



UK Smaller Companies: Finding Value in Growth

Dan Green CFA, Portfolio Manager & Research Analyst

April 2023

This is a marketing communication.

Prior to 1 October 2022, the FTF Martin Currie UK Smaller Companies Fund was named FTF Franklin UK Smaller Companies Fund.



COMMITTED TO UK EQUITIES

Large Cap



Ben Russon, CFA
Lead Portfolio Manager & Research Analyst
Experience: 23 years



Jo Rands, MCSI
Portfolio Manager & Research Analyst
Experience: 19 years



Will Bradwell, CFA
Portfolio Manager & Research Analyst
Experience: 11 years

Small/mid Cap



Richard Bullas
Lead Portfolio Manager & Research Analyst
Experience: 23 years



Dan Green, CFA
Lead Portfolio Manager & Research Analyst
Experience: 13 years



Marcus Tregoning, ACCA
Portfolio Manager & Research Analyst
Experience: 17 years



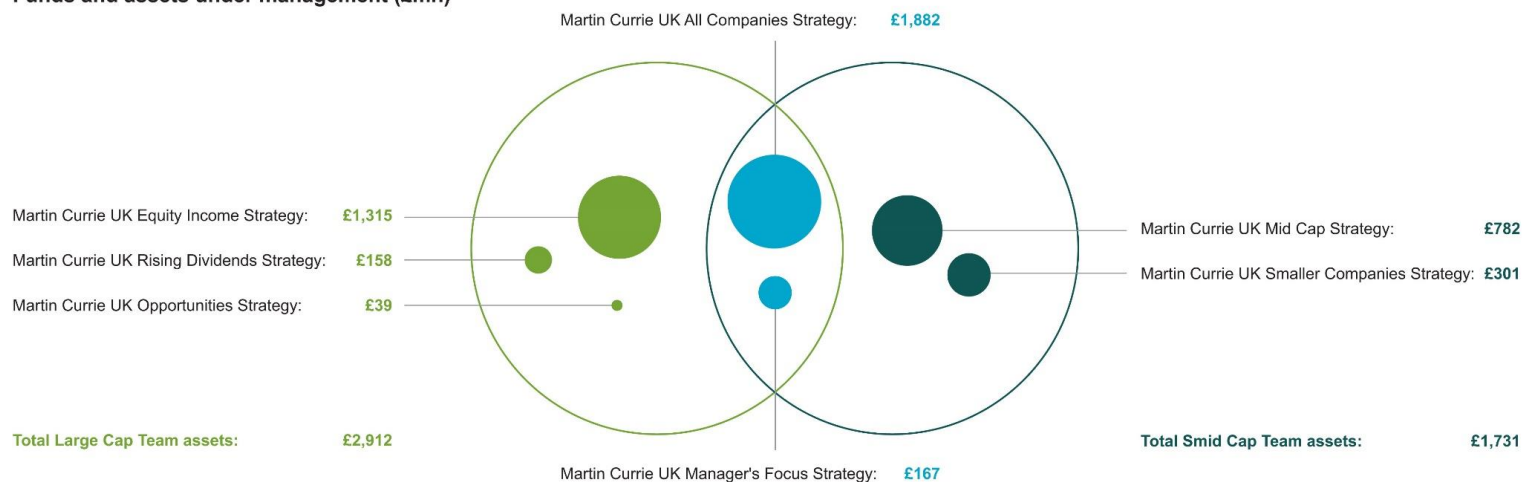
Courtney Westcarr, CFA
Research Analyst
Experience: 7 years

Stewardship & Sustainability



Anna Samuel
Research Analyst Trainee
Experience: <1 year

Funds and assets under management (£mn)



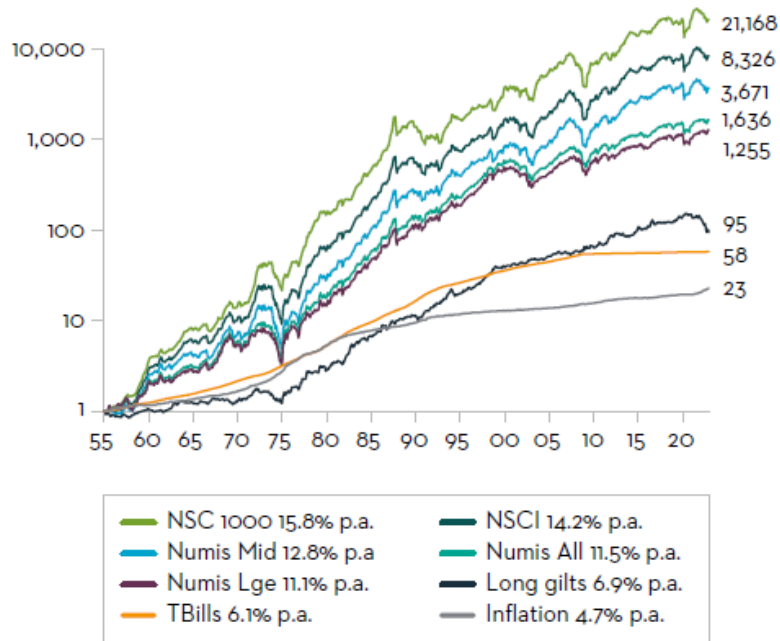
Source: Martin Currie and Franklin Templeton, as at 31 March 2023. CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.



