

↓ 4.32%

# Tosca Micro Cap UCITS Fund

## UK Micro Cap

September 2022

### Performance Returns

The Tosca Micro Cap UCITS Fund returned -4.32% in September (GBP Institutional share class).

### Investment Objective & 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).

### Manager Commentary

The long tail of companies listed on AIM often reads more like an entry for the births, deaths and marriages column in a local newspaper (do they still exist?). Periods of extreme dislocation such as we have experienced over the last 3 years have, if anything, amplified that. Leaving aside the nuances that exist between different UK market indices, it is clear that within the small cap arena the number of births has collapsed (no IPOs), while the number of deaths and marriages have increased. There are a host of reasons for this, with the prime one being the shrinking investor base squeezing market liquidity.

What though are the implications of this trend?

- Good – companies are bought out because either the stock has become too cheap or management chase incremental scale that can only be achieved by merging with a larger business. In September we saw exactly this with Attraqt (+53 bps) which was acquired by a US peer looking to leverage their AI powered search, merchandising and recommendation engine for online retailers in the UK & Europe.

- Bad – these bids often come at a material discount to what we see as fair value. In Attraqt’s case the take out price was at a 25% discount to the 12 month high in the stock.
- Good – where corporate / PE capital is deployed first so it often follows that retail and institutional capital will be deployed later. Simply put, investors’ need it evidenced that a stock/sector/market is cheap in an environment where confidence in forecasts is reduced.
- Bad – visibility, relevance, liquidity are all falling at this end of the market which further limits options for management and investors alike.
- Good – the risk of extreme valuation anomalies is materially amplified, which increases the opportunities to make material returns for long term investors.

Where then does that leave micro-cap investors? First of all it points to supporting companies that are either of a certain scale already or have the clear potential to achieve such scale. It is no surprise therefore that the average market cap in the fund is increasing (currently at c£220m). Secondly, robust balance sheets remain of paramount importance given that rescue equity raises are hard and costly in this market. Thirdly, management conviction and commitment is vital. It is no coincidence that the holdings that we have exited in the recent past have tended to be those where managements have sub-optimal participation in their equity.

The result of this approach is that the smaller stocks by market cap have the smallest weighting in the portfolio. Stocks sub <£50m have a weighting of <1% NAV, while companies above £250m cap have an average 2.8% of NAV. Additionally, average management shareholding across the portfolio is 14% and average leverage (ex. Spire which has substantial asset backing) is circa 0.5x Ebitda. With >15% NAV in cash we continue to seek out gems and, where sensible, recycle capital from other names. The opportunity set has not gone away. Indeed, we believe that it has got even bigger on the back of recent events.

We thank you for your continued support

### The Manager

# TOSCAFUND

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly
Fund AUM	\$36m
Inception	1st October 2010
Relaunch	8th April 2016

Share Class	Institutional/Institutional Pooled
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	Retail/Retail Pooled
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

**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. He then ran sales and research at Quantmetriks before joining Tosca. Matthew graduated in Political Science from Birmingham University.

**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.

### Tosca Micro Cap UCITS Fund Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2022	-5.18%	-7.10%	-1.80%	-2.89%	-6.09%	-8.99%	2.10%	-2.04%	-4.32%				-31.30%
2021	3.67%	5.98%	4.90%	5.09%	1.23%	-1.03%	0.57%	2.08%	-2.40%	1.22%	-3.61%	0.87%	19.65%
2020	5.90%	-11.45%	-24.95%	12.34%	7.39%	1.63%	9.30%	8.62%	0.86%	1.75%	7.02%	15.33%	29.79%
2019	-0.55%	-3.90%	2.40%	3.10%	0.10%	-4.41%	0.46%	-5.23%	-2.32%	-0.98%	2.58%	5.01%	-4.24%
2018	-1.15%	0.18%	-2.89%	1.79%	0.61%	3.36%	2.49%	1.46%	-2.23%	-12.55%	-5.35%	-3.99%	-17.76%
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 (GBP Institutional Class) since relaunch on 8th April 2016. These performance figures refer to the past and past performance is not a reliable guide to future performance.

