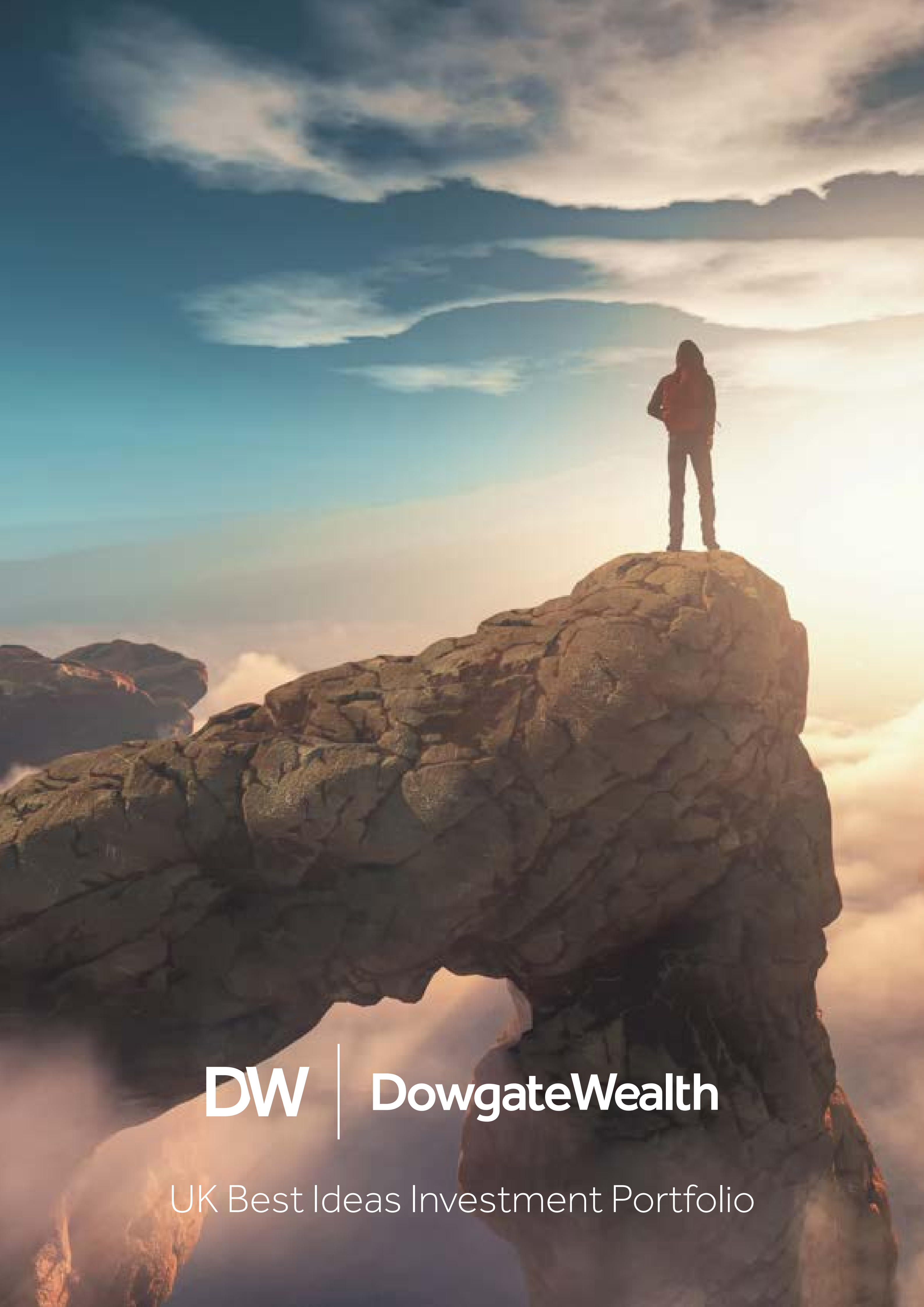


DowgateWealth

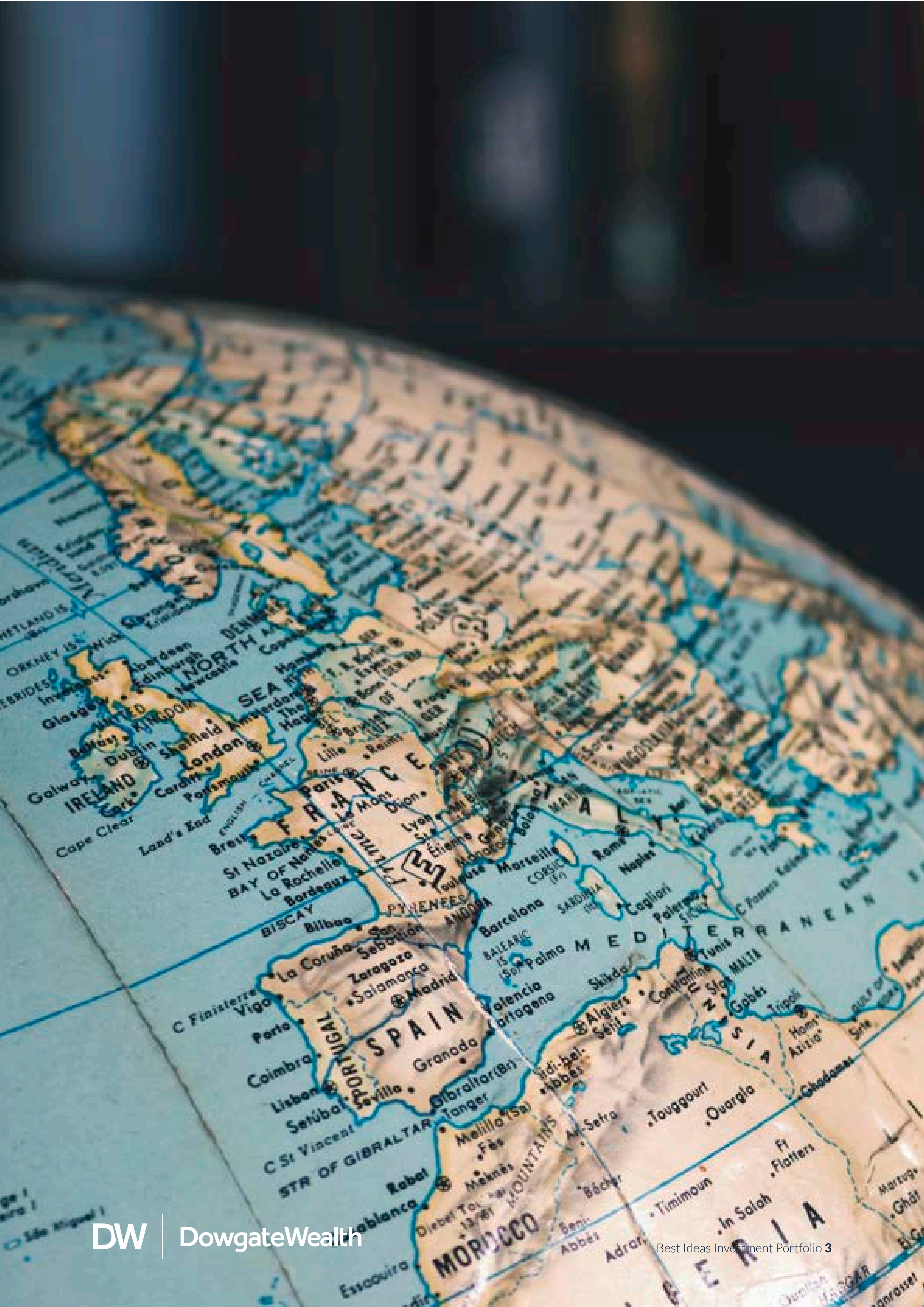
UK Best Ideas Investment Portfolio

Important Note
Risk Warning

This service should be regarded as a high-risk, long-term investment as it only invests in smaller companies where share prices are more volatile and less liquid than constituents of the FTSE100 Index. These newly formed, smaller firms do not qualify to list on the leading market exchange. These companies have a greater chance of growth in the early stages. However, they are also more likely to fail than a FTSE 100 company.

You should be comfortable with the possibility of losing your investment in the pursuit of potentially generating substantial growth. You should expect to experience significant fluctuations in price and understand that given the illiquid nature of these stocks, you will need to be able to hold onto them through down periods. There will likely be a substantial difference in the buy and sell price; if you had to sell them immediately, you might get back much less than you paid for them.

The value of shares may go down and up, and investors may not get back the amount they invested. Past performance is not a reliable indicator for future results.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Galway
Cork
Cape Clear
Land's End
Glasgow
Edinburgh
Aberdeen
Newcastle
Sheffield
Cardiff
Portsmouth
Amsterdam
The Hague
Brest
St Nazaire
La Rochelle
Bordeaux
Lille
Reims
Dijon
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Salamanca
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Valencia
Cartagena
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Sevilla
Gibraltar (Br)
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Vigo
Porto
Coimbra
Lisbon
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Rome
Naples
Cagliari
Palermo
SARDINIA
CORSICA
Touggourt
Ouargla
Timimoun
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Adrar
Ft Flatters

