

**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	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=FOGBR04K6N

Management	
Manager Name	Start Date
Dan Harlow	1 June 2016

FUND PERFORMANCE

Performance from 1st January 2015 to 31st October 2020:

	2015	2016	2017	2018	2019	2020
AXA Framlington UK Smaller Companies Fund	22.86%	5.88%	31.59%	-13.51%	26.69%	-10.08%
FTSE All Share	0.98%	16.75%	13.10%	-9.47%	19.17%	-22.98%

Performance over 12 months, 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	0.67%	0.35%	40.76%	38.19%
FTSE All Share	-18.64%	-14.39%	8.93%	8.18%

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.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
6.80	-	113.28	82.18	72.22	1.03	7.53	Small/Growth

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Volatility Measurements	
3-Yr Std Dev (volatility)	21.62%
3-Yr Mean Return (average)	0.12%

Investment Style Details	
Giant	0.00%
Large	0.00%
Medium	4.50%
Small	25.87%
Micro	68.53%

Top 5 Holdings – 68 Equity Holdings		
SDL PLC	Technology	3.27%
discoverIE Group PLC	Technology	3.02%
Gear4music (Holdings) PLC	Consumer Cyclical	2.85%
EKF Diagnostics Holdings PLC	Healthcare	2.79%
JTC PLC Ordinary Shares	Financial Services	2.63%

Top 5 Sectors	
Technology	19.64%
Consumer Cyclical	16.54%
Healthcare	16.07%
Communication Services	14.36%
Industrials	14.05%

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 had an update with Dan in March just before the first lockdown was announced. This was a good opportunity to see how things may have changed since that meeting. The crisis felt different with governments, banks, equity holders and landlords all working together. In the global financial crisis, it was different with the banks suffering their own crisis.

Before the crisis Dan had written about three great businesses – Gym Group, Hollywood Bowl, and Lounges. These were all in the firing line when lockdown happened and have faced major challenges. But Dan has been supportive of these companies.

It has also given them an opportunity to see how these businesses respond in a crisis. What they have seen is management providing strong customer re-assurance and service, as well as looking after staff. Lounges, as an example, have worked hard to make the consumer feel comfortable and people have enjoyed going back. DFS is an example of a business that has expanded as others have closed, and it demonstrates the importance of the online part of the business.

One of the biggest losers in the COVID Pandemic is the UK, with outflows of money both from international and domestic investors. But in the small cap space there is a lot of attention on high quality companies. Since the 1 July there have been 18 takeover bids. Not all of these will happen, but it demonstrates that there are great businesses and opportunities in the area that Dan is investing.

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Dan feels encouraged going into 2021. The vaccine is important but the businesses that they invest in have shown that they can be the survivors. With Brexit either way there will be certainty and businesses will adjust.

We discussed whether there would be a move to “value” and Dan believes this will be a short-term play. Many of these companies had distressed balance sheets coming into this crisis. They still have that issue and, in some cases, weaker earnings. Over the long term these are unlikely to be winners and therefore, although in the short-term value might outperform, Dan still believes the long-term picture is extremely positive for his strategy.

The main change for the strategy was removing Johnson Services, where they felt the business remained challenged moving forward.

In summary, it was interesting to get the opportunity to speak to Dan just before lockdown and then after. Dan explained the best time to see good management is in a crisis and this year has provided that. They have supported fund raises for some of the businesses they invest in and believe the fund is well positioned moving forward. With sentiment so poor, even a slight shift is likely to change things and therefore Dan feels positive going into 2021.

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