

UK Equity Income

Why a combination of share buybacks, strong dividends and earnings growth could make the UK market an attractive destination for income investors in 2025.



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What does the UK market offer investors that other equity markets can't match?

People often conflate the UK economy with the UK stockmarket. They're actually completely different. **The UK stockmarket generates 75% of its revenues overseas.** It is truly a global market. That's very different to almost every other market across the world. For example, some 67% of the revenues of the US stockmarket are actually generated in the US.

What we've seen in the last 12 months is the re-emergence of interest in the UK market from **overseas investors**. They're not buying the market in aggregate but looking at a **single stock level** and seeing companies that have characteristics similar to the companies in their home markets, particularly the US, but at much more **attractive valuations**.

What could drive returns to UK equity income investors in 2025? Share buybacks? Increasing dividends?

We think we've been through a very interesting time in the UK stockmarket where share buybacks have driven a lot of stockmarket

appreciation, particularly in sectors like banks. We think we'll see a **more balanced profile of returns over the next 12 months**, with both dividends and share buybacks driving returns. Alongside that, we're actually seeing **improving growth prospects** for some of our companies, reflecting the opportunities not only distribute cash to us as shareholders, but also to invest and grow.

What do investors underestimate about the UK market?

A lot of investors globally are focused on technology stocks and rightly so. Many people think that the UK market has no technology companies at all. We would disagree. There are several businesses that we would describe as **'technology-like' companies**, using data and technology to provide services and information. We would point to companies like **RELX** or **LSEG** as flagship businesses in the UK stockmarket. They have grown materially over the last five years and improved their prospects of growth over the next 10 years. We think these companies are starting to be appreciated by global investors and still have a long runway for growth ahead of them.

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