About Dowgate Wealth

WEALTH MANAGEMENT REDEFINED

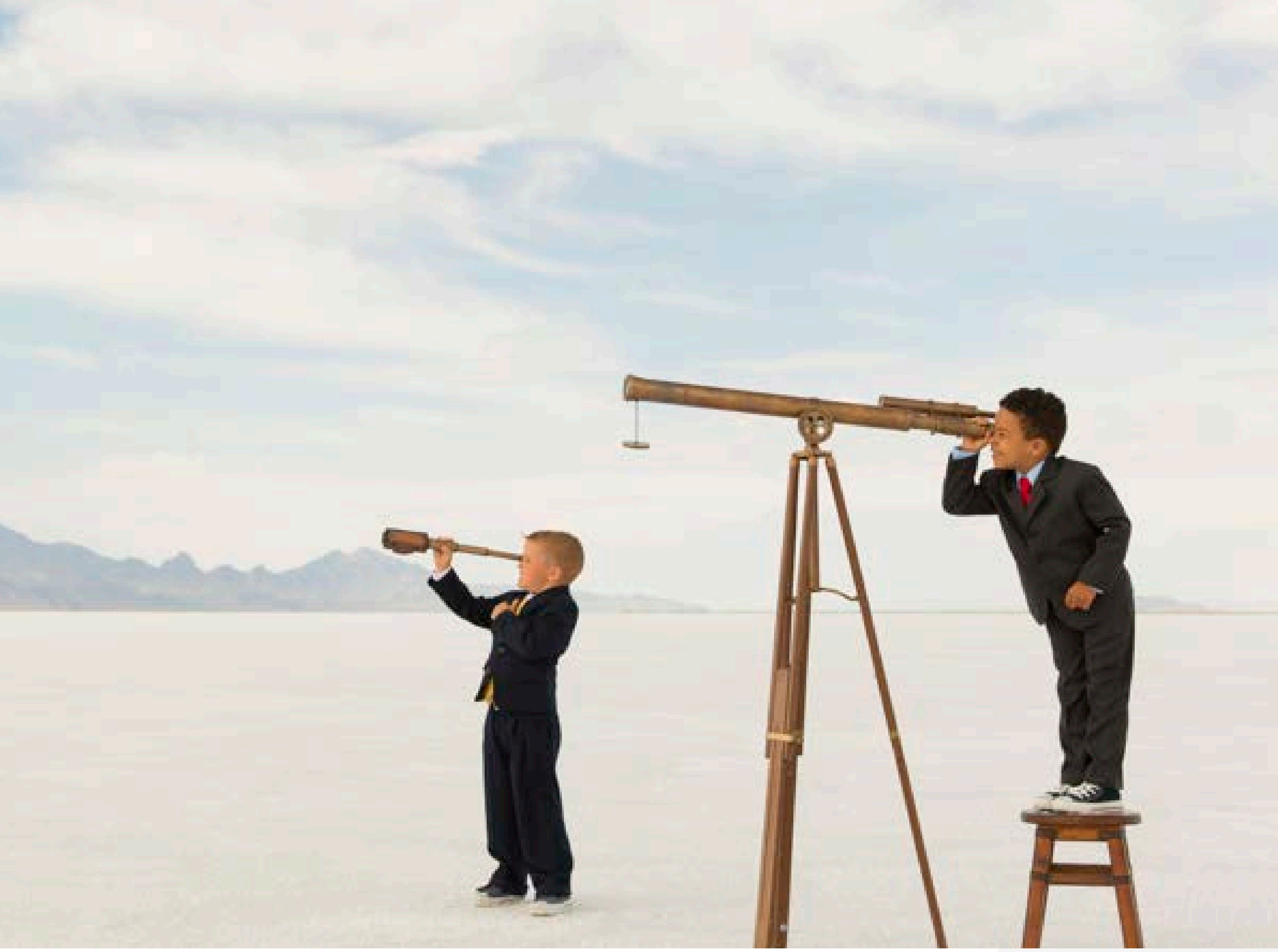
Dowgate Wealth believes that bespoke investment portfolios are the best way to generate sustainable compound returns. This view runs counter to the overly centralised asset allocation approach most wealth and asset managers have adopted over recent years. Our philosophy allows us to remain flexible to meet our customer needs in a world that continues to change.

As an employee-owned private company, our structure enables us to focus on generating sustainable returns over the long term, forsaking gathering assets to meet short term commercial targets. We believe this creates complete alignment with our clients' objectives. The inherent benefits of this approach are a product of our continued investment in our people, processes and systems.

We select investments based on their fundamental qualities and ability to generate above-average returns regardless of economic cycles. Our core expertise is applying rigorous analysis to select individual companies that are defining and benefiting from various structural changes across many industries, whether large or small. Putting our clients' objectives at the forefront, we apply our expertise through the thoughtful construction of portfolios.

