

# AlphaPredictor® Insights

## Our latest AlphaPredictor® insights

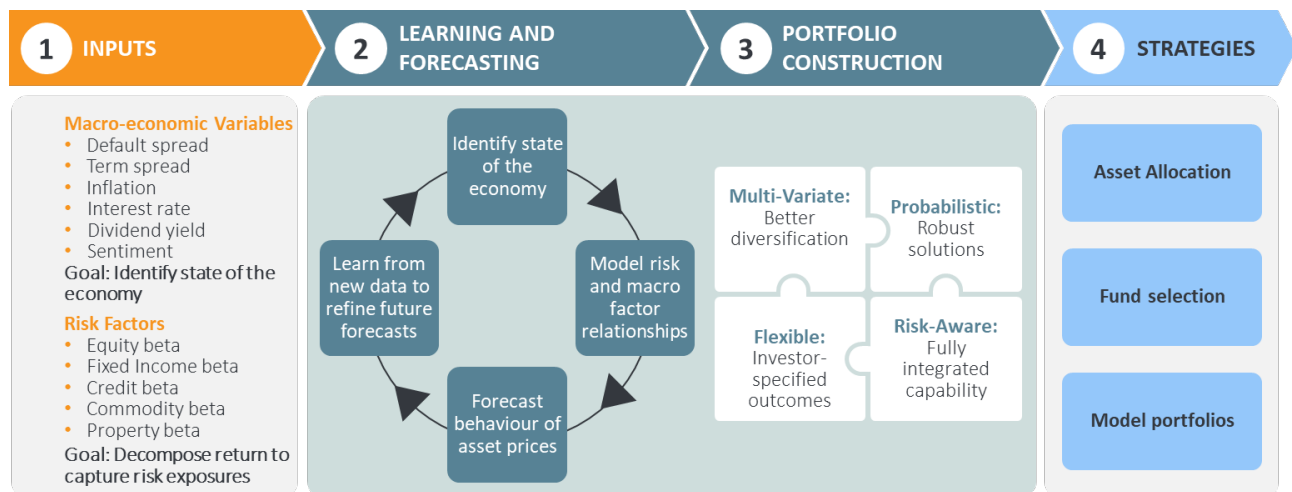
Investment Association Sector: UK Equity Income  
 Forecast horizon: 3-month ahead forward-looking view  
 Date: January 2026

## How were these funds selected?

The funds below were selected from the UK Equity Income peer group. Five funds were chosen to represent the top and bottom quartiles based on their 3-month expected return rankings, with a minimum fund size of at least £75 million and a historical ranking within one quartile of their forward-looking quartile ranking.

## About the AlphaPredictor® Methodology

AlphaPredictor® is an advanced learning methodology collaboratively developed by leading academics and experienced practitioners. It forecasts investment asset behaviour across the business cycle and adapts rapidly to changing market conditions. In the case of actively managed funds, AlphaPredictor® can help identify the future “best” performers and avoid underperformers. The methodology is also used for asset allocation and portfolio construction to select the best combination of assets to hold at any point in the business cycle while diversifying against different economic outcomes.



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**AlphaPredictor® expected return breakdown for each fund shown as monthly return contributions**

Representative expected top quartile funds

Fund name	Expected return (%)	All-weather Alpha (%)	Time-varying Alpha (%)	Beta return (%)	Risk-free rate
Artemis Income Exclusions Fund	1.31%	0.18%	0.14%	0.65%	0.34%
J O Hambro UK Equity Income Fund	1.48%	0.12%	0.05%	0.98%	0.34%
Janus Henderson UK Equity Income & Growth Fund	1.16%	-0.12%	0.18%	0.76%	0.34%
JPM UK Equity Income Fund	1.21%	0.13%	0.14%	0.60%	0.34%
TM Redwheel UK Equity Income Fund	1.70%	0.21%	0.46%	0.69%	0.34%
<b>Peer Group Average</b>	<b>1.03%</b>	<b>0.04%</b>	<b>-0.02%</b>	<b>0.67%</b>	<b>0.34%</b>

*Expected return = Risk-free rate + All-weather Alpha contribution + Time-varying Alpha contribution + Beta contribution*

*Beta return contribution = Sum of the Beta factor exposures multiplied by the expected returns of each Beta factor*

