SHINING A LIGHT ON THE……
Schroder Income Maximiser Fund

AT A GLANCE

Investment Objective
The Fund aims to provide income and capital growth by investing in equity and equity-related securities of UK companies. The Fund aims to deliver an income of 7% per year but this is not guaranteed and could change depending on market conditions. The Fund is actively managed and invests at least 80% of its assets in equity and equity related securities of UK companies which are selected for their long term income and capital growth potential. These are companies that are incorporated, headquartered or have their principal business activities in the UK.

Inception Date	4th November 2005
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0000003ID

Management	
Manager Name	**Start Date**
Kevin Murphy	18th May 2010
Mike Hodgson	26th July 2016
Jeegar Jagani	23rd January 2012
Andrew Evans	1st November 2022
Scott Thomson	25th March 2009
Ghokhulan Manickavasagar	1st August 2017

FUND PERFORMANCE

Performance from 1st January 2016 to 30th November 2022:

	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Schroder Income Maximiser Fund	19.97%	7.73%	-2.41%	8.68%	-17.53%	26.15%	2.75%
FTSE AllSh TR GBP	16.75%	13.10%	-9.47%	19.17%	-9.82%	18.32%	1.78%

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

	1 year	**3 years**	**5 years**	**Since launch**
Schroder Income Maximiser Fund	8.22%	10.67%	16.42%	189.77%
FTSE AllSh TR GBP	6.54%	12.22%	22.76%	179.08%

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.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
8.28	-	111.26	115.44	47.22	1.20	(0.57)	Value / Large

Volatility Measurements	
3-Yr Std Dev (volatility)	21.32%
3-Yr Mean Return (average)	3.44%

Investment Style Details	
Giant	23.45%
Large	38.73%
Medium	31.74%
Small	6.13%
Micro	0.00%

Top 5 Holdings – 302 Holdings		
Imperial Brands PLC	Consumer Defensive	4.04%
Shell PLC	Energy	4.01%
BP PLC	Energy	3.92%
Eni SpA	Energy	3.71%
Pearson PLC	Communication Services	3.63%

Top 5 Sectors	
Financial Services	27.14%
Communication Services	12.89%
Consumer Defensive	12.38%
Energy	11.96%
Healthcare	8.82%

Top 5 Countries	
UK	82.00%
US	10.21%
Italy	4.37%
Australia	2.06%
France	1.36%

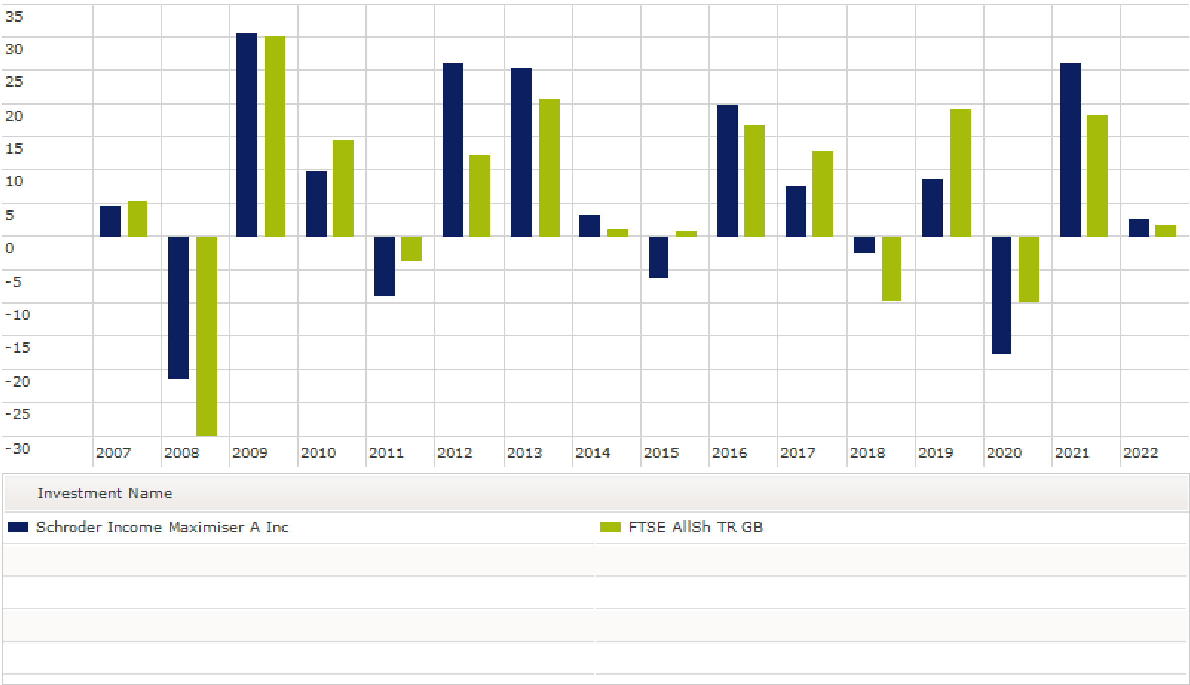
Fund Benchmark	FTSE AllSh TR
Fund size (Mil)	GBP 732.87
Ongoing Charge (share class A)	0.84%

