EDISON

# Acorn Income Fund

## Strong performance from equity biased portfolio

Investment trusts

**Acorn Income Fund (AIF) targets a high level of income and aims to generate both income and capital growth from a mixed portfolio of smaller-cap UK-listed equities, an income portfolio of fixed-interest securities and investments in high-yielding investment companies. AIF has clearly outperformed its benchmark and peer group, over the last four years, which is now reflected in strong demand for its shares. The shares remain appealing for investors who share the managers' positive view on the market and are attracted by a trust where selective small company exposure and gearing (41% net) is leavened by fixed-income holdings that also bolster dividends.**

| 12 months ending | Total share price return* (%) | Total NAV return* (%) | Total ZDP price return* (%) | Total return Numis Smaller Co.s ex IC* (%) | Total return FTSE All-Share* (%) |
|---|---|---|---|---|---|
| 30/09/10 | 49.8 | 44.3 | N/A | 16.1 | 14.8 |
| 30/09/11 | 16.3 | 4.5 | N/A | (1.8) | (2.8) |
| 30/09/12 | 40.4 | 41.0 | N/A | 25.2 | 14.9 |
| 30/09/13 | 64.1 | 42.3 | 5.6 | 32.7 | 18.5 |

Note: *Twelve-month rolling discrete performance.

## Investment strategy: Balanced equity/income split

AIF divides its portfolio into two distinct pools of assets, one investing in listed equities (70-80%) and the other investing largely in fixed-interest securities (together 20-30%). The split between the two pools shifts to reflect market conditions and opportunities. The equity pool is invested in a focused portfolio (35-45 stocks) of smaller-cap UK-listed equities (typically less than £1bn market cap at the time of acquisition), managed to produce an above-average yield relative to the benchmark (3.8% vs 2.7% for the index at the start of 2013). The income portfolio enhances dividend-paying capacity and reduces the NAV volatility implied by a concentrated small-cap portfolio and the relatively high level of net gearing (41%).

## Outlook: Sentiment improving? Valuations expanding

There is evidence to suggest the economic outlook is improving and, reflecting this, the FTSE All-Share has returned 18.5% during the last 12 months. UK smaller companies have generally provided an even stronger performance and the Numis Smaller Companies Ex-Investment Companies Index has returned 32.7% during the same period. While price rises have left equities more fully valued than before on current earnings estimates, the managers have a positive view on the market and see greater opportunities in equities than fixed income. The equity allocation of 75% is expected to return to c 80% once cash from share issuance is invested.

## Valuation: Trading at a premium

The discount on AIF's ordinary shares has narrowed over the past 18 months, arguably reflecting AIF's strong NAV performance, and AIF has predominantly traded at a premium since April 2013. The current cum-income premium of the ordinary shares, of 0.5%, compares with its three- and five-year discount averages of 10.1% and 12.8%. To help moderate the premium AIF has been issuing shares to satisfy the strong demand it is currently experiencing.

28 October 2013

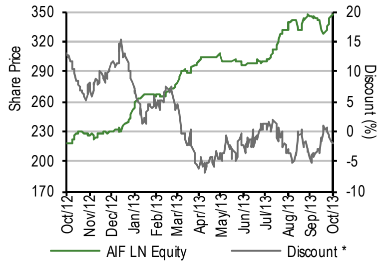
| | |
|---|---|
| **Price** | **342.5p** |
| **Market cap*** | **£49m** |
| **AUM** | **£70m** |

| | |
|---|---|
| NAV** | 339.22p |
| Premium to NAV | 1.0% |
| NAV*** | 340.71p |
| Premium to NAV | 0.5% |
| Yield | 3.5% |

*Ords only. **Ordinary share, excluding income as at 18 October 2013. ***Ordinary share, including income as at 18 October 2013.

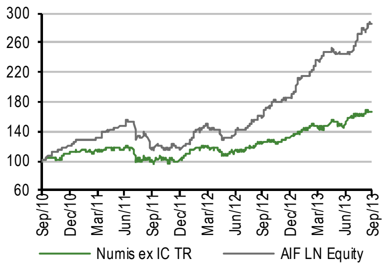
| | |
|---|---|
| Ordinary shares in issue | 14.4m |
| Code | AIF |
| Primary exchange | LSE |
| AIC sector | UK High Income |

### Share price/discount performance




*Positive values indicate a discount; negative values indicate a premium.

