow of US\$770m per year for at least the following 15 years.

We made an initial investment for the Fund in June 2024 once the company had secured the financing package for the mine.

The key attributes that attracted us to the investment opportunity were:

1. Quality of the asset. Eskay Creek is expected to become one of the highest-grade open pit gold mines in the world with an average gold equivalent grade of 3.60 grammes per tonne (g/t) over the life of the operation. By comparison, the recently commissioned Blackwater Mine (also in British Columbia) has a total mineral reserve gold equivalent grade of 0.78 g/t. This mine is operated by Artemis Gold, which currently has an Enterprise Value of US\$6.6 billion.



Source: ASMF, Skeena
Full presentation held [here](#)

2. Jurisdiction – British Columbia in Canada, where there are currently 18 major operating mines producing critical minerals, precious metals and steelmaking coal.
3. Management is critical. The key reason for recommending investing in Skeena was the appointment of Randy Reichert as CEO in 2024. Randy led construction or development projects in Russia, Brazil, Nevada, and Kazakhstan for Kinross Gold and, prior to joining Skeena, was General Manager at B2Gold's Fekola Mine in Mali, where he was part of the development team and led the transition from development into operations.



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Portfolio Spotlight : Skeena Gold & Silver

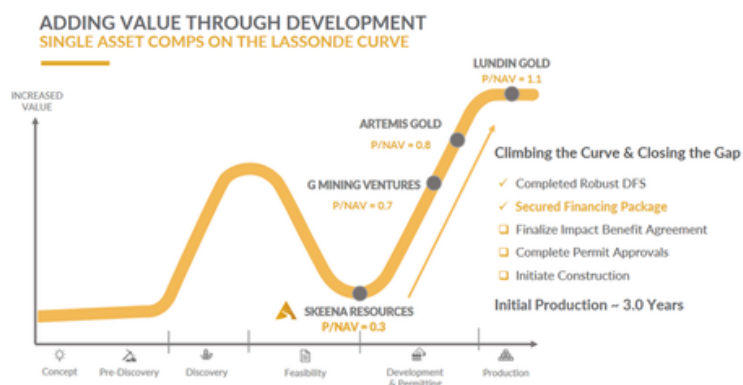
4. Metallurgically and geologically derisked as a past underground producer operated by Barrick Gold.
5. Exploration upside at Eskay Creek itself and the significant opportunity for the Snip deposit to bolster the latter half of Eskay Creek's production profile by acting as a 'satellite deposit'. Ore from Snip can be trucked to the mill at Eskay Creek and processed there. Snip's high-grade ore also has the potential to increase concentrate grades and payabilities. None of the material at Snip is currently included in our valuation.
6. Valuation. At the time of concluding our investment case, the company was trading at a multiple of 0.3x NAV and was positioned at the bottom of the "Lassonde Curve".

Since 2024, the shares have appreciated by close to 700%, although the move in gold and silver prices have been a large contributing factor. Notwithstanding this, the company recently released an update on where they believe they are trading on the Lassonde Curve – 62% into the development of Eskay Creek:

Figure 2 – From the latest Skeena Corporate Presentation



Source: Skeena
Full presentation held [here](#)



Source: ASMF, Skeena

The Lassonde Curve is a rough graphical representation of the typical life cycle of a mining stock, where the value of the company is heavily discounted at the start of the development stage of a project. The discount is unlocked as the project moves through critical de-risking milestones along the way.

Our own financial model for Skeena has the company trading at 0.63x NAV excluding any value for Snip and assuming 10% higher capital and operating costs, from those recently updated by the company.

We have had regular meetings with the management team over the past two years to monitor the progress of the development of Eskay Creek, our most recent meeting took place at the end of May. The project development seems ahead of schedule, some six months ahead of our conservative assumptions in the financial model. Fuel costs are a major concern across the industry given the rise in oil prices. For Skeena, fuel makes up 7-9% of overall costs with the current diesel price over 10% higher than the estimated price in the feasibility study.



