

Equity markets endured further pain during the second quarter of 2022 and offered few places to hide. Surging inflation resulted in consumer confidence deteriorating to the lowest level on record and a recession is now widely expected over the coming period. The MSCI UK All Cap TR index, notable until now for its resilience, fell by 4.6% as a weaker demand outlook weighed on the previously strong resources sectors. Smaller companies collectively fared worse, with the MSCI UK Micro Cap TR index falling by 11.4%. Although our AIM service invests in smaller companies, the service saw a comparatively smaller fall of 5.1%.

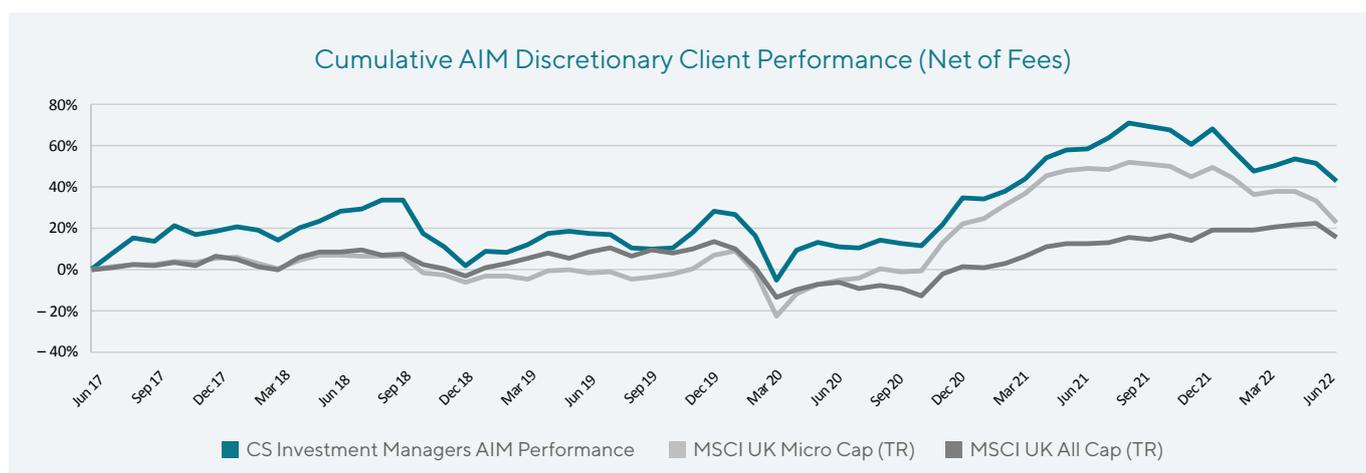
The relative strength of the AIM service during the period was driven primarily by two factors – takeover bids and an exposure to inflation beneficiaries or countercyclical stocks.

Two stocks which helped preserve value for investors during the period were Ideagen and Caretech Holdings. Both companies have seen takeover bids during the recent period and therefore, over the quarter, their share prices proved to be resilient in the face of falling markets. We expect cash to be received for both holdings over the next quarter at a significant premium to their initial purchase costs.

Begbies Traynor, an insolvency practitioner, was the leading contributor among the countercyclical shares we hold. The stock returned 23.7% during the period, as investors started to forecast rising insolvency rates and an increase in revenues for the company over the coming period. We still feel that the stock is significantly undervalued given the wider macroeconomic outlook and that further returns over the coming period are likely.

Ramsdens Holdings, a pawnbroker and foreign exchange provider, was another significant contributor to the AIM service during the period, with a return of 12.6%. We have long believed that the company’s balance sheet, which predominantly consists of precious metals and foreign currency, would benefit from Sterling depreciation and this scenario appears to be beginning to unfold. Meanwhile, the pawnbroking part of the business should see an uptick in revenues over the coming period as UK consumer finances begin to become more stressed.

We will continue to endeavour to find attractively priced companies, which we believe are well positioned for the period ahead. A greater degree of selectivity is required at this time given the ongoing issues in energy markets and tightening financial conditions. We believe we are well placed to ride out this tough period though, given our approach of adapting to the market cycle and capitalising on attractive opportunities as they arise.



| Total Return | CS Investment Managers Discretionary AIM Clients | MSCI UK Micro Cap Total Return | MSCI UK All Cap Total Return |
|--------------|--|--------------------------------|------------------------------|
| 3 Months     | -5.1%  | -11.4%                         | -4.6%                        |
| 1 Year       | -10%   | -18.5%                         | 3.2%                         |
| 3 Years      | 21.7%  | 26.5%                          | 6.8%                         |
| 5 Years      | 43%  | 24.7%                          | 17.1%                        |



| CS Investment Managers Discretionary AIM Clients | MSCI UK Micro Cap Total Return | MSCI UK All Cap Total Return |
|--|--------------------------------|------------------------------|
| Monthly Volatility 5.6%                          | Monthly Volatility 5.4%        | Monthly Volatility 4.0%      |

| Top 10 Holdings         | %    | Sector                   | Overall Sector Breakdown as at 30 June 2022 |
|-------------------------|------|--------------------------|---|
| Ideagen                 | 7.2% | Software & Computer      |   |
| Alpha Financial Markets | 6.1% | Support Services         |   |
| Begbies Traynor         | 6.1% | Support Services         |   |
| Caretech                | 6.1% | Healthcare Equipment     |   |
| Sureserve Group         | 6.1% | Support Services         |   |
| Smart Metering Systems  | 4.9% | Support Services         |   |
| Renew Holdings          | 4.7% | Construction & Materials |   |
| Restore                 | 4.1% | Support Services         |   |
| Marlowe                 | 3.9% | Support Services         |   |
| Manolete Partners       | 3.8% | Support Services         |   |

Source: CS Managers Ltd and MSCI. Data as at 30/06/22. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an 'as is' basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively the 'MSCI Parties') expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

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**CONTACT**

Joe Capaldi | Investment Director | Email: jcapaldi@csmangers.com  
 CS Investment Managers, 43 Charlotte Square, Edinburgh, EH2 4HQ | Tel: 0131 624 7709/ 0207 556 0929 | www.csmangers.com

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