

↓ 2.04%

# Tosca Micro Cap UCITS Fund

## UK Micro Cap

August 2022

### Performance Returns

The Tosca Micro Cap UCITS Fund returned -2.04% in August (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

Given the recent trend in energy costs it perhaps should be of little surprise to see portfolio companies with exposure to that supply chain being the most volatile performers in the month.

In the credit column in August we see a mix of gas producers, (Kistos, +24 bps), alternative energy names (Invinity, +26 bps) and providers of the picks and shovels into this market (Crestchic, +99 bps & Ashtead Tech, +41 bps) performing strongly. Offsetting that, we had a blend of energy explorers i.e. non producers (Canadian Overseas Petroleum, -68 bps) and perceived losers from higher energy pricing and slowing consumer demand (Wincanton, -31 bps & Hollywood Bowl, -25 bps).

The market can be a fickle home for stocks and Hollywood Bowl is a good case in point. From an input cost perspective it has (along with Loungers) hedged its costs until late 2024, meaning that energy costs are <3% of sales. At the same time substantial investment in solar panels will mean it can cut energy consumption in the order of 20%

by 2025. Staff costs will be rising, as is generally the case elsewhere, but these are only c.1/3 of total opex, while costs surrounding the games themselves are close to zero. From a revenue perspective it should also be noted that its offer is very much at the value end of the market, with spend per game at a very modest £10.30 in FY21. We would argue therefore, that the risk of a material slowdown from waning consumer demand is misplaced, certainly relative to other leisure markets. Finally, despite its recent diversification into Canada and ongoing gradual UK expansion program, the business is heavily cash generative and therefore both pays out a healthy dividend and sits on net cash. Sentiment is nine tenths the law but we believe the fundamentals will win out, and with the stock trading on 10x PE with a 5%+ dividend yield, we are being paid to wait.

To be clear, the fund structure is not designed to naturally hedge specific market conditions. The reason we own Hollywood Bowl is because it is: a) cheap b) well run c) generates good growth and healthy returns. Similarly, we own the likes of Ashtead Tech because it is a) cheap b) well run c) has good organic/inorganic growth potential and generates healthy cash returns. You get the picture.

As for wider market trends, we remain cautious on highly levered businesses (the average debt/ebitda of the portfolio is c.0.6x falling to 0x in 2023). The pressure on margins is acute and this will hurt many. We look for those companies who, either through the markets that they face or actions that they can control, will be able to deliver on expectations. We believe that while earnings momentum won't necessarily bring you the rewards of previous years, it will insulate you from the double whammy of downgrades and a de-rating. These, together with a belief that the market will always come back to focus on cashflow, give us confidence that we can both weather near term uncertainty and also position ourselves for a pick-up in UK small cap equities, as that materialises.

We thank you for your ongoing support.

### The Manager

# TOSCAFUND

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly
Fund AUM	\$40m
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 Extel 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%					-28.20%
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

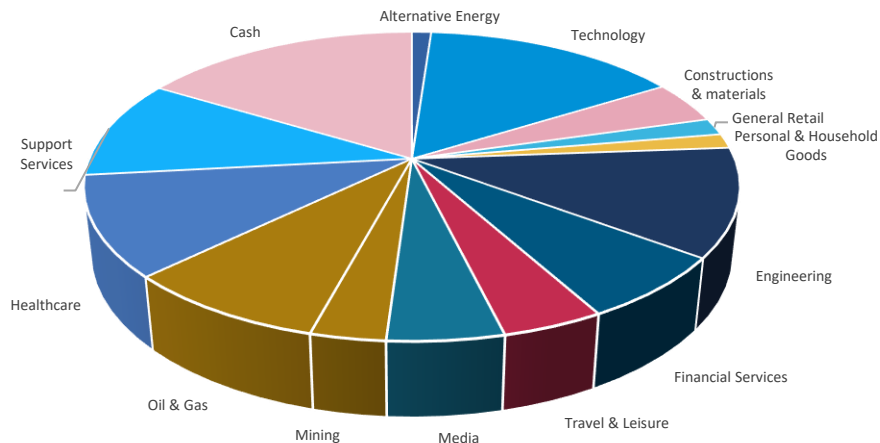
August 2022

### COMPOSITION OF FUND (data as at 31 August 2022)

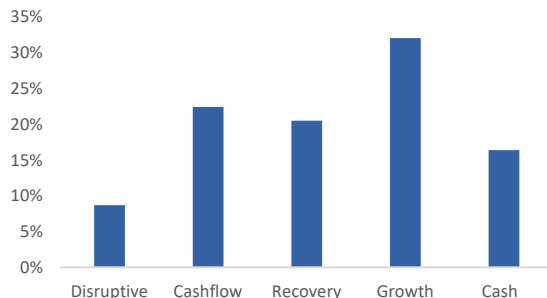
#### Portfolio Summary

Gross exposure	83.6%
Average mkt cap (£m)	195
No. of positions	51

#### Portfolio By Sector



#### Portfolio By Theme



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

Kistos	5.6
Crestchic	4.5
Sureserve	4.1
Ashtead Tech	4.0
Fonix	3.5

### Contact Details

#### Investor Contact

**Waystone Capital Solutions (UK) Ltd**  
 2nd Floor, 20-22 Bedford Row  
 Holborn, London  
 T: +44 207 290 9493  
 investorrelations@waystone.com

#### Management Company

**Waystone Fund Management (IE) Ltd**  
 3rd Floor, 76 Baggot Street Lower  
 Dublin, Ireland  
 T: +353 1 533 7020  
 investorrelations@waystone.com

#### Investment Manager

**Toscafund Asset Management LLP**  
 5th Floor, Ferguson House  
 15 Marylebone Rd, London NW1 5JD  
 T: +44 20 7845 6100  
 ir@toscafund.com

### 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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