For professional investors only, not for retail clients

Royal London UK Dividend Growth Fund

Key points

- An investment process built around the drivers of long-term cash generation
- Market cap agnostic
- A contrarian approach when entering and exiting positions
- Focused on constructing style agnostic, well balanced portfolios to enable stock picking, rather than style or macro factors, to drive long-term outperformance

Investment philosophy

We believe that the ability of companies to generate long-term cashflows is a key driver of share price performance and sustainable dividend payments.

Companies with undervalued cash-generating capabilities can be found throughout the investment universe. By taking a long-term perspective, the fund can exploit the inefficiencies caused by pervasive market short-termism, taking advantage of price volatility when entering and exiting positions.

Fund objective

The fund aims to deliver a combination of income and some capital growth over the medium term (3-5 years) by investing in 40-60 companies across the market cap spectrum. The performance target is to outperform, net of fees, the FTSE All-Share Total Return GBP Index over rolling 3-year periods. The ultimate objective is achieving superior risk-adjusted performance across multiple market environments.

Investment process

Our investment process consists of three distinct stages: idea generation, research & stock selection, and portfolio construction. The investment process is built around identifying the key drivers of long-term cash generation, namely: the business model, industry dynamics and capital allocation strategy.

We employ qualitative and quantitative screening to determine which companies warrant in-depth research, reducing the investable universe to around 250 companies. When we assess companies we evaluate the three principal drivers of cash generation: internal factors specific to the company, external factors in their industry and management's capital allocation, integrating relevant environmental, social and governance (ESG) factors in each. Once we've assessed the principal drivers, we then focus on valuation of cash flow.

Fund facts

Launch date	30.04.2010
Typical number of holdings	40-60
Sector	IA UK All Companies
Benchmark	FTSE All-Share Total Return GBP Index
Fund management fee (FMF)	GBP M Acc Class: 0.71% GBP M Inc Class: 0.71% GBP A Acc Class: 1.15%

Source: Royal London Asset Management as at 31 July 2023.

Fund managers

Richard Marwood
Head of Equity Income

Niko de Walden, CFA
Fund Manager

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Rather than making style bets or macroeconomic calls, we aim to keep the fund well diversified with returns driven by stockpicking.

Richard Marwood,
Head of Equity Income

Active stock picking

Our team adopts a fundamental approach to stock selection focusing on key attributes.

Excellent company access

Our size enables significant corporate access for our fund managers to engage with senior management, which is an essential part of our fundamental research.

Experienced

Our fund managers have 115 years combined investment experience and their collective working knowledge of the UK stock market, is part of our competitive edge. Our managers are empowered to run high-conviction strategies with minimal investment bureaucracy, enabling nimble decision making and high conviction portfolios.

ESG integration

Environmental, Social and Governance (ESG) factors are integrated into the investment process and fund managers are supported in their analysis, ESG engagements and stewardship voting by our well-resourced Responsible Investment team.

Risk warnings

Investment risk: The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Charges from Capital risk: Charges are taken from the capital of the fund. Whilst this increases the yield, it also has the effect of reducing the potential for capital growth.

Concentration risk: The price of funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

Counterparty risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the fund to financial loss.

Efficient Portfolio Management (EPM) techniques: The fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the fund to increased price volatility.

Liquidity risk: In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

Smaller Company risk: The fund invests in smaller companies, the prices for which can be less liquid and be more volatile than those of larger companies and therefore may have a greater impact on the value of the fund.

Contact us

For more information about our range of products and services, please contact us.

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