*All-weather Alpha = Alpha component that is independent of business cycle changes and associated with security selection*

*Time-varying Alpha = Sum of the Alpha sensitivities to the macroeconomic variables multiplied by their (expected) changes*

**Comments**

- All representative funds in the expected top quartile have higher expected returns and total Alphas than the peer group average
- TM Redwheel UK Equity Income has the largest all-weather Alpha, primarily associated with stock selection, and time-varying Alpha related to navigating changes in the business cycle often observed through sector tilts
- J O Hambro UK Equity Income has the largest total Beta return among the expected top quartile funds with small but positive all-weather and time-varying Alpha
- Janus Henderson UK Equity Income and Growth is the only fund among the expected top quartile funds with negative all-weather Alpha likely due to poorer security selection

Representative expected bottom quartile funds

Fund name	Expected return (%)	All-weather Alpha (%)	Time-varying Alpha (%)	Beta return (%)	Risk-free rate
abrdrn UK Income Equity Fund	0.58%	-0.17%	-0.10%	0.51%	0.34%
AXA Framlington UK Equity Income Fund	0.69%	0.01%	-0.19%	0.53%	0.34%
Fidelity Enhanced Income Fund	0.40%	-0.16%	-0.16%	0.39%	0.34%
Liontrust Income Fund	0.54%	-0.04%	-0.23%	0.47%	0.34%
Premier Miton Optimum Income Fund	0.69%	-0.19%	-0.31%	0.85%	0.34%

**Comments**

- All five representative funds have positive total Beta returns, but on average they are lower than the expected top quartile funds
- All five of the representative expected bottom quartile funds have negative time-varying Alpha skills from poorly navigating changes in the business cycle. Four funds have negative all-weather Alpha linked to poorer stock selection
- Premier Miton Optimum Income has the most negative all-weather and time-varying Alpha and the largest total Beta return from a higher than average exposure to smaller cap companies.
- AXA Framlington UK Equity Income is the only fund with a non-negative all-weather Alpha
- Fidelity Enhanced Income has the lowest expected return among the expected bottom quartile funds because of its negative Alpha and lower expected total Beta return

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**AlphaPredictor® Beta factor contributions to fund expected returns**

Representative expected top quartile funds

Fund name	Total Beta return (%)	UK Equity Market Beta	Small Cap Premium	HML Dividend Premium
Artemis Income Exclusions	0.65%	0.28%	0.35%	0.01%
J O Hambro UK Equity Income	0.98%	0.35%	0.58%	0.05%
Janus Henderson UK Equity Income & Growth	0.76%	0.32%	0.43%	0.01%
JPM UK Equity Income	0.60%	0.33%	0.27%	0.01%
TM Redwheel UK Equity Income Fund	0.69%	0.34%	0.30%	0.06%
<b>Peer Group Average</b>	<b>0.67%</b>	<b>0.29%</b>	<b>0.36%</b>	<b>0.02%</b>

Representative expected bottom quartile funds

Fund name	Total Beta return (%)	UK Equity Market Beta	Small Cap Premium	HML Dividend Premium
abrdrn UK Income Equity	0.51%	0.30%	0.22%	0.00%
AXA Framlington UK Equity Income	0.53%	0.29%	0.25%	-0.01%
Fidelity Enhanced Income Fund	0.39%	0.26%	0.14%	-0.01%
Liontrust Income Fund	0.47%	0.29%	0.19%	-0.01%
Premier Miton Optimum Income Fund	0.85%	0.28%	0.54%	0.03%

**Comments**

- The High-minus-low (HML) Dividend factor (see Glossary) is not expected to perform strongly over the next 3 months. This is why the funds also have small expected returns from this factor
- J O Hambro UK Equity Income, Janus Henderson UK Equity Income & Growth and Premier Miton Optimum Income have higher expected total Beta returns because of their larger exposure to smaller cap stocks when small caps are expected to outperform the broad market
- Fidelity Enhanced Income has the lowest expected total Beta, UK equity market Beta and Small Cap Premium returns among both top and bottom expected quartile funds
- The majority of the expected top quartile funds have higher returns coming from total Beta than the expected bottom quartile funds and the peer group average

