

Not for Retail distribution: this document is intended exclusively for Professional, Institutional, Qualified or Wholesale Investors / Clients, as defined by applicable local laws and regulation. Circulation must be restricted accordingly

# UK Mid Cap strategy

## Economic data continued to show improvement

- UK equities continued to move higher
- The FTSE 250 Index rose above 22,000 points for the first time in its history
- Growth stocks were once again in favour in April

**Chris St John**

**Portfolio Manager, UK Mid Cap Strategy**

### What's happening?

The continuing roll-out of COVID-19 vaccines, declining death and hospitalisation rates, and growing expectations of a strong economic recovery drove UK equities higher in April.

The FTSE 100 Index broke through 7,000 points mid-month, for the first time since February 2020<sup>1</sup>, while the FTSE 250 Index rose above 22,000 points for the first time in its history. The latter index is more weighted towards domestic, mid-sized companies that are expected to benefit directly from an opening up of the UK economy later this year.

Economic data continued to show improvement. The UK economy shrank 1.6%<sup>2</sup> in the three months to February, which was better than expected. In February, GDP<sup>3</sup> grew by 0.4%<sup>2</sup> over the month. Retail sales soared by 5.4%<sup>2</sup> month on month in March, while February's increase was revised higher to 2.2%<sup>2</sup>. The unemployment rate fell to 4.9%<sup>2</sup> in the three months to February, which was better than market expectations of 5.1%<sup>2</sup> and marked the second successive monthly decline. Inflation picked up in March, with the consumer price index rising by 0.7%<sup>4</sup> year on year, up from a 0.4%<sup>4</sup> increase in February. Upward movements in petrol and clothing prices drove the rise in inflation. Meanwhile, UK house prices rose by 2.1%<sup>2</sup> – the fastest pace for over 17 years – in April. The extension of tax breaks by Chancellor Rishi Sunak was a key factor behind the upward move.

### Portfolio positioning and performance

The strategy performed positively in absolute terms and outperformed its comparative benchmark, the FTSE 250 ex IT Index. From a sector perspective, the strategy benefitted from being overweight the technology sector, with positive stock contributions from positions in Future (a specialist interest media company), Learning Technologies (a provider of

---

<sup>1</sup> Source: Bloomberg

<sup>2</sup> Source: [www.ons.gov.uk](http://www.ons.gov.uk)

<sup>3</sup> GDP: Gross Domestic Product

<sup>4</sup> Source: Reuters

e-learning services and technologies) and Bytes Technology (a leading provider of world-class IT solutions). Stock selection within the basic materials and health care sectors contributed negatively to relative performance.

Other positive stock contributions of note include Intermediate Capital Group (a global alternative asset manager), Grafton Group (a manufacturer and retailer of building supplies) and OSB Group (a specialist lender). Detractors on a relative basis included Synairgen and Bodycote, as well as not owning IMI.

We used share price volatility to add to core holdings and make reductions. We took a new holding in XP Power, who designs and manufactures products used to supply, regulate, and distribute electrical power. We also took a holding in Darktrace, as part of its IPO process. Darktrace provides an AI solution to detecting cyber-threats.

## Outlook

The style rotation from Growth to Value has been a recent headwind, given the strategy's long-term focus on well capitalised businesses that are growing/compounding their earnings and cashflows. The Strategy benefitted over the month as growth stocks were once again in favour.

Looking ahead, the path to economic growth, will be determined by the speed and success of the vaccines roll out on a global basis. Inevitably, the trajectory of economic growth, inflation, currency movements and the cost and availability of capital will prove unpredictable, at least on a short-term basis. In these times of volatile news and capital flow, we continue to focus on those companies that we believe can compound their earnings, are operating in end markets that are expanding and where balance sheet strength is supportive of that growth.

No assurance can be given that the UK Mid Cap Strategy will be successful. Investors can lose some or all of their capital invested. The UK Mid Cap strategy is subject to risks including; Equity; Smaller companies risk; Liquidity risk.

---

**Not for Retail distribution: This document is intended exclusively for Professional, Institutional, Qualified or Wholesale Clients / Investors only, as defined by applicable local laws and regulation. Circulation must be restricted accordingly.**

Past performance is not a guide to current or future performance, and any performance or return data displayed does not take into account commissions and costs incurred when issuing or redeeming units. The value of investments, and the income from them, can fall as well as rise and investors may not get back the amount originally invested. Exchange-rate fluctuations may also affect the value of their investment. Due to this and the initial charge that is usually made, an investment is not usually suitable as a short term holding.

This document is for informational purposes only and does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities. The strategies discussed in this document may not be available in your jurisdiction.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient. This material does not contain sufficient information to support an investment decision.

Issued in the UK by AXA Investment Managers UK Limited, which is authorised and regulated by the Financial Conduct Authority in the UK. Registered in England and Wales No: 01431068. Registered Office: 7 Newgate Street, London EC1A 7NX. In other jurisdictions, this document is issued by AXA Investment Managers SA's affiliates in those countries.

