

**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.	

<b>Inception Date</b>	11 November 2009
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000VCG">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000VCG</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
Henry Lowson	15 December 2017

Investment Style Details	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	0.00%
Large	2.27%
Medium	41.03%
Small	56.70%
Micro	0.00%

Top 10 Holdings		
<b>Total number of holdings</b>	51	
<b>Assets in Top 10 Holdings</b>	25.35%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
Dechra Pharmaceuticals PLC	Healthcare	3.17%
AVEVA Group PLC	Technology	2.69%
SSP Group PLC	Consumer Cyclical	2.61%
JD Sports Fashion PLC	Consumer Cyclical	2.54%
Grainger PLC	Real Estate	2.51%
BBA Aviation PLC	Industrials	2.49%
Clinigen Group PLC	Healthcare	2.40%
Intermediate Capital Group PLC	Financial Services	2.36%
B&M European Value Retail SA	Consumer Defensive	2.35%
Spirax-Sarco Engineering PLC	Industrials	2.23%

Volatility Measurements	
<b>3-Yr Std Dev (volatility)</b>	11.46%
<b>3-Yr Mean Return (average)</b>	11.78%

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## FUND PERFORMANCE

Performance from 1<sup>st</sup> January 2013 to 30 November 2019:

	2013	2014	2015	2016	2017	2018	2019
<b>Royal London UK Mid-Cap Growth Fund</b>	38.45%	5.67%	13.45%	0.56%	23.60%	-12.28%	20.29%
<b>FTSE All Share Index TR</b>	20.81%	1.18%	0.98%	16.75%	13.10%	-9.47%	12.81%
<b>FTSE 250 TR</b>	32.27%	3.66%	11.17%	6.66%	17.78%	-13.25%	17.46%

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

	1 year	3 years	5 years	Since fund manager tenure
<b>Royal London UK Mid-Cap Growth Fund</b>	13.40%	36.32%	56.93%	8.57%
<b>FTSE All Share Index TR</b>	6.79%	19.31%	37.89%	5.52%
<b>FTSE 250 TR</b>	9.08%	24.14%	48.18%	5.60%

*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....

Henry Lawson ran the successful AXA Framlington UK Smaller Companies Fund before joining Royal London, and becoming the lead manager on the Mid-Cap Fund in 2017. He is supported by Craig Yeaman who previously managed the Saracen UK Alpha Fund. During a difficult period of managing the fund he has managed to outperform the index. However, we would add that this is early days.

The fund looks to hold 80% in FTSE 250 companies (excluding Investment Trusts) and can hold around 20% in smaller companies and FTSE 100 companies. The fund looks to hold 45 to 60 holdings with a 3 to 5-year time horizon.

He looks to actively avoid airlines, contractors, biotechnology, advertising technology, loss making stocks and anything they don't understand. In terms of what they are looking for are those companies with strong economic tailwinds. Some of the thematic views and secular drivers for the fund include platforms, special situations, digital / mobile / data, outsourcing, low cost operators and self-help management change.

This is a high conviction portfolio although for this to play out we would expect a lower number of holdings. His focus is on around 200 companies. It then comes down to focusing on those companies which can grow profits and cash faster. Sustainability of earnings is an important factor in looking for good companies.

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He looks to avoid those companies where hope is factored in. He describes the strategy as investing within a risky asset class, in a low risk way. It means that if the market is momentum driven and racing ahead, this fund will struggle to keep pace. But these tend to be short sharp bursts and over the long term the fund will outperform.

Some examples of holdings include B&M who are a discount retailer mainly in the UK, growing around 50 stores a year. They have tried to expand into Germany. This hasn't worked, and they have recently tried to enter the French market. Telecomplus Plc have managed to gain market share where others have struggled and Clinigen has high barriers of entry and multiple levers for growth.

In terms of Brexit a soft Brexit should have little impact, but a Hard Brexit would likely hit domestic cyclicals, and global stocks should do better. For the fund they are not looking to change what they are doing so the focus remains on stock selection, fast growing companies, structural growth, innovation and self-help and international exposure.

In summary, we had previously met Henry at AXA and he managed the fund well. It is early days at Royal London, and we would certainly want to see a longer track record. Others might be comfortable with the previous track record and invest on that.

*The source of information in this note has been provided by Royal London and is correct as at November 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.*