

FP Octopus UK Multi Cap Income Fund

octopusinvestments
A brighter way

Data as at 31 March 2024



Fund managers



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Supported by the Octopus Quoted Companies team; Edward Griffiths, Kate Tidbury, Mark Symington, Jessica Sweeney, Freda Isingoma, Ross MacSween, Martin Jager, Georgia Obadipe, Charles Lucas and Ben Tyson.

Key facts

| | |
|--------------------|----------------------|
| IA sector | UK Equity Income |
| Fund launch date | 10 December 2018 |
| Fund domicile | United Kingdom |
| Dealing frequency | Daily |
| Active Share | 92.8% |
| Number of holdings | 58 |
| Benchmark | FTSE All-Share Index |
| I Acc fund price | 129.27p |
| I Inc fund price | 105.28p |

Key risks

- The value of an investment, and any income from it, can fall or rise. Investors may not get back the full amount they invest.
- Yield is not guaranteed.
- Investments in smaller and/or medium sized companies are likely to fall and rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.
- Fees will be deducted from capital which will increase the amount of income available for distribution. However, this will erode capital and may hinder capital growth.
- Past performance is not a reliable indicator of future returns.

Fund objective

The fund aims to provide predictable, attractive dividends alongside long term capital growth.

Investment strategy

As active fund managers, we'll blend companies from across the entire UK equity market, ranging from some of the UK's largest and most established businesses, often generating significant dividends, with mid and smaller companies, with hidden potential to provide superior growth.

Performance overview



Cumulative performance to 31 March 2024 (%)

| | YTD | 1 Y | 3 Y | 5 Y | Launch |
|-----------------------------|------|------|-------|-------|--------|
| UK Multi Cap Income - S Acc | 3.99 | 7.89 | -3.70 | 35.72 | 48.02 |
| FTSE All-Share TR | 3.57 | 8.43 | 26.14 | 30.34 | 42.87 |
| IA UK Equity Income TR | 2.48 | 7.66 | 19.32 | 25.47 | 34.88 |

Discrete yearly performance to quarter end (%)

| Year to 31 March | 2024 | 2023 | 2022 | 2021 | 2020 |
|-----------------------------|------|--------|-------|-------|--------|
| UK Multi Cap Income - S Acc | 7.89 | -13.92 | 3.70 | 43.32 | -1.67 |
| FTSE All-Share TR | 8.43 | 2.92 | 13.03 | 26.71 | -18.45 |
| IA UK Equity Income TR | 7.66 | -0.03 | 10.87 | 32.67 | -20.75 |

Source: Lipper and Octopus Investments. Returns are in sterling and are based on published dealing prices excluding any initial charges, with net income reinvested and net of all fund fees.

Fees & codes

| | | ISIN |
|-------------------------|--------|--------------------|
| Minimum Investment | £1,000 | |
| Minimum Monthly Savings | £100 | I Acc GB00BG47Q556 |
| Fund Initial Charge | 0.0% | I Inc GB00BG47Q663 |
| Ongoing Charge Figure | 0.90% | |

Investor Services

For all administration enquiries such as account enquiries and valuations, please call FundRock Partners:

0370 7070073

Investment Enquiries

To speak to any of our fund managers, please call:

0800 316 2394

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Asset allocation

| | Value | % of total assets |
|-----------|--------|-------------------|
| Equities | £35.4m | 98.0% |
| Cash | £0.7m | 2.0% |
| Fund Size | £36.1m | 100.0% |

Top ten equity holdings (%)

| | |
|--------------------------------|-------------|
| Next 15 Group plc | 4.8 |
| Gamma Communications plc | 4.3 |
| Renew Holdings plc | 3.7 |
| XPS Pensions Group plc | 3.2 |
| GSK plc | 3.2 |
| Galliford Try plc | 3.2 |
| Intermediate Capital Group plc | 2.9 |
| Midwich Group plc | 2.8 |
| Ricardo plc | 2.8 |
| Mattioli Woods plc | 2.8 |
| Total | 33.7 |

Top ten sectors (%)

| | |
|----------------------------|-------------|
| Support Services | 14.4 |
| Construction & Building | 13.6 |
| Specialty & Other Finance | 12.7 |
| Media & Entertainment | 11.1 |
| Pharmaceuticals & Biotech | 8.3 |
| Finance | 8.1 |
| Telecommunication Services | 4.3 |
| General Retailers | 4.0 |
| Leisure & Hotels | 3.9 |
| Engineering & Machinery | 2.8 |
| Total | 83.2 |

Market cap weighting (%)

| | |
|-------------|------|
| Over £10bn | 5.9 |
| £5bn-£10bn | 6.3 |
| £3bn-£5bn | 2.3 |
| £1bn-£3bn | 11.8 |
| £500m-£1bn | 22.9 |
| £250m-£500m | 23.6 |
| £100m-£250m | 18.1 |
| Sub £100m | 7.2 |
| Cash | 2.0 |

Dividends & running yields

| | |
|---------------|------------------------------------|
| I Acc 4.7% | I Inc 4.5% |
| XD dates | 1 Mar, 1 Jun, 1 Sep, 1 Dec. |
| Payment dates | 30 Apr, 31 Jul, 31 Oct, 31 Jan. |

Monthly commentary

March 2024 saw steady progress from UK equities, helped by CPI data surprising on the downside, growing +3.4% year on year, against a rise of +4% in January, and well below the recent peak of +11.1% in October 2022. This further reduction leaves scope for the Bank of England to consider interest rate cuts later in the year which, as we have previously suggested, would likely be a catalyst for growth equities. Elsewhere we welcomed the news of a consultation for the creation of a British ISA, providing an incremental ISA allowance of £5,000. The implementation of this would be a step forward in encouraging positive long-term capital flows back into the UK equity ecosystem. During the month, the FP Octopus UK Multi Cap Income Fund increased by +3.50%. This performance was against a rise of +4.75% in the benchmark FTSE All Share Index and a rise of +4.43% in the IA UK Equity Income Sector.