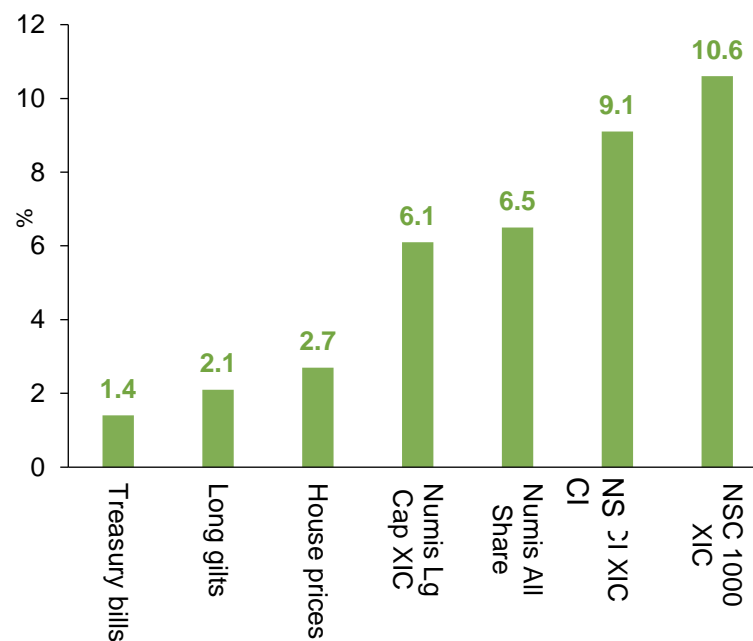
INVESTING FOR THE LONG RUN

RETURNS FOR UK ASSETS

Cumulative returns for equities and bonds: 1955 - 2022



Annualised real returns for UK assets: 1955 - 2022

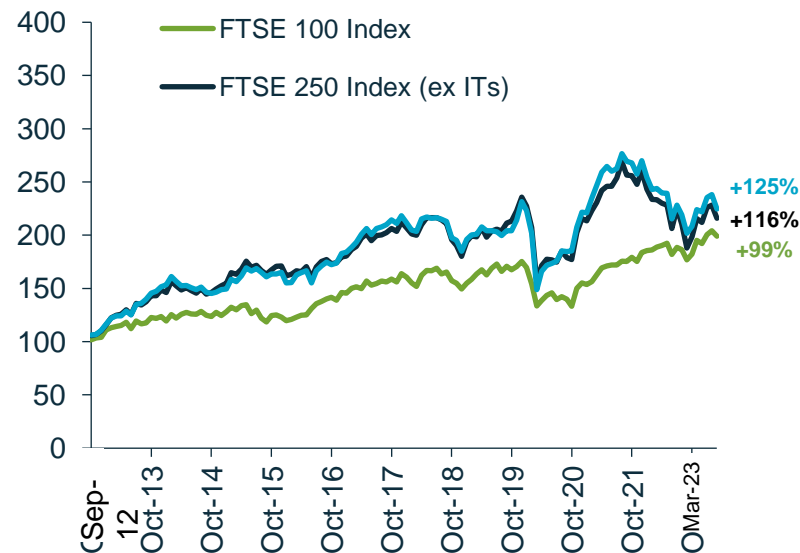
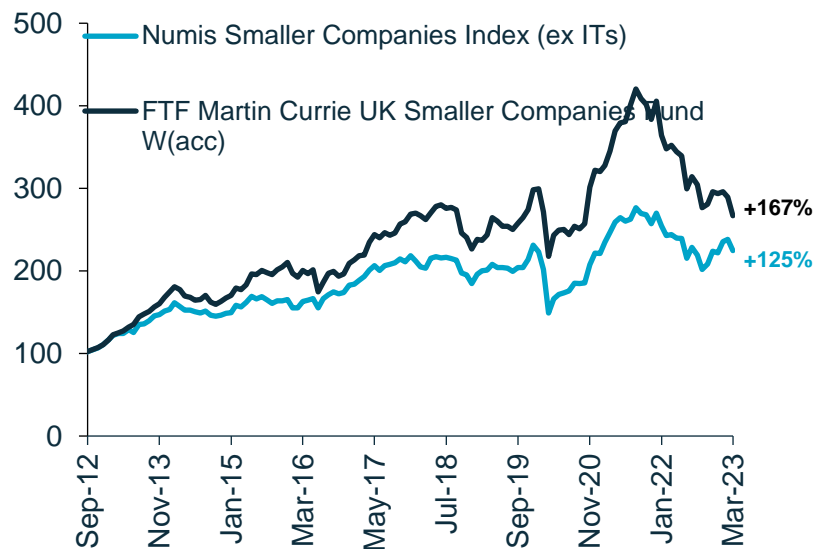


Past performance is not an indicator or a guarantee of future performance.

Source: The NSCI 2023 — Scott Evans and Paul Marsh as at 11 January 2023. For illustrative purposes only.



FUND AND MARKET PERFORMANCE SINCE RE-POSITIONING IN SEPTEMBER 2012



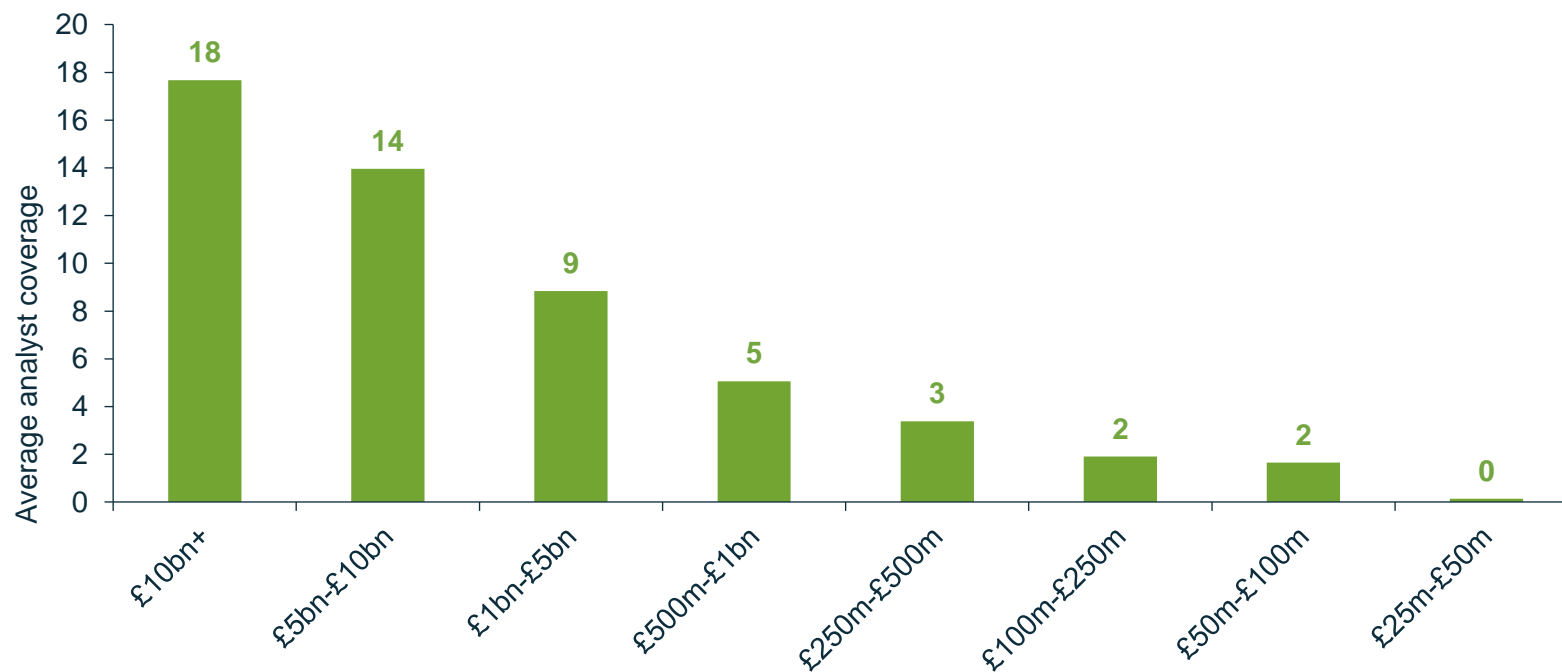
Past performance is not an indicator, nor a guarantee of future performance. The value of shares in the Fund and any income received from them can go down as well as up, and investors may not get back the full amount invested.

