

## FACTSHEET

## Performance Returns

The Tosca Micro Cap UCITS Fund returned -12.55% in October (GBP Institutional share class) giving a net return since launch on April 8<sup>th</sup> 2016 of 34.94%.

## Strategy

The Tosca Micro Cap UCITS Fund is a fundamental, value-orientated strategy, applied to the opportunity rich UK micro cap segment. The fund will invest primarily in "micro cap" companies with a market capitalisation of up to £250m that are listed in the UK, and which are or are expected to become constituents of the FTSE Small Cap or the FTSE AIM All Share Index. The Fund is managed by Matt Siebert who, together with Daniel Cane and Jamie Taylor support Martin Hughes in the management of the Toscafund mid-cap strategy. As such, the Fund represents an extension of the same investment philosophy employed in the award winning Tosca Opportunity and Tosca Mid Cap funds. The Fund targets an annualised return in excess of 15% (net of fees).

## Market Commentary

October 2018 will live long in the memory of most UK small cap investors as the month when the market experienced its worst performance since 2009. An aversion to growth (& therefore optically expensive valuations), coupled with continued tightening liquidity, ensured few prisoners were taken in the microcap space. In our case, the situation was compounded by 3 stock specific issues that amplified the problem.

The biggest contributor to the drawdown in the month was Warpaint (-1.7%). This producer of colour cosmetics saw a reduction in demand at the smaller end of the UK marketplace. In particular, small high street shops had reacted to declining sales, and increased uncertainty, by cutting orders. While the UK in total is c45% of sales, and the bulk of that is with larger discount chains (B&M, Argos etc.), this caused management to revise down sales and profits. In theory these could still be recovered in outer years. In reality, though, analysts will pivot forecasts off the first year number and hence FY2 forecasts have also fallen materially. Having spoken with the founders (who still own 48% of the business and have bought since the warning) they feel that incremental risks from this cohort of customers is now so low as they represent <5% sales and are being diluted further each quarter by overseas growth. Indeed, the stock is now trading on 10x PE & paying out a 5.5% dividend yield & still growing at 10%+. We remain supportive.

A second disappointment came from Berkeley Energia (-1.35%). Here the company is still waiting on permits from the Spanish authorities to start drilling Europe's only Uranium mine. Speculation has intensified that this will not be forthcoming despite the fact that it will bring material jobs and money into a region (Castilla y Leon) where unemployment is over 13%. To be clear these are only rumours, likely put about by the anti nuclear lobby, but it has had a dramatic impact on the stock price. We still believe that there is an exciting story here and expect some form of confirmation before year end. Despite that the stock is now trading atm, or close to cash, value which provides good optionality from here.

The final stock specific story came at Yu Group (-1.1%). This was a small position in the fund which we have now exited in its entirety. A new CFO triggered a review of accounting practices which are set to look into revenue recognition and achieved gross margins. Our experience is that this is often the tip of the iceberg and as such have moved on.

After such a challenging month it is only logical that we are spending a lot of time engaging with our portfolio companies assessing both the broader business environment and the individual markets that each operate in. Broadly speaking, the most immediate pressures are being felt at the lower end of consumer markets. Critically, the world still keeps turning for the vast majority. Indeed in October we had companies that beat on guidance (Watkin Jones), raised dividend expectations (Hollywood Bowl), confirmed ongoing contract wins (Actual Experience, Pennant), signed new partnerships (Accesso, IMImobile) and made enhancing acquisitions (DGOC). We hope and expect that post the market correction positive newsflow and stock prices will more closely correlate. We thank you for your continued support.

## Tosca Micro Cap UCITS Fund Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2018	-1.15%	0.18%	-2.89%	1.79%	0.61%	3.36%	2.49%	1.46%	-2.23%	-12.55%			-9.50%
2017	4.86%	0.20%	2.04%	4.42%	3.97%	-2.28%	-1.59%	3.54%	-0.68%	1.24%	-0.66%	2.15%	18.25%
2016	-	-	-	1.15%	3.94%	-3.84%	8.76%	5.23%	2.80%	0.73%	1.60%	3.60%	26.10%

The performance figures quoted above represent the performance of the Tosca Micro Cap UCITS Fund since relaunch on 8<sup>th</sup> April 2016. These performance figures refer to the past and past performance is not a reliable guide to future performance.

## THE MANAGER

## TOSCAFUND

**Matthew Siebert** joined Toscafund in 2008. He started his career at Hoare Govett in 1991 in a sector research team covering utilities. By 2005 he was responsible for much of the technology research at ABN Amro and was ranked third in the Exel Survey for his research on Tech Hardware. Matthew graduated in Political Science from Birmingham University in 1989.

**Daniel Cane** joined Toscafund in 2008. From 2004 he worked with Quantmetriks. He analysed the retail sector at HSBC and ABN AMRO (2000-03). Prior to that he was a paper & packaging analyst at ABN AMRO (ranked 2nd in Exel surveys). Daniel graduated in Industrial Economics from Nottingham University in 1987.

**Jamie Taylor** joined Toscafund in 2015. Prior to this he was an analyst for seven years with Clareville Capital LLP, a UK L/S Equity fund based in London. Jamie graduated from the University of Edinburgh in 2008 with a MA (Hons) in Law & Business Studies, and is a CFA charterholder.