This approach calls for high levels of client service and support. It is paramount that our clients have personal access to all team members and that any request is met accurately and on time. We also feel that the best ideas often come through conversation regarding our investment approach or service offerings.

We look after a diverse range of high-net-worth individuals and have enjoyed rapid growth from June 2020. As of 24th September 2021, we have £400 million discretionary AUM.



Team History

We received our education within a boutique family-style investment house, focusing mainly on UK small and mid-cap companies. Most of us worked together at Hargreave Hale before its acquisition by Canaccord Genuity Wealth Management in November 2017.

Our team of 15 professionals have over 300 years of combined industry experience. This experience covers investments in a range of assets from smaller companies, European funds, tax-efficient investments, fixed income and international equities. The team has generated superior returns through several economic cycles.

Over the years, the team have used their market knowledge and investment strategy to produce index beating returns. We thoroughly enjoy making a difference in clients' lives by substantially growing their financial assets.

Team Bios

MARK CHADWICK

Mark is our Investment Director and joined Dowgate Wealth in December 2020. Originally from Blackpool, Mark began his Investment Management career in 1994 at Hargreave Hale and subsequently moved to the Hargreave Hale London office in 1997 to work with Giles Hargreave. Mark worked with Giles on the Marlborough Special Situations fund and discretionary bespoke private client portfolios. He then took over sole management of these portfolios, where he continued to grow them to approximately £250m before the takeover by Canaccord Genuity Wealth Management in November 2017.

Mark is a member of the CISI (The Chartered Institute for Securities & Investments). When investing, Mark looks for growth stocks, particularly in UK Mid/Small cap companies.

BEN MCKEOWN

Ben is our Investment Director and joined Dowgate Wealth in July 2020. He studied Economics BSc (Hons) at Oxford Brookes University. Since then, Ben has accumulated several financial qualifications – he is a Chartered Financial Analyst (CFA) and a Chartered Fellow of the CISI.

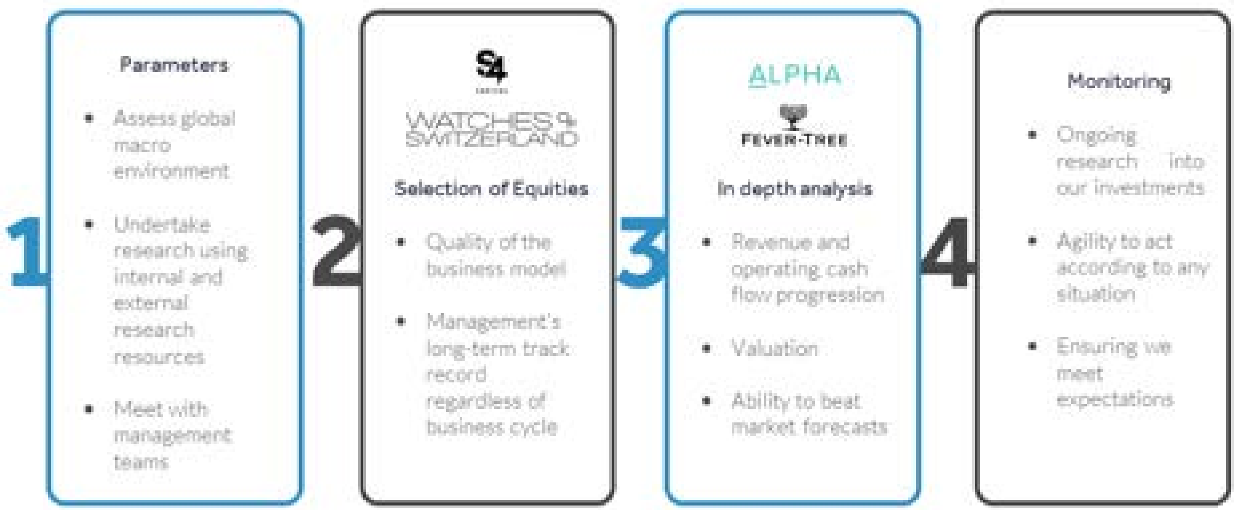
Ben began his Investment Management career in 2008 at Killik & Co during the financial crisis. He became an Investment Manager at Hargreave Hale before its acquisition by Canaccord Genuity Wealth Management, where he was responsible for £750m of discretionary mandates. When investing, Ben looks for growth companies and prides himself on his independent thinking and honesty.

JOSH ROSS-FIELD

Josh is our Investment Director and joined Dowgate Wealth in January 2021. Originally from London, he studied Economics BSc (Hons) at Leeds University and graduated with Upper Second-Class Honours. Since then, Josh has become a member of the CISI. Josh began his Investment Management career in 2003, where he worked with Mark Chadwick and Giles Hargreave, administering the private client portfolios and fund administration before completing his exams and managing a client base ranging in size from £1000 to £15m.

