



GVQ UK FOCUS FUND

August 2019 Factsheet

31st August 2019



Key risks associated with this Fund

- There is no guarantee that the Fund will achieve its objectives and there can be no assurance that the manager will identify suitable investments for the Fund to satisfy the Fund's rate of return objectives.
- The value of the Fund's underlying investments may fluctuate in response to activities and results of individual companies, as well as in connection with general market conditions.
- In the event of a material demand for redemptions, the Fund could be forced to sell liquid positions, resulting in an over-weight in a small number of illiquid investments.
- The Fund could take its charges from capital of the Fund if insufficient income is generated to cover the charges and accordingly there is the potential for capital erosion. Capital erosion may have the effect of reducing the level of income generated in the future.
- A complete description of the risk factors is set out in the Prospectus and Supplement to the Prospectus, in the section entitled "Risk Factors".

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Morningstar: 10 year rating of ★★★★★ as at 31st August 2019.

The Prospectus and Key Investor Information Document (KIID) for the GVQ UK Focus Fund [sub fund of GVQ Investment Funds (Dublin) Plc] are available in English on GVQIM's website www.gvqim.com. Please see offering documents for full terms and conditions.

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GVQ

INVESTMENT
MANAGEMENT

Fund objective

The GVQ UK Focus Fund (the "Fund") invests in the equity of up to 35 UK quoted companies which have been identified as undervalued using private equity based valuation techniques. The Fund is not constrained by market indices and aims to maximise returns for investors over the medium term.

Fund manager's review

August was a volatile month, engulfed by macro headlines and accentuated by thin liquidity. The US and China trade war was front and centre, as indeed was the omnipresent Brexit. Given the market's current obsession with the next headline, monthly factsheets feel somewhat futile at present as opinions swing wildly between despair and euphoria. By way of example, the S&P 500 moved up or down by greater than 1% on eleven discrete trading days over the period; other global markets, similar. That said, rarely has it been more important in our opinion, to take a step back and attempt to contextualise the pandemonium. To this end, we have included in the appendix to this document, a chart that plots over the last 30 years, the price performance of the MSCI Europe Growth index versus its MSCI Value index counterpart. We think this is an important chart to keep prominently on one's desk. Not only has the previous growth bubble (2000/2001) been matched, it has been exceeded. Just think about the quantum of money and exposure to that (both Growth funds and Passive) with all sorts of attempted justifications as to why 'this time is different'. On Morningstar's 9 box style analysis with axes of: Large / Mid / Small, and Value / Blend / Growth, your Fund sits in the 'Mid / Value' style box. Maybe this time is different, but we do not believe so. As the fog eventually clears, the Fund is positioned to capitalise on what would appear to be, and again we believe, a historic investment opportunity. Very few funds are positioned as such.

Performance attribution

Picking up further on this anomaly with an example, Ultra Electronics ("Ultra"); YTD the stock has now delivered a total return in excess of 70%. This has been almost entirely driven by re-rating with incrementally positive news flow attracting new investors and forcing a large short base to cover their positions. As well as operating in the same sector (Aerospace and Defence), we think there are several parallels with the Fund's largest holding, Babcock, where we have gone on record on numerous occasions as saying we believe there is more than 100% upside just through re-rating. We remain firmly of this view. At latest disclosure, Babcock has almost 60 days worth of short interest (based on a third of average daily volume). Two pieces of potentially positive news flow of interest came to light over the period for Babcock. Indirectly, John Wood Group announced the disposal of their nuclear business to US engineering & construction group, Jacobs, for a headline multiple of 12.4x 2018 EBITDA. The business is 90% UK based & we believe this transaction has relevant and positive read across to Babcock's civil nuclear business, an asset many we speak to ascribe little or no value to. The nuclear business is Babcock's lowest margin (although higher than John Wood's) and likely lowest growth division and yet at 12.4x EV/EBITDA this multiple is c.140% higher than Babcock group trades on (5.2x). We estimate that, on same basis, this could value Babcock's nuclear business at up to £850m, or for context the Babcock Group at £8bn, versus the current group EV of £4bn. Additionally, the Telegraph reported that the government is imminently expected to announce that a consortium led by Babcock, is the likely winner of a £1.25bn deal to construct five 'Type 31e' frigates for the Royal Navy. No news flow pertaining to the holdings creating negative attribution during August caused us to change our respective thesis.