Source: Franklin Templeton, Morningstar and FTSE International Limited ("FTSE") as at 31 March 2023. Please refer to the "Important Information" slide for additional information. Performance details provided are in GBP, include reinvested dividends net of basic rate UK tax and are net of management fees. Sales charges and other commissions, other taxes and relevant costs to be paid by an investor are not included in the calculations. Performance may also be affected by currency fluctuations. Up to date performance figures can be found on our local website. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Richard Bullas has been managing the Fund since June 2012.



SMALL CAPS ARE UNDER RESEARCHED

AVERAGE ANALYST COVERAGE*



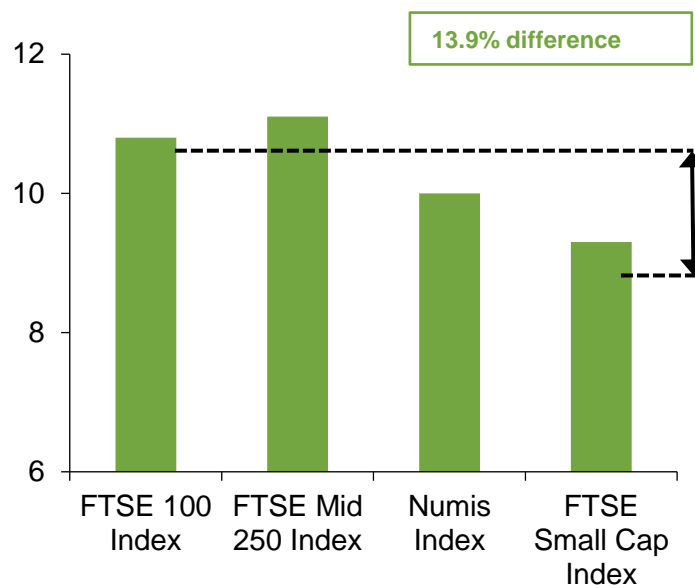
Source: Bloomberg as at 31 March 2023. *UK sell-side analysts for the UK equity market.



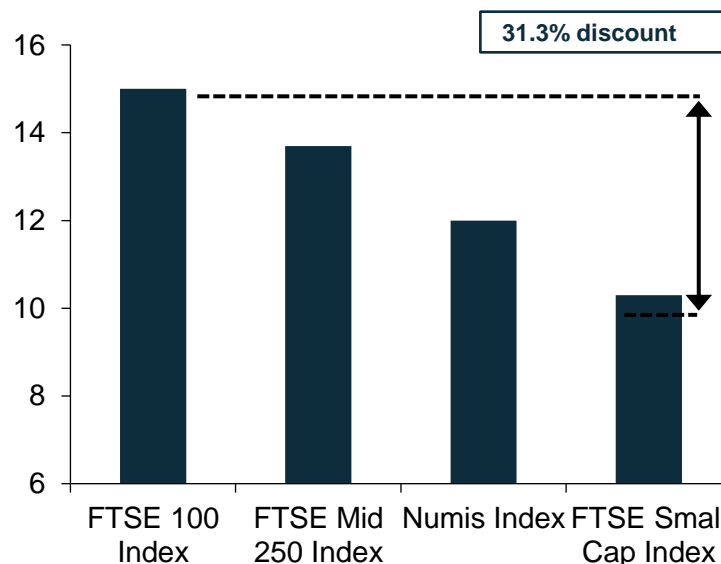
MARKET VALUATIONS

SMALL CAP UNDERVALUATION CREATES OPPORTUNITIES

12m Forward P/E
(ex. Loss-Makers)



12m Forward P/E
(ex. Resources & Financials)

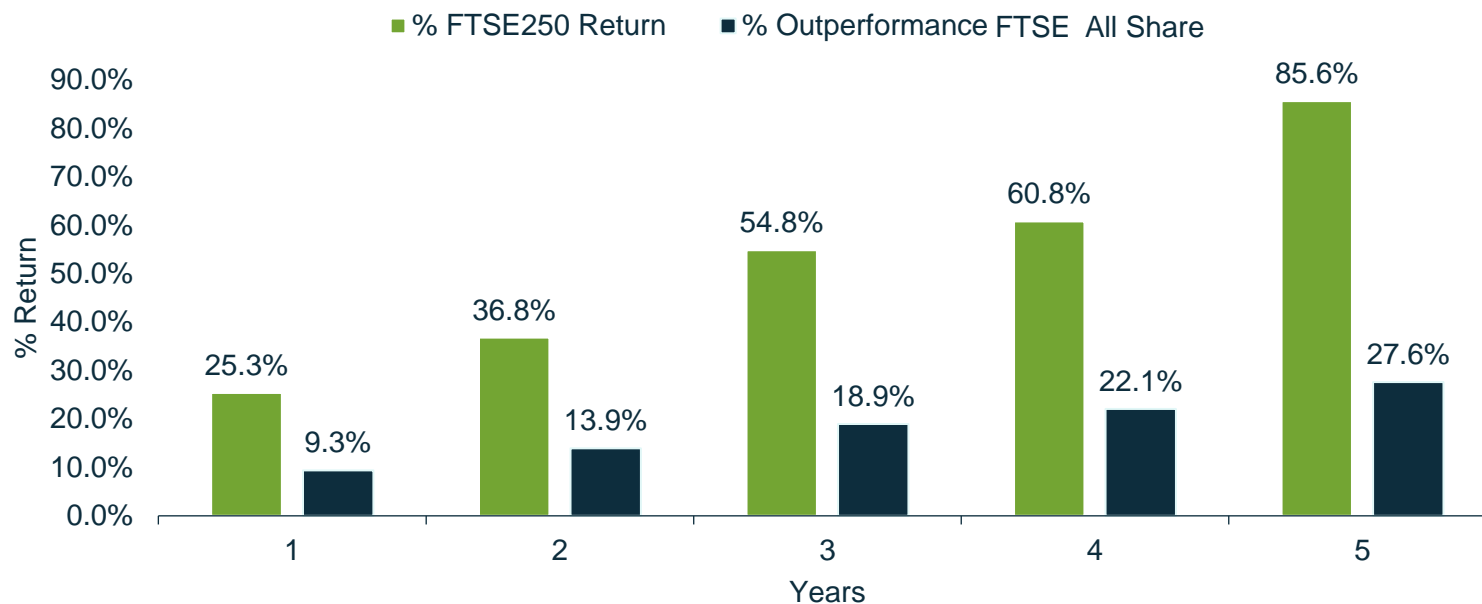


Past performance is not an indicator or a guarantee of future performance.

