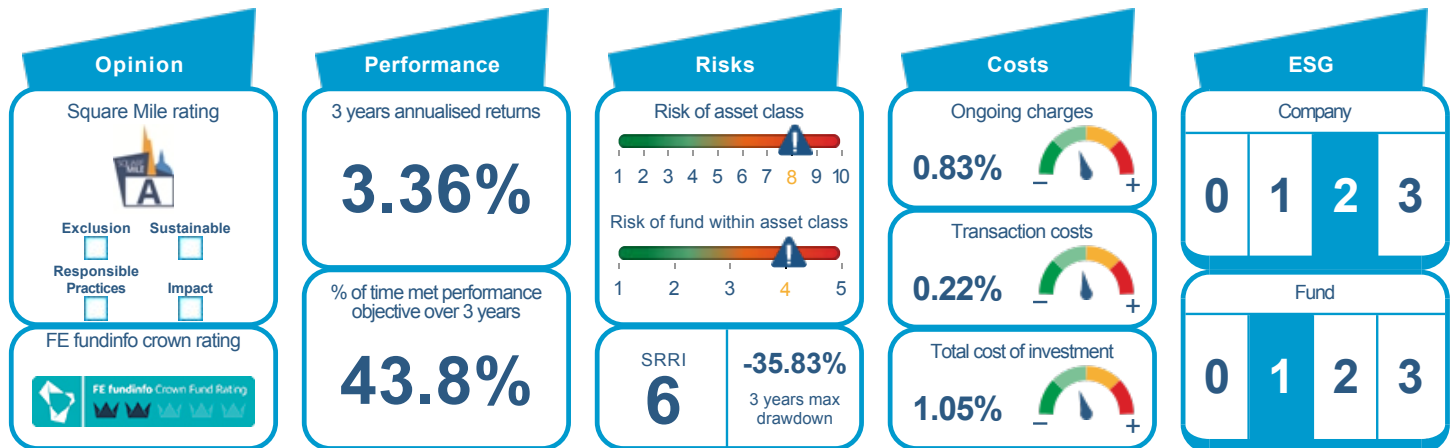


Threadneedle UK ZNA GBP

November 2021
Investment Research



Overview

The focus of the fund is on growing the capital value of investments over time through a portfolio of UK equities. Whilst equities can lose money over short to medium time periods, over longer time periods, and particularly over multiple investment cycles, equities, in aggregate, have proved an extremely successful way of accumulating capital.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe that this fund should be able to outperform the FTSE All Share index by at least 2% per annum over rolling three year periods.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA UK All Companies
Launch Date: 30/09/1985	Fund Size (as at 31 Oct 2021): £1764.5m
Yield: 1.80%	Distribution Pay Date: Mar 10 (Final), Sep 08
Fund Manager: Chris Kinder	Ongoing Charge Figure: 0.83%
	Transaction Cost ex Ante: 0.22%



Fund Opinion

The bulk of the portfolio is typically invested in well-managed blue chip UK companies that have strong franchises, barriers that deter potential competitors and high cash flows, as these types of companies should prove reliable and attractive holdings for investors over the long term. However, we would highlight that these positions are augmented by more cyclical holdings that tend to oscillate in and out of fashion depending on the macroeconomic situation. These cyclical holdings will add value if they can be purchased on cheap valuations, and so can involve the manager taking contrarian views.

Mr Kinder is a manager with conviction and diligently researched investment views and it is clear that he also makes good use of Columbia Threadneedle's sizeable UK Equity research team for ideas, knowledge and opinions. Although he has only managed this fund for a relatively short time, he has successfully run other strategies at the group and is able to rely upon a well-defined research process, as well as an impressive array of investment colleagues. Mr Kinder has a thoughtful and frank persona and is plainly driven to continue the long-term success of this strategy.

The fund's rather mediocre success in terms of meeting its performance objective has, in recent years, very much been driven by its exposure to larger companies, as many of its peers have relied heavily upon the strength of smaller and medium sized companies to outperform the FTSE All Share index, as well as by some of its more cyclical exposures. However, given this fund's manager's clear investment philosophy and process, the support network behind Mr Kinder, his investment experience and passion to succeed, we consider this a solid strategy through which to gain exposure to the larger end of the UK market over the long term.

Fund Description

Columbia Threadneedle believes that opportunities exist for active managers who determine valuations over long time horizons and that the market can be too swayed by recent events, such as changes to 12-month earnings forecasts. By employing a valuation based investment process, the team can exploit short-term moves in markets to produce portfolios that will generate above average long-term returns. The philosophy is that stock research can be successfully performed through a collegiate team based approach, but that portfolio construction and risk assessment needs to be handled by individuals, in this case, the fund's manager, Chris Kinder.

