

## Onward Opportunities Limited (ONWD LN) Factsheet: Q2 2023

### Investment Objective

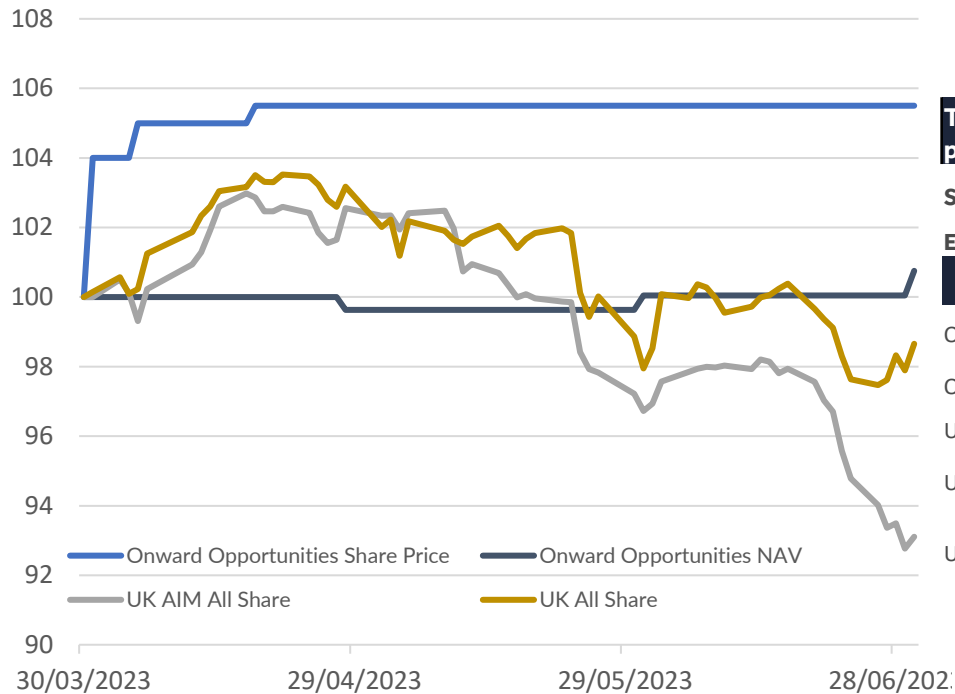
The Company will seek to generate absolute returns of at least 15% per annum through investments in UK smaller companies.

### Investment Philosophy

We invest in the tangible; business models and asset bases that we can see and understand, profits that convert to cash and hard catalysts that can unlock an investment's intrinsic value. Therefore, Investee Companies will typically have certain of the following characteristics:

- Balance sheet asset backing.
- A competitive advantage and/or strong management track record.
- Attractive cash flow potential.
- Visibility of earnings/future earnings improvement.
- Scope for exit liquidity in line with the Company's targeted hold period.
- Angle for an active shareholder to accelerate value creation; and/or
- Foreseeable events and catalysts to unlock intrinsic value.

### Performance Chart



### LEAD FUND MANAGER

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Lead Fund Manager

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### Performance Commentary

The quarter was our first trading period as a company and I would like to take these opening comments as a chance to thank again our shareholders for their backing. Shareholders can hear more about the launch process in a recent podcast interview with Edison [here](#). It was rewarding to see the Onward shares perform strongly since launch and relative to the market, ending the quarter at 105.5p, +5.5%. The NAV performance too got off to a positive start ending +0.8% for Q2 at 96.42p. The portfolio of equities and gilts as a whole has delivered a gross 11% IRR since launch and within that our small equity portfolio (18% NAV) has delivered a gross IRR well in excess of 100% thus far. Whilst early days, it has been encouraging to see early investments set off in the right direction in difficult markets. These figures compare favourably to the UK indices which had a weak quarter; the UK AIM All Share was down 6.5%. The NAV performance in June was mainly driven by positive performance in Angling Direct plc, which is now our largest equity holding as our first core position and is described in more detail overleaf.