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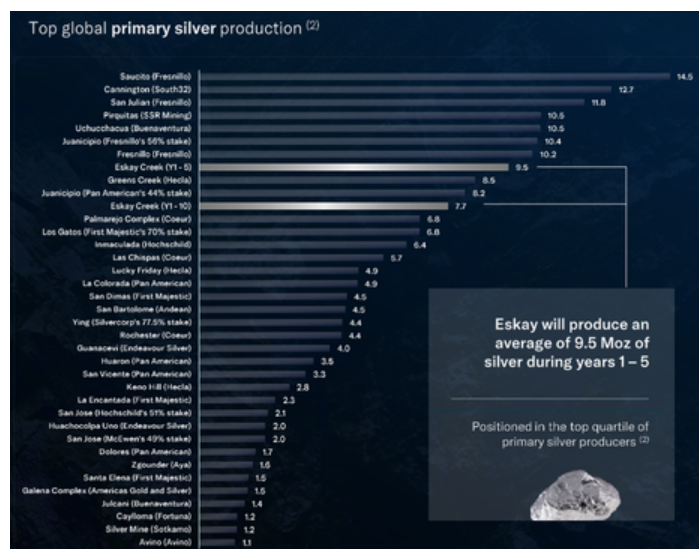


Portfolio Spotlight : Skeena Gold & Silver

Antimony is also becoming a major talking point. Antimony is considered one of the most vulnerable and strategic critical minerals for both the United States and Canada, with no domestic production in either country and China producing over half the global supply. Its criticality stems from its irreplaceable military and industrial applications, especially in munitions, ammunition and fireproofing. Eskay Creek contains significant quantities of antimony (primarily as stibnite), with feasibility metrics identifying up to 28,000 tonnes of contained antimony. Eskay Creek holds the potential to supply roughly 10% of US demand annually as an unmodeled upside credit. The company is investigating the feasibility of selling the antimony-containing waste material from the mine to a third-party.

The projected metal and revenue contribution for the Eskay Creek project is modeled at approximately 70% from gold and 30% from silver (based on the current gold-silver ratio). A further attractive attribute for us, given our favourable outlook for the silver price. During the first five years of production, Eskay Creek is expected to produce 9.5 Moz of silver per year, worth US\$620m at today's silver price. As a standalone silver mine, Eskay Creek ranks in the top 10 silver mines globally, and will be Canada's largest silver mine once the mine is commissioned.

Figure 3 – Top global primary silver production



Source: Skeena
Full presentation held [here](#)

Despite the strong share price performance over the past couple of years, the valuation of the company still looks appealing with a further development risk discounting expected over the next six to nine months. All things remaining the same, this suggests another 60% upside to reach the same rating at companies with recently commissioned mines.

The key figure to look at is the Enterprise Value per reserve ounce and Enterprise Value to EBITDA at full production – which is expected to be achieved within the next 12-18 months.

Eskay Creek has a current mineral reserve base at Eskay Creek alone of 4.6 Moz gold equivalent, which was calculated assuming a gold price of US\$1,800/oz and a silver price of US\$23/oz. On this basis, the company's Enterprise Value per reserve ounce currently stands at less than US\$1,000/oz against the current gold price of US\$4,400/oz and all-in cost of production of US\$687/oz. The current gold price suggests a margin of US\$3,700 for every ounce of gold equivalent produced (before taxes, general and administrative expenses, etc.).



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Portfolio Spotlight : Skeena Gold & Silver

At full production, Skeena is expected to generate US\$1.1bn in EBITDA per year, which suggests an EV to EBITDA ratio of 4.0x. Given the upside potential (Snip, Antimony, Exploration upside at Eskay), as well as its obvious takeover appeal, the current rating seems far too low.

The key to any investment is protecting the downside risk from a notoriously volatile commodity price. Skeena is fully financed to the completion of the project. The company share price is currently discounting a gold price of US\$3,000/oz in our financial models, a 32% fall in the gold price from current levels, which provides investors with an attractive risk-reward trade right now. Put simply, there are not too many 5Moz gold projects in a safe jurisdiction with all-in sustaining costs well below US\$1,000/oz.

The WS Amati Strategic Metals Fund has a portfolio exposure of 3.2% to Skeena (as at 30/06/2026). In general, we remain very positive about the precious metals sector given that sentiment towards the sector is close to historic lows at the moment. Should the gold price remain above US\$4,000/oz for an extended period, we would expect gold equities to significantly rerate and close the implied discount to the gold price, which we estimate to be >US\$1,000/oz at the moment.

At 2 September 2026 Skeena represents a weighting of 3.1% within the Amati Strategic Metals Fund.

Fund factsheet available [here](#)

WS Amati Strategic Metals Fund



Georges Lequime
Fund Manager



Mark Smith
Fund Manager



Industrial connectivity - the foundational fabric for Physical AI.

