

# Maitland

## MI Sterling Select Companies Fund

Interim Report 31 October 2020

# MI Sterling Select Companies Fund

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## Directory

### Authorised Unit Trust Manager (AUTM) & Registrar

Maitland Institutional Services Limited  
Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY  
Telephone: 01245 398950  
Fax: 01245 398951  
Website: [www.maitlandgroup.com](http://www.maitlandgroup.com)  
(Authorised and regulated by the Financial Conduct Authority)

### Customer Service Centre

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY  
Telephone: 0345 305 4213  
Fax: 0845 280 0109  
E-mail: [Sterling@maitlandgroup.com](mailto: Sterling@maitlandgroup.com)

### Directors of the Authorised Unit Trust Manager

C. Deptford (Appointed 15 October 2020)  
P.J. Foley-Brickley  
C. O'Keeffe  
D. Phillips (Non-Executive Director)  
J. Thompson (Non-Executive Director)

### Investment Manager

Thornbridge Investment Management LLP  
13 Austin Friars, London EC2N 2HE  
(Authorised and regulated by the Financial Conduct Authority)

### Trustee

Northern Trust Global Services SE (UK Branch)  
50 Bank Street, Canary Wharf, London E14 5NT  
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

### Independent Auditor

Grant Thornton UK LLP, Statutory Auditor  
Chartered Accountants  
30 Finsbury Square, London EC2A 1AG

## Investment Objective and Policy

### Investment objective

The Fund seeks capital growth over the long-term (3-5yrs).

### Investment policy

The Fund invests at least 75% in smaller and medium sized UK companies.

- Smaller and medium-sized companies will typically be those which have a market capitalisation of up to £5bn.
- UK companies are those which are domiciled or listed or have business operations in the UK.

Up to 25% of the Fund may also be invested in:

- companies of a different market size
- non-UK companies
- cash or near cash
- money market instruments
- transferable securities and
- other collective investment schemes, including those managed by the Manager or Investment Manager.

## Investment Manager's Report

for the period ended 31 October 2020

### Highlights

- Repositioning of the portfolio led to an exit from companies that we felt would be disproportionately impacted by COVID-19 – these divestments included Churchill China, Dewhurst, and SimplyBiz
- New additions to the portfolio included Open Orphan, Omega Diagnostics, Genedrive and SourceBio International, among others (more later)
- Heavier cash weighting than normal as we took a defensive stance and focused heavily on liquidity to ensure capital preservation

During the reporting period, the outbreak of the COVID-19 pandemic led to a great deal of fear in the markets and elevated share price volatility. Our general stance is one of conservatism and, during these testing times, it was our firm belief that preserving cash and value should be our top priority. Our current cash level, at around 9%, positions us well to take advantage of the volatility that we expect in the coming months.

Over the period, the fund delivered a return of 5.4% based on the published Accumulation unit price, which compares to returns of -0.8% and 10.7% from our IA UK All Companies and IA UK Smaller Companies benchmarks, respectively. However, we should remind you that we invest with a focus on absolute capital growth over a 3-5 year horizon, rather than relative performance against benchmarks over fairly short periods.

The COVID-19 pandemic has had a profound impact, both socially and economically, the world over. It has also fundamentally changed the short to medium term outlook for many companies and the industries in which they operate. As a result, we have undertaken a thorough review of our portfolio and sold out of companies where the outlook for the next two to three years is all but guaranteed to be bleak, painful and, most likely, punctuated with profit warnings. Following these portfolio changes, the Fund currently has no exposure to pubs, restaurants, hotels, airlines or gyms.

As we removed companies negatively impacted by COVID-19 from the portfolio, we reallocated capital towards companies whose businesses either had not been significantly impacted by the pandemic or actually stood to benefit from the current situation. Businesses provided with tailwinds by the pandemic that we purchased included Open Orphan, Omega Diagnostics, Genedrive and SourceBio International.

Open Orphan provides testing services and human challenge studies to accelerate the development of vaccines and treatments against COVID-19 and other pathogens, while Omega Diagnostics, Genedrive and SourceBio International all offer COVID-19 testing solutions. Importantly though, COVID-19 testing is not their only attraction; all three companies have other lines of business that should remain in demand long after the COVID-19 pandemic is behind us.

### Investment Manager's Report

continued

For us, business will always be about people. We believe the right talent in the right place can make a dramatic difference to the long-term value of any company. A common thread throughout all of our investments is our backing of highly capable management teams – these first-rate people ensure that our companies get stronger and better with time.

