# abrdn Equity Income Trust plc

*(formerly Aberdeen Standard Equity Income Trust plc)*

## Half Yearly Report 31 March 2022

Equity income using an index-agnostic approach focusing on our best ideas from the full UK market cap spectrum

**abrdn.com**

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## The Company

abrdn Equity Income Trust plc (the "Company") is a closed-end investment company and its shares are traded on the London Stock Exchange ("LSE").

The Company offers an actively managed portfolio of UK quoted companies. The investment approach is index-agnostic and the focus is on those companies delivering sustainable dividend growth.

## Investment Objective

The investment objective of the Company is to provide Shareholders with an above average income from their equity investment, while also providing real growth in capital and income.

# Performance Highlights

## Net asset value total return per Ordinary share[A]

Six months ended 31 March 2022

**+2.5%**

Year ended 30 September 2021 +39.9%

## Share price total return per Ordinary share[A]

Six months ended 31 March 2022

**+8.6%**

Year ended 30 September 2021 +47.1%

## FTSE All-Share Index total return

Six months ended 31 March 2022

**+4.7%**

Year ended 30 September 2021 +27.9%

## Discount to net asset value[A]

As at 31 March 2022

**2.9%**

Year ended 30 September 2021 8.4%

## Revenue return per Ordinary share

Six months ended 31 March 2022

**8.75p**

Six months ended 31 March 2021 7.74p

## Ongoing charges ratio[A]

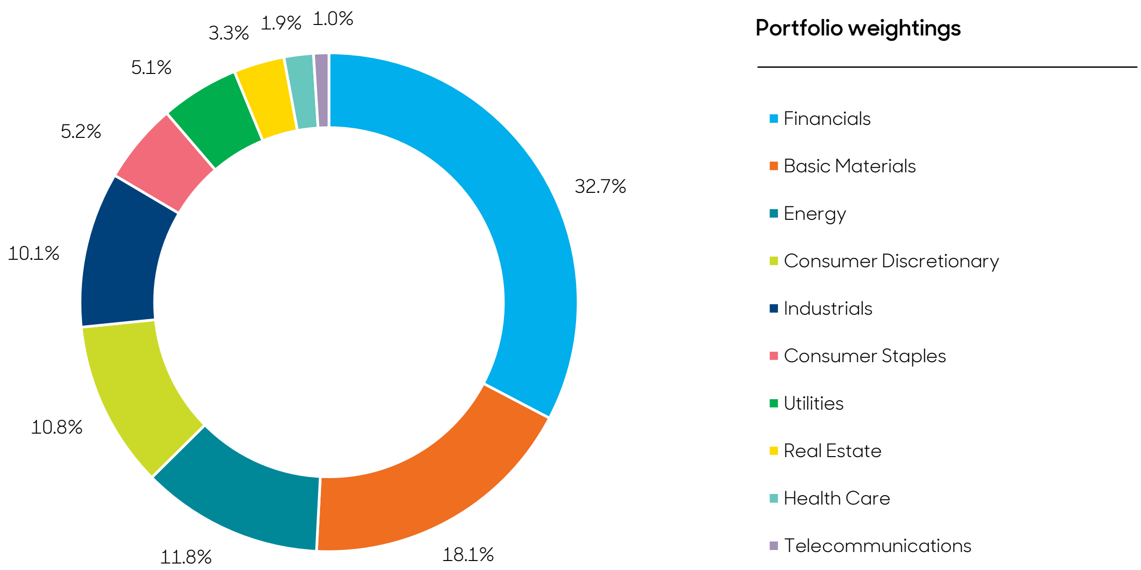
Forecast for year ending 30 September 2022

**0.88%**

Year ended 30 September 2021 0.93%

[A] Considered to be an Alternative Performance Measure.

## Investment Portfolio by Sector as at 31 March 2022



# Financial Calendar, Dividends and Highlights

| | |
|---|---|
| Expected payment dates of interim dividends for the remainder of the financial year to 30 September 2022 | **June 2022**<br>**September 2022**<br>**December 2022** |
| Financial year end | **30 September 2022** |
| Expected announcement of results for year ended 30 September 2022 | **December 2022** |
| Annual General Meeting (London) | **February 2023** |

## Financial Highlights

| Capital return | 31 March 2022 | 30 September 2021 | % change |
|---|---|---|---|
| Total assets[A] (m) | **£207.09** | £207.88 | –0.4% |
| Equity Shareholders' funds (m) | **£182.12** | £182.93 | –0.4% |
| Net asset value per Ordinary share | **379.16p** | 380.84p | –0.4% |
| Market capitalisation (m) | **£176.76** | £121.79 | +45.1% |
| Share price per Ordinary share | **368.00p** | 349.00p | +5.4% |
| Discount of Ordinary share price to net asset value[B] | **2.9%** | 8.4% | |
| FTSE All-Share Index | **4,187.78** | 4,058.96 | +3.2% |
| Revenue return per Ordinary share[C] | **8.75p** | 7.74p | +13.0% |
| Gearing - net[B] | **13.6%** | 13.5% | |
| Ongoing charges ratio[BD] | **0.88%** | 0.93% | |

[A] Defined as total assets per the Statement of Financial Position less current liabilities (before deduction of bank loans).
[B] Considered to be an Alternative Performance Measure as defined on pages 27 to 29.
[C] Figure for 31 March 2022 is for the six months to that date. Figure for 30 September 2021 is for the six months to 31 March 2021.
[D] The ongoing charges ratio for the current year includes a forecast of costs and net assets for the six months to 30 September 2022.

"Thomas Moore remains confident that he will be able to achieve the objective we have set him for this financial year, namely, to cover the proposed dividend. In addition, with interest rates rising, the attractions of the higher yielding 'value' stocks that we tend to hold are likely to increase relative to their low yielding 'growth' counterparts which bodes well for our relative performance."

Mark White, Chairman

# Chairman's Statement

## Performance

In the six months to 31 March 2022 the Company delivered an NAV total return of 2.5% and the share price total return was 8.6%. The total return of the FTSE All-Share Index was 4.7%.

These muted returns followed the very strong performance recorded during the year ended 30 September 2021. There has been much written about the rotation from growth stocks into value stocks at the start of 2022 and a renewed focus on fundamentals. The Company benefitted from this rotation and performed well in the first three months of 2022. The underperformance over the period under review can largely be attributed to poor performance in November 2021.

The Investment Manager's Review on pages 9 to 12 provides a detailed explanation of the drivers of this performance.

## Revenue

Dividend income in the six months was £4.7 million compared to £4.2 million for the same period last year, an increase of 11.8%. Management fees and administrative expenses charged to revenue rose by 7.5%, at around £385,000 compared to approximately £358,000 in 2021. This should be set against an average asset base that is almost 17% higher than at the same point last year. After interest costs and tax, net earnings increased by 12.3% to £4.2 million and the revenue per Ordinary share was 8.75 pence compared to 7.74 pence for the first six months of the previous financial year.

The Board has outlined its priorities to the Investment Manager with regard to income generation. After two years where income has been severely diminished, the Board has indicated that it expects the Investment Manager to focus on (in order of priority):

1. Covering the dividend for the financial year with revenue earnings from the same period;
2. Delivering real growth in dividends; and
3. Rebuilding the revenue reserves.

## Dividends

The Board has declared a second interim dividend of 5.4 pence per Ordinary Share which will be paid on 17 June 2022 to shareholders on the Register on 27 May 2022, with an associated ex-dividend date of 26 May 2022.