- Physical AI is an increasingly popular investment theme, capturing the market's attention and associated with a very large potential market.
- Proliferation of intelligence, robotics and sensors associated with physical AI drives demand for industrial networking, a specialist and complex field with its own supplier ecosystem.
- We see opportunities in specialist industrial networking providers like Belden and also a broader network effect driving demand acceleration for industrial sensors and automation systems.

Physical AI is a new buzzword, an evolution of the AI investment theme capturing market attention.

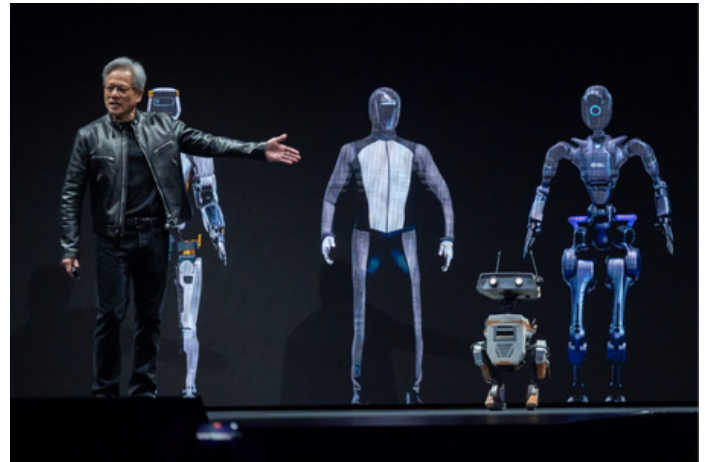
A typical definition goes something like this: "Physical AI is artificial intelligence that connects software models with physical hardware to sense, think, and act in the real world". It is about bringing AI into the factory, on to the road and into the home, performing valuable physical actions.

This is not just industrial automation by another name. The depth of its capabilities, proliferation of its sensors, and the variety of its use cases is a step change. It is an innovation frontier we are actively pursuing in the WS Amati Global Innovation fund.

Physical AI is not a theoretical idea. The industry is racing to enable and adopt it, working on specific devices and technology roadmaps, using the language similar to the definition above: NVidia talks about the Physical AI workflow as "Perceive, Understand, Reason, and Perform or Orchestrate Actions"; AMD strapline is "Perceive, Reason, Act"; industrial semiconductor leader ON Semiconductor refers to "Sense, Decide, Act".

NVidia CEO Jensen Huang, never shy of ambitious market forecasts, put a total potential market on Physical AI as \$40trln. Elon Musk has an equally ambitious vision for his physical AI play, Tesla's Optimus humanoid robot.

Humanoid robots may dominate this narrative (and investor presentation materials) but the reality is more and smarter automation everywhere, in particular in the industrial setting.



Jensen Huang presenting humanoid robotics roadmap; source: NVidia

Our conversations with the industry practitioners highlight growing use cases of more robots, "cobots" (smaller robotic arms safe to operate alongside human workers) and AMRs (autonomous mobile robots, moving material around the factory or a warehouse).

Beyond the eye catching robots of all shapes and sizes, there are other equally valuable implementations of Physical AI. These include digital twins, a digital model that enables manufacturing process designers to model, simulate and monitor every step of the workflow; predictive maintenance, where sensors detect emerging issues before they result in an accident or stoppage; or machine vision, where industrial cameras assess the quality of the final product or monitor safety on site.



Industrial connectivity - the foundational fabric for Physical AI.

This is what we are hearing from the industry, across many sub-sectors: as AI makes it easier to handle real world data, it makes sense to "instrument" (equip with sensors) every element of a physical industrial system, be it a production line or a whole plant. This allows operators to capture more data of the system state (temperatures, vibration, flow rates), pass it to the edge AI "brain", maintain a digital twin, respond with automated or "human-in-the-loop" actions and optimise the process in the long run.

When we explore an innovation frontier, we always look to assess the whole value chain, from pioneers inventing the new technology to suppliers enabling it to adopters who may be lateral beneficiaries of that technology implementation. We are looking for the optimal risk reward, the best business models to benefit from this technological change, which have not yet been fully discovered by the market.

When it comes to Physical AI, this approach leads us to industrial connectivity, which is emerging as an essential fabric underpinning the Physical AI revolution.

