

Royal London UK Smaller Companies Fund

Fund overview

The fund's investment objective is to achieve capital growth over the medium term (3-5 years) by investing at least 80% in the shares of UK smaller companies listed on the London Stock Exchange. The fund's performance target is to outperform after the deduction of charges, the FTSE Small Cap ex-IT (investment trusts) Total Return GBP Index over rolling 5-year periods.

The UK small and mid cap market is particularly attractive due to the number of investment opportunities (1,200 companies), the lack of analyst research (providing the opportunity to uncover these underappreciated 'gems') and the nature of these more dynamic growth companies with highly incentivised management teams.

Investment approach

The manager focuses on businesses that they believe can grow their profits and cash sustainably faster than the market and ultimately become large companies. They seek attractively priced companies, which have the potential not only to outperform market expectations in terms of earnings but also to be more highly valued by investors over time.

The investment process involves three key pillars:

- Identifying companies exposed to enduring secular growth themes or self help opportunities
- Target businesses that exhibit key fundamental attributes (SIMBA: Scalability, Innovation, Management, Barriers to entry, unique Assets)
- A discipline towards an attractive absolute valuation and improving returns.

The focus is on generating superior long term risk adjusted returns and so the fund manager constructs a portfolio that is diversified across the market cap spectrum and sectors and has a maximum stock position limit. These help reduce volatility in the fund and limit stock specific risk.

The fund managers and the team meet over 400 companies per year and combine a qualitative and quantitative approach to their analysis of potential investments.

Key points

- Identify companies with superior fundamental attributes that are exposed to attractive economic/structural tailwinds. This will enable them to compound their earnings and cash sustainably into the future and become large companies.
- A discipline towards absolute valuation.
- The emphasis is on investing in profitable, cash generative and high quality companies that have solid balance sheets and the potential to improve margins/returns over time.
- Construct and manage a liquid portfolio that is diversified across market capitalisation and sectors, with lower volatility than the benchmark and a focus on risk-adjusted returns.
- Broad and dynamic investment universe of younger companies at an earlier stage of their life cycle, with incentivised management teams and lean decision making structures.
- Low analyst coverage in this area of the UK investment universe creates ideal conditions for genuine stock picking opportunities.
- Experienced team led by Henry Lowson, with over 15 years experience focused on UK small and mid cap investing.

Fund facts

Launch date	20.07.2007 (sub fund)
Domicile	GBR
IA sector	UK Smaller Companies
Fund structure	OEIC
Benchmark	FTSE Small Cap ex Investment Trusts Total Return GBP
Minimum investment	GBP M Acc Class: £100,000 GBP N Acc Class: £5,000,000
Fund management fee (FMF)	GBP M Acc Class: 0.77% GBP N Acc Class: 0.70%

Fund managers



Henry Lowson
Fund Manager



Henry Burrell
Fund Manager

Active stock picking

Our team adopts a fundamental approach to stock selection focusing on key attributes.

Excellent company access

Our size enables significant corporate access for our fund managers to engage with senior management, which is an essential part of our fundamental research.

Experienced

Our fund managers have 115 years combined investment experience and their collective working knowledge of the UK stock market, is part of our competitive edge. Our managers are empowered to run high-conviction strategies with minimal investment bureaucracy, enabling nimble decision making and high conviction portfolios.

ESG integration

Environmental, Social and Governance (ESG) factors are integrated into the investment process and fund managers are supported in their analysis, ESG engagements and stewardship voting by our well-resourced Responsible Investment team.

Investment risks

The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Efficient Portfolio Management

(EPM) techniques: The fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the fund to increased price volatility.

Liquidity risk : In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

Counterparty risk : The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the fund to financial loss.

Smaller Company risk : The fund invests in smaller companies, the prices for which can be less liquid and be more volatile than those of larger companies and therefore may have a greater impact on the value of the fund.

Contact us

For more information about our range of products and services, please contact us.

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For more information on the fund or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com.

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