# Aberdeen Standard Equity Income Trust plc

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

Half Yearly Report
31 March 2020

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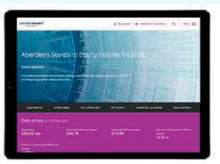

## The Company

Aberdeen Standard 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.

## Visit our Website

To find out more about Aberdeen Standard Equity Income Trust plc, please visit: **aberdeenstandardequityincometrust.com**

"It is not surprising that your Company, whose financial year had got off to a good start, with an NAV total return of 7.9% in its first quarter, has suffered severely from the unforeseeable and violent market setback."

**Richard Burns,**
**Chairman**

"From an income perspective, we have been adding to some of our resilient income stocks and we also expect a resumption of dividend payments as soon as the outlook improves...

From a capital growth perspective, we see significant potential for share prices to appreciate as valuations respond to economic recovery once the intensity of the virus reduces and lockdowns are eased."

**Thomas Moore,**
**Portfolio Manager**

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# Highlights and Financial Calendar

## Performance Highlights

**Net asset value total return per Ordinary share**[A]
Six months ended 31 March 2020
–30.1%

**Share price total return per Ordinary share**[A]
Six months ended 31 March 2020
–29.4%

**FTSE All-Share Index total return**
Six months ended 31 March 2020
–22.0%

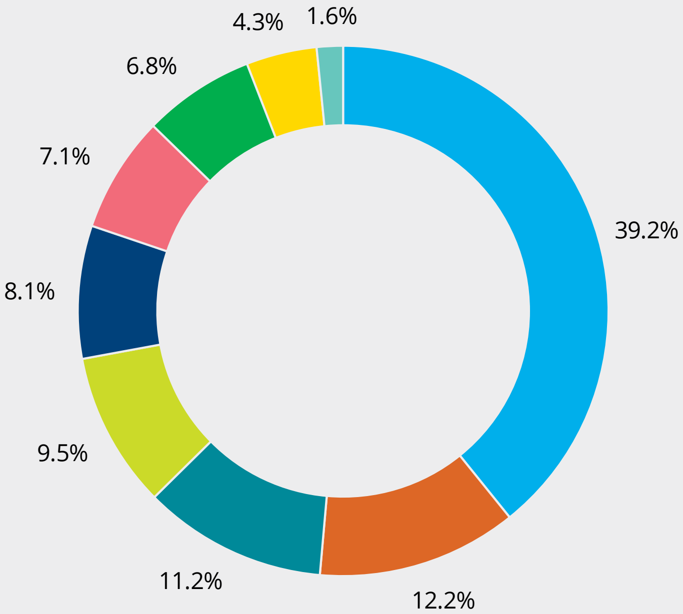
**Premium/(discount) to net asset value**[A]
As at 31 March 2020
(6.6)%
As at 30 September 2019 (7.4)%

**Revenue return per Ordinary share**
Six months ended 31 March 2020
8.35p
Six months ended 31 March 2019 9.43p

**Ongoing charges ratio**[A]
Forecast for year ending 30 September 2020
0.89%
Year ended 30 September 2019 0.91%

[A] Considered to be an Alternative Performance Measure.

## Investment Portfolio by Sector




**Portfolio weightings**

- Financials - 39.2%
- Industrial - 12.2%
- Consumer Goods - 11.2%
- Oil & Gas - 9.5%
- Basic Materials - 8.1%
- Consumer Services - 7.1%
- Utilities - 6.8%
- Health Care - 4.3%
- Telecommunications - 1.6%

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"In these extraordinary circumstances, the Board has given very careful consideration as to its policy as regards dividends."

