

SHINING A LIGHT ON THE.....
Legg Mason Royce US Small Cap Opportunity Fund

AT A GLANCE

Investment Objective	
The Fund seeks to achieve long-term capital appreciation by investing at least 70% of its Total Asset Value in a diversified portfolio of equity securities issued by small and micro-cap U.S. companies (market capitalizations of less than US\$2.5 billion). The Sub-Investment Manager attempts to take advantage of what it believes are opportunistic situations for undervalued securities.	

Inception Date	1 January 2006
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000Q9ZC

Management	
Manager Name	Start Date
Bill Hench	1 January 2006

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	0.00%
Large	0.00%
Medium	4.84%
Small	50.99%
Micro	44.17%

Top 10 Holdings		
Total number of holdings	252	
Assets in Top 10 Holdings	14.35%	
Name	Sector	% of Assets
Western Asset \$ Liquidity WA USD Acc NAV	-	4.68%
Forterra Inc	Industrials	1.25%
Surgery Partners Inc	Healthcare	1.19%
Emergent BioSolutions Inc	Healthcare	1.07%
Generac Holdings Inc	Industrials	1.05%
MACOM Technology Solutions Holdings Inc	Technology	1.05%
Alpha & Omega Semiconductor Ltd	Technology	1.04%
Ameresco Inc Class A	Industrials	1.04%
Walker & Dunlop Inc	Financial Services	1.01%
R1 RCM Inc	Healthcare	0.97%

Volatility Measurements	
3-Yr Std Dev (volatility)	23.65%
3-Yr Mean Return (average)	-10.20%

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FUND PERFORMANCE

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

	2014	2015	2016	2017	2018	2019	2020
Legg Mason Royce US Small Cap Opportunity Fund	3.91%	-8.79%	53.67%	10.36%	-16.46%	22.24%	-33.83%
FTSE UK All Share Index	20.41%	3.75%	34.26%	10.18%	-1.16%	25.92%	-13.49%

Performance over 12 months, 3 years, 5 years and 10 years:

	1 year	3 years	5 years	Since Launch
Legg Mason Royce US Small Cap Opportunity Fund	-27.54%	-27.57%	-1.76%	76.81%
FTSE UK All Share Index	-2.11%	14.57%	57.12%	193.74%

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 the Coronavirus Pandemic, in 2020 which has impacted the global financial markets in a way that has never been seen before.**

This was our first introduction to the fund. It has struggled in the recent market crash and this was an opportunity to learn more about the strategy and what it is looking to achieve. The fund looks to invest in between 200 to 300 companies at the lower end of the market cap, which are mispriced by the market and offer investors opportunities.

The fund has a domestic focus and has a large number of holdings to ensure there is plenty of liquidity due to the market they are investing in. In the current market crash they explain that their job is to buy equities and they are looking to set up the portfolio to maximise returns coming out of this.

What they are finding is that people are selling quality companies at cheap prices. Their view is that everything has been sold with reckless abandonment and indiscriminately, and this provides opportunities. They have gone through every holding to look at the balance sheets and make a view on whether companies can recover. This has seen them removing most of their energy, industrial and financial holdings. They have added to tech and infrastructure. Healthcare is another area they like, particularly areas like surgery centres, testing centres, diagnostics etc:- anything that reduces time in hospitals.

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They know the portfolio is positioned with names that can get back to normal. They have also started to add their own money into the fund. They do not know when the turnaround will come but they believe their job is to make money, and this is an opportunity that doesn't come around often. The fund is therefore prepared to do that.

In summary, when we meet a new fund manager we want to know more about the process before we can make any informed view. In this case we are coming into a meeting where the fund has been beaten up and the managers are positioning it to capture the recovery. We would be interested to see where the fund is in perhaps six months and then understand more about the process.

The source of information in this note has been provided by Legg Mason 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.