

SHINING A LIGHT ON THE.....
Aviva Investors UK Listed Small and Mid-Cap Fund

AT A GLANCE

Investment Objective
The Fund aims to grow your investment over the long term (5 years or more) by investing in shares of small and medium sized UK companies. At least 80% of the Fund will be invested in shares of small and medium-sized UK companies (incorporated or domiciled in the UK), or non-UK small and medium-sized companies which are listed in the UK or which have significant trading activities in the UK.

Inception Date	1 June 1989
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR04S31

Management	
Manager Name	Start Date
Charlotte Meyrick	1 st January 2016

FUND PERFORMANCE

Performance from 1st January 2016 to 31st January 2022:

	2016	2017	2018	2019	2020	2021	2022
Aviva Investors UK Listed Small and Mid Cap Fund	5.97%	20.28%	-12.26%	32.63%	2.10%	19.92%	-9.42%
FTSE 250 ex IT TR	5.08%	18.24%	-15.15%	30.79%	-8.48%	18.36%	-6.39%

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

	1 year	3 years	5 years	Since fund manager inception
Aviva Investors UK Listed Small and Mid Cap Fund	10.66%	40.77%	52.31%	64.49%
FTSE 250 ex IT TR	11.99%	23.24%	32.56%	39.81%

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.

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Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
6.41	0.76	-	118.34	101.40	63.89	1.09	4.92	Small Blend /

Volatility Measurements	
3-Yr Std Dev (volatility)	24.68%
3-Yr Mean Return (average)	12.07%

Investment Style Details	
Giant	0.00%
Large	0.74%
Medium	43.57%
Small	52.25%
Micro	3.16%

Top 5 Holdings – 52 Equity Holdings		
Future PLC	Communication Services	5.21%
Inchcape PLC	Consumer Cyclical	3.30%
Next Fifteen Communications Grou...	Communication Services	3.26%
Bellway PLC	Consumer Cyclical	3.20%
Morgan Sindall Group PLC	Industrials	3.01%

Top 5 Sectors	
Consumer Cyclical	29.88%
Industrials	19.59%
Communication Services	14.52%
Financial Services	9.45%
Healthcare	6.76%

UPDATE....

Like many asset allocators we are underweight UK. However this is something we are questioning. The last ten years has been about the US. Many asset allocators are now overweight the US at a time when valuations are stretched. The UK on the other hand has struggled with Brexit, COVID and more value orientated sectors, meaning valuations are much lower than the US.

Charlotte feels that there are opportunities to invest in the UK and the small and mid-cap space. She is style agnostic and sticks to her beliefs, which are – keeping it simple, staying true to her thesis, backing the best ideas and being flexible on valuations.

In terms of valuations, it is more about looking at the longer-term picture and identifying where the value will come from. Being style agnostic is important as she feels this means the strategy can perform across different market cycles.

They have four buckets – contagion effect (structural pressures facing a sector), undergoing change, resilience (strong barriers to entry) and growth outlook underappreciated.

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Some examples we discussed included:

Morgan Sindall, which is a construction and regeneration group. This was caught up with the general dislike of the sector despite the strength of the business. Only now is the market starting to realise this and the fund is benefiting from this re-rating

Spire Hospital is highly geared, and the valuation was depressed when it was announced private hospitals would have to help the NHS. However, this changed in April 2021, so they have been able to start private work again and pick up work from the NHS waiting lists. This has seen an increase in profits and a reduction in debt

Essentra Components have recently conducted a strategic review where they could potentially sell parts of their business to focus on industrial components

Howdens have strong pricing power, high barriers to entry and a good track record going back over 10 years

YouGov is a research company which sets clear five-year plans. The market always expects them to miss these and they keep hitting them!! They have recently won some large international clients

In terms of holdings, they have no hard and fast rules but tend to start with a small investment and build from that point. If the fundamentals of a business change then they will sell it. They will also trim stocks to take profits and recycle into other opportunities.

They are active in engagement with companies across areas like board composition, remuneration, sustainability, and strategy. Being part of the Aviva Group, they can use this as leverage to engage.

In summary, this came across as a well-managed strategy and one that Aviva are keen to promote. Aviva have recently undergone some changes within the fund management part of the business which has seen the global team leave. We liked the style of management and would be happy to add this to our watchlist.

The source of information in this note has been provided by Aviva and is correct as of February 2022. 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 decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.