### Three-year cumulative perf. graph




| | | |
|---|---|---|
| 52-week high/low | 346.50p | 218.00p |
| NAV* high/low | 340.71p | 241.21p |

*Ordinary shares, including income.

### Gearing (including ZDPs)

| | |
|---|---|
| Gross | 45.6% |
| Net | 41.3% |

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Edison profile page

*Acorn Income Fund is a research client of Edison Investment Research Limited*

## Exhibit 1: Investment company at a glance

**Investment objective and fund background**

AIF's objective is to provide a high level of income with the opportunity for income growth and capital growth over the life of the company. AIF is geared through a Zero Dividend Preference (ZDP) stock. The portfolio is split into two pools, one (70-80% of assets) is invested in UK small-cap equities, the other is an income portfolio containing fixed-interest instruments, convertibles and high-yielding shares in other investment companies. Performance is benchmarked against the Numis Smaller Companies Ex-Investment Companies Index.

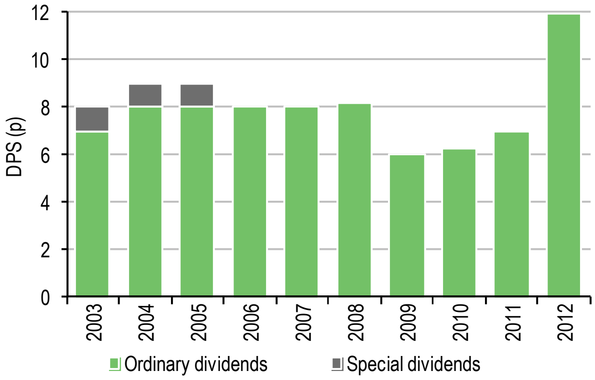
**Recent developments**

3 September 2013: Interim report for the six months ended 30 June 2013 released, incorporating a supplementary prospectus to issue up to 14m new ordinary shares and 19m new ZDP shares. Any issuance is expected to be part of AIF's ongoing placing programme.

| Forthcoming | | Capital structure | | Fund details | |
|---|---|---|---|---|---|
| AGM | August 2014 | Ongoing charges | 2.3% Y/E 31 December 2013* | Group | Premier Fund Managers Ltd |
| Preliminary results | March 2014 | Net gearing | 41.3% | Manager | John McClure, Paul Smith |
| Year end | 31 December | Annual mgmt fee | 0.70% of net assets | Address | Eastgate Court, High Street, Guildford GU1 3DE |
| Dividend paid | Quarterly | Performance fee | Yes, see page 7 | | |
| Launch date | 11 February 1999 | Trust life | Indefinite | Phone | +44 (0)1483 306090 |
| Continuation Vote | 2016 AGM | Loan facilities | None | Website | www.premierfunds.co.uk |

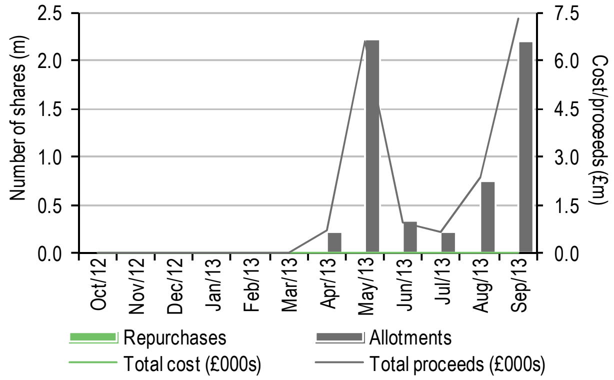
**Dividend policy and history**

Quarterly dividends paid in March, June, September and December. 2012 dividends increase facilitated by ZDP issue, which eliminated interest costs.

