

ISSUE

6

# *Monthly Newsletter*

July 2011

# ELITE

TIPS SMALLER COMPANIES  
INCOME & GROWTH FUND

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Please see the important risk warning at the foot of this message.



Your fund is now just over six months old now and we're already ahead by 9.12%. This isn't bad for a 'boring' income and growth fund especially given that the FTSE is off by roughly 2.5% and the AIM All Share has slipped circa 8.5% during the same period (**source:** Sharescope). Boring

is good, boring is predictable, boring is what will see us hit our target of a blended 6% yield.

Valuations across the small cap world have, as we are aware and as is clear from the erosion in the value of the AIM All Share, been under pressure due to the 'risk off' attitude which has spread across UK equity markets recently (especially small caps). However, we are ahead and our underlying investee companies are, from our chats with management, at an operational level performing strongly. One has just announced what we believe to be the biggest contract in its history (see companies section) whilst another has just placed out shares at a premium to its share price as a means of potentially funding bolt on acquisitions (again see companies section below). In the case of the latter, we reckon that an acquisition, given favourable terms, is pretty much a given come the next couple of months as the business continues to recover, whilst operating within an extremely niche industry.

What the above two examples highlight is that despite at times erratic movements in share prices, due to low volume (Barclays Capital has said that July has been the worst month across UK equity markets so far this year for volumes), a lack of buyers, and risk aversion, our underlying investments are at a business level firing on all cylinders. In light of this we continue on track. We have made one new investment this month (see below) and have picked up a few more of what we already own.

Boring and predictable in the short run may not throw up any major news (it has actually seen us do a lot better than the wider market though). But on the flip side boring and predictable limits the potential for nasty surprises. Easily understood businesses lend themselves well to robust earnings growth and steady cash generation and this is exactly what is key in regard to the strategy of this Fund. Despite performing decently in the short term compared to the wider market, we prefer to look forward 3, 4, 5 years where we believe the real upside will become evident.

**Ross Jones & Tom Winnifrith**

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# How to invest

You can deal through [www.JPJShare.com](http://www.JPJShare.com) at the initial fee rate of 2.5%. If you want an application form go to [www.t1psim.com](http://www.t1psim.com) or download the simplified prospectus and application form from [here](#), and an ISA form from [here](#).

Alternatively, you can buy through your existing broker. Simply, contact your broker, providing him with the Fund's SEDOL code which is **B63 JD 95**. Feel free to contact **Sarah Read** on **01624 676 848** if you have any questions or problems.

**If you would like a hard copy of the documents, please email [admin@t1psim.com](mailto:admin@t1psim.com) stating your full name and address.**

After an initial investment of only £500, you can invest lump sums on an ad-hoc basis or regular monthly investments of £100 pounds upwards. Investing via a monthly savings plan is by Direct Debit and will be collected on the first business day of each month. The completed Direct Debit Mandate should be sent with the appropriate application form to your Financial Adviser or direct to WAY Fund Managers Limited, Cedar House, 3 Cedar Park, Cobham Road, Wimborne, Dorset, BH21 7SB.

In addition, shares in the Fund are eligible to be held in an ISA, Self Invested Personal Pension, and for inclusion in a non-stakeholder Child Trust Fund account too.

**The Elite t1ps Smaller Companies Income & Growth Fund provides expert management of your investment at a competitive price.**

You are recommended to seek independent investment advice before making any investment into the Fund.

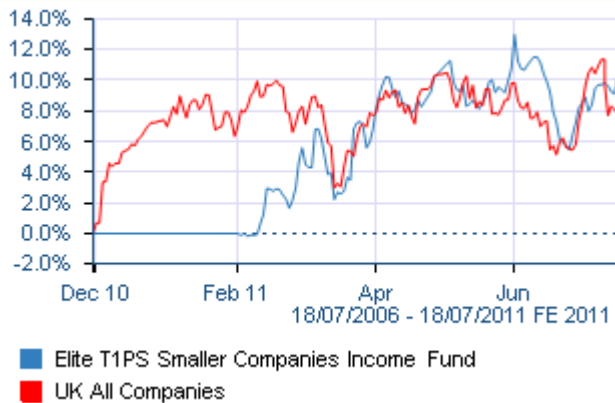
**If you have any questions about investing in the Elite t1ps Smaller Companies Income & Growth Fund or if you want a simplified prospectus and an application form please contact our hotline on 01624 676848 or email [sarah.read@t1psim.com](mailto:sarah.read@t1psim.com).**

Please note that if you have a stocks and shares ISA through Share plc in the SF t1ps Gold and SF t1ps Growth Fund this tax year, you can't have one in Income & Growth Fund through WAY, but you can have one through Share plc.

