

Income Study

January 2021



The White List

For equity income investors, the COVID-19 pandemic has resulted in dramatic implications for dividend payments because of significantly reduced revenues and profits for many businesses. We have seen a significant number of dividend cuts in the UK and Europe, two of the higher dividend-yielding regions of the world. At a sector level, the government lockdowns implemented around the world to contain the spread of coronavirus, have severely impacted businesses in leisure, tourism, airline, retail and construction, among others.

As a result, some funds may have offered substantially reduced yields to their investors during 2020 as the underlying companies focussed on rebuilding their dividend payments for 2021 onwards. The Sanlam Income Study covers the last five years with the aim to avoid a short-term approach and to benefit from the compounding effects over the period under review. In the January 2021 study, three out of the first ten funds are new entrants in the White List, and there have been some interesting moves across the list driven by the recent volatile period experienced in the UK.

The **Santander Enhanced Income Fund** is placed at the top of this January 2021 Study after regularly being placed in the White List (second spot in the July 2020 Study). Following a tough period in 2016, the managers, Graham Ashby and Duncan Green, have proved their worth in recent periods while delivering alpha against peers in 2020 following a good return profile in 2019 (ranked seven out of the funds in the universe).

Liontrust Income Fund, run by Robin Geffen (the ex-CEO of Neptune IM), is placed in second position in this January 2021 Study. Against the previous Study of July 2020, the fund swapped position with Santander Enhanced Income Fund (1st vs 2nd in the in the list of 58 eligible funds from the whole UK Equity Income sector). The recently re-branded Liontrust fund continued to deliver decent performance returns over the years

including the recent volatile period. While it doesn't rank number one under any metrics, that we consider, it is a consistent first and second quartile across volatility, income and performance criteria which has resulted in its recent consistency in the top positions of the Study.

Interestingly, the **ASI UK Equity Income Fund** has continued to climb up the list finishing in third position after jumping 13 places in this January 2021 Study (and jumping 16 places in the previous Study of July 2020). Top decile performance numbers and low volatility profile over the period under consideration have driven the fund up despite the low dividend paid over the period under consideration.

The funds which have retained their White List status, albeit having moved around slightly, include the **ES R&M UK Equity Income Fund**, the **Artemis Income Fund**, the **Franklin UK Equity Income Fund**, the **NFU Mutual UK Equity Income Fund**, the **Aviva UK listed Equity Income**, the **Blackrock UK Equity Income**, the **Santander Equity Income** and the **Troy Trojan Income Fund**.

The **Threadneedle UK Equity Income Fund** and the **Lazard multi-cap UK Income Fund** have both re-entered the White List after falling into the Grey List in the previous Study. The defensive profile and consistency of the two funds over the period under review alongside the high dividend against peers helped to achieve an improvement of respectively 6 and 5 positions from the July 2020's Study.

Another fund has continued to move up from the Grey List, the **Allianz UK Equity Income Fund**. It has delivered solid returns on a calendar basis despite the average standard deviation and income delivered against peers.

The White List Top fourteen funds by overall merit	Dividend yield 31/12/2020	Income 5 years to 31/12/2020 (Based on £100 investment)	Total return – capital growth and income reinvested					Volatility
			01/01/2020 to 31/12/2020	01/01/2019 to 31/12/2019	01/01/2018 to 31/12/2018	01/01/2017 to 31/12/2017	01/01/2016 to 31/12/2016	01/01/2016 to 31/12/2020
			%	%	%	%	%	%
Santander Enhanced Income Port RI	4.3	26.9	-3.6	26.4	-11.1	13.2	4.5	14.6
Liontrust Income A Inc GBP	4.8	24.7	-8.7	14.8	-3.8	11.2	13.9	14.2
ASI UK Income Equity A Inc	3.8	17.8	-5.4	25.8	-9.1	7.5	13.6	13.1
Artemis Income R Inc	3.6	21.8	-7.4	22.1	-10.5	11.8	9.7	14.2
Franklin UK Equity Income A Inc	4.0	23.7	-11.8	22.4	-9.8	10.9	14.3	15.1
ES R&M UK Equity Income Fund A Inc	3.5	21.6	-1.8	14.8	-10.8	12.7	12.1	12.8
Aviva Investors UK Listed Eq Inc 1 £ Inc	3.6	21.5	-5.7	23.5	-10.3	12.8	11.1	16.3
Santander Equity Income R Inc	4.0	24.8	-4.5	25.9	-10.9	11.0	4.9	16.2
Allianz UK Equity Income A Inc	3.6	22.1	-8.4	28.2	-10.0	14.6	7.5	17.9
NFU Mutual UK Equity Income B	4.1	24.4	-12.3	19.3	-7.2	10.2	12.6	14.5
Threadneedle UK Eq Inc Rtl Inc GBP	3.5	22.9	-7.9	19.0	-5.5	2.9	13.9	14.4
BlackRock UK Income A Inc	4.2	21.4	-4.3	20.0	-10.2	10.7	9.0	14.1
Lazard Multicap UK Income B Inc	3.5	23.6	-10.3	19.3	-11.8	13.0	11.8	15.8
Trojan Income I Inc	3.5	18.5	-9.6	20.4	-7.1	6.3	10.2	10.8
White List Average	3.8	22.6	-7.3	21.6	-9.2	10.6	10.6	14.6