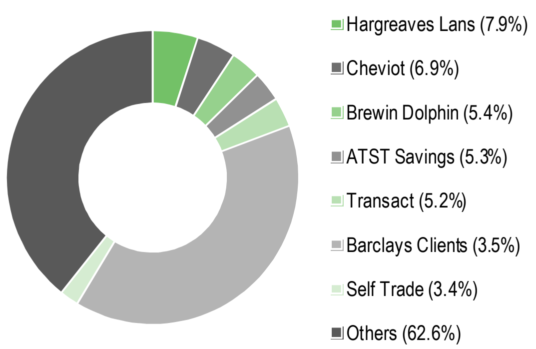



**Share buyback policy and history**

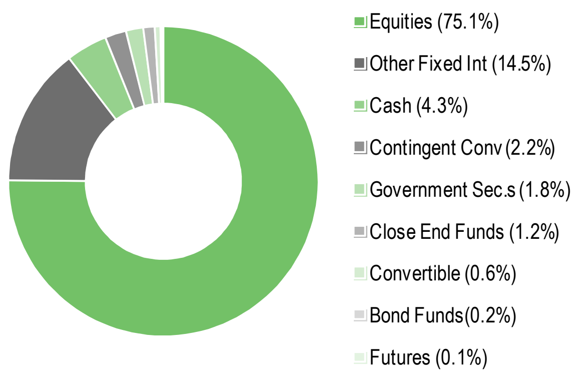
Renewed annually or as required to meet demand, the trust has authority to purchase up to 14.99% (see page 7) and allot up to 10% of issued share capital.




**Shareholder base (as at 24 July 2013)**




**Distribution of portfolio (as at 31 August 2013)**




**Top 10 holdings (as at 31 August 2013)**

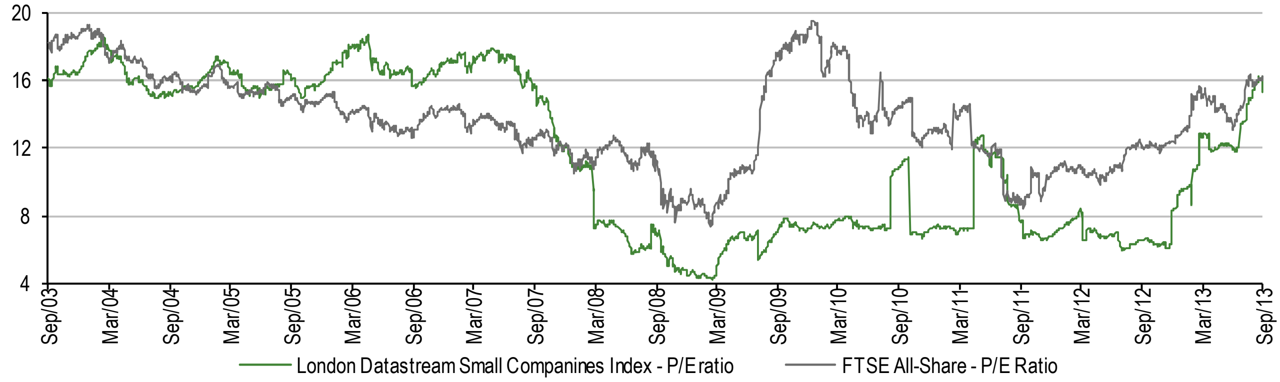
| Company | Country/ portfolio | Sector | Portfolio weight % 31 August 2013 | 28 February 2013 |
|---|---|---|---|---|
| Cineworld Group | UK/Equity | Recreational Services | 3.8 | N/A |
| Electrocomponents | UK/Equity | Industrial Suppliers | 3.7 | N/A |
| VP | UK/ Equity | Business Support Services | 3.4 | 4.1 |
| UK Mail Group | UK/Equity | Delivery Services | 3.4 | N/A |
| Berendsen | UK/Equity | Business Support Services | 3.3 | N/A |
| Tyman | UK/Equity | Building Materials & Fixtures | 3.2 | 4.2 |
| Casting | UK/Equity | Industrial Machinery | 3.2 | 3.7 |
| Brewin Dolphin | UK/Equity | Asset Managers | 3.0 | N/A |
| Secure Trust Bank | UK/Equity | Banks | 2.9 | 3.7 |
| British Polyethene Industries | UK/Equity | Containers & Packaging | 2.7 | 3.4 |
| **Top 10 equity holdings** | | | **32.8** | **37.6** |
| **Top 10 income holdings** | | | **7.8** | **8.3** |
| **Cash** | | | **4.3** | **1.7** |

Source: Acorn Income Fund, Edison Investment Research. *Note: See page 7 for further discussion of ongoing charges.

