

**SHINING A LIGHT ON THE.....
Royal London UK Equity Income Fund**

AT A GLANCE

Investment Objective	
The investment objective and policy of the Fund is to achieve a combination of income and some capital growth by investing mainly in UK higher yielding and other equities, as well as convertible stocks. The Fund may hold transferable securities, (including Exchange Traded Funds which are closed ended funds, but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.	

Inception Date	11 April 1984
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR04NRX

Management	
Manager Name	Start Date
Martin Cholwill	1 st March 2005

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	29.32%
Large	12.89%
Medium	35.28%
Small	18.94%
Micro	3.57%

Top 10 Holdings		
Total number of holdings	49	
Assets in Top 10 Holdings	36.28%	
Name	Sector	% of Assets
Royal Dutch Shell PLC B	Energy	5.82%
AstraZeneca PLC	Healthcare	4.87%
GlaxoSmithKline PLC	Healthcare	4.56%
BP PLC	Energy	4.31%
HSBC Holdings PLC	Financial Services	3.55%
Land Securities Group PLC	Real Estate	3.21%
Rio Tinto PLC	Basic Materials	2.56%
BBA Aviation PLC	Industrials	2.53%
British American Tobacco PLC	Consumer Defensive	2.53%
BAE Systems PLC	Industrials	2.40%

Volatility Measurements	
3-Yr Std Dev (volatility)	9.47%
3-Yr Mean Return (average)	5.99%

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FUND PERFORMANCE

Performance from 1st January 2013 to 30 November 2019:

	2013	2014	2015	2016	2017	2018	2019
Royal London UK Equity Income Fund	34.61%	6.73%	5.27%	10.29%	12.09%	-10.25%	15.00%
FTSE All Share Index	20.81%	1.18%	0.98%	16.75%	13.10%	-9.47%	12.81%
iShares UK Dividend UCITS ETF	24.15%	6.54%	0.95%	7.89%	6.96%	-14.12%	9.17%

Performance over 12 months, 3 years, 5 years and since fund manager tenure:

	1 year	3 years	5 years	Since fund manager tenure
Royal London UK Equity Income Fund	7.14%	17.55%	38.58%	249.87%
FTSE All Share Index	6.79%	19.31%	37.89%	174.24%
iShares UK Dividend UCITS ETF	-1.33%	2.89%	14.48%	-

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....

We have reviewed this fund and the message remains unchanged. This is a well-managed fund and one of the best performing income strategies. Over the last five years it has really tracked the FTSE All Share Index, but it has significantly outperformed the iShares UK Dividend ETF, which invests in the higher yielding sub-set of the FTSE 350 Index.

The fund currently has 49 holdings and the focus is on those companies which can deliver a sustainable dividend over time, and where profits convert to cash which can then pay that dividend. There have been several companies which have cut dividends this year, including Royal Mail, M&S and Vodafone.

The fund aims to outperform the UK Income Sector by 2% a year, although we do feel the FTSE All Share is a better reflection of performance. Where they think they are different is because they look outside the standard income producing names, and so the fund does have a mid-cap slant. Avoiding the likes of Vodafone reflects a lot of what they are trying to do.

The fund has benefited from the likes of Greene King being taken over by a Chinese Company, and Dairy Crest being taken over by a Canadian Cheese Manufacturer. The aim is to manage risk and avoid getting more wrong than right. One holding they have come out of is Intu, where the interim results

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were poor, and they felt they would have to raise more capital and therefore reduce the returns to shareholders.

We discussed Hargreaves and they had sold down the holding at £23 as they felt the price was high, the yield low, and directors were selling their holdings. They have since gone back into the stock, paying £17/£18. They believe Hargreaves have handled the fallout from Woodford well, and any action against them will be limited.

In terms of macro, the UK remains depressed, but there could be a bounce if politics and Brexit are resolved. He believes there are good opportunities especially in a period where interest rates remain low and the currency is weak.

In summary, our assessment has not changed. If an investor is looking for an income strategy, then this might be one to consider. However, if this is being used as a defensive strategy then certainly over the last five years it hasn't outperformed the FTSE All Share Index by any significant margin.

The source of information in this note has been provided by Royal London and is correct as at November 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.