The Board declared its plans for the dividend for the current year in February 2022, when it announced that the first quarterly dividend for the year ending 30 September 2022 would be 5.4 pence per Ordinary Share. This was paid to shareholders on 18 March 2022.

The Board's stated intention is that the third quarterly dividend will also be 5.4 pence per Ordinary Share, payable in September 2022 and the final dividend, of at least 5.6 pence per share, will be paid in January 2023. This will result in a dividend for the financial year of 21.8 pence per share which will be 2.8% higher than the dividend paid in relation to the year ended 30 September 2021.

The Board will keep the matter under review and will confirm the final payment when the accounts for the year ending 30 September 2022 are finalised in December 2022.

## Gearing

As at 31 March 2022, £25 million of the £30 million facility was drawn down and net gearing amounted to 13.6% of assets, compared to 13.5% in September 2021. The borrowing is in the form of a revolving credit facility which cost 1.35% at the end of the period under review.

## Discount and Buy Backs

There have been no changes to the Company's share capital structure during the six month period. The Board is pleased to be able to report that the share price discount to NAV, on a cum income basis, has narrowed steadily from 10.2% at the beginning of the period to 2.9% at 31 March 2022. Since December 2021, the discount has typically traded between 2% and 6%.

The Board continues to monitor the discount in both absolute terms and relative to the discount of other UK equity income investment trusts with a view to minimising both the absolute level of the discount and its volatility.

## Name Change

On 8 April 2022 the Company changed its name to abrdn Equity Income Trust plc. This was to align the Company's name with that of its Manager which, in 2021, changed from Standard Life Aberdeen to abrdn. The Board considers this alignment is important to maintain market awareness of the Company.

The Company's ticker changed to AEI.

## Board

I joined the Board on 1 November 2013 and so by the time we get to the Annual General Meeting ("AGM") of the Company in 2023, I will have served for over nine years. It is therefore my intention, in accordance with the Financial Reporting Council's UK Corporate Governance Code, to retire from the Board at the conclusion of that AGM.

As part of our succession planning the Board has carefully considered my successor and I am delighted to report that Sarika Patel will be appointed as Chair with effect from the conclusion of the 2023 AGM. Sarika has served as a non-executive Director since November 2019 and is currently the Chair of the Audit Committee. She has been a strong contributor since she joined the Board and has significant business experience that will make her an ideal successor.

Accordingly, we have commenced the process of recruiting an additional director and Chair of the Audit Committee. The intention is that the successful candidate will be appointed to enable an orderly transfer of responsibilities before February 2023.

## Outlook

Since my last report, the global outlook has darkened in almost every respect: geopolitics, monetary conditions, economic growth and even the improved Covid-19 situation in the West is tempered by grave concerns about the handling of the situation in China. However, despite all this gloom, you will see from his report that Thomas Moore, our investment manager, remains confident that he will be able to achieve the objective we have set him for this financial year, namely, to cover the proposed dividend. In addition, with interest rates rising, the attractions of the higher yielding 'value' stocks that we tend to hold are likely to increase relative to their low yielding 'growth' counterparts which bodes well for our relative performance. Thomas is also confident that the companies in which we invest will be able to continue growing their dividends despite the twin challenges of lower growth and higher inflation. This, in turn, should enable us to continue increasing our own dividend distributions while gradually rebuilding our revenue reserves. I hope that by the time I come to write my final Chairman's statement at the end of the year, light will have started to emerge from at least some aspects of the general situation.

**Mark White**
Chairman
18 May 2022

# Interim Management Report and Directors' Responsibility Statement

## Principal Risks and Uncertainties

The Board has an ongoing process for identifying, evaluating and managing the principal and emerging risks and uncertainties of the Company and has carried out a robust review. The process is regularly reviewed by the Board. Most of the Company's principal risks and uncertainties are market related and are no different from those of other investment trusts that invest primarily in the UK listed market. These are set out within the Strategic Report contained within the Annual Report for the year ended 30 September 2021 and comprise the following risk categories:

- Strategy;
- Investment Performance;
- Exogenous risks such as health, social, financial, economic and geopolitical;
- Operational Risk;
- Governance Risk;
- Discount / Premium to NAV;
- Financial obligations; and
- Legal and Regulatory Risks.

The Board continues to note that there are a number of contingent risks which continue to stem from the Covid-19 pandemic that may impact the operation of the Company and world markets.

The Board is also very conscious of the risks emanating from increasing Environmental, Social and Governance ("ESG") challenges together with climate change and continues to monitor, through its Investment Manager, the potential risk that investee companies may fail to keep pace with the rates of ESG and Climate Change adaptation required. The Board is also monitoring closely the current political and economic uncertainties which could affect markets, particularly to heightened interest rate risk and the volatility associated with the conflict in Ukraine, which the Board anticipates will persist over the six months to 30 September 2022. The Company has made enquiries of its Manager and third party service providers in relation to compliance with sanctions measures enacted by the UK in response to Russia's invasion of Ukraine.

In all other respects, the Company's principal risks and uncertainties have not changed materially since the date of the 2021 Annual Report.

## Going Concern

In accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short timescale. The Company has adequate resources to continue in operational existence for the foreseeable future and the ability to meet all its liabilities and ongoing expenses from its assets.

The Directors are mindful of the principal and emerging risks and uncertainties disclosed above, and review on a regular basis forecasts detailing revenue and liabilities and the Company's operational expenses. Having reviewed these matters, the Directors believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and for at least 12 months from the date of this Half Yearly Report. Accordingly, they continue to adopt the going concern basis in preparing the Half Yearly Report.

## Related Party Transactions

There have been no material changes in the related party transactions described in the 2021 Annual Report.

## Responsibility Statement of the Directors in respect of the Half-Yearly Financial Report

The Disclosure Guidance and Transparency Rules require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements contained within the Half Yearly financial report has been prepared in accordance with FRS 104 Interim Financial Reporting and gives a true and fair view of the assets, liabilities, financial position and return of the Company for the period ended 31 March 2022.
- The Interim Management Report, together with the Chairman's Statement and Investment Manager's Report, includes a fair review of the information required by:
  a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

The Half-Yearly Financial Report was approved by the Board and the above Directors' Responsibility Statement was signed on its behalf by the Chairman.

**For abrdn Equity Income Trust plc**
**Mark White**
Chairman
18 May 2022

# Our Strategy

## Business Model

The Company is an investment trust with a premium listing on the London Stock Exchange.

## Investment Objective

The Company's objective is to provide shareholders with an above average income from their equity investment, while also providing real growth in capital and income.

## Investment Policy

The Directors set the investment policy, which is to invest in a diversified portfolio consisting mainly of quoted UK equities which will normally comprise between 50 and 70 individual equity holdings.

In order to reduce risk in the Company without compromising flexibility:

a) no holding within the portfolio should exceed 10% of total assets at the time of acquisition; and

b) the top ten holdings within the portfolio will not exceed 50% of net assets.

The Company may invest in convertible preference shares, convertible loan stocks, gilts and corporate bonds.

The Directors set the gearing policy within which the portfolio is managed. The parameters are that the portfolio should operate between holding 5% net cash and 15% net gearing. The Directors have delegated responsibility to the Investment Manager for the operation of the gearing level within the above parameters.

## Delivering the Investment Objective

The Board delegates investment management to abrdn plc ("abrdn"). The team within abrdn managing the Company's portfolio of investments has been headed up by Thomas Moore since 2011.