## Outlook: Sentiment improving? Valuations expanding

The environment of low interest rates and loose monetary policy that has prevailed since the financial crisis has proved very beneficial to investors in fixed-interest securities. However, with limited scope for bond yields to tighten further, income investors have been increasingly turning to equities, which appear to offer a better opportunity for capital and income growth. Volatility this year, particularly in reaction to talk of tapering, highlights that considerable uncertainty remains although there is evidence to suggest the economic outlook is improving and, reflecting this, the FTSE All-Share and FTSE-World Indices have returned 18.9% and 20.1% during the last 12 months. UK smaller companies have generally provided a stronger performance than this and AIF's benchmark, the Numis Smaller Companies Ex-Investment Companies Index, has returned 36.0% during the same period. Price rises have broadly outpaced earnings increases, particularly for smaller companies, so that equities are not as cheap as they were before. As illustrated in Exhibit 2, the current P/E of the London Datastream Small Companies Index of 15.3x is above its 10-year average of 11.6x (10-year range 4.2x to 18.7x) and is comparable to the current P/E of the FTSE All-Share Index of 16.1x.

**Exhibit 2: London Datastream Small Companies Index P/E ratio, FTSE All-Share P/E ratio - over 10 years**




Source: Thomson Datastream

## Fund profile: Two pools, geared with ZDPs

Domiciled in Guernsey, AIF has a balanced portfolio that is split between a UK small-cap pool of typically sub £1bn market cap equities (normally 70-80% of assets, managed under advice from John McClure since launch - initially at Granville and later Unicorn Asset Mgmt) and a fixed-income pool (normally 20-30% of assets, managed by Paul Smith at Premier Asset Mgmt since 2007). AIF issued £12m of ZDPs in 2011 (see page 7), which significantly increased gearing but reduced interest payments. £10m was raised in May 2013 through the issue of 2.2m ords and 3.0m ZDPs. ZDPs must be issued as a package unit with new ordinary shares (maintaining the capital structure and at a premium to asset value) or, if issued in isolation, the ratio of assets to ZDP maturity value cannot fall below 1.85x. John McClure owns 2.3% (25 October 2010) of issued share capital.

## The fund managers: John McClure and Paul Smith

### The managers' view: Equities preferred to bonds

John McClure believes that sentiment is now improving, reflected in an increase in activity in the IPO market, and has a bullish view on the outlook for UK equities. Despite the recent strong run for small-cap UK equities, the manager continues to see opportunities to add value from the larger UK small-cap portfolio and is not specifically concerned about the prospect of a near-term correction. In particular he sees strong prospects for many industrial companies, particularly exporters that are benefiting through sterling weakness. He is also targeting companies that are benefiting from reduced pressure on input costs and sees a revival of M&A activity as likely, while not buying stocks specifically as potential targets.

McClure continues to focus on cash rich, conservatively managed businesses that are providing a yield as he considers that investing in above-average yielding, smaller-capitalisation companies provides attractive returns versus larger-capitalisation stocks over time. A recent Numis Smaller Companies Index Annual Review (Dimson and Marsh, London Business School) concludes that a portfolio of high-yielding small caps established in 1955 (as far back as data is available for the Numis Smaller Companies Ex-Investment Companies Index) and rebalanced at the start of each year would have been worth 10x the value of an equivalent portfolio of low-yielding small caps by the end of 2012. In current market conditions, the manager aims to make new investments in stocks that yield between 3.8% and 6%. Obviously, he remains wary of investing in the highest-yielding stocks in his universe, as this can often signal the unsustainability of dividends.

In contrast, Paul Smith is less optimistic about the prospects for fixed-interest markets due to low yields and the risk that monetary expansion will continue to fuel inflationary pressures and eventually trigger an increase in interest rates, and fixed-income capital loss. As a result of this view, the income portfolio, the majority of which is fixed income, is at the lower end of its targeted range and the manager has been increasing exposure to investment company shares and niche bond issues where he still sees opportunities. The duration is being kept short at around 4.5 years.

# Asset allocation: Board determines equity/income split

## Investment process: Balanced investment approach

AIF adopts a balanced investment approach, which allocates investments between small-cap UK-listed equities and a predominantly fixed-rate income portfolio within fixed parameters. Over shorter periods, tactical asset allocation determines the exact weightings. The income portfolio allocation reduces the volatility that might otherwise be associated with a highly geared, focused small-cap equity portfolio. The asset allocation between UK small-cap equities and the income portfolio is reviewed by the directors at every board meeting. The managers co-operate closely and make recommendations to the board. In considering the split, the board considers advice from the managers, the current allocation in relation to the targeted ranges (70-80% for small-cap equities and 20-30% for the income portfolio), and the fundamental attractions of the two asset classes. Summaries of the investment processes used for the UK small-cap portfolio and the income portfolio are provided below, while further details can be found in the Edison note of March 2013.

