

FP Octopus UK Multi Cap Income Fund

octopusinvestments
A brighter way

Data as at 31 December 2023



Fund managers



Chris
McVey



Richard
Power



Dominic
Weller

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

Key facts

IA sector	UK Equity Income
Fund launch date	10 December 2018
Fund domicile	United Kingdom
Dealing frequency	Daily
Active Share	92.5%
Number of holdings	56
Benchmark	FTSE All-Share Index
I Acc fund price	124.46p
I Inc fund price	102.38p

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.

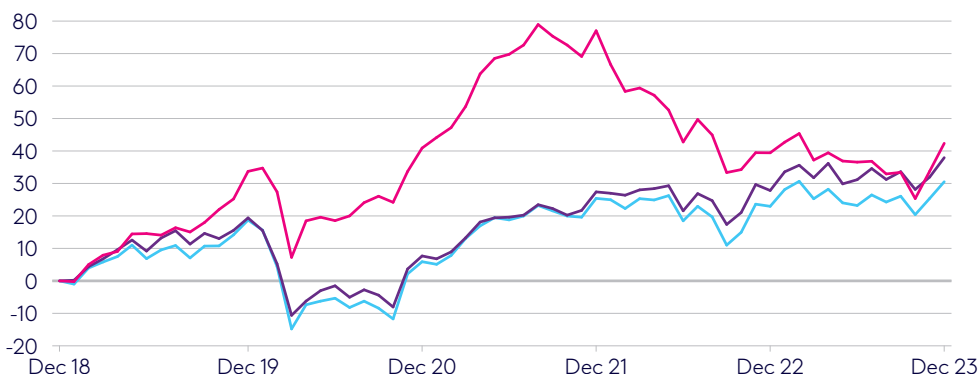
Fund objective

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 December 2023 (%)

	YTD	1 Y	3 Y	5 Y	Launch
UK Multi Cap Income - S Acc	2.08	2.08	1.03	42.69	42.35
FTSE All-Share TR	7.92	7.92	28.12	37.69	37.94
IA UK Equity Income TR	6.94	6.94	24.19	32.84	31.52

Discrete yearly performance to quarter end (%)

Year to 31 December	2023	2022	2021	2020	2019
UK Multi Cap Income - S Acc	2.08	-21.23	25.64	5.37	34.04
FTSE All-Share TR	7.92	0.34	18.32	-9.82	19.17
IA UK Equity Income TR	6.94	-1.93	18.41	-10.79	19.90

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

Minimum Investment	£1,000
Minimum Monthly Savings	£100
Fund Initial Charge	0.0%
Ongoing Charge Figure	0.90%

	ISIN
I Acc	GB00BG47Q556
I Inc	GB00BG47Q663

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	£35.5m	96.6%
Cash	£1.3m	3.4%
Fund Size	£36.7m	100.0%

Top ten equity holdings (%)

Next 15 Group plc	4.5
Gamma Communications plc	3.7
Intermediate Capital Group plc	3.4
Renew Holdings plc	3.4
XPS Pensions Group plc	3.3
Galliford Try plc	3.2
H&T Group plc	3.2
Ricardo plc	3.0
Midwich Group plc	2.9
GSK plc	2.7
Total	33.3

Top ten sectors (%)

Support Services	16.1
Specialty & Other Finance	13.6
Construction & Building	11.0
Media & Entertainment	10.9
Finance	8.3
Pharmaceuticals & Biotech	7.3
Telecommunication Services	3.7
General Retailers	3.1
Software & Computer Services	3.1
Engineering & Machinery	3.0
Total	80.1

Market cap weighting (%)

Over £10bn	6.5
£5bn-£10bn	3.6
£3bn-£5bn	3.4
£1bn-£3bn	12.1
£500m-£1bn	18.2
£250m-£500m	23.3
£100m-£250m	19.6
Sub £100m	9.9
Cash	3.4

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

December 2023 saw the rally in global equities continue amidst further dovish rhetoric from the US Federal Reserve, signalling the potential for sharper interest rate cuts than previously anticipated. During the month, the FP Octopus UK Multi Cap Income Fund increased by +6.4%. This performance was against an increase of +4.5% in the benchmark FTSE All Share Index and a rise of +4.9% in the IA UK Equity Income Sector.

Over the month, the largest contributor to performance was **Midwich** (+20.39%), the leading audio-visual distributor to the corporate market. The shares rose following completion of the earnings-enhancing acquisition of Germany based Prodytel. The deal is expected to strengthen the group’s technology offering and value-add services. Despite the improved sentiment, shares trade on a forward price to earnings multiple of just 10.1x while paying a 3.9% dividend yield. Elsewhere, the fund benefitted from the share price appreciation of **Brickability** (+27.27%), the UK’s leading brick factor and building products provider. During the period, the group reported interim results in line with market expectations. We continue to believe that the business’s resilient model remains undervalued with the stock trading on a forward price earnings multiple of only 6.1x and generating a dividend yield of 5.3%. As the flurry of M&A bids targeting UK smaller companies continued, **Ten Entertainment Group** (+33.33%), the leading UK based bowling venue operator, was subject to a private equity bid in the period. The deal is expected to finalise early in the new year, and is yet another example of the significant discount at which listed UK entities currently trade. **Keywords Studios** (+21.49%), the market-leading provider of fully integrated creative and technical services to the video games industry, made significant gains as its shares continue to recover from the recent malaise. During the month, the group also announced the accretive acquisition of Multiplayer Group Ltd (MPG) for £76.5m. MPG service a blue-chip client base, bolstering Keyword’s Create division, which historically produces greater margins, growth and visibility. Despite the modest recovery in the share price, the stock continues to trade at a material discount to its five-year historic average.

From a negative perspective, **H&T** (-7.69%), the UK’s leading pawnbroking business, saw its shares drift, despite the news that the company had secured additional funding facilities in the period supporting growth in the pledge book and store estate. The stock continues to trade on a depressed price-to-earnings multiple of 6.5x and is also expected to deliver a dividend yield of 4.4%. Elsewhere, the fund was impacted by **Future** (-6.52%), the global specialist media platform which also saw shares retreat following a broker update, however its worth noting the material bounce in the price later in the month. On a prospective price-to-earnings multiple, the stock continues to look attractively value at just 6.28x. **Gateley** (-4.04%), the commercial law firm, also saw shares drift following an in line trading update in late November. Revenues and profits are expected to grow by mid-single digits and given the business’s exposure to property and corporate activity levels, we think the group is well positioned to capitalise on improved macro-economic conditions. **B&M** (-2.34%), the value retailer, suffered a modest decline as a founder-investor trimmed their position against a backdrop of little news. We continue to believe the business is attractively positioned for future growth.

Despite a better performance into the end of the year, the UK equity market remains extremely cheap by all valuation metrics, both against developed market peers and against historic multiples. 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 31/12/2023. 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: January 2024. CAM013718.