The pandemic has dislocated the market and thrown open pricing inefficiencies. For nimble investors like us, who have a 3-5 year perspective, the hunting ground is highly fertile.

Professional marathon runners are taught early: To finish first, you must first finish. For us, managing money is a marathon – not a sprint. We continue to prudently invest for the long term.

Thank you for your trust.

Melwin Mehta, Miles Nolan and Rik Tipton

Email: [info@sterlingim.co.uk](mailto:info@sterlingim.co.uk)

Website: [www.sterlingim.co.uk](http://www.sterlingim.co.uk)

# MI Sterling Select Companies Fund

## Portfolio Statement

as at 31 October 2020

Holding	Security	Market value £	% of total net assets 2020
	<b>OIL &amp; GAS 3.46% (0.00%)</b>		
	<b>Oil &amp; Gas Producers 3.46% (0.00%)</b>		
26,028,526	Velocys*	1,249,369	3.46
	<b>BASIC MATERIALS 3.94% (6.48%)</b>		
	<b>Chemicals 3.94% (6.48%)</b>		
238,000	Treatt	1,423,240	3.94
	<b>INDUSTRIALS 24.58% (35.46%)</b>		
	<b>Construction &amp; Materials 1.87% (1.80%)</b>		
823,304	Titon*	675,109	1.87
	<b>Aerospace &amp; Defence 3.83% (0.00%)</b>		
35,350	Avon Rubber	1,383,953	3.83
	<b>General Industrials 0.88% (4.80%)</b>		
400,000	Coral Products*	18,800	0.05
150,000	Hargreaves Services*	300,000	0.83
		318,800	0.88
	<b>Electronic &amp; Electrical Equipment 2.83% (6.78%)</b>		
455,591	Strix*	1,022,802	2.83
	<b>Industrial Engineering 7.26% (5.02%)</b>		
150,000	Hill & Smith	1,800,000	4.98
44,600	Rotite^	104,810	0.29
3,990,913	Stobart	718,364	1.99
		2,623,174	7.26
	<b>Industrial Transportation 0.00% (1.95%)</b>		
	<b>Support Services 7.91% (15.11%)</b>		
500,000	Altitude*	55,000	0.15
264,166	Augean*	449,082	1.24
8,477,235	Bilby*	1,695,447	4.69
32,244	Euromoney Institutional Investor	265,368	0.73
630,000	Frontier IP*	396,900	1.10
		2,861,797	7.91
	<b>CONSUMER GOODS 7.67% (11.36%)</b>		
	<b>Automobiles &amp; Parts 0.97% (0.68%)</b>		
2,500,000	Autins*	350,000	0.97
	<b>Food Producers 0.95% (1.09%)</b>		
10,711	Cranswick	344,466	0.95
	<b>Household Goods &amp; Home Construction 1.29% (7.69%)</b>		
20,000	Persimmon	467,200	1.29

# MI Sterling Select Companies Fund

## Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2020
	<b>Leisure Goods 2.92% (1.90%)</b>		
255,915	Codemasters*	1,054,370	2.92
	<b>Personal Goods 1.54% (0.00%)</b>		
543,474	Ted Baker	555,430	1.54
	<b>HEALTH CARE 22.02% (3.11%)</b>		
	<b>Health Care Equipment &amp; Services 22.02% (0.00%)</b>		
1,200,174	Genedrive	1,200,174	3.32
2,825,000	Omega Diagnostics*	1,977,500	5.47
11,000,000	Open Orphan*	2,860,000	7.91
1,125,000	SourceBio International*	1,923,750	5.32
		7,961,424	22.02
	<b>Pharmaceuticals &amp; Biotechnology 0.00% (3.11%)</b>		
	<b>CONSUMER SERVICES 3.62% (3.53%)</b>		
	<b>Food &amp; Drug Retailers 2.25% (2.50%)</b>		
500,000	Wm Morrison Supermarkets	814,250	2.25
	<b>Media 1.37% (1.30%)</b>		
25,000	Future	496,000	1.37
	<b>FINANCIALS 16.54% (21.50%)</b>		
	<b>Real Estate Investment &amp; Services 1.08% (5.04%)</b>		
780,000	Inland Homes*	390,000	1.08
	<b>Real Estate Investment Trusts 0.63% (0.63%)</b>		
300,000	Assura	228,300	0.63
	<b>Financial Services 14.83% (15.83%)</b>		
297,619	Curtis Banks*	595,238	1.65
110,810	Intermediate Capital	1,297,585	3.59
135,855	Liontrust Asset Management	1,684,602	4.66
1,000,000	Litigation Capital Management*	544,000	1.50
15,000	London Stock Exchange	1,241,700	3.43
		5,363,125	14.83