We already saw the importance of networking for the AI in the data centres. Networking equipment suppliers Arista Networks and Lumentum have been significant holdings in our portfolio during the recent AI boom and had strongly contributed to our fund performance.

Industrial networking is different. Industrial equipment uses a variety of esoteric protocols, a real alphabet soup with names like ProfiNet, EtherCAT, Modbus RTU and many more.

These networks operate in harsh environments, able to withstand high temperatures or work inside an oil tank. This is not the comfortable air-conditioned room that an average Cisco router is used to.

These networks need to be reliable and durable. Rewiring a factory is an expensive and disruptive

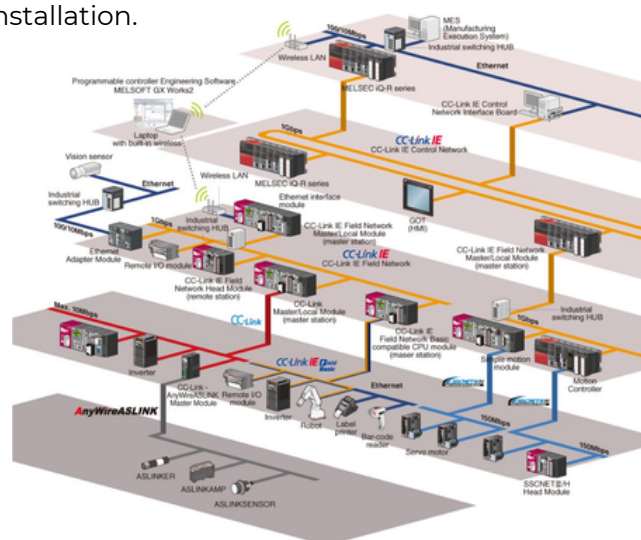
process, nothing like swapping a network card in a server.

They are often mission critical and "deterministic". You need to be sure that any signal that was sent is received, and the cost of mistake can be high: a critical failure of an expensive machine, a stoppage of a production process, a safety incident.

Latency also matters – speed of the data link needs to match the speed of a mechanical movement or electrical process on the production line, and delays and lags may result in failure.

Some industrial objects are mobile (vehicles, autonomous mobile robots, pallets or products going through the production line) and require wireless connectivity. Others are stationary meaning wireline connectivity would be enough.

Yet this network needs to become a common fabric, communicating seamlessly across machines and into the central “brain” of the Physical AI installation.



A typical industrial network diagram; Source: Mitsubishi Electric

Wireless is still a small proportion of the core industrial networks. Up until recently wireless standards were not robust and performant enough to displace wires, except where mobility was absolutely necessary.



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Industrial connectivity - the foundational fabric for Physical AI.

This is changing with the latest generation of WiFi standard, WiFi 7. This new iteration makes it more “industrial-grade”: offering more reliability and redundancy, more resilience to radio frequency interference, higher bandwidth and more efficient use of spectrum.

It has recently been described it as “the first wireless standard reliable enough for industrial use” and will catalyse and upgrade and adoption cycle. We believe that this evolution of the industrial wireless technology will accelerate the market growth. The ease and lower cost of wireless connectivity will make it possible to connect to points which were previously unfeasible or uneconomic to access.

We usually look through the macroeconomic cycle and focus on innovation that is technologically inevitable and creates value in a variety of macroeconomic scenarios. However, we are cognizant that many industrial networking projects are part of a larger capital investment decision, and those decisions can be delayed if macro uncertainty is elevated. We live in such world today, but even with that we have seen a recent upturn of industrial confidence. ISM Manufacturing PMI, a US macro indicator associated with the industry’s confidence to invest, has been in expansion territory (above 50) since the start of the year.

The US data centre boom no doubt contributed to that, but recent results from such industrial bellwethers as Rockwell Automation and Caterpillar suggest much broader strength. Maybe it is the beginning of “reshoring”, or maybe it is just the pent-up demand after several years of subdued industrial activity. As one industrial supplier told us, “our customers can only hold their breath for so long”. It looks like macro may become a tailwind to an already compelling structural growth opportunity.

What intrigues us even more is the emerging positive feedback loop and the network effect. As more sensors and robots everywhere create an industrial network fabric, it in itself drives more sensors and connected device proliferation, just like ubiquitous cellular connectivity catalysed proliferation of mobile phones and how consumer WiFi and Bluetooth connectivity created an explosion of smart home and wearable devices.