Over the month, the largest contributor to performance was **Mattioli Woods** (+38.95%), the nationwide pension consultant and wealth manager which was subject to a private equity bid backed by Pollen Street Capital. Whilst we do not like to see companies potentially leave the listed environment, this latest bid for a UK quoted business once again highlights that many companies continue to trade at a material discount to fair value.

Elsewhere, **Midwich** (+22.86%), the leading audio-visual distributor to the corporate market, reported record full-year results. The group delivered revenue growth of +7%, accompanied by a +17% increase in profits, as economies of scale and a greater proportion of technical sales drove margin accretion. Despite the recent share price progression, the stock continues to trade on an attractive price-to-earnings (P/E) multiple of just 10.2x, while delivering a 4.2% yield. **Kitwave** (+21.64%), a leading UK independent wholesaler of frozen, chilled and ambient products to retailers and foodservice providers, announced the acquisition of competitor Total Foodservice Solutions. The transaction, for a total consideration of £21 million, will be earnings accretive this year and remains consistent with management's ambition to consolidate the foodservice market. The shares are forecast to pay a 3.4% dividend yield and ongoing strategic execution continues to drive improved investor sentiment. In other news, **STV Group** (+17.25%), the Glasgow-based television broadcaster and producer, saw its shares recover some recent weakness following the announcement of a first series commission by Netflix. This development lends further credibility to the studios arm of the business, historically vastly undervalued, and supports the group's new three-year strategy to double its size. Following the bounce, STV trades on 7.3x P/E to December 2025, and is forecast to pay a 5% dividend.

From a negative perspective, **CVS** (-33.72%), the integrated veterinary services provider, saw its share price retreat following the announcement from the CMA of provisional plans for a formal market investigation into the veterinary sector, with an expected timeline to conclusion of 18 months. Whilst we were reassured by recently announced interim results, the investigation will likely continue to weigh on the underlying value of sector. **Brickability** (-8.3%), a leading UK brick factor and building products provider, highlighted a continuation of tough market conditions at their full-year trading statement, leading analysts to trim forecasts. Although this year's results will be towards the lower end of consensus estimates, we believe this was a solid performance considering challenging market conditions and demonstrates the resiliency of the underlying business model. The shares now trade on a P/E multiple of just 7.5x with an expected dividend yield of 5.4%. Elsewhere, **YouGov** (-12.28%), the multinational market research and data analytics provider, saw its shares retreat following publication of a half-year trading update, in which management announced that full-year results would be second-half weighted underpinned by a material increase in bookings in the second quarter, which has been bolstered by greater full-year visibility than would normally be expected at this time of the year. The group also released new medium-term targets of £625 million revenues at a 25% operating profit margin.

We maintain our view that the UK equity market remains extremely cheap by all valuation metrics. We have been encouraged by news flow over recent months and reassured by messaging from the vast majority of our investee companies. As discussed previously, our portfolio takes a differentiated approach to UK equity income portfolio construction, with a focus on faster growth small and mid-cap companies where the valuation discount is even more acute. We continue to be excited by the prospects for the Fund holdings to deliver our targeted better-than-market growth in revenues and profits over the cycle.

Important information

Ratings do not constitute investment advice and should not be used as the sole basis for making any investment decision. Personal opinions may change and should not be seen as advice or a recommendation. Richard Power, Chris McVey and Dominic Weller are + rated by Citywire for their rolling 3 year risk-adjusted performance, for the period to 31/03/2024. We do not offer investment or tax advice. This factsheet does not constitute investment advice. Any mention of a specific stock is not a recommendation to buy or sell. If you are unsure of the suitability of this investment you should speak to a Financial Adviser. Before investing you should read the Prospectus, the Key Investor Information Document (KIID) and the Supplementary Information Document (SID) as they contain important information regarding the fund, including charges, tax and fund specific risk warnings and will form the basis of any investment. The Prospectus, KIID and application forms are available in English at octopusinvestments.com. The Authorised Corporate Director (ACD) of the FP Octopus UK Multi Cap Income Fund is FundRock Partners Limited which is authorised and regulated by the Financial Conduct Authority no. 469278, Registered Office: Hamilton Centre, Rodney Way, Chelmsford, England, CM1 3BY. Issued by Octopus Investments Limited, which is authorised and regulated by the Financial Conduct Authority. Registered office: 33 Holborn, London, EC1N 2HT. Registered in England and Wales No. 03942880. Telephone calls are recorded. Issued: April 2024. CAM014025.