

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

**AT A GLANCE**

<b>Investment Objective</b>
The investment objective of the Fund is to produce an attractive and increasing level of income while additionally seeking long term capital growth by investing predominantly in the shares of UK listed equities. The Fund will invest predominantly in UK listed companies across the full range of market capitalisations, including those listed on the Alternative Investment Market (AIM).

<b>Inception Date</b>	26 <sup>th</sup> September 2011
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000MX2X">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000MX2X</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Mark Slater	26 <sup>th</sup> September 2011

**FUND PERFORMANCE**

Performance from 1<sup>st</sup> January 2016 to 31<sup>st</sup> October 2021:

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Slater Income Fund</b>	-1.23%	12.07%	-12.90%	21.25%	-13.71%	21.42%
<b>FTSE All Share</b>	16.75%	13.10%	-9.47%	19.17%	-9.82%	15.63%

Performance over 12 months, 3 years, 5 years and since launch:

	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>Since launch</b>
<b>Slater Income Fund</b>	48.07%	18.70%	26.77%	141.04%
<b>FTSE All Share</b>	35.40%	17.64%	31.43%	125.57%

*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.*

<b>Tracking Error</b>	<b>Information Ratio</b>	<b>Active Share</b>	<b>Upside Capture Ratio</b>	<b>Downside Capture Ratio</b>	<b>Batting Average</b>	<b>Beta</b>	<b>Alpha</b>	<b>Equity Style</b>
7.26%	0.14	81.02	109.64	110.40	58.33	1.23	(0.25)	Small/Value

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Volatility Measurements	
3-Yr Std Dev (volatility)	20.44%
3-Yr Mean Return (average)	5.88%

Investment Style Details	
Giant	15.99%
Large	12.76%
Medium	6.61%
Small	20.86%
Micro	34.91%

Top 5 Holdings – 39 Equity Holdings		
Sureserve Group PLC	Industrials	4.48%
STV Group PLC	Communication Services	4.24%
Supermarket Income REIT Ord	-	4.22%
Phoenix Group Holdings PLC	Financial Services	3.94%
Chesnara PLC	Financial Services	3.94%

Top 5 Sectors	
Financial Services	37.20%
Industrials	11.39%
Consumer Defensive	9.29%
Consumer Cyclical	6.83%
Energy	6.43%

## UPDATE....

This was our first introduction to the strategy and by the managers own admission performance has been mixed over the years. COVID has enabled them to reset the strategy. The fund had around 70 holdings, and now has 43 holdings (slightly higher than the last data we had). The reason for this change was to be more focused and get a greater conviction into the portfolio. They feel they have seen some improvement in performance, but they want to get it right before actively promoting the strategy. They are starting to do meetings again.

The strategy aims to deliver both income and growth. It invests across three broad buckets – growth, cyclical, and steady payers. The current split is around 40% in growth and steady payers, and 20% in cyclical. The strategy aims to pay out what it receives, it doesn't hold back any income to build a buffer, nor does it take from growth. This has delivered on average an income stream of around 20% above the FTSE All Share Dividend Yield. On a 12-month forward looking basis the fund is projected to deliver a yield of 4.6% vs the FTSE All Share of 3.79%.

In identifying opportunities they focus on cash flow and the balance sheet. They normally have relatively low turnover. When the dividend drops below 3% then they start to ask questions about the company they are holding, and it is rare to hold anything where the yield is below 2.5%. COVID did change this. During 2020 they saw companies drop dividends or reduce them. During this time they sold 19 holdings and added 7. They have five holdings which haven't re-instated dividends, but they expect that to happen soon and then they will benefit both from the dividend and the re-rating in the share price.

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The sector and UK have been out of favour for several years. 2016 saw the vote to leave the European Union, then fear over Corbyn and the Woodford scandal damaged things further. In 2019 they saw a change around and then 2020, with COVID, saw a significant pull back. The UK sector is not really held by overseas investors and UK investors tend to have a low allocation. Inflows into the UK Income sector remain very low and it is a sector that is cheap and is unloved. Mark believes this offers great opportunities.

By refocusing the strategy they removed some lower conviction names, and those companies which they thought would take longer to recover. This means the fund is focused on the strongest companies who are paying dividends for the right reasons, those with resilience and those with strong balance sheets. Mark doesn't know when investors will see these opportunities but believes when they do the best returns / opportunities may well have passed!

In terms of where he feels this is different, he sees the following as points of difference:

1. They operate across the multi-cap space looking for the very best opportunities
2. They don't "play games" with the yield, they pay out what they get
3. They don't match pure growth companies to deliver the returns with high yield companies, this is about pure dividend payers
4. The three buckets (growth, cyclical and steady payers) provide diversification and ensures that parts of the portfolio will always be working

In summary, they want this to be a "steady eddy", and the changes are clearly designed to tackle some of the challenges over the last few years. We can see the performance improve over the last twelve months. There is clearly a balance where the team don't want to actively promote in case this is a short-term recovery, but equally they do believe the opportunities are now. This does feel like a genuine income strategy and investors shouldn't get any nasty shocks. We would add to our watchlist in part because we don't have a large allocation to the UK, and no allocation to UK Income. Whether this changes, only time will tell!

*The source of information in this note has been provided by Slater and is correct as of November 2021. 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 decide 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.*