The UK small-cap portfolio is constructed using a bottom-up process that begins with quantitative analysis, which highlights factors such as yield and dividend growth. Sectors such as biotech, Lloyds insurers, oil exploration and mining are excluded as the manager feels it can add little to market consensus on these difficult-to-analyse sectors and the very highest-yielding stocks may also be excluded where it is thought to be an indication that dividends are likely to be unsustainable. The manager looks for companies where management's interests are aligned with those of shareholders and where there is an identifiable catalyst that would indicate potential for re-rating. Portfolio turnover is low (c 10% a year), and some stocks have been held since launch.

The income pool is managed as a "best ideas" fund, with the split between the elements determined by the competing risk/reward ratios. The aim is to achieve a yield target set by the board and capital appreciation is welcome, albeit a secondary objective. The majority of holdings are in investment-grade bonds and the manager may use gilt futures to adjust the pool's duration.

## Overview: Bias to equities

As shown in Exhibit 1, at 31 August 2013, 75.1% of the portfolio was invested in the equity portfolio. There were 37 holdings, with the top 10 holdings accounting for 42.4% of the segment total. The income portfolio was 20.6% of the total and cash represented 4.3%. The allocation to the income pool is at the lower end of the permitted range, in accordance with the views of both managers.

The equity manager takes a stock picking approach and sector allocations are a reflection of this. Exhibit 3 illustrates that stock selection results in a substantial bias toward industrials and away from oil and gas, consumer stocks, technology and basic materials when compared to the FTSE Small Cap Index. AIF's industrials weighting includes many stocks that generate a significant proportion of their revenue overseas where the manager sees strong growth opportunities.

**Exhibit 3: Sector allocations, of equity portfolio, as at 31 August 2013**

| | Trust weight (%) | Trust weight (%) 28 February 2013 | FTSE All-Share weight (%) | FTSE Small Cap weight (%) | Trust active weight to FTSE Small Cap (%) | Trust weight /FTSE Small Cap weight |
|---|---|---|---|---|---|---|
| Industrials | 62.5 | 66.3 | 8.4 | 35.7 | 26.8 | 1.8 |
| Financials | 16.9 | 16.2 | 20.1 | 14.7 | 2.2 | 1.1 |
| Healthcare | 3.1 | 4.2 | 6.2 | 2.2 | 0.9 | 1.4 |
| Utilities | 0.0 | 0.0 | 3.2 | 0.0 | 0.0 | N/A |
| Telecommunication | 0.0 | 0.0 | 5.6 | 0.0 | 0.0 | N/A |
| Consumer goods | 2.5 | 4.3 | 14.7 | 7.7 | (5.2) | 0.3 |
| Basic materials | 0.0 | 0.1 | 11.9 | 6.2 | (6.2) | 0.0 |
| Technology | 0.0 | 1.2 | 1.3 | 6.4 | (6.4) | 0.0 |
| Consumer services | 12.2 | 6.2 | 10.5 | 18.8 | (6.6) | 0.6 |
| Oil & gas | 0.0 | 0.0 | 18.1 | 8.3 | (8.3) | 0.0 |
| Cash | 2.8 | 1.7 | 0.0 | 0.0 | 2.8 | N/A |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **0.0** | |

