

IFSL MARLBOROUGH UK MICRO-CAP GROWTH FUND - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

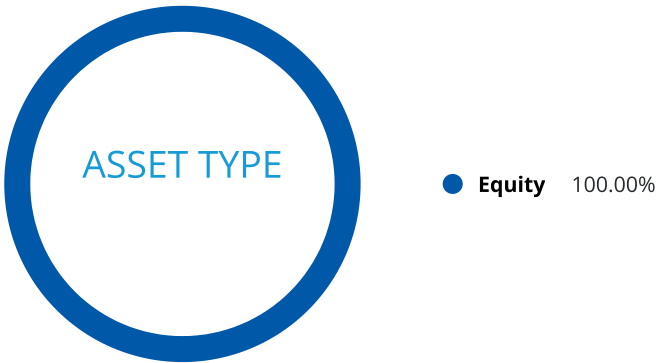
DESCRIPTION

SUMMARY

Marlborough Investment Management ("Marlborough") was established in 1986. Hargreave Hale is an investment advisor to Marlborough and manages this strategy on behalf of Marlborough.

Giles Hargreave and Guy Field co-manage the Marlborough UK Micro cap fund. Hargreave has over 40 year's investment experience, and has been managing the fund since its inception in 2004. He was until recently the Chief Executive of Hargreave Hale, having founded the company in 1986 and which is the fund manager for the micro cap mandate. Guy joined the investment team in 2003, has 20 years investment experience and has been co-managing the fund since 2012. He specialises in the technology sector, "the new economy" and growth companies. The managers are supported by a team of 6 investment professionals who sector specialise.

This is a long only, bottom-up UK small/micro cap equity strategy. And at least 80% of the fund must be invested in UK Smaller Companies (bottom 10% of market cap), and has no sector restrictions.



INVESTMENT PROCESS

The manager's investment philosophy is premised around the fact that smaller caps tend to outperform large caps over the long term. The investment philosophy is centred on the experience of the co-managers and their stock picking abilities. The team believes this especially relevant in the small cap area where the companies are under-researched because of their size and volatility. Therefore, the investment team believe that by dedicating sufficient resources to primary company research they can build a diversified small cap portfolio that in the long-run will outperform the market.

The companies the managers pick are those which they can exploit the market information shortfalls and inefficiencies associated with the small cap market. The process is very traditional in that it is heavily research-driven and tends not to use a huge amount of quant screens. Instead the managers rely on their considerable experience and expertise of the UK small and micro cap market. The process by which a company is chosen is as below:

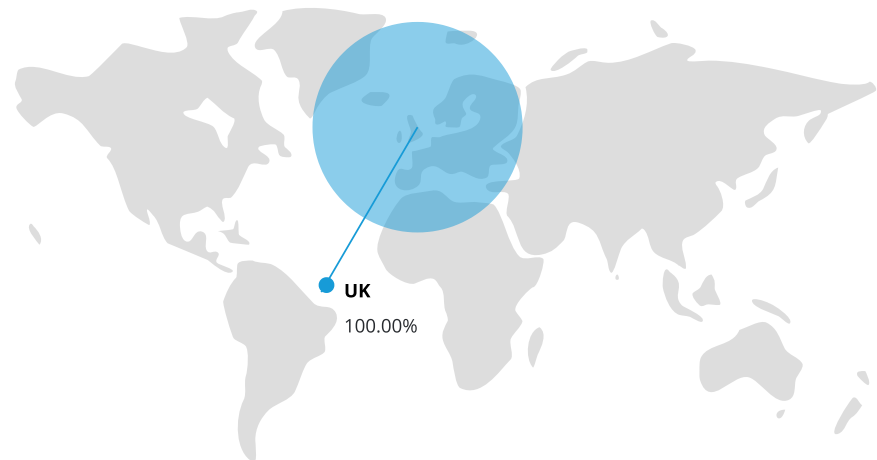
1. Sector analysts produce stock selection ideas.
2. The ideas are then presented to the team who debate the validity of the underlying fundamentals and quality of company management.
3. The team meets once a week to discuss prospective ideas.
4. The co-managers have the final say on all investment decisions.

The portfolio generally consists of circa 250 companies and has no sector limits. To reduce stock specific risk the largest holding is typically no more than 2%. The annual turnover of the fund is around 20% per annum. The managers believe that they differ from peers with the larger size of holdings in the portfolio compared to peers who may have less than 100 typically. It highlights their ability to create a well-diversified portfolio with holdings sized appropriately to reflect risk.

