

Appian Small Companies Opportunities Fund

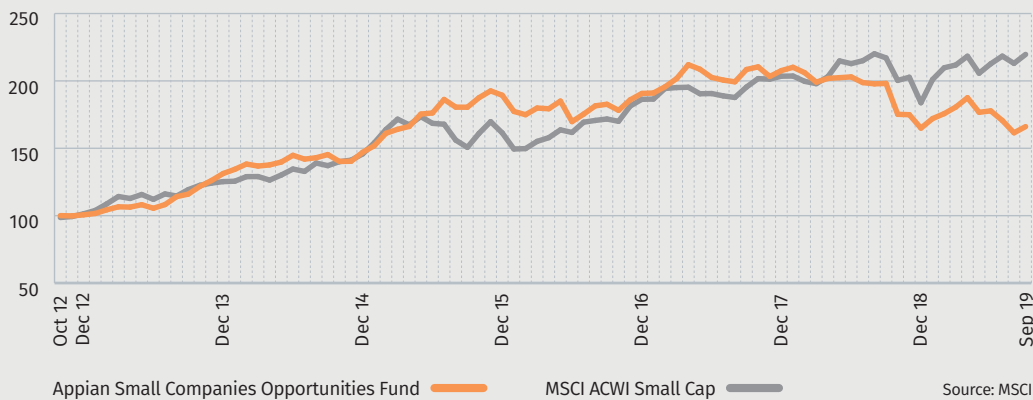
Fact Sheet

SEPTEMBER 2019

About Appian Asset Management

Appian 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.

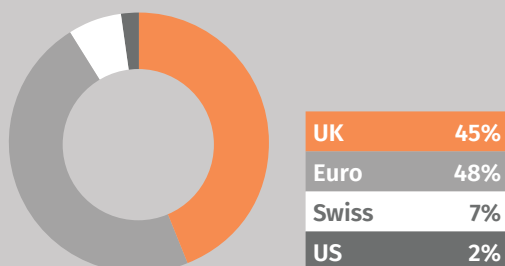
Performance of Appian Small Companies Opportunities Fund



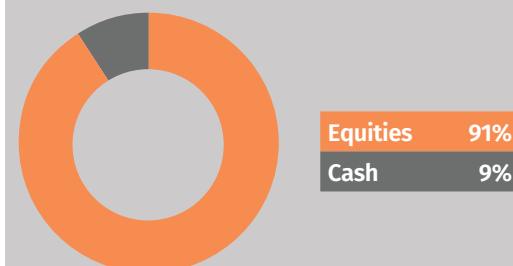
Appian Small Companies Opportunities Fund Performance 30.09.19

Period	2012	2013	2014	2015	2016	2017	2018	2019 YTD
Fund Return	0.61%	30.50%	12.04%	28.75%	0.71%	8.93%	-20.59%	0.68%

Geographic Equity Distribution



Asset Allocation



Investment Team

Niall Dineen

John Mattimoe

Pat Kilduff

Derek Heffernan

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 Review, Quarter 3 2019

Trade war fears and economic uncertainty weighed heavily on the Appian Small Companies Opportunities Fund (ASCOF) during the third quarter. This largely eroded the Fund's earlier 2019 gains with the Fund falling by 6.58% over the quarter leaving a gain of just 0.68% for the first nine months of the year.

The escalation of the trade war during Q3 exacerbated fears of a possible recession. This had a disproportionate impact on European small caps which tend to be more economically sensitive in nature. Furthermore, Brexit noise ratcheted up during the quarter, impacting stocks the Fund owns which are exposed to the UK. The combination of this uncertainty allowed the apathy towards European small cap stocks approach a record high during the quarter.

Conversely, these factors continue to push those segments of the small cap universe which are perceived to be to less economically sensitive to ever more elevated valuations. Valuations in growth sectors like tech and healthcare, particularly in the US, are reaching extreme levels that now bear little connection with the fundamentals of the underlying companies. For example, small cap tech, which represents 13% of the world small cap index, is valued on a P/E of 50x. We have had little exposure to these expensive sectors for some time and when expensive stocks become even more expensive the risks become elevated also.

In contrast, the valuation of our Fund's portfolio is very attractive - the average price / earnings ratio is now 10.9x compared to a market average of 16.6x, and the average dividend yield is 4.1% well above the 2.6% market average. We have been here before - the Fund's average valuation has not been this low since over six years ago, shortly after the Fund was launched. The three years after launch saw the fund rise by 80%.

Despite the investor pessimism towards small caps, we are encouraged that three of our holdings (Origin Enterprises, Randall & Quilter, and CPL Resources) posted double digit gains in September on the back of posting solid corporate results which highlighted how attractively valued they are. For example, staffing company CPL reported 33% growth in annual profits helped by a successful implementation of its Managed Solutions format in its Temporary staffing division in Ireland which allowed it win greater market share. The potential to extend this model to its businesses in the UK and continental Europe provides good longer-term organic growth prospects. The shares gained 13% as a result, yet still are only valued on a P/E of 8.7x this year's earnings and a free cash flow yield of 9.6%, even with net cash representing 20% of its market valuation.

Fund Facts

LAUNCH DATE

October 2012

NAME

Appian Small Companies Opportunities Fund

FUND SIZE

€33 million

PRICING FREQUENCY

Monthly

PRICING BASIS

Single Price

ANNUAL MANAGEMENT CHARGE

1.5% p.a.

FUND CUSTODIAN

Citibank Europe Plc

STRUCTURE

Retail Investor Alternative Investment Fund

WARNING If you invest in any of the Appian Funds you may lose some or all of the money you invest. Past performance is not a reliable guide to future performance. Appian Funds may be affected by changes in currency exchange rates. The value of your investment may go down as well as up.