**Richard Burns, Chairman**

## Financial Calendar

| | |
|---|---|
| Payment dates of interim dividends for the remainder of the financial year to 30 September 2020 | 26 June 2020<br>25 September 2020<br>30 December 2020 |
| Financial year end | 30 September 2020 |
| Expected announcement of results for year ended 30 September 2020 | November 2020 |
| Annual General Meeting (London) | February 2021 |

## Financial Highlights

| Capital return | 31 March 2020 | 30 September 2019 | % change |
|---|---|---|---|
| Total assets[A] (m) | £157.05 | £235.30 | –33.3% |
| Equity Shareholders' funds (m) | £137.17 | £201.47 | –31.9% |
| Market capitalisation (m) | £128.17 | £186.70 | –31.3% |
| Net asset value per Ordinary share | 280.38p | 411.83p | –31.9% |
| Share price per Ordinary share | 262.00p | 381.50p | –31.3% |
| Premium/(discount) of Ordinary share price to net asset value[B] | (6.6)% | (7.4)% | |
| FTSE All-Share Index | 3,107.42 | 4,061.74 | –23.5% |
| Revenue return per Ordinary share[C] | 8.35p | 9.43p | –11.5% |
| Gearing – net[B] | 11.3% | 13.7% | |
| Ongoing charges[BD] | 0.89% | 0.91% | |

[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 24 and 25.
[C] Figure for 31 March 2020 is for the six months to that date. Figure for 30 September 2019 is for the six months to 31 March 2019.
[D] The ongoing charges ratio for the current year includes a forecast of costs and net assets for the six months to 30 September 2020.

# Chairman's Statement

"The Board is now declaring a second interim dividend of 5.2p, bringing total dividends for the six months to 30 March 2020 to 10.4p per share, an increase of 6.1% on the 9.8p paid for the six months to 30 March 2019."

**Richard Burns, Chairman**

### Performance

On 22 January, the day before our Annual General Meeting, the World Health Organisation issued a short statement following a brief fact finding mission to Wuhan by experts from its China and Western Pacific regional offices to find out more about a new virus which had appeared in that city. This merely said that "there was evidence of human to human transmission in Wuhan but more investigation is needed to understand the full extent of transmission".

In less than five months since then the virus has spread to almost every corner of the world and, according to Worldometer.com, over 4.8 million people have been infected, over 316,000 have died and it is expected that in the current calendar quarter overall world economic activity will be down by about a quarter. It is doubtful if there has ever been as rapid a development of a pandemic in human history.

It is therefore not surprising that your Company, whose financial year had got off to a good start, with an NAV total return of 7.9% in its first quarter, has suffered severely from the unforeseeable and violent market setback. This began in late February as the extent and implications of the pandemic began to become apparent, the clearest example of which was the unprecedented fall in demand for petroleum products, leading to a total collapse in the price of crude oil in April. Over the six months to 31 March 2020 our NAV total return was -30.1% against the FTSE All-Share Index's -22.0% . Our Share Price total return figure was only marginally better at -29.4%.

The Investment Manager's Report on pages 9 to 11 provides a more detailed explanation of this most disappointing setback, to which our gearing was a contributor along with some devastating price falls in individual holdings such as Cineworld and TUI Travel, whose apparently bright business prospects in 2020 morphed into an existential struggle for survival in less than a month.

### Revenue

Since late February the postponement or outright cancellation of dividends that had already been declared has become commonplace and this reduced the income we had expected to receive in March. Dividend income in the six months was £4.724m compared to £5.016m last year, a reduction of 5.8%. Total income for the period was £4.739m compared to £5.212m, a fall of 9.1%. Management fees and administrative expenses charged to revenue were down 5.7% at £413k compared to £438k in 2019. After interest costs and tax, net earnings were down 10.8% to £4.087m and the revenue per ordinary share was 8.35p compared to 9.43p in 2019.

### Dividends

Looking ahead to the second half of the year, the only certainty is that our dividend income is going to be very substantially less than we had been expecting at the time of the AGM and well below the amount we received last year. At this stage, the position is changing so fast that it is not possible to make any sensible forecast as to the outcome for this year.

In these extraordinary circumstances, the Board has given very careful consideration as to its policy as regards dividends. The Objective of the Company, as set out in the Annual Report, is to "provide Shareholders with an above average income….. while at the same time providing real growth in capital and income". Based on last year's dividend, our shares currently yield almost 8% compared to the FTSE All-Share Index yield of slightly over 5%, thus clearly meeting one part of the Objective. The Board is only too well aware that over the last decade the Company has not achieved real growth in capital, but it has undoubtedly achieved real growth in income, with the dividend having risen by almost 74% from 11.8p per share in 2010 to 20.5p in 2019, while the RPI has risen by less than 30%.

