

# FTF Franklin UK Smaller Companies Fund Update

April 2022

# What are the Key Risks?

## FTF Franklin UK Smaller Companies Fund\*

The value of shares in the Fund and income received from it can go down as well as up and investors may not get back the full amount invested. Performance may also be affected by currency fluctuations. Currency fluctuations may affect the value of overseas investments. There is no guarantee that the Fund will meet its objective.

The Fund invests mainly in equity securities of smaller UK companies that are no larger than the largest company in the Numis Smaller Companies ex-Investment Trusts Index. Such securities have historically been subject to price movements, sometimes to a greater extent than securities of larger UK companies, due to company-specific factors or movements in the UK equity markets generally. As a result, the performance of the Fund can fluctuate considerably over time.

Other significant risks include: liquidity risk. For full details of all of the risks applicable to this Fund, please refer to the “Risk Factors” section of the Fund in the current prospectus of Franklin Templeton Funds.

## How We Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

The Numis Smaller Companies ex-Investment Trusts Index is the Fund’s performance target and constrains the Fund’s investment universe. It reflects the performance of smaller companies.

We may also compare the performance of the Fund to the Investment Association UK Smaller Companies sector average as it reflects the performance of the Fund’s competitors.

\*Prior to 7 August 2021, the Fund was named the Franklin UK Smaller Companies Fund.

# Common-Sense Investors

Franklin UK Equity Team



## Who we are

### Natural sceptics:

Looking for the downside

### Independent:

Distant from London  
'view'

### Deep expertise:

Average 20 years'  
experience

## What we look for

### Focused on quality:

Seeking robust companies

### Fixated on valuation:

Valuation is paramount

## What we do

### Pure UK:

Traditional long-only, long-  
term investment

### Plain vanilla approach:

Typically, no derivatives,  
bonds, loss-making  
entities, unquoted or  
overseas stocks

# FTF Franklin UK Smaller Companies Fund



Discrete Performance as at 31 March 2022

Past performance does not predict future returns.

## Discrete Annual Performance (%)

	2022 Mar / 2021 Mar	2021 Mar / 2020 Mar	2020 Mar / 2019 Mar	2019 Mar / 2018 Mar	2018 Mar / 2017 Mar
<b>FTF Franklin UK Smaller Companies Fund W (acc)</b>	<b>1.96%</b>	<b>58.56%</b>	<b>-10.77%</b>	<b>-7.00%</b>	<b>19.68%</b>
Numis Smaller Companies (ex. ITs) Index (Benchmark)	-1.08%	65.59%	-25.91%	-1.24%	5.22%