Josh manages bespoke portfolios on a discretionary and advisory basis. He has experience dealing with individuals, companies, pension funds, offshore accounts and trusts, primarily involved in Stock market investments. When investing, Josh predominantly looks at UK small and mid-size companies and thematic investments.

Investment Approach



Our Investment Style

- Quality threshold
- Innovative growth
- Buying and holding great businesses for the long term
- Access Initial Public Offerings (IPOs) and secondary placings that are not normally available to private clients
- Structural growth trends
- Quality management with a proven track record and, above all, skin in the game
- Networked knowledge, deep learning AI, green energy, robotics and autonomous transport, DNA sequencing and frictionless finance

Market Timing

Feed in funds over time

Cut the losers

Run the winners

Avoid averaging down

Market agility

Our Investment Philosophy

Dowgate's investment process is all about buying and holding great businesses for the long term as a cornerstone to managing our clients' wealth. However, we are not immune from the opportunities that gyrations of the financial markets present to seek relative value without losing sight of our quality threshold.

Dowgate Wealth has several core principles when looking for companies to back, and chief amongst them is quality management with a proven track record and, above all, skin in the game.

In a typical week, we meet 15-20 company management teams in an ongoing search to find valuable opportunities. Our first objective in these meetings is to establish some basic understanding of the companies and their prospects. We want to understand the sense of purpose and drive from the leadership. Specifically, the importance they focus on financial and other operational metrics, including their capital allocation process. There is a multitude of factors that we consider before taking this decision. Some important ones are experience, financial track record, access to technology (product or process know-how), and shareholder focus.

Part of our process is to understand the main drivers of innovative growth that impact all companies. These include the adoption of networked knowledge, deep learning AI, green energy, robotics and autonomous transport, DNA sequencing and frictionless finance. All these factors are, to differing degrees, impacting our universe of investable companies. This aspect of our process is increasingly important as technological change accelerates and its adoption becomes more widely implemented.

However, we are also alert to the value opportunities the market can present. UK small and medium-size companies include many world-class capabilities that drive and benefit from identifiable structural growth trends. Currently, UK companies are lowly valued, particularly compared to their US peers. Among these companies, we see the most attractive opportunities to add value as part of the ongoing process of managing our clients' wealth.

Our network is widespread, with solid relationships amongst many well-regarded stockbrokers, giving us access to quality research. Our market standing allows us to access Initial Public Offerings (IPOs) and secondary placings that are generally unavailable to private clients.

Our sister company, Dowgate Capital, provide corporate broking to a diverse range of high-quality growth companies with a bias towards those involved in technology and media. These sectors have an ongoing need for capital to fund their growth and appeal to private and institutional investors alike. Through carefully managed conflicts of interest and a relationship that is both simultaneously close but arm's length, Dowgate Wealth can have access to these companies, always provided that they meet the investment criteria of the underlying clients. Past IPO successes from Dowgate Capital include S4 Capital and Franchise Brands.

Many investors are sceptical about IPOs. They question the motives for offering shares, the quality of the underlying businesses and the claims they and their promoters make to justify valuations sought. The UK debut of Deliveroo is an example of why such scepticism is understandable. Hot markets often bring out unsuitable candidates. However, we believe that the IPO market helps uncover attractive long term investment opportunities, provided one is prepared to be patient and selective.

Our view is that the current spate of UK IPOs represents a promising hunting ground for new high-quality growth companies. However, there are essential factors we always consider just before committing capital to any transaction. We always assess the motives for an IPO, the company's revenue and earnings sustainability over the long term, and how aligned management strategy and incentives are to our interests as shareholders. Additionally, we consider governance and capital allocation policies that are in place. Finally, we look at the deal structure, the appropriateness of the intermediaries and advisers engaged in the transaction, the proposed valuation and how the deal will be priced and allocated.

The Portfolio

The Dowgate Wealth UK Best Ideas portfolio is a discretionary service that taps into small and medium-sized UK companies that generate capital growth with index-beating returns. The service is not eligible for an ISA due to involvement in IPOs. It is a segregated portfolio comprising 15-20 high conviction holdings. They are all UK-listed small and mid-cap shares, typically with sub £2bn market cap. The portfolio will have set closes during the year. Depending on market conditions, we will deploy capital in the three months after each close. Any dividends paid will be reinvested. However, you will have access to your funds subject to liquidity. The portfolio is subject to Capital Gains Tax (CGT) and income tax. Tax rules and regulations and personal circumstances are subject to change.

Please be advised that we cannot provide investment or tax advice, so you will need to consult your financial adviser to discuss if this service is appropriate for you.