Though Mr Kinder has been managing this fund since September 2014, following the previous incumbent's departure, he has been lead manager on the UK Extended Alpha and co-manager on the UK Absolute Alpha funds since he joined the group in 2010. Mr Kinder commenced his investment career in 2001 with previous roles at RWC Partners, as an assistant fund manager, and Govett Investments, where he covered smaller companies. Mr Kinder is also a qualified chartered accountant having worked at PWC for four years prior to his entry into investment management. He is supported by a well-resourced team of analysts, such as Kunal Kothari who joined in 2021, from then Merian Global Investors, and works closely with Mr Kinder, and fund managers, including the team head and UK Equity Income manager, Richard Colwell.

The investment process has been designed to determine three things in a company. Firstly, to uncover exactly what the business model is and whether it can continue to grow into the future. To do so, a variety of factors are examined, including the industry's supply/demand dynamics and its capital cycle. Secondly, the company's financial strength, importantly its balance sheet and margins, are reviewed, to determine whether it can successfully convert earnings streams into cash flows. And lastly, a firm's management is assessed, ensuring it is allocating capital efficiently, has appropriate experience, and is aligned with the interests of shareholders. Although the investment team takes long-term views, it does not attempt to make forecasts. Instead, it employs scenario analysis to consider how the business is likely to perform in different circumstances and to determine how sensitive cash flow is to various economic factors. The team does set target prices and though the potential upside is clearly important, the risk/reward trade-off is carefully scrutinised before any investment.

The manager focuses on risks affecting the underlying businesses, rather than the risks associated with taking positions away from the benchmark. The portfolio will likely be made up of around 50 to 70 stocks, although this is often favoured towards the lower end of the scale, with a maximum position size of around 5%. These are typically businesses that can succeed in a low growth environment and have complementary risk characteristics. This is a fund that invests across the market capitalisation spectrum but predominantly in stocks that are listed towards the lower end of the FTSE 100 index and upper end of the FTSE 250 index. Exposure to smaller companies tends to be limited to around 10% of the portfolio's assets.

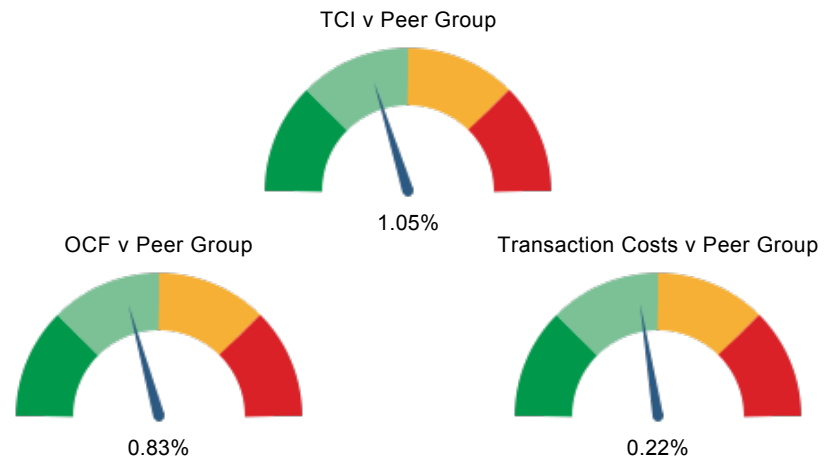
Risk Summary

The focus of the fund is on growing the capital value of investments over time through a portfolio of UK equities. Whilst equities can lose money over short to medium time periods, over longer time periods, and particularly over multiple investment cycles, equities, in aggregate, have proved an extremely successful way of accumulating capital. This particularly strategy seeks to meet its performance objective by not taking excessive levels of risk, which can result in lagging the index over shorter time frames particularly when markets are performing strongly.

Value for Money

The fund's ongoing charge figure (OCF) is competitive and below that of its peer group median, as are its transaction costs. Therefore, we find the strategy's total cost of investment to be competitive and a fair price to pay for accessing what is a well-established UK equity franchise, which is managed by a competent and high conviction manager, who is supported by an impressively resourced UK equity team.

In line with the MiFID II regulations, asset management firms are required to disclose all of the costs and charges related to the running and administration of their funds, including items outside of the OCF, such as research costs. Columbia Threadneedle Investments absorbs all of the costs associated with its research, which should slightly reduce 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	3.36%
Annualised Volatility	20.82%
Max Drawdown	-35.83%
Max Gain	17.91%
Max Loss	-34.28%
Sharpe Ratio	0.11
Sortino Ratio	0.10

