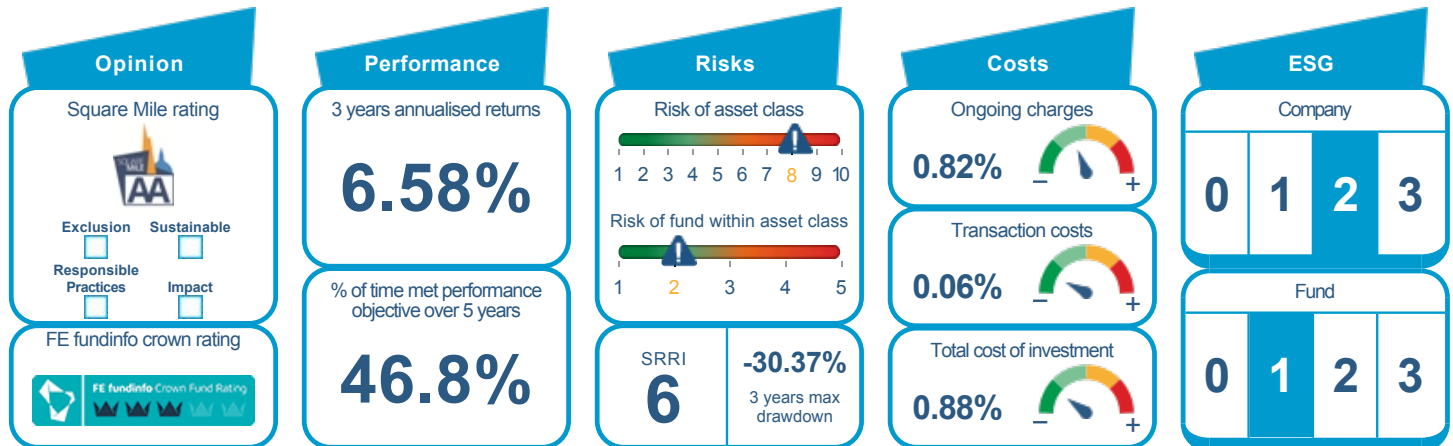


Threadneedle UK Equity Income ZNI GBP

November 2021
Investment Research



Overview

The manager is looking to generate a high dividend income that is expected to grow over time. Distributions are dependent upon market conditions and therefore the level of income can fluctuate.

Equity income funds are a suitable capital accumulation strategy, when income is reinvested. Historically, dividend growth focused funds tend to have lower volatility than growth orientated funds.



Square Mile Expected Outcome

We believe a total return of 2% per annum ahead of the FTSE All Share index over rolling period of at least three years is a reasonable expectation for this fund.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA UK Equity Income
Launch Date: 30/09/1985	Fund Size (as at 31 Oct 2021): £3887.8m
Yield: 2.90%	Distribution Pay Date: Mar 10 (Final), Jun 08, Sep 08, Dec 08 (Final)
Fund Manager: Richard Colwell	Ongoing Charge Figure: 0.82%
	Transaction Cost ex Ante: 0.06%



Fund Opinion

Having been co-manager of this fund since September 2010, Richard Colwell took the reins as sole manager on the strategy in mid 2016, he also assumed the role of head of Columbia Threadneedle's highly regarded UK equities desk at this point.

Although Columbia Threadneedle is a large institution, its underlying investment teams act with a fair degree of autonomy and managers are encouraged to run their funds based on their own convictions. In turn, the UK equity team's philosophy is that consensual group thinking rarely leads to consistent outperformance and their investment process has been designed to avoid this. The fund's yield requirement does lean the portfolio towards more valuation dependent situations as opposed to growth opportunities. However, though the manager is mindful of the fund's requirement to deliver income, he strives to keep a broadly balanced approach.

We believe this strategy is a sensibly managed UK equity income fund, which has a bias towards larger companies, and one that should serve investors well over most market conditions.

