

**SHINING A LIGHT ON THE.....
BlackRock Income Fund**

AT A GLANCE

Investment Objective	
The fund seeks to provide an above average and growing income without sacrificing the benefits of long-term capital growth by investing primarily in the shares of companies incorporated or listed in the UK. The Fund may also invest in collective investment schemes.	

Inception Date	16/03/1984
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR04RTV

Management	
Manager Name	Start Date
Adam Avigdori	16 November 2009
David Goldman	1 July 2015

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	47.82%
Large	20.08%
Medium	21.93%
Small	8.50%
Micro	1.66%

Top 10 Holdings		
Total number of holdings	42	
Assets in Top 10 Holdings	43.13	
Name	Sector	% of Assets
Royal Dutch Shell PLC B	Energy	7.04%
RELX PLC	Consumer Cyclical	5.43%
Lloyds Banking Group PLC	Financial Services	4.08%
Tesco PLC	Consumer Defensive	4.01%
Reckitt Benckiser Group PLC	Consumer Defensive	3.98%
Glaxo SmithKline PLC	Healthcare	3.97%
Unilever PLC	Consumer Defensive	3.83%
AstraZeneca PLC	Healthcare	3.62%
John Laing Group PLC	Industrials	3.59%
Prudential PLC	Financial Services	3.58%

Volatility Measurements	
3-Yr Std Dev (volatility)	9.86%
3-Yr Mean Return (average)	9.62%

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FUND PERFORMANCE

Performance from 1 January 2013 to 30 April 2019:

	2013	2014	2015	2016	2017	2018	2019
BlackRock Income Fund	16.28%	8.37%	10.34%	8.99%	10.67%	-10.17%	12.80%
Vanguard FTSE UK All Share Index	20.79%	1.41%	1.28%	16.58%	13.00%	-9.65%	12.83%
iShares UK Dividend ETF	24.15%	6.54%	0.95%	7.89%	6.96%	-14.12%	7.10%

Performance over 12 months, 3 years, 5 years and 10 years

	1 year	3 years	5 years	10 years
BlackRock Income Fund	2.08%	25.75%	43.79%	162.02%
Vanguard FTSE UK All Share Index	2.95%	33.41%	35.97%	-
iShares UK Dividend ETF	-8.10%	5.38%	10.77%	117.21%

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.

UPDATE....

The fund is managed by Adam Avigdori and David Goldman. Adam has been on the team since 2009, and the fund was restructured in 2013. The key driver behind the changes to the fund left in 2017. Over five years the fund has outperformed the All Share and UK Dividend Index, but over three years it has lagged the All Share Index.

Since inception the fund has delivered a rising dividend yield, however they do expect to cut this at some point. They explained that they are more interested in companies that can sustain the yield rather than being wedded to any figure.

The fund across three buckets:

1. Growth companies – these are companies with long-term growth potential with strong barriers to entry. Examples would be Rentokil, Bodycote and Hiscox
2. Yield and Free Cash Flow – these are companies generating sustainable Free Cash Flow. Examples would be Unilever, John Laing, Relx, Ferguson, Lloyds and Whitbread
3. Turnarounds – these are unfashionable assets with significant recovery potential. Examples would be Tesco and Standard Chartered

The biggest bucket is Yield and Free Cash Flow with about 70%, with Turnarounds around 10%.

In the discussions we had they explained this is a high conviction fund with a low turnover. When we compared the top ten now with 2017 there was very little difference in the names. One concern we had was that they are exiting Barclays because they no longer believe in the story. However, they are still holding around 0.5% in the fund. Our view is that for a high conviction fund, if you don't believe

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in something you shouldn't hold it. They also sold out of Hargreaves Lansdown at £16 and the stock has since risen to £24. Another company they haven't fully exited out of is BP and it seems strange that they appear to have some stocks in the portfolio which they no longer like.

Managers will not always get things right, but the concern is that if you no longer like something then you should exit out.

In terms of turn around stories they like Standard Chartered as they believe it is based in the right part of the world and is well capitalised. In terms of Tesco's, at the height of its dominance it had 29% market share, this has dropped back to 27% and they expect it to settle at around 23%. The new chairman has the ability to turn the business around and they believe this is a good investment story.

They have also recently added Vodafone to the turnaround bucket. This is a small holding and they expect to build on this over time.

The main risks they see are a democrat win in the US and a Corbyn government. They don't believe a Corbyn government would do everything they have stated but in the short term there would be uncertainty within the markets.

In summary, since the fund was restructured it has delivered strong performance. However, the driver behind the change has left and although the fund has outperformed the income index it is behind the all share index. Performance needs to be monitored and there are concerns that holding onto stocks which they have lost conviction in takes away from the argument that this is a high conviction fund!

The source of information in this note has been provided by BlackRock and is correct as at April 2019. 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. We would also recommend that you receive advice before following up on any decision.