## Our Strategy

The portfolio is invested on an index-agnostic basis. The process is based on a bottom-up stock-picking approach where sector allocations are a function of the sum of the stock selection decisions, constrained only by appropriate risk control parameters. The aim is to apply the "Focus on Change" process by evaluating changing corporate situations and identifying insights that are not fully recognised by the market.

## Idea Generation and Research

The vast majority of the investment insights are generated from information and analysis from one-on-one company meetings. Collectively, more than 6,000 company meetings are conducted annually by abrdn. These meetings are used to ascertain the company's own views and expectations of its future prospects and the markets in which it operates. Through actively questioning the senior management and key decision makers of companies, the portfolio managers and analysts look to uncover the key changes affecting the business and the materiality of their impact on company fundamentals within the targeted investment time horizon.

ESG considerations are at the heart of this engagement. Understanding a company's attitudes towards ESG issues helps to mitigate risks and actively enhance returns. As part of the company research, analysts evaluate the ownership structures, governance and management quality of the companies. Potential environmental and social risks that these companies may face are also assessed. The Investment Manager employs dedicated ESG specialists who sit within each regional investment team, providing industry-leading expertise and insight at the company level. These specialists also mediate the insights of the central team to the stock analysts, as well as interpret and contextualise sector and company insights. The central ESG team provides thought leadership, thematic and global sector insights, as well as event-driven research.

## Investment Process in Practice

The index-agnostic approach allows the weightings of holdings to reflect the conviction levels of the investment team, based on an assessment of the management team, the strategy, the prospects and the valuation metrics. The Focus on Change process recognises that some of the best investment opportunities come from under-researched parts of the market, where the breadth and depth of the analyst coverage that the Portfolio Manager can access provides the scope to identify a range of investment opportunities.

The consequence of this is that the Company's portfolio often looks very different from other investment vehicles which aim to provide their investors with access to UK equity income. This is because the process focuses on conviction levels rather than index weightings. This means that the Company may provide a complementary portfolio to the existing portfolios of investors who prefer to make their own decisions and manage their ISAs, SIPPs and personal dealing accounts themselves. Currently 57% (30 September 2021: 60%) of the Company's portfolio is invested in companies outside the FTSE 100 Index.

The index-agnostic approach, and Focus on Change process, further differentiates the portfolio because it allows the Portfolio Manager to take a view at a thematic level, concentrate the portfolio's holdings in certain areas and avoid others completely. The effect of this approach is that the weightings of the portfolio can be expected to differ significantly from that of any index, and the returns generated by the portfolio may reflect this divergence, particularly in the short term.

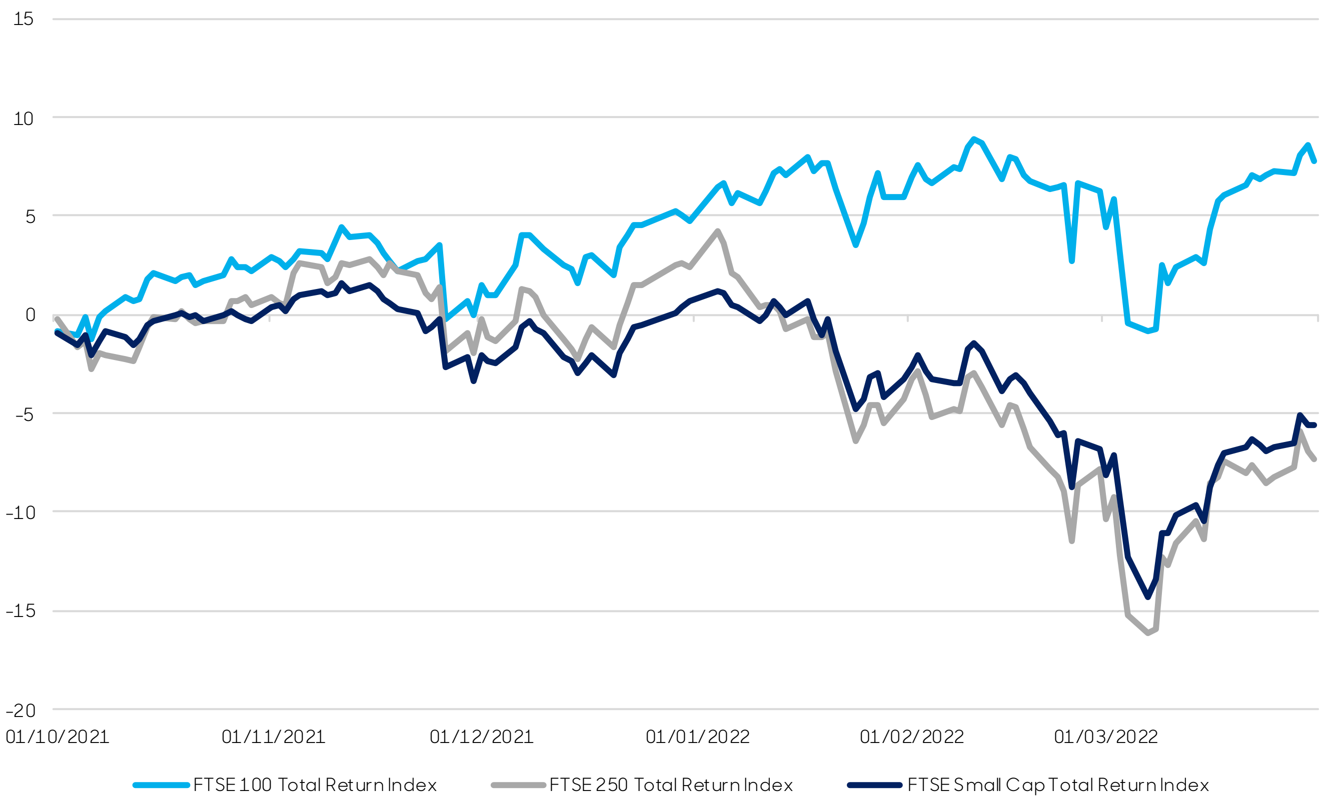
# Investment Manager's Review

## Market Review

The UK equity market was resilient during the period under review despite a range of headwinds including new Covid-19 outbreaks, the Russia-Ukraine war, supply chain issues, rising inflation and interest rate hikes.

The discovery of the Omicron variant in November 2021 caused global stock markets to fall, as investors feared the imposition of new restrictions which could hamper economic growth. These fears were allayed in December 2021 as it became clear that while this latest variant was easily transmissible, its virulence was low, reducing the risk of another lockdown. Attention turned to the Russian invasion of Ukraine in February 2022, causing global equity markets to drop sharply. This drove a surge in commodity prices, adding to existing inflationary pressures caused by the tightness of labour markets and the global supply-chain bottlenecks in the aftermath of Covid-19 lockdowns. The UK Consumer Price Inflation rate hit 7.0% in March 2022, the highest level since 1992. The Bank of England ("BoE") responded by hiking its base rate three times during the period, from 0.15% to 0.75%.

The resilience of the UK equity market during the period stands in contrast to the weakness seen in other major stock markets, many of which posted heavy declines. The FTSE 100 Index outperformed, in GBP terms, the Dow Jones in the US, the DAX Index in Germany, the Nikkei 225 in Japan and the Hang Seng Index in Hong Kong. This is largely explained by the sector composition of the UK market, with heavy weightings in traditional large cap sectors, such as resources and banks, which tend to perform relatively well in an environment of rising inflation and interest rates. Sector composition, as shown in the following graph, also explains the significant divergence in performance between the FTSE 100 index, which generated a positive total return of +7.8%, and the more domestically-orientated FTSE 250 and Small Cap indices, which fell by -7.3% and -5.6% respectively on fears over the impact of rising inflation on consumer spending.