Source: Peel Hunt LLP as at 31 March 2023. FTSE International Limited ("FTSE") © FTSE 2023. References to indices are made for comparative purposes only and are provided to represent the investment environment existing during the time periods shown. An index is unmanaged and one cannot invest directly in an index. The performance of the index does not include the deduction of expenses and does not represent the performance of any Franklin Templeton fund.



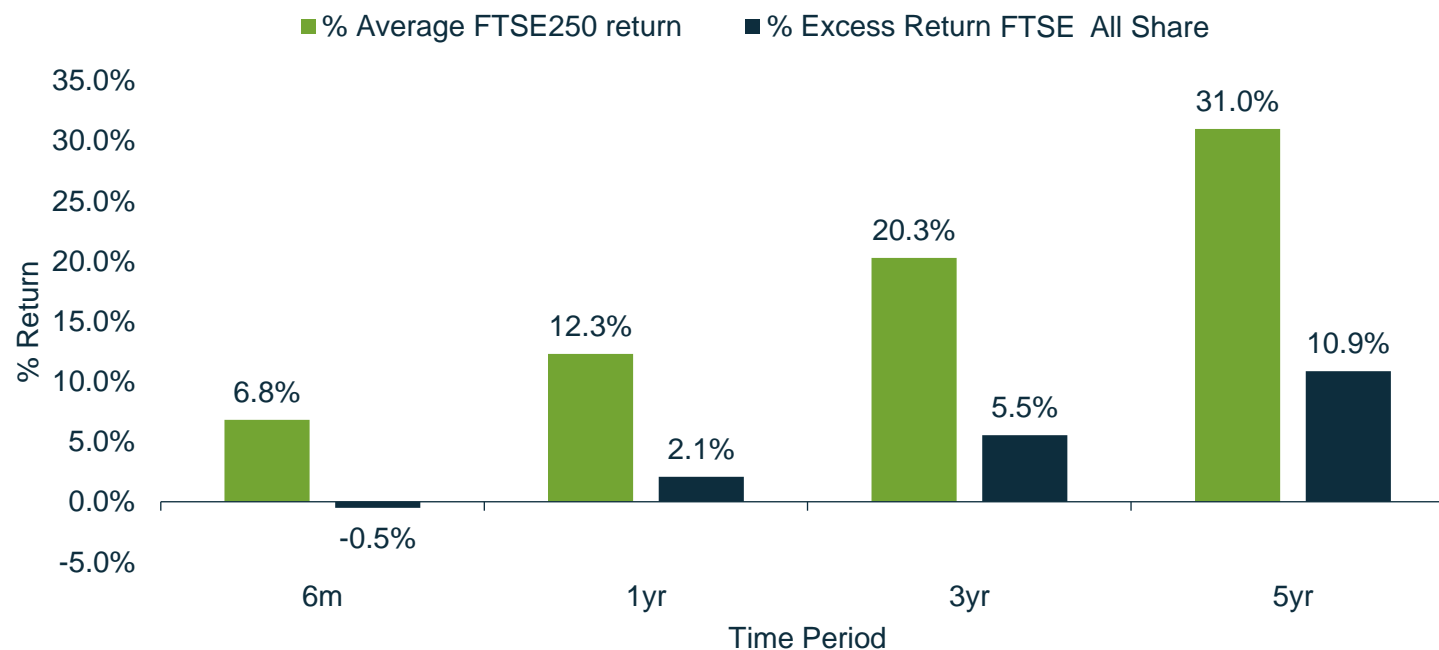
OUTPERFORMANCE OF FTSE 250 AFTER A YEAR OF NEGATIVE RETURNS



Source: Martin Currie and Bloomberg as at 31 December 2022. Time period: 1985 – 2022.



FTSE 250 OUTPERFORMANCE AFTER INTEREST RATES PEAK



Source: Martin Currie and Bloomberg as at 31 December 2022. Time period: 1985 – 2022.