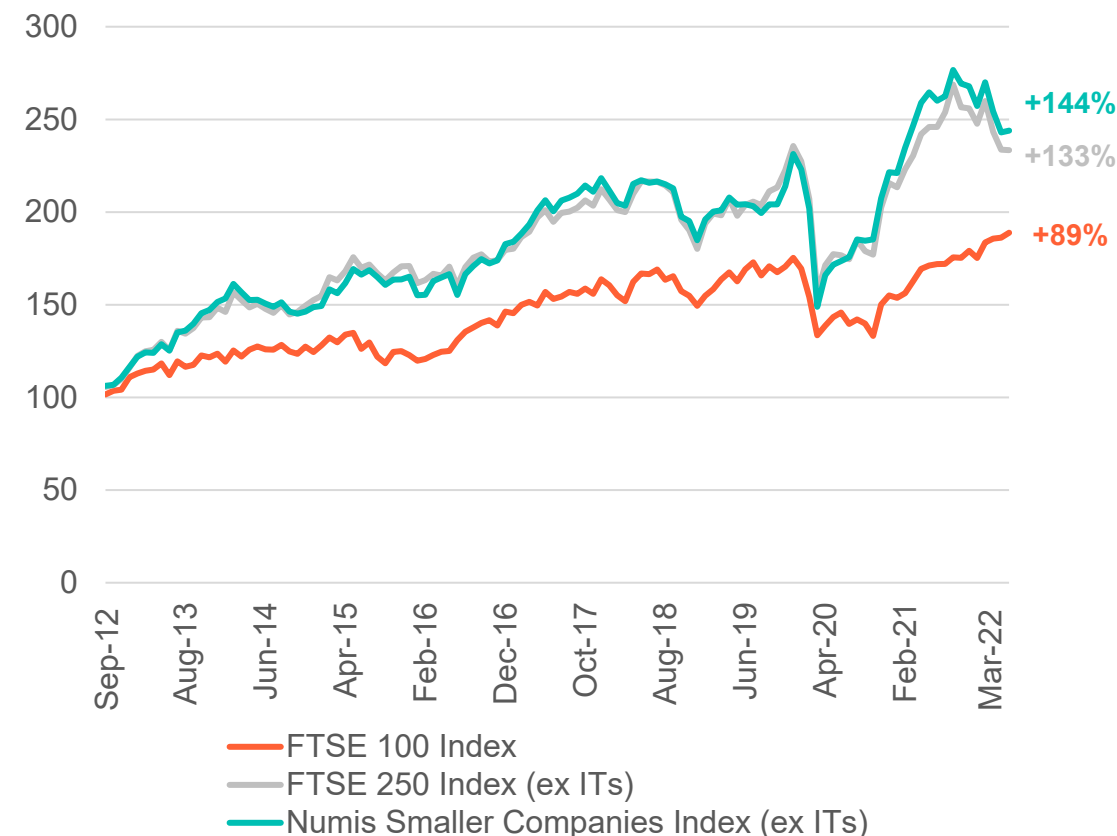
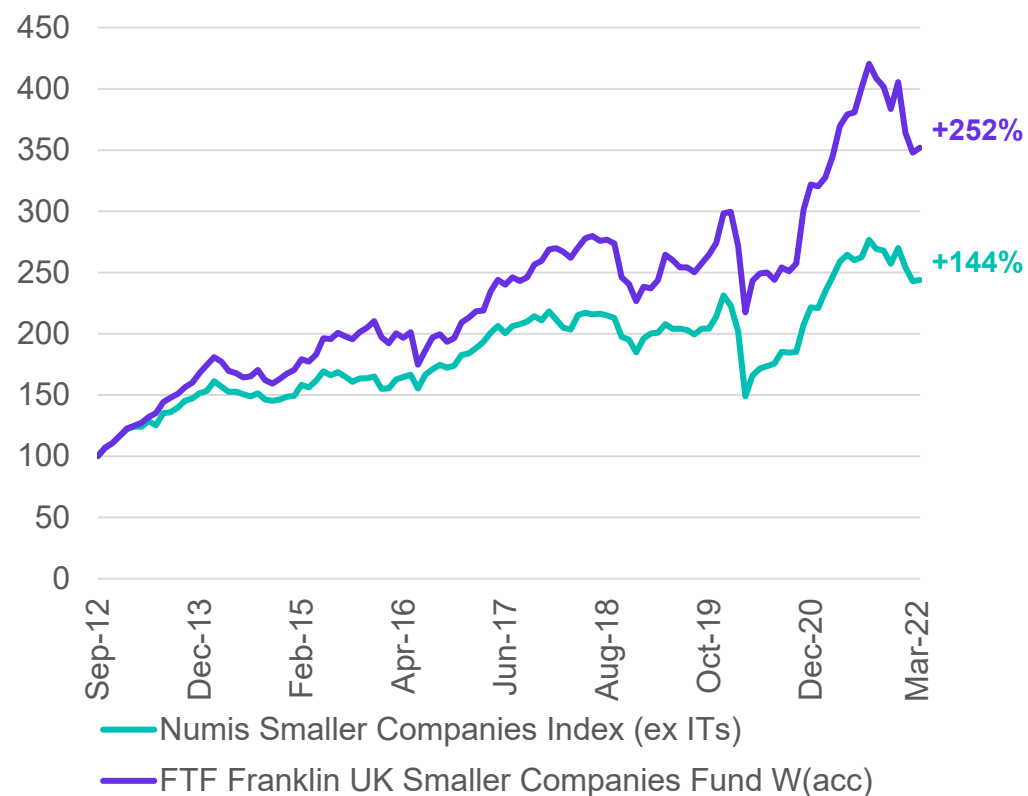
**Past performance is not an indicator or a guarantee of future performance.** The value of shares in the Fund and income received from it can go down as well as up, and investors may not get back the full amount invested.

FTF Franklin UK Smaller Companies Fund is 'Rated' by Rayner Spencer Mills Research Limited and The Adviser Centre as at 31 March 2022.

