



MVAM
MOLE VALLEY
ASSET MANAGEMENT

Monthly Newsletter

'Too Much Scar Tissue?'

September 2020



"I would caution against long-term investments."

CartoonStock.com

This is a story. It is a story about how to invest and how not to invest. A story of how MVAM does things. How sometimes it works and sometimes it doesn't. Above all it's about understanding that when investing you must know the time you have to invest and the scars you can take along the way.

We start eighteen years ago when a small company called Surface Transforms floated on the stock market with high promises and a lightweight braking system that they would sell into the aerospace and auto markets. Despite early orders the company made no profits and kept needing more money to stay afloat. The shares which started at 80p in 2002 hit lows of 6p in 2009. Hardly a success story. MVAM got involved in 2015 as the company again had to raise money to stay afloat. We spoke to management, understood the company, believed that there was a real company in there somewhere. More share issues followed as the company continued to fail to get the sales it had hoped for. MVAM participated in these issues effectively helping keep this company alive.

Onto 2018. Still few clients and few sales - the shares plummeted on bad news, below 10p. We and our clients were on losses. We were ready to bail. The scars were deep and affecting our attitude to our investment. But we checked our processes and had a call with management. The reason we invested remained intact. We held our breath. Importantly most of our investors took the scars and stayed with us. But undoubtedly the performance of Surface Transforms tested some clients. Scars hurt more than they had anticipated. Or the time they needed for their investments to show a return was shorter than they had expected.

Forward again to 2020. The shares rose on some better news. We have taken some profits. Yes, at last profits and we took them. In investments they say, "it's never wrong to take a profit", but it was really. We had held on for five years and sold on small good news. Weeks later the big fish was landed, the big sales contract. The shares jumped 50%. More than the return we had made for our investors in 5 years!!

Despite this, to Surface Transforms it is a big thank you from us. Not only for the profits made but the lessons learned. Their management deserves a medal for 18 years of perseverance and belief. Creating both a company and jobs. But if you are an investor at MVAM give yourself a pat on the back too. Without your support of our investment decisions this company may not exist today. You may not have made a fortune on Surface Transforms, but your money has not only worked for you, it has helped build that company, jobs, and a community. Patience it would seem is "not simply the ability to wait - it's how we behave while we're waiting". The scars we took "while waiting" on this occasion were in effect too big for us to handle. We bailed just as things were getting going. We like to say that we will learn that lesson, but perhaps the real lesson is we will always make some mistakes. But if you are a client of ours do not worry -- we never let perfect get in the way of good. We will keep going and just work a little on our behaviour.

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