# MI Sterling Select Companies Fund

## Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2020
<b>TECHNOLOGY 7.25% (2.67%)</b>			
<b>Software &amp; Computer Services 7.25% (2.67%)</b>			
180,000	Avast	853,920	2.36
39,291	Computacenter	893,477	2.47
29,901	GB*	263,727	0.73
333,727	NCC	609,386	1.69
		2,620,510	7.25
<b>Investment assets</b>		<b>32,203,319</b>	<b>89.08</b>
<b>Net other assets</b>		<b>3,949,194</b>	<b>10.92</b>
<b>Net assets</b>		<b>36,152,513</b>	<b>100.00</b>

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 30.04.20.

^This is an unlisted security and has been valued at the Manager's best assessment of its fair value.

\*Quoted on the Alternative Investment Market.

Total purchases for the period: £18,860,144

Total sales for the period: £19,207,224



## MI Sterling Select Companies Fund

### Comparative Tables

#### Change in net assets per unit

	Income Units			
	31.10.20 p	30.04.20 p	30.04.19 p	30.04.18 p
<b>Opening net asset value per unit</b>	1,990.81	2,512.25	2,363.73	2,241.86
Return before operating charges <sup>^</sup>	121.32	-487.56	195.69	166.82
Operating charges	-23.83	-27.88	-26.83	-26.43
Return after operating charges <sup>^</sup>	97.49	-515.44	168.86	140.39
Distributions	-1.17	-6.00	-20.34	-18.52
<b>Closing net asset value per unit</b>	<b>2,087.13</b>	<b>1,990.81</b>	<b>2,512.25</b>	<b>2,363.73</b>
<sup>^</sup> After direct transaction costs of	-1.90	-7.62	-1.71	-1.43
<b>Performance</b>				
Return after charges	4.90%	-20.52%	7.14%	6.26%
<b>Other information</b>				
Closing net asset value	24,923,542	25,012,864	32,378,685	32,681,644
Closing number of units	1,194,152	1,256,419	1,288,830	1,382,631
Operating charges	1.13%	1.17%	1.10%	1.11%
Ongoing operating charges*	1.13%	1.14%	1.10%	1.11%
Direct transaction costs	0.09%	0.32%	0.07%	0.06%
<b>Prices</b>				
Highest unit price	2,285.76	2,699.22	2,638.59	2,501.67
Lowest unit price	1,962.52	1,623.49	2,168.46	2,253.28

	Accumulation Units			
	31.10.20 p	30.04.20 p	30.04.19 p	30.04.18 p
<b>Opening net asset value per unit</b>	7,813.73	9,835.29	9,176.51	8,635.22
Return before operating charges <sup>^</sup>	478.58	-1,912.29	763.13	643.26
Operating charges	-93.55	-109.27	-104.35	-101.97
Return after operating charges <sup>^</sup>	385.03	-2,021.56	658.78	541.29
Distributions	-4.58	-23.48	-79.14	-71.48
Retained distributions on accumulation units	4.58	23.48	79.14	71.48
<b>Closing net asset value per unit</b>	<b>8,198.76</b>	<b>7,813.73</b>	<b>9,835.29</b>	<b>9,176.51</b>
<sup>^</sup> After direct transaction costs of	-7.45	-29.89	-6.64	-5.51
<b>Performance</b>				
Return after charges	4.93%	-20.55%	7.18%	6.27%
<b>Other information</b>				
Closing net asset value	11,228,971	11,550,585	14,960,070	15,231,360
Closing number of units	136,959	147,824	152,106	165,982
Operating charges	1.13%	1.17%	1.10%	1.11%
Ongoing operating charges*	1.13%	1.14%	1.10%	1.11%
Direct transaction costs	0.09%	0.32%	0.07%	0.06%
<b>Prices</b>				
Highest unit price	8,973.98	10,594.16	10,243.81	9,666.96
Lowest unit price	7,705.26	6,372.04	8,453.54	8,609.85

Operating charges include indirect costs incurred in the maintenance and running of the Fund, as disclosed (but not limited to) the detailed expenses within the Statement of Total Return. The figures used within this table have been calculated by annualising the expenses incurred against the average Net Asset Value for the accounting period.

\*The AUTM believes this to be more representative of the charges going forward.

The return after charges is calculated as the closing Net Asset Value per unit plus the distributions on income units minus the opening Net Asset Value per unit as a % of the opening Net Asset Value per unit. The basis of valuation of investments used to calculate Net Asset Value per unit complies with requirements of the current Statement of Recommended Practice for UK Authorised Funds. This differs from the basis used to calculate daily published single prices, in which listed investments are valued at 10:00 mid prices.

