SHINING A LIGHT ON THE……
Royal London UK Mid Cap Growth Fund

AT A GLANCE

Investment Objective
The Fund seeks to maximise capital growth over the medium to long term, mainly through the investment in medium-sized UK companies. The remainder of investments may consist of larger or smaller companies and Exchange Traded Funds as the Manager deems strategically appropriate.

Inception Date	2nd June 2006
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000VCVG

Management	
Manager Name	**Start Date**
Henry Lowson	15th December 2017

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	0.00%
Large	0.00%
Medium	37.30%
Small	62.70%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	52	
Assets in Top 10 Holdings	26.66%	
Name	**Sector**	**% of Assets**
Dechra Pharmaceuticals PLC	Healthcare	3.50%
BBA Aviation PLC	Industrials	3.13%
Intermediate Capital Group PLC	Financial Services	2.80%
SSP Group PLC	Consumer Cyclical	2.71%
Ascential PLC	Consumer Cyclical	2.58%
B&M European Value Retail SA	Consumer Defensive	2.44%
Clinigen Group PLC	Healthcare	2.43%
EI Group PLC	Consumer Defensive	2.39%
UNITE Group PLC	Real Estate	2.37%
Fisher (James) & Sons PLC	Industrials	2.33%

Volatility Measurements	
3-Yr Std Dev (volatility)	12.05%
3-Yr Mean Return (average)	12.16%

FUND PERFORMANCE

Performance from 1st January 2014 to 31st January 2020:

	2014	2015	2016	2017	2018	2019	2020
Royal London UK Mid-Cap Growth Fund	5.67%	13.45%	0.56%	23.60%	-12.28%	33.72%	-2.20%
FTSE All Share Index	1.18%	0.98%	16.75%	13.10%	-9.47%	19.17%	-3.25%

Performance over 12 months, 3 years, 5 years, and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception
Royal London UK Mid-Cap Growth Fund	22.09%	41.09%	59.59%	18.10%
FTSE All Share Index	10.67%	18.44%	35.61%	3.61%

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 last three years have been challenging for the mid-cap space, but with some certainty coming in at the end of 2019, this helped lift the performance of the fund. We know Henry from when he managed the AXA UK Smaller Companies Fund, with great success. He has a great deal of experience in this area and certainly since coming on board he has put this to good use.

During the last three years, whilst domestic stocks were unloved, the fund had more international earnings exposure. The fund has shifted a bit more towards domestic stocks. He feels positive about the mid-cap market moving forward with companies which tend to have lower debt, stronger balance sheets and the ability to invest and grow faster than FTSE 100 companies.

The sector also benefits from mergers and acquisitions, and this has helped the fund in the last 12 months, with BCA, Dairy Crest and Enterprise Inns all being acquired at attractive premiums.

The outflows over the last three years have meant that small and mid-cap in the UK remains under owned. There are also fewer analysts looking for opportunities. This is a genuine mid-cap fund with at least 80% in this part of the market. But they do not want to be forced sellers of good companies. JD Sports is an example of a company they have held and will hold as it goes into the FTSE 100.

As managers they do not trade. This is about stock pocking and finding good companies which they can buy and hold. Being overweight tech, and underweight financials, has helped the fund. Some detractors to performance include being overweight healthcare and not holding the likes of GVC, Cobham, IWG, Pennon and Travis Perkins.

Recent new positions include Polypipe, GB Group, WH Smith, Euromoney, Watches of Switzerland, Rathbones, Integrafin and Telecom Plus. The fund itself is a mix of platforms, special situations, digital/mobile data, outsourcing, low cost operators and self-help/management change.

In summary, the UK has been unloved, and in particular the small and mid-cap part of the market. Henry feels that with political clarity, and stability in sterling it is becoming harder to ignore. There are companies that offer much better opportunities than the FTSE 100 and he believes with his experience the fund is perfectly positioned to do this. We have seen his success in the past and he has delivered outperformance, but this is a crowded market and investors may wish to consider other options before making any decisions.