

The MI Discretionary Unit Fund

Delivering value. Since 1963.

Factsheet

December 2019



Investment objective

To provide long-term capital growth by investing in equities of high quality, smaller and medium sized, mainly UK listed companies. We also selectively invest in discounted share placings, IPOs and liquidity events.

Portfolio advisor



Melwin Mehta invests with an ownership mindset, analysing every company like a business rather than a stock. He lays heavy emphasis on management calibre and meets more than 200 companies every year. His 19 year career includes roles in private equity, family office and hedge fund. He is a Bachelor of Engineering, member of the CFA UK Society of Investment Professionals and holds the IMC. Melwin is the founder of Sterling Investments and has been managing the Fund since October 2017. For more information, please get in touch:



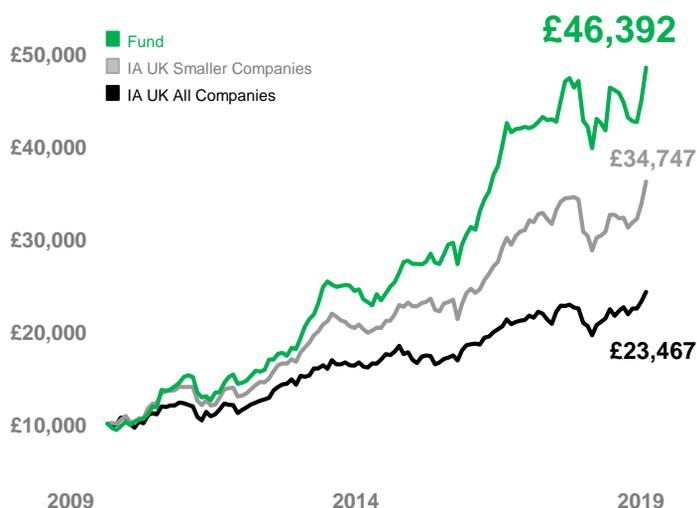
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Growth of £10,000 over the last 10 years



Source: Morningstar and NAV calculations based on accumulation units

Performance and commentary

All data as at 31 st December 2019	6 months	1 year	3 years	5 years	10 years
Fund	5.9%	21.5%	40.8%	99.6%	363.9%
IA UK All Companies	8.9%	23.2%	24.9%	45.6%	134.7%
IA UK Smaller Companies	12.1%	25.4%	40.6%	75.4%	247.5%

Following the Conservative election victory on 12th December, the black clouds of uncertainty that had been engulfing the UK market dissipated and sentiment swung from catastrophe to delight. In the period from 12th December to 31st December, the FTSE All Share increased in value by 4.01%, while our Fund increased by 7.77%. How quickly times change.

Interest rates remain low and private equity groups (PEG) are sitting on piles of cash - ready for deployment. 2019 saw the highest dollar value of buyout deals in a decade, with an aggregate value of \$478bn. PEG are seeking out high quality companies and willingly paying top dollars when they find them. This works for us.

Why? Often the market misprices companies in the short term. When this happens, we expect acquisitive companies to come to the fore and bid for such companies. With PEG, we have another serious buyer. This drives up prices of good companies and, as owners of such companies, we cannot complain.

Some investors insist on buying "cheaply" at all times, which may expose them to deteriorating businesses or companies with embedded problems. We do not run into buildings that are burning down. Quite the contrary, although we are careful not to overpay, we prefer globally competitive businesses that are run by first-rate people.

In 2019, our return for each calendar month (in sequence) was : 7.86%, -1.10%, -1.76%, 10.89%, -0.59%, -0.66%, -2.18% -3.62%, -0.84%, -0.07%, 5.17%, 7.82%. We lost money in 8 months of 2019 but our overall return for calendar 2019 was 21.56%, with 13.0% of this return being delivered in the last two months. Of course, we would have preferred a smoother ride but that is not how equity markets work. Churns and turns are integral features of this game and it is necessary to have a strong stomach.

Indeed, we would anticipate further volatility in 2020. The above unpredictable return profile only confirms the age-old truism that *it is time in the markets, rather than timing the markets* that best serves the investor.

We wish you a Peaceful, Healthy & Prosperous 2020.

THE SUNDAY TIMES

On 29th December, The Sunday Times published an article entitled "Revealed: the 20 best funds of the 21st century". The performance period covered 20 years, long enough to eliminate lucky strikes. Amongst thousands of Funds, we came third.

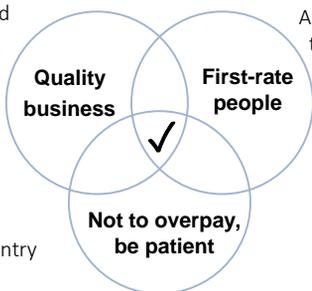
We continue to put in the needed care and persistent effort to deliver returns. As Steve Jobs said "Stay Hungry, Stay Foolish." We will.

