



## Schroder UK Mid Cap Fund plc

### AGM presentation

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January 2020



**ALPHA  
MANAGER 2019**  
Andrew Brough

INVESTMENT FUND  
AWARDS 2018

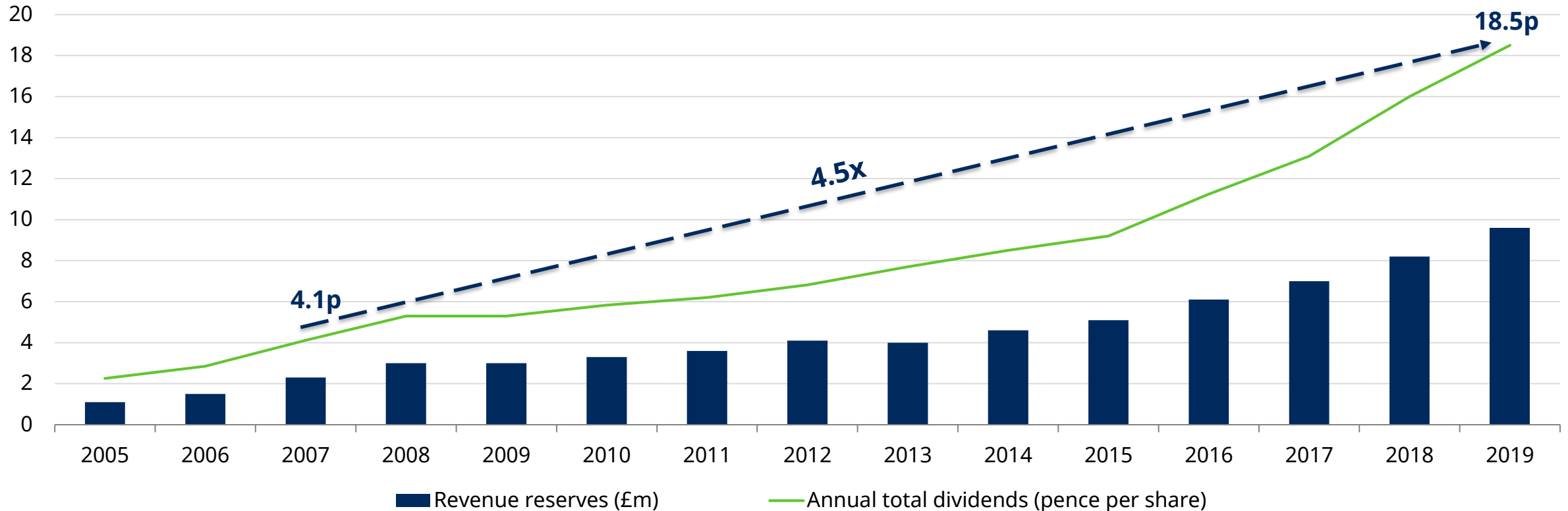
**Schroders**

Best UK-Focussed Mid Cap Fund (5 Years):  
Schroder UK Mid Cap Fund &  
Best Mid Cap Fund Manager - UK

# Why invest in Mid 250?

Schroder UK Mid Cap Fund plc – Dividends well covered by reserves

## Annual total dividends (pence per share)



**FY 2019 dividend 18.5p (2018: 16.0p) +16% year on year**

Past performance is not a guide to future performance and may not be repeated.

Source: Schroders. 2004 to 2019, year ends to September.

# Schroder UK Mid Cap Fund plc

Return to long-term trend of outperformance

Cumulative performance to 31 December 2019



Performance %	3 months	1 year	3 years	5 years	10 years	Since launch <sup>3</sup>
Schroder UK Mid Cap Fund plc NAV cum income	14.0	35.4	42.8	67.6	278.5	1,016.3
FTSE 250 ex. Investment Trusts index*	11.6	30.8	31.2	54.5	214.3	659.0
Relative	+2.4	+4.6	+11.6	+13.1	+64.2	+357.3
<i>Schroder UK Mid Cap Fund plc share price</i>	27.8	58.7	68.8	76.6	373.7	1,256.7

Best performing UK equity investment trust in AIC UK All Companies sector since launch in 2003<sup>1</sup>

**Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.**

Source: Morningstar, Schroders, as at 31 December 2019, in GBP, net income reinvested, net of the ongoing charges.

