

**SHINING A LIGHT ON THE.....
AXA FRAMLINGTON UK SMALLER COMPANIES FUND**

AT A GLANCE

Investment Objective	
The fund seeks capital growth through investment principally in smaller UK quoted companies.	

Inception Date	27 April 2001
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR04S5A

Management	
Manager Name	Start Date
Dan Harlow	1 June 2016

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	0.00%
Large	0.00%
Medium	3.00%
Small	66.28%
Micro	30.72%

Top 10 Holdings		
Total number of holdings	73	
Assets in Top 10 Holdings	22.26%	
Name	Sector	% of Assets
4imprint Group PLC	Consumer Cyclical	2.44%
Scapa Group PLC	Basic Materials	2.35%
On The Beach Group PLC	Consumer Cyclical	2.34%
Coats Group PLC	Consumer Cyclical	2.26%
SDL PLC	Technology	2.26%
accesso Technology Group PLC	Technology	2.20%
FDM Group (Holdings) PLC	Technology	2.14%
Dechra Pharmaceuticals PLC	Healthcare	2.11%
Restore PLC	Industrials	2.09%
Consort Medical PLC	Healthcare	2.07%

Volatility Measurements	
3-Yr Std Dev (volatility)	11.42%
3-Yr Mean Return (average)	15.27%

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FUND PERFORMANCE

Performance from 1 January 2012 – 30 April 2017

	2012	2103	2014	2015	2016	2017
AXA Framlington UK Smaller Companies Fund	23.64%	43.20%	5.78%	21.88%	5.13%	14.18%
FTSE Small Cap	27.82%	32.77%	0.89%	9.17%	14.29%	8.40%
RPI	3.09%	2.67%	1.62%	1.20%	2.49%	1.31%
Cash	0.12%	0.13%	0.13%	0.15%	0.14%	0.04%

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

	1 year	3 years	5 years	10 years
AXA Framlington UK Smaller Companies Fund	23.18%	50.32%	142.88%	134.18%
FTSE Small Cap	24.00%	34.26%	102.53%	77.52%
RPI	3.52%	5.83%	11.59%	53.40%
Cash	0.13%	0.41%	0.66%	10.64%

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....

Investing in small cap stocks has the potential to deliver significant returns; the fund had built up a good track record under the stewardship of Henry Lowson but he left in 2016. The new manager is Dan Harlow who originally joined AXA to work on the UK desk but moved to the US side. He ran a UK Smaller Companies Investment Trust before to working for AXA.

He explained that he inherited a great portfolio from Henry but arrived just at the time of the EU vote and this did hurt some of the holdings. However, unlike many small cap funds the team aim to protect downside risk by limiting holdings to about 2%. This means that if there is a big fall with one stock it is cushioned across the portfolio.

The fund is a true small cap fund and the majority of the holdings are in AIM or small cap stocks. There are some holdings in the lower end of mid-cap scale as Dan believes you should be able to run your winners. The smaller companies are often missed by the market and it is here that Dan can go out and meet them. A good example of a company he has recently added is 'On the Beach', a holiday company which you can specify to match your needs. He explained this is a well-run company with the private equity investor now selling down their stake in the business.

The fund is not themed but at the moment there are certain areas of interest – low cost operators (for example, the gym), outsourcing (for example, Consort Medical), innovation (for example, Avon Rubber), infrastructure (for example, Hill & Smith), service / convenience (for example, FDM), tech disruption (for example, On the Beach) and regulation (Wilmington plc).

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We talked about whether liquidity was an issue and he explained that due to the nature of these stocks it can be patchy, so often it is about being patient and pragmatic.

In summary, although there has been a change of manager the fund seems to be continuing in the same style. It did underperform in 2016 but to date has outperformed in 2017. This is certainly a way for investors to access small cap investing with lower volatility.

The source of information in this note has been provided by AXA Framlington and is correct as at May 2017. 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.