At the core of our industrial connectivity portfolio exposure is Belden, a new addition to the Amati Global Innovation fund. It is a 100-year-old company that has evolved from industrial cable manufacturer to a supplier of automation and smart building solutions. It commands a strong reputation for quality and reliability with customers across industrial sectors, from power to chemicals to mass transit to automotive. Networking is a small part of their spend but is critical to the performance and reliability of their plant, putting Belden in an advantageous position as a trusted supplier.



ISM Manufacturing PMI, last 10 years; source Bloomberg



AMATI GLOBAL INVESTORS

Industrial connectivity - the foundational fabric for Physical AI.

Belden has recently acquired Ruckus Networks, a leading supplier of high performance, mission critical WiFi networking equipment. The market has taken a dim view of the deal (Belden had to borrow to fund the acquisition, and it stands in contrast to its mostly organic growth in recent years). However, we think this is perfectly aligned with the opportunity to build that unified industrial network fabric for Physical AI, and makes Belden uniquely positioned to deliver on that vision. The stock is attractively valued and its growth is robust and accelerating.



Belden and Ruckus industrial networking offering;
Source: Belden.

We also think that positive network effect will continue to drive demand for industrial automation and machine sensing and vision. Our position in ATS, a Canadian listed global leader in bespoke large industrial automation projects, in Basler, German listed leader in industrial cameras, and Cognex, a US leader in vision systems and software, will continue to benefit from this positive feedback loop of ubiquitous, robust industrial networking for Physical AI.

Fund factsheet available [here](#)

WS Amati Global Innovation Fund



Mikhail Zverev
Fund Manager



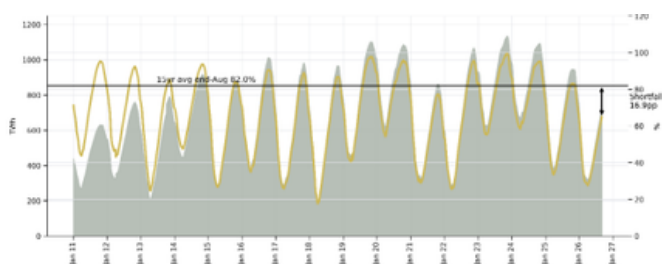
Graeme Bencke
Fund Manager

The UK Energy Market Crisis – Serica and Yu Group

The closure of the Strait of Hormuz has exposed the extraordinary complacency and irrationality of UK Energy Policy over the last couple of decades. Today, in the UK, the gas price has spiked up to 178p per therm, compared to 78p a year ago, and the wholesale electricity price is at £137 per megawatt hour (MWhr), compared to £74 a year ago. For the sake of comparison, the US gas price (which is measured in USD per MMBtu) is roughly 22p per therm and the wholesale electricity price is around £35-40 per MWhr. Even before the closure of the Strait, high UK energy prices were causing widespread de-industrialisation in the UK, exemplified for those of us in Scotland, by the closure of Grangemouth, the last sizeable petrochemical and oil-refining plant in the UK. At current levels, they will destabilise the economy.

To make matters worse, going into winter, European gas storage is at the lowest point for this time of year since 2011, as shown in this graph modelled on a recent note from Dan Slater at Zeus, using GIE AGSI data.

EU Gas Storage (Twh, LHS) vs Capacity (% , RHS)



For comparison, UK gas storage capacity is less than 10 TWh, so would barely feature on the above scale. But this too is running below lowest point for the end of August since 2011.

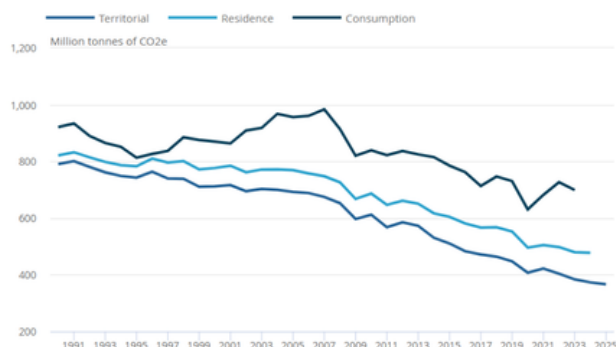
Against this backdrop, you might have thought the Government would do everything in its power to maximise energy production from the North Sea at a time when it has never been needed more. Step one would be to sanction the long-delayed Rosebank and Jackdaw developments, delays which between them have cost the operators in excess of £500m already.

