

## FACTSHEET

## Performance Returns

The Tosca Micro Cap UCITS Fund returned -5.35% in November (GBP Institutional share class) giving a net return since launch on April 8<sup>th</sup> 2016 of 27.72%.

## 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

The market sell off seen in October continued into November. Once more, high PE/high growth stocks were out of favour, while the market correction was further accentuated by a lack of liquidity in small/mid cap equities.

Company specific newsflow was relatively limited in the month. There was only one piece of disappointing news. Petro Matad (-0.28%) announced that a speculative well (<3% chance of success) had been plugged and abandoned. Drilling now stops until the Spring when they start drilling on higher chance of success wells. Symptomatic of today's market, any bad news is over inflated and the stock fell 50% as a result.

In the month the biggest detractors to performance included Boku (-0.92%). This direct carrier billing company has, until the recent past, been a strong contributor to the fund. In recent times though it has fallen 50% from its high on nothing more than valuation concerns. Its core customers include Spotify, Sony and Apple, all of whom continue to see strong growth in their use of third-party payment platforms. While not optically cheap on headline earnings forecasts, it is in our view far too cheap on a free cash basis. Its' FCF yield tops 10% per year to Dec-20 onwards. In a similar vein, Sumo Group (-0.84%), a developer of third party gaming software, has come under recent selling pressure. It too, is now trading on a double digit FCF yield. As with Boku, it has good visibility on revenues, healthy utilisation of staff and the inherently cash generative nature of the model means it has net cash on the balance sheet providing options for inorganic growth.

The market sell off has been most acutely felt on direct UK retail stocks (where we have intentionally had no exposure), oil and gas (itself a function of the oil price collapsing 20% intra month) and technology (high valuation, growth investments are out of favour). Our dialog with management teams has flagged both uncertainty and frustration with (amongst other things) Brexit discussions, US trade talks and ongoing consumer caution. Looking through those, admittedly important macro catalysts, we still see companies delivering to plan and forecast. In November, Zoo Digital (+0.97%) reiterated FY expectations and IMI/mobility (-0.42%) actually raised Ebitda forecasts. Overall sales growth in the portfolio is still expected to be 28% in FY18 and +11% in FY19. That is without any real leverage (net cash on the balance sheets) and combined with strong FCF dynamics (the Tech portfolio is trading on 5.6% FCF yield currently).

Frustrating as the last two months have been, the recent sell off and dislocation in the market inevitably provides opportunity. We expect to try and capture some of that in the coming weeks and months. While we have no unique window on the macro environment, we remain convinced of the long term upside in UK micro cap names. 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%	-5.35%		-14.35%
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 Extel 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 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.

## FUND FACTS

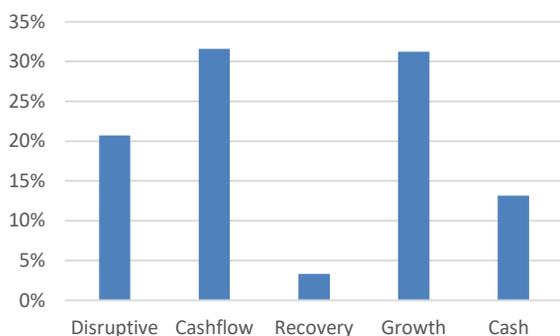
Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly
AUM	\$51.07m
Inception	1 <sup>st</sup> October, 2010
Relaunch	8 <sup>th</sup> April, 2016
<b>Share Class</b>	<b>Institutional/Institutional Pooled</b>
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.00%
Perf. Fee	15%
Min. Init. Sub.	100,000
ISIN Codes	EUR: IE00B3QLJ113/IE00BD2MF541 USD: IE00B3QZNH75/IE00BD2MF764 CHF: IE00B3MBJQ07/IE00BD2MF657 GBP: IE00B68Z1V62/IE00B3RTD232
<b>Share Class</b>	<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 3<sup>rd</sup> November 2018)

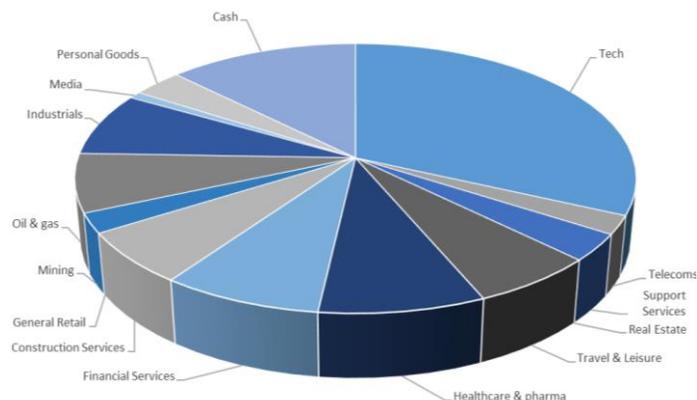
#### Portfolio Summary

Gross exposure	86.84%
Yield (%)	1.1%
PE (Cash flow)	11.3
Average mkt cap (£m)	167
No. of positions	41

#### Portfolio By Theme



#### Portfolio By Sector



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

Diversified Gas & Oil	5.25
Zoo Digital	5.04
Oxford Biomedica	4.69
Sumo	4.68
Arena	4.20

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#### 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. 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 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.