FTF MARTIN CURRIE UK SMALLER COMPANIES

Portfolio Managers



Dan Green, CFA



Richard Bullas



Diverse Portfolio

Diversified positions across Growth, Value and Cyclical investments



Highly Selective

A high conviction, focused & long-term approach to small-cap investing



Disciplined Investment Process

Stringent risk & valuation driven investment approach



Core Small Cap Fund

£100m to £1bn mkt cap focus



INVESTMENT PROCESS



Bottom-up portfolio construction



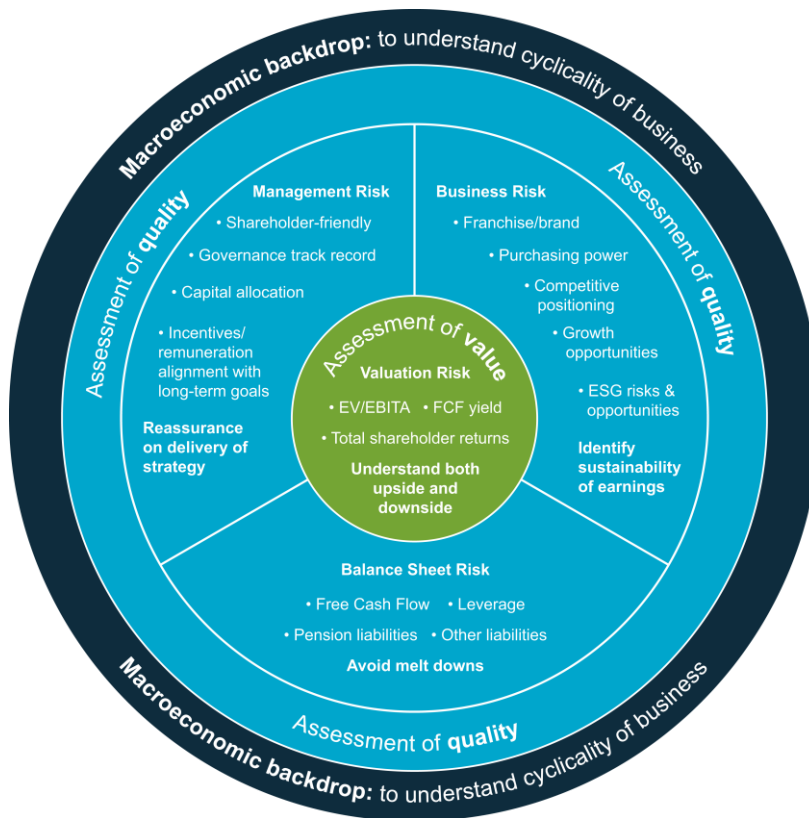
High conviction in quality businesses



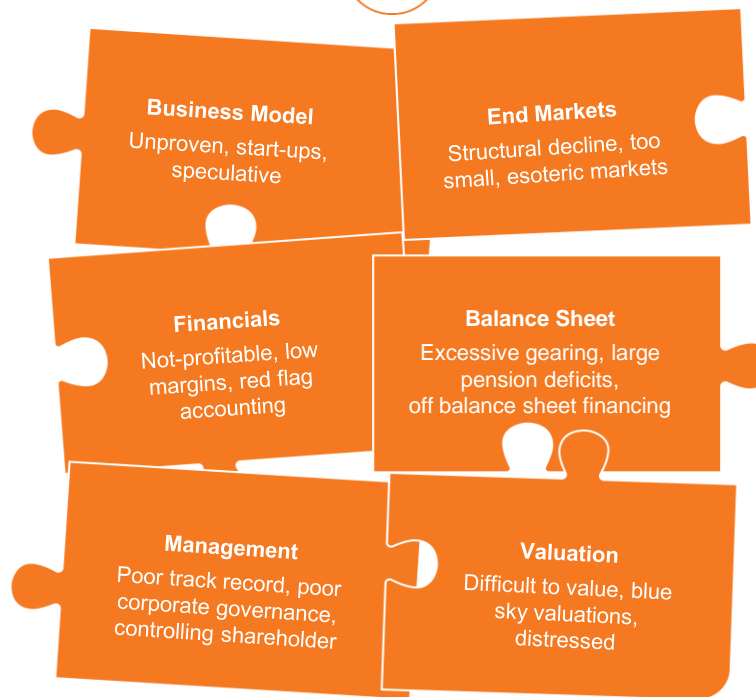
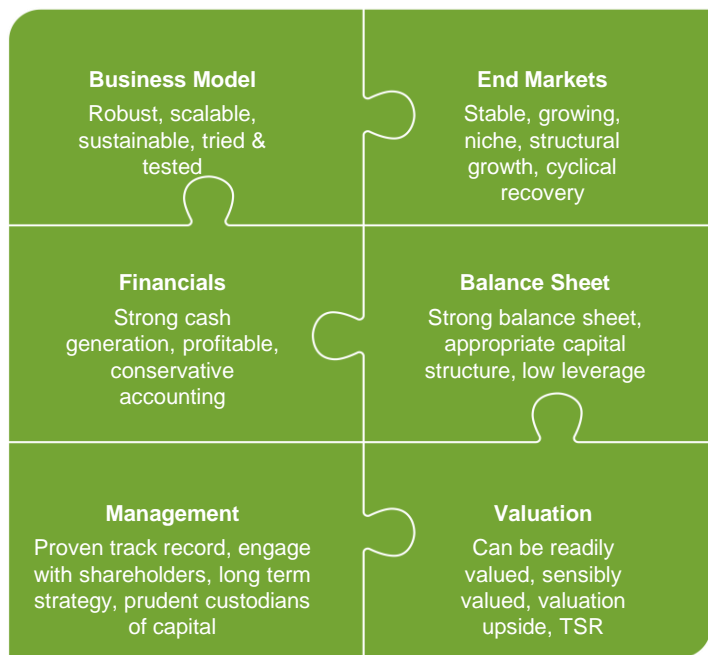
Disciplined approach to risk and valuation



No intentional style bias



FOCUSSED ASSESSMENT CRITERIA



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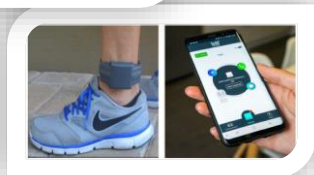
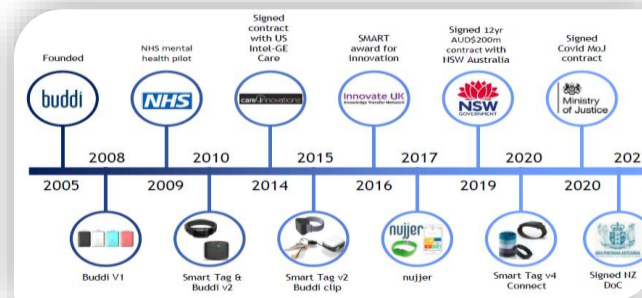


UK SMALL CAP STOCK EXAMPLE

Big Technologies PLC

Big Technologies is disrupting the electronic monitoring criminal justice market with the ambition to be the market leader; the company operates a highly visible SaaS-like leasing model.

- £650m market capitalisation
- 3.1% of the UK Smaller Companies Fund
- Bought at IPO in July 2021 at 200p per share
- Owner operator business – founder and CEO Sara Murray owns 25.2%



- Market leading product offering supported through patents creating tech-enabled competitive advantage
- Large total addressable market of over £1.2bn growing at 6% to 10% p.. to 2025
- High revenue visibility through long term contracts that can span up to 12 years in length
- Strong margins, capital light model generating very high ROCE
- £60m net cash position on balance sheet
- c. £200m of contracts expected to re-tender in the EU alone in the next 18 months

As at 31 March 2023.

For illustrative purposes only. This is not a complete analysis of every material fact regarding an industry, security or investment and should not be viewed as an investment recommendation. The actions taken with respect to this investment, and its performance, may not be representative of other advice or investments. Factual statements are taken from sources considered reliable, but have not been independently verified for completeness or accuracy by the fund's managers or its affiliates. These opinions may not be relied upon as investment advice or an offer for a particular security or as an indication of trading intent for any Franklin Templeton fund. Logos are trademarks of their respective owners and should not be deemed a sponsor of, or recommendation for, any Franklin Templeton product or service.



UK SMALL CAP STOCK EXAMPLE



Ebiquity is the world leader in media investment analysis and works with 70 of the world's 100 leading advertisers. Overlooked and unloved by investors the business is changing

- £70m market capitalisation
- 1.8% of the UK Smaller Companies Fund
- Bought in primary placing in March 2022 at 53p per share
- New management team with track record
- Overlooked – covered by just one analyst, size of business prevents some institutions



Ebiquity is able to provide **independent, unbiased advice and solutions** to brands because they have no commercial interest in any part of the media supply chain.



