

## FACTSHEET

## THE MANAGER

### Performance Returns Summary

The finnCap Slide Rule UCITS Fund returned -0.63% for the month of June (GBP Inst Founder Class), outperforming the benchmark by 135bps. **For Q2, the fund has returned +3.54%, outperformance of 246bps.** Year to date, the fund has delivered +11.64%, outperforming the benchmark by 431bps. Total outperformance since the fund was first fully invested (1/3/18) stands at 733bps. Net return since launch on 12th February 2018 is -0.73%.

### Investment Objective & Strategy

The UK smaller companies universe 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 investment 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 Quality, Value, Growth and Momentum 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 June 2019

- **Q2 proved to be the quarter when the market rally stalled and investment styles changed gear:** the benchmark is up +7.3% YTD (of which AIM +7.1% and FTSE Small Cap +7.6%) and +1.1% in Q2, but in May and June the rally petered out with the benchmark retreating -1.5% (May) and -2.0% (June). For wider context, the FTSE250 is up +11.3% YTD and up +1.6% in Q2. As well as the rally losing momentum, there has been a sea-change in investment style away from Value back towards Growth.
- **Fund NAV decreased 0.63% in June, outperforming the benchmark by 135bps.** During the quarter we have witnessed a considerable market rotation from Value back into Growth, which has been helpful to our Quality-Growth strategy. Year to date, Fund NAV has increased +11.64%, outperforming the benchmark by 431bps.
- In a volatile market, **30 companies (50% of the portfolio)** delivered positive returns in June.
- **There were some excellent relative performances in the portfolio in June.** Some of the most notable were: **XLMedia (+24%), Highland Gold (+23%), Tatton (+16%), Equals (+15%), Ideagen (+14%), Judges Scientific (+13%), Learning Tech (+13%).**
- **There were a few poor performers in the portfolio in June,** most notable was **Craneware (-38%)** on profit taking after a strong run and a poor trading update.

### Key Fund Characteristics

- The current portfolio contains circa **60** 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 - £4bn 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 circa £375m.
- **Quality:** the portfolio has a median Free Cash Flow Return on Capital Employed (RoCE) of **25.5%**, c3x the UK smaller companies median of 9.0%.
- **Growth:** the portfolio has an average revenue growth rate of **12%** and operating profit growth rate of **27%**, both growth rates approximately double the UK smaller-co. average.
- **Value:** the portfolio has a median free cash yield of 5.0%, inline with the smaller companies median of 5.0%, 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 Performance Detail

|      | 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% | <b>-11.08%</b> |
| 2019 | 5.24% | -0.47% | 2.94%  | 4.63% | -0.41% | -0.63% |       |       |       |         |        |        | <b>11.64%</b>  |

The performance figures quoted above represent the performance of the finnCap Slide Rule UCITS Fund since launch on the 12<sup>th</sup> of February 2018. These performance figures refer to the past and past performance is not a reliable guide to future performance.



#### 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.

#### Mark Tubby

Fund Manager

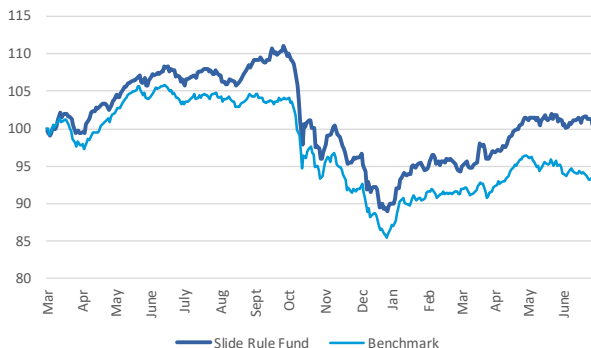
Mark has managed international equities and derivatives for a variety of funds, including pension, unit trust and sovereign wealth. Mark is an Associate of the UK Securities and Investment Institute and former member of the CFA Society of the UK (formerly UK Society of Investment Professionals).

## FUND FACTS

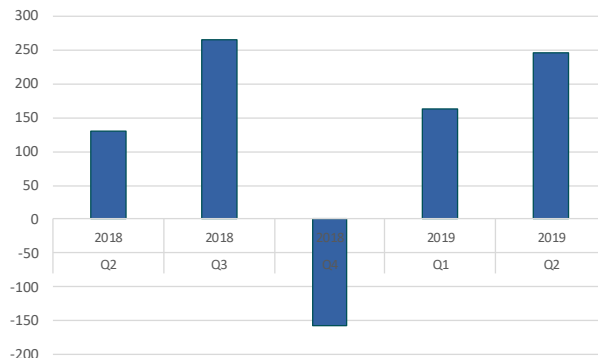
|                |  |
|----------------|--|
| Structure      | UCITS Fund   |
| Domicile       | Ireland  |
| Liquidity      | Daily  |
| Fund AUM       | £2.7 million   |
| Inception      | 12 February 2018   |
| Share Class    | Founder Shares   |
| Currency       | EUR/USD/CHF/GBP  |
| Mgt. Fee       | 1.00%  |
| Perf. Fee      | 0.00%  |
| Min Init. Sub. | £1,000   |
| ISIN Codes     | EUR: IE00BFFF4Z74<br>USD: IE00BFFF4H92<br>CHF: IE00BFFF4G85<br>GBP: IE00BFFF4F78 |
| Share Class    | Class A Shares   |
| Currency       | EUR/USD/CHF/GBP  |
| Mgt. Fee       | 1.00%  |
| Perf. Fee      | 10%  |
| Min Init. Sub. | £1,000   |
| ISIN Codes     | EUR: IE00BFFF4K22<br>USD: IE00BFFF4N52<br>CHF: IE00BFFF4M46<br>GBP: IE00BFFF4L39 |

### Performance Charts

- Slide Rule Fund NAV absolute performance 1/3/18 – 30/6/19 versus Benchmark (rebased to 1 March 2018)

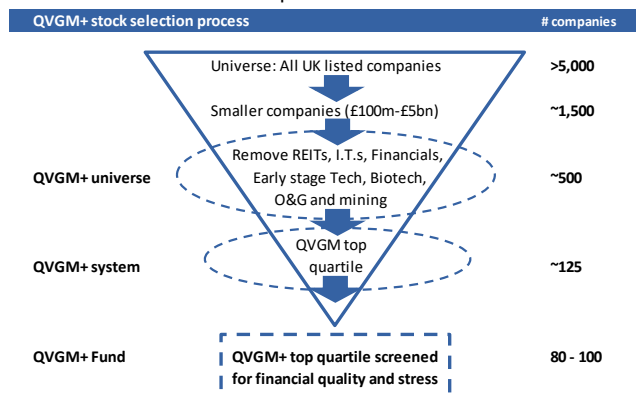


- Slide Rule Fund NAV quarterly relative performance vs Benchmark (bps)



### Investment Strategy Chart

- The QVGM+ investment process illustrated



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### How to invest

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

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