

# finnCap Slide Rule UCITS Fund

## UK Small-Mid Cap Equity

January 2020

### Performance Returns Summary

The finnCap Slide Rule UCITS Fund returned +2.74% for the month of January (GBP Inst Founder Class), outperforming the benchmark by 360bps. For the 2019 year, the fund has delivered +26.59%, outperforming the benchmark by 1,331bps. **Total outperformance since the fund was first fully invested (1/3/18) stands at 1,953bps.** Net return since launch on 12th February 2018 is +15.64%.

### Investment Objective & Strategy

The UK smaller companies universe (£100m - £5bn market capitalisation) is full of excellent investment opportunities but it is very large (1,500+ stocks) and suffers from limited and inconsistent research coverage. The finnCap solution is an internally-developed quantitative analysis tool, The Slide Rule, to dramatically simplify the identification of the best companies. Using The Slide Rule, finnCap has developed a stock picking system, called QVGM+, which is used to find the “best” 60-80 stocks. It is these companies into which the fund will invest. The system’s core factors are carefully tailored Quality, Value, Growth and Momentum metrics plus a screen for financial quality and stress. The typical company in the resultant portfolio is one with above average growth and above average ROCE (return on capital employed).

### Monthly Commentary for January 2020

- **Markets start the year in retreat:** after the Q4 2020 market rally, momentum continued into the early part of January, until a nasty virus in China caught the headlines and caused a rapid market retreat. In January the smaller company benchmark declined -0.9% (AIM -0.8%, FTSE small cap -0.9%). This was rather better than the Mid250 which fell -3.7%. While not wanting to be doom and gloom merchants, we have to point out the UK small/mid-cap market segment remains close to cyclical peaks in terms of valuation multiples, while earnings momentum remains deeply negative. With the Bank of England downgrading its UK GDP growth forecast for 2020 in late January, it seems unlikely there will be a macro tailwind any time soon.
- **Fund NAV increased +2.74% in January, outperforming the benchmark by 360bps.** During the month there was no strong style bias to the market, instead our outperformance was driven by stock selection. Total outperformance since the fund was first fully invested (1/3/18) stands at 1,953bps.
- **36 companies (68% of the portfolio) delivered positive returns in January.**
- **Particularly good performers in January included: Tremor (+26%), Liontrust (+22%), Bioventix (+19%), dotDigital (+19%), Frontier Developments (+16%), Tribal (+15%) and Focusrite (+14%).**
- **There were two particularly poor performers in January: Equals (-42%, lacklustre trading update) and Craneware (-26%, disappointing contract renewal rates).**

### Key Fund Characteristics

- The current portfolio contains circa **55** smaller companies that have been picked using our **QVGM+ quantitative process**. These companies are the **best blend of quality and growth** in the UK smaller companies market (£100m - £5bn market capitalisation) after testing for cash flow quality, dividend affordability and financial stress.
- The portfolio aims for broadly an **equal-weight** in each company and the median market capitalisation of portfolio holdings is currently c£370m.
- **Quality:** the portfolio has a median Free Cash Flow Return on Capital Employed (RoCE) of **24.7%**, nearly 3x the UK smaller companies median of 8.6%.
- **Growth:** the portfolio has a median revenue growth rate of **10.7%** and operating profit growth rate of **23.1%**, both growth rates approximately double the UK smaller companies median.
- **Value:** the portfolio has a median free cash yield of **4.7%**, inline with the smaller companies median of 4.6%, despite a far higher ROCE and growth rate versus the market.

\*The Benchmark is the simple average of the FTSE AIM all-share and the FTSE Small Cap index

### UCITS Fund Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2018	-	-1.15%	-0.54%	4.49%	2.41%	0.17%	0.46%	1.95%	0.50%	-11.77%	-0.47%	-6.65%	-11.08%
2019	5.24%	-0.47%	2.94%	4.63%	-0.41%	-0.63%	0.32%	-5.03%	1.06%	1.64%	7.79%	7.48%	26.59%
2020	2.74%												2.74%

The performance figures quoted above represent the performance of the finnCap Slide Rule UCITS Fund (GBP Class Founder) since launch on the 12th of February 2018. These performance figures refer to the past and past performance is not a reliable guide to future performance.

### The Manager



### Raymond Greaves

Head of Research, finnCap

Raymond Greaves, Head of Research at finnCap, originally built and developed the Slide Rule investment tool and the QVGM+ stock selection system. Raymond has a first class degree in Mechanical and Aeronautical Engineering from Brunel University. He has worked as an equity analyst for over 20 years, on both buy-and sell-side at N.M. Rothschild, Merrill Lynch, Collins Stewart and finnCap.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	£2.8 million
Inception	12th February 2018

Share Class	Founder Shares
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	0.00%
Min Init. Sub.	1,000
ISIN Codes	EUR: IE00BFFF4Z74 USD: IE00BFFF4H92 CHF: IE00BFFF4G85 GBP: IE00BFFF4F78

Share Class	Class A Shares
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	10.00%
Min Init. Sub.	1,000
ISIN Codes	EUR: IE00BFFF4K22 USD: IE00BFFF4N52 CHF: IE00BFFF4M46 GBP: IE00BFFF4L39