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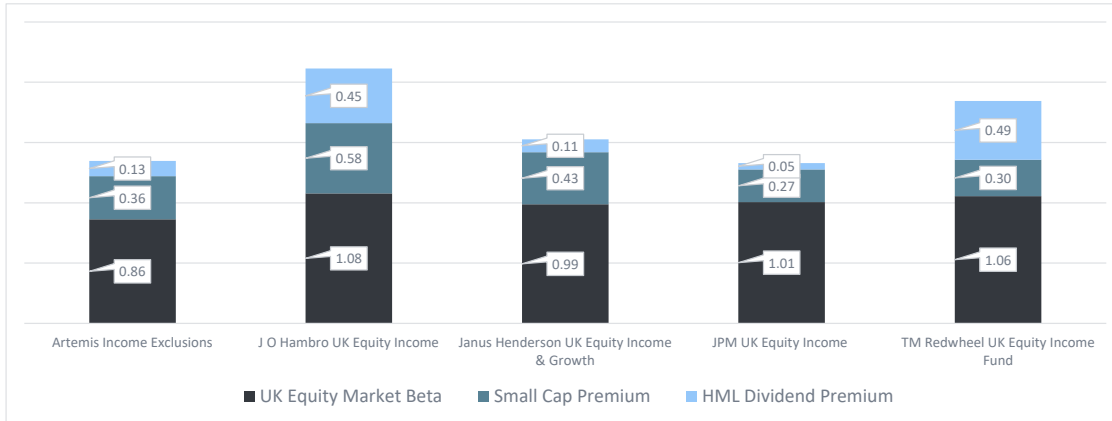
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### Fund Beta factor exposures

The charts show the Beta factor exposures that help explain each fund's performance. They are expressed as Beta sensitivities not returns. A Beta of 1.0 indicates that the fund's performance tends to move in 1:1 tandem with the Beta factor. A negative Beta indicates that the fund's performance tends to move in the opposite direction of the Beta factor.

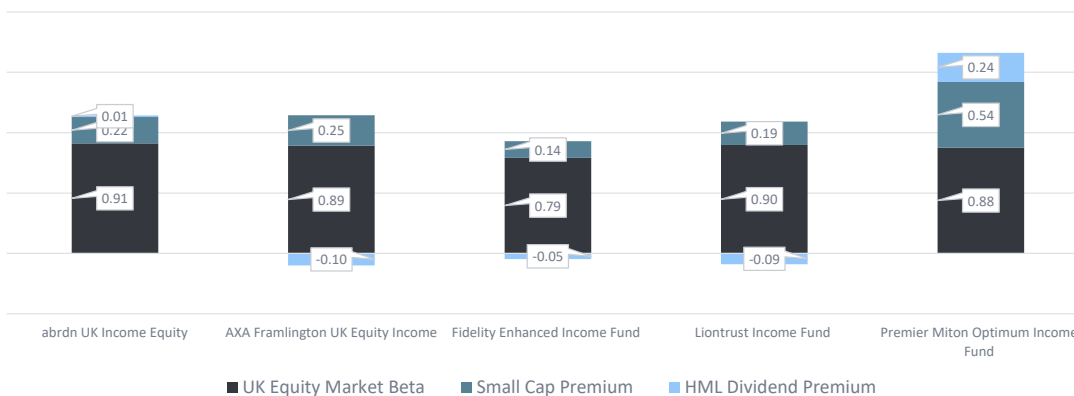
#### Representative expected top quartile funds Beta factor exposures



#### Comments

- All of the expected top quartile funds have a positive tilt to higher dividend yielding stocks and positive exposure to this Beta factor (HML Dividend Premium).
- J O Hambro UK Equity Income has the biggest Beta exposure to smaller cap stocks among the expected top quartile funds followed by Janus Henderson UK Equity Income & Growth
- Among the above five funds, J O Hambro UK Equity Income and TM Redwheel UK Equity Income have the largest tilt and hence Beta exposure to higher dividend stocks and JPM UK Equity Income and Artemis Income Exclusions have the smallest tilt
- Artemis Income Exclusions has the lowest exposure to equity market Beta among the expected top quartile funds which means its performance will be somewhat less sensitive to swings in the broad UK equity market

