

Schroder Monthly Income

Mixed Investment 20-60% Shares

Introduction

Schroder Monthly Income is a fettered fund of funds which aims to produce an annual yield of 5% through investing 50% of its assets in equities and 50% in fixed income. Except within the fixed income portfolio, there is no tactical asset allocation overlay. The product has been designed to provide a relatively high level of income given the low interest rate environment we are in and likely to remain in for the foreseeable future.



[Click here to read the Schroder approach to ESG investing.](#)

Why RSMR Rate this Fund

- The strength and depth of resources across Schroders fixed income and equity teams underpins the strength of this offering
- It offers investors an alternative option to most income solutions in what is a difficult climate for generating income for investors
- The investment process is relatively straight forward which most investors should be able to understand

Fund Process

The fund will always be allocated 50% equities and 50% fixed income. The equity allocation is managed by Schroders Structured Fund Management team and it is equally divided between four of the Schroders Income Maximiser range of funds (UK, Asia, Europe and Global). The first Maximiser funds were launched in 2005. All of the Maximiser funds have covered call options with a view to enhancing income. As well as enhancing income, selling call options crystallises some of the potential growth upfront, which can slightly reduce the variability of returns. The overlay is actively managed as are the underlying portfolios. The Maximiser funds employ tight risk controls and having been launched in 2005, the concept has now been tested across a full equity market cycle. The Maximiser funds are employed with a view to contributing 3.5% per annum to the overall yield on the product.

The fixed income allocation is actively managed by the fixed income team with a view to contributing around 1.5% points to the overall yield. The asset allocation is distributed across five funds: Schroder Sterling Broad Market Bond, Schroder Absolute Return Bond, Schroder Strategic Bond, Schroder ISF Global High Yield and Schroder High Yield Opportunities.

All of the funds benefit from the sizeable Schroders resource in fixed income and the range is not overcomplicated for end customers to be able to understand. It also allows the fund managers to manage with some conviction whilst at the same time providing adequate diversification.

Evaluation

This is an outcome orientated income solution whose methodology is relatively easy to understand. The combination of the expertise of Schroders Structured Fund Management and Fixed Income ESG teams provides significant resources for the fund manager to draw on.

Application

Schroders Monthly Income is a good option to be used as part of an income portfolio or as part of a pension portfolio, particularly for clients in the deaccumulation phase.

Our Opinion

Whilst the fund resides in the IA Mixed Investments 20-60% Shares sector, this comparator is a bit meaningless, given the fixed asset allocation and its investment aims and objectives. The fund is orientated to a specific outcome (5% yield) from a portfolio which has around half the volatility of global equity markets.

It is designed to provide a relatively high and stable level of income throughout an investment cycle which means that at times, particularly in rapidly rising markets, the total returns may disappoint but the fund is not designed to maximise total returns. The resources behind this fund are significant and we see it as part of a broader portfolio as being a good option for investors seeking an income.

Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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