

**SHINING A LIGHT ON THE.....
BlackRock Smaller Companies Fund**

AT A GLANCE

Investment Objective	
To achieve long term capital growth for shareholders through investment predominantly in UK Smaller Companies which are listed on the London Stock Exchange or on the Alternative Investment Market (AIM).	

Inception Date	2 nd May 1906
Fund Factsheet Link	http://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=EOGBR01ORG]2]0]FCGBR\$\$\$ALL

Management	
Manager Name	Start Date
Mike Prentis	1 st September 2002

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	0.00%
Large	0.00%
Medium	13.35%
Small	58.85%
Micro	27.80%

Top 10 Holdings		
Total number of holdings	166	
Assets in Top 10 Holdings	17.80%	
Name	Sector	% of Assets
Dechra Pharmaceuticals PLC	Healthcare	2.29%
Avon Rubber PLC	Industrials	1.93%
4imprint Group PLC	Consumer Cyclical	1.85%
Central Asia Metals	Basic Materials	1.80%
Robert Walters PLC	Industrials	1.77%
Hill & Smith Holdings PLC	Industrials	1.68%
Big Yellow Group PLC	Real Estate	1.67%
Ibstock	Basic Materials	1.65%
Advanced Medical Solutions Group PLC	Healthcare	1.61%
Restore PLC	Industrials	1.53%

Volatility Measurements	
3-Yr Std Dev (volatility)	11.15%
3-Yr Mean Return (average)	11.35%

LWM Consultants Ltd

FUND PERFORMANCE

Performance from 1st January 2013 to 30th April 2018:

	2013	2014	2015	2016	2017	2018
BlackRock Smaller Companies	70.43%	-14.70%	31.67%	-1.36%	38.32%	9.39%
Lyxor FTSE All Share	20.16%	0.93%	1.08%	15.44%	11.64%	0.30%

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

	1 year	3 years	5 years	10 years
BlackRock Smaller Companies	26.77%	81.19%	148.94	409.79%
Lyxor FTSE All Share	7.66%	21.31%	43.25%	83.73%

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....

For fund managers managing UK funds it is very competitive. Ultimately every manager will say they are different, but it comes down to the performance. Mike Prentis has been managing this Investment Trust since 2002 and has recently added Roland Arnold as co-manager. Roland has worked alongside Mike for 13 years and will eventually take on the lead manager role.

The fund has 166 holdings which seems a lot but is consistent when it comes to smaller company investing. The argument being that although they invest in high quality companies the volatility in share price can mean that having larger holdings puts more risk into the portfolio. Having said that with the introduction of Roland they are looking to bring the holdings down to around 100 over the next few years.

Mike is clearly passionate about what he does and believes long term smaller companies offer the greatest opportunities, but he also believes that active management is crucial as understanding companies ultimately reduces the risk. He is looking for great companies of the future so often a 5 year plus time frame. Initial investments are small and gradually they grow into core holdings if they play out as they expect.

To turn into core holdings, they will monitor the management, market positioning and earnings growth. In terms of risks to the portfolio it is at the early stage that there are the greatest risks as companies don't always play out as expected. The core holdings tend to be more stable.

Mike also added that in the top 10 only 2 are purely UK businesses. The companies he tends to invest in are global businesses. For example, Gulf Keystone is an oil producer in Kurdistan, Dechra Pharmaceuticals is a global business, and Robert Walters although big in the UK is growing strongly in Asia especially Japan as well as Europe and the US.

LWM Consultants Ltd

IPOs are a good source of investment. For example, Fevertree was bought at IPO although the position has been reduced now. Premier AM is another example. IPOs don't always work, UP Global Sourcing suffered a profit warning and they sold out of this holding.

In terms of the fund the performance has been strong, and it has a long management track record. It is certainly a fund to consider for those wanting to invest in smaller companies. But smaller companies do carry some risk and investors need to be prepared to sit and wait.

The source of information in this note has been provided by BlackRock and is correct as at April 2018. 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.