#### Representative expected bottom quartile funds Beta factor exposures



#### Comment

- Four of the five funds in the expected bottom quartile have low to negative Beta exposures to higher dividend stocks. These funds show a style more typical of blend or growth styles of investing
- Among the expected bottom quartile funds, Premier Miton Optimum Income has the largest Beta exposure to smaller stocks
- AXA Framlington UK Equity, Fidelity Enhanced Income and Liontrust Income have negative Beta exposures to higher dividend yielding stocks which is somewhat unusual for funds in the UK Equity Income peer group

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### Fund time-varying Alpha from navigating changes in the business cycle

The AlphaPredictor® methodology provides the unique ability to identify managers with skills which will perform well given different but plausible economic outcomes. Time-varying Alpha is manager skill associated with navigating changes in the business cycle and is often demonstrated by sector tilts or security selection within sectors. Macro Alpha sensitivities reflect the portion of a manager's skill which is correlated (positively or negatively) with important macroeconomic variables. By pairing macroeconomic variable changes with a fund's Macro Alpha sensitivities you can gain insights about their Alpha generation in different environments.

#### Representative expected top quartile funds time-varying Alpha breakdown

Name of fund	Macro Alpha Return Contributions						UK Leading Economic Indicator
	Time-varying Alpha (%)	Default Spread	Term Spread	Short Rate	UK Inflation	Dividend Yield	
Artemis Income Exclusions	0.14%	-0.11%	0.27%	-0.02%	0.14%	-0.14%	0.00%
J O Hambro UK Equity Income	0.05%	-0.13%	0.03%	0.03%	0.01%	0.10%	0.01%
Janus Henderson UK Equity Income & Growth	0.18%	0.02%	0.04%	-0.02%	-0.05%	0.18%	0.01%
JPM UK Equity Income	0.14%	-0.19%	0.20%	0.01%	0.15%	0.00%	-0.02%
TM Redwheel UK Equity Income Fund	0.46%	-0.25%	0.07%	0.02%	0.29%	0.29%	0.03%
Peer Group Average	-0.02%	-0.10%	0.01%	0.00%	0.02%	0.04%	0.00%

#### Comments

- The five expected top quartile funds all have positive time-varying Alpha
- With the exception of Janus Henderson UK Equity Income, these funds will generate negative Alpha when credit risk is declining which has been the case in the current stage of the business cycle
- Artemis Income Exclusions and JPM UK Equity Income are expected to generate Alpha (all else being equal) when the term spread is widening which is currently the case
- When the rate of inflation is declining, which is currently the case, Artemis Income Exclusions, JPM UK Equity Income and TM Redwheel UK Equity Income may generate higher Alpha than the other two funds

#### Representative expected bottom quartile funds time-varying Alpha breakdown

Name of fund	Macro Alpha Return Contributions						UK Leading Economic Indicator
	Time-varying Alpha (%)	Default Spread	Term Spread	Short Rate	UK Inflation	Dividend Yield	
abrdn UK Income Equity	-0.10%	0.01%	-0.15%	0.01%	0.02%	-0.01%	0.00%
AXA Framlington UK Equity Income	-0.19%	-0.09%	-0.14%	0.01%	0.01%	0.02%	0.00%
Fidelity Enhanced Income Fund	-0.16%	-0.08%	-0.01%	0.01%	-0.08%	-0.01%	0.01%
Liontrust Income Fund	-0.23%	-0.10%	-0.29%	0.03%	0.04%	0.08%	0.00%
Premier Miton Optimum Income Fund	-0.31%	-0.07%	-0.05%	-0.05%	-0.11%	-0.04%	0.01%

#### Comments

- The bottom quartile expected Alpha funds have negative time-varying Alpha skills for the current stage of the business cycle
- Term spreads are widening and abrdn UK Income Equity, AXA Framlington UK Equity Income and Liontrust Income funds may generate negative Alpha under these macro conditions

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**Fund time-varying (macro) Alpha sensitivities to important macroeconomic variables**

The two tables below show the sensitivity of each fund's Alpha to changes in important macroeconomic variables. The values in the tables are expressed as sensitivities not returns. Understanding how a fund's Alpha might be impacted as the business cycle evolves can help a fund selector pick winners and avoid funds whose Alpha may deteriorate in specific environments. The AlphaPredictor® model is an advanced learning model and it will learn over time as relationships between Alpha and macroeconomic variables evolve.