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# Tosca Micro Cap UCITS Fund

## UK Micro Cap

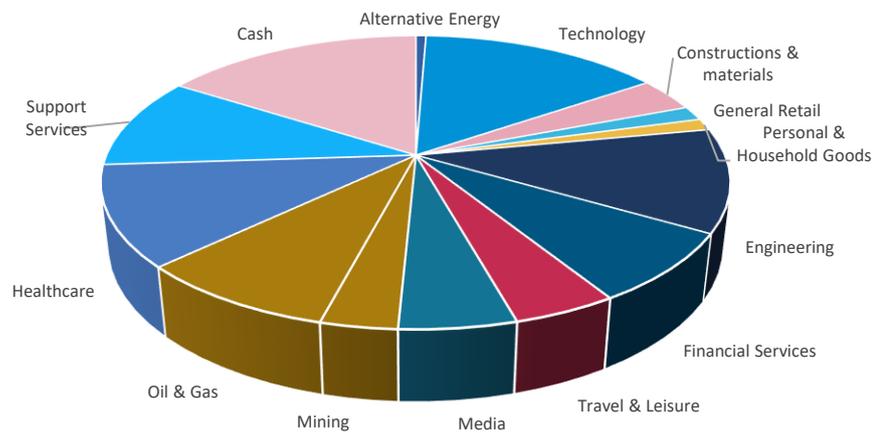
September 2022

### COMPOSITION OF FUND (data as at 30 September 2022)

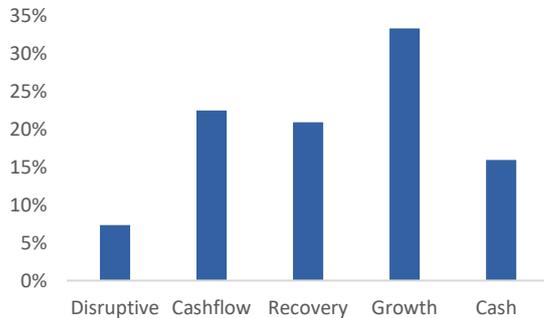
#### Portfolio Summary

Gross exposure	84.0%
Average mkt cap (£m)	210
No. of positions	50

#### Portfolio By Sector



#### Portfolio By Theme



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

Kistos	5.3
Crestchic	4.9
Sureserve	4.2
Ashtead Tech	4.2
Fonix	3.8

### Contact Details

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### Disclaimer

**RISK WARNING:** 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 1st October 2010 and up to and including the 8th 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 8th 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. Changes in exchange rates may have an adverse effect on the value price or income of the product. The Tosca Micro Cap 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 Toscafund Asset Management LLP or Waystone Fund Management (IE) Ltd ("Waystone"). 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 Waystone website ([www.montlakeucits.com/funds/tosca-micro-cap-ucits-fund](http://www.montlakeucits.com/funds/tosca-micro-cap-ucits-fund)). Information given in this document has been obtained from, or based upon, sources believed by us to be reliable and accurate although neither Waystone nor Toscafund Asset Management LLP accepts liability for the accuracy of the contents. The state of origin of the Fund is the Republic of Ireland. The Representative in Switzerland is Waystone Fund Services (Switzerland) SA, Avenue Villamont 17, 1005 Lausanne, Switzerland, whilst the Paying Agent is NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, P.O. Box, CH-8024 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. The current document is intended for information purposes only and shall not be used as an offer to buy and/or sell shares. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units. Waystone does not offer investment advice or make recommendations regarding investments. The Manager of the Fund is Waystone Fund Management (IE) Ltd, a company regulated by the Central Bank of Ireland. The Investment Manager for the fund, Toscafund Asset Management LLP 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. The Investment Manager expects that a typical investor will be seeking to achieve a return on their investment in the long term with a high level of volatility and are willing to accept the risks associated with an investment of this nature. Authorised and Regulated by the Central Bank of Ireland. The Management Company may decide to terminate the arrangements made for the marketing of the Fund in accordance with Article 93a of Directive 2009/65/EC. To view the Summary of Investor Rights, please visit the following [link](#). This is a marketing communication.

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