

400m

Number of new users Facebook has attracted since concerns about privacy were first raised

Ian Williams on UK Income



(IA) UK Equity Income: Over three years

	3yr % chg	Rank	Vol monthly	Fund size (£m)	Morningstar rating™
Top 5					
Man GLG UK Income Professional	40.15	1	2.90	1,108.80	★★★★★
TB Saracen UK Income	29.13	2	3.46	3.18	★★★★★
Allianz UK Equity Income	28.40	3	2.84	52.67	★★★★
Courtiers UK Equity Income	28.18	4	3.16	16.98	★★★★★
Unicorn UK Income	27.68	5	3.18	631.55	★★★★★
Bottom 5					
MI Downing Monthly Income	9.96	73	2.88	43.52	★
Castlefield B.E.S.T. Sust Inc	9.55	74	2.36	26.72	★★
ASI UK Income Unconstrained Eq	8.94	75	3.34	1,173.52	★★★
VT Tyndall Real Income	5.63	76	2.36	1.91	★
Janus Henderson UK Eq Inc & Gth	3.95	77	2.66	243.09	★★★
SECTOR AVERAGE	18.69		2.87	600.89	

Performances calculated bid to bid, net income re-invested, GBP to 18/11/19. Source: © 2019 Morningstar.

A hard-to-call General Election looms over UK markets. If Boris Johnson wins an outright majority, the UK will leave the EU by early 2020, ushering in 'Thatcherite' policies to make the British economy the 'Singapore' of Europe.

A raft of business-restrictive EU regulations will be binned. It will unleash animal spirits and spur economic growth as the UK pivots from the moribund economic basket case that is the EU to the dynamic economies of the Americas (North and South) and high-growth Eurasia, an area with two thirds of global population and three times more 'middle class' consumers than the US and EU combined.

Britain could also become a favourite destination for investing, with an expected huge inflow of foreign money.

What does this prospect mean for UK income investors? As it happens, British equities look cheap as chips due to Brexit uncertainty, but these bargains may not last much longer. On average, UK blue chips offer significantly higher dividend yields than their overseas counterparts with a whole raft of FTSE components yielding about 6% or more. On a relative value basis, the UK market looks undervalued by about a third, a wide gap thanks to Brexit jitters.

If Boris does pull it off, UK equities will rally, so the opportunity to acquire quality shares at a big discount and lock in attractive dividends now is too good to miss. If he fails, the

Bull Points

UK equities are great value relative to other major markets

A Conservative election victory would trigger a big rally

Bear Points

UK gilts are dear and trading close to 300-year highs

Big Government spending may stoke inflation

Conservatives likely will remain the largest party – and Britain will continue to tick over as it has for the past three years until the political deadlock is broken.

However, on a risk/reward assessment, there is more upside on a Boris win than there is downside on a hung parliament.

Either way, the outlook for UK fixed interest remains poor as this asset class looks hugely overpriced globally. And all bets are off if Labour wins.

Ian Williams is chairman of Charteris Treasury Portfolio Managers