**Representative expected top quartile funds**

Fund name	Macro Alpha Sensitivities						UK Leading Economic Indicator
	Intentionally Blank	Default Spread	Term Spread	Short Rate	UK Inflation	Dividend Yield	
Artemis Income Exclusions		0.48	1.43	0.18	-0.26	0.44	0.00
J O Hambro UK Equity Income		0.54	0.18	-0.29	-0.02	-0.33	-0.07
Janus Henderson UK Equity Income & Growth		-0.08	0.20	0.27	0.09	-0.58	-0.12
JPM UK Equity Income		0.80	1.04	-0.13	-0.28	0.01	0.15
TM Redwheel UK Equity Income Fund		1.04	0.38	-0.25	-0.55	-0.95	-0.12
<b>Peer Group Average</b>		<b>0.40</b>	<b>0.07</b>	<b>-0.05</b>	<b>-0.04</b>	<b>-0.12</b>	<b>-0.04</b>

**Representative expected bottom quartile expected Alpha funds**

Fund name	Macro Alpha Sensitivities						UK Leading Economic Indicator
	Intentionally Blank	Default Spread	Term Spread	Short Rate	UK Inflation	Dividend Yield	
abrdn UK Income Equity		-0.05	-0.78	0.15	-0.04	0.03	-0.03
AXA Framlington UK Equity Income		0.36	-0.76	0.15	-0.01	-0.08	0.00
Fidelity Enhanced Income Fund		0.31	-0.07	0.08	0.16	0.02	-0.07
Liontrust Income Fund		0.42	-1.55	0.32	-0.08	-0.27	-0.02
Premier Miton Optimum Income Fund		0.28	-0.28	0.57	0.22	0.12	-0.07

**Comments**

- The top quartile funds have macro Alpha sensitivities that are notably different to the bottom quartile funds
- For example, the bottom quartile funds have negative sensitivities to term spread. If the term spread were to widen, the resulting time-varying Alpha from this macro variable would be negative
- Most of the top quartile funds have larger negative sensitivities to UK inflation than the bottom quartile funds. If the rate of inflation continues to decline, the top quartile funds would, on average, generate higher Alpha
- If UK inflation continues to decline, TM Redwheel UK Equity Income may generate the largest positive time-varying Alpha, because it has the biggest negative sensitivity to this macro variable. On the other hand, the Fidelity Enhanced Income and Premier Miton Optimum Income funds have positive sensitivities to changes in UK inflation and would generate the largest negative time-varying Alpha
- Short term interest rates are declining in the current stage of the business cycle. Funds with negative sensitivity to short-term interest rates would generate positive time-varying Alpha if short rates continue to decline.
- TM Redwheel UK Equity Income Fund's Alpha has the biggest negative sensitivity to changes in dividend yield and Artemis Income Exclusion has the biggest positive sensitivity to this macro variable. In periods of declining dividend yield (rising stock valuations), TM Redwheel UK Equity Income may generate positive time-varying Alpha whereas Artemis Income Exclusions may generate negative Alpha

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## GLOSSARY

### Beta risk factors

- Market Beta – MSCI UK Index
- Small Cap Premium – MSCI UK Small Cap Index returns minus MSCI UK Large Cap Index returns
- HML Dividend Premium – FTSE 350 High Dividend Index returns minus the MSCI FTSE 350 Low Dividend returns

### Alpha

- All-weather Alpha – Fund manager security selection skill which is independent from the business cycle
- Time-varying Alpha – Fund manager skill from dynamically timing industries and sectors over the business cycle. Macroeconomic state variables such as the default spread, term spread, short interest rate, dividend yield, inflation and economic sentiment can be used to identify funds likely to generate superior performance.

### Macroeconomic state variables

- Default spread – The difference between the yield on global investment grade corporate bonds and global treasury bonds. It is a measure of credit risk and stresses in the financial system. It is counter-cyclical tending to widen in recessions and shrink in expansions.
- Term spread – The difference between global long and short-term government bond yields. Academic research has found it to be a predictor of economic growth as well as turning points in the economy.
- Short rate – The yield on short-term global government bonds. Short term interest rates are closely linked to monetary policy. Falling short term interest rates have been associated with rising stock and bond markets in subsequent periods. Higher short rates may signal reduced capital investment by firms as well as lower consumption in the economy.
- Dividend yield – The dividend yield on a broad index of UK equities. A measure of relative equity valuations. It is counter-cyclical tending to widen in recessions and shrink in expansions
- Inflation – UK CPI harmonized with the EU which tracks prices across a wide range of common items including food, energy, housing, and transport.
- OECD Leading Economic Indicator – A composite indicator for UK economic growth