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The Grey List

As expected from the shift of some Grey List funds into the White List, there has been a similar shift out of the White List into the Grey List.

Funds including the **Fidelity Enhanced Income**, the **Fidelity Money Builder Dividend**, the **Man GLG UK Income** and the **Premier Miton UK Multi Cap Income** have all shifted downward in the rankings. The **Schroder UK Alpha Income** and the **Axa Framlington UK Equity Income** both appeared at the top of the Grey List after jumping respectively 18 and 7 places. Near term performance and managed volatility over the period under review are the main reasons for this change.

Most funds in the Grey List have retained their status with some slight position shuffling. For example, the **Janus Henderson UK Responsible Income**, the **Axa Framlington UK Monthly Income Fund**, the **Threadneedle UK Monthly Income Fund** have moved upwards respectively by three, seven, and one place each.

With that said, there haven't been any dramatic falls within the Grey List for this Study. On the positive side for the Grey List, **Scottish Widows UK Equity Income Fund** has benefitted from a nice rebound of 10 places, driven by the improved volatility and dividend paid over the period under review.

There are three funds which have made quite an astounding move considering they were all ranking in the Black List for quite some time. The **JOHCM UK Equity Income Fund**, the **VT Downing Monthly Income Fund** and the **Merian UK Equity Income Fund** have struggled versus peers in our rankings for several studies; however in the most recent January 2021 review, the three funds have improved respectively by 15, 20 and 12 places. While the funds' volatility metrics are poor over the period assessed, recent performance numbers have been better, and the income paid has been good too. This has helped the three funds access the Grey List for the first time in a while.

Just missing out on falling into the Black List are the **Chelverton UK Income Fund** and the **Unicorn UK Income Fund**. Both funds finished at the bottom of the Grey List (43 and 44 positions out of 58) based on the high standard deviation over the period analysed and disappointing returns in a market that has been exceptionally volatile in the most recent period under review (July 2020- December 2020).

