RNS Number : 9949C
Schroder Income Growth Fund PLC
12 November 2026

Schroder Income Growth

12/11/2026

Results analysis from Kepler Trust Intelligence

Schroder Income Growth (SCF) has reported an NAV total return of 19.0% for the year to 31/08/2026, against the FTSE All-Share's 21.3%. The share price total return was stronger at 23.0%. Over the longer term, SCF has delivered an annualised NAV total return of 8.7%, ahead of 8.1% for the FTSE All-Share since Sue Noffke took the reins in July 2011. Over the year, Computacenter was among the strongest contributors, benefitting from AI-related capital expenditure in its US business, alongside Standard Chartered, which was supported by the interest rate environment and strong growth in Asian wealth management. The shortfall against the index came largely from the overweight to consumer discretionary. Elsewhere, Telecom Plus detracted after warning that renewed competition in the energy market would weigh on 2027 earnings.

The higher share price return reflected the discount narrowing from 8.2% to 5.3%, aided by strong buyback activity. The board repurchased c. 4.4% of the issued share capital for £10.7m, adding around 0.3% to NAV, and a further 1.1% has been bought back since the year end, as at 09/11/2026. Ongoing charges fell to 0.57% from 0.78%, reflecting the management fee cut to 0.40% from 0.45%, now charged on the lower of market capitalisation or NAV, along with the removal of the separate secretarial fee and lower service provider costs.

Kepler View

In our view, these are good results for income investors. Schroder Income Growth (SCF) raised its dividend by 4.1%, not only extending its growth record to a 31st consecutive year but once again staying ahead of inflation. Since 1996, dividends have compounded at an annualised 4.1% against inflation of 2.5%, providing real growth over multiple market cycles. Sue has overseen half of that period, and her process has been central to sustaining it, steering the portfolio through very different markets without anchoring to a single style or reaching for unsustainable yields, which gives us confidence in the durability of SCF's income.

Over the year, Sue took profits in higher-yielding winners such as Lloyds and TP ICAP, recycling the capital into businesses like RELX and LSEG, which yield less but are highly cash-generative and could support stronger income growth in future. There were challenges, though. Diageo and Taylor Wimpey were among the holdings to cut their dividends, and with cover at 0.89×, the revenue reserve has thinned to 5.07p per share. However, we think it's important to remember that SCF has access to substantial realised capital reserves, which give the board ample support.

Regarding changes to the portfolio over the year, we think RELX and LSEG highlight Sue's willingness to lean against the market. Both sold off sharply earlier in the year on fears that AI would erode their businesses, with RELX falling by double digits in a single day after Anthropic launched an AI legal tool in February, and Sue used that weakness to add to RELX and open a position in LSEG. These changes make sense, in our view, as AI is only as good as its data. Both businesses own proprietary, constantly refreshed datasets for customers, from lawyers to traders, who need answers that are accurate and auditable. Rather than being bypassed, they are building AI into their own products or, in LSEG's case, supplying the data third-party tools rely on. We think their rally since July suggests the market is coming round to that view.

More broadly, the UK backdrop looks supportive for SCF's approach. Over the year, 26 of SCF's 46 holdings announced buybacks, and as Sue anticipated, the trend is spreading to mid-caps, including existing holdings like Hollywood Bowl, Fevertree and QinetiQ. M&A involving UK companies also doubled to £65bn in the first eight months of 2026, reinforcing Sue's long-term view that UK equities offer value the market has been slow to recognise. And with around three-quarters of portfolio revenues generated outside the UK, SCF offers far broader exposure than its domestic label implies.

There are, of course, risks to weigh. The consumer discretionary overweight held back relative returns this year, recovery positions such as Diageo may take time to come good, and higher bond yields or renewed geopolitical tension could test sentiment towards equity income, as they did in 2023. Even so, we think the balance looks favourable. Sue sees the clearest value among small and mid-sized companies, where SCF has meaningful exposure, and investors can access that opportunity at a 6.8% discount, at the time of writing, wider than its five-year average, with costs now lower at an OCF of 0.57%. With a current yield of 4.2% and a 31-year record of dividend growth behind it, we think SCF is potentially well placed to

turn the cash UK companies are returning to shareholders into a rising income for its own.

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 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 rns@lseg.com or visit www.rns.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

NRABSBDBCGBDGLD