



LWM Consultants Ltd

Meeting the Fund Manager

Standard Life UK Equity Income Unconstrained Fund – Thomas Moore

We have recently been reviewing the portfolios; one of the funds we will be adding is the Standard Life UK Equity Income Unconstrained Fund. This fund will be sitting in the lower risk portfolios to provide a balance with the Schroder Income Maximiser Fund.

UK Income Funds have always been a challenge because many of them focus on the FTSE 100 index and in many cases the holdings overlap. Where this fund differs is that it seeks to deliver income not only from the FTSE 100 but also the FTSE 250 and other small cap stocks. This therefore provides the potential to deliver a fund with more diversification and greater potential for both income and growth. We back tested the fund against the Schroder Income Maximiser Fund and found that the volatility of the funds is very similar so as such it provides the additional diversification with the same level of volatility.

What does the fund look to achieve?

The fund looks to deliver income and growth by focusing on companies with earnings momentum and quality across the market. This means the fund manager doesn't have to restrict the search to the FTSE 100 where yields are lower than that provided by FTSE 250. So for example we talk about a company called Safestore that is a small cap company currently paying a dividend of 6%. The other big difference is the fund is relatively small with just £85 million which means it is more responsive to changes.

Introducing the fund manager

We met with Thomas Moore who is the fund manager and currently investment director on the UK desk. He began his career in 1998 at Schroder Investment Management as an assistant fund manager working on UK equities. He was subsequently appointed investment analyst in emerging markets. In 2002 he joined Standard Life Investments as an investment analyst and then joined the emerging markets equity team, managing EMEA portfolios with a focus on the South African market a year later. Thomas joined the UK equities team in 2006 and in 2009 he became responsible for the Income Unconstrained Fund.

Clearly Thomas is passionate about his fund and we enjoyed a good discussion around some of his holdings and in particular Cineworld where he is overweight, certainly my view of

Cineworld was very different to Thomas and it really showed the importance of in-depth research.

How the fund is managed?

Thomas searches for companies with earnings momentum and believes in the matrix that underpins a lot of the process at Standard Life Investments. He works closely with Ed Leggett who manages the UK Equity Unconstrained Fund and other members of the UK team which provides valuable investment insights.

The fund stands out from the rest of the crowd because it is not restricted to one group of shares, as such it is not hugging the benchmark. The fund holdings are based on best ideas which in the long term provide capital growth.

We discussed stocks like Barclays which they hold, this stock is a good value stock and has seen recent growth from 175p per share to 250p whereas other banking stocks like RBS are a long way from paying dividends and in their over little capital growth over the next three years and therefore are not part of the portfolio.

So using the matrix the fund can identify themes and stocks and then this is balanced with the investment insights to deliver companies with earnings momentum and quality across the market.

Because it does not hug the market it provides a good hedge against other income funds which closely follow the market.

Conclusion

Standard Life Investments have a good stable of investment funds especially in the UK sector, and this is no exception. With its track record this fund potentially could become a long term holding in our portfolios going forward.

The source of information in this note has been provided by Standard Life Investments and is correct to the end of March 2012. These are notes from meeting the fund manager and should not be seen as a recommendation to purchase this fund. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should also note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.