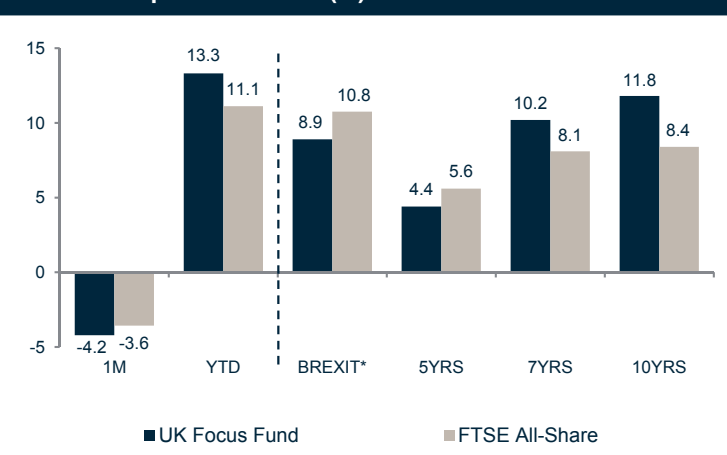
Portfolio activity

While we are big advocates of Simon Pryce, having previously supported him as CEO of BBA Aviation, we now believe Ultra's rating is more than up with events, and exited our residual position over the month. Such is the fierce competition for capital in the Fund at present, proceeds were simply recycled into existing holdings.

Portfolio outlook

As Ultra proves, when things turn, they can turn quickly and aggressively. This can often happen with no obvious hard catalyst. For example, almost everyone remembers the Dotcom boom and subsequent bust, but it's defining moment and catalyst for change? But change it did. Put your finger on the line in the appendix at the previous peak, and follow the line thereafter. We know which side of history we would rather be on. Recent focus on liquidity should sharpen investors' minds even more acutely we would argue. The reversal this time round could be even more violent; the two way elevator we have referenced before.

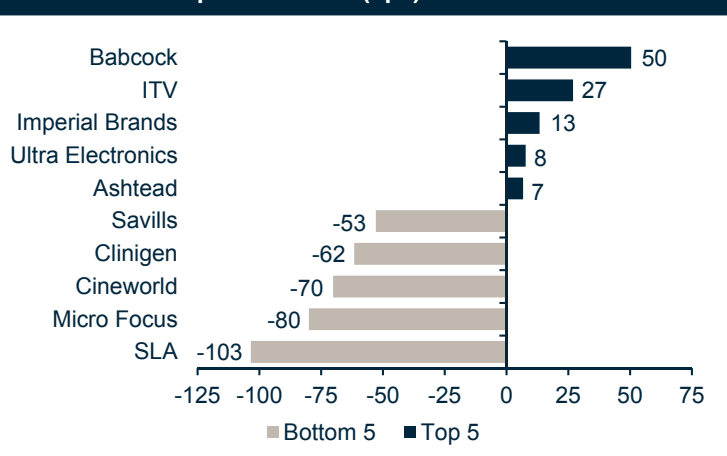
Annualised performance^{1,2} (%)



Annual performance^{1,4}

	YTD	2018	2017	2016	2015	2014	2013	2012
% Growth	13.3	-17.7	8.0	12.7	6.7	6.0	44.2	19.6
Quartile	2	4	4	2	2	1	1	1

Contributors to performance¹ (bps)



Top 5 portfolio holdings¹

Company	%
Babcock	9.8
Equiniti	8.8
WPP	8.6
SLA	7.0
ITV	5.8

Consensus valuation data (F12)

	Fund ³	FTSE All Share ⁴
Price to earnings	9.7	11.7
Price to book	2.2	1.6
Dividend yield (%)	5.3	4.5
GVQ cash yield (%)	12.0	-

Sources: 1. Northern Trust 2. GVQIM 3. FactSet 4. Bloomberg. Note: *27th June 2016