More than **500 media specialists** operate from their 19 offices worldwide covering **80% of the global advertising market.**



- World leader in niche area, excellent client relationships
- Opportunity to grow in to under-represented geographies of N. America and APAC
- Automation of processes through platform acquired improving margins
- Digital Solutions business is growing quickly at high margin
- Valuation doesn't reflect margin opportunity, trading on less than 7x EV/EBIT FY23
- Numbers conservatively set and opportunity to outperform

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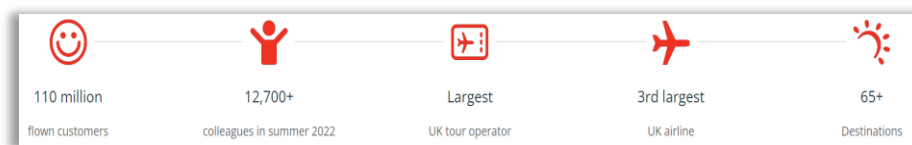


UK SMALL CAP STOCK EXAMPLE



Jet2 is the leading UK tour operator with an opportunity to continue to take market share due to strength of offering and competitor weakness. Customer centric approach differentiates the company resulting in brand equity and customer loyalty

- £2.8bn market capitalisation
- 3.8% of the FTF MC UK Smaller Companies Fund
- Bought in May 2020 at average price of 531p, had fallen from a high of 1943p in February 2020
- Been on the watchlist for many years prior to purchase
- Owner/operator business - founder and Chairman Phillip Meeson currently owns 18.3%



- Jet2 holidays launched in 2007 with a licence to carry 23,000 passengers, now grown to 5.9m
- In 2023, Jet2 became the UK’s largest tour operator by ATOL numbers with 24% market share vs. Tui with 22%
- Vertical integration, no retail footprint, strong balance sheet, and positive brand perception
- Experienced management team has strengthened competitive position during industry disruption.
- Capacity has left the market in recent years – competitors constrained by poor balance sheets
- Valuation fails to reflect opportunity for further market share gains and sector leading ROCE

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MARTIN CURRIE



PORTFOLIO CHARACTERISTICS



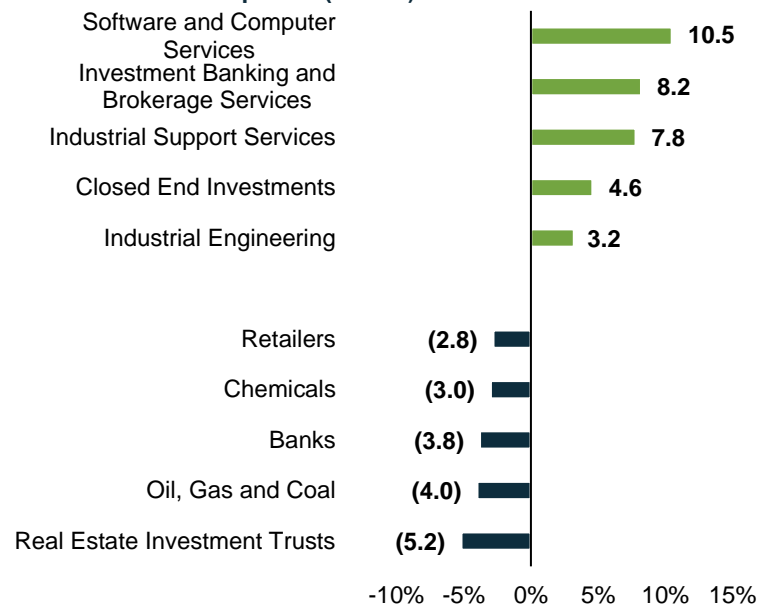
PORTFOLIO POSITIONING

FTF MARTIN CURRIE UK SMALLER COMPANIES FUND

Top 10 Holdings

Stock	Portfolio (%)
Alpha Group	5.4
Foresight Group	4.6
Gresham House	4.6
Big Technologies	4.0
Jet2	3.9
DiscoverIE Group	3.8
Polar Capital	3.5
Videndum	3.5
RWS Holdings	3.4
JTC	3.1

Key Sector Overweights/Underweights Relative to Numis Smaller Companies (ex-IT's) Index



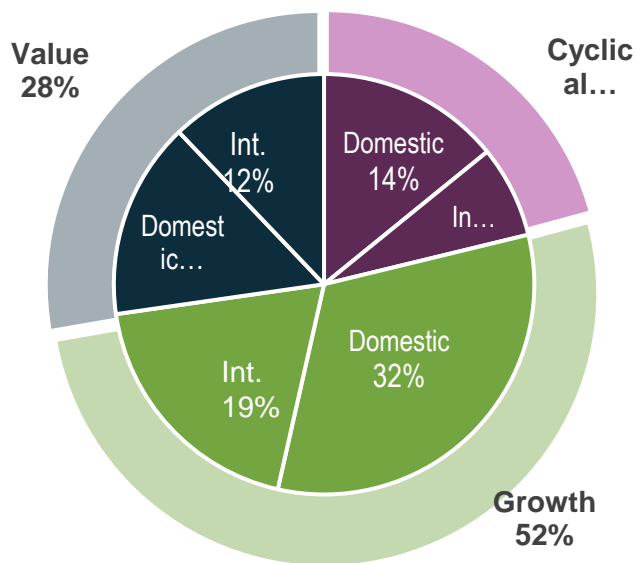
The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the securities discussed here were, or will prove to be, profitable.

Source: Franklin Templeton as at 31 March 2023. Data shown for FTF Martin Currie UK Smaller Companies Fund. Stock weightings as percent of total. Sector weightings as percent of equity. Percentage may not equal 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. The portfolio manager for the Fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in the top 10 holdings list. References to particular industries, sectors or companies are for general information and are not necessarily indicative of a fund's holding at any one time.

