

Kmicro-caps

Wood Street Microcap is run by Livingbridge, the same company behind the highly regarded Baronsmead range of VCTs. They are specialists in this part of the market and the strong performance of the fund since launch can be seen on the graph below. We have secured a special discount on this fund for Chelsea clients – see page 37 for more details.

Wood Street Microcap (managed by Livingbridge)

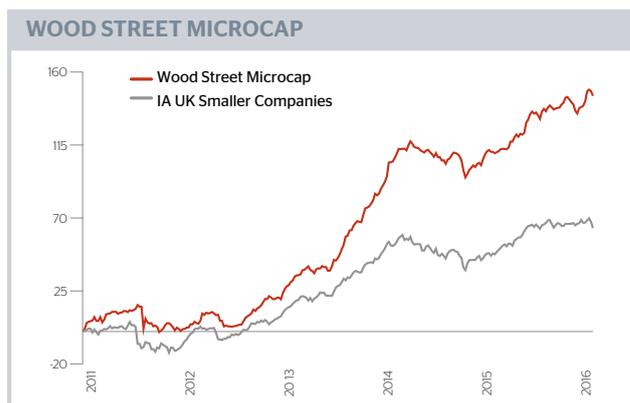


KEN WOTTON
Fund manager,
Wood Street Microcap

I have been a fund manager at Livingbridge for almost nine years. Previously I qualified as a Chartered Accountant with KPMG and then spent six years as an equity research analyst for investment banks. I've been the lead manager of the Wood Street Microcap fund since its inception in 2009. I'm also responsible for the quoted investments within the Baronsmead VCT funds managed by Livingbridge.

Micro-caps are companies with a market capitalisation below £250m. This is a less well understood segment of the IA UK smaller

companies sector, which also includes many funds that invest in much larger companies. At Livingbridge we specialise in micro-cap growth companies. At this end of the market there are a large number of stocks to choose from so I can afford to be very selective. Valuations are typically lower than those of larger companies because stocks are under the radar for most investors. The ability to uncover an undervalued hidden gem provides the opportunity for attractive investment returns. I aim to pick niche innovative businesses with good quality management teams that can grow their profits even when wider economic conditions are less favourable.



Source: FE Analytics 21/01/11-15/01/16

FUND PROCESS

A great example of the Livingbridge process in action is our successful investment in Staffline, a blue-collar recruitment agency. After researching its niche sub sector, Livingbridge first backed Staffline as an unquoted company in 2000 through a Baronsmead VCT. We subsequently recruited the current CEO, Andy Hogarth, into the business. We supported the AIM IPO in 2004 at a share price of 80 pence and have remained meaningful shareholders ever since. During that time Andy has led a business that has grown revenues more than 10-fold over 10 years, and delivered a share price that has appreciated more than 17 times. I invested in this company for Wood Street in 2014, using the knowledge and relationship we had built up over the past 14 years. The growth prospects and ambitions of the company today remain as exciting as ever.

Within Wood Street I manage a concentrated portfolio of 39 high-conviction growth stocks. The fund is positioned conservatively, with cash available to allow me to take advantage of opportunities that arise from market volatility and from an active IPO market in micro-caps. I place a lot of emphasis on our own fundamental research, and gaining a deep understanding of our companies and their management teams. I believe our rigorous approach helps to mitigate some of the risk of investing in smaller and sometimes less liquid companies. Whilst no company is totally immune to the wider macro economy, I believe we have a portfolio of businesses that can offer a resilient growth profile through the economic cycle. Looking ahead, I am confident our distinctive approach to sourcing and evaluating potential investments will enable us to find attractive opportunities within micro-caps which can deliver attractive long-term returns.

WOOD STREET MICROCAP (managed by Livingbridge)

- 20 years' experience investing in unquoted and smaller companies
- Runs the successful Baronsmead VCT range
- Highly concentrated with just 39 holdings
- Ignores oil and gas and mining
- Experienced fund manager who is also a qualified accountant
- Only invests in sectors in which they have expertise
- Unrivalled experience and resources in this part of the market

ABOUT LIVINGBRIDGE

At Livingbridge our heritage is long-term investing in small UK growth businesses – both unquoted and publicly listed. We have been active investors in the AIM market for 20 years and are well known for running the Baronsmead range of VCTs. We have a large team of 40 investment professionals organised across four core sectors: technology, media & telecommunications; healthcare & education; business services; and consumer. We avoid higher-risk sectors such as mining and oil & gas, which are typically the most volatile at the smaller end of the market. We focus on small but established businesses, avoiding loss makers and early stage companies with unproven business models. These strict filters have helped me to avoid some of the potential pitfalls of micro-cap investing and to deliver strong risk-adjusted returns over the life of the Wood Street fund.

Livingbridge's extensive platform enables us to undertake detailed research on target sub-sectors and companies. We have a long-established network of advisers, sector experts and functional specialists to draw upon. We collectively meet many hundreds of public and private company management teams each year. Our proprietary database of thousands of companies and people we have met over many years is a valuable resource I can use to help appraise and reference new investment opportunities.

CHELSEA RISK RATING:

|||||●| 8.5

ANNUAL MANAGEMENT CHARGE: 0.85% (AFTER CHELSEA DISCOUNT)

ONGOING CHARGES FIGURE (OCF): 0.95% (AFTER CHELSEA DISCOUNT)

THE CHELSEA VIEW:

"This is a proven, well-resourced team. We like the highly concentrated nature of the fund, which is unusual for a smaller companies fund. The higher stock and sector concentration will make the fund more risky but also increases the potential for strong returns."