

↓ -11.45%

# Tosca Micro Cap UCITS Fund

## UK Micro Cap

February 2020

### Performance Returns

The Tosca Micro Cap UCITS Fund returned -11.45% in February (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).

### Market Commentary

February was a nasty month all round for equity markets and the Tosca Micro Cap Fund suffered accordingly. As an indication of the seemingly indiscriminate nature of the selloff, none of the top five losers in the month released any information to the market throughout the whole of February on which conclusions could be drawn.

COVID-19 is clearly dominating headlines and as such we are acutely aware of perceived risks and where possible we have tried to mitigate against those. In the Fund there are companies that source goods from China, export to that market and have their own manufacturing capacity there too. Others have some exposure to travel bans and event cancellations. Of the 37 positions in the fund, 8 have direct exposure in this way.

While calculating the ongoing and future threat is

nigh on impossible, it clearly does not feel right to be exposed to companies with material balance sheet risk. This is especially true where a slowdown is possibly putting pressure on covenants and banking relationships. Where we are comfortable with leverage is where a company has strong FCF and/or healthy asset backing e.g. land banks for a housebuilder, producing wells at oil and gas companies and high recurring revenues at software and utility companies. Overall we are happy with the shape and makeup of company balance sheets in the Fund. The cashflow part of the portfolio has leverage of c1x while the growth component holdings are sitting on net cash.

Looking in to the detail of the month feels slightly academic with many of the star turns of January reversing engines in February. None of Ted Baker (-99 bps), SRT Marine (-85 bps) or Sureserve (-72 bps) had any newsflow in the month. The latter company is of note as this is a UK focused provider of compliance and energy services into the Local Government segment and big five energy companies. Contracts are long, cashflow strong and it retains a dominant position in key markets such as Scotland. It is growing organically at 5% pa, has an 8% FCF yield, will be nigh on debt free at the end of this year and yet is trading on c.8x PE and <6x EV/EBITDA. This is a clear disconnect with reality given the business looks well placed to see earnings upgrades through the year on the back of contract momentum.

While equity markets remain volatile, the natural reaction is to sit on the side-lines. However, we would hope that we can position ourselves to capitalise on some of the more reckless sell off to increase exposure to names such as this. Indeed there are target companies that have come back into buy territory that we are actively evaluating. The caveat is that the fund will always remain long cash and sustain a diversified portfolio with no material concentration risk.

We thank you for continued support and wish you and your families' full health in the coming weeks.

### The Manager

# TOSCAFUND

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly
Fund AUM	\$32.9m
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 and was ranked third in the Exte! 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 Exte! 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
2020	5.90%	-11.45%											-6.22%
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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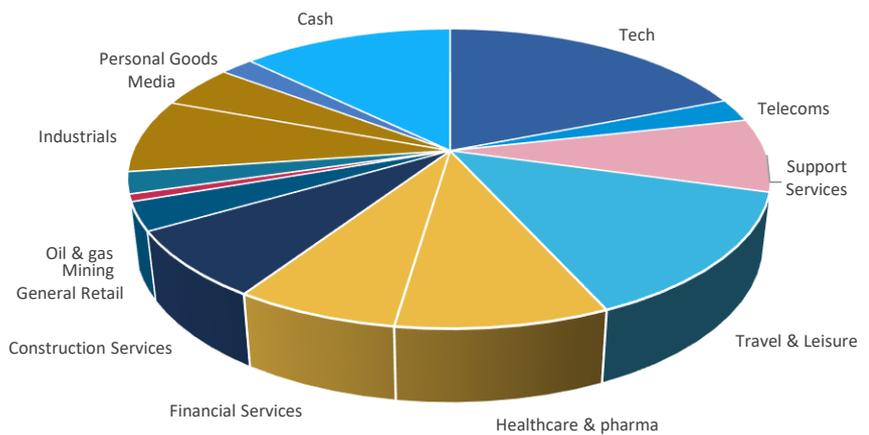
February 2020

### COMPOSITION OF FUND (Data as at 3<sup>rd</sup> March 2020)

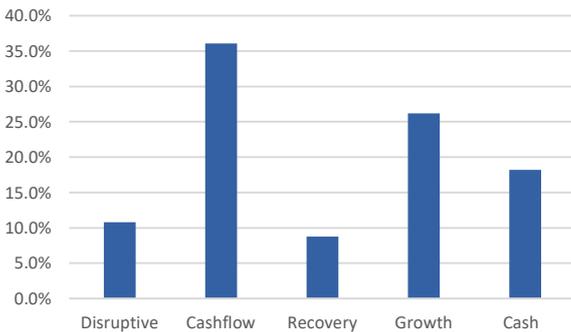
#### Portfolio Summary

Gross exposure	85.0%
Yield (%)	1.5%
PE (Cash flow)	11.1
Average mkt cap (£m)	182
No. of positions	38

#### Portfolio By Sector



#### Portfolio By Theme



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

Imimobile	5.50
Oxford Biomedica	4.90
Sumo	3.99
Inspired Energy	3.83
Attragt	3.64

### 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 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). 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 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 ACOIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, 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. 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, 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. Authorised and Regulated by the Central Bank of Ireland.