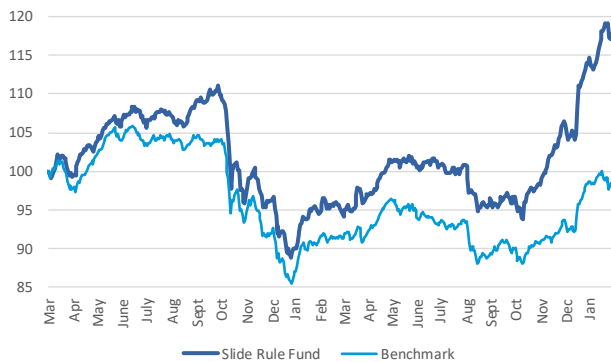
# finncap Slide Rule UCITS Fund

## UK Small-Mid Cap Equity

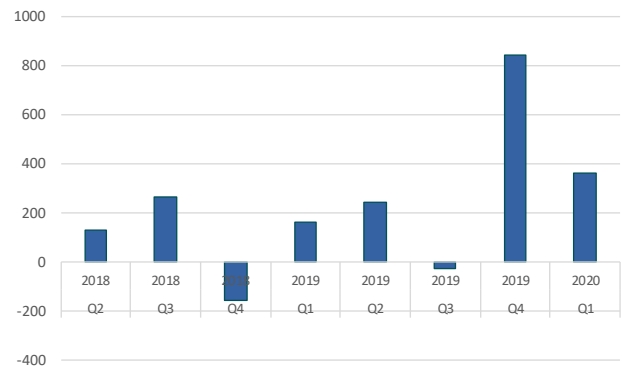
January 2020

### Performance Charts

➤ **Slide Rule Fund NAV absolute performance 1/3/18 – 31/1/20** versus Benchmark (rebased to 1 March 2018)

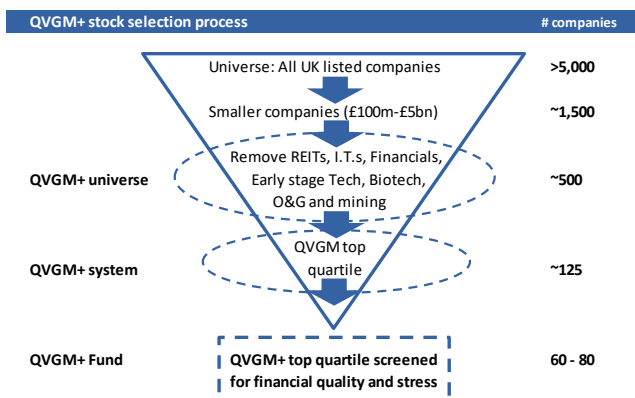


➤ **Slide Rule Fund NAV quarterly relative performance vs Benchmark (bps)**



### Investment Strategy Chart

➤ **The QVGM+ investment process illustrated**



### Contacts

➤ **UK sales:**  
 Mark Whitfeld  
 +44 (0)20 3772 4697  
 mwhitfeld@finncap.com

### How to invest

All relevant documentation is on the MontLake website:  
<http://www.montlakeucits.com/funds/>

### Contact Details

#### Investor Contact

**MontLake Funds (UK) Ltd**  
 Park House, 116 Park Street  
 London, W1K 6AF  
 T: +44 20 3709 4510  
 investorrelations@montlakefunds.com

#### Management Company

**MontLake Management Ltd**  
 23 St. Stephen's Green  
 Dublin 2, Ireland  
 T: +353 1 533 7020  
 investorrelations@montlakefunds.com

#### Investment Manager

**finncap Ltd**  
 60 New Broad Street  
 London, EC2M 1JJ  
 T: +44 20 7220 0500  
 info@finncap.com

### Disclaimer

**RISK WARNING:** Past performance is not a reliable indicator of future results, prices of investments and the returns from them may fall as well as rise. Investments in equities are subject to market risk. Changes in exchange rates may have an adverse effect on the value price or income of the product. The finncap Slide Rule UCITS Fund (the "Fund") may use higher leverage and financial derivative instruments as part of the investment process. The distribution of this report does not constitute an offer or solicitation and this notice shall not be construed as an offer of sale in any other fund managed or advised by finncap or MontLake Management Limited ("ML"). Any investment in the Fund should be based on the full details contained in the Fund's Supplement Prospectus and Key Investor Information Document which together with the MontLake UCITS Platform ICAV Prospectus may be downloaded from the MontLake website ([www.montlakeucits.com](http://www.montlakeucits.com)). Information given in this document has been obtained from, or based upon, sources believed by us to be reliable and accurate although neither ML nor finncap accepts liability for the accuracy of the contents. ML does not offer investment advice or make recommendations regarding investments. The Manager of the Fund is MontLake Management Ltd, a company regulated by the Central Bank of Ireland. The Investment Manager for the fund, finncap is authorised and regulated by the U.K. Financial Conduct Authority. The MontLake UCITS Platform ICAV is registered and regulated as an open-ended Irish collective asset-management vehicle with segregated liability between sub-Funds formed in Ireland under the Irish Collective Asset management Vehicles Act 2015 and authorised by the Central Bank as a UCITS pursuant to the UCITS Regulations. This notice shall not be construed as an offer of sale in the Fund. The state of the origin of the Fund is the Republic of Ireland. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units. Authorised and Regulated by the Central Bank of Ireland.