

↓ -24.95%

Tosca Micro Cap UCITS Fund

UK Micro Cap

March 2020

Performance Returns

The Tosca Micro Cap UCITS Fund returned -24.95% in March (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

March 2020 is going to be a month that lives long in the memory and for few, if any, positive reasons. I see little point in dwelling on the background to recent macro events but rather focus on both its impact on the fund and what we are seeking to do about it.

The pace of events has taken the entire market by surprise and the impact on stocks - particularly at the lower end of the market cap scale - has been accentuated by a lack of liquidity. In the initial phase of the market sell-off, selling appeared indiscriminate, thereafter pressure built on areas that are more obviously impacted by the lock down. These included any retail and consumer facing businesses (Hollywood Bowl -1.26% contribution to NAV), housing related companies (Springfield Properties -1.47%, Brickability -1.34%), oil price sensitive operations (Northbridge Industrial -1.5%) & consumer financing groups (NSF -1.7%). Over this period we reduced our exposure to some of these names which has helped contribute to a healthy net cash position for the fund at month end.

Looking forward the focus for the manager and the team is twofold. Firstly, it has been to ascertain the financial strength of each company given different scenarios. The second is to establish whether any business models have been compromised by the COVID epidemic to the extent of ultimately affecting management's ability to trade out of the current market conditions. While this remains a highly fluid market with events unfolding almost on a daily basis, we can still draw some early conclusions.

The first of these is that not everyone is a loser. Indeed around a third of the portfolio (by NAV) will either be a modest winner or largely unaffected. Names here include Synairgen (+1.54% contribution to NAV) & Boku (+0.51%). The former is the one new position in the fund. It is a respiratory drug discovery company that has raised money to accelerate pilot studies on COVID 19 patients. An accelerated timetable means that results are likely within two months. The core business has inherent underlying value and this study provides incremental upside in our view. As followers of our fund will know, Boku is the world's principal direct carrier billing software player. Its customers include Netflix, Apple and Spotify in the downloaded media arena and Sony, Blizzard and Sega in online gaming. As one would surmise from a consumer lockdown, demand for digitised media has moved sharply higher through February and March.

The second cohort of stocks includes those that might be impacted but whose businesses have the flexibility to mitigate the pain through cost management, high recurring revenues or by the evolution of the business model i.e. a move to greater digitisation. This accounts for another 20% of the portfolio. The penultimate group consist of the structurally sound but near term challenged companies where revenues have disappeared. This includes consumer goods, consumer services, industrial and financial services companies. Balance sheet strength rather than near term P&L metrics are key, as is flexibility on costs. The Government's staff furlough program is vital here, as we suspect will be the near term loans offered by high street lenders through the British Business Bank. Without this critical intervention (and importantly execution), there would be swathes of business failures. The majority would be private companies, but no doubt some listed names would (and still could) be dragged down. This accounts for another quarter of the book and is naturally a key focus for the fund manager as risk/reward are most acutely skewed in this area.

The final grouping is where we feel that risks now outweigh the reward because of either debt, market changes or challenged business models. This remains a very low single digit part of the portfolio and is being actively managed.

This is obviously a very trying time for all investors and there remain many unknowns. However, if you are investing in well capitalised, well managed and strategically well placed companies, those risks can be contained. None of us know how long the present conditions will prevail nor what permanent change they will force on the world - lower auto usage, less travel, more digital traffic all seem likely. As such there will be winners as well as losers which presents opportunity. We thank you for your continued support and hope that you and your families are safe and well.

The Manager

TOSCAFUND

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly
Fund AUM	\$20.6m
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 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.

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%	-24.95%										-29.61%
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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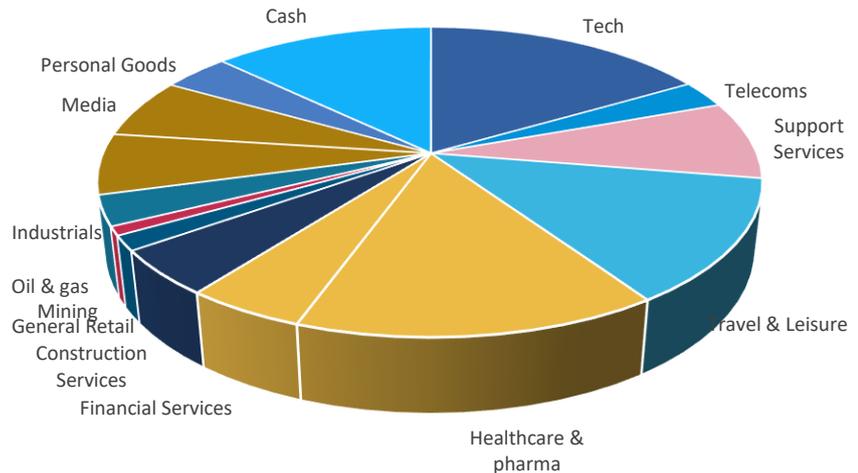
March 2020

COMPOSITION OF FUND (Data as at 31st March 2020)

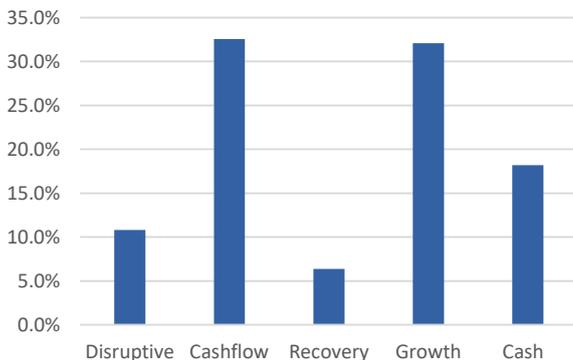
Portfolio Summary

Gross exposure	81.9%
Average mkt cap (£m)	150
No. of positions	34

Portfolio By Sector



Portfolio By Theme



Top 5 exposures (% of NAV)

Oxford Biomedica	6.45
Sumo	4.72
Codemasters	4.43
Inspired Energy	4.28
Attraqt	4.06

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 date 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 ARM Swiss Representatives SA, Route de Cité-Ouest 2, 1196 Gland, 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. This is a marketing document.