SHINING A LIGHT ON THE……
Royal London UK Opportunities Fund

AT A GLANCE

Investment Objective
The investment objective and policy of the Fund is to achieve capital growth by exploiting a concentrated portfolio of UK company shares, with the potential for above average returns.

Inception Date	16 April 2010
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000IR5H

Management	
Manager Name	**Start Date**
Craig Yeaman	20 November 2017

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	19.50%
Large	11.88%
Medium	43.77%
Small	20.40%
Micro	4.45%

Top 10 Holdings		
Total number of holdings	39	
Assets in Top 10 Holdings	39.13%	
Name	**Sector**	**% of Assets**
GKN PLC	Consumer Cyclical	5.05%
Prudential PLC	Financial Services	4.60%
Rio Tinto PLC	Basic Materials	4.24%
Lloyds Banking Group PLC	Financial Services	4.19%
BP PLC	Energy	4.10%
DCC PLC	Energy	3.90%
Ashtead Group PLC	Industrials	3.69%
Smith (DS) PLC	Consumer Cyclical	3.24%
Berkeley Group Holdings (The) PLC	Consumer Cyclical	3.10%
Melrose Industries PLC	Industrials	3.03%

Volatility Measurements	
3-Yr Std Dev (volatility)	9.53%
3-Yr Mean Return (average)	7.70%

FUND PERFORMANCE

Performance from 1st January 2013 to 31st August 2018:

	2013	2014	2015	2016	2017	2018
Royal London UK Opportunities Fund	31.61%	1.38%	5.55%	5.06%	10.65%	2.71%
Lyxor FTSE All Share ETF	20.16%	0.93%	1.08%	15.44%	11.64%	2.24%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Royal London UK Opportunities Fund	7.85%	23.63%	42.74%	106.18%
Lyxor FTSE All Share ETF	5.29%	34.28%	43.08%	73.71%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE….

This fund has recently had an overall after the previous manager retired and a new manager was put in place. The old fund manager admited he had taken his eye off the ball and this is reflected in weak performance. The fund itself was not promoted to retail investors and only had institutional money.

The new manager took the fund on in 2017 after running the Saracen UK Alpha Fund for 9 years, delivering top performance over 1, 5 and 9 years. The aim is for Craig to bring across the same strategy and turn the performance around. In doing this he hopes to attract new retail investments into the fund. The co-manager is Henry Lowson who managed the AXA UK Smaller Companies Fund for 4 years and this fund was a top performer over the time he managed the fund.

The new team has been put in place as a show of commitment by Royal London towards the fund. Craig is in the process of restructuring the fund which has seen exposure to the FTSE 100 drop to 50%. He has sold 17 stocks and added 14 news ones. He has sold most of the financial holdings including Barclays and Aviva.

The process and style which Craig is using is the same as he used at Saracen. He is looking for companies that have the potential to grow profits and cash faster than the market. He likes good management; a sustainable business model and organic growth is important.

The team aim to conduct 250 company meetings a year, so they can build up a good picture of where they are investing. In terms of holdings, he is looking for 30 to 40 good quality companies which over the long term will deliver strong returns for the fund.

A good example of the type of companies he likes is Victoria which is at the forefront of consolidating the UK, European and Australian flooring markets. The business has been around a long time, has moved from mid-end products to high-end and is extremely cash generative. In terms of management the chairman owns 18% of the business.

He looks to avoid airlines, contractors, biotechnology, loss making stocks and stocks he doesn't understand. He is looking forward to what the share price might be in five years' time and what is the worst-case scenario for this stock. If the worst-case scenario creates too much risk, then they won't invest.

In terms of selling this tends to be based on valuation, changing fundamentals if there is something more attractive. Craig feels the USP for this fund is about seeing his role as fundamentally not losing money, and then making money. Because he looks over a 3 to 5-year time-frame he believes the two key points are the in price and the out price: - everything else is noise. This is not about making a punt but using the power of compounding to deliver positive long-term returns.

In summary, at this stage it is too early to say whether this is a good fund to invest in. We have seen management teams move and not been able to replicate what they did before. The re-organisation of the fund has been completed and therefore over the coming months and years we should start to see whether he can turn around the performance of the fund.