# Investment Manager's Review

## Continued

### Portfolio Performance

During the period, the portfolio delivered a total return of 2.5% while the total return of the Company's reference index, the FTSE All-Share Index (the "Index") was 4.7%. As we have previously noted, we use an index-agnostic approach, which means that we weight our holdings according to our conviction levels, rather than their index weightings. We see this approach as most beneficial to shareholders over time, allowing us to construct a differentiated portfolio that can deliver on our objectives throughout the investment cycle.

While the constituents of the FTSE 100 Index typically account for around 80% of the total value of the Index, it is a measure of our process that the portfolio's exposure to the FTSE 100 Index is below 60%. This highlights the flexibility of the portfolio in allowing us to invest where we consider the best opportunities to be whilst not being committed to the Index weightings.

Portfolio performance was impacted during the first three months of the financial year as many of our holdings were affected by nervousness about a new strain of the Covid-19 virus. Performance picked up as the period progressed, as many of our holdings recovered sharply.

Pulling together the key drivers of our performance relative to the Index:

1. We benefited from heavy exposure to **Resources,** both Basic Materials and Energy companies, which generated nearly 5% of relative performance. At the stock level, the largest contributors were **BHP, Thungela Resources, Rio Tinto** and **Glencore**. Resource companies had been amongst our largest purchases during the last financial year as we anticipated the potential benefit to the revenue account of their growing dividends, backed by surging cash flows. This is an example of a sector where income and capital growth go hand in hand.

2. Offsetting the benefit of our Resources holdings, we lost a similar amount of relative performance from our positioning in the **Financials** sector. **Close Brothers** gave up the gains it had made in the previous financial year as Winterflood volumes slowed sharply**. Premier Miton** and **Ashmore** fell back on signs of slowing fund flows. Among companies not held, the benefit of avoiding **Prudential** was more than offset by the impact from not owning **HSBC** during a period of rising interest rate expectations.

3. The portfolio lost just under 2% of relative performance in the **Consumer Discretionary** sector, as the positive impact of incoming bids for **Vivo Energy** and **Playtech** was offset by the under-performance of housebuilding stocks, **Vistry** and **Bellway**, on uncertainty over liabilities faced for cladding remediation, and Entain and **888** on slowing growth in online gaming revenues.

4. The gearing position, averaging 12.9% over the six month period, contributed just over 0.5% of relative performance.

### Revenue Account

Dividends distributed by our portfolio holdings in the period under review rose by 11.8% to £4.7 million, compared to the £4.2 million received in the same six month period last year. This compares favourably to the Index where dividends grew by 2.2% over the same timeframe. The contribution from special dividends was extremely low at less than 1.0% of the dividend income (2021: 4.7%), reflecting the ongoing reduction in the number of special dividends being paid in the wake of the pandemic.

Net revenue was £4.2 million, or 12.3% higher than for the same period last year. Management fees were 7.3% higher, but this is a function of the increase in the value of the portfolio. Total expenditure by the portfolio, including all fees and charges, interest and tax was 7.6% higher than compared with the same period a year ago.

We are forecasting that the portfolio is currently delivering a gross dividend yield, before costs, of 5.7% based on the income expected to be generated by the portfolio over the financial year divided by the average portfolio value, representing a significant premium to the effective monthly average dividend yield of the Index of 3.1% for the same six month period.

The results for the period reflect our actions in meeting the first of the Board's priorities, as set out in the Chairman's Statement, in respect of income generation to cover the dividend for the financial year from the portfolio's revenue earnings for that year. The first six months of the financial year have seen continued progress in growing portfolio income, increasing our confidence in our ability to cover the dividend fully with earnings for the year ending 30 September 2022 and thereby paving the way for an acceleration in our dividend per share. This is made possible by the abundance of higher yielding opportunities available following a prolonged period of macro dislocation. Sectors that stand out as delivering higher than expected dividends include Mining and Oil & Gas, both of which saw cash flows surge due to higher commodity prices and disciplined capital management.

For the wider UK equity market, the outlook for dividends has improved significantly since the pandemic, with dividend cover recovering to 2.0x in 2021. There are variations in the dividend outlook, stock by stock and sector by sector, which we will continue to navigate, but overall we are increasingly confident in our ability to achieve our income objectives.

## Activity

### Purchases

We remain mindful of the need to position the portfolio in stocks that can thrive in an inflationary environment. The tightening conditions that were already driving inflation higher in 2021 have intensified since the beginning of the Russia-Ukraine war as sanctions begin to bite. While there will be some impact on economic growth as demand is curbed by rising living costs, we remain confident in our ability to identify businesses that will deliver operational gearing, as revenues grow faster than costs. Our focus on cash flows is helping us to grow the revenue account and, in so doing, protect our shareholders against inflation.

Our primary focus is to look for companies undergoing positive change, supporting dividend growth that will drive a rapid return towards full dividend coverage. Over time, the companies that surprise positively on cash flows and dividends are the ones that tend to be rewarded with rising share prices.

Our largest purchases can be grouped into the following categories:

1. We increased our exposure to the Energy sector, starting a new holding in **Harbour Energy** and adding to **BP**, anticipating a surge in cash flows. The global oil market is very tight, as reflected in low inventory levels, following a period of depressed capital expenditure. This sets the scene for a benign period for shareholders as dividend growth resumes.
2. We also increased our weighting in Banks by starting a new holding in **NatWest** and adding to our holding in **Standard Chartered,** both of which are beneficiaries of rising base rates, putting upwards pressure on net interest income due to the stickiness of deposit pricing. In both cases, we expect credit quality to remain benign and costs to remain controlled. Improving momentum should drive a narrowing of the discount to NAV.
3. We selectively bought new holdings in small and mid-cap companies where we believe that positive change is being overlooked by the wider stock market. One example is retailer **Halfords** which is successfully implementing a strategy of increasing exposure to motoring services, acquiring the National Autocentres business, which will further increase the proportion of their revenues that are recurring. Another example is insurer **Hiscox** whose investment in brand and digital technology is set to drive rapid growth in their retail insurance business, particularly in the US.

### Sales

Our largest sales can be grouped into the following categories:

1. This was another busy period for M&A in the portfolio. We sold our holding in **Vivo Energy,** sold the last of our **Zegona Communications** and reduced our holding in **Playtech.** In the Investment Manager's review for the year ended 30 September 2021, I highlighted sales of four other holdings that had received bids. Since the year end two other holdings**, River & Mercantile** and **Randall & Quilter**, have entered bid situations. We continue to believe this is a sign of the deep intrinsic value inherent in this portfolio.
2. We took sizeable profits in **Entain** following the withdrawal of bid interest from DraftKings. While it was disappointing that the shares fell back following this announcement, we were still able to sell at over double the share price that we paid when we bought into the company in January 2017 (when it was called GVC Holdings).
3. We reduced some Financials holdings where we felt waning conviction in the investment thesis beyond the attractiveness of the dividend – these included insurance stocks **Sabre Insurance** and **Direct Line** where regulatory change has dampened the prospect of an improvement in motor insuring pricing, and **Polar Capital** where fund flows are at risk from the concentration of assets under management in growth areas.