<sup>1</sup>Ranking in Association of Investment Companies (AIC) Sector, UK All Companies, as at 31 December 2019, sourced from Morningstar, covering period from close 30 April 2003 to 31 December 2019 (NAV ex income TR) – only 9 funds currently in the sector have a track record for this period. <sup>2</sup>With effect from 1 April 2011, the Company's benchmark has been the FTSE 250 (ex-Investment Trusts) Index. Prior to that date the benchmark was the FTSE All Share, ex. Investment Trusts Index, ex. FTSE 100. The 10 year and since launch data has been chain-linked to reflect this. Source for ratings: FE, 31 August 2019. <sup>3</sup>Ex income figures shown as cum income unavailable pre 2008, from launch on 30 April 2003 (close) to 31 December 2019.

# Schroder UK Mid Cap Fund plc

## Calendar year performance

Performance %	2019	2018	2017	2016	2015
Schroder UK Mid Cap Fund plc NAV cum income	35.4	-15.4	24.7	2.5	14.6
Schroder UK Mid Cap Fund plc share price	58.7	-17.3	28.6	-8.2	14.0
FTSE 250 ex. Investment Trusts index	30.8	-15.2	18.2	5.1	12.0

### Schroder UK Mid Cap Fund plc – risk factors:

The trust invests in smaller companies that may be less liquid than larger companies and price swings may therefore be greater than investment trusts that invest in larger companies.

The trust will invest solely in the companies of one country or region. This can carry more risk than investments spread over a number of countries or regions.

As a result of the fees and finance costs being charged partially to capital, the distributable income of the trust may be higher but there is the potential that performance or capital value may be eroded.

The trust may borrow money to invest in further investments, this is known as gearing. Gearing will increase returns if the value of the investments purchased increase in value by more than the cost of borrowing, or reduce returns if they fail to do so.

**Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.**

Source: Morningstar, as at 31 December 2019, in GBP, net income reinvested, net of the ongoing charges.

# Schroder UK Mid Cap Fund plc

Performance attribution – 12 months to 31 December 2019

## Stocks held in the fund

Top 5 contributors	Portfolio weight %	Active weight %	Relative performance %	Impact %
Dunelm Group	3.1	+2.8	98.5	+1.8
Pets At Home	1.6	+1.4	50.4	+1.0
JD Sports	0.9	+0.6	36.5	+0.9
Intermediate Capital Group	3.3	+2.1	47.7	+0.7
Games Workshop	1.4	+1.0	77.6	+0.6

Top 5 detractors	Portfolio weight %	Active weight %	Relative performance %	Impact %
Renishaw	2.2	+1.8	-40.5	-0.8
Northgate	1.5	+1.5	-44.1	-0.7
Ted Baker	0.6	+0.5	-68.5	-0.7
Saga	0.8	+0.7	-95.1	-0.7
Telecom Plus	2.6	+2.3	-21.7	-0.6

## Stocks not held in the fund

Top 5 contributors	Portfolio weight %	Active weight %	Relative performance %	Impact %
Tullow Oil	-	-1.0	-94.2	+0.7
Metro Bank	-	-0.2	-113.8	+0.7
John Wood Group	-	-0.8	-57.4	+0.6
Sirius Minerals	-	-0.2	-115.7	+0.4
Intu Properties	-	-0.2	-96.7	+0.3








Top 5 detractors	Portfolio weight %	Active weight %	Relative performance %	Impact %
GVC Holdings	-	-1.1	36.1	-0.6
Easyjet	-	-0.5	31.0	-0.4
Greene King	-	-0.6	36.9	-0.3
Bellway	-	-1.3	27.9	-0.3
Cobham	-	-1.1	37.7	-0.3

**Past performance is not a guide to future performance and may not be repeated.**

Source: Schroders, FactSet. For illustrative purposes only and not a recommendation to buy or sell shares. Portfolio weight and active weight are average weights. Active weight is the average stock weight relative to the FTSE 250 Ex Investment Trusts. Relative performance is the share price return relative to the FTSE 250 Ex Investment Trusts (TR). Impact is the contribution to performance relative to the FTSE 250 Ex Investment Trusts (TR). Stock examples are for illustrative purposes only and are not a recommendation to buy or sell.

