

FACTSHEET

THE MANAGER

Performance Returns Summary

The finnCap Slide Rule UCITS Fund returned **-11.8% for the month of October** (GBP Inst Founder Class), **underperforming the benchmark by 290bps**. In the eight complete months the fund has been operating it has delivered -3.2%, **outperforming the benchmark by 215bps**. Net return since launch on 12th February 2018 is -4.3%.

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" 80-100 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 September 2018

- **Q4 started with an aggressive market sell-off. The benchmark fell 8.9% in October, with AIM down 11.2% and FTSE Small Cap down 6.6%.** Year to date, the benchmark is down 7.5%. To provide some wider context, the FTSE250 was down 7.2% in October and 10.0% YTD. The whole market that has been dealt a blow through a mixture of declining global growth expectations, worries about international trade, rising interest rates and, of course, Brexit. The sell-off was particularly cruel to growth stocks, making this a difficult month for the fund which, of course, has a material growth bias.
- **Fund NAV decreased 11.8% in October, underperforming the benchmark (-8.9%) by 290bps** essentially giving up the outperformance generated in August and September.
- Only **8 companies (12% of the portfolio)** generated positive returns in October reflecting the savage sell-off in the market.
- **The list of companies performing well in the month is a short one: Impellam (+16.7%)** was a stand-out, as was **Moneysupermarket (+5.2%)** while **Plus500, Rightmove, Mortgage Advice Bureau, City of London, RM, Proactis, Character, Domino's, Cohort** and **IG Design** were notable for being essentially unchanged on the month.
- **Five companies stand out in the list of underperformers: Learning Tech (-32.6%), Accesso (-30.7%), Keywords (-29.7%) and Frontier (-26.4%)** had been some of the best performers in recent months. The worst performer was **Warpaint (-53.6%)** which suffered a profit warning.

Key Fund Characteristics

- The current portfolio contains **65** 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 £300m.
- **Quality:** the portfolio has a median Free Cash Flow Return on Capital Employed (RoCE) of **25%**, about 2.5x the UK smaller companies median of 9.6%.
- **Growth:** the portfolio has a median revenue growth rate of **11%** and operating profit growth rate of **21%**, both growth rates nearly double the UK smaller-co. average.
- **Value:** the portfolio has a median EV/EBIT multiple of **14.0x** and median P/E multiple of **16.5x**. This represents a c10% premium to the UK smaller companies average.

*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%	-	-	-4.29%

The performance figures quoted above represent the performance of the finnCap Slide Rule UCITS Fund 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.



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

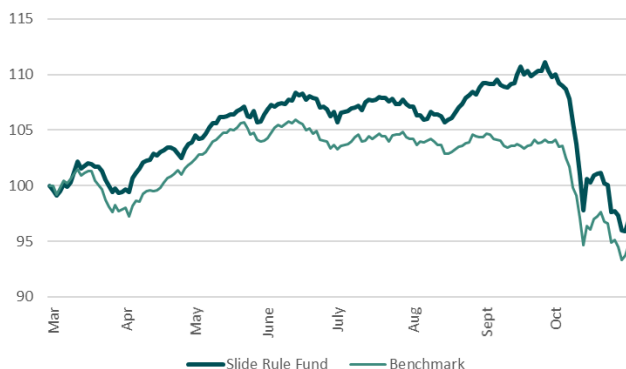
Mark has managed international equities and derivatives for a variety of funds, including pension, unit trust and sovereign wealth. Mark is an Associate of the UK Securities and Investment Institute and former member of the CFA Society of the UK (formerly UK Society of Investment Professionals).

FUND FACTS

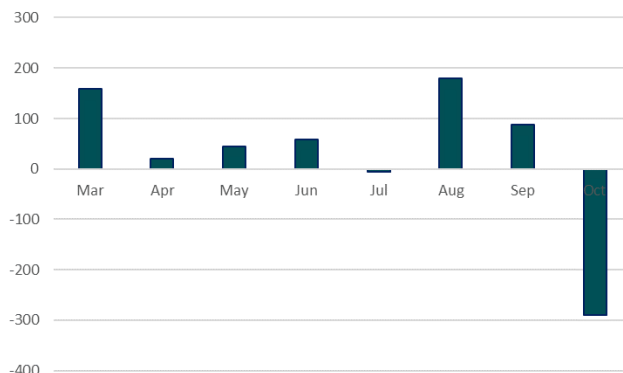
Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	£2.8 million
Inception	12 February 2018
Share Class	Founder Shares
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	0.00%
Min Init. Sub.	£1,000
ISIN Codes	EUR: IE00BFFF4274 USD: IE00BFFF4H92 CHF: IE00BFFF4G85 GBP: IE00BFFF4F78
Share Class	Class A Shares
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	10%
Min Init. Sub.	£1,000
ISIN Codes	EUR: IE00BFFF4K22 USD: IE00BFFF4N52 CHF: IE00BFFF4M46 GBP: IE00BFFF4L39

Performance Charts

- Slide Rule Fund NAV absolute performance 1/3/18 – 31/10/18 versus Benchmark (rebased to 1 March 2018)

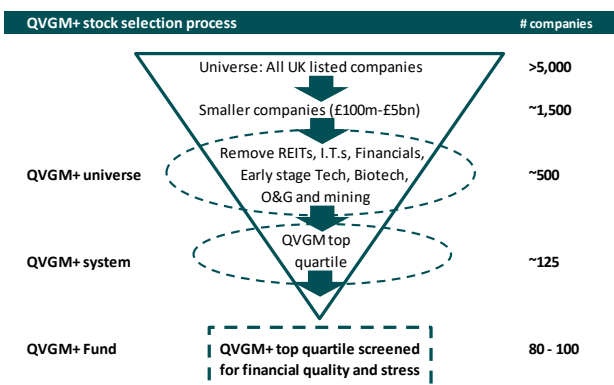


- Slide Rule Fund NAV monthly relative performance vs Benchmark (bps)



Investment Strategy Chart

- The QVGM+ investment process illustrated



Contacts

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

➤ **European sales:**
 Madeleine Beck-Wagner
 +44 (0)7977 928 103
 mbeck-wagner@finncap.com

How to invest

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

Contact Details

Investor Contact

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

Management Company

MLC Management Limited
 23 St. Stephens Green
 Dublin 2, Ireland
 T: +353 1 533 7020
 investorrelations@mlcapital.com

Investment Manager

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

Disclaimer

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