# Investment Manager's Review

## Continued

### Outlook

Geopolitical risk has resulted in a number of cross-currents. Inflation expectations have continued to increase as a result of supply-chain bottlenecks and tight labour markets, driving bond yields higher. This has catalysed a market rotation towards value stocks, albeit the impact on our portfolio has been mixed as the value rally has been concentrated in large-cap value sectors with inflation hedge characteristics, at the exclusion of mid and small-cap holdings. This reflects an undertone of nervousness as the rising cost of living drives fears of stagflation. While the weakness of many small and mid-cap stocks was a headwind for the portfolio in the first six months of the financial year, we have historically found that these periods can create valuation opportunities as well managed businesses with solid fundamentals are sold off for spurious reasons. These opportunities can play out in the long sweeps of more stable market conditions in the wake of geopolitical disruption.

We will continue to use our influence to engage actively with management teams in driving positive outcomes on ESG issues. Our experience is that this is not only the right thing to do, but it can also help deliver improved financial returns. Our investment process is centred around the potential for change and it is therefore a natural part of our stock-level analysis to assess the change that companies are capable of achieving. We have recently observed that some of the most attractive valuations and highest dividend yields are available in stocks that other investors might exclude without considering this potential for change. This underlines the benefits of our flexibility, investing across different sectors across the UK market.

Looking ahead, we remain focused on growing portfolio income, as we believe that this creates a clear framework to deliver for shareholders, both in terms of income and capital. From an income perspective, the ongoing improvement in our revenue account makes us increasingly confident in our ability to cover the dividend with earnings for the year ending 30 September 2022 in line with the Board's priorities. Our confidence in the dividend outlook is in lockstep with our investment process which favours companies that are experiencing upgrades to their earnings and dividend forecasts, especially when this improvement is not priced into valuations. Resources is an example of a sector that offers both positive revisions and low valuations, helping us to achieve our income objectives.

From a capital perspective, we expect the inflationary backdrop to increase the attractions of lowly-rated companies offering a growing stream of cash flows and dividends, as investors recognise the role that these holdings can play in protecting against rising living costs. After a long period of dominance, growth stocks have faded as bond yields rise. As I described in the activity section, a number of our holdings have received bids in the past year, reflecting the widespread mismatch between share prices and underlying corporate fundamentals.

Despite the geopolitical uncertainty, we believe that these market conditions have the potential to be supportive for the portfolio, as we continue to find plenty of holdings that can help us achieve our objectives. We therefore look forward to the rest of the financial year with confidence.

**Thomas Moore**
Portfolio Manager
18 May 2022

# Ten Largest Investments

## As at 31 March 2022

**BHP**

BHP is a diversified resources group with a global portfolio of high quality assets, focusing on iron ore, petroleum and copper.

**BP**

BP is an oil and petrochemicals company. The Company explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates renewable energy, and manufactures and markets chemicals.

**Shell**

Shell explores for, produces and refines petroleum. The Company produces fuels, chemicals, and lubricants, as well as operating gasoline filling stations and developing renewable energy.

**Rio Tinto**

Rio Tinto is a leading global mining group that focuses on finding, mining and processing mineral resources, with a focus on iron ore and aluminium.

**Glencore**

Glencore is a diversified natural resources company, with production and marketing operations in three groups; metals and minerals, energy products and agricultural products.

**SSE**

SSE engages in the generation, transmission, distribution and supply of electricity and the production, storage, distribution and supply of gas.

**Thungela Resources**

Thungela is a leading pure-play producer and exporter of high quality, low-cost thermal coal in South Africa.

**Close Brothers**

Close Brothers is a specialist financial service group which provides loans, trades securities and provides advice and investment management solutions.

**Diversified Energy**

Diversified Energy is engaged in conventional natural gas and crude oil production in the Appalachian Basin of the United States.

**CMC Markets**

CMC Markets is a financial derivatives dealer offering online trading in spread betting, contracts for difference and foreign exchange.

# Investment Portfolio

## At 31 March 2022

| Company | Sector | Market value £'000 | Total assets % |
|---|---|---|---|
| BHP | Industrial Metals and Mining | 9,632 | 4.6 |
| BP | Oil Gas and Coal | 9,182 | 4.4 |
| Shell | Oil Gas and Coal | 8,694 | 4.2 |
| Rio Tinto | Industrial Metals and Mining | 7,561 | 3.6 |
| Glencore | Industrial Metals and Mining | 7,014 | 3.4 |
| SSE | Electricity | 6,565 | 3.2 |
| Thungela Resources | Industrial Metals and Mining | 5,717 | 2.8 |
| Close Brothers | Banks | 5,708 | 2.8 |
| Diversified Energy | Oil Gas and Coal | 5,636 | 2.7 |
| CMC Markets | Investment Banking and Brokerage Services | 5,191 | 2.5 |
| **Top ten investments** | | **70,900** | **34.2** |
| OSB Group | Finance and Credit Services | 4,873 | 2.4 |
| Vistry | Household Goods and Home Construction | 4,792 | 2.3 |
| British American Tobacco | Tobacco | 4,668 | 2.3 |
| Anglo American | Industrial Metals and Mining | 4,578 | 2.2 |
| Premier Miton | Investment Banking and Brokerage Services | 4,195 | 2.0 |
| River & Mercantile | Investment Banking and Brokerage Services | 4,148 | 2.0 |
| Chesnara | Life Insurance | 4,132 | 2.0 |
| Playtech | Travel and Leisure | 4,045 | 2.0 |
| Standard Chartered | Banks | 3,911 | 1.9 |
| Tyman | Construction and Materials | 3,764 | 1.8 |
| **Top twenty investments** | | **114,006** | **55.1** |
| Legal & General | Life Insurance | 3,656 | 1.8 |
| DWF Group | Industrial Support Services | 3,499 | 1.7 |
| Randall & Quilter | Non-life Insurance | 3,465 | 1.7 |
| Imperial Brands | Tobacco | 3,394 | 1.6 |
| Barclays | Banks | 3,293 | 1.6 |
| DFS Furniture | Retailers | 3,276 | 1.6 |
| Real Estate Investors | Real Estate Investment Trusts | 2,918 | 1.4 |
| Natwest Group | Banks | 2,840 | 1.4 |
| Speedy Hire | Industrial Transportation | 2,735 | 1.2 |
| Mondi | General Industrials | 2,530 | 1.2 |
| **Top thirty investments** | | **145,612** | **70.3** |

## At 31 March 2022

| Company | Sector | Market value £'000 | Total assets % |
|---|---|---|---|
| DS Smith | General Industrials | 2,448 | 1.2 |
| BAE Systems | Aerospace and Defence | 2,383 | 1.1 |
| Quilter | Investment Banking and Brokerage Services | 2,319 | 1.1 |
| Petershill Partners | Investment Banking and Brokerage Services | 2,307 | 1.1 |
| Litigation Capital | Investment Banking and Brokerage Services | 2,268 | 1.1 |
| Vodafone | Telecommunications Service Providers | 2,152 | 1.0 |
| National Grid | Gas Water and Multi-utilities | 2,086 | 1.0 |
| GlaxoSmithKline | Pharmaceuticals and Biotechnology | 1,983 | 1.0 |
| Ashmore | Investment Banking and Brokerage Services | 1,877 | 0.9 |
| AstraZeneca | Pharmaceuticals and Biotechnology | 1,874 | 0.9 |
| **Top forty investments** | | **167,309** | **80.7** |
| Phoenix | Life Insurance | 1,873 | 1.0 |
| Contour Global | Electricity | 1,863 | 0.9 |
| Galliford Try | Construction and Materials | 1,852 | 0.9 |
| Direct Line Insurance | Non-life Insurance | 1,852 | 0.9 |
| Bellway | Household Goods and Home Construction | 1,816 | 0.9 |
| Diageo | Beverages | 1,779 | 0.8 |
| International Personal Finance | Finance and Credit Services | 1,723 | 0.8 |
| Conduit Holdings | Non-life Insurance | 1,650 | 0.8 |
| Hays | Industrial Support Services | 1,628 | 0.8 |
| Go-Ahead | Travel and Leisure | 1,542 | 0.7 |
| **Top fifty investments** | | **184,887** | **89.2** |
| 888 Holdings | Travel and Leisure | 1,499 | 0.7 |
| Hiscox | Non-life Insurance | 1,472 | 0.7 |
| Centamin | Precious Metals and Mining | 1,459 | 0.7 |
| Industrials REIT | Real Estate Investment Trusts | 1,455 | 0.7 |
| Halfords | Retailers | 1,399 | 0.7 |
| LondonMetric | Real Estate Investment Trusts | 1,301 | 0.6 |
| Hargreaves Lansdown | Investment Banking and Brokerage Services | 1,296 | 0.6 |
| CLS Holdings | Real Estate Investment and Services | 1,274 | 0.6 |
| Persimmon | Household Goods and Home Construction | 1,244 | 0.6 |
| Intermediate Capital Group | Investment Banking and Brokerage Services | 1,195 | 0.6 |
| **Top sixty investments** | | **198,481** | **95.7** |

