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# It is too early to back this Alpha Manager-led UK small-cap fund, say fund pickers

**17 August 2026**

The FTSE 250 is hitting record highs and mid-caps are attracting bids, but micro-caps have yet to see the money follow.

By Matteo Anelli
Deputy editor, Trustnet

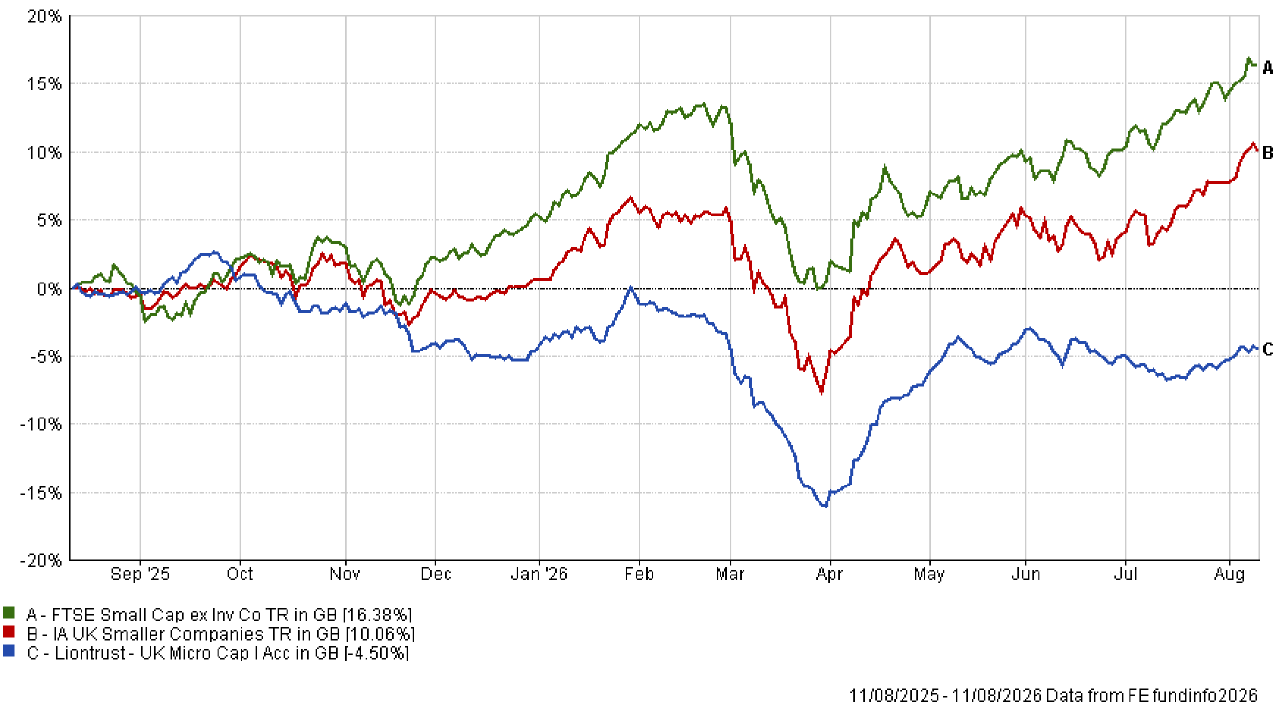
The FTSE 250 has hit record highs this month, with experts attributing the rise to a wave of takeover bids, selective institutional buying and the index' exposure to in-favour sectors such as aerospace and engineering.

While the mid-cap index is up 10.6% year to date, momentum has not reached small-and micro-caps yet, with the average IA UK Smaller Companies fund up 9.3% over the same period.

Liontrust UK Micro Cap, a £43.2m fund run by FE fundinfo Alpha Manager Anthony Cross, has performed even worse, returning 0.1% so far this year, ranking 43rd out of 45 funds in its sector. Over five years, it is down 16.8% and it has finished in the bottom two of its sector in six of the past 10 calendar years.

However, one expert said that when sentiment does turn, "it will move quickly". Is now the moment to buy or is it still too early? Below, Trustnet asks fund pickers for their verdict and where else to look instead.

**Performance of fund against index and sector over 1yr**




*Source: FE Analytics*

Not only have UK smaller companies been one of the worst places to be in recent years (and micro-caps even more so), the Liontrust Economic Advantage team's quality style, which only invests in profitable businesses with a genuine competitive advantage rather than "jam tomorrow" growth stories, has also been out of favour, according to Juliet Schooling Latter, research director at FundCalibre.

This has been a "double whammy for a fund with an otherwise excellent long-term process", she said.

But valuations are the reason Schooling Latter is not walking away. UK small and micro-caps have seen some of the most extreme valuation compression anywhere in the UK since late 2021, she noted, and there are early signs of both a return to quality and a pickup in takeover interest.

"One quarter doesn't make a trend, and it's too early to call this a definitive turning point," she said. "But for patient, long-term investors, this looks like a genuinely compelling entry point into a well-run, disciplined fund at valuations rarely seen before."

Of the opposite view was Wilf Blake, investment manager at RC Brown, who is still focused on the FTSE 250 rather than looking further down the market-cap scale.

"There's much more attraction in pockets of mid-cap UK, where you can feel there is momentum building behind the market," he said.

"I don't think we're ready yet to see that go down to small and micro. I'm not saying there aren't huge opportunities there, but you'd have to be very patient."

While Liontrust UK Micro Cap wasn't a buy for him just yet, when sentiment does turn, "it will move quickly", he said. The catalyst he is watching for is government policy. "I think it's coming, and if it does come, I'll change my view very quickly".

On top of this, sellers have become scarce further up the market, he said. Every attempt by the market to weaken has instead been met with mid-cap strength, a sign he thinks precedes the same dynamic eventually reaching smaller companies.

At the same time, advisers tend to gravitate toward funds with strong recent performance, which channels money toward established, well-known names such as JOHCM and Artemis, he said, rather than smaller, less-followed strategies further down the cap scale.

For anyone already holding Liontrust UK Micro Cap, Blake said he would not sell out of the position now. For those dipping their toes into the market however, he preferred JOHCM UK Growth, a multi-cap fund with a bias to mid- and small-cap. Alpha Manager Mark Costar has "a stunning track record".

Blake said: "I doubt there are many better UK teams in the country in terms of experience and knowledge".

Not owning any Liontrust funds is a deliberate decision for Ben Yearsley, director at Fairview Investing, who was put off by the business itself.

"There are too many funds and teams, and [the business is] always on the lookout for more deals. It simply puts me off," he said.

He was constructive on UK smaller companies in general as "sentiment is improving". "UK small-caps have been flirting with the upper end of the performance tables several times in 2026," said Yearsley.

However, he cautioned it is not yet clear whether that is a genuine turn or a dead cat bounce, noting inflows into the sector remain thin.

Artemis UK Smaller Companies was his own pick instead, which he described as a quality core small cap fund, which however he owns "slightly more in hope than expectation."