# Has the UK consumer stopped spending?

Actual spend 2016 – 2018, Forecast 2019

Sector	2016A	2017A	Change	2018A	Change	2019E	Change
 Total household expenditure	£1,253bn	£1,300bn	+£47bn	£1,357bn	+£57bn	£1,394bn	+£37bn
 Purchase of vehicles	£51.9bn	£50.2bn	-£1.7bn	£50.3bn	+£0.1bn	£52.3bn	+£2.0bn
 Games, Toys & Hobbies	£16.4bn	£20.0bn	+£3.6bn	£21.2bn	+£1.2bn	£22.3bn	+£1.1bn
 Furniture & furnishings	£24.4bn	£27.3bn	+£2.9bn	£29.7bn	+£2.4bn	£30.3bn	+£0.6bn
 Pet products & services	£9.9bn	£10.1bn	+£0.2bn	£11.6bn	+£1.5bn	£12.0bn	+£0.4bn
 Restaurants & hotels	£119.9bn	£123.1bn	+£3.2bn	£124.7bn	+£1.6bn	£128.5bn	+£3.8bn
 Clothing & footwear	£64.7bn	£66.9bn	+£2.2bn	£67.5bn	+£0.6bn	£71.3bn	+£3.8bn

Past performance is not a guide to future performance and may not be repeated.

Source: Schroders, Lazarus, January 2020. Forecast risk warning: Please see the Important Information slide at the end of this presentation.

# You can't invest in all growth areas

Growth in spend on vegetables is accelerating

Sector	2016A	2017A	Change	2018A	Change	2019E	Change
 Vegetables	£12.8bn	£13.6bn	+£0.8bn	£14.1bn	+£0.5bn	£15.0bn	+£0.9bn



Jamie's Meat-Free Meals

Home Episodes

Play

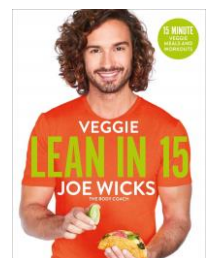
Cottage Pie & Bonkers Chip Butty Episode 1

Jamie cooks a game-changing cottage pie, a mighty mac 'n' cheese full of greens, and a brilliantly bonkers chip butty

First shown: 2 Sep 2019

More episodes See all episodes (8)

Episode 1 Episode 2 Episode 3 Episode 4 Episode 5 Episode 6



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Source: Schroders, Lazarus, January 2020. Forecast risk warning: Please see the Important Information slide at the end of this presentation.