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# Benchmarking

Cumulative - 15 July 2011



**The Fund was launched in November 2010 and 1- year, 3-year and 5- year performance results are not available.**

**Source:** Financial Express

**Past performance is not a reliable indication of future results**

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## Upwards & Upwards - No Hair Cuts

In the past month the newsflow from our portfolio may not have set the world on fire but then that is not our style - we like boring. On the upside while there have been no shocks, our portfolio of around 20 investments, has delivered a few decent surprises on the upside.

Avisen ended a long period of silence with a bland statement that it had won a contract with Unilever. No numbers were given which is a bit of a disappointment as our sources lead us to believe that this is the largest single contract in the company's history. Why not say so? The shares have reacted positively to the news and now trade at 6.625p but this is still a ludicrous valuation. We have bought more shares for your fund.

The base metrics are that Avisen has cash in the bank on or its way from deferred considerations of c5p. Underlying earnings per share in the current year will be at least 0.5p and next year we are looking for 1.5p. On the basis of an earnings multiple of 10 ( which really is far too low for a company

capable of delivering 20%+ per annum underlying earnings growth) you are looking at a sum of the parts valuation of 20p per share within a year. This is a prime contender for the most undervalued stock in the portfolio.

Hard on its heels is film producer Intandem. We participated in the latest placing at 6p. The shares are now 5.75p. There are two ways of looking at this company. The first is on a stand alone basis as a film producer. The word on the street is that it has won the mandates to raise the cash for some big name films and that this will be announced shortly. We reckon that as the business stands it should easily be delivering earnings of 1.4p or more in the current year ( to June 30th 2012). So on that basis a share price of 15p looks about right. But....

The company is also endeavouring to launch a film fund of around \$100 million (£62 million). Now if it gets this away it will a) make financing films easier so push up core revenues and b) it will earn a management fee on the fund which could easily boost earnings by another £1 million so adding 10p plus to the valuation. Now right now the Film Fund is upside. We do not include it in the core valuation but it could well happen and happen within months. But with a base case target of 15p and upside target of 25p, at 5.75p, this is another prime contender for the cheapest stock in the portfolio.

Finally speciality metal basher Chamberlin surprised us all with news that it had raised £500,000 at 135p - an 8% premium to the share price before the news. One new institutional investor on board and the company has a modest war chest for bolt-on acquisitions and it says that it has identified a few targets. Tim Hair, the CEO who has turned this company around is a shrewd cookie and much of our investment case was predicated on a belief in his ability to both drive the core business forward and also to screw a really hard deal on bolt-ons. At 132.5p the shares now trade on c10 times March 2012 earnings per share falling to 7 times 2013 numbers. We reckon that the company could afford a 3p dividend this year and 5p next but Hair may not be so generous if he sees acquisitions. We are well ahead and the stock certainly is not expensive - 200p looks about right on a 12 month view. Cheap - but not as cheap as Intandem or Avisen

**Tom Winnifrith**

**If you have any questions about investing in the Elite t1ps Smaller Companies Income & Growth Fund or if you want a simplified prospectus and an application form please contact our hotline on 01624 676848 or email [sarah.read@t1psim.com](mailto:sarah.read@t1psim.com).**

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# Risk Warning

Investors should appreciate that there are inherent risks in all types of investments.

Stock market prices can move erratically and be unpredictably affected by many diverse factors, including political and economic events but also rumours and sentiment.

Past performance is not necessarily a guide to future growth or rates of return.

The capital value and the income from shares issued by the Fund can fluctuate and the price of shares and the income from them can go down as well as up and are not guaranteed.

The Elite t1ps Smaller Companies Income & Growth Fund invests in smaller markets and in the ordinary shares and loan stock of smaller companies. The shares of smaller companies may be less liquid than securities issued by companies with a larger capitalisation, and their performance more volatile over shorter time periods. If a security cannot be sold in a timely manner then it may be harder to attain a reasonable price and there is a risk that the price at which the security is valued may not be realisable in the event of sale.

The Fund may invest in other currencies. As a result, changes in the rates of exchange between currencies may cause the value of the shares to go up or down. Accordingly, investors may not receive back the amount invested;

Investment in the Fund should be regarded as long-term, which is upwards of three to five years. There can be no guarantee that the objectives of the Fund will be achieved.

Exemptions, thresholds and rates of tax may change in the future.

You are recommended to seek independent investment advice before making any investment into the Fund.

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