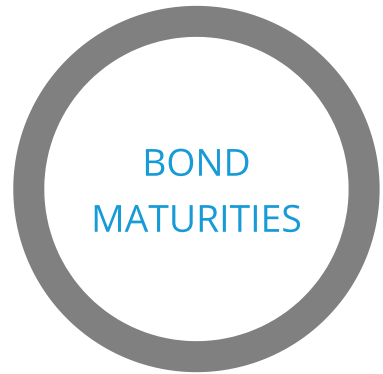
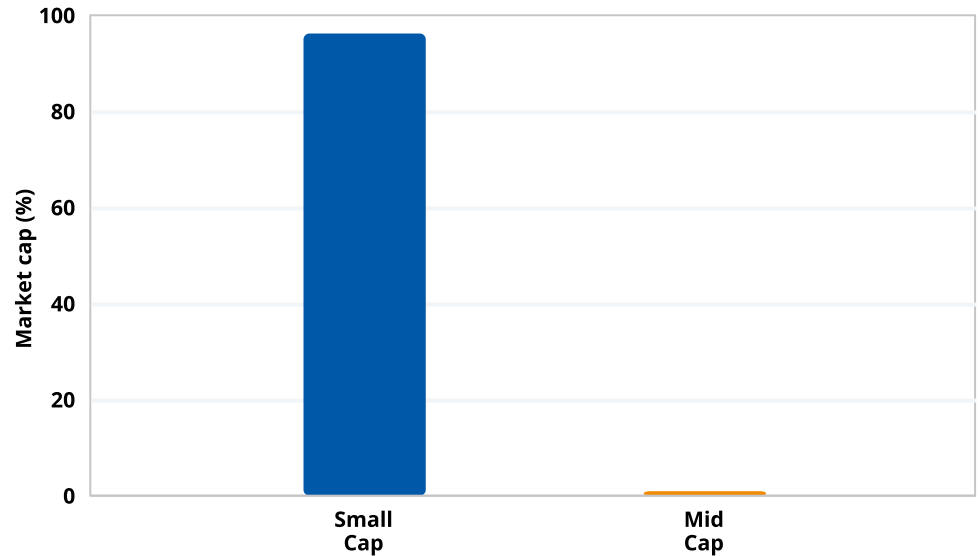
There is both a mark-to-market and liquidity risk to the strategy given the small/micro cap bias which would underestimate the true level of volatility within the fund. This can be exacerbated particularly in the event of a severe market crisis event.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

OVERALL PERFORMANCE

IFSL MARLBOROUGH UK MICRO CAP-P FTSE Small Cap ex-IT Total Return

GROWTH (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



GROWTH (%) - FROM INCEPTION

5 May 2008 - 29 Feb 2024



DRAWDOWN (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



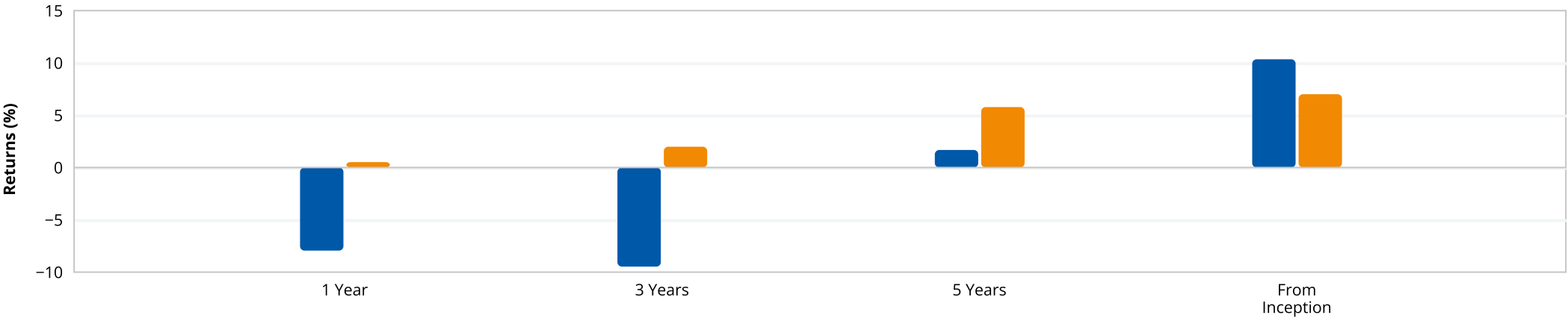
DRAWDOWN (%) - FROM INCEPTION

5 May 2008 - 29 Feb 2024



RETURNS

IFSL MARLBOROUGH UK MICRO CAP-P FTSE Small Cap ex-IT Total Return



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-0.08	-1.03											-1.12
2023	2.51	-1.66	-5.21	0.67	-2.81	-0.98	1.18	-2.25	-1.56	-7.88	6.80	5.84	-6.15
2022	-10.01	-6.73	-3.08	-1.03	-4.89	-7.71	-0.34	-3.54	-7.72	-0.68	5.39	0.93	-33.77
2021	0.19	3.01	5.23	8.81	1.08	1.31	1.98	4.20	-0.07	-2.46	-3.71	3.32	24.69
2020	2.57	-9.31	-23.95	15.97	9.94	1.16	4.18	5.30	-1.47	0.05	10.77	12.23	22.68
2019	4.33	0.52	1.08	4.57	1.39	-0.80	1.09	-3.82	0.37	1.38	2.55	7.15	21.19