Source: Acorn Income Fund, Bloomberg, Edison Investment Research

## Recent activity and current portfolio positioning

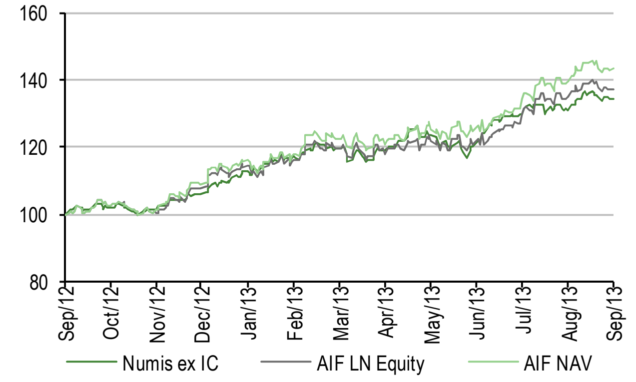
Reflecting his positive outlook for the UK equity market John McClure advises that, during the last six months, no positions have been sold out or reduced and that all portfolio activity has been directed at investing the cash received from the proceeds of the allotment of the new ordinary and new ZDP shares. This has been through a combination of topping up existing holdings as well as initiating on eight new names in the portfolio. New names include Conviviality Retail, Premier Farnell, Interserve, UK Mail Group, Marstons, Domino Printing, John Menzies and Brammer. The yield on the equity portfolio is currently c 3.5%. Within the income portfolio, Paul Smith has been increasing exposure to contingent convertibles and to investment companies. Profits have been taken on the recent purchase of Doric Nimrod Air Three while cash has been raised from Kelda Finance and Rentokil for reinvestment in the equity portfolio. The income portfolio is maintaining a relatively shorter duration (c 4.5 years) while the manager considers gilts remain overpriced and is concerned about the prospect of rising risk free rates.

# Recent performance: Strong record of outperformance

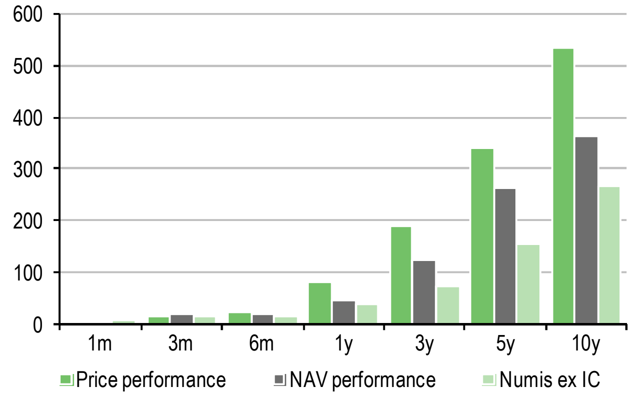
As Exhibits 4, 5 and 6 illustrate, AIF's ordinary shares have outperformed both its benchmark NSCIEXT index and FTSE All-Share Index, in terms of both price and NAV total return performance, over time periods of three months and above. Unfortunately, the manager provides no attribution data that would enable investors to identify the source of this performance with greater precision. As Exhibit 6 illustrates, in the five years up until the financial crisis AIF recorded periods of mild outperformance and underperformance relative to the benchmark, which broadly offset one another. Relative performance suffered in the run up to and following the financial crisis but, since April 2009, AIF has achieved sustained outperformance. The ZDP gearing was a major contributor to performance in 2012. The return on gross portfolio assets was 30.5% in 2012 (Numis Small Cap ex-IC Index 30%). This was despite having c 20% of gross assets invested in the income portfolio, within which traditional fixed income investments lagged equities (for example the return on the Citigroup Euro Big All Maturities Index was 10.7%). The ZDP gearing increased the 30.5% return on gross assets to a 48.1% total return increase in NAV.

**Exhibit 4: Investment company performance to 30 September 2013**

**Price, NAV and benchmark total return performance, one-year rebased**




**Price, NAV and benchmark total return performance (%)**




Source: Acorn Income Fund, Thomson Datastream, Edison Investment Research

**Exhibit 5: Share price and NAV total return performance, versus benchmarks (% points), to 30 September 2013**

| | One month | Three months | Six months | One year | Three years | Five years | 10 years |
|---|---|---|---|---|---|---|---|
| Price versus to Numis Smaller Co.'s Ex-Inv Co.'s | (1.3) | 4.4 | 8.3 | 44.6 | 118.8 | 188.9 | 271.6 |
| NAV versus to Numis Smaller Co.'s Ex-Inv Co.'s | 0.1 | 3.2 | 4.5 | 9.0 | 50.9 | 108.4 | 100.6 |
| Price versus to FTSE All-Share | (0.5) | 9.4 | 14.7 | 52.4 | 113.3 | 163.3 | 105.0 |
| NAV versus to FTSE All-Share | 0.8 | 8.2 | 10.9 | 18.5 | 57.3 | 112.5 | 30.0 |