Source: Franklin Templeton and Morningstar. © Morningstar, Inc. All rights reserved. Performance details are in the fund's base currency, include the reinvested dividends net of basic rate UK tax and are net of management fees. Sales charges and other commissions, other taxes and relevant costs to be paid by an investor are not included in the calculations. Performance may also be affected by currency fluctuations. Up to date performance figures can be found on our local website. When performance for either the portfolio or its benchmark has been converted, different foreign exchange closing rates may be used between the portfolio and its benchmark. Fund performance data is based on the mid price of the Rensburg UK Smaller Companies Trust from its launch on 01/07/1991 to 30/09/11 and the net asset value of the Franklin UK Smaller Companies Fund A(inc) shares thereafter. **The W (acc) share class launched on 31/05/2012. Performance data prior to that date is for the A (inc) GBP share class launched on 01/07/1991 which has higher annual charges.**

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# Fund and Market Performance Since Re-positioning in September 2012



**Past performance is not an indicator or a guarantee of future performance. The value of shares in the Fund and any income received from them can go down as well as up, and investors may not get back the full amount invested.**

Source: Franklin Templeton, Morningstar and FTSE International Limited ("FTSE") as at 31/03/22. Please refer to the "Important Information" slide for additional information. Performance details provided are in GBP, include reinvested dividends net of basic rate UK tax and are net of management fees. Sales charges and other commissions, other taxes and relevant costs to be paid by an investor are not included in the calculations. Performance may also be affected by currency fluctuations. Up to date performance figures can be found on our local website. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Richard Bullas has been managing the Fund since June 2012.

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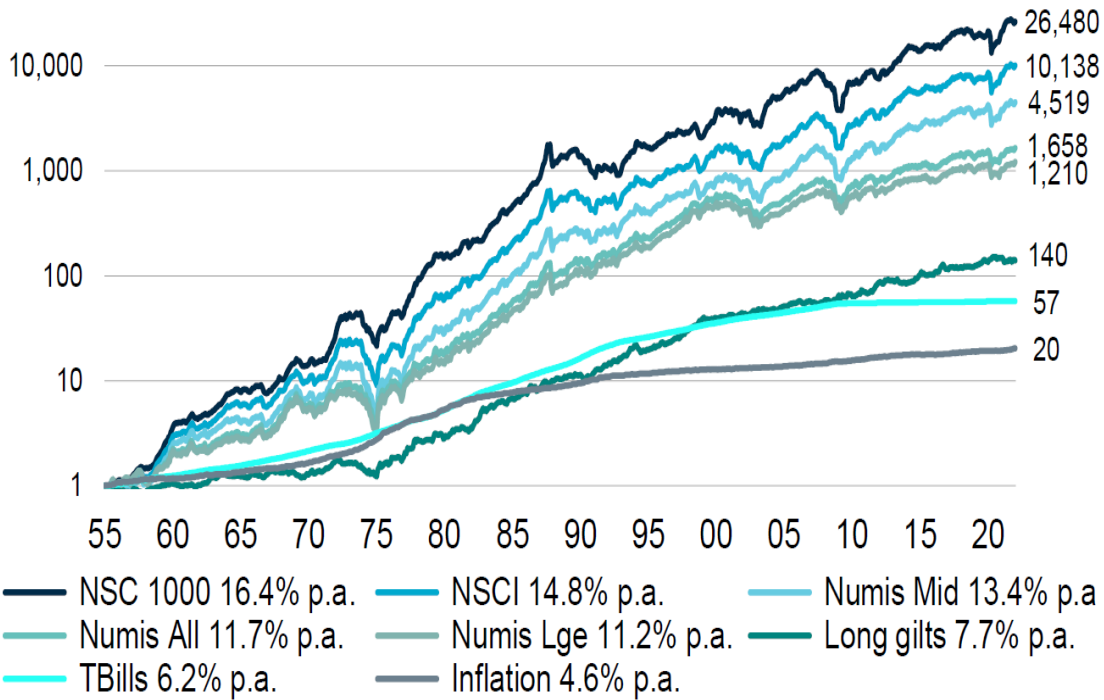
# Investing For The Long Run

