

Pure UK exposure

When investing in a specific geography, investors need their exposure to be driven by activity in that country. Traditional indices can inadvertently expose investors to unintended geographies. This affects performance and risk, particularly with mid- and small-caps.

Refining core UK exposure

The traditional UK mid- and small-cap index, the FTSE 250, exposes investors to a high degree of non-UK holdings:

- **Investment Trusts** account for 24% of the index.¹
- Many investment trusts invest in **highly uncorrelated assets** in emerging markets or the Asia-Pacific region.
- This unknowingly exposes investors to potential **additional elements of risk**.

To avoid this, investors looking for pure UK mid- and small-cap exposure can consider allocating to a product which tracks an index excluding investment trusts – such as the **Solactive UK Mid and Small Cap ex Investment Trust index**. ■



Finding a cleaner alternative

Most UK mid- and small-cap products offer exposure to the FTSE 250, given this is the traditional index used to gain access to this area of investment. But there is an alternative. The **Solactive UK Mid and Small Cap ex Investment Trust** index eliminates all investment trusts from the index, thus offering a pure UK-based holding with a higher percentage of UK based revenues, as compared to the FTSE 250 and avoiding unintended ex-UK exposures.

Investors can access this index through an ETF.

- An ETF is a simple, low cost way of getting exposure to a specific market.
- As ESG gains ground among investors, they can rest assured the ETF will explicitly not invest in companies involved in controversial weapons.
- The Solactive UK mid and small cap index ex investment trusts is run by an experienced, regulated and robust index provider.

As the short-term outlook for the UK, and many other countries, remains uncertain, gaining exposure through a low-cost structure, such as an ETF, is practical and efficient and offers diversified exposure even when investing small amounts of capital. ■

Investing in the Amundi Prime UK Mid- and Small-Cap UCITS ETF

- With an ongoing charge of just 0.05% the fund can be used by investors as a building block in an ultra-low cost portfolio.
- The fund offers simple, efficient exposure to the performance of UK companies without unintended exposure.
- The fund is easy to trade on the London Stock Exchange.
- The fund is physically replicated meaning it follows the index performance as simply as possible.
- The fund is UCITS-compliant and incorporates a controversial weapons screen. ■

Fund Facts

Fund Name : Amundi Prime UK Mid and Small Cap UCITS ETF

Benchmark : Solactive United Kingdom Mid & Small Cap ex Investment Trust Index

Bloomberg ticker : PRUK LN

ISIN : LU218238152

OGC : 0.05%

Responding to investor demand

Exposure to the UK equity market accounts for a core part of investment portfolios for UK investors who have called for purer exposure to this market. Funds providing access to the mid- and small-cap market are often considered to be more representative of the country's performance compared to their large-cap counterparts. Some investors feel this sector is a more accurate reflection of profits generated within the UK borders. The Solactive UK Mid and Small Cap ex Investment Trust index currently includes exposures such as Greggs, Marks & Spencer and Trainline.

Uncertainty is rife, however following market challenges, smaller companies with an entrepreneurial spirit tend to thrive following a crisis. Though the coronavirus outbreak may have caused increased volatility and ambiguity in the short term, continued investment is likely to produce more encouraging results over the long term. Exposure to the UK economy remains a key building block within the many portfolios. If investors are to benefit from any future economic recovery in the UK, they must allocate to an index which provides direct exposure to UK mid- and small-cap businesses and avoids unintended geographical exposures. ■

To find out more about the The Amundi Prime UK Mid and Small Cap ETF visit amundiETF.com or email us at info-etf@amundi.com

Key risks of investing in ETFs

- When buying an ETF, investors are exposing themselves to the risk associated with the markets to which the ETF is exposed. In this case, the UK mid and small cap market.
- The price and value of investments are linked to the liquidity risk of the index components, the value of the investment can go down as well as up.
- Investors also run the risk of losing their invested capital or not getting back the original amount they invested.
- The fund's investment objective may only be partially achieved.
- Investment in the Amundi Prime UK Mid and Small Cap ETF is also exposed to the risk associated with the volatility of the securities which make up the underlying Solactive index. ■

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