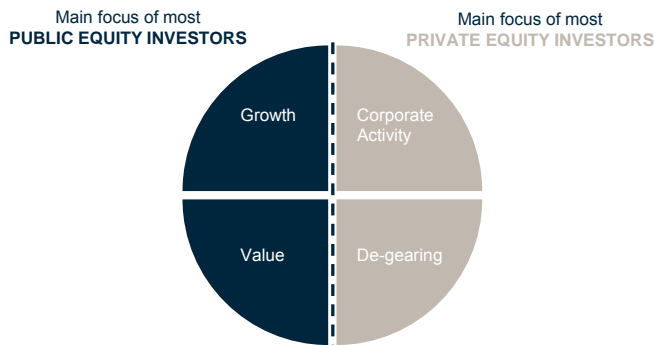
Past performance is no guarantee of future performance and the value of investments can go down as well as up

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Key Investment features:

We aim to combine the best elements of public and private equity investing as described in the chart below:



Investment features also include:

Due diligence - thorough 360° appraisals, referencing execs, non-exec, customers, suppliers. Making use of strategic relationships with private equity groups.

Investment strategy – a focus on catalysts “how will we make money?” and exit plans - “how will we realise the gain?”

Use of industry experts – utilising an Advisory Panel of senior industrialists including Stewart Binnie, Peter Williams, Chris Rickard and Sir Clive Thompson.

Management team



Fund Manager: Jamie Seaton

Jamie was appointed CEO of GVVIM in May 2014. He is Fund Manager of both the GVQ UK Focus Fund (since April 2009) and GVQ Opportunities Fund (launched October 2015). Prior to this, Jamie was an equities analyst for GVVIM, and its first recruit following its formation. Previously he was an Investment Manager at Rothschild Asset Management and worked at Goldman Sachs. Jamie holds the CFA and IMC qualifications.



Deputy Fund Manager: Oliver Bazin

Oliver is Deputy Fund Manager on both GVVIM's Unconstrained Funds, the GVQ UK Focus Fund and the GVQ Opportunities Fund. In addition to assisting Jamie, his primary role is performing analysis and due diligence on existing and potential investee companies. Prior to joining GVVIM in 2016 as an Analyst, he worked at Rothschild in their M&A practice. He started his career at KPMG in their audit practice. Oliver holds both the ACA and CFA qualifications.

Structure

Dublin listed Open Ended Investment company (OEIC), UCITS V compliant, recognised by the FCA, with reporting status

Incorporation date	5 th August 2003	
Fund size	£204.5m	
No. of holdings	22	
Dividends	Semi-annual distribution	
Liquidity	Daily pricing and dealing	
	I Class	A Class
Share price	£28.28	£27.58
Minimum initial investment	£1,000	£1,000

Fund charges

Ongoing Charges Figure (OCF)¹	0.96% p.a.	1.46% p.a.
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Included within the OCF is the

Annual Management Charge (AMC)	0.75% p.a.	1.25% p.a.
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Reference codes

ISIN	IE0033377494	IE0033377502
SEDOL	3337749	3337750
Bloomberg	SVIUKFI	SVIUKFA

The Fund is available to buy through the following platforms

- 7IM
- Aegon
- AJ Bell
- Allfunds Bank
- Alliance Trust
- Ascentric
- Aviva
- Charles Stanley Direct
- CoFunds
- Interactive Investor
- FundsNetwork
- Fusion
- Hargreaves Lansdown
- James Hay
- Killik & Co
- Nexus Fund
- Novia Financial
- Novia Global
- Nucleus
- Old Mutual
- Praemium
- Raymond James Investment Services
- Standard Life
- Standard Life Elevate
- Transact
- Zurich

Contact Details

For Fund subscriptions and redemptions please visit the GVVIM website for an [APPLICATION FORM](#) or contact:

Northern Trust Fund Servicing Centre

Tel +353 (0)1 434 5099
Fax +353 (0)1 434 5200

For all other investment queries please contact:

GVQ Investment Management marketing team:

