

**SHINING A LIGHT ON THE.....
Threadneedle UK Mid 250 Fund**

AT A GLANCE

| Investment Objective | |
|---|--|
| The Fund aims to achieve capital growth over the long term. It looks to outperform the FTSE 250 ex Investment Trusts Index over rolling 3-year periods, after the deduction of charges. The Fund is actively managed, and invests at least 90% of its assets in shares of companies listed on the London Stock Exchange; predominantly companies domiciled in the UK, or which have significant UK business operations. | |

| | |
|----------------------------|---|
| Inception Date | 15 September 2003 |
| Fund Factsheet Link | https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000000U9I |

| Management | |
|---------------------|-------------------|
| Manager Name | Start Date |
| James Thorne | 1 December 2013 |
| Philip Maccartney | 19 June 2017 |

| Investment Style Details | |
|---------------------------------|--------------------|
| Equity Style | |
| Market Capitalisation | % of Equity |
| Giant | 0.00% |
| Large | 0.00% |
| Medium | 26.82% |
| Small | 67.65% |
| Micro | 5.53% |

| Top 10 Holdings | | |
|----------------------------------|------------------------|--------------------|
| Total number of holdings | 52 | |
| Assets in Top 10 Holdings | 27.89% | |
| Name | Sector | % of Assets |
| Homeserve PLC | Industrials | 3.31% |
| B&M European Value Retail SA | Consumer Defensive | 2.95% |
| Games Workshop Group PLC | Consumer Cyclical | 2.91% |
| ConvaTec Group PLC | Healthcare | 2.86% |
| Future PLC | Communication Services | 2.81% |
| Britvic PLC | Consumer Defensive | 2.75% |
| Blue Prism Group PLC | Technology | 2.62% |
| Grainger PLC | Real Estate | 2.60% |
| Cranswick PLC | Consumer Defensive | 2.55% |
| Serco Group PLC | Industrials | 2.53% |

| Volatility Measurements | |
|-----------------------------------|--------|
| 3-Yr Std Dev (volatility) | 21.31% |
| 3-Yr Mean Return (average) | -2.45% |

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FUND PERFORMANCE

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|-------|--------|--------|--------|---------|--------|---------|
| Threadneedle UK Mid 250 Fund | 3.83% | 19.96% | -3.08% | 27.34% | -19.30% | 28.57% | -18.03% |
| FTSE UK All Share Index | 1.18% | 0.98% | 16.75% | 13.10% | -9.47% | 19.17% | -18.58% |

Performance over 12 months, 3 years, 5 years and since fund manager inception (1 December 2013):

| | 1 year | 3 years | 5 years | Since Fund Manager Inception |
|-------------------------------------|---------|---------|---------|------------------------------|
| Threadneedle UK Mid 250 Fund | -8.90% | -7.17% | 7.25% | 36.25% |
| FTSE UK All Share Index | -11.16% | -8.37% | 6.91% | 20.40% |

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

The update was with both the managers of the small and mid-cap strategies. In part it was to discuss the opportunities within this area, and how the funds are responding to the opportunity. The funds have about a 70%/80% overlap in holdings and the key difference is that the smaller company strategy has more holdings in the AIM market.

In the recent market dislocation, small and mid-cap stocks were hit hard, however they remain very positive that even with the uncertainty of Brexit and COVID-19 this is an area which offers great opportunities. COVID-19 has accelerated certain themes and trends which tend to play out more in the companies found outside of the FTSE 100.

Additionally, there is a 27% discount between small-cap and the FTSE 100, and there is a tendency to significantly outperform when valuations are at this level. Within the area they believe active management is the only way to identify those opportunities. They also explained that there is a misconception in that although these companies are UK listed, many are global leaders. Within the smaller companies fund over 50% of the revenue exposure is overseas.

The philosophy across both strategies is to find those companies which have high gross profit markets, have the opportunity to take market share or grow, and have the ability to increase their market valuations over the next two years.

Ultimately, they want to invest in companies which other people have missed; Homeserve and Aviva are both examples of companies they have backed and seen go into the FTSE 100.

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Some of the domestic winners include:

Construction - Breedon, Eurocell and Grafton Group
Consumer Services – PayPoiny, Goco Group and Argentex
Financials – Paragon, AFH Financial Group and Liontrust
Consumer Products – The Gym, Domino’s Pizza and Hollywood Bowl

But this is not just about the domestic story. There are also global businesses:

Artificial intelligence – Blueprism, First Derivatives, and YouGov
Online retail – Joules, Games Workshop, Future and Hotel Chocolat
Materials science – Oxford Instruments, Spectris and DiscoverIE
Data growth – Ascential, GLocalData, 1Spatial and Spirent
Healthcare productivity – ConvaTec, Vectura and Clinigen
Gaming – Team17, Gamesys Group and Codemasters

In the recent market downturn companies like Eurocell and Hotel Chocolat raised money to accelerate their growth and take market share.

In summary the funds are very similar with a 70/80% overlap in holdings. The mid cap has fewer holdings than the large cap, but both are looking for similar holdings. In terms of investors for those looking for exposure to AIM listed companies then the small cap fund is the one to consider. For those worried about the potential risks, or perhaps new to small and mid-cap investing then the mid-cap fund might be the one to consider.

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