

**SHINING A LIGHT ON THE.....
AXA Framlington UK Smaller Companies Fund**

AT A GLANCE

Investment Objective
The aim of this Fund is to provide long-term capital growth. The Fund has at least 70% of its investments in shares of companies domiciled, incorporated or having significant business in the UK which the Manager believes will provide above-average returns. The Fund invests primarily in small companies. The Manager selects shares based upon analysis of a company's financial status, quality of its management, expected profitability and prospects for growth.

Inception Date	27 April 2001
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000NMQA

Management	
Manager Name	Start Date
Dan Harlow	1 June 2016

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	0.00%
Large	0.00%
Medium	1.88%
Small	26.88%
Micro	71.24%

Top 10 Holdings		
Total number of holdings	70	
Assets in Top 10 Holdings	24.61%	
Name	Sector	% of Assets
Speedy Hire PLC	Industrials	3.02%
SDL PLC	Technology	2.98%
Hollywood Bowl Group PLC	Consumer Cyclical	2.80%
discoverIE Group PLC	Technology	2.50%
Codemasters Group Holdings PLC	Communication Services	2.33%
Games Workshop Group PLC	Consumer Cyclical	2.32%
Ricardo PLC	Industrials	2.29%
Aptitude Software Group PLC	Technology	2.24%
On The Beach Group PLC	Consumer Cyclical	2.17%
Learning Technologies Group PLC	Consumer Defensive	1.96%

Volatility Measurements	
3-Yr Std Dev (volatility)	3-Yr Mean Return
16.22%	6.78%

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FUND PERFORMANCE

Performance 19 January 2012 to 29 February 2020:

	2014	2015	2016	2017	2018	2019	2020
AXA Framlington UK Smaller Companies Fund	5.78%	21.88%	5.13%	30.53%	-14.15%	25.77%	-10.64%
Vanguard FTSE UK All Share Index	1.41%	1.28%	16.58%	13.00%	-9.65%	19.04%	-11.49%

Performance over 1 year, 3 years, 5 years and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception
AXA Framlington UK Smaller Companies Fund	-1.58%	20.18%	54.33%	33.16%
Vanguard FTSE UK All Share Index	1.99%	4.69%	19.34%	23.74%

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 update has been written at the time of Coronavirus Pandemic in 2020 which has impacted the global financial markets in a way that has never been seen before.

The fund is a pure small and micro-cap strategy. The team run a mid-cap strategy, so the aim is not to overlap the two and provide potential investors with choice. Dan took over the fund in 2016. Prior to that he co-managed the US strategy, having previously run a UK smaller strategy.

We started the discussion around ESG as this is a hot discussion point and Dan explained that in this part of the market it is really important to engage with companies. Many companies have poor ESG ratings, not because they are bad, but because they do not have the resources to build the right policies. As a team they actively work with companies to help them put together policies and implement the correct working practices. This is not only good for the companies themselves but can also add value, which benefits the fund.

They are active managers and believe in being in the market rather than timing the market. This allows the price of a company to compound over time and get the best returns for investors. The aim is to have a diverse mix of holdings and not be over weighted to any single stock. Meeting the management of the companies is a key element of the research process.

They are looking for those teams which are good quality and highly motivated. These are often founders or those who have been involved in the business for a long period of time. The fund will invest in IPOs. Dan also argues this is a great market for active managers because companies drop

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down the index, such as Thomas Cook and Debenhams, but it does not mean they are good businesses. They look to avoid those companies with too much debt and are not adjusting to the 21st century.

They like brand strength, outsourcing, innovation, high street hiatus, tech disruption and changing regulation. They want the best in class with an economic moat. These tend to be younger and more dynamic businesses. As an example, with the plight on the high street companies like The Gym Group and Loungers are able to take advantage of lower rent in places they would not been able to perhaps ten years ago.

The fund has around 70 stocks and the highest weightings tend to be the more liquid stocks. They do not have unlisted stocks. In terms of the current market there are parts of the market that could be hit very hard, including airlines, hotels, cruise liners etc. However, there are business like Hollywood Bowl which will be hurt by what is currently happening in the market, but when people go out again they will benefit.

In summary, Dan has managed this fund well since taking it over. It has a focus on good quality smaller companies with low debt and strong management. The focus on quality is what makes this slightly different. However some might argue that the number of stocks is too high for a focused fund. We would always recommend that it is compared to others in the sector because they all offer something different and it is about finding what is best for the investor.

The source of information in this note has been provided by AXA Framlington and is correct as at March 2020. 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.