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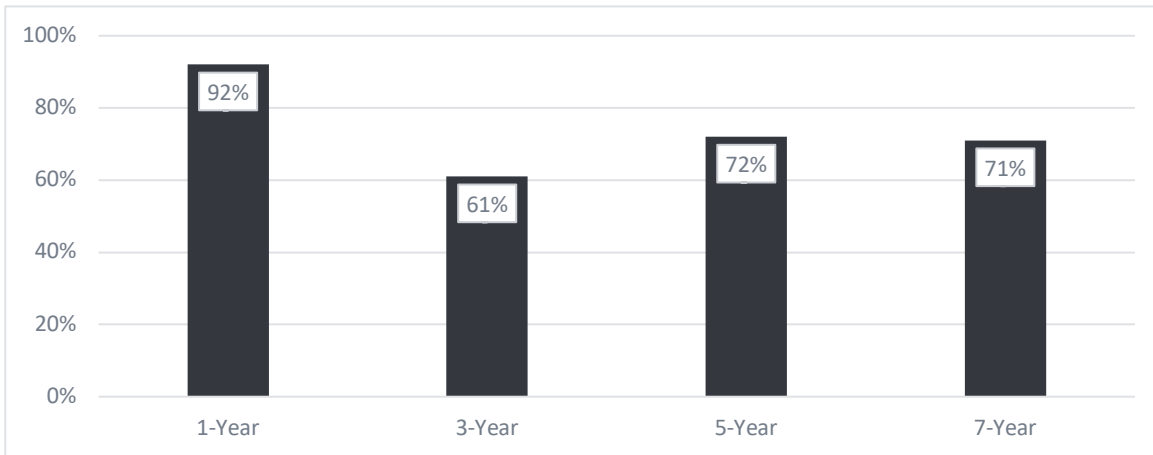
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**Quantifying the Predictive power of the AlphaPredictor® forward-looking rankings for the UK Equity Income peer group**

We calculated the performance of the top quartile predicted 3-month ahead funds versus the bottom quartile predicted funds over the last seven years ending December 2025 and then looked at the consistency of the outperformance of the top versus bottom quartile funds ranked by 3-month expected returns. The chart below shows the frequency of outperformance over 3-, 12-, 36-, 60- and 84-month periods.

Percentage of times that the top quartile predicted funds outperformed bottom quartile predicted funds



**How to use the AlphaPredictor® Insights report**

The report highlights five funds from the top and bottom quartile of expected Alpha funds over the coming 3-months for a specific peer group. It breaks down the key drivers of each fund's performance due to important risk factor exposures including Market Beta, Small Cap Premium, HML Dividend Premium, and Alpha. An important differentiator of AlphaPredictor® is its ability to breakdown each fund's Alpha generating capabilities into all-weather (idiosyncratic) skills associated with security selection and time-varying skills associated with navigating changes in the business cycle and often exhibited through sector tilts. Time-varying skills are correlated with important macroeconomic variables and understanding which stage of the business cycle we are in and how skillful a manager is given current or future economic conditions can provide key insights into understanding how a manager and fund are likely to perform.

The Alphapredictor® Insights report provides advisers with a view about which funds are likely to perform well or poorly in the current environment. If advisers already recommend or use these funds, it can help explain how the fund selection truly adds value to the end investors. Otherwise, advisers can consider whether they want to switch funds – especially since different fund manager skills may work better given the changes in business cycle or specific economic conditions.

**Subscription services**

Advisers can also subscribe to the AlphaPredictor® as a service and get more:

- Detailed report on the Alpha and Beta contributions to expected performance of specific fund(s), including how changes in macroeconomic variables will affect them. This can be a healthcheck on current funds in the clients' portfolios or to find new funds.
- Cost effective tools that help advisers and wealth managers to build fund buy-list objectively, together with other fund research tools if needed.

For more sophisticated wealth managers and advisers, we can provide regular Alphapredictor® dataset for their quantitative analysts and fund research team.

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