



Breaking News: UK Equity Income - Woodford Investment Management and Invesco Perpetual

We are keeping a close eye on the UK Equity Income space following Neil Woodford's departure from Invesco Perpetual to set up his own firm, Woodford Investment Management (WIM). We know that WIM has been authorised by the FCA and that this became effective on 28 April.

There are no details yet of the funds that will be launched although there is a widespread belief that there will be a UK equity income fund. Interestingly St James Place have awarded part of their investment mandate to the new firm, but in the absence of facts or any authorised fund, we have to regard this as being driven by marketing factors rather than any fundamental research.

On a related matter you may already have seen news articles regarding the £18.6 million fine levied against Invesco Perpetual by the Financial Conduct Authority (FCA). This fine relates to the use of derivatives without proper disclosure and other technical breaches in a number of funds including the Income and High Income funds between May 2008 and November 2012. The FCA did not consider any of the breaches to be deliberate or reckless and Invesco Perpetual have assured us that their systems and controls have been strengthened to prevent a recurrence. Losses arising from the breaches were promptly reimbursed and fund pricing was not affected, meaning that investors have not been adversely impacted.

Neil Woodford and Will Deer of WIM are coming to our offices on 9 May and we expect to have more information on the new company after then. Our holdings in the Invesco Perpetual Income and High Income funds are continuing to perform well and have outperformed the FTSE 100 Index over the last six months. We are in regular contact with Invesco Perpetual and the new manager Mark Barnett and will continue to monitor the funds' performance over the coming months.

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The value of investments can go down in value as well as up, so you could get back less than you invest. It should be remembered that past performance is not necessarily a guide to future performance.

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