## Returns for UK assets



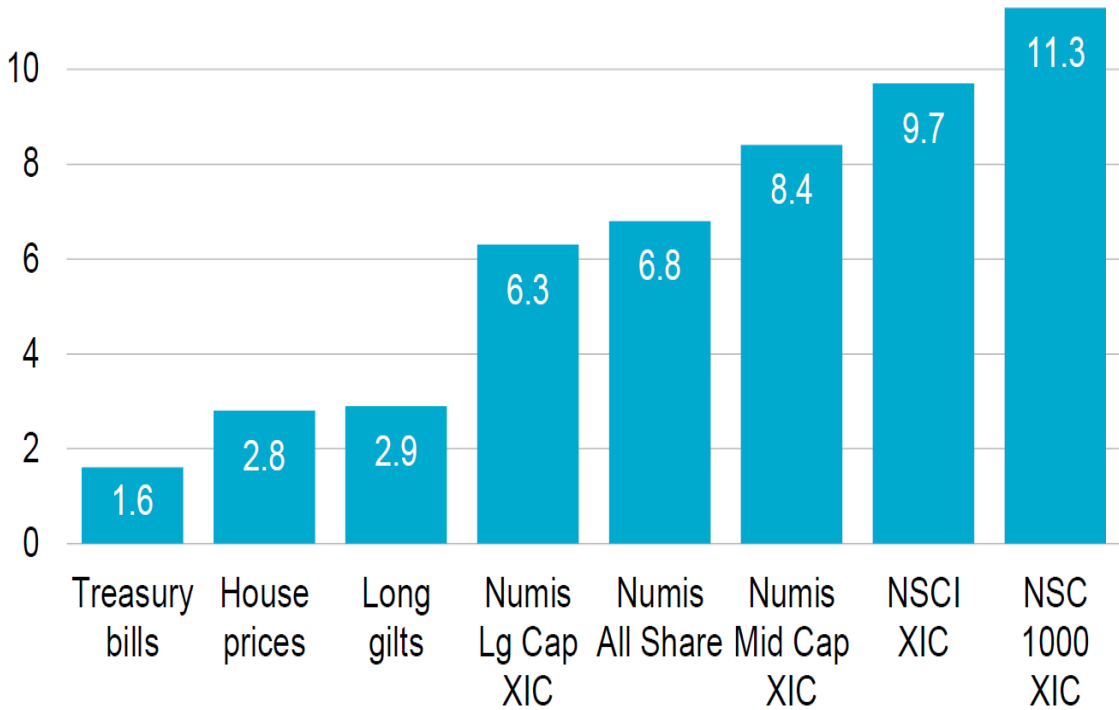
### Cumulative returns for equities and bonds