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

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

191.7 pence

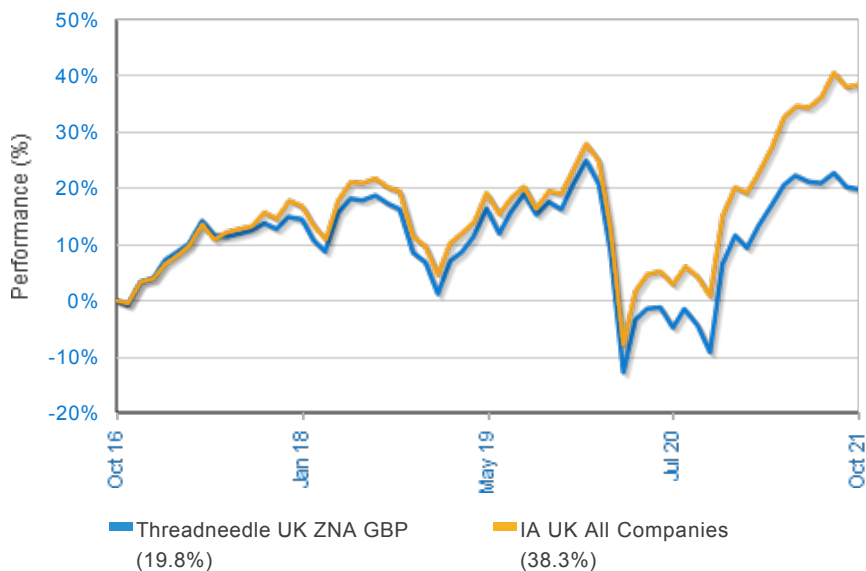
Benchmark

FTSE All Share

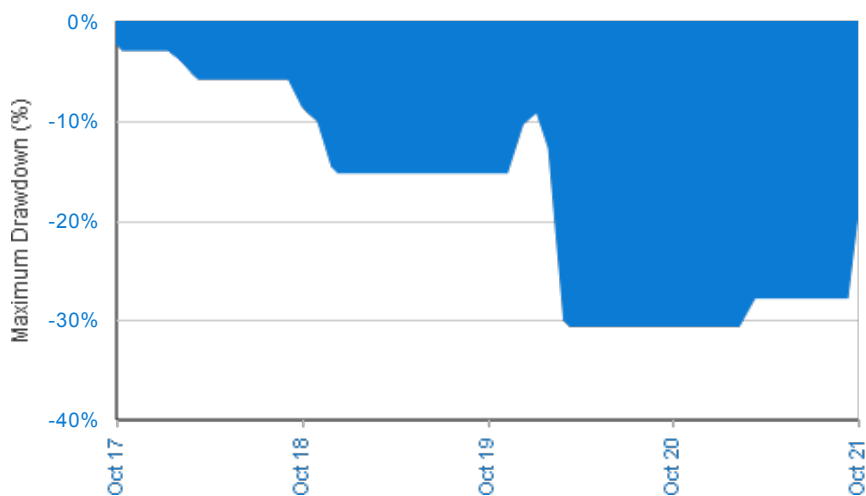
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	25.8	32.4	3
12-24m	-18.7	-12.8	4
24-36m	1.1	0.0	3
36-48m	3.4	5.5	4
48-60m	12.3	13.6	3

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
UNILEVER PLC	4.9
DIAGEO	4.4
GLAXOSMITHKLINE	3.9
PRUDENTIAL PLC	3.8
RELX PLC	3.7
RECKITT BENCKISER GROUP PLC	3.6
RIO TINTO	3.4
BHP GROUP LTD	2.7
BT GROUP	2.5
INTERMEDIATE CAPITAL GROUP	2.4

Sector Breakdown

(Data as at 30 Sep 2021)



- Consumer Staples (20%)
- Consumer Discretionary (20%)
- Industrials (18%)
- Financials (18%)
- Basic Materials (10%)
- Health Care (6%)
- Real Estate (3%)
- Telecommunications (3%)
- Technology (2%)
- Other (1.5%)

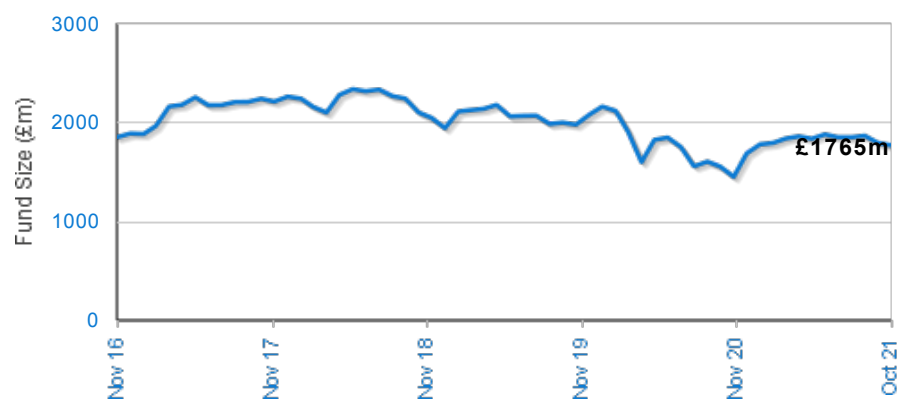
Geographic Breakdown

(Data as at 30 Sep 2021)



- UK (99%)
- Money Market (1%)

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: 107.00

SRRI: 6

Disclaimer

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