But to do this Andy Burnham must either endure the wrath of misguided but well-intentioned environmental campaigners without comment, or else explain why the premise of UK Net Zero policy, which considers only Territorial emissions in the UK, is flawed, something that would be embarrassing for the past positions of both Labour and Conservative governments. In doing so he would also need to counter some of the popular fallacies about North Sea oil and gas, which have become widely accepted.

To summarise a lot of detailed arguments which have been best made by Professor Dieter Helm (who I would argue is the leading authority on UK energy policy), the sad fact of the current position is that politicians are inflicting significant harm on the UK economy to support a Net Zero energy policy which will do much less to reduce global carbon emissions than the headline figures quoted suggest. Rather, it is forcing up UK energy prices to levels which guarantee that all energy-intensive industries either move elsewhere or rely on massive government subsidies (like those for steel), merely shifting the emissions which UK consumers are responsible for to locations where we don't count them. The Government does publish the figures which show the global emissions for which UK consumption is responsible. These are the emissions that actually matter, as they take account of emissions outsourced to other countries. As can be seen below, "Consumption" emissions have fallen since 1991, but relatively modestly, whereas "Territorial" emissions, which do not represent a reduction to global emissions, have plummeted. Because the UK's Net Zero policy targets only Territorial emissions, unfortunately the "Zero" in the equation is of no real consequence, and this is leading to significant miscalculations, most particularly in the North Sea.

The UK Energy Market Crisis – Serica and Yu Group

Three Different Measures of UK Greenhouse Gas Emissions



Source: Fig. 4, ONS, “Measuring UK greenhouse gas emissions” (July 2026)

This isn't an argument about whether greenhouse gas emissions cause climate change, it's an argument about how to reduce them and how to bear the cost of that. Even though it is strenuously denied by many, shutting down the North Sea increases rather than decreases global carbon emissions, because we will simply import more energy from abroad with higher emissions (Norway can't supply all of the UK's needs). It also deeply threatens UK national security, more profoundly than is realised.

Even more sad, perhaps, is that the incredible energy of those who want to campaign to prevent climate change has been so misdirected. There is only one policy which will significantly reduce global emissions and not a single environmental group has campaigned for it, namely a carbon tax, used to pay solely for carbon capture and sequestration (CCS), an industry in which the UK could be a world-leader. Ironically, many climate campaigners are opposed to CCS, precisely because it then becomes impossible to argue against a long-term future for oil and gas in energy markets. This is ideology rather than rationality. Adopting this stance has actually slowed the pace of reducing carbon emissions globally.

A recent articleⁱ by Damian Carrington, Environment Editor for the Guardian, provides a useful catalogue of the erroneous arguments made against the sanctioning of Rosebank and Jackdaw.

The first, and most silly, is to argue that the long-term global economic cost of the emissions caused by burning the oil and gas produced (which is an unknowable and therefore purely speculative number), wherever it ends up being used, outweighs the tangible and forecastable £28.7bn value of the fields to the UK economy. These are different types of numbers. One is tangible, forecastable and local, the other is abstract, global and almost certainly wrong. They are not comparable. More than that, stopping Jackdaw and Rosebank from being developed will not reduce our Consumption emissions at all, as the oil and gas not produced from these fields will simply be bought from elsewhere, and it won't all be from Norway. It will come mostly from places much less friendly to the UK, including gas in the form of LNG, which is delivered with much higher carbon emissions.

Carrington's article advocates for several other fallacies which pervade this debate, citing voices and publications from the UK Energy Research Centreⁱⁱ. One is the idea that the oil and gas industry benefits from massive public subsidies or “tax giveaways”. In fact, this industry has suffered more from exceptional tax hikes by Government than any other in UK history, with the latest windfall tax put in place by Rishi Sunak in 2022 taking the tax rate to 75%, and Kier Starmer increasing this to 78% in 2024. These rates became punitive when they remained in place after oil and gas prices fell in 2023. Rachel Reeves devised a fairer replacement for this regime, which kicks in only when the underlying commodity prices are high, but lacked the courage to introduce it before 2030. This tax regime is the reason that very little new investment is going into the North Sea. Talking of subsidies is simply absurd. This industry paid for much of Britain's post war recovery.