1955 - 2021



### Annualised real returns for UK assets

1955 - 2021



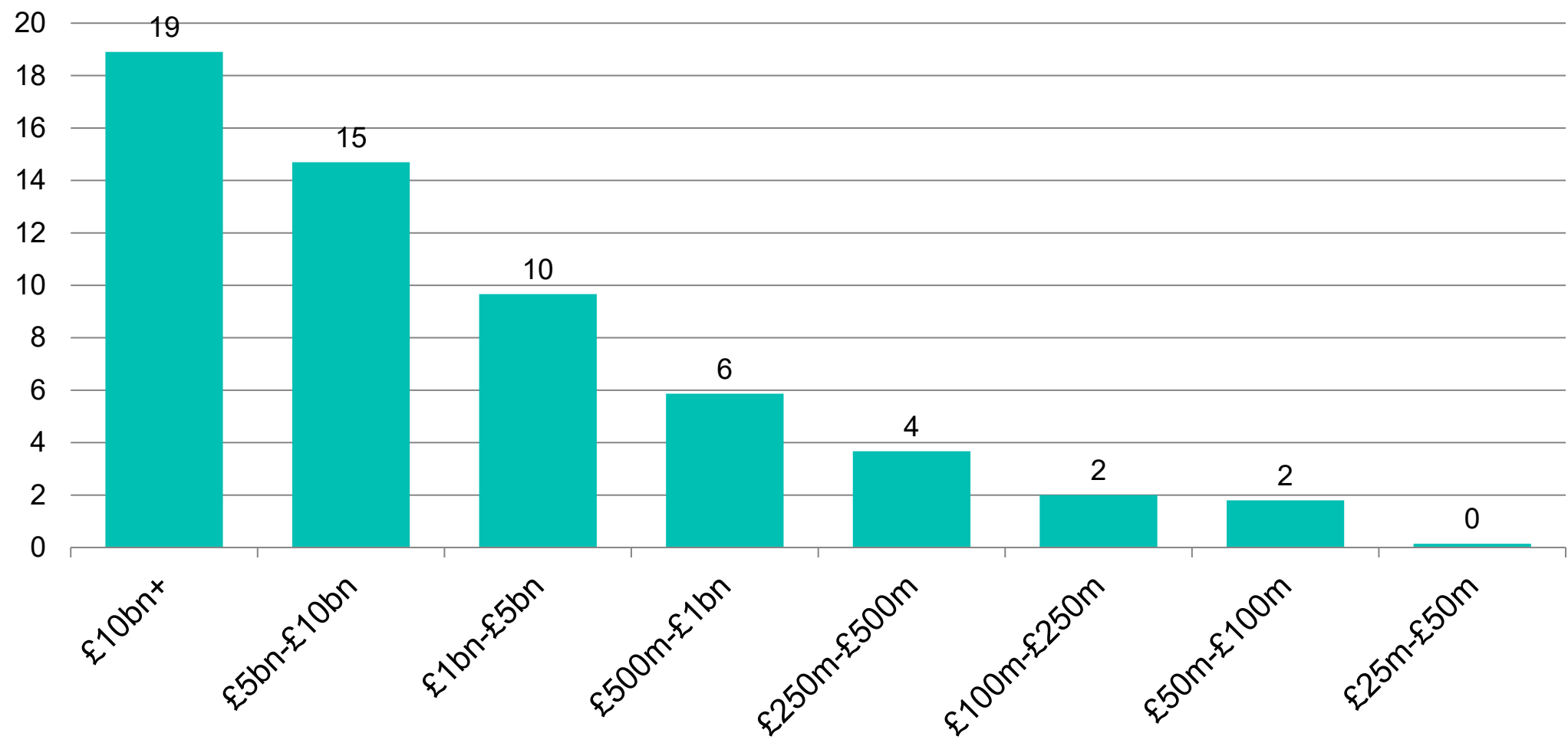
Past performance is not an indicator or a guarantee of future performance.

Source: The NSCI 2022 — Scott Evans and Paul Marsh as at 13/01/2022. For illustrative purposes only.

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# Small Caps are Under Researched

Average Analyst Coverage



Source: Bloomberg as at 31/03/22.

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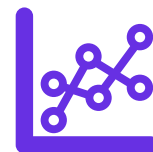
# FTF Franklin UK Smaller Companies Fund

