

↑ 2.08%

Tosca Micro Cap UCITS Fund

UK Micro Cap

August 2021

Performance Returns

The Tosca Micro Cap UCITS Fund returned 2.08% 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

August was another solid month despite the lack of stock specific news flow. After an incredibly busy period for both primary and secondary transactions, the summer months have provided some downtime. We don't though expect that to last long however given the deal pipeline that we have sight of.

There were no standout events in August, which is unsurprising given the time of year. In the month we took the opportunity to re-size one or two positions, namely banking some profits in strong performers while recycling capital into increasing a couple of sub scale positions. There was one new position added (McColls, + 17bps) as we supported an equity raise designed to both reboot the balance sheet and provide capital to scale growth plans.

During August the largest contributor to NAV was Fonix (+ 44bps). The company's stock price has been weak since April which appears to be more down to a lack of news flow than anything more specific. A trading update in mid-July provided evidence of the strength of the model (direct carrier billing for radio and TV events) and since then the stock has retraced some of its lost ground.

Tosca Micro Cap UCITS Fund Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	3.67%	5.98%	4.90%	5.09%	1.23%	-1.03%	0.57%	2.08%					24.58%
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.

There were two stocks that did provide catalysts for their respective share prices in the month, namely UPGS (+29 bps) and McColls. The former released a trading update that confirmed that the integration of the recent acquisition of the Salter brand was proceeding to plan and that numbers for the first half were modestly ahead of forecast. As ever with this business, numbers have been set conservatively, leading us to believe that there is scope for healthy upgrades at the time of results in early November.

McColls, meanwhile, has been a struggling convenience store business that has an overstretched balance sheet, which has been further hampered by the challenges presented by Covid. What is clear though is that convenience stores, where half the footfall comes from within a few hundred yards of its location, is a concept that is well suited to post-lockdown UK. Consumers want to shop locally and more frequently and if a store can stock the right product at competitive prices there is a big prize to win. With this in mind, McColls sought to kill two birds with one stone by raising £40m in August. Firstly, this would help to radically reduce leverage from 3.4x Ebitda to 2.7x (<2x by FY23). Secondly, it would allow for the new operational management team to accelerate the conversion of the current facia to one branded as “Morrisons Local”. The advantage of this is simply that it introduces a quality range of own label products (1000 SKUs) at a value price. Logistics are run by Morrisons and, at a stroke, McColls is now their largest wholesale customer making it highly relevant to the large food retailer.

Conversions are running at c.6 locations per week and revenue uplifts have been in the range of 25-40%. Assuming a £90k conversion cost (part funded by Morrisons), this drives a two year pay back. As they scale through 350 conversions (possibly to as high as 700 out of a 1200 store estate) we see a path to £50m Ebitda. This would place the company on c3x Ebitda in 2023. Medium to long term, we see McColls as a logical acquisition target for Morrisons as the rollout accelerates. We have a target price of 104p i.e. 5x current price. This is not a quick fix but we see good solid returns as the model is proven.

We thank you for your continued support and look forward to updating you on future developments.

The Manager

TOSCAFUND

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly
Fund AUM	\$73m
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/IE00B4M22536

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 Exel 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.

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UK Micro Cap

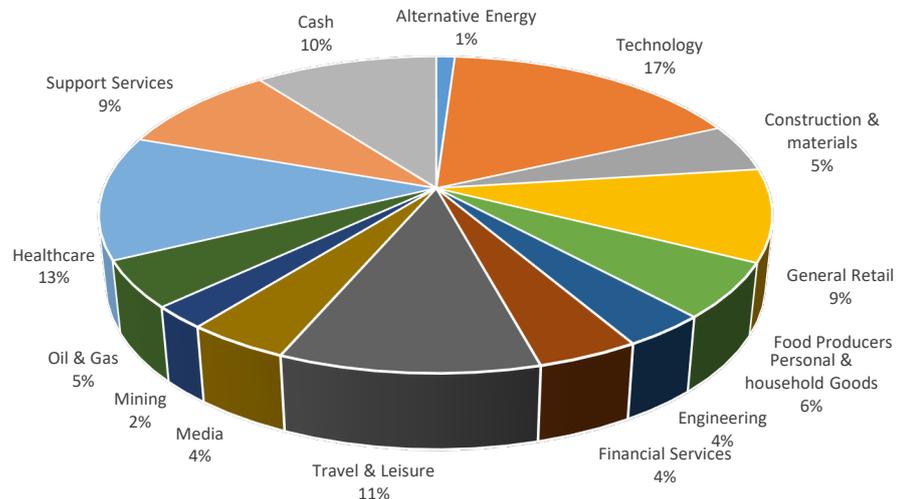
August 2021

COMPOSITION OF FUND (Data as at 31 August 2021)

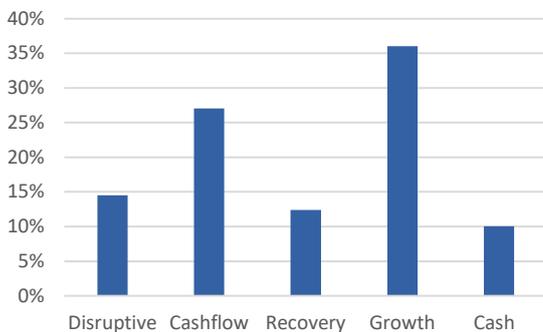
Portfolio Summary

Gross exposure	89.9%
Average mkt cap (£m)	318
No. of positions	58

Portfolio By Sector



Portfolio By Theme



Top 5 exposures (% of NAV)

Maxcyte	5.2%
Up Global	3.0%
Tiny Build	2.9%
Kistos	2.7%
Sureserve	2.7%

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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 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). 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. 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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