

**SHINING A LIGHT ON THE.....  
Franklin UK Equity Income Fund**

**AT A GLANCE**

<b>Investment Objective</b>	
The Fund's primary aim is to generate an income that is higher than that of the FTSE All-Share Index, together with investment growth over a three to five-year period after all fees and costs are deducted. The Fund invests at least two thirds (but typically significantly more) in the shares of companies listed on the London Stock Exchange. These companies are incorporated/domiciled in the UK or which have significant business operations in the UK.	

<b>Inception Date</b>	31 August 1987
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000N703">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000N703</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Colin Morton	17 October 2011
Ben Russon	2 September 2013
Mark Hall	2 September 2013

<b>Investment Style Details</b>	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	34.18%
Large	24.04%
Medium	30.64%
Small	10.24%
Micro	0.89%

<b>Top 10 Holdings</b>		
<b>Total number of holdings</b>	52	
<b>Assets in Top 10 Holdings</b>	31.92%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
AstraZeneca PLC	Healthcare	4.55%
GlaxoSmithKline PLC	Healthcare	4.30%
British American Tobacco PLC	Consumer Defensive	3.66%
Unilever PLC	Consumer Defensive	3.63%
Royal Dutch Shell PLC B	Energy	3.52%
BP PLC	Energy	3.47%
Rio Tinto PLC	Basic Materials	3.31%
RELX PLC	Communication Services	2.88%
Phoenix Group Holdings PLC	Financial Services	2.60%

<b>Volatility Measurements</b>	
<b>3-Yr Std Dev (volatility)</b>	15.69%
<b>3-Yr Mean Return (average)</b>	-3.10%

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## FUND PERFORMANCE

Performance from 1<sup>st</sup> January 2014 to 31<sup>st</sup> May 2020:

	2014	2015	2016	2017	2018	2019	2020
Franklin UK Equity Income Fund	6.59%	5.17%	14.28%	10.87%	-9.80%	22.43%	-18.76%
FTSE UK All Share Index	1.18%	0.98%	16.75%	13.10%	-9.47%	19.17%	-18.58%

Performance over 12 months, 3 years, 5 years and since fund manager inception (17 October 2011):

	1 year	3 years	5 years	Since Fund Manager Inception
Franklin UK Equity Income Fund	-9.44%	-9.02%	8.41%	79.57%
FTSE UK All Share Index	-11.16%	-8.37%	6.91%	63.47%

*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....

**This update has been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.**

UK Income strategies are under pressure as companies cut their dividends. This strategy is no different, 26% of its holdings have suspended dividends, 18% cancelled, 8% cut and the balance are still paying. Overall, they believe they will see a 35% decline in the income payments from the fund which will be better than market. It has helped that the fund is underweight banks and oil majors compared to the index.

The fund is an all cap strategy but is weighted more towards the FTSE 100. In the short term the considerations are on liquidity/balance sheets, dividend cuts, exit strategies (from lockdown), unemployment and oil price. The major focus long term is on debt and where companies are currently under pressure to cut dividend, it is whether they re-instate in the future.

This year the team have been more active; some of the winners for the fund have been IG Group, Schroders, Unilever, RELX and Rio Tinto. The holdings which have hurt the strategy include Carnival, Land Securities, Informa and Vistry Group. Carnival was added in December on the back of the growth of the industry and demographics. The decision to sell was based on the fact that this will be impacted for a long period of time and therefore it was no longer viable to hold.

Other sales during this period included Aviva, BT and Vistry Group. They have added Greggs, Burberry, WPP, Derwent London and London Metric, all on the back of a weakness in share prices.

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They feel that companies will think differently when paying dividends, perhaps having a greater focus on building up stronger balance sheets, but equally they see this as a one-off event and dividends will return.

In summary, the performance over the last five years has basically matched the index. This is a crowded market and there are many income funds to select from. Clearly this is a well-respected management team but for investors looking for an income strategy they may be wise to compare across the market before making any decisions.

*The source of information in this note has been provided by Franklin and is correct as at June 2020. 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.*