Portfolio Managers: Dan Green & Richard Bullas



## Diverse Portfolio

Diversified positions across Growth, Value and Cyclical investments



## Highly Selective

A high conviction, focused & long-term approach to small-cap investing



## Core Small Cap Fund

£100m to £1bn mkt cap focus



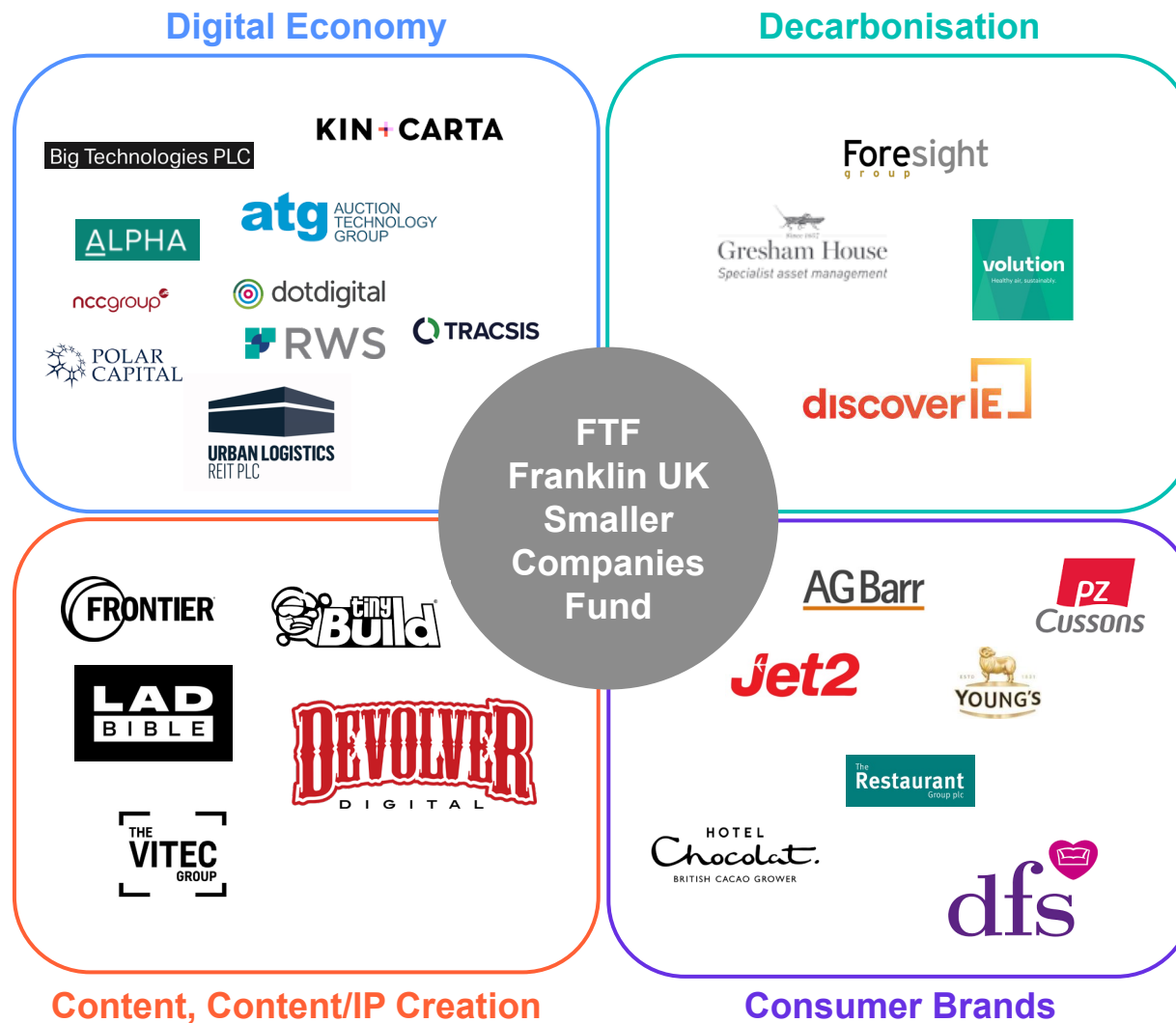
## Disciplined Investment Process

Stringent risk & valuation driven investment approach



# Portfolio Investment Themes

## Investment Examples



References to particular industries, sectors or companies are for general information and are not necessarily indicative of a fund's holding at any one time. All portfolio holdings are subject to change. These securities do not represent all of the securities purchased, sold or recommended for clients, and the reader should not assume that investment in the securities listed was or will be profitable.

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# FTF Franklin UK Smaller Companies Fund



Portfolio Positioning as at 31 March 2022

## Top 10 Holdings

Stock	Fund Weighting
ALPHA FX GROUP PLC	3.91%
RESTORE PLC	3.75%
VITEC GROUP PLC/THE	3.56%
GRESHAM HOUSE PLC	3.56%
BIG TECHNOLOGIES PLC	3.34%
NCC GROUP PLC	3.27%
JTC PLC	3.11%
URBAN LOGISTICS REIT PLC	3.08%
TRACSIS PLC	3.03%
WATKIN JONES PLC	3.00%

## Key Sector Overweights/Underweights Relative to NUMIS Smaller Companies (ex-lts) Index

	Underweight/Overweight
Software and Computer Services	9.97
Industrial Support Services	6.09
Leisure Goods	5.96
Household Goods and Home Construction	3.94
Closed End Investments	3.66
Real Estate Investment and Services	-2.61
Travel and Leisure	-2.68
Industrial Transportation	-3.14
Construction and Materials	-3.61
Oil, Gas and Coal	-6.53

Source: Franklin Templeton as at 31/03/22. Stock weightings as percent of total. Sector weightings as percent of equity. Percentage may not equal 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. These securities do not represent all of the securities purchased, sold or recommended for clients, and the reader should not assume that investment in the securities listed was or will be profitable. The portfolio manager for the Fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in the top 10 holdings list. These securities do not represent all of the securities purchased, sold or recommended for advisory clients, and the reader should not assume that investment in the securities listed was or will be profitable. References to particular industries, sectors or companies are for general information and are not necessarily indicative of a fund's holding at any one time.

