

## SHINING A LIGHT ON..... SLI UK EQUITY INCOME UNCONSTRAINED FUND

### Update....

We only reviewed this fund towards the tail end of 2014 so not much has changed.

This is a well-managed fund with a strong record in the UK Equity Income space. It is also different from many of the larger funds with its focus on the All Cap Space, currently around 60% of the fund is in small and mid-cap. So it is not about investing in the big names just because of who they are but searching out those companies that can continue to deliver and grow their dividend.

What is important about his approach is that if he doesn't believe in something he won't overweight it, he just won't hold it. This means investors get a conviction based approach to investing. He does hold large caps so BT is one of the largest holdings because he believes there remains a demand for their products and therefore there is value in the stock and there is the ability to pay the dividend and potentially grow this.

New holdings include Close Brothers who are seen as a Challenger Bank and Sage who have a new management team in place. Again it goes back to his philosophy which is that he doesn't want the fate of the fund wrapped up in areas which he doesn't know (so old style banks, oil, mining etc) but looks at each stock individually and identifies whether the company has the ability to grow its share price and grow their dividend.

The fund holds around 60 stocks and has very little overlap with other income funds it can therefore work alongside the larger funds, or it can act as a standalone fund.

If there is a risk to the fund it is size. Operating in the small and mid-cap space means that there is a point where the fund becomes too big. When we first met Tom the fund had about £100 million of assets, the fund now sits at £800 million. The point at which it breaks is around £1.75 billion so the fund has some way to go but it is something to watch.

Clearly Tom and SLI will want to protect the franchise and they will look to stem the flows before it gets to these levels.

So in conclusion it remains a well-managed fund with strong performance. Investing away from the core dividend payers means that the fund does carry more volatility however the trade-off is stronger returns. This may not appeal to all investors and they may decide to either blend with other income funds or not use.

# LWM Consultants Ltd

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## Fund performance

Performance over the last five years is shown below:

	2010	2011	2012	2013	2014	2015*
<b>SLI UK Equity Income Unconstrained Fund</b>	24.00%	-9.45%	24.16%	37.83%	7.13%	6.32%
<b>iShares UK Dividend ETF</b>	13.24%	-6.62%	17.46%	24.15%	6.54%	7.97%

### **\*1 January to 28 February 2015**

	1 year	3 Years	5 Years
<b>SLI UK Equity Income Unconstrained Fund</b>	7.99%	76.40%	121.44%
<b>iShares UK Dividend ETF</b>	11.79%	54.16%	80.54%

*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.*

*The source of information in this note has been provided by SLI and is correct as at March 2015. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well rise.*