Email: gvqimmarketing@gvqim.com

Tel +44 (0)20 3907 4190

Fax +44 (0)20 3907 3913

GVQ Investment Management Limited

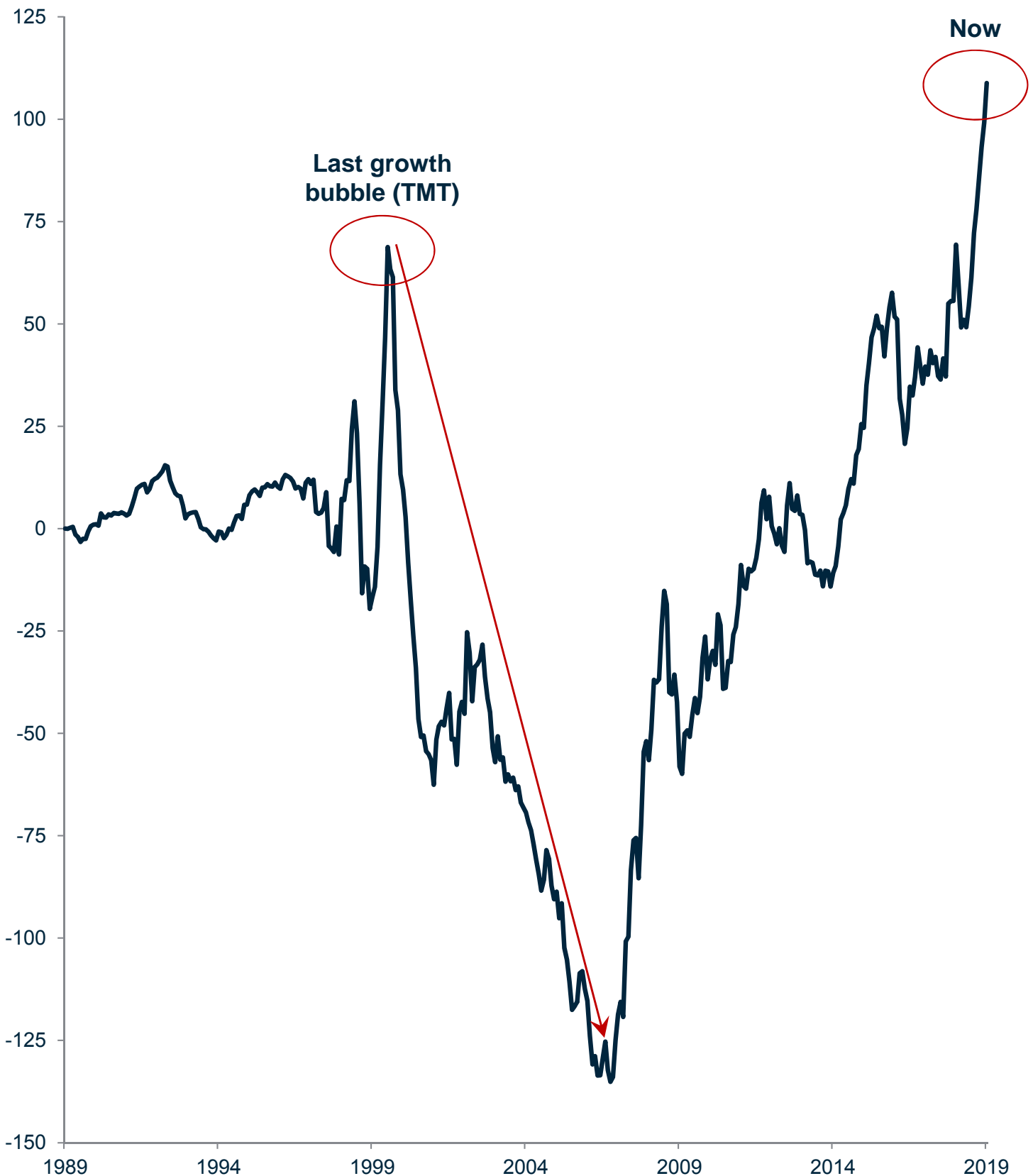
16 Berkeley Street, London, W1J 8DZ

www.gvqim.com

Notes: 1. OCF is as at July 2019 (latest available)

Past performance is no guarantee of future performance and the value of investments can go down as well as up

Appendix: Historical performance of European Growth vs. Value indices over 30 years



We are now in uncharted territory. Historical precedent does not bode well for Growth Investors; passives not immune either

Notes: Latest available data

Source: Bloomberg. Past performance is no guarantee of future performance and the value of investments can go down as well as up