SHINING A LIGHT ON THE……
SLI UK Equity Income Unconstrained Fund

AT A GLANCE

Investment Objective
The investment objective of the Fund is to provide a high level of income with some capital appreciation over the longer term. The investment policy of the Fund is to invest substantially in high yielding equities and equity type investments of UK companies or companies which, in the opinion of the ACD, carry on a substantial part of their operations in the UK. "Equity type investments" will include convertible stocks, stock exchange listed warrants, depositary receipts and any other such investments which entitle the holder to subscribe for or convert into the equity of the company and / or where the share price performance is, in the opinion of the ACD, influenced significantly by the stock market performance of the company's ordinary shares. "UK companies" will include companies incorporated in the UK or companies listed on a UK stock exchange which may not be incorporated in the UK or have the majority of their economic activity in the UK.

Inception Date	22 February 2007
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000000FRT

Management	
Manager Name	**Start Date**
Thomas Moore	1 January 2009

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	15.63%
Large	17.90%
Medium	37.65%
Small	25.81%
Micro	3.02%

Top 10 Holdings		
Total number of holdings	58	
Assets in Top 10 Holdings	30.40%	
Name	**Sector**	**% of Assets**
Aviva PLC	Financial Services	4.50%
Close Brothers Group PLC	Financial Services	3.49%
Micro Focus International PLC	Technology	3.41%
Imperial Brands PLC	Consumer Defensive	3.22%
Rio Tinto	Basic Materials	2.98%
National Express Group PLC	Industrials	2.81%
Sage Group (The) Plc	Technology	2.62%
Saga PLC	Financial Services	2.61%
Prudential PLC	Financial Services	2.38%
Legal & General Group PLC	Financial Services	2.38%

Volatility Measurements	
3-Yr Std Dev (volatility)	12.41%
3-Yr Mean Return (average)	6.78%

FUND PERFORMANCE

Performance 1 January 2012 – 31 May 2017

	2012	2013	2014	2015	2016	2017
SLI UK Equity Income Unconstrained Fund	25.41%	39.24%	8.21%	13.26%	-3.89%	9.63%
iShares UK Dividend	17.46%	24.15%	6.54%	0.95%	7.89%	8.65%

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

	1 year	3 years	5 years	Since launch
SLI UK Equity Income Unconstrained Fund	9.57%	22.77%	119.12%	87.71%
iShares UK Dividend	17.21%	20.05%	84.86%	23.48%

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….

This is a fund we have monitored for some time and has consistently outperformed the index; however 2016 changed that. Thomas started by explaining that his fund is style agnostic with a multi cap approach. He is looking for “compounders”; these are companies which are in the early stages of the growth cycle offering growing dividends. He sees this as double bubble for investors, as not only do they benefit from an uplift in share prices but also a rising dividend yield.

The fund tends to be positioned towards the mid/small cap end, and in 2016 he was on the wrong side of the trade; with large cap and overseas earners doing well and small and mid-cap underperforming. This underperformance then impacted the 12-month and 3 year figures.

The fund will always underperform in periods where the focus switches to macro issues, Brexit, elections etc, but when the switch is to micro, this fund will do well. What the fund now needs is a period of political stability, and obviously the election should bring that, but there remains uncertainty with Brexit and whether it becomes a hard or soft option.

In Tom’s mind companies like Next are ones to avoid, as he feels their margins will be squeezed. Not all retailers are the same as he likes Saga, Majestic Wines and DFS. He has also started to add Dunelm which he believes has strong growth potential.

A major sale was the BT holding where he felt there were concerns on corporate spending; the pension fund deficit and the recent accounting scandal in Italy. We discussed Brexit and his feeling is that a hard Brexit could damage sterling, with the reverse for a soft Brexit. This could benefit overseas earners. His fund does have domestic stocks as well as overseas earners like National Express.

One thing he has noticed is that fewer people are allocating funds to the UK due to the uncertainty with Brexit, plus we are in our third election in 7 years.

In summary, this is a well-managed fund but a focus on macro issues has impacted the fund. Any further weakness in sterling could weaken performance in the short term, but Tom has demonstrated over the long term he can deliver strong returns. The question mark is over the coming months and years as to whether there will be a shift to macro issues which means the fund lags in terms of performance for longer.