

Jupiter UK Smaller Companies I Acc GBP

November 2021

Investment Report



Overview

The focus of the fund is on growing the capital value of investments over time through a portfolio of UK smaller companies.

Whilst equities can lose money over short to medium time periods, over longer time periods, and particularly over multiple investment cycles, equities, in aggregate, have proved an extremely successful way of accumulating capital.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe outperformance of the Numis Smaller Companies (ex Investment Trusts) benchmark by 2% per annum, over rolling three year periods is a reasonable expectation.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA UK Smaller Companies
Launch Date: 09/02/2001	Fund Size (as at 12 Nov 2021): £1401.3m
Yield: 0.21%	Distribution Pay Date: Aug 01 (Final)
Fund Manager: Daniel Nickols	Ongoing Charge Figure: 1.03%
	Transaction Cost ex Ante: 0.09%



Fund Opinion

Following the acquisition of Merian Global Investors (MGI) by Jupiter Fund Management Plc in July 2020, this fund and the broader UK small and mid cap team has been fully integrated into Jupiter Asset Management. We retain our rating and conviction in the fund and its manager as the investment process remains unchanged. We note, however, that the team has grown its capabilities with the addition of Matt Cable, the manager of Jupiter's Smaller Companies Unit Trust fund. Akin to other members of the team, Mr Cable combines analytical and fund management responsibilities.

We have a high regard for Jupiter's UK small and mid cap equities team. Although the original investment approach was established many years ago, the key principles instilled remain in place and are very much followed by its incumbent members. However, in light of the ongoing evolution of financial markets, the team, now under the leadership of Dan Nickols and Richard Watts, have made some subtle refinements to the process to ensure it remains relevant; which we view as beneficial to the strategy.

Mr Nickols is conscious that the attributes the team seek in companies tends to lead the portfolio to have a bias towards growth. Nevertheless, given that the investment process is structured in order to have a consideration of the broader economic backdrop, the manager has the flexibility to adjust the portfolio's positioning to capitalise on more defensive or cyclical opportunities at the appropriate juncture. Such pragmatism has been adopted to ensure that the fund's performance is more consistent relative to its benchmark. That being said, the process is not immune to periods of more variable returns, particularly over the short-term, but over more meaningful timeframes the manager has delivered a compelling set of returns.

Overall, we believe this is a sensibly managed fund run by an experienced manager who has remained committed to the team and this strategy for a number of years.

Fund Description

This fund has been run by experienced UK smaller companies investor, Dan Nickols since 2004. Mr Nickols joined Merian Global Investors (MGI) in 2001 and following Jupiter Fund Management Plc's acquisition of MGI in 2020 he, and the other members of the highly regarded small and mid cap team, have transitioned across into Jupiter Asset Management. The team, which is led by himself and Richard Watts, has been in place for over 10 years and work together in an extremely collaborative manner, with a strong culture at its foundation in order to allow for opinion to be openly expressed across it members. Since the integration, the team has been further bolstered by the addition of fund manager and sector analyst, Matt Cable, who runs the Jupiter UK Smaller Companies Equity fund.

The fund and wider team's investment approach has been in place for over 20 years and boasts an enviable track record over that time. In essence, the process combines in depth stock analysis with an appreciation of the broader economic picture. More specifically, Mr Nickols and the team seek to invest in the most attractive companies based on their view of the economic cycle's current positioning; be that in expansion or contraction for example. At the macroeconomic level a range of factors are therefore considered such as economic growth, the outlook for inflation and the interest rate cycle.

Stock selection favours companies where the manager and team feel there is the potential for at least one of the following: an upgrade in earnings, a re-rating of the stock's valuation or sustained level of above average earnings growth. The investible universe is screened on a series of standard market measures including price to earnings, dividend yield and earnings growth. Companies which are viewed as favourable are then analysed in more detail, with key areas such as the firm's strengths and weaknesses, competitive position, quality of its management team and economic sensitivity of the underlying business all being taken into account. Further consideration is given to the strength of its balance sheet, valuation and potential for long term growth. Interacting with company management is deemed a critical part of the process; the team conducts in the region of 300 company meetings each year.

The final portfolio is constructed with few formal limits against the fund's Numis Smaller Companies (ex investment trusts) benchmark. However, the manager attempts to mitigate risk by diversifying the portfolio across 80-110 holdings. Position sizes tend to range between 0.5% and 2.5%, with no single holding exceeding a 5% weighting.