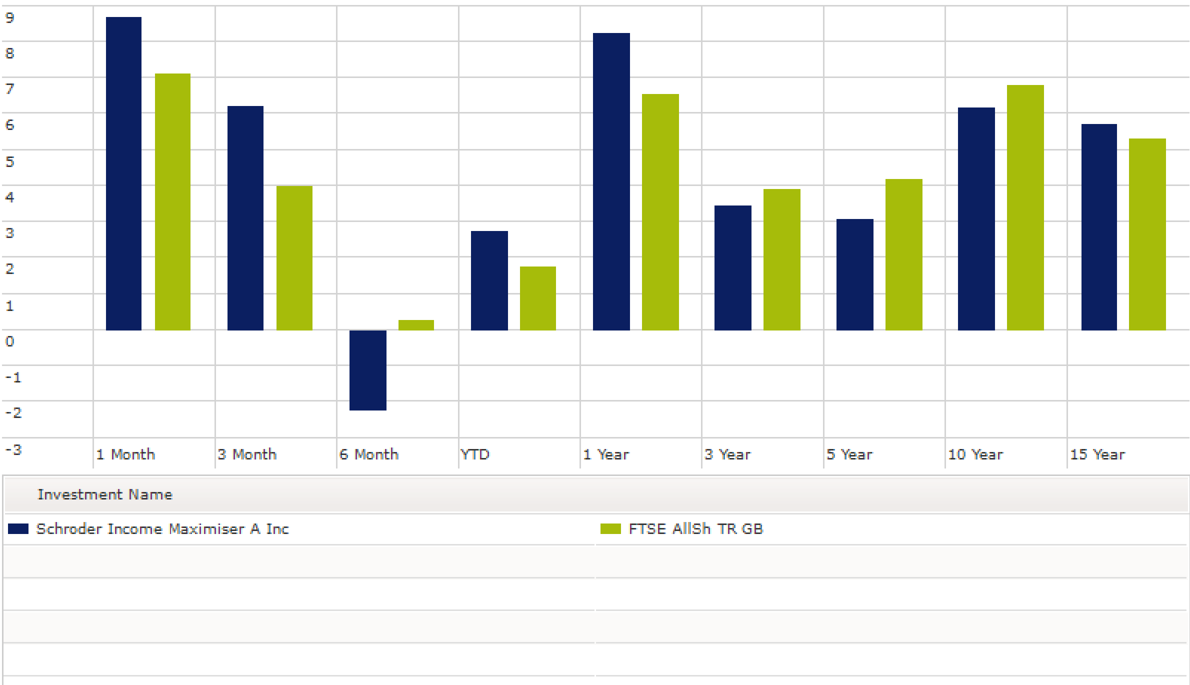
Bull points (pros)	Bear points (cons)
• Target income of 7% per annum • Well established strategy, set up in 2005 • Responds better in more volatile environments	• Deep value investments • Sacrifice returns for income

UPDATE….

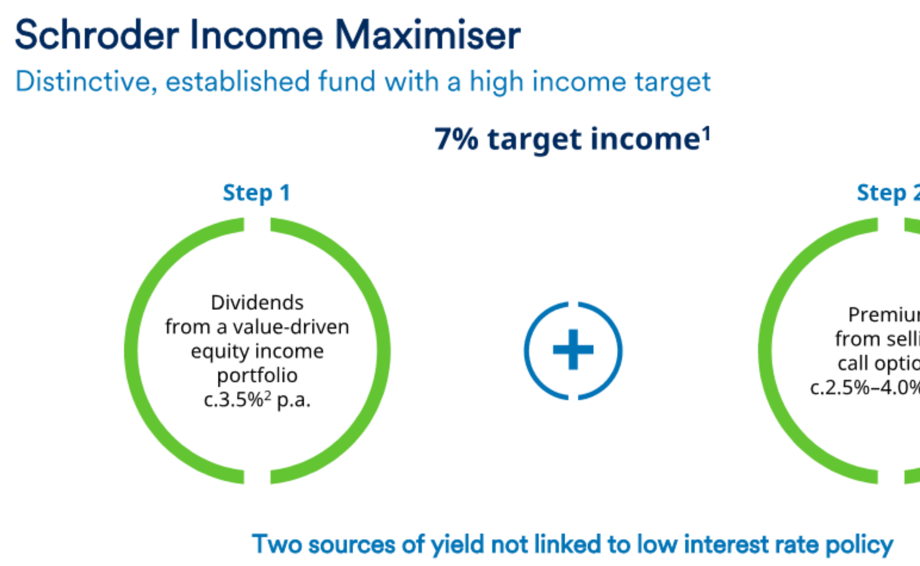
This is likely to appeal to investors seeking income producing assets. It aims to deliver 7% per annum. Effectively investors could see this in two years. The 7% provides a cushion and therefore downside protection, or it can be used to provide natural income.