We will send you and your accountant end of year consolidated tax statements showing total income received during the year and disposals reports. We will write to you each quarter detailing your portfolio's current value and quarter-on-quarter performance. Your client pack will also include an itemised statement for the period emailed or posted to you. We have a comprehensive online portal where you can view your respective account and contract notes in real-time.

We remain optimistic on UK small caps despite their strong performance over the last 12 months and we pick up from our numerous management meetings their continuing confidence in their businesses and the economy

From a macro point of view, we have seen upgrades to the GDP forecasts and the UK economy is now expected to grow 7.5% this year

WHAT IS THE OUTLOOK FOR INVESTING IN UK SMALL AND MEDIUM SIZED COMPANIES?

The forward PE for the UK small cap market is trading at 14.2x while European trades on 16.7x and the USA 16x

Interestingly the sales growth is forecast at double here in the UK than US smaller companies. Balance sheets are also in better shape

We saw a reduction of good businesses floating since the Brexit referendum in 2016 due to the uncertainty caused and subsequently Covid last year. We are now seeing that bottleneck cleared as businesses look to IPO or raise money for takeovers

Case Studies

CAPITAL

S4 Capital was founded by Sir Martin Sorrell as a new age/new era advertising and marketing services company, offering purely digital services to global, multinational, regional and millennial-driven influencer brands. The company operates a buy-and-build strategy, combining first-party data, digital content and digital media businesses worldwide, with 6,000 digital-first experts across 57 talent hubs in 33 countries. After the initial mergers in 2018 with digital content and programmatic companies, MediaMonks (MM) and MightyHive (MH), respectively, S4 has combined these with 20 other global businesses under one unified structure. The market for internet advertising is expanding at 20% year on year. In an 'always-on world', S4 provides faster, better and cheaper advertising and marketing to enable brands to reach their audiences. In 2018, the company estimated that digital accounted for 45% of global advertising spend and projected its share will grow to 55% by 2022. S4 plans to double revenue and gross profits over three years. The unprecedented events of 2020 did not cause much disruption to this. The business emerged more robust than before, posting stellar results for the full year with revenue & gross profit both up 59.3% & 72.3%, respectively. Currently, content accounts for 72% of gross profits and data and digital media 28%, with long term objectives to reduce the splits to 60% and 40%, respectively, with the boost in digital media emphasising the growing importance of digital video in the industry.

We invested in S4 at the IPO in September 2018 via an IPO facilitated by the reverse merger with Derriston Capital. Dowgate Capital, who still is the company's joint broker, brought the company to the main market, raising £51m, £40m from Sir Martin Sorrell (who still owns a 10% stake) and the remainder from institutions and private investors. We were one of few private client firms given access to the raise at 120p before the reverse takeover as well as to subsequent cash raisings. To reach the list of our best investments, we need to back the management, and in this case, it proved successful. The share price of S4 is now 720p with a market capitalisation of £4bn, yielding a 6x return on investment for our clients if they invested at the IPO. The company describes how it has transformed from a peanut to a unicorn (in terms of market value), and we still see a long way to go for S4. Several qualities are common to all of our best ideas. For S4 Capital, these are a robust and committed management with a strong track record; high quality and growing client base including blue-chip names (or whoppers as S4 names them); and an attractive business model with high earnings quality and growing end-markets. S4 is tapping into a market entering a new era regarding how we all consume content and how businesses market their services.

Case Studies

ALPHA

Alpha is a founder-led, UK-based provider of specialist FX (foreign exchange) risk management services and Alternative Banking (AB) solutions. The group brings technology and people together to provide high quality, bespoke strategies and service to a base of 800+ established and well respected corporate and institutional clients spanning 30+ countries.

Our initial investment in the company came at the IPO on 7th April 2017. The company listed on AIM raising £30m at 196p, giving Alpha a market capitalisation of £65m. Today the company has a market capitalisation of £750m, yielding our clients a 10x return on their original investment. However, we supported the business in subsequent share placings in October 2018 @ 620p to provide capital for the forwards' book and in April 2020 @ 680p for investing in the Alternative Banking business.

Alpha has consistently compounded revenues, increased profits, and sustained steady margins whilst investing in new technology and people to grow their product offering and talent pool. Revenues have grown from £8.5m in FY 2016 (pre-IPO) to £46.2m in FY 2020 (x5 times) whilst underlying EPS has more than doubled from 13.4p in FY 2016 to 31.6p in FY 2020.

However, although small, the Alternative Banking division (payments, collections & accounts) is snowballing, and in the first half of 2021, it already contributed c25% of overall revenues.

