

↓ -0.98% *

Tosca Micro Cap UCITS Fund

UK Micro Cap

October 2019

Performance Returns

*The Tosca Micro Cap UCITS Fund returned -0.98% in October (GBP Institutional share class) giving a net return since launch on April 8th 2016 of 9.02%.

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

UK small caps remain an under-owned and unloved section of the market as investors contend with the powerful forces of Brexit fatigue and illiquid markets. Despite this, companies in our universe continue to execute their plans for growth. Management (and fund managers) accept that near term geopolitical concerns have a disproportionate bearing on demand for, and value of, their equity.

Our portfolio is a blend of companies with attractive cashflow characteristics and above market growth. Each component accounts for roughly 50% of the invested book. We note that the cashflow component is trading on c11x forward PE, growing at 6% and is 1x levered (debt/ebitda). This is a healthy discount to history and reflects the pressures mentioned above and ignores the significant optionality that many small caps offer.

It is worth reminding oneself of what we like about

this area of the market. Companies tend to have high insider ownership (averages 14% in this portfolio for example) and as such, management interests are aligned with that of shareholders. There tend to be very micro-specific catalysts that each stock will react to. That is not to say that macro is not an influence, but that simply it is less pronounced in a faster moving subset of the marketplace. While liquidity can be seen as a negative today, a stock squeeze can work both ways and we expect recent headwinds to become tailwinds as political clouds clear. Scrutiny of companies with low market caps has rarely been lower which also suggests that the scope for surprises (both positive and negative of course) is amplified. Finally, we can see that while institutional investors have shunned this end of the market, corporate and PE investors have not. Year to date c3% of the AIM All-share index has been acquired – a trend we expect to continue in the coming months given how low valuations are.

There were no standout drivers of performance in the month. Newsflow was light, despite the decline in NAV. For choice though, where it was it was supportive. Pennant (+22 bps) announced the award of a large helicopter contract which will help underpin forecasts and Immotion (11bps) provided an update on its own contract momentum that is fast driving it towards breakeven this quarter. The best performer (Warpaint, +47 bps) continued on its recent recovery as the market digests an improving market position and sees scope for good client wins in the coming months. In the debit column both IMImobile (-40 bps) and Northbridge Industrial (-37 bps) drifted on no news.

In the month we exited one position (Petro Matad) and entered 2 new small positions. These are Blackbird, a market leading cloud based video editing solution being used by news, sports and entertainment businesses. The second was Brickability. This is the UK's leading supplier of bricks, blocks and tiles to the construction industry which has a history of healthy organic growth and strong cash generation in a market where there has been little growth for some time, so is well placed into any investment led recovery. We thank you for your continued support..

The Manager

TOSCAFUND

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly
Fund AUM	\$35.0m
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
2019	-0.55%	-3.90%	2.40%	3.10%	0.10%	-4.41%	0.46%	-5.23%	-2.32%	-0.98%			-11.10%
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 since relaunch on 8th April 2016. These performance figures refer to the past and past performance is not a reliable guide to future performance.

↓ -0.98% *

Tosca Micro Cap UCITS Fund

UK Micro Cap

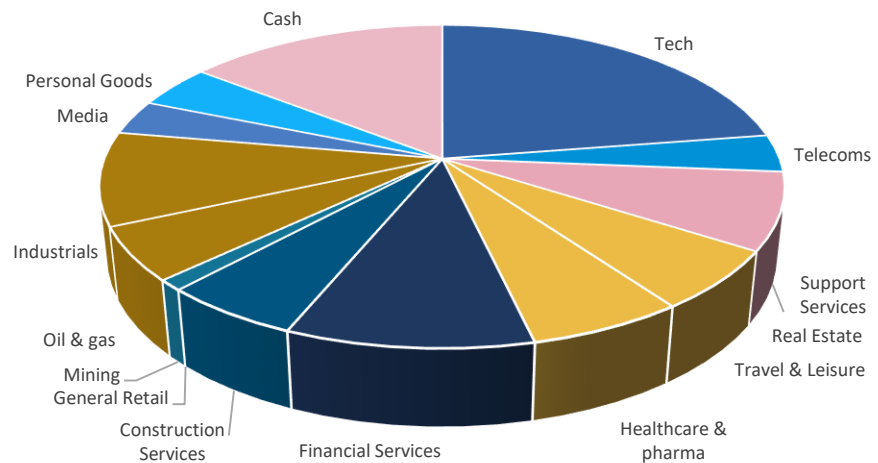
October 2019

COMPOSITION OF FUND (Data as at 1st November 2019)

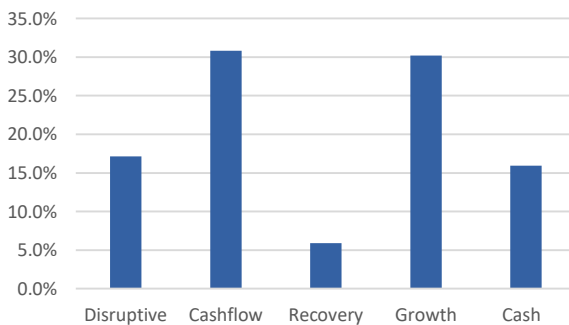
Portfolio Summary

Gross exposure	85.5%
Yield (%)	1.4%
PE (Cash flow)	11.8
Average mkt cap (£m)	190
No. of positions	36

Portfolio By Sector



Portfolio By Theme



Top 5 exposures (% of NAV)

Diversified Gas & Oil	5.35
Sumo	5.10
Oxford Biomedica	4.97
Boku	4.75
Imimobile	3.88

Contact Details

Investor Contact

MontLake Funds (UK) Ltd
 Park House, 116 Park Street
 London, W1K 6AF
 T: +44 20 3709 4510
 investorrelations@montlakefunds.com

Management Company

MontLake Management Ltd
 23 St. Stephen's Green
 Dublin 2, Ireland
 T: +353 1 533 7020
 investorrelations@montlakefunds.com

Investment Manager

Toscafund Asset Management LLP
 7th Floor, 90 Long Acre,
 London, WC2E 9RA
 T: +44 20 7845 6100
 ir@toscafund.com

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 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 ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, 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.