SHINING A LIGHT ON THE……
Schroder Global Equity Income Fund

AT A GLANCE

Investment Objective
The Fund aims to provide income and capital growth by investing in equity and equity related securities of companies worldwide. The Fund invests at least 80% of its assets in equity and equity related securities of companies worldwide which offer sustainable dividend payments. The Fund seeks to invest in a diversified portfolio of equity and equity related securities whose dividend yield in aggregate is greater than the average market yield. Equities with below average dividend yield may be included in the portfolio when the Investment Manager considers that they have the potential to pay above average income in future. The Fund may also invest in collective investment schemes, warrants and money market instruments, and hold cash.

Inception Date	18th May 2007
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000000FW2

Management	
Manager Name	**Start Date**
Nick Kirrage	1st April 2018
Simon Adler	1st April 2018

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	24.47%
Large	39.39%
Medium	35.17%
Small	0.97%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	36	
Assets in Top 10 Holdings	43.11%	
Name	**Sector**	**% of Assets**
Pearson PLC	Consumer Cyclical	5.79%
Ageas NV	Financial Services	5.35%
Sanofi SA	Financial Services	5.20%
Eni SpA	Energy	4.94%
South32 Ltd	Basic Materials	4.81%
Morrison (Wm) Supermarkets PLC	Consumer Defensive	4.40%
Centrica PLC	Utilities	4.29%
Standard Chartered PLC	Financial Services	4.18%
American International Group Inc	Financial Services	4.15%
HSBC Holdings	Financial Services	3.80%

Volatility Measurements	
3-Yr Std Dev (volatility)	9.92%
3-Yr Mean Return (average)	18.21%

FUND PERFORMANCE

Performance from 1st January 2013 to 30th September 2018:

	2013	2014	2015	2016	2017	2018
Schroder Global Equity Income Fund	17.13%	14.11%	-0.92%	34.59%	10.25%	3.40%
iShares MSCI World ETF	30.32%	10.75%	1.17%	8.13%	17.26%	5.24%

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

	1 year	3 years	5 years	Fund manager tenure
Schroder Global Equity Income Fund	9.07%	63.11%	82.46%	123.75%
iShares MSCI World ETF	11.19%	42.50%	61.70%	-

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….

The team at Schroder invest in unglamorous, unloved stocks. The argument is simple; the lower the price, the better the return. The team believes in the process, and although this type of investing has been out of fashion they are sticking to what they do best. Going back to 1936 this is the longest period that “value investing” has underperformed, and they believe at some point this will reverse.

Simon went on to explain that 90% of active funds are growth orientated, and when the rotation comes from growth to value everyone will be facing the wrong way. He feels now is the time to move some money across to value strategies.

In terms of Schroder, Simon believes they have the edge. It is not an easy process and they are specialists in this area. They have developed a proprietary system which contains ten years of forensic analysis which they can turn to at any time. Everything that comes up on their screen goes into this database even if they don’t invest in them.

An example of screening is the retail sector; 30 companies were identified and using their process this highlighted 2 potential investments - Buckles and Dillard’s. Dillard’s as an example owns 90% of its stores and in their view carries a low level of risk with major upside potential.

They don’t always get things right and Debenhams is an example of this. At the time they didn’t have the risk score in place and if they did this would have been high risk. On this basis they would not have invested in the stock. Debenhams sold stores and leased them back, and they had a poor management team who had little knowledge in the retail space. In hindsight this was not a good investment but learning from it means they can improve the process.

In terms of buying stocks they tend to look at everything at least twice, and everyone is happy with it. They are fussy, and it is important that everyone is behind the decisions made. They don't tend to meet managers as the information comes from the research they do, and they will email companies accountancy questions that they might have.

In terms of investments those with the most risk tend to be the lowest holdings, and those with the least risk the highest holdings. The average holding period is 5 years. In terms of current investments, it is becoming harder to find value stocks especially in the US, but they won't buy something for the sake of holding it. This is a global fund and therefore having the ability to look globally helps them identify ideas.

In terms of banks these are harder to understand but the capital position is much stronger and banks like Standard Charter have loans to deposits at about 60% so the risk is low (i.e. money lent out vs money that they hold for savers).

In summary, on paper the performance has been average. However, if investors are looking for defensive plays then these types of fund might be a good counterbalance to pure growth funds. The Schroder team have a lot of experience in this area and a strong reputation. The big question is when will the rotation happen.

The source of information in this note has been provided by Schroder and is correct as at October 2018. 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.