

# Appian Small Companies Opportunities Fund

## Fact Sheet



DECEMBER 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.

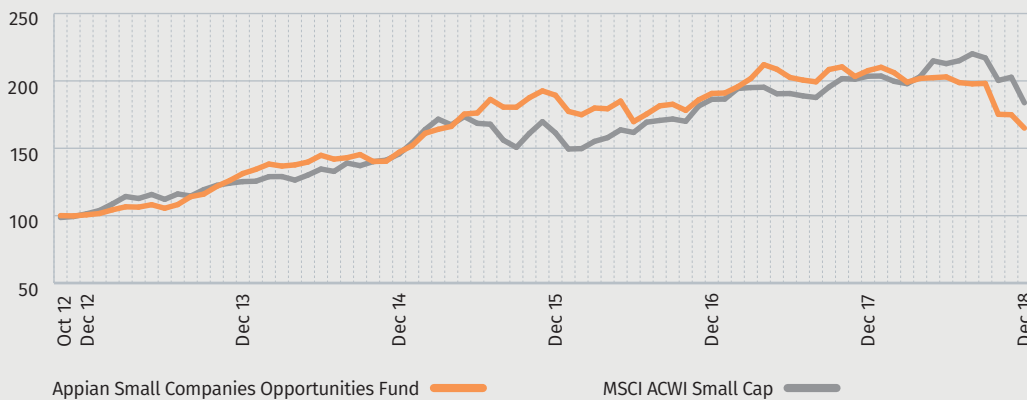
### Investment Team

Niall Dineen

John Mattimoe

Pat Kilduff

### Performance of Appian Small Companies Opportunities Fund



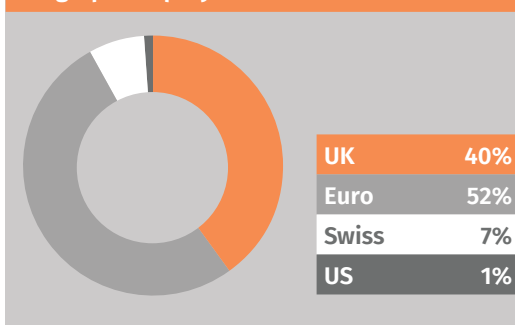
### Key Features

- 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

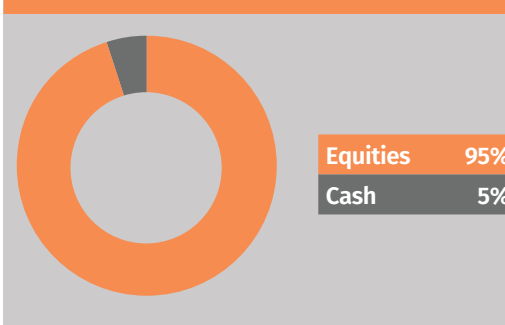
### Appian Small Companies Opportunities Fund Performance 31.12.18

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

### Geographic Equity Distribution



### Asset Allocation



## Appian Small Companies Opportunities Fund Review, Quarter 4 2018

The Appian Small Companies Opportunities Fund (ASCOF) declined by 16.8% over the final quarter, resulting in a full-year decline of 20.6% for 2018.

Q4 was a challenging period with equity investors grappling with fears that rising US interest rates and escalating global trade tensions might trigger the next recession. The Q4 sell-off resulted in 2018 being the worst year for most equity markets in the last decade, particularly outside of the US. The FTSE finished down 12.5%, the DAX fell by 18% and the ISEQ lost 21%.

Smaller stocks underperformed as sentiment towards them is particularly vulnerable to recessionary fears. The MSCI World Small Caps index fell by 16.8% in euro terms over Q4. Many of the ASCOF's holdings in industrial stocks declined in reaction to global trade war concerns. Jungheinrich's share price dropped by 30% while Norma, Kronos and Somero saw falls of just over 20%.

Some of the stocks which had performed strongly over the first nine months gave up some of their gains, with Draper Esprit and Randall & Quilter experiencing double digit declines over Q4.

Patisserie Holdings was a particular disappointment during Q4. The disclosure that its financial accounts had been fraudulently misstated caused the shares to be suspended. This resulted in a significant write down in the value of our holding which alone contributed circa 4% to the Fund's decline in Q4.

The volatility during the quarter presented some opportunities to add new names at attractive valuations, such as TF1 (Television Francaise), UK brickmaker Forterra, and Spanish cash in transit group Prosegur Cash. These additions were partly funded through taking some profit in stocks that had gained strongly earlier in 2018 (weightings in Draper Esprit and Somero were trimmed) and by exiting our position in Superdry (where we concluded that the challenges the company is facing are structural as well as cyclical).

As a result of the negative sentiment during 2018 many equities have experienced a significant de-rating. Starting into 2019 we are very encouraged by the attractive valuation of the stocks in the ASCOF portfolio. The average price / earnings ratio in the Fund is now 11.3x, significantly lower than the year earlier average of 16.4x. While many economic and political uncertainties remain to be resolved, we are reassured by the strong balance sheets and cash generation of our stocks (which now have an average dividend yield of 4.2% compared to 2.6% a year ago). This positions them to emerge well-placed when the current period of uncertainty ends.

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## Fund Facts

### LAUNCH DATE

**October 2012**

### NAME

**Appian Small Companies Opportunities Fund**

### FUND SIZE

**€37 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** 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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