

SHINING A LIGHT ON..... IP EUROPEAN SMALLER COMPANIES FUND

Update....

The Invesco European Smaller Companies Fund is one that has recently come across our screening. The fund was set up in 1984 and has been managed by Adrian Bignell since January 2004. The fund is over 70% skewed to small and micro companies with the balance in mid cap. Performance wise the fund has delivered consistent long term returns and certainly should be considered by investors looking at the options within Europe.

We started by talking about the challenges within Europe. With BREXIT Adrian explained that the UK is the 2nd biggest economy in Europe which means some countries like Ireland have significant exposure to the UK. He doesn't believe the UK will leave Europe and apart from the volatility it will be a non-event. He is currently adding stocks with UK exposure.

Turning to the ECB much of the stimulus has been focused on larger companies and only now is it starting to filter down to small and mid-cap companies which he believes will be a big benefit. What he added is that when looking at the markets it shouldn't be confused with what is happening in the small cap world where he believes there are plenty of opportunities. The fund is being hit by volatility but it is also opening opportunities and Adrian has been building a cash position to exploit this.

The fund has a growth skew with about 60% of the fund in growth companies. As an example, one of the largest holdings is Ocean Yield which is paying a 10% dividend (growing year on year). The company buy and build ships which they then lease out over a ten-year period. The company is uber conservative and there is a known income. The CEO is invested in the company and this is type of company they like.

Other companies include Leonteq which are a structured product provider and has recently signed contracts with Standard Chartered and JP Morgan. Avanza is the Hargreaves Lansdown of Sweden and Zooplus is a growing online pet supplier. In all the examples Adrian was highlighting this is not your standard European fund and will have different holdings to many of the options out there.

His integrity came out in the discussions which is rare to see as he explained that 2008/09 was a difficult time when everything seemed bad. What he learnt from that was when everything is bad it is a time to re-check your thinking, and if something is broken admit it and walk away but equally hold onto those that aren't and if possible add to the holding. It's about looking beyond the rubble and focusing on the long term.

In summary we liked the honesty of the manager and the performance has been strong. The bias to small cap may not appeal to all investors but in a low growth environment this may be the best place for investors to get growth moving forward. The different holdings we think make this interesting and we would recommend that potential investors consider this against other European smaller company funds to compare. It is worth adding that unlike some smaller cap funds this does have a considerable bias to his sector and this is where Adrian's area of specialism lies.

Fund performance

Performance from 1 January 2011 is to 30 April 2016:

	2011	2012	2013	2014	2015	2016
IP European Smaller Companies Fund	-21.89%	16.92%	38.02%	-2.97%	22.53%	-3.48%
iShares MSCI Europe ex-UK	-17.85%	14.00%	21.74%	-2.02%	1.99%	0.50%

Performance over 1 year, 3 years and 5 years.

	1 Year	3 Years	5 Years
IP European Smaller Companies Fund	1.99%	41.66%	33.94%
iShares MSCI Europe ex-UK	-6.76%	9.31%	5.60%

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.

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