Risk Summary

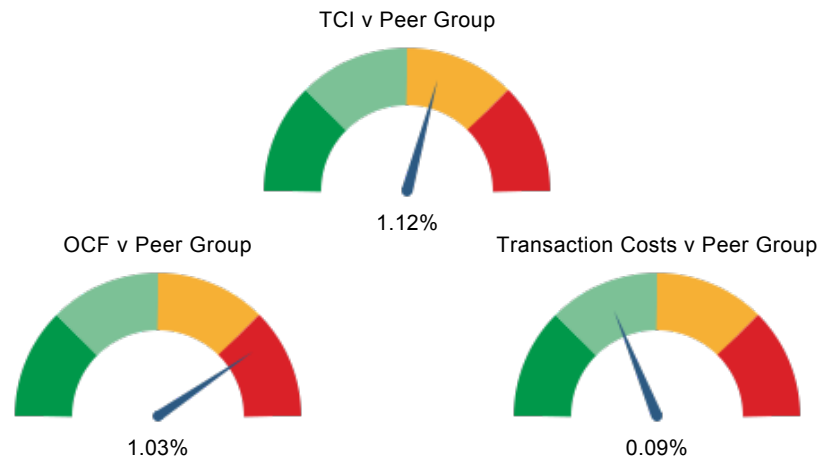
This is an equity based fund investing in UK-listed smaller companies. The fund will be exposed to moves in the stock market and investing in smaller companies has potential liquidity risks. As a result the fund's returns may see increased levels volatility over short time periods.

This fund is managed with capacity limits in place to ensure the integrity of the investment process. Unlike a number of other firms, where capacity tends to be determined by the level of assets under management, in this case, the group have fixed the level of units that will be available to investors. Once this level (350 million units) is reached, no further units will be created, thus limiting further investment into the strategy. For further information, please refer to the fund's prospectus.

Value for Money

The fund's ongoing charge figure (OCF) and transaction costs (a further expense not represented in the OCF) are both above the peer group averages, which results in a higher than average total cost of investment (TCI). However, we believe such costs are justified, as investors have access to an experienced manager, who seeks to outperform after the consideration of all fees.

Furthermore, in line with the MiFID II regulations, asset management firms are required to disclose all of the costs and charges related to the running and administration of their funds, including items outside of the OCF, such as research costs. Jupiter Asset Management absorbs all of the costs associated with its research.



ESG Integration

Company Assessment	0	1	2	3
ESG factors are considered formally but are not instrumental within all of the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors may be considered by the fund's manager as an input into their analysis but are not a formal part of the investment process.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	12.61%
Annualised Volatility	21.41%
Max Drawdown	-37.25%
Max Gain	18.83%
Max Loss	-37.25%
Sharpe Ratio	0.51
Sortino Ratio	0.44

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

379.3 pence

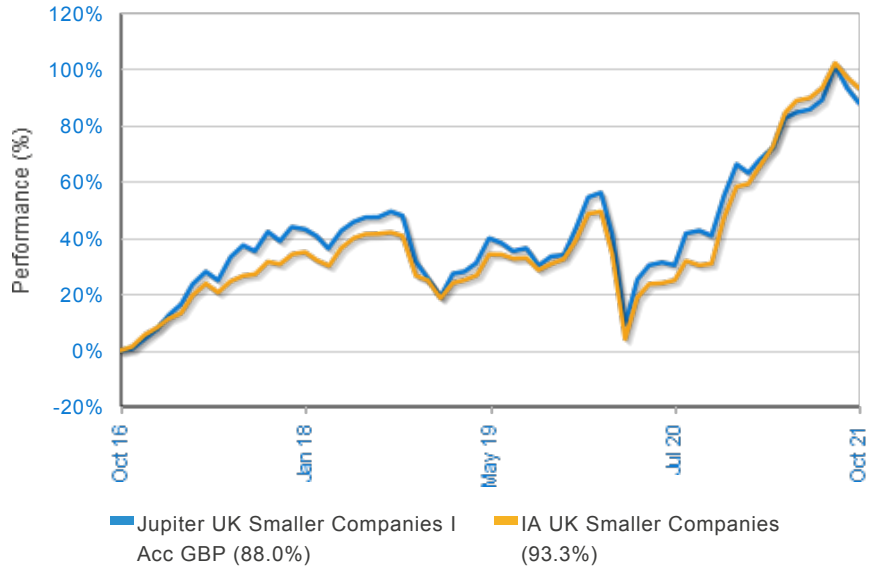
Benchmark

Numis Smaller Companies (Ex ITs)

