

# ROYAL LONDON UK EQUITY INCOME FUND

31 JULY 2014



ASSET MANAGEMENT

## FUND OVERVIEW

### General Information

Fund Manager: Martin Cholwill  
Fund size (mid basis) £1404.25m  
Fund Type OEIC  
Fund domicile GBR  
ISA Y

Benchmark:  
FTSE® All Share Index

### Share Class A (Income)

Inception date 11/04/1984  
Initial charge 4%  
Annual mgmt charge 1.25%  
Min investment £1,000  
OCF 1.28%  
Sedol number B67N865  
Mid price 681.70  
Historic Yield 3.65

### Share Class M (Accumulation)

Inception date 26/11/2012  
Annual mgmt charge 0.62%  
Min investment £100,000  
OCF 0.70%  
Sedol number B8Y4ZB9  
Mid price 143.60  
Historic Yield 3.55

### Share Class M (Income)

Inception date 05/11/2010  
Annual mgmt charge 0.62%  
Min investment £100,000  
OCF 0.66%  
Sedol number B3M9JJ7  
Mid price 697.70  
Historic Yield 3.63

### Share Class Z

Inception date 02/12/2013  
Annual mgmt charge 0.55%  
Min investment £25,000,000  
OCF 0.60%  
Sedol number BG48LT7  
Mid price 104.40  
Historic Yield 1.81

### Overview

The RL UK Equity Income Fund seeks to achieve a combination of income and some capital growth. This pure equity income fund invests solely in high yielding UK stocks, with a particular emphasis on companies generating significant free cashflow to fund sustainable dividend payments.

### Performance 12 Months Ending

	31/07/14	31/07/13	31/07/12	31/07/11	31/07/10
(Class A Inc)	12.18%	33.70%	4.72%	18.91%	21.77%
(Class M Acc)	12.89%	-	-	-	-
(Class M Inc)	12.88%	34.58%	5.34%	-	-

### Cumulative Performance to 31/07/2014

	3 months	6 months	1 Year	3 Years	5 Years
(Class A Inc)	-0.46%	4.02%	12.18%	57.07%	127.43%
(Class M Acc)	-0.28%	4.36%	12.89%	-	-
(Class M Inc)	-0.30%	4.35%	12.88%	60.02%	-
(Class Z Inc)	The share class's performance information has been omitted as per FCA rules, since this share class is less than one year old.				
Sector Average	-0.67%	3.51%	7.31%	38.14%	86.51%
Benchmark	-0.23%	4.48%	5.61%	31.74%	80.72%
Quartile Ranking (Class A)	2	2	1	1	1

Mid to mid, net of fees and taxes, net income reinvested unless otherwise stated. Information about past performance is not a reliable indicator of future results. The investor may not get back part, or all, of the amount originally invested. The value of your investment and the income from it is not guaranteed and can fall as well as rise. Please refer to the simplified prospectus for a list of the relevant risks. All yields are net of expenses and gross of taxes.

### Distribution History (Net)

	Jul-14	Apr-14	Jan-14	Oct-13
(Class A Inc)	8.24p	4.13p	6.06p	6.45p
(Class M Inc)	8.41p	4.21p	6.17p	6.56p
(Class Z Inc)	1.26p	0.63p	-	-

## Fund Commentary

During July the fund was ahead of median. The stock market moved very little over the month as a whole and there were no major performance drivers, although mid cap shares did lag the broader stock market. Positives for performance included WH Smith, Berendsen, BBA Aviation and Restaurant Group. The largest detractor to performance was Hargreaves Lansdown.

During the month activity was relatively light with mid cap exposure staying around 38% of the fund. The fund increased its Glaxo position further towards the end of the month after the shares fell in response to some rather disappointing results being announced. Whilst several analysts have questioned the sustainability of the dividend longer term, I believe the dividend yield of 5.7% is entirely sustainable when you look at their cashflow cover and declining debt profile. The fund also took profits in Reed Elsevier. The shares have performed strongly over the last couple of years and consequently its dividend yield has fallen to a less compelling 2.7%.

Overall US company results in July have beaten expectations and the strong initial estimate for Q2 US GDP growth is encouraging. The UK economy continues to grow at an annualised rate of around 3%, despite a number of European economies remaining subdued. However the market continues to worry about geopolitical risk, both in Ukraine and the Middle East, and the extent to which stronger Russian sanctions could harm European economies. Despite these risks, I continue to believe that stock markets can continue to do well against a background of anaemic economic growth and exceptionally low bond yields.

## Top 10 Holdings

Holdings	% of total
Royal Dutch Shell 'b'	5.6
HSBC Holdings	5.6
AstraZeneca	4.8
British American Tobacco	4.5
GlaxoSmithKline	4.2
BP	3.4
United Utilities	2.7
WH Smith	2.6
Aviva	2.6
Rio Tinto	2.5
Total	38.5
Total No. of Holdings	49

RLAM as at 31/07/14

## Sector Breakdown

Sector	% of total
Financials	27.1
Industrials	23.1
Consumer Services	12.4
Health Care	9.0
Oil & Gas	8.9
Utilities	7.1
Consumer Goods	5.7
Basic Materials	4.2
Telecommunications	2.6
Total	100.1

## Yield Definitions

The **historic yield** reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

## CONTACT DETAILS

### For Private Investors

For enquiries and dealing:  
Tel: 08456 04 04 04

### Intermediaries

For enquiries:  
Email: BDSupport@rlam.co.uk

### Head Office

Royal London Asset Management Limited  
55 Gracechurch Street  
London, EC3V 0RL  
Tel: 020 7506 6500

FTSE International Limited ("FTSE") 2009. FTSE® is a trademark of the London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under licence. All rights in the FTSE Indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and /or FTSE ratings or underlying data. No further distribution of FTSE data is permitted without FTSE's express written consent. Figures subject to rounding. rlam is a marketing brand which includes the following companies: Royal London Asset Management Limited, authorised and regulated by the Financial Conduct Authority and which provides investment management services, registered in England and Wales number 2244297; rlam is a marketing brand which includes Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority and which manages collective investment schemes, registered in England and Wales number 2372439. This company is a subsidiary of The Royal London Mutual Insurance Society Limited, registered in England and Wales number 99064. Registered office: 55 Gracechurch Street, London EC3V 0RL.  
**Our ref: 623/PRO-08/2014-DP**

Source: rlam, Financial Express and HSBC as at 31/07/2014, unless otherwise stated. Yield definitions are shown above.