The Grey List	Dividend yield 31/12/2020	Income 5 years to 31/12/2020 (Based on £100 investment)	Total return – capital growth and income reinvested					Volatility	
			01/01/2020 to 31/12/2020	01/01/2019 to 31/12/2019	01/01/2018 to 31/12/2018	01/01/2017 to 31/12/2017	01/01/2016 to 31/12/2016	01/01/2016 to 31/12/2020	
			%	%	%	%	%	%	
Premier Miton UK Multi Cap Inc A Inc Ret	3.3	17.2	8.1	13.1	-7.7	15.7	3.1	13.1	
Schroder UK Alpha Income A Inc	4.5	25.6	-7.7	22.2	-15.7	12.5	7.6	16.2	
Janus Henderson UK Responsible Inc I Inc	3.8	20.2	-6.6	28.4	-10.7	11.0	5.3	15.1	
AXA Framlington UK Equity Income R £ Inc	3.8	19.0	-4.8	22.5	-12.2	7.9	9.1	13.6	
BNY Mellon UK Income GBP Inc	3.9	22.4	-9.5	19.4	-7.5	9.7	8.4	15.0	
AXA Framlington Monthly Income R GBP Inc	4.4	21.7	-9.0	17.1	-10.2	16.0	9.7	16.0	
Threadneedle UK Equity Alpha Inc Rtl Inc	3.1	20.3	-7.6	19.5	-7.1	6.6	12.9	15.1	
BMO Responsible UK Income 1 Inc	3.4	18.9	-10.3	20.2	-8.9	13.5	3.5	13.9	
Man GLG Income Retail Inc B	5.8	28.9	-14.4	20.9	-8.1	26.8	4.8	18.1	
Royal London UK Equity Income A	3.4	22.8	-15.3	23.1	-10.2	12.1	10.3	15.1	
Fidelity MoneyBuilder Dividend	5.4	27.6	-13.0	20.1	-9.9	4.5	6.7	12.4	
Aegon UK Equity Income GBP B Inc	3.6	21.7	-10.8	21.6	-12.5	11.8	8.9	15.0	
Scottish Widows UK Equity Income A Inc	3.9	22.9	-12.9	12.1	-8.7	11.0	13.3	15.4	
Schroder Income Maximiser A Inc	7.0	37.4	-17.6	8.7	-2.4	7.8	19.9	16.0	
Threadneedle UK Monthly Inc Rtl Inc	3.7	25.0	-10.9	20.0	-10.9	3.5	6.6	14.8	
BMO UK Equity Income 1 Inc	3.4	22.5	-13.1	26.7	-12.4	9.8	13.2	16.6	
BNY Mellon Equity Income B Inc	4.0	26.6	-17.6	14.7	-9.4	10.8	14.1	15.9	
Fidelity Enhanced Income Inc	7.6	36.2	-13.7	18.1	-9.5	4.3	3.4	11.8	
Rathbone Income R Inc	3.9	22.3	-11.2	17.7	-9.2	7.4	7.6	14.3	
JOHCM UK Equity income B GBP Inc	4.2	24.3	-15.7	20.0	-13.2	18.1	16.8	21.0	
BNY Mellon Equity Income Booster B Inc	6.8	49.4	-17.2	13.4	-12.0	10.9	14.4	16.0	
Invesco Income & Growth UK Inc	3.1	20.2	-12.1	21.2	-9.2	7.5	6.0	13.9	
VT Downing Monthly Income Inc	4.1	24.2	-11.9	18.3	-18.4	17.0	7.6	16.8	
Castlefield B.E.S.T. Sust Inc General	3.5	22.9	-12.4	21.7	-11.9	4.0	3.5	12.3	
LF Majedie UK Income X Inc	3.6	23.5	-13.8	15.6	-8.2	11.9	6.4	16.2	
Jupiter Income Trust	4.3	24.1	-18.6	11.9	-8.3	9.3	18.7	16.1	
Premier Miton Mly Inc A Inc	5.3	30.4	-23.8	27.2	-15.7	12.0	8.5	18.5	
Merian UK Equity Income A GBP Inc	2.9	23.4	-9.7	20.8	-14.8	11.6	5.4	17.9	
MI Chelverton UK Equity Income A Inc	3.5	24.6	-14.4	24.6	-14.2	24.3	4.7	21.1	
Unicorn UK Income A Inc	2.5	20.5	-12.2	31.6	-15.3	21.4	0.5	18.3	
Grey List Average	4.2	24.9	-12.0	19.7	-10.8	11.7	8.7	15.7	

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The Black List

In a similar fashion to the White and Grey List, the Black List has remained relatively consistent. While there are a few funds that have dropped in, much of the List contains the usual names.

The first anomaly which has remained in the Black List though, is the **Slater Income Fund**. The fund has not improved from the top of the Black List and this is attributed to poor performance in the last couple of years and fourth quartile volatility versus peers. Over the last few Studies, the fund has dropped slowly from the White List into the Grey List and now in the Black List for the second Study in a row as its style and small to mid-cap bias haven't help to regain its glory in the recent market environment.

The second anomaly in the Black List is the **Marlborough UK Multicap Income**. The fund has continued to drop against peers (a drop of 10 places for this January 2021 Study) for the third Study in a row and this was mainly driven by a poor selection in small and mid-cap equities detracting performance returns and increasing the volatility against peers. A similar path can also be observed with **Canlife UK Equity Income** which dropped 15 places after another difficult period for the fund.

