

ROYAL LONDON UK SMALLER COMPANIES FUND

31 JULY 2014



ASSET MANAGEMENT

FUND OVERVIEW

General Information

Fund Manager: Victoria Stewart
Fund size (mid basis) £186.20m
Fund Type OEIC
Fund domicile GBR
ISA Y

Benchmark:
FTSE® Small Cap (ex. IT) Index

Share Class A (Accumulation)

Inception date 20/07/2007
Initial charge 4%
Annual mgmt charge 1.40%
Min investment £1,000
OCF 1.43%
Sedol number B694M64
Mid price 149.30
Historic Yield 0.86

Share Class M (Accumulation)

Inception date 26/11/2012
Initial charge 0.0%
Annual mgmt charge 0.70%
Min investment £100,000
OCF 0.73%
Sedol number B3NQHL5
Mid price 147.10
Historic Yield 1.50

Overview

The fund seeks to achieve capital growth. The UK Smaller Companies Fund seeks the FTSE®100 companies of tomorrow, investing in a concentrated portfolio of profitable and expanding businesses from across the small cap market.

Performance 12 Months Ending

	31/07/14	31/07/13	31/07/12	31/07/11	31/07/10
(Class A Acc)	11.58%	36.38%	-0.26%	27.29%	21.20%
(Class M Acc)	12.38%	37.34%	-	-	-

Cumulative Performance to 31/07/2014

	3 months	6 months	1 Year	3 Years	5 Years
(Class A Acc)	-0.86%	-0.93%	11.58%	51.77%	134.16%
(Class M Acc)	-0.74%	-0.54%	12.38%	-	-
Sector Average	-3.79%	-3.33%	14.35%	43.55%	134.09%
Benchmark	-2.74%	-3.56%	15.20%	60.53%	124.70%
Quartile Ranking (Class A)	1	2	3	2	3

Mid to mid, net of fees and taxes, net income reinvested unless otherwise stated. Information about past performance is not a reliable indicator of future results. The investor may not get back part, or all, of the amount originally invested. The value of your investment and the income from it is not guaranteed and can fall as well as rise. Please refer to the simplified prospectus for a list of the relevant risks. This fund converted from a unit trust (bid price) to an OEIC (mid price) on 5th November 2010. This change is reflected in past performance history. All yields are net of expenses and gross of taxes.

Fund Commentary

The FTSE Small cap ex-Investment Fund Index return was -0.5% for July. The Royal London UK Smaller Companies fund return was +0.8%, driving the year to date return to 0.1% against a benchmark return of -0.6%.

Economic and geo-political news provided a tough backdrop for equity markets in July. The tension between recovering economic data and the fear of impending interest rate rises is increasing at the same time as rising political tension over Russia and Ukraine and, at the end of the month, a forced default on Sovereign debt by Argentina all served to remind investors of global risks.

However, on a more positive note corporate activity remains buoyant and during the month, two holdings in the fund received approaches; Hyder Consulting announced an agreed bid from Arcadis at 650p, a 38.5% premium to the closing share price (this contributed half of the out performance) and Iomart received an opportunistic approach from Cinven, which was rejected, nonetheless the shares rallied 15%.

Elsewhere, other positive contributions came from Galliford Try, Workspace and veterinary practice group CVS, all UK domestic businesses, which reported strong trading updates for the first half of the year. Spectris on the other hand, a global engineering business, reported a fall in profits driven by sales weakness in the second quarter and particularly in the area exposed to commodities and academic research.

The fund is well positioned to weather a period of higher volatility in markets should that materialise, given the not insubstantial risks described above. It is a sign of the inherent attractiveness of many of the businesses we are invested in that four of the holdings have received approaches so far this year.

Nothing in this factsheet should be construed as advice and is therefore not a recommendation to buy or sell shares.

Top 10 Holdings	
Holdings	% of total
Kentz Corporation	3.4
Hyder Consulting	3.0
Workspace Group	2.9
Mears Group	2.8
Hill and Smith Holdings	2.8
Galliford Try	2.8
Unite	2.8
Lavendon	2.6
Diploma	2.5
Cineworld	2.5
Total	28.1
Total No. of Holdings	84
RLAM as at 31/07/14	

Sector Breakdown	
Sector	% of total
Industrials	34.6
Financials	19.6
Consumer Services	16.2
Technology	10.5
Oil & Gas	4.9
Health Care	4.7
Basic Materials	4.5
Consumer Goods	3.3
Telecommunications	1.3
Utilities	0.5
Total	100.1

RISK WARNINGS

Certain securities could become hard to value, or to sell at a desired price and time due to a reduced number of buyers or sellers.

Yield Definitions

The **historic yield** reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

CONTACT DETAILS

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Our ref: 623/PRO-08/2014-DP

Source: rlam, Financial Express and HSBC as at 31/07/2014, unless otherwise stated. Yield definitions are shown above.