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# 2021 Review

## FTF Franklin UK Smaller Companies Fund

### Performance Attribution

#### Contributors

- Volution Group, Auction Technology Group, Big Technologies, JTC, Robert Walters

#### Detractors

- IG Design Group, Avon Protection, Jet2, Speedy Hire, NCC Group

### 1 Year Performance

FTF Franklin UK Smaller Companies Fund W(acc)

26.01%

NUMIS Smaller Companies (ex IT) Index

21.92%

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Source: Franklin Templeton as at 31/12/21. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in a top holdings list. References to particular industries, sectors or companies are for general information and are not necessarily indicative of a fund's holding at any one time. All portfolio holdings are subject to change. These securities do not represent all of the securities purchased, sold or recommended for clients, and the reader should not assume that investment in the securities listed was or will be profitable.

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### Purchases



### Disposals



# Summary and Outlook

- Outperformance of SMID over the longer term
- SMID offers exposure to more emerging and disruptive industries alongside greater weighting to the UK economy
- Acceleration of structural changes and sector winners improving their competitive position
- Strong corporate and consumer balance sheets
- Buoyant M&A activity supportive of UK public company valuations
- Cost inflation and supply chain disruption is a challenge
- Rising interest rate environment into economic headwinds – elevated inflation, decelerating growth and tax hikes
- Stock specific company fundamentals remain key
- Fundamental bottom-up analysis, not positioning for unknowns
- Diversified positions across Growth, Undervalued and Cyclical investments

# Appendices

**Dan Green, CFA**

Vice President  
Portfolio Manager, Research Analyst  
Franklin Templeton Fund Management Ltd  
Leeds, United Kingdom

Dan Green is a portfolio manager and equity research analyst for the Franklin UK Equity Team, focusing on UK Small- and Mid-cap equities. He is a co-manager on the FTF Franklin UK Smaller Companies Fund and manages the Smaller Companies portion of the FTF Franklin UK Manager's Focus Fund. Dan joined Franklin Templeton Investments in September 2015.

Dan began his career with PwC working predominately with Financial Services clients before joining JP Morgan to work as Equity Derivatives Analyst. His role prior to Franklin Templeton Investments was at Deutsche Bank where he was Assistant Vice President in the Valuations team.

Dan holds a Bachelor of Laws (Hons) from the University of Sheffield. He also holds an Investment Management Certificate (IMC) and is a Chartered Financial Analyst (CFA) charterholder.

# Important Information

This document is intended to be of general interest only and does not constitute legal or tax advice nor is it an offer for shares or invitation to apply for shares of the sub funds of Franklin Templeton Funds ("FTF"), a UK-domiciled OEIC ("the Fund"). Nothing in this document should be construed as investment advice.

Subscriptions to shares of the Fund can only be made on the basis of the current prospectus, the relevant Key Investor Information Document ("KIID"), accompanied by the latest available audited annual report and the latest semi-annual report if published thereafter, which can be found on our website ([www.franklintempleton.co.uk](http://www.franklintempleton.co.uk)) or from the address below. US Persons (as more fully defined in the latest Fund prospectus) are not eligible to invest in the Fund. Shares of the Fund are available for sale and distribution in the UK.

An investment in the Fund entails risks which are described in the Fund's prospectus and the relevant KIID. The value of shares in the Fund and any income received from them can go down as well as up, and investors may not get back the full amount invested. **Past performance is not an indicator, not a guarantee, of future performance.** Where a fund invests in a specific sector or geographical area, the returns may be more volatile than a more diversified fund.

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There is no guarantee that the Fund will achieve its objective. For a free copy of the latest prospectus, the relevant KIID, the annual report and semi-annual report, if published thereafter or for more information about any Franklin Templeton fund, UK investors should contact: Franklin Templeton, Telephone: 0800 313 4049, Email: [ftisalessupport@franklintempleton.co.uk](mailto:ftisalessupport@franklintempleton.co.uk) or write to us at the address below. Alternatively, the information can be downloaded from our website [www.franklintempleton.co.uk](http://www.franklintempleton.co.uk). Issued by Franklin Templeton Investment Management Limited (FTIML) Registered office: Cannon Place, 78 Cannon Street, London EC4N 6HL. FTIML is authorised and regulated by the Financial Conduct Authority.

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