

finnCap Slide Rule UCITS Fund

UK Small-Mid Cap Equity

October 2019

Performance Returns Summary

The finnCap Slide Rule UCITS Fund returned +1.64% for the month of October (GBP Inst Founder Class), outperforming the benchmark by 81bps. **Year to date, the fund has delivered +9.26%, outperforming the benchmark by 477bps.** Total outperformance since the fund was first fully invested (1/3/18) stands at 763bps. Net return since launch on 12th February 2018 is -2.85%.

Investment Objective & Strategy

The UK smaller companies universe is full of excellent investment opportunities but it is very large (1,500+ stocks) and suffers from limited and inconsistent research coverage. The finnCap solution is an internally-developed investment analysis tool, The Slide Rule, to dramatically simplify the identification of the best companies. Using The Slide Rule, finnCap has developed a stock picking system, called QVGM+, which is used to find the "best" 60-80 stocks. It is these companies into which the fund will invest. The system's core factors are Quality, Value, Growth and Momentum plus a screen for financial quality and stress. The typical company in the resultant portfolio is one with above average growth and above average ROCE (return on capital employed).

Monthly Commentary for October 2019

- **The smaller company benchmark rose +0.8% in October** (+1.9% AIM and -0.2% FTSE Small Cap) while year to date the benchmark is up +4.5% (+3.6% AIM and +5.4% FTSE Small Cap). For comparison, the Mid250 is up +15.1% YTD and +0.8% in October, while most European and US markets are up 20%+ YTD. The poor performance of UK smaller indices could be due to ongoing fallout from the Woodford Income Fund shuttering debacle, leading to fund managers shunning smaller, less liquid stocks. It is hard to see much life being injected into the market until the political situation starts to show some clarity.
- **Fund NAV increased +1.64% in October, outperforming the benchmark by 81bps.** During the month there was no strong style bias to the market, instead our outperformance was driven by stock selection. Year to date, Fund NAV has increased +9.26%, outperforming the benchmark by 477bps.
- **25 companies (48% of the portfolio) delivered positive returns in October.**
- **Three of our more recent purchases have delivered excellent returns in October: Augean (+39%), Alpha FX (+36%) and Rank (+29%).** Other good performers included **Tatton (+14%), Tristel (+13%), Kainos (+12%), Tremor (+10%) and WH Smith (+10%).**
- **We saw quite a bit of profit-taking in October** affecting the following stocks: **Moneysupermarket (-9%), IMI Mobile (-9%), Softcat (-8%), Bioventix (-7%) and Games Workshop (-6%).**

Key Fund Characteristics

- The current portfolio contains circa **60** smaller companies that have been picked using our **QVGM+ quantitative process**. These companies are the **best blend of quality and growth** in the UK smaller companies market (£100m - £4bn market capitalisation) after testing for cash flow quality, dividend affordability and financial stress.
- The portfolio aims for broadly an **equal-weight** in each company and the median market capitalisation of portfolio holdings is currently circa £340m.
- **Quality:** the portfolio has a median Free Cash Flow Return on Capital Employed (RoCE) of **25.4%**, c3x the UK smaller companies median of 8.7%.
- **Growth:** the portfolio has a median revenue growth rate of **10.5%** and operating profit growth rate of **20%**, both growth rates approximately double the UK smaller-co. median.
- **Value:** the portfolio has a median free cash yield of **5.1%**, inline with the smaller companies median of 5.2%, despite a far higher ROCE and growth rate versus the market.

*The Benchmark is the simple average of the FTSE AIM all-share and the FTSE Small Cap index

UCITS Fund Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2018	-	-1.15%	-0.54%	4.49%	2.41%	0.17%	0.46%	1.95%	0.50%	-11.77%	-0.47%	-6.65%	-11.08%
2019	5.24%	-0.47%	2.94%	4.63%	-0.41%	-0.63%	0.32%	-5.03%	1.06%	1.64%			9.26%

The performance figures quoted above represent the performance of the finnCap Slide Rule UCITS Fund since launch on the 12th of February 2018. These performance figures refer to the past and past performance is not a reliable guide to future performance.