Premier Miton Investors has continued to have a weak period in this Study. Both the **Premier Miton Income Fund** and **Premier Miton Optimum Income Fund** have remained at the bottom of the list in our most recent Study. These two funds have had a disappointing two and half years, having fallen out of the White List mid-2018 and made their way down the rankings. Recent performance numbers and volatility over the five years under review have been the key detractors of the two funds and the excellent dividends paid over the period (6th and 1st of the list of 58 funds) were not able to offset the rest of the metrics delivered.

As usual, laggards that find themselves in the Black List again since the previous Study include the **Liontrust Macro Equity Income Fund**, the **Schroder Income Fund**, the **M&G Dividend Fund**, the **UBS Equity Income Fund**, the **HSBC Income Fund**, the **ASI UK High Income Fund**, the **L&G UK Equity Income**, the **Janus Henderson UK Equity Income and Growth** and the **ASI UK Income Unconstrained**.

The Black List	Dividend yield 31/12/2020	Income 5 years to 31/12/2020 (Based on £100 investment)	Total return – capital growth and income reinvested					Volatility
			01/01/2020 to 31/12/2020	01/01/2019 to 31/12/2019	01/01/2018 to 31/12/2018	01/01/2017 to 31/12/2017	01/01/2016 to 31/12/2016	01/01/2016 to 31/12/2020
Fund	%	£	%	%	%	%	%	
Slater Income A Inc	3.5	26.0	-13.7	21.2	-12.9	12.1	-1.3	17.7
Premier Miton Optimum Inc A Inc	7.9	49.6	-24.0	25.7	-16.1	13.0	8.4	19.5
Premier Miton Inc A Inc	5.2	29.6	-21.9	27.4	-15.4	11.7	8.3	18.7
Liontrust Macro Equity Income R Inc	4.2	25.0	-13.4	20.8	-12.7	9.1	6.2	16.5
Marlborough Multi Cap Income A Inc	4.3	22.2	-13.1	25.8	-14.2	18.0	-3.9	17.2
LF Canlife UK Equity Income B Inc	4.3	23.1	-13.1	19.0	-10.5	7.8	5.2	15.3
Schroder Income Inc	5.1	21.6	-16.3	7.4	-1.7	8.5	24.4	18.2
M&G Dividend GBP A Inc	4.0	18.3	-11.2	19.5	-14.9	9.0	7.4	15.9
UBS UK Equity Income A Inc Net	3.6	24.1	-21.3	14.0	-13.7	11.7	35.0	20.2
ASI UK High Income Equity R Inc	4.1	27.3	-14.1	13.5	-15.3	13.8	1.3	17.9
Janus Henderson UK Eq Inc&Gr I Inc	3.3	23.4	-12.8	12.1	-12.8	8.8	9.5	18.0
L&G UK Equity Income I Inc	3.8	23.8	-14.9	21.2	-16.1	10.7	7.9	19.1
HSBC Income Retail Income	3.9	24.2	-16.7	18.0	-12.3	7.9	7.3	16.3
ASI UK Income Unconstrained Eq R Inc	3.8	22.6	-15.5	10.8	-13.6	18.3	-3.9	19.3
Black List Average	4.4	25.8	-15.9	18.3	-13.0	11.5	8.0	17.8

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Notes:

- (a) Funds are ranked using seven different criteria based on performance, volatility and the income distributed, with the most recent period of performance receiving a greater weighting.
- (b) All funds are in the IA UK Equity Income sector.
- (c) Performance data is provided by Morningstar on a bid-to-bid basis with income reinvested. Volatility is annualised.
- (d) Yields sourced from Morningstar, FT and fund providers and represent the estimated annual payout.
- (e) Funds with a value of less than £20m are excluded.

Important Information

All performance figures used in this document are provided by Morningstar and are quoted on a bid price to bid price basis (mid-to-mid for OEICs) ie ignoring initial charges, with income (dividends) reinvested. **Past performance is not a reliable indicator of future results.** All the views expressed are those of Sanlam Private Investments (UK) Ltd.

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