#### Table of performance

**Start date:** 30-Mar-23

**End date:** 01-Jul-23

#### Since inception

ONWD Share price	+5.50%
ONWD NAV	+0.80%
UK All Share	-1.30%
UK Small Cap index	+0.90%
UK AIM All Share index	-6.50%

## Portfolio Commentary

Our first action on day 1 of trading was the deployment of 98% NAV into 10 UK Gilts and treasury-bills that are earning a running yield in excess of 4% for the company. From this start point we have carefully invested c.18% NAV into 6 initial investments – each being 2% NAV or less. These are ideas where our initial work has flagged attractive upside potential and we look forward to updating shareholders on these further as due diligence completes. We also took our first core position, deploying c.6% NAV into Angling Direct (ANG LN), the UK's leading retailer of fishing equipment and tackle.

Angling Direct is an outstanding value play hiding in plain sight. Realisation of this value is dependent on strategic decisions by the newish management team which could eliminate losses in Europe and focus on the growth potential in the UK. The company represents either a growth or value investment depending on various strategic decisions in the coming months. The business has a dominant market position in the UK where it is profitable and cash generative from a repeat customer base of anglers where market share can be grown further. These metrics are targeted to improve under new management supported by a UK consumer recovery. More recently the business has been attempting to enter the much larger European market to provide additional earnings growth. Success has been limited so far with annual losses that are material in the context of overall group profits, albeit in difficult conditions, whereas the UK business generates an EBITDA that is about double the current group number (which includes European losses) even in the recent tough trading conditions of 2022.

Upside comes from either the European strategy starts to bear fruit in the near term and contribute profitable growth to the group or it can be wound down to remove the losses from group profits and opportunity cost, and we would be left with a value investment in a leading UK retailer trading on less than 2x EV/EBITDA. We estimate a 6-month payback on a closure of the European strategy. Either of these outcomes would add more than 50% to EBITDA and this optionality is in the context of our entry valuation on Angling Direct of c.£20m of which c.£14m is net cash and there is a further c.£16m of stock. ONWD shareholders who have backed our active and engaged approach can expect us to be working hard to drive one of these two profitable outcomes on our investment. We have noted with interest the consolidation of angling retailers in the USA and Nordic countries in recent years.

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The value of investments, and any income from them, can fall as well as rise so you could get back less than you invest. Past

## Fund Characteristics:

Launch Date	30 <sup>th</sup> March
Lead Fund Manager	Laurence Hulse
Fund Currency	Pound Sterling
Fund Size	£12.3m
No. of Equity Holdings	8
AIC Sector	UK Smaller Companies
Fund Structure	Investment Company
Administrator	Maitland
Depository	Butterfield
Management Fee	1.50%
Performance Fee	12.50% over 6% hurdle
ISA & SIPP Eligible	Yes

Top 10 holdings		£	Weight
1	Cash at bank	£1.28m	10.4%
2	UK Govt T-bill 25 Sept '23	£1.19m	9.6%
3	UK Govt T-bill July '23	£998k	8.1%
4	UK Govt T-bill 29 Aug '23	£1.19m	9.7%
5	UK Govt T-bill 07 Sept '23	£1.19m	9.7%
6	UK Govt T-bill 11 Sept '23	£1.19m	9.7%
7	UK Govt T-bill 31 July '23	£1.2m	9.7%
8	UK Govt T-bill 22 July '23	£1.0m	8.5%
9	Angling Direct PLC	£894k	7.3%
10	UK Govt T-bill 20 Nov '23	£749k	6.1%
	Other Investments	£1.37m	11.1%
	Net Asset Value	£12.3m	

performance is not a reliable indicator of current or future performance.

We believe the information provided here is reliable but should not be assumed to be accurate or complete.

All information accurate as at 30 June 2023

Sources for all tables and images: Dowgate Wealth 30.06.2023

The Key Investor Information Documents (KIID's) and the Prospectuses for all funds are available, in English, free of charge and can be obtained directly using the contact details in this document. They can also be downloaded from: <https://onwardopportunities.co.uk/document-centre/>

An investor must always read these before investing.