## FUND FACTS

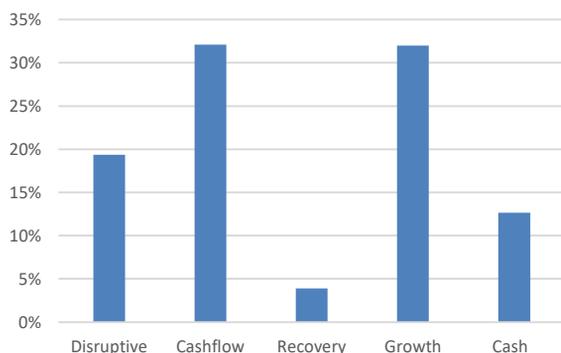
Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly
AUM	\$53.85m
Inception	1 <sup>st</sup> October, 2010
Relaunch	8 <sup>th</sup> April, 2016
Share Class	<b>Institutional/Institutional Pooled</b>
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.00%
Perf. Fee	15%
Min. Init. Sub.	100,000
ISIN Codes	EUR: IE00B3QLJ113/IE00BD2MF541 USD: IE00B3QZNH75/IE00BD2MF764 CHF: IE00B3MBJQ07/IE00BD2MF657 GBP: IE00B68Z1V62/IE00B3RTD232
Share Class	<b>Retail/Retail Pooled</b>
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.5%
Perf. Fee	15%
Min. Init. Sub.	1,000
ISIN Codes	EUR: IE00B3N9LL24/ N/A USD: IE00B3SGTD66/ N/A CHF: IE00B3SLGP29/ N/A GBP: IE00B3YLLZ14/IE00B4M22S36

### COMPOSITION OF FUND (as at 1<sup>st</sup> November 2018)

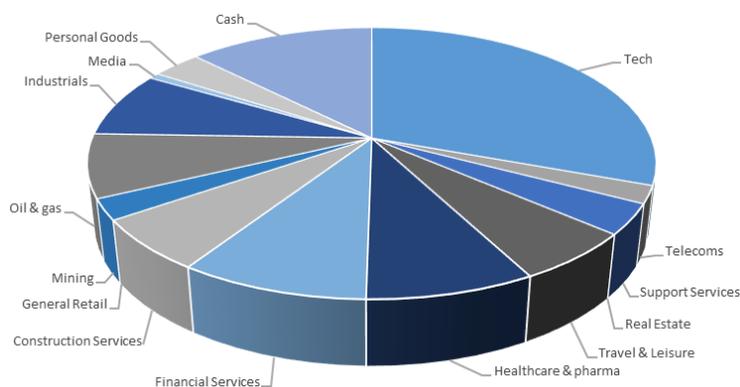
#### Portfolio Summary

Gross exposure	87.4%
Yield (%)	1.0%
PE (Cash flow)	12.6
Average mkt cap (£m)	175
No. of positions	40

#### Portfolio By Theme



#### Portfolio By Sector



#### Top 5 exposures (% of NAV)

Diversified Gas & Oil	5.43
Sumo	5.22
Oxford Biomedica	4.29
Quixant	4.21
Boku	4.19

#### Contact Details

##### Investor Contact

**ML Capital Ltd**  
29 Farm Street  
London, W1J 5RL  
T: +44 20 3709 4510  
investorrelations@mlcapital.com

##### Management Company

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

##### Investment Manager

**Toscafund Asset Management LLP**  
7<sup>th</sup> Floor, 90 Long Acre,  
London, WC2E 9RA  
T: +44 20 7845 6100  
ir@toscafund.com

#### Disclaimer

**Risk Warnings:** Following a restructuring and rebranding on the 8th April 2016, the Pegasus UCITS Fund became the Tosca Micro Cap UCITS Fund. Returns between the inception of the Fund 1<sup>st</sup> October 2010 and up to and including the 8<sup>th</sup> April 2016 relate to the Pegasus UCITS Fund. Information on the returns for this period is available on the Key Investor Information Documents. Returns from the close of business on the 8<sup>th</sup> April 2016 to date relate to the Tosca Micro Cap UCITS Fund. 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 and, potentially, to currency exchange rate risk. The Tosca Micro Cap UCITS Fund (the "Fund") may use financial derivative instruments as a part of the investment process. The distribution of this report does not constitute an offer or solicitation. Any investment in the Fund should be based on the full details contained in the Fund's Supplement Prospectus and Key Investor Information Documents 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 Capital nor Toscafund Asset Management LLP accepts liability for the accuracy of the contents. Toscafund Asset Management LLP is authorised and regulated by the U.K. Financial Conduct Authority. ML Capital does not offer investment advice or make recommendations regarding investments. The Manager of the Fund is MLC Management Ltd, a company regulated by the Central Bank of Ireland. 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. MLC Management Ltd is regulated by the Central Bank of Ireland. This notice shall not be construed as an offer of sale in the Fund. The state of origin of the Fund is the Republic of Ireland. The Representative in Switzerland is ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich, whilst the Paying Agent is NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, P.O. Box, CH-8022 Zurich. In respect of the units distributed from Switzerland, the place of performance and jurisdiction is at the registered office of the Swiss representative. The basic documents of the Fund as well as the annual report may be obtained free of charge at the registered office of the Swiss representative. Issued and approved by MLC Management Ltd. Authorised and Regulated by the Central Bank of Ireland.