# MI Sterling Select Companies Fund

## Comparative Tables

continued

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting period. The figures used within the table have been calculated against the average Net Asset Value for the accounting period.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is ranked at 4 because funds of this type have experienced average rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Fund:

- Smaller company shares, including AIM companies, can be riskier as they may be more difficult to buy and sell and their share prices may fluctuate more than those of a larger company.
- In difficult market conditions, the value of some investments may be less predictable than normal and the Fund may not be able to buy and sell these investments at the best time or at a fair price. This could affect the Fund's performance, potentially reducing your returns.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks however, that changes in currency exchange rates may cause the value of your investment to decrease and increase.
- For further risk information please see the prospectus.

## Risk warning

An investment in a Unit Trust should be regarded as a medium to long-term investment. Investors should be aware that the price of units and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

## MI Sterling Select Companies Fund

### Statement of Total Return

for the period ended 31 October 2020

	31.10.20		31.10.19	
	£	£	£	£
Income				
Net capital gains/(losses)		1,796,291		(3,500,275)
Revenue	236,111		373,431	
Expenses	(213,410)		(258,064)	
Interest payable and similar charges	—		—	
Net revenue before taxation	22,701		115,367	
Taxation	—		—	
Net revenue after taxation		22,701		115,367
<b>Total return before distributions</b>		<b>1,818,992</b>		<b>(3,384,908)</b>
Distributions		(22,700)		(112,628)
<b>Change in net assets attributable to Unitholders from investment activities</b>		<b>1,796,292</b>		<b>(3,497,536)</b>

### Statement of Change in Net Assets Attributable to Unitholders

for the period ended 31 October 2020

	31.10.20		31.10.19	
	£	£	£	£
<b>Opening net assets attributable to Unitholders</b>		<b>36,563,449</b>		<b>47,338,755</b>
Amounts receivable on issue of units	30,082		69,628	
Less: Amounts payable on cancellation of units	(2,251,060)		(767,768)	
		(2,220,978)		(698,140)
Change in net assets attributable to Unitholders from investment activities (see Statement of Total Return above)		1,796,292		(3,497,536)
Retained distributions on accumulation units		6,278		35,428
Unclaimed distributions		7,472		3,222
<b>Closing net assets attributable to Unitholders</b>		<b>36,152,513</b>		<b>43,181,729</b>

The opening net assets attributable to Unitholders for the current period do not equal the closing net assets attributable to Unitholders for the comparative period as they are not consecutive periods.

# MI Sterling Select Companies Fund

## Balance Sheet

as at 31 October 2020

	31.10.20		30.04.20	
	£	£	£	£
<b>ASSETS</b>				
<b>Fixed Assets</b>				
Investments		32,203,319		30,752,046
<b>Current Assets</b>				
Debtors	18,751		94,736	
Cash and bank balances	3,998,488		6,349,353	
<b>Total current assets</b>		<b>4,017,239</b>		<b>6,444,089</b>
<b>Total assets</b>		<b>36,220,558</b>		<b>37,196,135</b>
<b>LIABILITIES</b>				
Investment liabilities		–		–
<b>Creditors</b>				
Bank overdrafts	–		(14,161)	
Distribution payable	(13,968)		–	
Other creditors	(54,077)		(618,525)	
<b>Total creditors</b>		<b>(68,045)</b>		<b>(632,686)</b>
<b>Total liabilities</b>		<b>(68,045)</b>		<b>(632,686)</b>
<b>Net assets attributable to Unitholders</b>		<b>36,152,513</b>		<b>36,563,449</b>

The interim financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 and the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by the Investment Association (IA) in May 2014.

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 30 April 2020.

The financial statements have been prepared on the going concern basis.

### Certification of the Interim Report by the Authorised Unit Trust Manager.

This report has been prepared in accordance with the requirements of the The Financial Conduct Authority's Investment Funds Sourcebook ("the FUND Sourcebook") and the Statement of Recommended Practice issued by the Investment Association.



