

**SHINING A LIGHT ON THE.....
Franklin UK Mid Cap Fund**

AT A GLANCE

Investment Objective
The Fund aims to grow in value by more than the FTSE 250 (ex-Investment Trusts) Index, from a combination of income and investment growth over a three to five-year period after all fees and costs are deducted. The Fund will invest at least two thirds (but typically significantly more) in the shares of medium-sized companies that are constituents of the FTSE 250 (ex-Investment Trusts) Index and that are incorporated/ domiciled in the UK or which have significant business operations in the UK. This will typically be around 30-50 companies.

Inception Date	12 th July 1999
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000N704

Management	
Manager Name	Start Date
Paul Spencer	17 th October 2011
Richard Bullas	2 nd September 2013

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	0.00%
Large	0.00%
Medium	27.32%
Small	70.42%
Micro	2.26%

Top 10 Holdings		
Total number of holdings	36	
Assets in Top 10 Holdings	32.94%	
Name	Sector	% of Assets
Lancashire Holdings Ltd	Financial Services	4.25%
Serco Group PLC	Industrials	4.12%
Grainger PLC	Real Estate	3.94%
Spectris PLC	Technology	3.68%
Electrocomponents PLC	Industrials	3.52%
Howden Joinery Group PLC	Consumer Cyclical	3.50%
Spirent Communications PLC	Technology	3.48%
Inchcape PLC	Consumer Cyclical	3.28%
Bodycote PLC	Industrials	3.18%

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Volatility Measurements	
3-Yr Std Dev (volatility)	21.61%
3-Yr Mean Return (average)	-0.08%

FUND PERFORMANCE

Performance from 1st January 2014 to 30th June 2020:

	2014	2015	2016	2017	2018	2019	2020
Franklin UK Mid Cap Fund	1.24%	13.60%	-0.99%	25.48%	-14.11%	41.22%	-26.25%
FTSE 250	3.66%	11.17%	6.66%	17.78%	-13.25%	28.88%	-21.09%
FTSE All Share	1.18%	0.98%	16.75%	13.10%	-9.47%	19.17%	-17.51%

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

	1 year	3 years	5 years	Since fund manager inception
Franklin UK Mid Cap Fund	-11.76%	-0.23%	11.66%	123.11%
FTSE 250	-9.97%	-4.26%	11.56%	109.20%
FTSE All Share	-12.99%	-4.60%	15.17%	65.99%

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....

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

We have spoken to the team before. They are a well-respected UK based investment team, and this is part of the stable of funds they have. They believe the market reached its bottom at the end of March and the rally since has really surprised them. In the short term the issues for companies are liquidity/balance sheet risks, dividend cuts etc. In terms of macro issues these include exit strategies, vaccine development etc.

Longer term there may well be some issues surrounding increased debt, greater taxation, state intervention, accelerated structural trends etc.

The mid-250 was in the firing line when the markets went down as investors fled to safe havens and liquidity. The mid-250 tends to be more cyclical, domestic focused and have fewer defensive stocks. But not everything did badly; structural growth and compounders performed better than cyclical growth and self-help.

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They see three phases faced by companies. Phase 1 was the lockdown, phase 2 the restart and phase 3 the new normal. Phases 2 and 3 have been the most challenging for many companies and it has meant a significant increase their need to raise equity. They have supported eight fund raises from companies within their fund.

They think it is hard to price in earnings now but they can see a recovery, albeit slow. It is important to remember this is coming from a very low base and the next 2 to 3 months will be crucial.

In terms of the fund they have sold Elementis, GVC, ICG and National Express. They have added Greggs, Pets at Home, QinetiQ, Unite Students, London Metric, JD Wetherspoon, and Grafton Group. The best contributors to performance have been Spirent Communications, Lancashire Holdings, Cranswick and Serco Group. In terms of detractors this has included National Express, GVC, Redrow and Elementis.

Their biggest underweight is travel and leisure, and they are overweight industrial engineering, support services, technology hardware and equipment, automobiles and parts, construction, and materials.

In summary, the fund has outperformed since 2011 although this year it is adrift of the wider benchmark. There are many fund managers within the mid cap space, and it would be worth comparing to other managers before deciding which is the best strategy.

The source of information in this note has been provided by Franklin and is correct as at July 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.