The most significant contributor to group revenues is the FX Risk Management division at c75%. The FX division helps clients manage the currency exposure they accrue from the ordinary course of business. They do this through programmes involving spot and forward and options contracts. Forward contracts are a higher margin product than spot transactions but require higher working capital and risk control levels. It is a complex business to manage and involves close risk management scrutiny.

The more recent Alternative Banking division provides payments and collections solutions to corporates, offering centralised cash management in 160 currencies. This division grew revenues by 417% in 2020, accelerating to 600% in H1 2021. It provides sticky recurring revenues and high gross margins. We believe this business is now annualising revenue at nearly £20m pa. Based on other payment company valuations, this division alone could be worth up to £250m or about 40% of AFX's enterprise value. April 2021 saw a new technology stack launch in the AB business, enabling Alpha to onboard new clients more efficiently. This accelerated growth leading to a record month in May 2021, a trend that seems to have continued to date. A continuation of this trend could lead to forecast upgrades later this year. Alpha has also successfully opened several overseas offices post-IPO. It has also successfully launched an Institutional Division, providing FX services to financial institutions, such as asset managers and fund administrators. Critical to the success of Alpha is the emphasis on a corporate culture of excellence that relies extensively on developing and incentivising its staff. About 50% of AFX employees have 'skin in the game' through owning an equity stake or are working towards one. Alpha's founder and CEO, Morgan Tillbrook, still holds a meaningful 15% of the issued share capital. The H1 2021 results showed promising signs that the revenue and profitability of Alpha FX are well underpinned, and indeed we think, likely to accelerate. Despite the impressive returns earned for our clients since IPO, we remain high conviction holders of Alpha FX shares over the long term. We like to own market leaders that are well capitalised, debt-free, and agile enough to scale effectively and sustain earnings quality.

Case Studies

WATCHES OF SWITZERLAND

Watches of Switzerland is the leading luxury branded watch retailer operating in both the UK and the US, through the ownership of Goldsmiths and Mappin and Webb in the UK and Mayors in the US.

The company, previously owned by private equity group Apollo Global undertook an IPO to the main LSE market in May 2019 at a price of 270p, which valued the business at £647m. Of the £155m raised, £90m reduced debt to £120m, and £65m went to the selling shareholder.

Before the IPO, we had a good meeting with the analyst from Investec. The company is famous for its 100-year relationship with the world's leading luxury watchmaker Rolex. But it also has strong relationships with several other leading brands, namely Cartier, Omega, TAG Heuer and Breitling. The business model very much reminded us of JD Sports, which had been another success for us. When we met the management of WOSG, it became evident that Rolex held them in very high regard, backed up by the fact that they sell most of their new watches through WOSG. Reminiscent of JD Sports and its relationship with Nike and Adidas.

We made an application in the IPO, but Goldman Sachs handled the book, so we did not get a reasonable allocation, with a large portion going to hedge funds. However, we built a half unit in our portfolios for clients and supported the business by buying shares in two private equity sell downs. This strategy enabled us to build full positions. Apollo Global sold down its holding with a further 12.5% in January 2020 at 360p and another 11.5% in September 2020 at 310p. Since then, their holding has reduced to zero through several smaller placings, the last taking place in February 2021.

The IPO freed the company to invest further in its operations in the UK, the world's leading market. Here, they purchased four showrooms from Fraser Hart for £31.7m, and in the US, the management saw the opportunity to expand very considerably, rolling out the Mayors brand. The company's first figures were strong, and this trend has continued even through Covid. The arrival of Covid in March 2020 forced the closure of all their shops in the UK and the US. However, the business subsequently transitioned online remarkably well.

The company has consistently guided upwards since October 2020, both in December 2020 and more recently in July and August 2021. The most recent statement indicated that the company was outperforming the UK market and had made a solid start to FY22. They are now the market leader in the US, which is the world's second-largest market. Finally, they are looking to grow in the EU. The luxury watch market remains robust, whatever the economic conditions. As the UK's leading luxury watch retailer, Watches of Switzerland has and indeed still does benefit.

The business is highly cash generative and has gone from net debt to net cash of around £23m, which should help the company continue expanding. It is forecasting revenue of between £1.05bn and £1.10bn in the latest upgrade to guidance. The shares now stand around £10, having almost quadrupled since IPO around two and a half years ago, and we expect further outperformance as the business becomes better known. The market cap currently stands at around £2.3bn, and the company is a member of the FTSE250.

WOSG is still a core holding for us, and we are particularly excited about the rollout of stores in the US. Again, very similar to the JD Sports story and their purchase of Finish Line for $500m, which was heavily encouraged by Nike and Adidas. The US rollout for WOSG is very much encouraged by Rolex amongst other brand names.