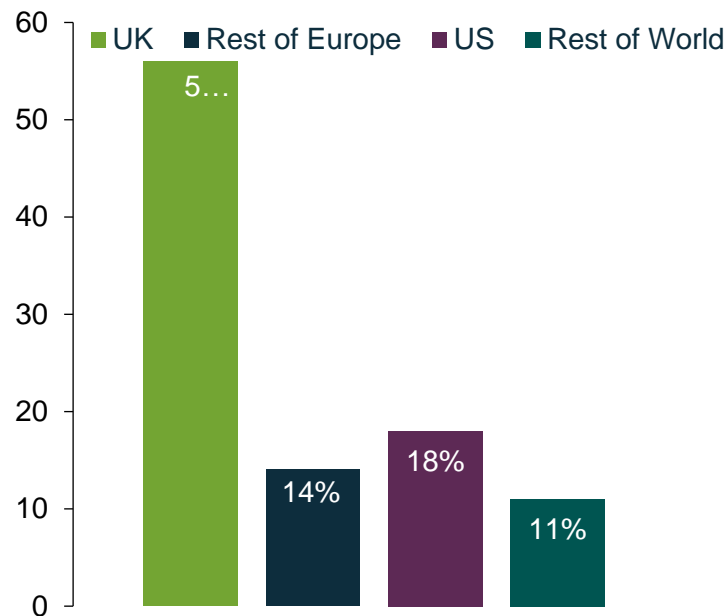


PORTFOLIO ANALYSIS

Earnings Breakdown by Style/Region



Earnings Breakdown by Region

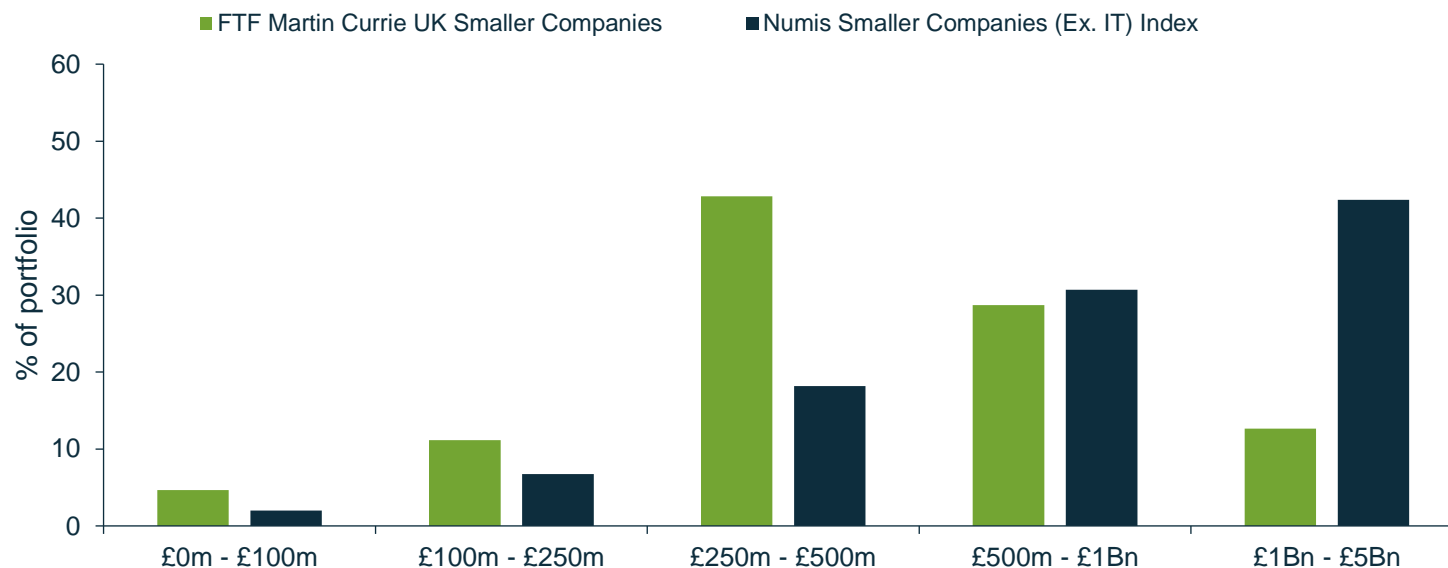


Source: Franklin Templeton as at 31 March 2023. Data shown for FTF Martin Currie UK Smaller Companies Fund. Stock weightings as percent of total. Sector weightings as percent of equity. Percentage may not equal 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. References to particular industries, sectors or companies are for general information and are not necessarily indicative of a fund's holding at any one time.



PORTFOLIO POSITIONING

Market cap weights (%)



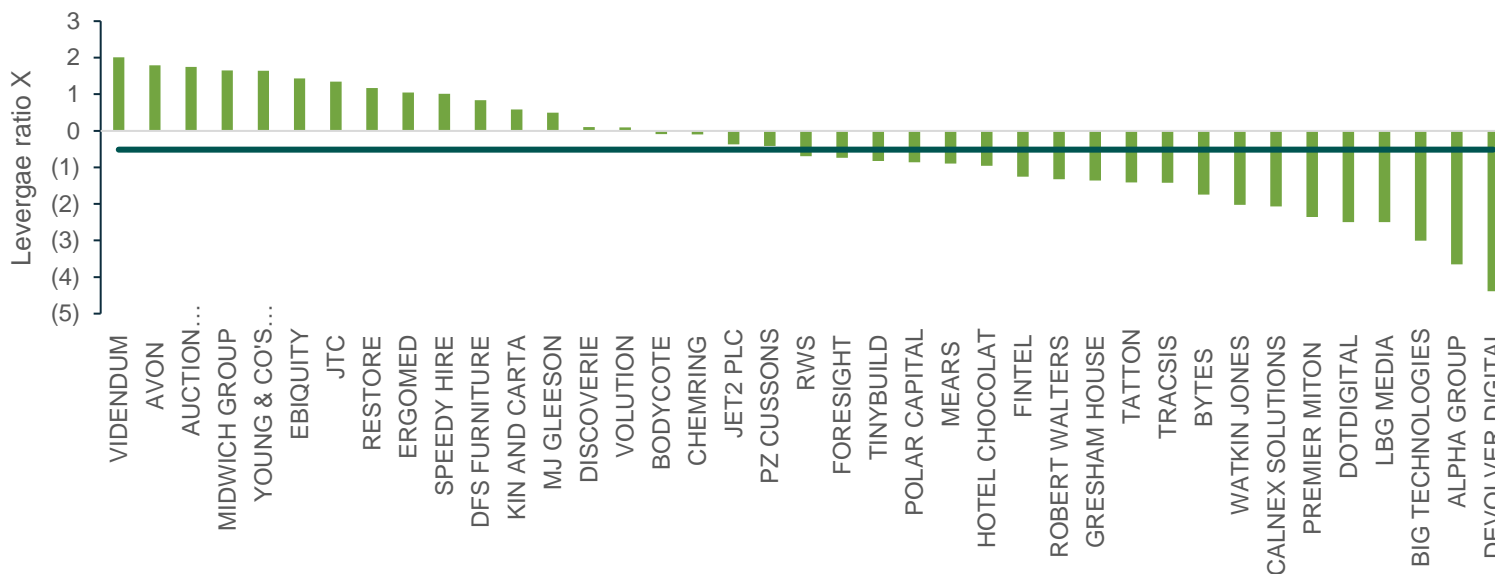
Source: Martin Currie as at 31 March 2023. Data calculated for a representative FTF Martin Currie UK Smaller Companies Fund. Numis Smaller Companies (Ex. IT) Index used as benchmark.