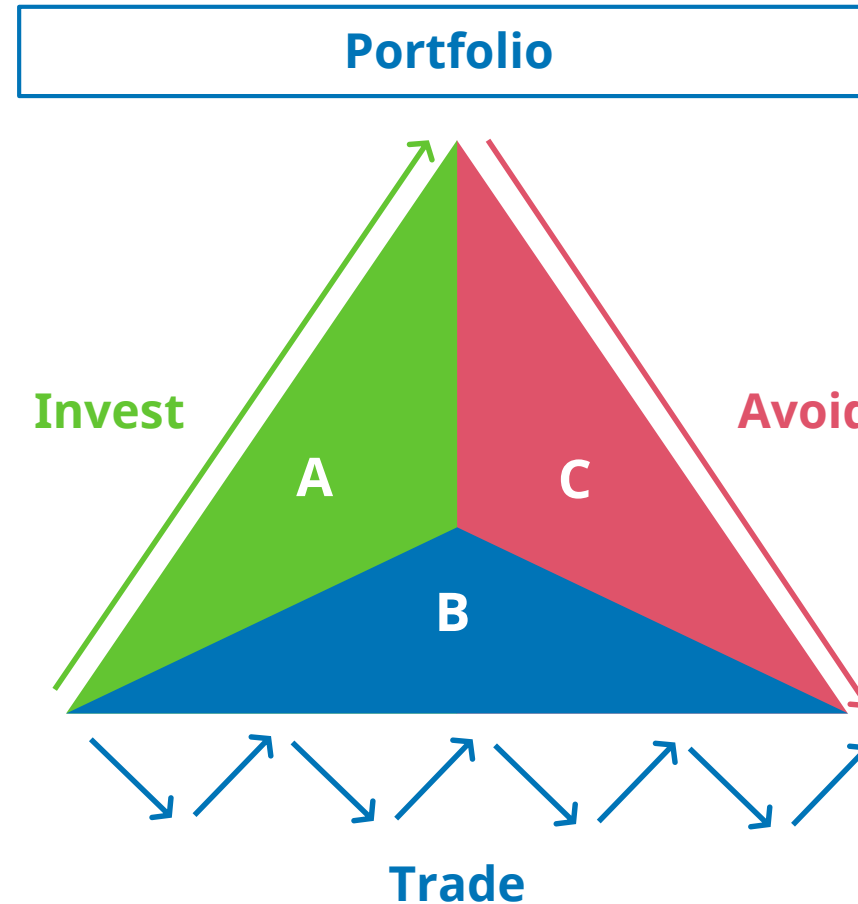
# Our investment process

## 'A' stocks

- Pricing power
- Very strong business franchise
- Scarcity value
- Areas of secular growth
- Quality of management
- Ability to finance growth internally
- Balance sheet strength

## 'B' stocks

- Change of management strategy
- Withdrawal of industry or stockmarket over-capacity
- Cyclical upturn or re-rating in prospect




## 'C' stocks

- Industry overcapacity
- Experiencing long-term decline
- Not providing investors with successful growth opportunities
- Poor balance sheets


For illustrative purposes only and should not be viewed as a recommendation to buy or sell.  
Source: Schroders.



# Our investment process

<b>Long-term growth Opportunities</b> 	<b>Opportunistic ideas</b> 	<b>Stocks to avoid</b> 
Disruptors. Growth companies.	Cyclical stocks or franchises in transition.	Typically experiencing long-term decline which can lead to cash flow and ultimately balance sheet challenges.
Operate in industries where demand for their goods or services exceeds supply, which gives them pricing power and drives organic growth, and strong cash flow.	Cyclical industries or areas where capacity is reducing.	Companies which operate in industries where supply exceeds demand, and which are being disrupted.
Sectors are typically concentrated, so that demand for shares exceeds supply. Shares therefore appreciate in value as investors ascribe a higher rating to the company and its prospects.	Balance of supply and demand for these shares shifts over time as companies reduce capacity and shrink the amount of equity on the market by buying back shares.	Supply of shares in these companies will typically exceed demand, leading to downward pressure on share prices.
Core holdings.	Trade into and out of depending on valuation.	Do not hold.

**ESG**

Analysis of Environmental, Social and Governance factors is critical to understanding the sustainability of corporate growth and returns. 

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# Important information

## Marketing Material

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Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

### **Schroder UK Mid Cap Fund plc risk considerations:**

The trust may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down, which may adversely impact the performance of the fund.

As a result of fees being charged to capital, the distributable income of the fund may be higher but there is the potential that performance or capital value may be eroded.

The trust may borrow money to invest in further investments, this is known as gearing. Gearing will increase returns if the value of the investments purchased increase in value by more than the cost of borrowing, or reduce returns if they fail to do so.

# Important information

We recommend you seek financial advice from an Independent Adviser before making an investment decision. If you don't already have an Adviser, you can find one at [www.unbiased.co.uk](http://www.unbiased.co.uk) or [www.vouchedfor.co.uk](http://www.vouchedfor.co.uk)

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