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
IFSL MARLBOROUGH UK MICRO CAP-P	-7.94	-9.47	1.68	10.35
FTSE Small Cap ex-IT Total Return	0.52	1.99	5.78	7.01

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
IFSL MARLBOROUGH UK MICRO CAP-P	-7.94	-25.75	8.65	372.20
FTSE Small Cap ex-IT Total Return	0.52	6.08	32.28	190.80

● IFSL MARLBOROUGH UK MICRO CAP-P ● FTSE Small Cap ex-IT Total Return

PERFORMANCE - OVER 1 YEAR1 Mar 2023 - 29 Feb 2024

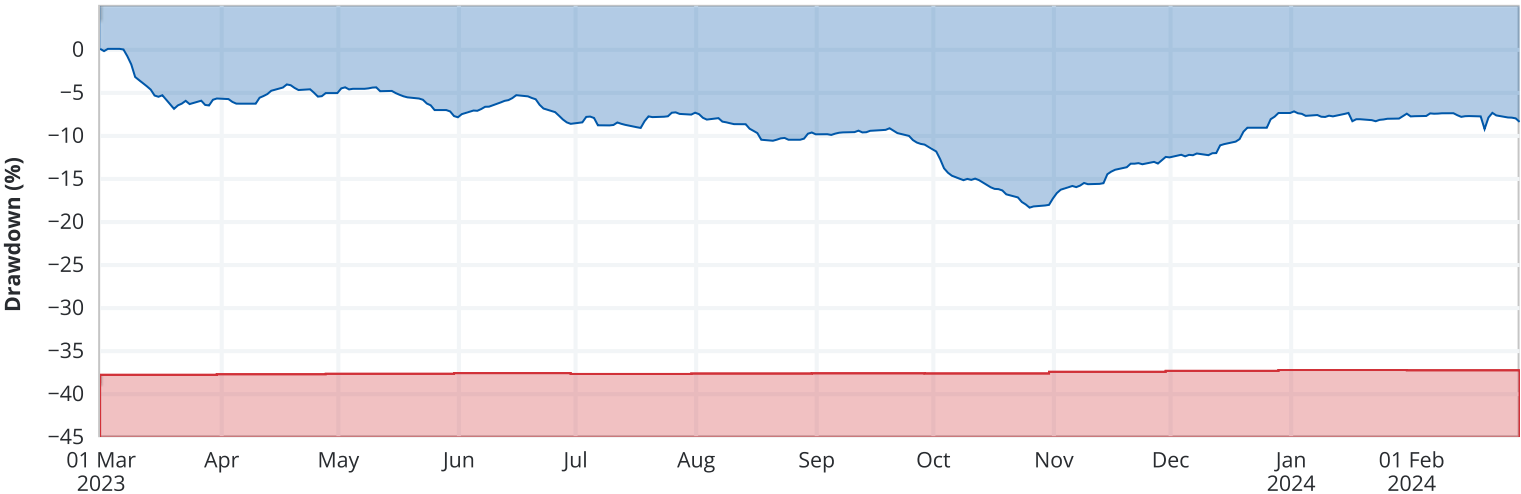
	●	●
RETURNS (%)	-7.94	0.52
VOLATILITY (%)	6.82	11.46
ALPHA	-0.96 *	
BETA	0.89 *	1.00
CORRELATION	0.88 *	1.00
SHARPE RATIO	-1.79	-0.38
SORTINO RATIO	-2.25	-0.54
MAX DRAWDOWN (%)	-18.45	-9.61

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION5 May 2008 - 29 Feb 2024

	●	●
RETURNS (%)	10.35	7.01
VOLATILITY (%)	24.23	14.01
ALPHA	0.39	
BETA	0.74	1.00
CORRELATION	0.83	1.00
SHARPE RATIO	0.38	0.41
SORTINO RATIO	0.53	0.55
MAX DRAWDOWN (%)	-48.40	-51.66

SIMPLE STRESS TEST DRAWDOWN (%)1 Mar 2023 - 29 Feb 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

DISCLAIMER

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