

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



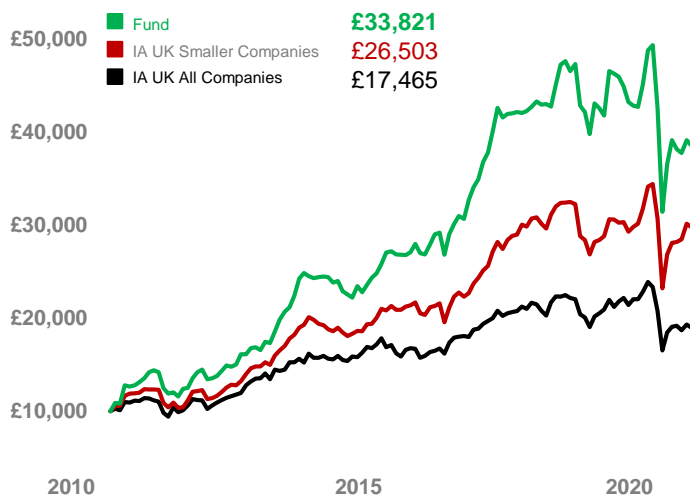
Melwin Mehta invests with an ownership mindset, analysing every company like a business rather than a stock. He lays heavy emphasis on management calibre and meets more than 200 companies every year. His 20 year career includes roles in private equity, family office and hedge fund. He is a Bachelor of 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 th September 2020	6 months	1 year	3 years	5 years	10 years
Fund	21.3%	-9.5%	-8.2%	40.7%	238.2%
IA UK All Companies	13.1%	-12.8%	-7.9%	17.3%	74.7%
IA UK Smaller Companies	26.1%	-0.1%	2.6%	38.9%	165.0%

No enterprise gains or loses value on a day-to-day basis but stock prices gyrate every day that the market is open. Over a suitably long time horizon, however, stock prices tend to move in line with the intrinsic value of their underlying businesses, punishing the profligate cash guzzlers and rewarding the well managed cash generation machines.

Let us contrast the way that individuals approach investment in stocks versus investment in property. People who bought their houses in the 1980s for a few thousand pounds have seen their value increase ten-fold or more. When we buy a property, we are forced into a position of “buy and forget.” How many people would call their local estate agent for a valuation of their house on a daily basis? While that may appear to be a crazy notion, this is exactly how investors behave when they invest in the stock market. The same investor who is fine taking a long term view with property becomes a short term trader when it comes to stocks, checking prices on a daily or even hourly basis. When their shares are down 20%, they become rattled, sell out and promise to *never invest again*.

As humans, our brain focuses on the *here and now*, unless it is forced to do otherwise. Perhaps 90% of investors lose money in the stock market because they sell at the bottom and buy at the top. While following the herd may be mentally comforting in the short term, it can be disastrous for long term wealth accumulation.

We must ask ourselves: why we are investing in the stock

market and for how long? If the answer is anything but for long term wealth accumulation (with long term being at least 5 years), then one should *not* be investing in the stock market in the first place. By investing with a long term mindset, we position our sails to withstand short term volatility – and short term paper losses. By not demanding immediate returns, we give ourselves a chance to keep a cool head when others are losing theirs.

We have seen the 1987 crash, the emerging market crisis of 1998, the dot com bubble, the 9/11 atrocity, the global financial crisis and the sharp fall after Brexit – investors who stayed invested when the immediate outlook was bleak went on to enjoy the appreciation that followed. The same is likely to happen when COVID recedes – this time *it will not be different*. Hasn't the fiscal and monetary response of governments and central banks rendered equities perhaps the only viable asset class for long term investors? Not something that we ever desired, but we are where we are.

The world became poorer when we recently lost Derek Mahon. He wrote many poems and, in these trying times, it would be appropriate to mention a few of his lines.....*The sun rises in spite of everything, and the far cities are beautiful and bright..... Everything is going to be all right.*

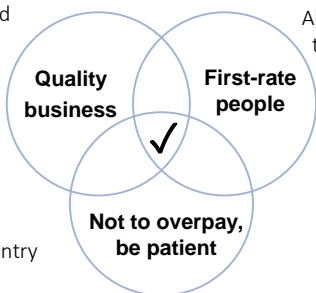
Undeniably, at this hour, we are under the cover of black clouds but, given time, *everything will be alright*.

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



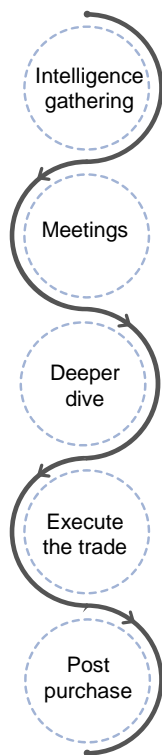
Aligned management team keen to create shareholder value

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



- 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 %
Omega Diagnostics	5.9
Open Orphan	5.9
Hill & Smith	4.8
Bilby	4.6
Liontrust Asset Management	4.6
Velocys	4.3
Avon Rubber	4.1
Treatt	3.8
London Stock Exchange Group	3.6
ICG	3.5

- ✦ Our companies are well established. The average age of the companies within our portfolio is 46 years
- ✦ Cumulatively, our 36 companies employ over 159,000 people

Sector allocation in %

Chemicals	3.8	Health	15.3
Construction & Building Materials	12.6	Media & Photography	2.0
Diversified Industrials	7.3	Oil & Gas	4.3
Engineering & Machinery	0.3	Real Estate	1.7
Financials	17.6	Software & Computer Services	9.6
Food Producers & Processors	1.0	Support Services	2.0
General Retailers	3.8	Transport	2.1

Fund facts

Launch date	8 th 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	36
Fund Trustee	Northern Trust
Fund Auditors	Grant Thornton UK

To invest and customer service

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