Source: Acorn Income Fund, Thomson Datastream, Edison Investment Research

**Exhibit 6: AIF NAV total return vs Numis Smaller Companies Ex-IC total return, over 10 years, rebased to 100**

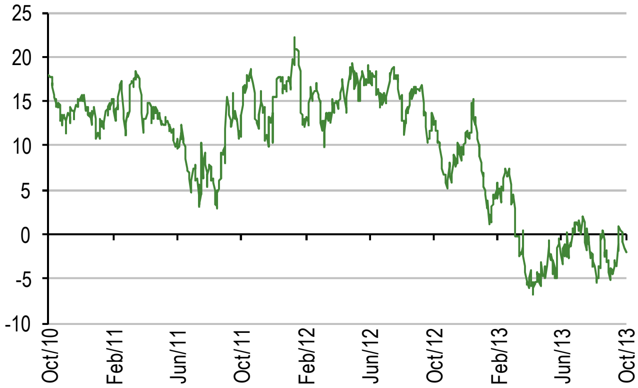

Source: Acorn Income Fund, Thomson Datastream, Bloomberg, Edison Investment Research

## Discount: Narrowed during the last 18 months

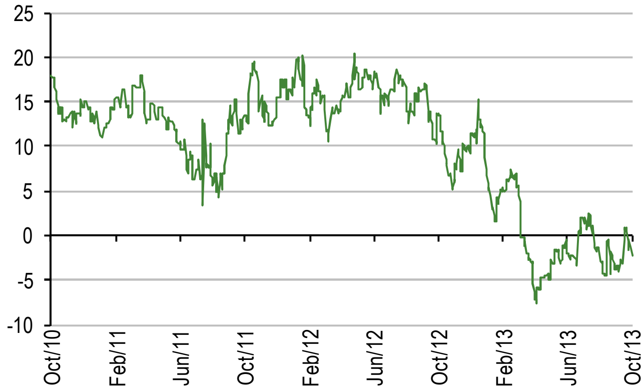
The discount on AIF's ordinary shares has narrowed over the past 18 months, probably reflecting AIF's strong NAV performance, and AIF has predominantly traded at a premium since April 2013, as illustrated in Exhibit 8. AIF has the authority to repurchase and allot its ordinary shares and so has mechanisms with which it could manage the discount. However, repurchasing shares of investment companies of AIF's size can be counter-productive as potential new investors may be discouraged by the associated reduction in liquidity, and AIF last repurchased shares in May 2011. AIF may only repurchase ordinary shares to the extent that the cover on the ZDPs will continue to exceed 1.85x, although AIF may repurchase unlimited numbers of ZDPs at a discount to their net asset value. Repurchased ordinary shares are held in treasury and may be reissued at a premium to asset value and, with AIF recently trading at a persistent premium, the trust has been issuing shares to help satisfy strong demand. The current cum-income premium of the ordinary shares, of 1.0%, compares to its three- and five-year discount averages of 10.1% and 12.8%. The ZDPs are trading at a premium of 6.4%, equivalent to a net yield to redemption of 4.51%.

**Exhibit 7: Discount/premium over three years**

**Discount/premium – NAVs with debt at par value, excluding income***




**Discount/premium – NAVs with debt at fair value, including income***




Source: Thomson Datastream, Edison Investment Research. Note: *Positive values indicate a discount; negative values a premium.

## Capital structure: Ordinary shares and zeros

AIF's share capital comprises 1p ordinary shares (14.4m) and ZDP shares (19.4m) as at 13 September 2013. The ZDPs were issued at £1. Their value accrues at an effective rate of 6.5% pa to provide a final capital entitlement of 138p on 31 January 2017. The ZDPs' final entitlement is covered 2.6x by AIF's gross assets and ZDP holders will receive their full entitlement, provided AIF's gross assets do not shrink by more than 30.8% pa. Other than the ZDPs, AIF does not use any other form of long-term gearing and has undertaken not to borrow money while the ZDPs are outstanding. As at 31 August 2013, AIF had gross gearing of 45.6% and net gearing of 41.3%.