The charts below show the performance of the strategy:

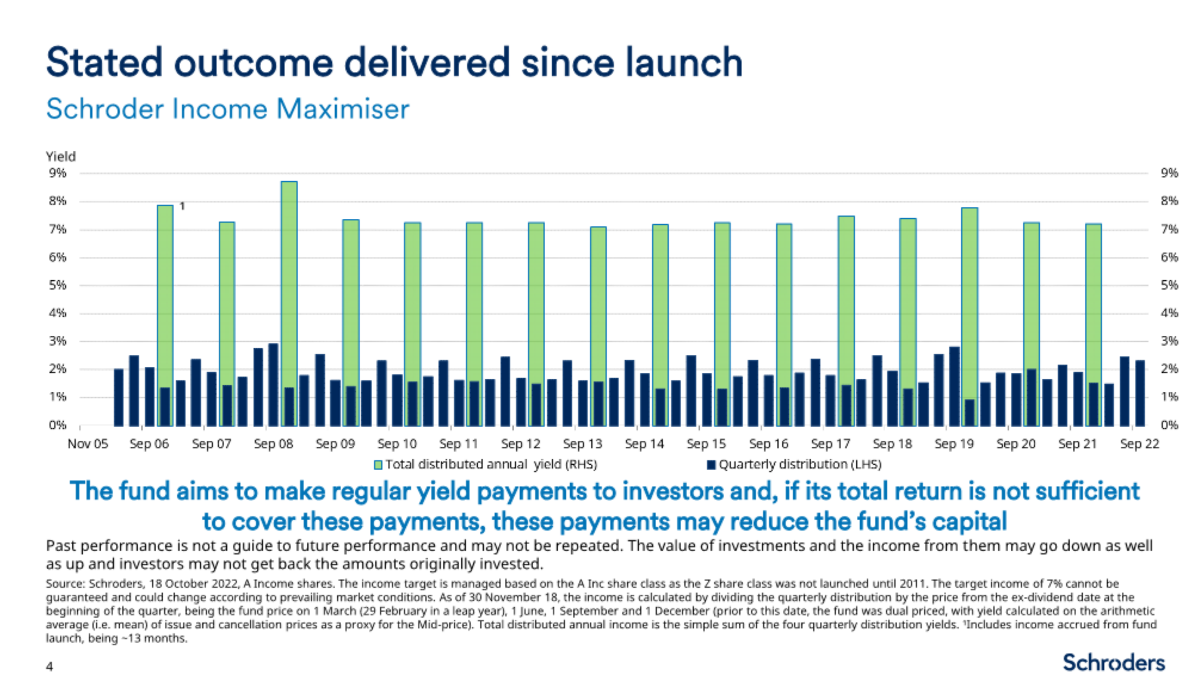




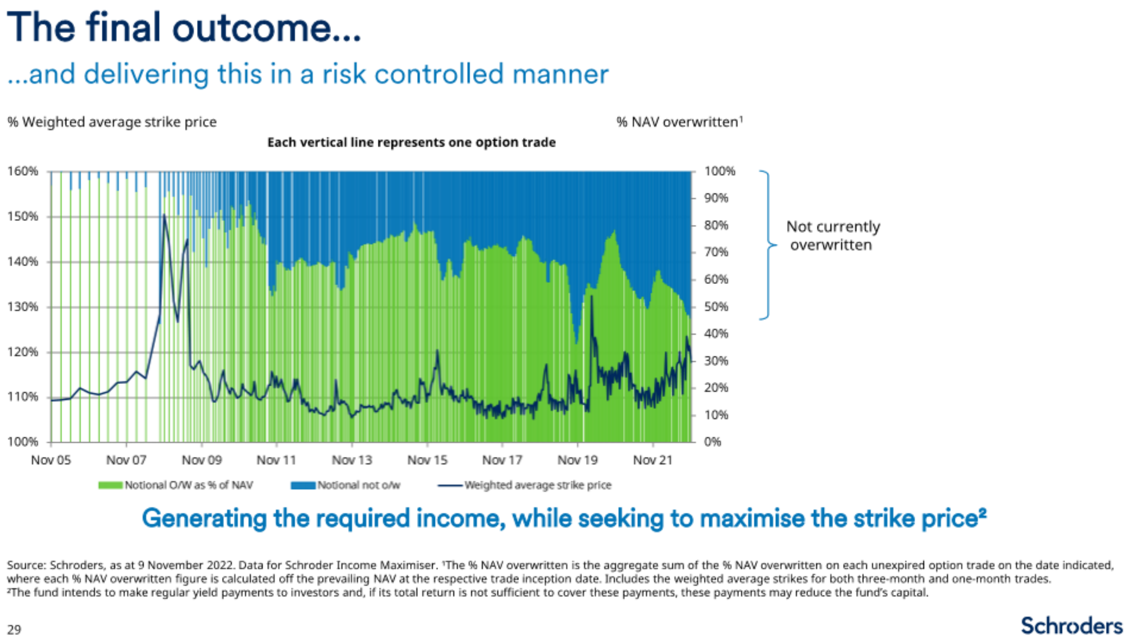
The strategy works by using natural dividends and then selling call options (so effectively some of the upside on a stock) to deliver the target income of 7%. The target income is not guaranteed.