Fund Description

The fund is managed by Richard Colwell, who has lengthy experience as an investment manager. He joined Columbia Threadneedle in 2010 and following the announcement that previous head, Leigh Harrison, would retire from the business in 2016, assumed responsibility of the group's extensive UK equities team. The team consists of experienced fund managers and analysts; the latter being organised along sector lines. The team operates under the philosophy that opportunities exist for active managers who determine valuations over long time horizons and the market can be too swayed by recent events. By employing a valuation based investment process, the team can exploit short-term moves in markets to construct portfolios that will generate above average returns over the long-term.

The firm believes that stock research can be successfully performed through a collegiate team based approach, but that portfolio construction and risk assessment is best handled by an individual. In this case Mr Colwell is responsible. The investment approach has been structured to determine three things: what is the business model and can the business continue to grow? Does the business have sufficient financial strength and can it successfully convert earnings streams into cash flows? And finally, does the firm have good management in place who can allocate capital efficiently? Although the team takes long-term views, it does not attempt to make forecasts on the broader economy. Its members employ scenario analysis to consider how the business is likely to perform in different circumstances and to determine how sensitive the cashflow is to various economic factors. The portfolio is constructed to have an above average yield over time, and as a result, may hold positions in less fashionable parts of the market where higher dividend yields are available.

The manager believes that he needs to focus on risks affecting the underlying businesses rather than those associated with diverging from the benchmark. The final portfolio of around 45 to 60 stocks is invested in firms that can succeed in a low growth environment and have complementary risk characteristics. This is a fund that focuses on larger companies and it typically has a FTSE 100 exposure of at least 70%.

Risk Summary

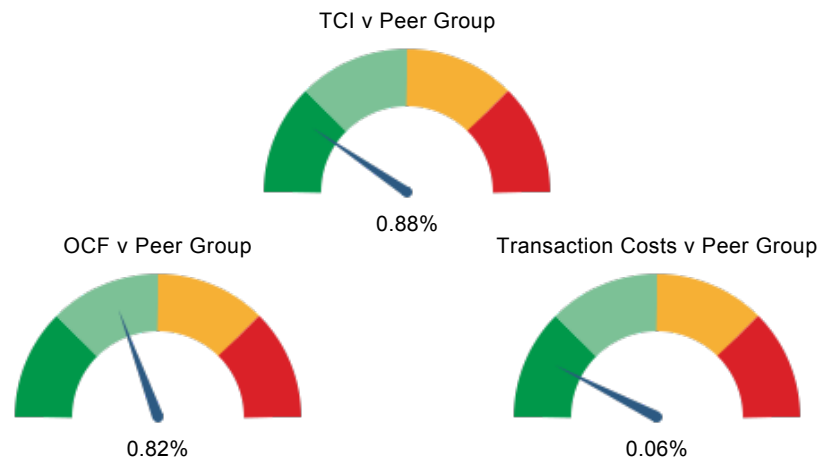
This is an equity based fund investing largely in UK listed companies. The fund is exposed to moves in the UK stock market, which can exhibit significant volatility.

Although the fund retains a reasonably sizeable allocation to the FTSE 100, position sizing is very much based on the manager's conviction and therefore the fund can, at times, look markedly different from the index.

Value for Money

The fund's ongoing charge figure (OCF) is close to the median of the UK Equity Income peer group, however due to low trading costs the fund's total cost of investment (TCI) is significantly beneath the median. We find the strategy's overall cost structure competitive and a very fair price to pay for accessing what is an impressively resourced UK equities team.

Furthermore, following the introduction of MiFID II regulations, asset management firms are now required to disclose all costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. As a result, Columbia Threadneedle Investments have absorbed the costs associated with their research, which has slightly reduced the overall fee paid by investors.