Premier Asset Management has been the designated investment manager of AIF since 2007 and Unicorn Asset Management is retained as investment adviser and manager of the smaller company equity investments. AIF's manager receives a management fee of 0.7% pa of gross assets, calculated monthly, payable quarterly in arrears and charged 75% to capital and 25% to income. The manager pays fees to the investment advisers from the management fee. To the extent that AIF's annual expenses exceed 1.5% of gross assets, the manager will reduce its fees accordingly, but in exchange for this, the management fee is subject to a minimum annual payment of £100,000. The manager is also potentially entitled to a performance fee equivalent to 15% of AIF's outperformance (NAV plus dividends declared) over a benchmark defined as the NAV at the time a performance fee was last paid compounded, by 10% pa. The last performance fee was paid in 2006, and the target to beat for 2013 is 393.2p. Ongoing expenses were 2.3% for the year ended 31 December 2012 (2011: 2.3%). The manager projects that ongoing charges for the year ending 31 December 2013 will be c 1.6%, reflecting both asset growth and share allotment, and expects that, with further share issuance, ongoing charges could fall further. AIF has an unlimited life. Ordinary shareholders are to be offered a continuation vote at the AGM in 2016.

## Dividend policy and record: Smoothed returns

The board aims for a smooth path of dividend growth and tasks the managers with at least maintaining the dividend each year. When AIF replaced its bank debt with ZDPs in 2011, it eliminated debt interest payments and boosted distributable income, enabling a sharp increase in the total annual dividend from 7p to 12p. The proceeds of the ZDP issue have been invested in income-producing assets, but the associated expense is charged to capital and this boosts the income available to ordinary shares. AIF paid four quarterly dividends of 3p per share each over the course of 2012, has paid 6p in relation to H113, declared 3p for Q313 and has indicated that, based on current projections, that rate of dividends can be sustained for the rest of the year. As at 30 June 2013 and after payment of the H1 dividends, AIF had revenue reserves of 3.12p per share.

## Peer group comparison

Exhibit 8 illustrates a peer group comparison of the UK High Income sector. There are nine constituents, each with a markedly different approach. AIF's balanced portfolio approach is similar to that of Aberdeen, Henderson and Investors Capital. Within this group AIF ranks second over one year and first over three and five years. On a risk-adjusted basis, looking at the one-year Sharpe ratios, AIF has the third highest Sharpe ratio for price and second highest for NAV within this group.

**Exhibit 8: Peer group comparison as at 22 October 2013 (UK high-income sector)**

| Company | Share price total return on £100 | | | Ongoing charges (%) | (Disc)/ premium (%) | Net gearing (100=no gearing) | Five-year dividend growth (%) | Div. yield | Sharpe ratio NAV One year | Sharpe ratio price One year |
|---|---|---|---|---|---|---|---|---|---|---|
| | One year | Three years | Five years | | | | | | | |
| **UK High Income sector average** | **124.9** | **150.6** | **230.9** | **1.2** | **(2.8)** | **108.1** | **(0.9)** | **4.4** | **2.7** | **1.9** |
| **Acorn Income Fund** | **166.4** | **267.8** | **498.5** | **2.6** | **0.1** | **138.0** | **7.9** | **3.5** | **3.6** | **3.6** |
| Aberdeen Small Cos High Inc | 157.9 | 199.8 | 288.3 | 1.9 | (4.2) | 118.0 | (16.4) | 2.8 | 3.3 | 3.8 |
| City Merchants High Yield | 119.0 | 117.6 | 226.1 | 0.8 | (1.1) | 93.0 | (3.6) | 5.6 | 2.5 | 1.1 |
| Henderson High Income | 132.0 | 164.8 | 254.5 | 0.9 | 3.9 | 123.0 | 0.2 | 4.9 | 2.4 | 2.7 |
| Investors Capital | 123.2 | 131.7 | 179.3 | 1.2 | (9.8) | 109.0 | (4.1) | 3.5 | 1.5 | 2.3 |
| Jupiter Dividend & Growth | 132.9 | | | 1.9 | (13.1) | 91.0 | 0.0 | 2.0 | 2.3 | 3.6 |
| M&G High Income | 118.0 | 144.5 | 194.8 | 1.0 | (6.6) | 100.0 | (0.2) | 3.6 | 3.5 | 1.5 |
| New City High Yield | 109.1 | 126.3 | 218.0 | 1.3 | 4.4 | 107.0 | 2.8 | 6.4 | 1.2 | 0.6 |
| Small Companies Dividend | 167.9 | 224.5 | 316.5 | 2.6 | (11.3) | 131.0 | (1.3) | 4.3 | 3.8 | 4.7 |

Source: Thomson Datastream, Edison Investment Research

## The board

All the directors are independent and non-executive, but they have considerable influence as they determine the asset allocation policy. They are Helen Green (chairman), Nigel Ward and David Warr. The average length of service is 3.2 years.