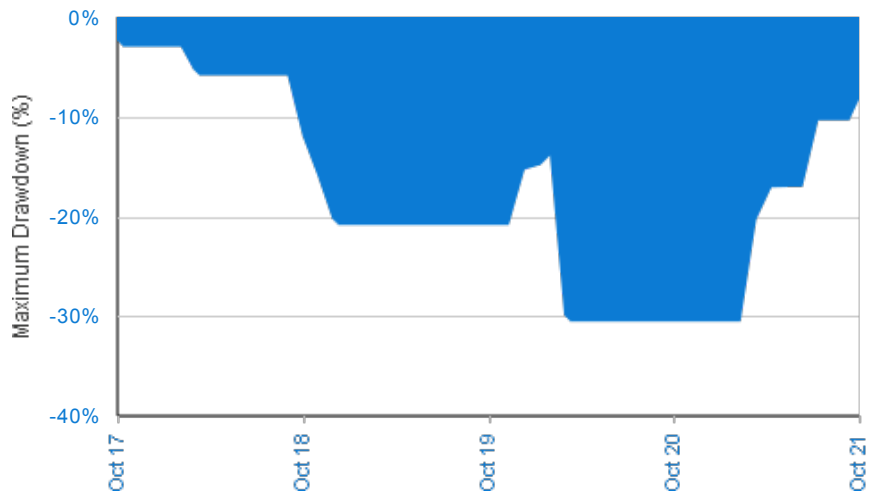
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	35.4	51.1	4
12-24m	6.9	-0.4	1
24-36m	-9.8	-7.1	4
36-48m	9.3	10.8	3
48-60m	34.3	25.0	1

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
OSB GROUP PLC	3.4
S4 CAPITAL PLC	3.4
FUTURE PLC	3.1
CHRYSALIS INVESTMENTS LTD	3.0
GAMMA COMMUNICATIONS PLC	2.8
RWS HLDGS	2.6
SAVILLS	2.2
BOOHOO GROUP PLC	2.1
OXFORD INSTRUMENTS PLC	2.1
ROBERT WALTERS	2.1

Sector Breakdown

(Data as at 30 Sep 2021)



- Consumer Discretionary (26%)
- Industrials (24%)
- Financials (16%)
- Technology (12%)
- Money Market (5%)
- Real Estate (5%)
- Telecommunications (4%)
- Consumer Staples (3%)
- Basic Materials (2%)
- Other (1.8%)

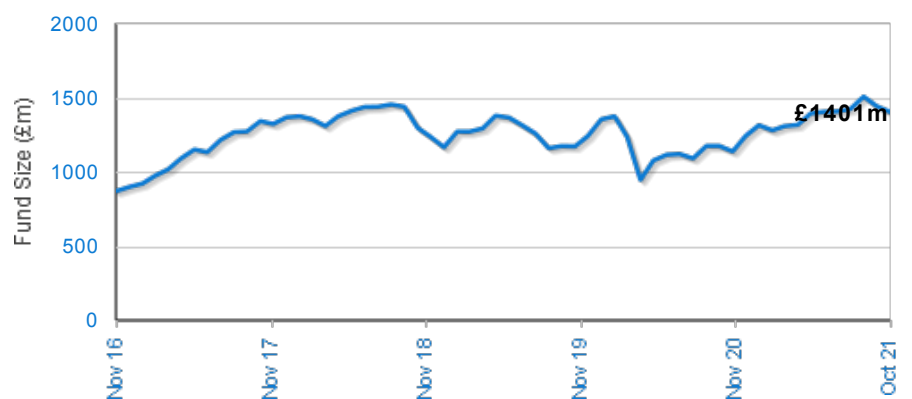
Geographic Breakdown

(Data as at 30 Sep 2021)



- UK (95%)
- Money Market (5%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk			●
Liquidity Risk	●		
Emerging Markets Risk			●
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress. Share prices of smaller companies can be more volatile than the wider market.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund is predominantly invested in domestic assets.

Liquidity Risk

The fund invests in smaller companies and may have to resort to disposing of assets at below fair value when selling shares to meet client redemptions. The risks of this happening are most acute at times of financial distress.

Emerging Markets Risk

The fund predominantly invests in securities listed by organisations operating in developed markets.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The manager is seen as a critical element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the manager were to leave.

FE Risk Rating: 106.00

SRRI: 5

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