

**SHINING A LIGHT ON THE.....
Franklin UK Smaller Companies Fund**

AT A GLANCE

Investment Objective	
The Fund aims to achieve capital growth exceeding that of the Numis Smaller Companies Index over the medium to long term. The Fund will primarily invest in the equity securities of smaller UK companies. Smaller companies are defined as those which are quoted on a regulated market and which have a market capitalisation no greater than the largest company in the Numis Smaller Companies Index.	

Inception Date	17 th October 2011
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000N707

Management	
Manager Name	Start Date
Paul Spencer	22 nd June 2012
Richard Bullas	22 nd June 2012

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	0.00%
Large	0.00%
Medium	1.92%
Small	38.80%
Micro	59.28%

Top 10 Holdings		
Total number of holdings	46	
Assets in Top 10 Holdings	31.18%	
Name	Sector	% of Assets
Vitec Group PLC	Technology	3.92%
Restore PLC	Industrials	3.69%
DiscoverIE Group PLC	Technology	3.40%
TT Electronics PLC	Technology	3.18%
RWS Holdings PLC	Industrials	3.03%
Robert Walters PLC	Industrials	2.94%
XPS Pensions Group PLC	Consumer Cyclical	2.82%
Clinigen Group PLC	Healthcare	2.82%
LondonMetric Property PLC	Real Estate	2.76%
Entertainment One Ltd	Consumer Cyclical	2.62%

Volatility Measurements	
3-Yr Std Dev (volatility)	14.60%
3-Yr Mean Return (average)	7.07%

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FUND PERFORMANCE

Performance from 1st January 2013 to 31st March 2019:

	2013	2014	2015	2016	2017	2018	2019
Franklin UK Smaller Companies Fund	50.70%	-1.07%	24.74%	-1.22%	27.49%	-16.31%	7.33%
Vanguard FTSE UK All Share Index	20.79%	1.41%	1.28%	16.58%	13.00%	-9.65%	9.90%

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

	1 year	3 years	5 years	Since launch
Franklin UK Smaller Companies Fund	-7.70%	18.89%	32.59%	118.47%
Vanguard FTSE UK All Share Index	6.20%	31.39%	35.28%	85.52%

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....

The team have been running the fund for 7 years. In terms of performance we tend to compare against the FTSE All Share Index. The performance shows how out of favour small cap is now. Since launch the fund has outperformed but over the last five years an all cap approach would have served better.

The fund has a 24% discount to the FTSE 100 and a smaller discount to the FTSE 250. The team believe this discount demonstrates the opportunities within small cap. They also highlighted that there are fewer analysts working in this area. It means that companies are under researched and this is where they can dig up opportunities.

They did have holdings in Patisserie Holdings (about 1.25% of the fund) however they had been reducing exposure meaning the loss was not as severe. In Q4 Accesso Technology was a negative detractor for the fund. This has now been sold. Restore and Vitec in the top ten holdings were also negative for the fund, but remain. They benefited from investment in Entertainment One, TT Electronics and RWS Holdings.

This is a high conviction fund of 46 holdings. They are risk aware when investing, and sometimes things go wrong, like Patisserie, which was pure fraud. They don't invest in blue sky companies and are currently underweight consumers (for example, general retails, travel and leisure).

The fund is a mix of cyclical, growth and value with about 60% of revenue coming from the UK. 14% is from Europe, 16% the US and balance the rest of the World.

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Although investing in small caps has been tough, the team feel that there is less risk within this part of the market where there is a diverse sub set of companies. These companies can grow faster, tend to be more connected with the new economy and often have valuation anomalies.

In summary, this is a pure small cap fund with a high conviction play. The small cap market has significantly underperformed the wider market, creating a discount. Against the FTSE All Share it has underperformed over the last five years. This fund is for those wanting exposure to small cap, either as a standalone or blend, within their portfolio of investments.

The source of information in this note has been provided by Franklin and is correct as at April 2019. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.