ESG Integration

Company Assessment	0	1	2	3
ESG factors are considered formally but are not instrumental within all of the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors may be considered by the fund's manager as an input into their analysis but are not a formal part of the investment process.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	6.58%
Annualised Volatility	17.84%
Max Drawdown	-30.37%
Max Gain	18.33%
Max Loss	-29.00%
Sharpe Ratio	0.32
Sortino Ratio	0.28

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

157.4 pence

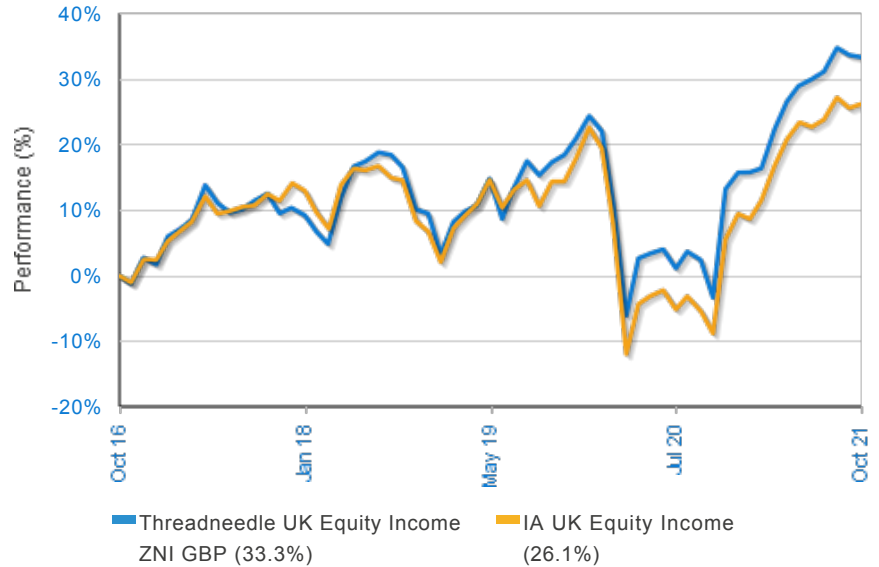
Benchmark

FTSE All Share

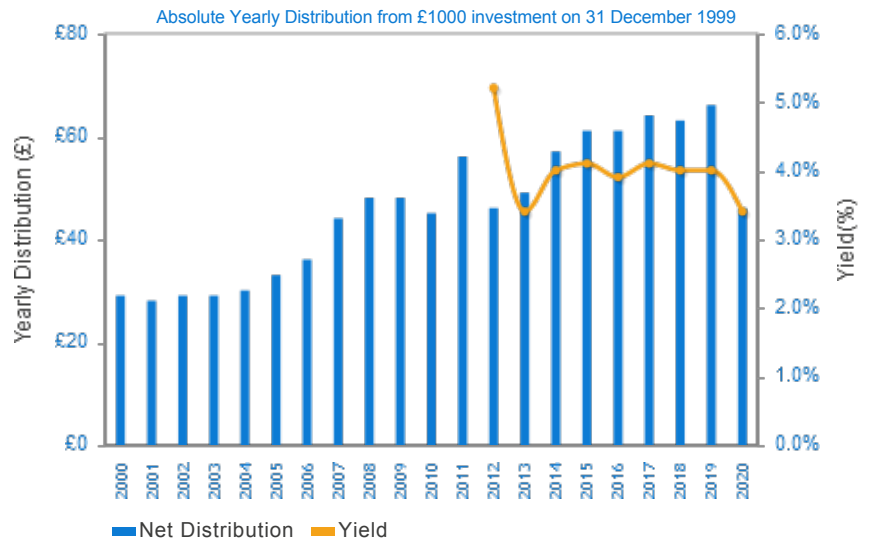
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	30.5	32.7	2
12-24m	-12.7	-17.2	1
24-36m	0.6	-0.2	2
36-48m	4.6	3.4	2
48-60m	11.1	10.6	2