C. O'Keefe

P.J Foley-Brickley

### Directors

Maitland Institutional Services Ltd

16 December 2020

## MI Sterling Select Companies Fund

### Distribution Tables

for the period ended 31 October 2020

#### Income Unit Distribution

Distribution	Units	Net revenue p	Equalisation p	Distribution payable/paid 2020 p	Distribution paid 2019 p
Interim	Group 1	1.1697	–	1.1697	6.0000
	Group 2	1.1081	0.0616	1.1697	6.0000

#### Accumulation Unit Distribution

Distribution	Units	Net revenue p	Equalisation p	Amount reinvested 2020 p	Amount reinvested 2019 p
Interim	Group 1	4.5842	–	4.5842	23.4888
	Group 2	3.9190	0.6652	4.5842	23.4888

Interim period: 01.05.20 - 31.10.20

Group 1: Units purchased prior to a distribution period

Group 2: Units purchased during a distribution period

#### Equalisation

Equalisation applies only to units purchased during the distribution period (Group 2 units). It represents accrued revenue included in the purchase price of the units. After averaging, it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the units for capital gains tax purposes.

## General Information

### Authorised Status

The MI Sterling Select Companies Fund (The "Scheme") is an authorised unit trust scheme and UCITS scheme operating under chapter 5 of COLL. The Scheme was established on 8 August 1963.

The Fund does not intend to have an interest in immovable property.

Unitholders are not liable for the debts of the Fund.

### Head Office

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY

### Address for Service

The Head Office is the address in the United Kingdom for service on the Fund of notices or other documents required or authorised to be served on it.

### Base Currency

The base currency of the Fund is Pounds Sterling.

### Units

The Fund may issue both Income and Accumulation units.

Holders of Income units are entitled to be paid the revenue attributable to such units in respect of each annual accounting period in the currency of the relevant unit.

Holders of Accumulation units are not entitled to be paid the revenue attributable to such units, but that revenue is retained and accumulated for the benefit of unitholders and is reflected in the price of units.

### Valuation Point

The Fund property of the Fund will normally be valued at 10:00 on each dealing day for the purpose of calculating the price at which units in the Fund may be issued, sold, repurchased or redeemed.

For the purpose of the pricing of units, a business day is defined as a day on which the dealing office of the Manager is open for the buying and selling of units. The Manager may at any time during a business day carry out an additional valuation of the property of the Fund if the Manager considers it desirable to do so, with the Trustee's approval.

### Buying, Redeeming and Switching of Units

The Manager will accept orders for the purchase, sale and switching of units on normal business days between 08:30 and 16:30. Instructions to buy or sell units may either be in writing to:

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY

Or by telephone to:

0345 305 4213

The Manager has the right to establish facilities for recording telephone calls made or received on this telephone line.

A contract note giving details of the units purchased will be issued no later than the next business day after the business day on which an application to purchase units is received and instrumented by the Manager. Certificates will not be issued in respect of units. Ownership of units will be evidenced by an entry on the register of Unitholders.

## General Information

continued

### Pricing Basis

There is only a single price (i.e. the same price for buying and selling) for each class of units.

The price of a unit is based on unit's proportionate interest in the property of the Fund. The Fund's property is valued at 10am on every business day on the basis described in the prospectus.

Dealings are on a forward pricing basis. This means that requests to buy or sell units are carried out at the next valuation point following the request.

The prices of units are published daily on [www.maitlandgroup.com](http://www.maitlandgroup.com). Neither the AUTM nor the Company can be held responsible for any errors in the publication of the prices. The units in the Company will be issued and redeemed on a forward pricing basis which means that the price will not necessarily be the same as the published price.

### Other Information

Copies of the Trust Deed and of any Supplemental Deeds of the Fund, the Prospectus and the most recent annual and half-yearly reports may be inspected at the head office of the Manager at the address set out in the Directory and copies may be obtained free of charge upon application.

Unitholders who have complaints about the operation of the Fund should in the first instance contact the Manager, or, following that, may make their complaint direct to the Financial Ombudsman Service, Exchange Tower, London E14 9SR.

### Risk Warning

An investment in a Unit Trust should be regarded as a medium to long-term investment. Investors should be aware that the price of units and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

### Post Balance Sheet Events

#### AUTM Value Assessment

The AUTM is required to provide an annual statement for the Fund, attesting that in the opinion of the AUTM the services provided to the Fund and any fees chargeable to the scheme property represent value for money, taking into account the following criteria as set out by the Regulator under COLL 6.6.20R:

- Quality of Service
- Performance
- Economies of Scale
- Comparable Services and Market Rates
- Classes of Units

This statement references services provided directly by the AUTM and those services delegated by the AUTM to third parties such as, but not limited to, investment management, depositary services, custody and settlement, audit provision, legal services, printing services, KIID production and maintenance, and other costs as may be set out or allowable in the scheme documentation.

The AUTM Value Assessment is published on the Maitland website.

# Maitland Institutional Services Limited

Registered in England No 6252939. Authorised and regulated by the Financial Conduct Authority.