

## Investment objective

The Fund seeks capital growth over 3 to 5 years by investing in equities of high quality, smaller and medium sized, mainly UK listed, companies. We also selectively invest in discounted share placings, IPOs, special situations and liquidity events.

## Portfolio advisor

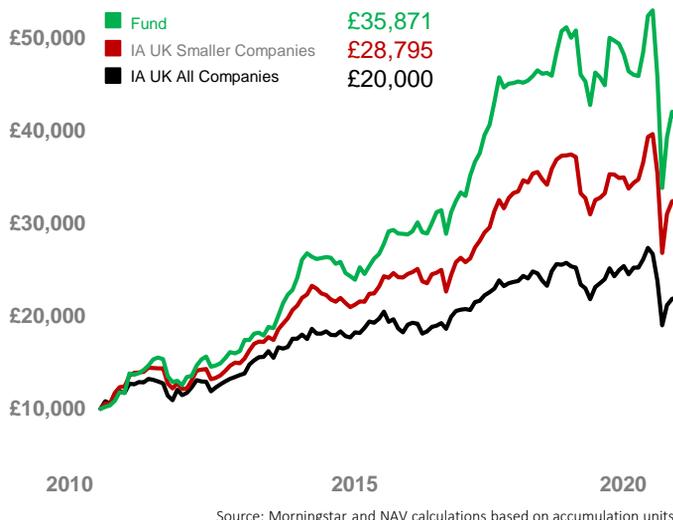


Melwin Mehta invests with an ownership mindset, analysing every company like a business rather than a stock. He lays heavy emphasis on management calibre and meets more than 200 companies every year. His 20 year career includes roles in private equity, family office and hedge fund. He is a Bachelor of 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



## Performance and commentary

All data as at 30 <sup>th</sup> June 2020	6 months	1 year	3 years	5 years	10 years
Fund	-21.0%	-16.3%	-7.9%	38.2%	258.7%
IA UK All Companies	-18.3%	-11.0%	-4.9%	12.2%	100.0%
IA UK Smaller Companies	-16.5%	-6.4%	2.6%	32.3%	187.9%

In Tuscaloosa, a city in the American state of Alabama, youngsters have been throwing *coronavirus parties*, urging infected people to attend and *intentionally* spread the virus to other attendees. Then the first few who “succeed” in becoming ill go on to win cash prizes. One wonders when will this world run out of lunatics? *Perhaps never.*

Twenty years ago, the Bank of England base rate was 6% and you could probably make a bit more in a low risk fixed deposit account. Today, that rate stands at a measly 0.1% – and even that is taxed. The buy-to-let market has also been turned upside down through shifts in government policy over recent years. So where can you put money to work in the hope of making some sort of return? Looking through the options, equities currently appear to be the only game in town, thanks to TINA (There is no alternative). If you want to give your savings *any chance of retaining their buying power* over the coming decades, it seems that there is little choice but to take risk – and invest in equities.

We live in strange times and hence the need of the hour is to assess companies through new optics. Business recovery will depend on how quickly consumer confidence returns post lockdown. Companies that would be casualties of change need to be sold off, while those that are expected to benefit from the new paradigm need to be bought.

Otherwise, it will be a repeat of Nokia vs Apple. We know who won and why.

As a society, we are living in a time where change is rapid and often painful. In such strenuous times, the very survival of many companies is at stake. Those that do survive will need to adjust their business models and likely report poor numbers in 2020 and beyond.

Such an environment vindicates our careful approach of rigorously assessing the quality – and durability – of the core business under study. Having constructed a portfolio of steady-eddies, we wish to sleep well at night, while others fret over their speculative exposures.

We are open-minded to new ideas and focus on smaller companies that are growing and innovating. But we do not behave like gamblers. However tempting they may appear, we avoid junk, loss making lifestyle businesses and speculative companies. Managing a small companies fund does *not* give us a licence to flip coins or act irresponsibly by participating in a double-or-quits strategy – with our investors’ hard earned cash. Our investors could do that themselves – if there were so inclined.

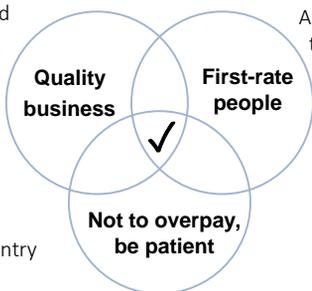
We are not concerned with beating the index on a short term basis; we would rather construct a portfolio of quality businesses that will deliver value for our investors over 3 to 5 years and beyond.

## Our difference

- ✓ **Undiscovered Gems:** We focus on companies that are below the radar of bigger institutional funds; smaller companies are often undervalued and offer greater upside potential
- ✓ **People:** We believe business is about people. Every year, we meet hundreds of management teams to understand their motivation and ethos. We invest in people we trust and admire
- ✓ **Ownership Mindset:** While the market is focused on short-term performance and news-flow, we are patient and invest with a long term owner's 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

### Intelligence gathering

- Company filings
- Screen for growth, RoCE, cash generation
- Analyst research and broker insights
- Inputs from industry experts and existing networks

### Meetings

- 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

### Deeper dive

- Site visits to meet business operators
- Financial & risk analysis undertaken
- Valuation is computed; purchase decision made only on a handful of companies

### Execute the trade

- 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

### Post purchase

- 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 %
Ted Baker	6.0
Costain Group	5.9
ICG	5.6
Hill & Smith	5.1
Liontrust Asset Management	5.0
SimplyBiz Group	4.8
Dewhurst	4.6
Bilby	4.5
Clinigen Group	4.3
Genedrive	3.6

- ✗ Our companies are well established. The average age of the companies within our portfolio is 59 years
- ✗ Cumulatively, our 40 companies employ over 200,000 people

## Sector allocation in %

Chemicals	3.2	Health	8.1
Construction & Building Materials	18.6	Media & Photography	0.7
Diversified Industrials	2.5	Packaging	3.1
Electronic & Electrical Equipment	4.6	Pharmaceuticals	4.3
Engineering & Machinery	0.3	Real Estate	1.7
Financials	18.8	Software & Computer Services	5.3
Food Producers & Processors	1.0	Support Services	9.6
General Retailers	8.5	Transport	4.7

## Fund facts

Launch date	8 <sup>th</sup> August 1963
Structure	UK domiciled, FCA regulated, UCITS Fund
Total ongoing charges	1.1%
Daily dealing	Eligible for ISA and SIPP
Identifier code	Sedol: 0270892 *** ISIN: GB0002708922
Fund size	£37m
Historic dividend yield	1%
Number of companies in the portfolio	40
Fund Trustee	Northern Trust
Fund Auditors	Grant Thornton UK

## To invest and customer service

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