In Hong Kong, this document is issued by AXA Investment Managers Asia Limited (SFC License No. AAP809), which is authorized and regulated by Securities and Futures Commission. This document is to be used only by persons defined as "professional investor" under Part 1 of Schedule 1 to the Securities and Futures Ordinance (SFO) and other regulations, rules, guidelines or circulars which reference "professional investor" as defined under Part 1 of Schedule 1 to the SFO. This document must not be relied upon by retail investors. Circulation must be restricted accordingly.

In Singapore, this document is issued by AXA Investment Managers Asia (Singapore) Ltd. (Registration No. 199001714W) and is intended for the use of Institutional Investors only as defined in Section 4A of the Securities and Futures Act (Cap. 289) and must not be relied upon by retail investors. Circulation must be restricted accordingly

For Japanese clients: AXA Investment Managers Japan Ltd., whose registered office and principal place of business is at NBF Platinum Tower 14F 1-17-3 Shirokane, Minato-ku, Tokyo 108-0072, Japan, which is registered with the Financial Services Agency of Japan under the number KANTOZAIMUKYOKUCHO (KINSHO) 16, and is a member of Japan Securities Dealers Association, Type II Financial Instrument Firms Association, Investment Trust Association of Japan and Japan Investment Advisors Association to carry out the regulated activity of Financial Instrument Business under the Financial Instrument Exchange Law of Japan. In Japan, none of the funds mentioned in this document are registered under the Financial Instrument Exchange Law of Japan or Act on Investment Trusts and Investment Corporations. This document is purely for the information purpose for use by Qualified Institutional Investors defined by the Financial Instrument Exchange Law of Japan.

In Taiwan, this document is issued by AXA Investment Managers Asia Limited (SFC License No. AAP809), which is authorized and regulated by Securities and Futures Commission. This document and the information contained herein are intended for the use of professional or institutional investors and should not be relied upon by retail investors. They have been prepared and issued for private informational and educational purposes only at the sole request of the specified recipients, and not intended for general circulation. They are strictly confidential, and must not be reproduced, circulated, distributed, redistributed or otherwise used, in whole or in part, in any way without the prior written consent of AXA IM Asia. They are not intended for distribution to any persons or in any jurisdictions for which it is prohibited.

If any fund is highlighted in this communication (the "Fund"), its offering document or prospectus contains important information on selling restrictions and risk factors, you should read them carefully before entering into any transaction. It is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction. AXA IM Asia does not intend to offer any Fund in any country where such offering is prohibited.

The offer, distribution, sale or re-sale of fund units/shares in Taiwan requires approval from and/or registration with Taiwanese regulatory authorities. To the extent that any units/shares of the Funds are not so licensed or registered, such units/shares are made available in Taiwan on a private placement basis only to banks, bills houses, trust enterprises, financial holding companies and other qualified entities or institutions (collectively, "Qualified Institutions") and other entities and individuals meeting specific criteria ("Other Qualified Investors") pursuant to the private placement provisions of the Rules Governing Offshore Funds. No other offer or sale of such units/shares in Taiwan is permitted. Taiwanese purchasers of such units/shares may not sell or otherwise dispose of their holdings except by redemption, transfer to a Qualified Institution or Other Qualified Investor, transfer by operation of law or other means approved by the Taiwan Financial Supervisory Commission.

For Malaysian investors: As the recognition by the Malaysian Securities Commission pursuant to Section 212 of the Malaysian Capital Markets and Services Act 2007 has not been / will not be obtained nor will this document be lodged or registered with the Malaysian Securities Commission, the shares referred to

hereunder (if any) are not being and will not be deemed to be issued, made available, offered for subscription or purchase in Malaysia and neither this document nor any other document or other material in connection therewith should be distributed, caused to be distributed or circulated in Malaysia.

For Thailand investors: Nothing in this document shall constitute in any manner whatsoever a proposal to make available, offer for subscription or purchase or to issue an invitation to purchase or subscribe for any securities in Thailand or a proposal to implement any of the foregoing in Thailand nor has this document been approved by or registered with the Securities and Exchange Commission of Thailand ("SEC"). No person receiving a copy of this document may treat the same as constituting an invitation or offer to him in Thailand and such person shall not distribute or make available this document in Thailand. The issuer of this document shall not be liable in any manner whatsoever in the event this document is distributed or made available to any person in Thailand receiving a copy of this document. Since no application for approval has been or will be made to the SEC for the offering of the securities, or for the registration of this document, the securities shall not be offered for subscription or purchased or made available, whether directly or indirectly, in Thailand. It is the sole responsibility of recipients wishing to take any action upon this document to satisfy themselves as to the full observance of the laws of Thailand, to comply with all relevant government and regulatory approvals, and to comply with all applicable laws, including but not limited to exchange control laws.