# Investment Portfolio

## Continued

### At 31 March 2022

| Company | Sector | Market value £'000 | Total assets % |
|---|---|---|---|
| Entain | Travel and Leisure | 1,024 | 0.5 |
| Harbour Energy | Oil Gas and Coal | 920 | 0.5 |
| Coca-Cola HBC | Beverages | 884 | 0.4 |
| Redrow | Household Goods and Home Construction | 865 | 0.4 |
| Bridgepoint | Investment Banking and Brokerage Services | 821 | 0.4 |
| MJ Gleeson | Household Goods and Home Construction | 819 | 0.4 |
| Synthomer | Chemicals | 766 | 0.4 |
| Polar Capital | Investment Banking and Brokerage Services | 759 | 0.4 |
| TP ICAP | Investment Banking and Brokerage Services | 558 | 0.3 |
| **Total portfolio** | | **205,897** | **99.4** |
| **Net current assets**[A] | | **1,190** | **0.6** |
| **Total assets** | | **207,087** | **100.0** |

[A] Excluding bank loan of £24,965,000.

# Investment Manager's Case Studies

## SSE

SSE represents 3.2% of the portfolio and is the sixth largest portfolio position.  We are supporters of SSE's strategy of focusing on developing, operating and owning assets in regulated networks and renewables. The UK Government's recent announcement of its Energy Security Strategy should prove to be supportive, as it aligns with SSE's drive towards decarbonisation of the economy, electrification of transport and modernisation of critical infrastructure. This improving political backdrop vindicates the repositioning of the business to focus on areas that place SSE at the heart of the UK's energy transition.

The network assets should benefit from the additional investment required in the drive to net zero (such as electric vehicles and heat pumps), setting the scene for decent growth in their regulatory asset base. The renewables business develops, constructs, owns and operates assets that generate electricity from renewable sources (such as wind and water) using turbines to power generators. The bulk of their growth is coming from offshore wind where their approach is to develop a site and then farm it down to retain a minority equity stake, allowing the debt to be held off balance sheet.

We rate the management team highly and expect them to continue to demonstrate their ability to assess a broad range of options to help crystallise value for shareholders. We have continued to add to our holding during the period under review.

# Investment Manager's Case Studies

## Continued

### BP

BP represents 4.4% of the portfolio and is the second largest position. We see BP as meaningfully under-valued, with a free cash flow yield in the mid-teens according to consensus forecasts. This provides the cash flow to pay down debt, buy back shares and resume dividend growth, while investing in growth projects. While it is necessary to appreciate the ESG challenges faced by the entire sector, it is important to recognise the pace of improvement at BP and its ability to create value from opportunities in clean energy. We expect BP to become seen as part of the solution, rather than the problem, with governments set to become more inclined to approve new permits, including renewables.

As Russian sanctions take hold, efforts will be made to replace Russian gas with alternative solutions, with the knock-on benefit of tightening energy markets. BP will play a role in reducing Europe's dependence on Russian oil, both through their conventional oil and gas assets and their investment in energy transition, including renewable assets. We expect the loss of value from their Russian assets to be more than offset by the tightening in global energy markets which should in time drive an increase in their overall profitability. We took advantage of short term weakness to add to our holding after the news of the accounting charge for the write-down in the value of their Rosneft shareholding.

# Condensed Statement of Comprehensive Income (unaudited)

| | | Six months ended 31 March 2022 | | | Six months ended 31 March 2021 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Net gains/(losses) on investments at fair value | | – | 815 | 815 | – | 36,891 | 36,891 |
| Currency losses | | – | – | – | – | (3) | (3) |
| Income | 2 | 4,696 | – | 4,696 | 4,201 | – | 4,201 |
| Investment management fee | | (176) | (411) | (587) | (164) | (384) | (548) |
| Administrative expenses | | (209) | – | (209) | (194) | – | (194) |
| **Net return before finance costs and taxation** | | 4,311 | 404 | 4,715 | 3,843 | 36,504 | 40,347 |
| | | | | | | | |
| Finance costs | | (56) | (131) | (187) | (56) | (130) | (186) |
| **Return before taxation** | | 4,255 | 273 | 4,528 | 3,787 | 36,374 | 40,161 |
| | | | | | | | |
| Taxation | 3 | (53) | – | (53) | (45) | – | (45) |
| **Return after taxation** | | 4,202 | 273 | 4,475 | 3,742 | 36,374 | 40,116 |
| | | | | | | | |
| **Return per Ordinary share (pence)** | 4 | 8.75 | 0.58 | 9.33 | 7.74 | 75.27 | 83.01 |

The total column of this statement represents the profit and loss account of the Company.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Condensed Statement of Comprehensive Income.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the financial statements.

# Condensed Statement of Financial Position (unaudited)

| | Notes | As at 31 March 2022 £'000 | As at 30 September 2021 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments at fair value through profit or loss | | **205,897** | 207,418 |
| | | | |
| **Current assets** | | | |
| Debtors | | **1,748** | 1,322 |
| Money-market funds | | **1,635** | 3,408 |
| Cash and short-term deposits | | **–** | 45 |
| | | **3,383** | 4,775 |
| | | | |
| **Creditors: amounts falling due within one year** | | | |
| Bank loan | | **(24,965)** | (24,951) |
| Bank overdraft | | **(1,406)** | – |
| Other creditors | | **(787)** | (4,311) |
| | | **(27,158)** | (29,262) |
| **Net current liabilities** | | **(23,775)** | (24,487) |
| **Net assets** | | **182,122** | 182,931 |
| | | | |
| **Capital and reserves** | | | |
| Called-up share capital | 6 | **12,295** | 12,295 |
| Share premium account | | **52,043** | 52,043 |
| Capital redemption reserve | | **12,616** | 12,616 |
| Capital reserve | 7 | **97,764** | 97,491 |
| Revenue reserve | | **7,404** | 8,486 |
| **Equity Shareholders' funds** | | **182,122** | 182,931 |
| | | | |
| **Net asset value per Ordinary share (pence)** | 8 | **379.16** | 380.84 |

The financial statements on pages 19 to 25 were approved by the Board of Directors and authorised for issue on 18 May 2022 and were signed on its behalf by:

**Mark White**
Chairman

# Statement of Changes in Equity (unaudited)

## Six months ended 31 March 2022

| | Note | Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Balance at 30 September 2021 | | 12,295 | 52,043 | 12,616 | 97,491 | 8,486 | 182,931 |
| Return after taxation | | - | - | - | 273 | 4,202 | 4,475 |
| Dividends paid | 5 | - | - | - | - | (5,284) | (5,284) |
| **Balance at 31 March 2022** | | 12,295 | 52,043 | 12,616 | 97,764 | 7,404 | 182,122 |

## Six months ended 31 March 2021

| | Note | Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Balance at 30 September 2020 | | 12,295 | 52,043 | 12,616 | 53,494 | 8,748 | 139,196 |
| Return after taxation | | – | – | – | 36,374 | 3,742 | 40,116 |
| Dividends paid | 5 | – | – | – | – | (4,929) | (4,929) |
| **Balance at 31 March 2021** | | 12,295 | 52,043 | 12,616 | 89,868 | 7,561 | 174,383 |

# Notes to the Financial Statements

## For the year ended 31 March 2022

### 1. Accounting policies

**Basis of accounting.** The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the Statement of Recommended Practice (SORP) for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued in April 2021 (The AIC SORP). They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The interim financial statements have been prepared using the same accounting policies as the preceding annual financial statements.

### 2. Income

| | Six months ended 31 March 2022 £'000 | Six months ended 31 March 2021 £'000 |
|---|---|---|
| **Income from investments** | | |
| **UK investment income** | | |
| Ordinary dividends | **3,615** | 3,481 |
| Special dividends | **44** | 106 |
| | **3,659** | 3,587 |
| | | |
| **Overseas and Property Income Distribution investment income** | | |
| Ordinary dividends | **1,037** | 519 |
| Special dividends | **–** | 93 |
| | **1,037** | 612 |
| **Total income from investments** | **4,696** | 4,199 |
| | | |
| **Other income** | | |
| Money-market interest | **–** | 1 |
| Underwriting commission | **–** | 1 |
| **Total other income** | **–** | 2 |
| **Total income** | **4,696** | 4,201 |

### 3. Taxation

The taxation charge for the period, and the comparative period, represents withholding tax suffered on overseas dividend income.

## 4. Return per Ordinary share

| | Six months ended 31 March 2022 p | Six months ended 31 March 2021 p |
|---|---|---|
| Revenue return | **8.75** | 7.74 |
| Capital return | **0.58** | 75.27 |
| **Total return** | **9.33** | 83.01 |

The figures above are based on the following figures:

| | Six months ended 31 March 2022 £'000 | Six months ended 31 March 2021 £'000 |
|---|---|---|
| Revenue return | **4,202** | 3,742 |
| Capital return | **273** | 36,374 |
| **Total return** | **4,475** | 40,116 |
| | | |
| **Weighted average number of Ordinary shares in issue**[A] | **48,033,474** | 48,327,960 |

[A] Calculated excluding shares in treasury.

## 5. Dividends

| | Six months ended 31 March 2022 £'000 | Six months ended 31 March 2021 £'000 |
|---|---|---|
| Ordinary dividends on equity shares deducted from reserves: | | |
| Final dividend for 2021 of 5.60p per share (2020 - 5.00p) | **2,690** | 2,416 |
| First interim dividend for 2022 of 5.40p per share (2021 - 5.20p) | **2,594** | 2,513 |
| | **5,284** | 4,929 |

# Notes to the Financial Statements

## Continued

## 6. Called-up share capital

| | Number | £'000 |
|---|---|---|
| **Issued and fully paid:** | | |
| **Ordinary shares 25p each** | | |
| Balance at 31 March 2022 and 30 September 2021 | 48,033,474 | 12,009 |

| | | |
|---|---|---|
| **Treasury shares** | | |
| Balance at 31 March 2022 and 30 September 2021 | 1,145,293 | 286 |

| | | |
|---|---|---|
| **Called-up share capital at 31 March 2022** | **49,178,767** | **12,295** |

There have been no buybacks of Ordinary shares during the period.

## 7. Capital reserve

The capital reserve figure reflected in the Condensed Statement of Financial Position includes investment holdings gains at 31 March 2022 of £12,281,000 (30 September 2021 – £15,552,000) which relate to the revaluation of investments held on that date and realised gains as at 31 March 2022 of £85,483,000 (30 September 2021 – £81,939,000).

## 8. Net asset value per Ordinary share

| | As at 31 March 2022 | As at 30 September 2021 |
|---|---|---|
| Attributable net assets (£'000) | **182,122** | 182,931 |
| Number of ordinary shares in issue[A] | **48,033,474** | 48,033,474 |
| NAV per ordinary share (p) | **379.16** | 380.84 |

[A] Excludes shares in issue held in treasury.

## 9. Transaction costs

During the period expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains/(losses) on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

| | Six months ended 31 March 2022 £'000 | Six months ended 31 March 2021 £'000 |
|---|---|---|
| Purchases | **118** | 132 |
| Sales | **16** | 23 |
| | **134** | 155 |

## 10. Loans

On 28 June 2021, the Company agreed a two year £30 million revolving credit facility with the Royal Bank of Scotland International Limited, which has a maturity date of 25 June 2023.

At 31 March 2022, £25,000,000 had been drawn down (30 September 2021 – £25,000,000) at a rate of 1.347% (30 September 2021 – 1.155%).

The loan is shown in the Condensed Statement of Financial Position net of amortised expenses of £35,000 (30 September 2021 - £49,000).

## 11. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following classifications:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (ie as prices) or indirectly (ie derived from prices); and

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

All of the Company's investments are in quoted equities (30 September 2021 – same) that are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments has therefore been deemed as Level 1 (30 September 2021 – same).

## 12. Half Yearly Report

The financial information contained in this Half Yearly Report does not constitute statutory accounts as defined in Sections 434-436 of the Companies Act 2006. The financial information for the six months ended 31 March 2022 and 31 March 2021 have not been audited.

The information for the year ended 30 September 2021 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

This Half Yearly Report was approved by the Board on 18 May 2022.

# Glossary

## AIC
The Association of Investment Companies.

## Alternative Performance Measures
Numerical measures of the Company's current, historical or future performance, financial position, other than the financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS102 and the AIC SORP.

## Discount and Premium
A discount is the percentage by which the market price per share of an investment trust is lower than its Net Asset Value (NAV) per share. A premium is the percentage by which the market price per share of an investment trust exceeds its NAV per share.

## Net Gearing
Net gearing measures the total borrowings less cash and cash equivalents divided by Shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes amounts due from and to brokers at the period end as well as cash and short-term deposits.

## Net Asset Value, NAV or Shareholders' Funds
The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The Net Asset Value (NAV) divided by the number of shares in issue produces the NAV per share.

## Ongoing Charges Ratio
Ratio of total expenses as a percentage of average daily Shareholders' funds calculated as per the AIC's industry standard method.

## Revenue Earnings Per Share (Revenue EPS)
The net income from dividends and interest received, after tax, of the Company divided by the weighted average number of shares in issue during the year.

## Total Assets
Total assets less current liabilities (before deducting Prior Charges) as per the Statement of Financial Position.

## Total Return
The theoretical return arrived at by reinvesting each dividend in additional shares in the Company on the day that the shares go ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the ex-dividend date.

# Alternative Performance Measures ("APMs")

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP.

