

SHINING A LIGHT ON THE..... Schroder US Mid Cap Fund

AT A GLANCE

Investment Objective	
The fund aims to provide capital growth and income in excess of Russell 2500 Total Return Lagged (Gross Total Return) index (after fees have been deducted) over a three to five year period by investing in equity and equity related securities of medium-sized US companies.	

Inception Date	27 April 2005
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=FOGBR04JDM

Management	
Manager Name	Start Date
Robert Kaynor	10 January 2018

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	0.00%
Large	1.42%
Medium	82.74%
Small	15.84%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	93	
Assets in Top 10 Holdings	16.77%	
Name	Sector	% of Assets
Assurant Inc	Financial Services	1.98%
Fortune Brands Home & Security Inc	Consumer Cyclical	1.97%
Brunswick Corp	Consumer Cyclical	1.66%
Catalent Inc	Healthcare	1.66%
Encompass Health Corp	Healthcare	1.65%
Sabre Corp	Technology	1.64%
Pentair PLC	Industrials	1.59%
Dolby Laboratories Inc	Communication Services	1.55%
Reinsurance Group of America Inc	Financial Services	1.54%
Western Alliance Bancorp	Financial Services	1.54%

Volatility Measurements	
3-Yr Std Dev (volatility)	16.93%
3-Yr Mean Return (average)	-4.20%

FUND PERFORMANCE

Performance from 1 January 2014 to 31 March 2020:

	2014	2015	2016	2017	2018	2019	2020
Schroder US Mid Cap Fund	17.88%	5.87%	40.88%	4.92%	-7.42%	24.66%	-25.30%
iShares MSCI North America ETF	20.41%	3.75%	34.26%	10.18%	-1.16%	25.92%	-13.49%
Russell 2500 TR	13.73%	2.72%	40.26%	6.70%	-4.41%	22.83%	-24.92%

Performance over 12 months, 3 years, 5 years and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception
Schroder US Mid Cap Fund	-15.42%	-12.07%	22.61%	-14.99%
iShares MSCI North America ETF	-2.11%	14.57%	57.12%	5.32%
Russell 2500 TR	-18.53%	-8.25%	22.69%	-13.51%

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....

These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

This was a brief update with the team. They started by outlining the global backdrop to the crisis. This is a global pandemic which has touched over 210 countries and altered the economic cycle globally. This is an economic crisis caused by a health crisis and is focused on liquidity within the markets. They think that there can be no sustainable recovery until meaningful economic data is available and that will not be until the end of the second quarter at the very earliest. They also do not feel the markets are reflective of this.

Coming into the year the fund was positioned towards the US consumers and that has significantly changed: They have now reduced this positioning. Healthcare has helped the fund performance, especially those focused on drug discovery.

They believe areas like cloud computing, and data storage will continue to see strength and they expect this to accelerate. They are also looking at the impact of office space as companies consider working from home and the benefits this brings.

Now investors are looking to pay for certainty in an uncertain world so areas like tech and healthcare will naturally benefit and come out as winners. This may broaden out when the recovery comes. The fund invests across three buckets – mispriced, steady eddies and turnarounds. The steady eddies have not performed as they would have hoped during this crisis.

This crisis is all about liquidity and which companies can tap into the debt market to see them through it. The unknown is the depth and duration of the crisis and the worry is that a protracted lockdown will be more damaging. In terms of the unemployment figures, they are not worried about these now but the key will be in the figures coming out from August.

The team have spoken to over 45 companies to date. They have closed 13 positions and added 5 new positions. 40 positions have had little or no change, 20 have increased weightings and 23 decreased.

In summary, the fund has struggled for some time. They do have a new manager and obviously hope he will be able to turn the performance around. They have been active during this period across the whole portfolio to reflect a changing environment, but they are pessimistic in the short term.

The source of information in this note has been provided by Schroders and is correct as at April 2020. 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.