In summary, the company's unique relationship with Rolex puts it in an unparalleled position in a market, showing no signs of a slowdown. Since the early days, we have been a holder taking the opportunity to increase holdings in subsequent sell downs.

Case Studies

FEVER-TREE

In March 2013, the two founders sold 25% of the business to private equity, which subsequently led to an IPO in November 2014. FeverTree appointed Investec as their nominated broker to guide them through the IPO. We met the Investec analyst initially to give us an overview of the business and the financials and forecasts. We subsequently met Charles Rolls and Tim Warrillow, the founders of FeverTree, twice before the IPO date. We built confidence in the management team throughout these meetings, and we believed they had a line of solid products that could rival and surpass the market leader, Schweppes. We were allocated just 20% of our IPO allocation at 134p. The deal valued the business at a little over £154m. We continued to add to our holdings and buy new positions for new clients, all the way up to 200p.

As shareholders, we had the opportunity to meet FeverTree at least twice a year, after full-year and interim results. We were continually impressed with them in the meetings. It was evident that the management's confidence was growing in the business, which led to a continued cycle of upgrades to broker forecasts. FeverTree became a core holding for us and we remained believers in the story and supporters of the business, thus buying stock when management decided to take some off the table.

FeverTree is still a core holding for us though we have top sliced positions along the way where holdings had got too big for client portfolios. The shares are now £23 per share, valuing the company at £2.67bn, producing a return of over 17x for original investors such as ourselves.

Charles Rolls and Tim Warrilow founded Fevertree in 2004 as a British producer of premium drinks mixers. It grew very successfully, helped by the trend to longer drinks and the breakup of the market leader Schweppes after the takeover of Cadburys, who had subsequently owned the brand. The new owners, including Coca Cola, dumbed down their famous tonic water to an equivalent of sugar water when there was an explosion of new gins. In contrast, Fevertree's ingredients were all-natural and consequently enhanced the new gin flavours. They produced a range of different flavours, thereby opening up the market. The founders' drinks industry backgrounds enabled them to adopt some clever marketing.

The publicity created by float helped Fevertree overtake Schweppes and today enjoys more than 40% share of the UK mixer market. The founders were also very clever in understanding their market and promoting the brand through a wide range of leading bars worldwide. They also outsourced bottling and distribution, thus avoiding the pitfalls of manufacturing. Instead, FeverTree was a marketing machine run by a relatively small head office.

Today about 50% of the business comes from the On-Trade (hotels, restaurants bars and cafes) and 50% from the Off-Trade (supermarkets and off licences). The company has expanded from tonics into Ginger Ales, Ginger Beer, Colas, Sodas and Lemonades, both regular and low calorie. It now operates worldwide, with the US, the world's largest mixer market, growing strongly. They have also seen good growth in Europe and the Rest of the World.

Covid did have a significant effect on the company, with the On-Trade being virtually closed, but this did lead to a substantial increase in their Off-Trade. The drinking of spirits increased considerably during the lockdown. Now that we are coming out of Covid, their On-Trade business is picking up strongly, which should benefit margins. Their US business is now reaching scale and growing more than 30%pa. We believe that maybe Coca-Cola or Pepsi Cola will be attracted to adding FeverTree to their stable of drinks in the long term.

The company is conservatively managed and has a significant cash balance of c. £200m. As we exited lockdown, FeverTree has increased revenue guidance from £295m to £304m. Margins are under some pressure (around gross 44%), leading to EBITDA margins of around 20%. Nevertheless, as the On-Trade returns to normal, these should improve.
The shares now stand at £23 valuing the company at £2.675bn and making it one of the leading companies on AIM. Tim Warrilow is still CEO, but Charles Rolls has stepped back, although both remain significant shareholders.

Charges

- Minimum investment £50,000 (no maximum)
- We will levy an annual management fee of 1.25% based on the value of your portfolio, charged quarterly in arrears. This will be in January, April, July and October each year
- Compliance Charge £20 fixed per trade
- No dealing commission fees
- PTM contract charge on any bargain over £10,000
- Government Stamp Duty is applied on eligible purchases (non-AIM shares), currently 0.5%

Risks

Our UK Best Ideas Portfolio is for you if you are willing to place your investment at a high risk of loss in return for the potential of high rewards. You will accept that this strategy has the capacity to invest up to 100% in UK smaller and mid-sized growth companies, and you will need to be prepared to invest for the medium to long term.

You understand the performance of such investments may be volatile, with potentially high fluctuations in the value of your capital. There is no capital guarantee. Such investments may not be readily realisable as markets may be limited. Access to reliable data for valuing such investments may be restricted.

Get in Touch

Before applying, please ensure you are fully comfortable with the terms and conditions, paying particular attention to the risks of this portfolio service.

For more detailed information and if you need anything else, please get in touch with us on:

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