

Royal London UK Equity Income Fund

The Royal London Asset Management Equity team can exploit opportunities from across a wide market cap spectrum. Within agreed risk parameters, our fund managers are able to back their investment decisions with a high conviction approach. We are strong believers in the long-term value of active fund management and believe in incentivising our fund managers to do what they do best: using their own, proven, active management styles to add value to our clients' assets. Ideas are shared through a series of formal and informal meetings, but each fund manager has ultimate responsibility for how their fund is structured, according to their own investment style. Funds are not managed using model portfolios, nor are our fund managers required to hold any stock which they do not personally believe in. We believe this provides a stimulating environment for our managers but also has direct benefits for our investors.

Fund overview

This equity income fund invests in high yielding UK stocks, with a particular emphasis on companies generating significant free cashflow to fund sustainable dividend payments. The fund managers aim to identify undervalued companies that are able to deliver sustainable dividend growth. There is a preference for companies with robust balance sheets, yet whose shares are sufficiently out of favour so that they can be purchased on a dividend yield premium.

Investment approach

This high conviction fund invests across a broad spectrum of industries in which the fund managers are able to identify value, in particular focusing on companies with attractive cashflow characteristics. This is important when identifying those companies that can consistently support a growing and sustainable dividend as it is cashflow, not 'cashless' profits, that pays the dividend and funds investment for future growth.

Stock selection, based on thorough company research, including meeting management teams, is the main driver of performance for the fund. Macro-economic factors are taken into account when considering company prospects. The fund managers will invest across the market cap spectrum, with a larger allocation to mid and small-cap stocks in comparison to peers. While market cap agnostic, the team often identifies sources of dividend growth outside of the mega-cap names within the FTSE 100. It would be expected that 40-60 stocks would normally be held within the fund, favouring a high conviction approach.

Key points

- **Focus on fundamentals:** seeks companies whose individual share prices undervalue the company's cashflow generation prospects.
- **Cashflow oriented:** managers emphasise cashflow as critical to avoiding the casualties of 'creative accounting' and identify companies generating sustainable dividends.
- **Non-consensus approach:** manager aims to identify out of favour companies to exploit valuation opportunities.
- **Market cap agnostic:** adopts a multi-cap approach, looking outside of the 'usual names' with an allocation outside of the FTSE 100 index.
- **Experienced managers:** fund manager with over 25 years' experience.

Fund facts

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| Lead Fund Manager | Richard Marwood |
| Deputy Fund Manager | Max Newman |
| Launch date | 11.04.1984 (A Inc Share Class) |
| Domicile | United Kingdom |
| IA sector | IA UK Equity Income |
| Fund structure | OEIC |
| Benchmark | FTSE All-Share Total Return GBP Index |
| Sector | IA UK Equity Income sector |
| Minimum investment | Class A Inc Shares – £1,000 Class M Acc Shares – £100,000 Class M Inc Shares – £100,000 Class Z Inc Shares – £15,000,000 |
| Fund Management Fee (FMF) | GBP A Inc Class – 1.03% GBP M Acc Class – 0.72% GBP M Inc Class – 0.72% GBP Z Inc Class – 0.64% |

Fund risks

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.

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.

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.

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.

Contact us

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

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For more information on the fund or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com

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