

Schroder Income Growth (SCF)

13/11/2025

Results analysis from Kepler Trust Intelligence

Schroder Income Growth (SCF) has reported NAV and share price total returns of 9.6% and 12.9% respectively for the year to 31/08/2025, against the FTSE All-Share's 12.6%. Performance was supported by an overweight to financials, where banks and insurers delivered higher dividends and buybacks, lifting share prices. However, above-market exposure to small- and mid-caps and not holding a few strong performers, such as Rolls-Royce and British American Tobacco, weighed on relative returns.

During the financial year, the board took several steps to bolster shareholder returns, including a reduction in the management fee from 0.45% to 0.40% effective from 01/09/2025, now charged on the lower of market capitalisation or NAV, removal of a secretarial and admin fee, and tighter discount management.

Kepler View

Schroder Income Growth (SCF) delivered another year of dividend progress, with its total dividend rising 3.5%, supported by a 7.8% increase in earnings. This marks 30 consecutive years of dividend growth, with dividends rising at an annualised 4.1%, comfortably ahead of CPI inflation at 2.5%, delivering real dividend growth of 1.6% per annum since launch. Although earnings did not fully cover the dividend, we view positively the board's decision to make all distributable reserves available, providing flexibility to support future payouts and underscoring its commitment to maintaining SCF's strong record of dividend growth. The board has also delivered on its plan to smooth the income, rebalancing payments more evenly across all four dividends so shareholders receive a larger proportion of the total dividend earlier in the year.

Across the market, unfavourable exchange rates and a shift toward share buybacks have been headwinds to UK dividends. Against that backdrop, SCF's growth in both earnings and dividend is encouraging, underpinned by its broad income sources, exposure to businesses buying back shares sustainably and the board's supportive reserve policy. The trust's 4.4% yield stands above the UK market, the Bank of England base rate, and the AIC UK Equity Income sector average. And as interest rates decline, we think this premium yield, combined with a long-term dividend growth record, should become increasingly appealing versus cash or bond alternatives, whilst SCF also offers investors the potential for capital growth.

Whilst a tilt toward smaller companies can increase short-term volatility, it has historically enhanced long-term returns and contributed to SCF's three-decade dividend growth record. Given current mid-cap valuations, their dividend growth and earnings recovery potential, SCF's overweight exposure offers meaningful upside if sentiment improves, whilst also supporting the portfolio's underlying income potential.

At the time of writing, SCF trades at an 8.5% discount, within its five-year average. We think the narrowing over the year reflects several potential drivers: ongoing buyback activity, a premium yield appealing in a falling rate environment, a long-standing dividend growth record and lower management fees. Should performance also improve, notably by re-ratings in the trust's small- and mid-cap holdings, there is potential for the discount to tighten further.

Investors should, however, recognise that uncertainties remain. The upcoming Budget, geopolitical tensions and ongoing tariff discussions could continue to weigh on sentiment and pressure smaller, more domestically oriented companies, potentially affecting earnings, margins and valuations in the near term. Overall, though, we believe SCF offers a well-balanced proposition for investors seeking both income and long-term growth, backed by its proven dividend record and access to Schroders' deep research resources. We think the trust's yield, valuation discipline and mid-cap bias could prove rewarding for patient investors if sentiment towards the UK market improves.

[CLICK HERE TO READ THE FULL REPORT](#)

Visit [Kepler Trust Intelligence](#) for more high quality independent investment trust research.

Important information

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to

exclusively for certain persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

[PLEASE SEE ALSO OUR TERMS AND CONDITIONS](#)

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street, London W1S 2GF with registered number OC334771.

This information is provided by Reach, the non-regulatory press release distribution service of RNS, part of the London Stock Exchange. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact ms@lseg.com or visit www.ms.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

NRABLBDBGUBDGUX