PORTFOLIO BALANCE SHEET STRENGTH

FTF MARTIN CURRIE UK SMALLER COMPANIES FUND

Portfolio net debt/EBITDA



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Source: Franklin Templeton, Bloomberg as at 31 March 2023.



Summary/Outlook

- Outperformance of Small and Mid caps (SMID) over the longer-term
- SMID offers exposure to more emerging and disruptive industries alongside greater weighting to the UK economy
- Acceleration of structural changes and sector winners improving their competitive position
- Strong corporate balance sheets
- Buoyant M&A activity supportive of UK public company valuations

- Cost inflation and supply chain disruption is a challenge
- Rising interest rate environment and fiscal policy changes into economic headwinds – elevated inflation and decelerating growth
- Stock specific company fundamentals remain key
- Fundamental bottom-up analysis, not positioning for unknowns
- Diversified positions across Growth, Undervalued and Cyclical investments



WHAT ARE THE KEY FUND RISKS?

FTF MARTIN CURRIE UK SMALLER COMPANIES FUND

The value of shares in the Fund and income received from it can go down as well as up and investors may not get back the full amount invested. Performance may also be affected by currency fluctuations. Currency fluctuations may affect the value of overseas investments. There is no guarantee that the Fund will meet its objective.

The Fund invests mainly in equity securities of smaller UK companies that are no larger than the largest company in the Numis Smaller Companies ex Investment Trusts Index. Such securities have historically been subject to price movements, sometimes to a greater extent than securities of larger UK companies, due to company-specific factors or movements in the UK equity markets generally. As a result, the performance of the Fund can fluctuate significantly over relatively short time periods.

Risks materially relevant not adequately captured by the indicator:

Concentration risk: the risk that arises when a fund invests in relatively few holdings, few sectors or a restricted geographic area. Performance may be more volatile than a fund with a greater number of securities.

Equity risk: prices of equities may be affected by factors such as economic, political, market, and issuer-specific changes. Such changes may adversely affect the value of the equities regardless of company-specific performance.

Investment in smaller company shares: The fund buys shares in smaller companies. It may be difficult to sell these shares, in which case the fund may not be able to minimise a loss on such shares.

Liquidity risk: the risk that arises when adverse market conditions affect the ability to sell assets when necessary. Such risk may be triggered by (but not limited to) unexpected events such as environmental disasters or pandemics. Reduced liquidity may have a negative impact on the price of the assets.

For full details of all of the risks applicable to this fund, please refer to the “Risk Factors” section of the fund in the current prospectus of Franklin Templeton Funds.

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- The Numis Smaller Companies ex- Investment Trusts Index is the Fund’s performance target and constrains the Fund’s investment universe. It reflects the performance of smaller companies.
- We may also compare the performance of the Fund to the Investment Association UK Smaller Companies sector average as it reflects the performance of the Fund’s competitors.



FTF MARTIN CURRIE UK SMALLER COMPANIES FUND

FTF Martin Currie UK Smaller Companies Fund

Discrete Annual Performance (%)

As at 31/03/2023

	2023 Mar/ 2022 Mar (%)	2022 Mar/ 2021 Mar (%)	2021 Mar/ 2020 Mar (%)	2020 Mar/ 2019 Mar (%)	2019 Mar/ 2018 Mar (%)
FTF Martin Currie UK Smaller Companies Fund W (Acc)	(24.2)	2.0	58.6	(10.8)	(7.0)
Numis Smaller Companies (ex. IT's) Index (Benchmark)	(7.9)	(1.1)	65.6	(25.9)	(1.2)
IA UK Smaller Companies	(17.0)	(3.8)	67.4	(18.2)	(2.6)

Past performance is not an indicator or a guarantee of future performance.

The value of shares in the Fund and income received from it can go down as well as up, and investors may not get back the full amount invested.

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MARTIN CURRIE

FTF MARTIN CURRIE UK SMALLER COMPANIES FUND

FTF Martin Currie UK Smaller Companies Fund

Cumulative Performance (%)

As at 31/03/2023

	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
FTF Martin Currie UK Smaller Companies Fund W (Acc)	(24.2)	22.7	1.9	113.7
Numis Smaller Companies (ex. IT's) Index (Benchmark)	(7.9)	50.8	10.4	80.7
IA UK Smaller Companies	(17.0)	33.7	6.5	100.4
Quartile Ranking	4	4	3	2



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FTF Martin Currie UK Smaller Companies Fund is 'Rated' by Rayner Spencer Mills Research Limited and 'Recommended' by The Adviser Centre as at 28 February 2023. Source: Franklin Templeton and Morningstar. © Morningstar, Inc. All rights reserved. Morningstar Analyst Rating™. Ratings should not be taken as a recommendation. For more detailed information about Morningstar Ratings, including its methodology, please go to [Compliance & Disclosures | Morningstar, Inc.](#) Performance details are in the fund's base currency, include the reinvested dividends net of basic rate UK tax and are net of management fees. Sales charges and other commissions, other taxes and relevant costs to be paid by an investor are not included in the calculations. Performance may also be affected by currency fluctuations. Up to date performance figures can be found on our local website. When performance for either the portfolio or its benchmark has been converted, different foreign exchange closing rates may be used between the portfolio and its benchmark. Fund performance data is based on the mid price of the Rensburg UK Smaller Companies Trust from its launch on 01/07/1991 to 30/09/11 and the net asset value of the Franklin UK Smaller Companies Fund's A (inc) shares thereafter. **The W (acc) share class launched on 31.05.2012. Performance data prior to that date is for the A (inc) GBP share class launched on 01.07.1991 which has higher annual charges. Prior to 7 August 2021, the Fund was known as Franklin UK Smaller Companies Fund and prior to 1 October 2022, the Fund was known as FTF Franklin UK Smaller Companies Fund.**

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Subscriptions to shares of the Fund can only be made on the basis of the current prospectus, the supplementary information document ("SID"), the relevant Key Investor Information Document ("KIID"), accompanied by the latest available audited annual report and the latest semi-annual report if published thereafter, which can be found on our website (www.franklintempleton.co.uk) or from the address below. US Persons (as more fully defined in the latest Fund prospectus) are not eligible to invest in the Fund. Shares of the Fund are available for sale and distribution in the UK.

An investment in the Fund entails risks which are described in the Fund's prospectus and the relevant KIID. **The value of shares in the Fund and any income received from them can go down as well as up, and investors may not get back the full amount invested. Past performance is not an indicator, not a guarantee, of future performance.** Where a fund invests in a specific sector or geographical area, the returns may be more volatile than a more diversified fund.

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