The UK Energy Market Crisis – Serica and Yu Group

Another mistake is to present renewable energy as an alternative to oil and gas, implying that if we have one we don't need the other. Renewables may replace some demand for oil and gas, but nowhere near all of it. Renewables are a good way to expand power production in the UK, albeit they are much more expensive than the Government admits because of the undeclared cost of dealing with the intermittency (which is why the UK electricity price is so high) and cause their own environmental issues. Even at much larger scale, they will only reduce, rather than remove, our dependence on oil and gas. Any coherent UK energy policy will recognise that we need both, and additional nuclear energy too.

A third error is the idea that, because the North Sea is in decline and nearing the end of its field life, there is no point keeping it going as it won't really make any difference to UK consumers and any new fields would take years to get into production. This contrasts sharply with other regions of the world where oil and gas supplies are tight, which show determination to maximise all available production from their fields. Never mind that Adura, the operator of Jackdaw, said it could be in production by the end of 2026 if the field was sanctioned by the end of August (which it has not been), and that this field will produce 6% of UK gas production by 2028 if it goes ahead, which is clearly highly material. What matters even more is that once the UK North Sea is shut down, it will never be economic to re-open it. Whatever we walk away from we lose permanently. Shutting down early brings forward the time when decommissioning has to be paid for, and the UK Government pays for decommissioning in proportion to the tax rate. So we need to consider not just the vast amount of revenue lost, even with a 40% tax rate, by not developing the available resources, but also the cost of paying for decommissioning a decade or two earlier than necessary, without having generated more revenue to pay for it. It's enough to completely derail the OBR budget forecasts, which are already relying on stretched assumptions.

At 2 September Serica has a weighting of 3.7 % within the Smaller Companies Fund and Yu Group has 4.5%. Yu Group is also held in the AIM IHT Service with an equal weighting of 4.5%

Fund factsheet available [here](#)

Against this backdrop, we have two investments in the UK Listed Smaller Companies Fund, which we see playing a valuable role in the UK energy industry. One is Serica Energy, which is one of few listed oil and gas companies solely focused on the UK North Sea. Most others have diversified to other markets, and Serica may do the same in due course. Serica is substantially under-priced on a status quo basis. But if common sense prevails, it should be able to share in realising much more value from its UK operations than is currently expected.

Yu Group, the largest holding in the fund, is not involved in energy production, but rather serves as an energy supplier to businesses in the UK. This is a market where service standards have typically been low, and Yu Group has developed an edge by continually innovating in its systems, allowing it to offer industry leading speed and efficiency in supporting organisations with tens, hundreds or even thousands of meters.

In July I was able to visit the company's Leicester and Nottingham offices. This visit gave me a real insight into the quality of Yu's operations, allowing them to deal effectively with the complexity of customer needs. In its last trading update the company reports a 43% increase in meter points served. The precarious position of the UK in respect of energy needs makes it all the more important for businesses to fix prices into the future for visibility and certainty, and many are switching to Yu Group to do this. It's unusual to find a company with an organic growth rate above 20%, a p/e of 7x, and 17% of its market cap in underlying cash, supporting a 4.8% dividend yield.

WS Amati UK Listed Smaller Companies Fund



Paul Jourdan
Fund Manager



Gregor Paterson
Fund Manager



AMATI GLOBAL INVESTORS

Bonhams Auction House Event

In July this year we had the great pleasure of sponsoring an exhibition of works by Maria Rud and Ewan Allinson at Bonhams Auction House in Edinburgh. We were also treated to a stunning performance by Susan Hamilton and Lucia Capellaro ahead of their fringe performance of ILLUMINATA at St Giles Cathedral.



Amati Insights

Following the summer break, we will be starting up our Insights series on 15th September. These are fortnightly conversations with Amati fund managers who share 10-15 minutes of concise comment on areas of investment interest. To view previous content, please click here: [Amati Insights](#) and should you wish to subscribe to receive future Insights recordings, please email info@amatiglobal.com

Monthly Roundup Page

If you have missed or prefer to view monthly content, likes of factsheets, Amati news, etc. in one place instead of receiving regular mailings, please keep in mind our monthly roundup page where publications are summarised in one place : [Monthly Roundup](#)

Amati Charitable Donations

Amati continues to give 10% of its net profits to UK registered charities. Amati has donated a total of £1.58m to UK charities since inception in 2010. Some charities that we have supported so far this year are:

- [Stockbridge Music Hub](#)
- [Rugby Fives Association](#)
- [Fresh Start \(homeless charity\)](#)
- [Keswick Mountain Rescue](#)



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