

# Appian Small Companies Opportunities Fund

## Fact Sheet



SEPTEMBER 2018

### About Appian Asset Management

**A**ppian is an independent Irish owned asset management company. Since our establishment in 2003 our investment philosophy has been to achieve solid investment growth with the minimum of risk and volatility. Our objective is to preserve and grow capital through value investing on a sustainable, risk adjusted basis. We ignore investment fashions and do not leverage any of our investments.

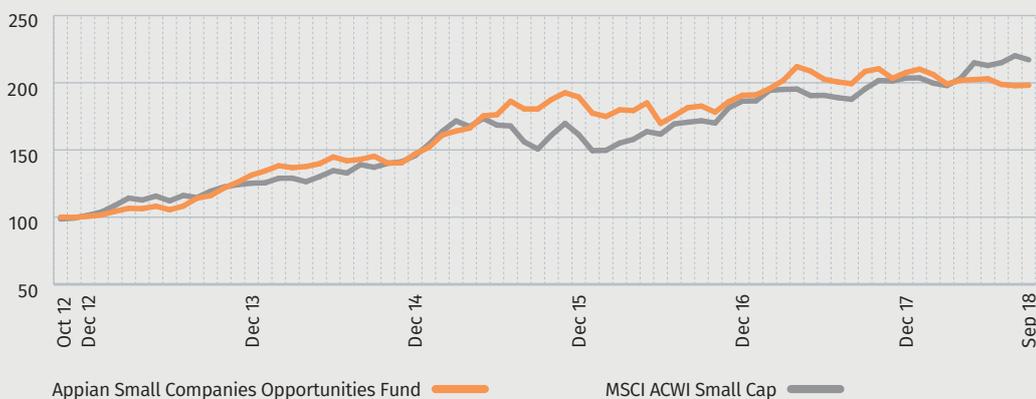
### Investment Team

Niall Dineen

John Mattimoe

Pat Kilduff

### Performance of Appian Small Companies Opportunities Fund



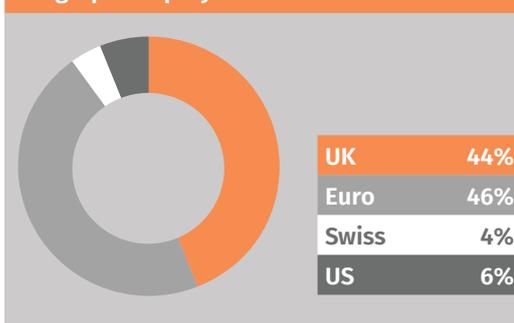
### Key Features

- Concentrated stock selection
- We meet and engage with management
- No entry, exit or performance fees
- Typically invest in lowly geared companies
- All stocks are publicly quoted
- Independent Trustee Custodian and Administrator

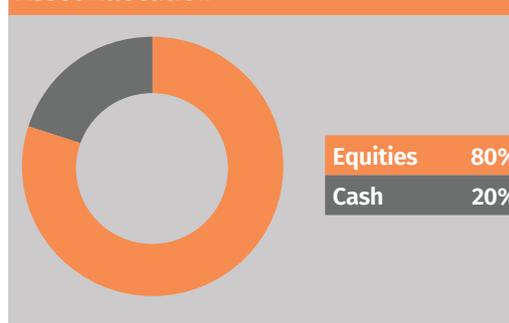
### Appian Small Companies Opportunities Fund Performance 30.09.18

Period	2012	2013	2014	2015	2016	2017	2018 YTD
Fund Return	0.61%	30.50%	12.04%	28.75%	0.71%	8.93%	-4.61%

### Geographic Equity Distribution



### Asset Allocation



## Appian Small Companies Opportunities Fund Review, Quarter 3 2018

The ASCOF fell by 2.4% over Q3, resulting in a decline of 4.6% for the first nine months of 2018. In both Q3 and year to date, gains in overall equity markets have been driven by a narrow number of stocks and sectors, such as tech and US growth stocks. Stocks in these areas have been very highly valued for some time and we believe that the risk / reward balance here is not. The ASCOF has little exposure to these segments, a key factor in the ASCOF's recent underperformance. Our view remains that to deliver returns over time investors have to be disciplined about what valuation they are prepared to pay. The ASCOF's portfolio consists of long-established, well-managed, cash generative companies we believe are capable of delivering above average growth over time but whose prospects are undervalued. The ASCOF portfolio has an average P/E of 13x and average forecast EPS growth of 14%.

An example of an undervalued stock is Randall & Quilter, a niche provider of general insurance services. Recent industry trends such as Solvency 2, Brexit, and consolidation have substantially increased its market opportunity and management has positioned to take advantage. This strategy is showing early signs of success and its shares were rewarded with a 24% gain in Q3. Yet the shares remain on a below average valuation despite its strong medium-term growth prospects becoming more visible.

Sometimes the market can be overly sceptical on some companies' outlook. Krones is the world's leading producer of high-speed bottling equipment for the beverage industry. In August, it announced an order book at record levels and that it was implementing a price increase. However, its shares fell 18% over Q3 as some fear the price increase may lead to loss of market share. We believe this underappreciates both the company's pricing power and growth prospects and that patient investors will be rewarded as the company delivers on its potential.

During Q3 we have used weakness in the shares of some of our holdings (such as Krones) as an opportunity to increase our weighting. We also took advantage of share price strength to exit five positions (Ciner Resources, Entertainment One, Hibernia REIT, Miton, and Tecnicas Reunidas) where we no longer believed they offered sufficient value. Two new stocks were added during Q3 – Strix (safety controls for kettles), and NCC Group (cyber security consultancy).

We will not chase short-term fads or overvalued pockets of the market. We remain disciplined, and will stick to our approach which has delivered a compound annualised return of 12.1% over the six years since the Fund was launched.

### Top 5 Equity Holdings 30.09.18

Name	Country	Sector	%
Draper Esprit Plc	UK	Financial Services	5.90%
Jungheinrich	Eurozone	Machinery	5.31%
Randall & Quilter Investement	UK	Financial Services	5.21%
Applegreen Plc	Ireland	Oil & Gas	4.99%
Somero Enterprises Inc	UK	Industrials	4.73%

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## Fund Facts

### LAUNCH DATE

**October 2012**

### NAME

**Appian Small Companies Opportunities Fund**

### FUND SIZE

**€46 million**

### PRICING FREQUENCY

**Monthly**

### PRICING BASIS

**Single Price**

### ANNUAL MANAGEMENT CHARGE

**1.5% p.a.**

### FUND CUSTODIAN

**BNP Paribas Securities Services**

### STRUCTURE

**Retail Investor Alternative Investment Fund**

**WARNING** The value of your investment may go down as well as up. Past performance is not a reliable guide to future performance. These investments may be affected by changes in currency exchange rates. If you invest in this fund you may lose some or all your investment.

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