

# focus on strength

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## Ryan Hughes gives details of a change of focus within the Skandia Equity Income Fund to identify companies with strong balance sheets.

In recent months markets have continued to exhibit an unprecedented level of turmoil that has made everyone fearful of where the next phase of the credit crunch will move. We have, without doubt, experienced a stock market crash epitomised by the 20% fall in one week in early October.

### seeking security

In such volatile times many investors have historically looked towards the relative security of equity income funds. These funds have traditionally proved to have defensive characteristics that focus on companies with strong balance sheets that can afford to pay dividends consistently – and in many cases increasing their dividends even during challenging economic periods.

Given the magnitude of the stock market falls, many companies are now offering significant dividend yields and it is evident to investors just how powerful the impact of dividends can be on total returns. This makes equity income funds attractive not just for investors looking to receive an income, but also for investors looking for capital growth.

### identifying value

The Skandia Equity Income Fund offers a MultiManager solution for advisers who are not comfortable choosing specific equity income funds or who simply want to leave the selection and ongoing

monitoring of the fund managers to a dedicated investment research team.

In April 2008, the structure of the Fund was altered to strategically focus almost all of the underlying holdings on identifying undervalued companies based on companies' income characteristics, whereas previously this was balanced with exposure to growth oriented strategies.

Within the current market conditions, these changes have shifted attention to those companies with the strongest balance sheets. Additionally, a significant underweight position to the banking sector (traditionally a core part of the equity income sector) has been beneficial. With the well-documented problems in the banking sector and the possible Government restrictions on banks paying dividends, funds with high exposure to banks may well have to cut their income payments.

### global exposure

While the Fund is still heavily focused towards the UK, it has exposure to the Newton Global Higher Income Fund to diversify away from a reliance solely on the performance of UK equities. This opens up opportunities to access well-capitalised companies offering strong yields from across the globe. We believe this will be a strong area of growth as companies become more shareholder focused and place a greater emphasis on dividends.

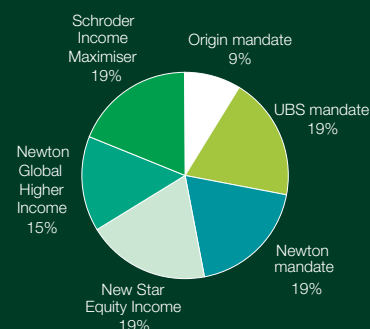
These changes have resulted in the Fund offering a yield of 6.6% net as of 30 September 2008 – one of the highest yields in the sector.

With capital returns from equities potentially lower than they have been in recent years, income is likely to play an increasing part in the overall total return, making equity income holdings an integral part of any investors' portfolio.

**The Skandia Equity Income Fund is available through Skandia's Life and Pensions fund ranges and the Selestia Investment Solutions investment platform.**

## Skandia Equity Income Fund target allocations

The Fund is well diversified with exposure to six different strategies. No single holding accounts for more than 19% of the Fund to ensure no over-reliance on any one area.



The Skandia Life fund will not mirror the performance of the underlying fund because of Skandia fund charges, taxation adjustments (if appropriate) and the Skandia investment process. Past performance is not a guide to the future.

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Skandia fund platform gives you access to MultiISA and MultiFUND provided by Skandia MultiFUNDS Limited and to products provided by Skandia Life Assurance Company Limited.

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