

Elite Webb Capital Smaller Companies Income & Growth Fund

Fund Manager's Commentary

Fund Fact Sheet

Jul 2018

Issue 068

Fund Objective

The objective of the Fund is to achieve a rising income combined with capital growth from a portfolio made up of investments in UK smaller companies. The managers actively manage the portfolio in order to achieve the objective with exposure to ordinary shares, preference shares and convertible instruments. The managers will not invest in companies capitalised above £1bn at the time of investment.

Unit Price (p) (change m-o-m)

Income **134.19** (0.47%)

Acc **158.74** (0.47%)

Income 'B' **168.07** (0.47%)

Acc 'B' **191.02** (0.47%)

Fund Size (NAV)

£3.45m

Number of holdings

26

Investment Manager

Peterhouse Capital Asset Management – Peter Webb

ACD

Way FM Limited

Depository

Northern Trust Limited

Structure

Open Ended Investment Company
(OEIC)
Non-UCITS regulated
Eligible for ISA

Fees

Annual Management Fee 1.0%
Initial Charge 0.0%

The unit price made modest progress during the month. This comes as no surprise as investor returns have been exceptionally good in the year to date. The period between the end of May and mid-August also tends to be a quiet period for markets.

News from our companies has met our expectations albeit share price valuations are no longer cheap and gains are less easy to achieve. Your Manager believes that markets are firmly in the zone where stock picking can deliver a competitive edge. The long standing upward trend in smaller company markets looks vulnerable as housing demand slows and interest rates rise. It is times like this when experience of past cycles proves invaluable to me as a Fund Manager. Accurately judging what will happen next is going to be a chance to shine!

The number of cyclical sectors now experiencing more challenging trading includes motors, retail and housing. These sectors have already experienced a derating relative to those sectors still enjoying growth. However, I fear that there is further pain to come from these sectors in a rising interest rate environment. After all, they are all inexorably linked by one thing and that is consumer demand.

Largely due to the uncertainty of Brexit and likely outcomes for the UK economy, Sterling has been weak (apart from an occasional blip) versus the Euro and USD. Global capital investment has been strong as many countries are in late cycle and funds for investment are at highs. UK companies selling abroad to this sector continue to do very well. The US looks a particularly good market right now.

Financials is a potential sector for growth. The Major UK Banks have ceased to offer the services to consumers and SME's that they once did. The scale of this change is alarmingly large and new companies have emerged to take on this challenge. However, a tightening consumer belt will have implications for impairments and only the very best run companies will be worthy of support.

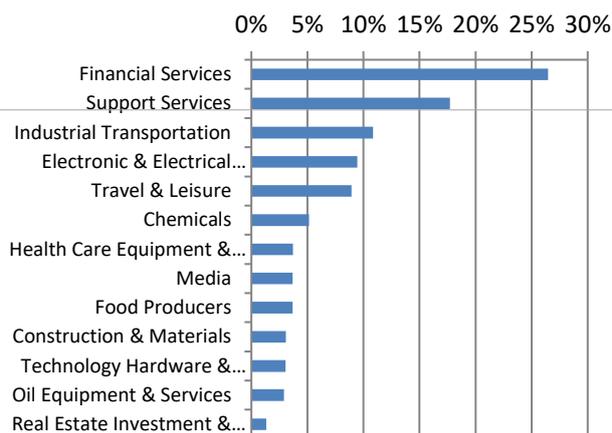
A clear pointer to heady late cycle markets is the number of IPO's and secondary fund raisings taking place. M&A activity is about to boom!

If I ever had a deal to make my mind boggle it is minnow Caretech Holdings (the specialist social care provider valued at circa. £290m) bidding for rival Cambian (the children service's provider at almost £400m). The former's great track record will be on the line if it captures this giant! These are interesting times!

10 largest holdings as at 31 Jul 2018 (Source: Peterhouse Capital)

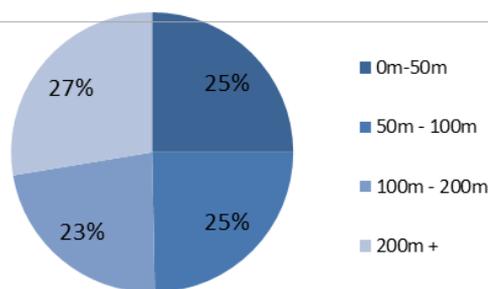
Stock Name	% Fund	Stock Name	% Fund
Lighthouse Group Plc	6.61%	XP Power Ltd	4.90%
Xpediator Plc	5.60%	Zotefoams Plc	4.88%
1PM Plc	5.06%	Avation Plc	4.70%
Arbuthnot Banking Group Plc	5.05%	Arena Events Group Plc	4.55%
Bilby Plc	4.92%	Harvey Nash Plc	4.19%

Fund sector breakdown as at 31 Jul 2018



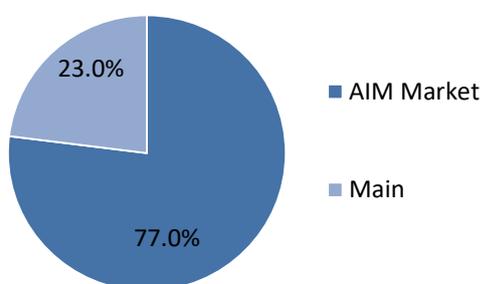
Source: Peterhouse Capital

Holdings by Market Cap, £ as at 31 Jul 2018



Source: Peterhouse Capital

Fund breakdown by listing as 31 Jul 2018



Source: Peterhouse Capital

Performance to 31 Jul 2018



Dealing details and forms

Launch Date	30/11/2010
Webb Capital Website	www.webbcapital.com
WAY Fund Managers	01202 855 856
Cofunds	0845 644 8001

ISIN Accumulation B	GB00BFRSWB62
SEDOL Accumulation B	BFRSWB6
ISIN Income B	GB00BFRSW948
SEDOL Income B	BFRSW94

ISIN Accumulation	GB00B63JD951
SEDOL Accumulation	B63JD95
ISIN Income	GB00B6253G17
SEDOL Income	B6253G1

RISK WARNING

Please note that past performance and any forecast estimates in this publication are not reliable indicators of future results, and should not be taken as so. Any forward looking statements in this publication are opinions and do not constitute forecasts.

The value of your investment can go down as well as up and you may lose a significant portion of your investment.

Webb Capital is not authorised to give advice. This publication does not constitute investment advice and if you are in any doubt as to the suitability of an investment, you should seek the guidance of an independent financial adviser.