September 2019

InFocus

Aberdeen Standard Investments UK Opportunities Equity Fund

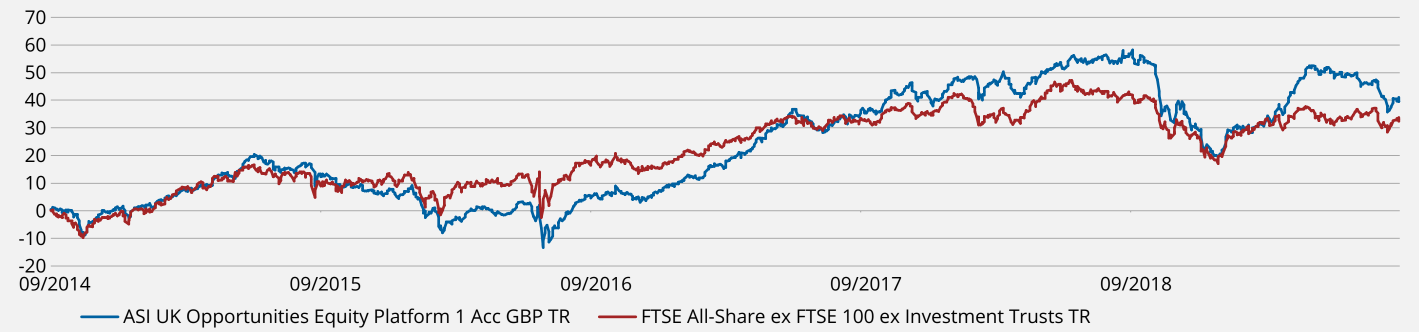
Key features

Primarily invests in small-cap and mid-cap companies that exhibit quality, growth and momentum characteristics

High-conviction portfolio, with a low turnover rate

Benefits from the flexibility to 'run winners' and continue to hold smaller companies once they become large-cap stocks

Performance



Source: Lipper IM; 5 year cumulative performance as at 31st August 2019; Platform 1 Acc share class; TR; GBP

	31/08/2018 to 31/08/2019	31/08/2017 to 31/08/2018	31/08/2016 to 31/08/2017	31/08/2015 to 31/08/2016	31/08/2014 to 31/08/2015
ASI UK Opportunities Equity Platform 1 Acc GBP TR	-10.05	15.87	28.24	-6.93	13.37
FTSE All-Share ex FTSE 100 ex Investment Trusts TR	-5.74	6.40	14.59	5.30	11.06

Source: Lipper IM; discrete annual performance as at 31 August 2019; Platform 1 Acc share class; TR; GBP Net of Charges

Past performance is not a guide to future results.

The Fund has delivered robust returns year-to-date, up 16.9%. This compares to the benchmark figure of 11.5%. Long-term numbers are also impressive. However, recent performance has been more challenging. The start of Q3 has been characterised by a style rotation. We have seen investors bank profits from quality, growth stocks (which we favour) and move into value stocks. We are mindful of this, but believe our approach remains the best way to deliver superior long-term returns.

Quality reigns

So, what has performed well this year? Veterinary drugmaker **Dechra Pharmaceuticals** was a highlight. The company announced 18% revenue growth over the last 12 months, driven by strength across core divisions. Synergy benefits from recent acquisitions have also boosted profits. Meanwhile, **JD Sports**' recent results beat expectations thanks to the ongoing popularity of athleisure wear. Its purchase of US firm Finish Line is also bearing fruit, while investors welcomed its recent takeover of struggling Foot Asylum. **4Imprint** was another highlight. Its full-year earnings increased substantially, allowing it to announce a special dividend with a 4.6% yield. Sales in North America, which accounts for 97% of its revenues, grew 16%. This compares to an industry average of 3%. 4Imprint's management is now aiming for sales growth of US$1 billion by 2022 – a significant, but achievable, upgrade.

Of course, not everything worked. Laggards included veterinary services provider **CVS**, which struggled for most of the year. There is a shortage of vets within the industry, which is pushing up hiring costs and eating into margins. We have reviewed the investment case and concluded that this could be a structural problem which will take time to improve. This could also curtail its acquisitions plans. We therefore sold the holding.

What for the future?

We continue to take a bottom-up stock selection-led approach, seeking quality growth companies. We also look for opportunities that are mis-priced or under-researched. We focus on stocks with positive earnings and attractive long-term growth outlooks. The Fund also has an overweight exposure to overseas earnings. Many of these names started life as core UK businesses, but are now growing and internationalising. These overseas earnings should help cushion the Fund against some of the Brexit-related domestic upheaval.

For example, we took part in **Trainline's** initial public offering. It is a market-leading online platform business specialising in rail and coach travel. The company has invested well, giving it a dominant position in the sector. It also has an impressive CEO and many avenues for growth. Importantly, Trainline is replicating its successful UK model in Europe. This could be an important driver of future returns.

We also bought **Games Workshop**, the maker of the Warhammer board-game. The group continues to expand, with 27% of sales generated online. This has lifted margins and revenues. The future also looks promising. We believe the US market should grow quickly, while the company has a toehold in the Far East. New initiatives – from film production to online gaming – will also propel returns.

A final name to highlight is **Future**, the global specialist media platform. The company continues to prosper, thanks to the scalability of its business and diversification of its brands. These qualities resulted in it reporting strong results in June.

Final thoughts

The market outlook is uncertain, with a number of factors yet to play out. These include the daily saga of Brexit, the US-China trade war and worries about global economic growth. However, while these may grab the headlines, we do not let these macro influences impact our stock-specific investment approach. Overall, we believe quality and balance sheet strength will become increasingly important during a volatile close to 2019. We therefore think the Fund is well placed to weather any market upheaval and deliver robust long-term returns.

United Kingdom (UK): Aberdeen Standard Fund Managers Limited, registered in England and Wales (740118) at Bow Bells House, 1 Bread Street, London, EC4M 9HH. Authorised and regulated by the Financial Conduct Authority in the UK.

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