

## FACTSHEET

## Performance Returns

The Pegasus UCITS Fund returned 4.58% in March (GBP Institutional share class).

## Important Update

Since the replacement by Toscafund Asset Management LLP, the Sub-Investment Manager of the Fund, of the former sub-investment manager, Clareville Capital Partners LLP, in August 2015, the Directors have been considering how to position the Fund's investment strategy so as to best reflect the investment approach and specialist expertise of the new Sub-Investment Manager to the benefit of Shareholders.

Following consultation with the Investment Manager (ML Capital Asset Management Limited) and Sub-Investment Manager, the Directors scheduled an EGM on Monday 7th March for shareholders to vote on the proposal to amend the existing investment policy from investing on a long/short basis in UK large to mid-cap equities to a strategy focused on long only, unleveraged investment in companies with a market capitalisation of up to £250 million and that are listed in the United Kingdom, and which are or are expected to become constituents of the FTSE Small Cap ex Investment Trust Index or the FTSE AIM All Share Index.

Shareholders unanimously voted in favour of the change in Investment Policy along with a change in name from Pegasus UCITS Fund to Tosca Micro Cap UCITS Fund to reflect the change in the Investment Policy of the Fund. On 8<sup>th</sup> April 2016, regulatory approval for the changes was granted by the regulatory authority, the Central Bank of Ireland, henceforth allowing full implementation of the new strategy.

## Strategy

The new strategy of the fund is designed to exploit the information vacuum in UK microcaps. This is an area of the market that encompasses a huge number of stocks (c.900 listed names <£250m market cap), yet with very little market focus. An example of this is the stark fact that companies with a market value of <£50m have on average <1 broking analyst covering them.

Historically, this is a section of the market that has substantially outperformed the wider universe in terms of performance. The Numis Smaller Companies Index for example is +3.7x since 2000 vs the FTSE All Share that is +2.4x. A key reason for this has been the far superior growth that is being achieved by often, earlier stage companies. Despite that fact the average P/E for the lower end of the UK market is trading on a substantial discount to its FTSE100 & FTSE250 peers. It is therefore little surprise that M&A is a key feature of this space. Since 1990, according to JP Morgan, on average 7% of UK SMID caps by market cap have been acquired each year. That number has slowed in the very recent past as companies have de-levered and focused on organic growth and recovery in their end markets. However, as markets mature and balance sheets have been recapitalised, the attraction to large businesses of small, but faster growing micro caps increases. As a result we expect M&A to be an important theme over the course of the next 18 months.

Looking forward therefore, we are confident that we can generate healthy returns from this exciting asset class. Many of the names that are potential candidates for inclusion in the fund are well known to the Fund manager and his team having had access to them over the years of analysing and investing in the broader UK mid cap space.

The portfolio going forward will consist of around 35 holdings which will provide a mix of companies with fast growth and/or strong cash flow. In all cases we are looking for solid balance sheets / asset backed businesses so as to avoid unnecessary risks associated with over-levered companies. We also expect management to be significant holders of their own equity so as to ensure alignment with shareholders.

The PM has already made a start in adding new positions and over the next few weeks we expect to substantially build out the portfolio. We look forward to updating our investors on our investments and the opportunities that this segment of the market affords.

## 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	\$5m
Inception	1 <sup>st</sup> October, 2010
Share Class	<b>Institutional/Institutional Pooled</b>
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.50%
Perf. Fee	15%
Min. Init. Sub.	100,000
ISIN Codes	EUR: IE00B3QLJ113/IE00BD2MF541 USD: IE00B3QZNH75/IE00BD2MF764 CHF: IE00B3MBJQ07/IE00BD2MF657 GBP: IE00B68Z1V62/IE00B3RTD232
Share Class	<b>Retail/Retail Pooled</b>
Currency	EUR/GBP/CHF/USD
Mgt. Fee	2%
Perf. Fee	20%
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\***

\*Composition data will be presented on the April factsheet after the Tosca UK Micro Cap strategy has been fully implemented.

**Contact Details****Investor Contact****ML Capital Ltd**

29 Farm Street

London, W1J 5RL

T: +44 20 3709 4510

investorrelations@mlcapital.com

**Investment Manager****ML Capital Asset Management Ltd**

26 Fitzwilliam Street Upper

Dublin 2, Ireland

T: +353 1 535 0912

investorrelations@mlcapital.com

**Sub Investment Manager****Toscafund Asset Management LLP**7<sup>th</sup> Floor, 90 Long Acre,

London, WC2E 9RA

T: +44 20 7845 6100

ir@toscafund.com

**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 and, potentially, to currency exchange rate risk. 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. ML Capital Asset 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. This document may only be distributed in or from Switzerland to qualified investors within the meaning Art. 10 Para. 3, 3bis and 3ter CISA. The Representative in Switzerland is ACOLIN Fund Services AG, Stadelhoferstrasse 18, CH-8001 Zurich, whilst the Paying Agent is NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, P.O. Box, CH-8022 Zurich. 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 ML Capital Asset Management Ltd. Authorised and Regulated by the Central Bank of Ireland.