The Manager



Raymond Greaves

Head of Research, finnCap

Raymond Greaves, Head of Research at finnCap, originally built and developed the Slide Rule investment tool and the QVGM+ stock selection system. Raymond has a first class degree in Mechanical and Aeronautical Engineering from Brunel University. He has worked as an equity analyst for over 20 years, on both buy-and sell-side at N.M. Rothschild, Merrill Lynch, Collins Stewart and finnCap.

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	£2.4 million
Inception	12th February 2018

Share Class	Founder Shares
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	0.00%
Min Init. Sub.	1,000
ISIN Codes	EUR: IE00BFFF4Z74 USD: IE00BFFF4H92 CHF: IE00BFFF4G85 GBP: IE00BFFF4F78

Share Class	Class A Shares
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	10.00%
Min Init. Sub.	1,000
ISIN Codes	EUR: IE00BFFF4K22 USD: IE00BFFF4N52 CHF: IE00BFFF4M46 GBP: IE00BFFF4L39

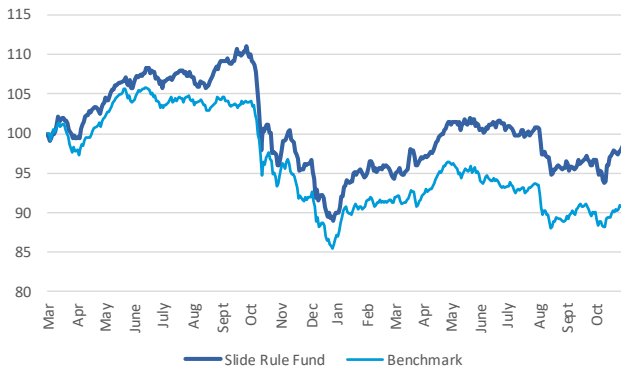
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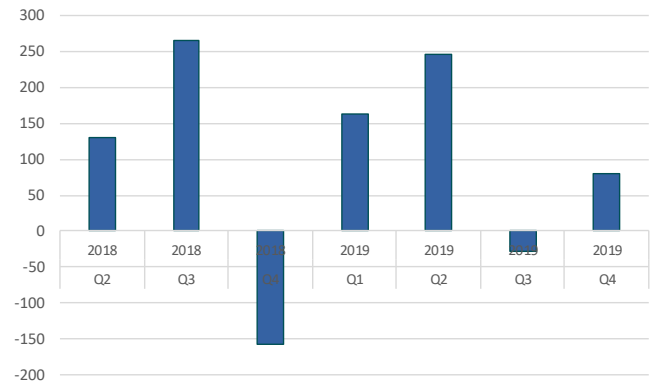
October 2019

Performance Charts

➤ Slide Rule Fund NAV absolute performance 1/3/18 – 31/10/19 versus Benchmark (rebased to 1 March 2018)

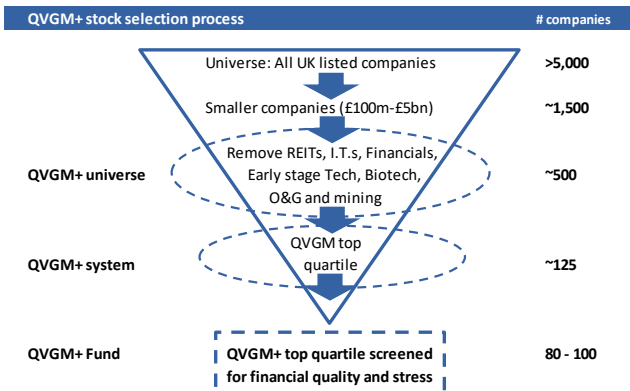


➤ Slide Rule Fund NAV quarterly relative performance vs Benchmark (bps)



Investment Strategy Chart

➤ The QVGM+ investment process illustrated



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How to invest

All relevant documentation is on the MontLake website:
<http://www.montlakeucits.com/>

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