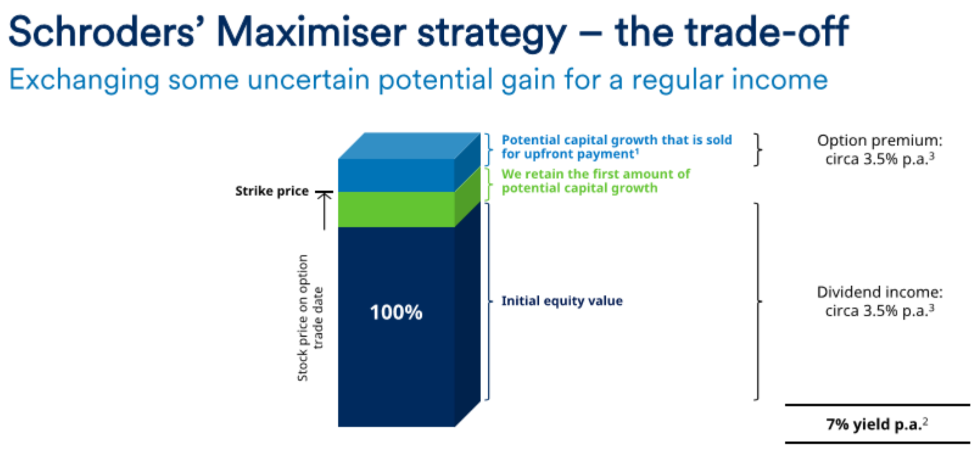
The levels of income since launch are shown below:



There is a trade-off as selling some of the upside means that effectively they are selling some of the potential capital growth. If the natural dividends are higher then the overlay is lower, and vice versa. So the amount being given up changes on a regular basis reflecting the active management of the strategy. The chart below shows how much of the portfolio carries an overlay and how this changes overtime.



The chart below shows how the capital growth element is given away to achieve the target income.



The strategy can and does invest overseas. It can hold up to 20% and looks to invest where it finds the greatest value. One element of the strategy which may not appeal to investors is that the team adopt a deep value approach to investment, searching for the cheapest parts of the market and then skewing the portfolio to that area. Value as a strategy has underperformed significantly over the previous decade, although has had a rally since around November 2020. It is a very cyclical strategy and therefore this could impact performance.

This will therefore hold stocks which are typically unloved, cheap, and needing a catalyst to improve the share price for investors. This also does not have an exclusionary policy so currently is weighted towards financials, energy, industrials, and basic material.

In 2020 they launched a UK Listed Equity Income Maximiser Fund which has a smaller number of holdings and focuses on the UK large cap market. This will therefore be a more blended approach between growth and value. This may appeal more to those investors who want the income but not the volatility that might be associated with the deep value strategy.

It is early days of performance of the new strategy, but this is shown below:

There will be crossover in holdings, but it now provides investors with a choice. They can still target that income of 7% p.a., but they don't have to link to a deep value strategy if this is something they don't feel comfortable with.

In summary, the income maximiser has a long track record going back many years with a stable investment team. The 7% target income can do one of two things; it can either provider a starting point for returns and therefore protect on the downside, or it can be used to provide income in what is a difficult environment to get income. To achieve the 7% there is a sacrifice on growth, but the strategy participates in around 80% of the upside. There is a crossover in holdings between the two strategies, but the new strategy is more focused and blended and therefore is likely to respond better across different market cycles.

The source of information in this note has been provided by Schroder and is correct as of December 2022. 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.