Our difference

- ✓ We focus on undiscovered gems that are below the radar of bigger institutional funds; smaller companies are often undervalued and offer greater upside potential
- ✓ We believe business is about people. Every year, we meet hundreds of management teams to understand their ethos and motivation. We invest in people we trust and admire
- ✓ While the market is focused on short-term performance and news-flow, we are patient and invest with an ownership mindset. This, we believe, is a meaningful advantage

What we are seeking

A differentiated business, with high barriers to entry



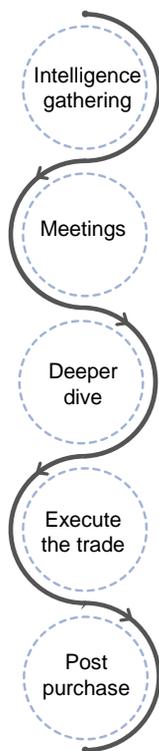
Aligned management team keen to create shareholder value

An attractive entry valuation

To benefit from growth and re-rating, over 3 to 5 years

Investment process

Depending upon the company under study, our due diligence may involve



- Company filings
- Screen for growth, RoCE, cash generation
- Analyst research and broker insights
- Inputs from industry experts and existing networks
- We are offered meetings with over 500 companies
- We meet over 200 management teams each year
- Fewer than 50 companies qualify and pass this stage
- Site visits to meet business operators
- Financial & risk analysis undertaken
- Valuation is computed; purchase decision made only on a handful of companies
- Shares are bought or sold using our well established network, ensuring minimal price disturbance
- Occasionally, we patiently wait until a block of shares become available or the company undertakes a discounted share placing
- Monitor companies, competition and industry
- Regular dialogue with management; add value where possible, including appropriate introductions
- Exit when re-rating or target valuation is reached

Important information and risk factors

This fund is not offered, sold or distributed in the United States or to US persons

Investment should be made on the basis of the Prospectus and the Key Investor Information Document, available from Maitland Institutional Services Ltd, which you should read before investing. The information contained in this document is not an invitation or inducement to any person to purchase shares in our Funds.

Investment in the Fund carries the risk of potential total loss of capital. You should seek your own professional advice as to the suitability of this Fund before investing.

Past performance is not a guide to future performance.

The portfolio is invested in smaller companies and companies traded on the Alternative Investment Market. These stocks may be less liquid and the price swings greater than those in larger companies. Investment decisions should not be based on short term performance. Value of investments can fall as well as rise and you may not get back the amount you have invested. Opinions expressed in this document represent the views of the Manager at the time of publication, are subject to change, and should not be interpreted as investment advice. Sterling Investments Management Limited is an Appointed Representative of Thornbridge Investment Management LLP which is authorised and regulated by the Financial Conduct Authority.

Fund attributes

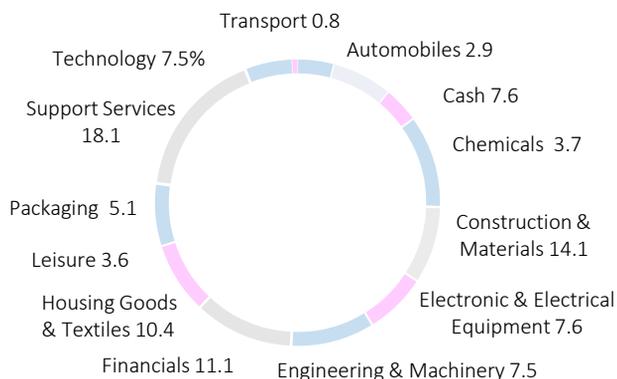
- ✗ No index hugging
- ✗ No market timing
- ✗ No performance fees
- ✗ No nonsense approach

Top 10 holdings

Company	Fund %
Simplybiz Group	9.7
Churchill China	7.7
Dewhurst	5.4
Macfarlane Group	5.1
Bilby	4.9
VP	4.7
Hill & Smith	4.5
4imprint	4.2
ICG	4.0
Treant	3.7

- ✗ Our companies may be small but they are well established. The average age of the companies within our portfolio is 72 years
- ✗ Cumulatively, our 34 companies employ over 70,000 people

Sector allocation in %



Fund facts

Launch date	8 th August 1963
Structure	UK domicile, FCA regulated, UCITS Fund
Total ongoing charges	1.1%
Daily dealing	Eligible for ISA and SIPP
Identifier code	Sedol: 0270892 *** ISIN: GB0002708922
Fund size	£49.9m
Historic dividend yield	1%
Number of companies in the portfolio	34
Fund Trustee	Northern Trust
Fund Auditors	Grant Thornton UK

To invest and customer service

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