Capital Growth

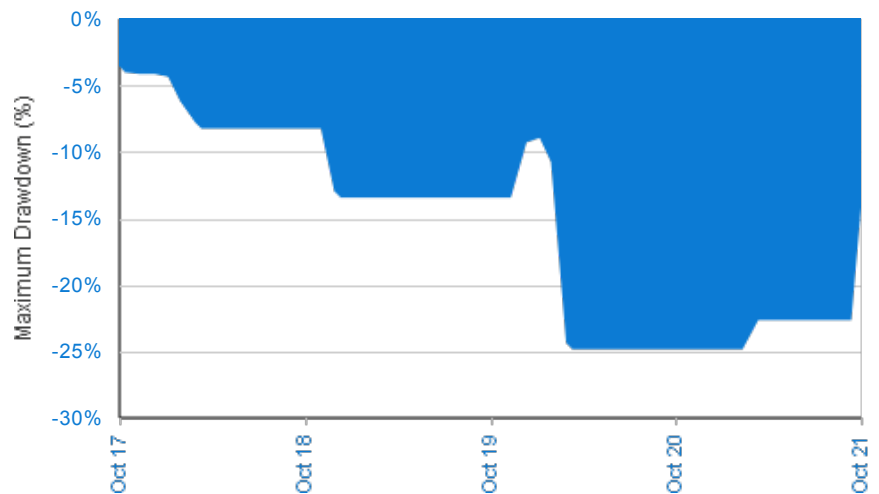


Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations.

Maximum Drawdown (Rolling 12 Months)



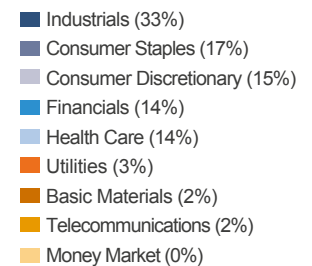
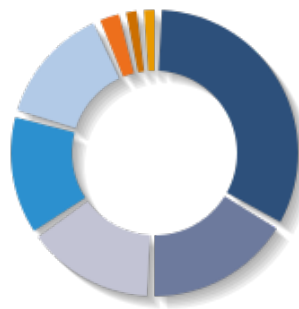
Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
ASTRAZENECA PLC	8.5
ELECTROCOMPONENTS PLC	7.3
MORRISON(WM.)SUPERMARKETS	5.4
RENTOKIL INITIAL PLC	5.3
IMPERIAL BRANDS PLC	5.1
GLAXOSMITHKLINE	5.0
3I GROUP PLC	3.8
PHOENIX GROUP HLDGS	3.7
UNILEVER PLC	3.0
FERGUSON PLC	2.9

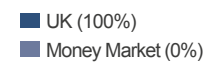
Sector Breakdown

(Data as at 30 Sep 2021)

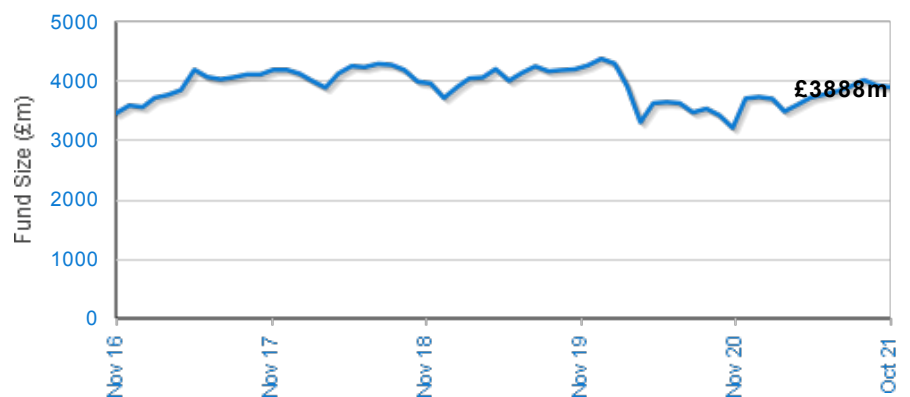


Geographic Breakdown

(Data as at 30 Sep 2021)



Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk			●
Liquidity Risk			●
Emerging Markets Risk			●
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund is predominantly invested in domestic assets.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominantly invests in securities listed by organisations operating in developed markets.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The manager is seen as an important element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the manager were to leave.

FE Risk Rating: 91.00

SRRI: 6

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