The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies. Where the calculation of an APM is not detailed within the financial statements, an explanation of the methodology employed is provided below:

## Discount

A discount is the percentage by which the market price of an investment trust is lower than the Net Asset Value ("NAV") per share.

| | 31 March 2022 | 30 September 2021 |
|---|---|---|
| Share price | **368.00p** | 349.00p |
| Net asset value per share | **379.16p** | 380.84p |
| Discount | **2.9%** | 8.4% |

## Net gearing

Net gearing measures the total borrowings less cash and cash equivalents divided by Shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes amounts due from and to brokers at the period end as well as cash and short-term deposits.

| | | 31 March 2022<br>£'000 | 30 September 2021<br>£'000 |
|---|---|---|---|
| Total borrowings | a | **24,965** | 24,951 |
| Bank overdraft | | **(1,406)** | – |
| Cash and short-term deposits | | **–** | 45 |
| Investments in AAA-rated money-market funds | | **1,635** | 3,408 |
| Amounts due from brokers | | **17** | 670 |
| Amounts payable to brokers | | **–** | (3,823) |
| Total cash and cash equivalents | b | **246** | 300 |
| **Gearing (borrowings less cash & cash equivalents)** | c=(a-b) | **24,719** | 24,651 |
| **Shareholders' funds** | d | **182,122** | 182,931 |
| **Net gearing** | e=(c/d) | **13.6%** | 13.5% |

# Alternative Performance Measures (“APMs”)

## Continued

### Ongoing charges ratio

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC, which is defined as the total of investment management fees and recurring administrative expenses and expressed as a percentage of the average net assets throughout the period. The ratio reported for 31 March 2022 is based on forecast ongoing charges for the year ending 30 September 2022.

| | | 31 March 2022 £'000 | 30 September 2021 £'000 |
|---|---|---|---|
| Investment management fees | | **587** | 1,141 |
| Administrative expenses | | **209** | 373 |
| Less: non-recurring charges[A] | | **–** | (2) |
| **Ongoing charges** | a | **796** | 1,512 |
| **Average net assets** | b | **191,849** | 173,473 |
| **Ongoing charges ratio (excluding look-through costs)** | c=(a/b) | **0.83%** | 0.87% |
| **Look-through costs[B]** | d | **0.05%** | 0.06% |
| **Ongoing charges ratio (including look-through costs)** | e=c+d | **0.88%** | 0.93% |

[A] Comprises professional fees not expected to recur.
[B] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis.

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations, which also includes financing and transaction costs.

## Total return

NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. Share price and NAV total returns are monitored against open-ended and closed-ended competitors, and the Reference Index, respectively.

| Six months ended 31 March 2022 | | NAV | Share Price |
|---|---|---|---|
| Opening at 1 October 2021 | a | **380.84p** | 349.00p |
| Closing at 31 March 2022 | b | **379.16p** | 368.00p |
| Price movements | c=(b/a)-1 | **-0.4%** | 5.4% |
| Dividend reinvestment[A] | d | **2.9%** | 3.2% |
| **Total return** | c+d | **+2.5%** | +8.6% |

| Year ended 30 September 2021 | | NAV | Share Price |
|---|---|---|---|
| Opening at 1 October 2020 | a | **288.02p** | 252.00p |
| Closing at 30 September 2021 | b | **380.84p** | 349.00p |
| Price movements | c=(b/a)-1 | **32.2%** | 38.5% |
| Dividend reinvestment[A] | d | **7.7%** | 8.6% |
| **Total return** | c+d | **+39.9%** | +47.1% |

[A] NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

# Investor Information

## Alternative Investment Fund Managers Directive ("AIFMD") and Pre-Investment Disclosure Document ("PIDD")

The Company has appointed Aberdeen Standard Fund Managers Limited as its Alternative Investment Fund Manager and BNP Paribas Securities Services, London Branch as its depositary under the AIFMD.

The AIFMD requires Aberdeen Standard Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: **www.abrdnequityincome.com**

## Investor Warning: Be alert to share fraud and boiler room scams

abrdn is aware that some investors have received telephone calls and emails from people, purporting to work for abrdn or third party firms, who have offered to buy their investment company shares. abrdn has also been notified of emails claiming that certain investment companies under their management have issued claims in the courts against individuals.

These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for their shares. These callers/senders do not work for abrdn and any third party making such offers/claims has no link with the abrdn. abrdn never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, they should not offer any personal information, end the call and contact abrdn's investor services centre using the details provided in the section entitled "Keeping You Informed".

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams at: **fca.org.uk/consumers/scams**

## Shareholder Enquiries

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, Shareholders holding their shares directly in the Company are advised to contact the Registrars. Changes of address must be notified to the Registrars in writing.

Any general queries about the Company should be directed to the Company Secretaries in writing (see Corporate Information) or by email to: cef.cosec@abrdn.com.

For questions about an investment held through the abrdn Investment Plan for Children, Investment Trust Share Plan or Investment Trust Stocks and Shares ISA, please telephone the Manager's Customer Services Department on 0808 500 0040, email **invtrusts.co.uk** or write to abrdn Investment Trusts, PO Box 11020, Chelmsford Essex CM99 2DB.

## Dividend Tax Allowance

The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2022/23 tax year (2021/22: £2,000). Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered Shareholders with a confirmation of dividends paid and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the Shareholder's responsibility to include all dividend income when calculating any tax liability.

## How to Invest

Individual investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, shares can be bought directly through the abrdn Investment Plan for Children, abrdn Share Plan or abrdn ISA, or through the many stockbroker platforms which offer the opportunity to acquire shares in investment companies.

## abrdn Investment Plan for Children

abrdn operates an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time.

## abrdn Investment Trust Share Plan

abrdn operates runs an Investment Trust Share Plan (the "Share Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Share Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time.

## abrdn Investment Trust ISA

abrdn operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2022/2023.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases where applicable. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held in the ISA. Under current legislation, investments in ISAs can grow free of capital gains tax.

## ISA Transfer

Investors can choose to transfer previous tax year investments to abrdn, which can be invested in the Company while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

## Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in the abrdn Share Plan, Investment Trust ISA or Investment Plan for Children are held in nominee accounts and investors have full voting and other rights of share ownership.

## Keeping You Informed

Further information about the Company may be found on its dedicated website: **www.abrdnequityincome.com**.

This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

Details are also available at: **invtrusts.co.uk.**

**Twitter:**

@abrdnTrusts

**LinkedIn:**

abrdn Investment Trusts

## Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Company's website.

## Literature Request Service

For literature and application forms for abrdn Investment Trusts' products, please contact us through: **invtrusts.co.uk**, telephone the Manager's Customer Services Department on 0808 500 4000 or write to: abrdn Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

## Terms and Conditions

Terms and conditions for abrdn managed savings products can also be found under the Literature section of our website at: **invtrusts.co.uk**.

# Investor Information

## Continued

### Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that the securities issued by the Company can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs") and intends to continue to do so for the foreseeable future. The Company's securities are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are securities issued by an investment trust.

### Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include: AJ Bell Youinvest; Barclays Smart Investor; Charles Stanley Direct; Fidelity; Halifax Share Dealing; Hargreaves Lansdown; Interactive Investor; Novia; Transact; and Standard Life.

### Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management and Financial Advice Association at: **pimfa.co.uk**.

### Independent Financial Advisers

To find an adviser who recommends on investment trusts, visit: **unbiased.co.uk.**

### Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: **0800 111 6768** or
visit **https://register.fca.org.uk**
Email: **register@fca.org.uk**

### Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

The above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

# Contact Addresses

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Caroline Hitch
Sarika Patel
Jeremy Tigue

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## Registered Number
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## Investment Manager
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For more information visit **abrdnequityincome.com**

**abrdn.com**