One of the features of the investment trust structure is the ability to build up revenue reserves against a rainy day. After adjusting for the payment of last year's final dividend, the Company's revenue reserves at 30 September 2019 were £8.750m, or almost 18p per share. Today we face not just a rainy day but a monsoon, and the Board's view is that these are the very conditions in which it is entirely appropriate to draw on the revenue reserves.

We have paid a first interim dividend of 5.2p in March and the Board is now declaring a second interim dividend of 5.2p, bringing total dividends for the six months to 30 March 2020 to 10.4p per share, an increase of 6.1% on the 9.8p paid for the six months to 30 March 2019. This second interim dividend will be paid on 26 June 2020 to Shareholders on the Register on 5 June 2020, with an associated ex-dividend date of 4 June 2020. The Board's intention is that the third interim dividend, which will be paid in September, will also be 5.2p per share.

# Chairman's Statement Continued

In my Statement in the 2019 Annual Report, I said that the Board anticipated being able to increase the dividend in 2020 to a minimum of 21.4p per share. In these extraordinary times, and given that the indication is that this will not be covered by the income generated by the portfolio, the Board has revised its target and is keen to provide clarity to investors. It currently intends to pay a full year dividend of 20.6p per share, an increase of 0.1p on the payment in 2019. This would mean that the fourth interim dividend would be 5.0p per share. The Board will keep the matter under review but will not confirm this final payment until the accounts are finalised in November.

Today we face not just a rainy day but a monsoon, and the Board's view is that these are the very conditions in which it is entirely appropriate to draw on the revenue reserves.

## Gearing

As a result of the reduction of the value of the portfolio, the terms of the revolving credit facility with Banco Santander were renegotiated and the new terms were announced on 19 March 2020. The facility has been reduced to £20m, from £40m previously, and is fully drawn. The margin has increased from 100 basis points over LIBOR to 130 basis points and the loan covenants have also been amended and now require that the Company's gross assets will not be less than £100m (previously £150m). At 31 March 2020 net gearing amounted to 11.3% of assets, compared to 13.7% this time last year. It should be noted that, at least in the short-term, the weighted average cost of borrowing has declined as the emergency cuts in base rates announced by the Bank of England in March have more than offset the increase in the margin.

## Outlook

Britain today is two months into what the Bank of England has forecast to be the deepest recession since the early 18th century. Few other countries have statistical records as long as this, but for all 2020 is clearly going to be a very poor year economically. The next few months will bring an abundance of terrible corporate news. As yet, we cannot tell when the recovery will begin to show itself or how vigorous it will be, but the government has disclosed an outline of its plans for a relaxation of the lockdown and some of the businesses which have had to close since March will be restarting operations shortly.

We must hope that the same spirit of co-operation and determination that has been displayed so far can be maintained as the economy is gradually brought back to life, even though this will likely be a lengthy and frustrating process. The Board hopes to have a clearer view of the prospects for 2021 when we next report to you in November.

**Richard Burns,**
**Chairman**
18 May 2020

# Interim Board Report



## Directors' Responsibility Statement

The Directors are responsible for preparing the Half Yearly Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;

- The Interim Board Report (constituting the interim management report) includes a fair review of the information required by 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

- The financial statements include a fair review of the information required by 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.

## Principal Risks and Uncertainties

The Board has an ongoing process for identifying, evaluating and managing the principal 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 uncertainties and risks 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 2019 and comprise the following risk categories:

- Investment Performance;
- Operational Risk;
- Governance Risk;
- Discount/ Premium to NAV; and
- Legal and Regulatory Risk.

The Board notes that there are a number of contingent risks stemming from the COVID-19 pandemic that may impact the operation of the Company. These include investment risks surrounding the companies in the portfolio such as employee absence, reduced demand, reduced turnover, supply chain breakdowns and suspension of dividends. The Board has been proactive in engaging with the Manager to ensure that the Company continues to be managed in accordance with the investment objective and policy, and in the best interest of stakeholders. The Manager continues to review carefully the composition of the Company's portfolio and to be pro-active in taking investment decisions where necessary. Operationally, COVID-19 is also affecting the suppliers of services to the Company including the Manager and other key third parties. To date these services have continued to be supplied seamlessly and the Board will continue to monitor arrangements in the form of regular updates from the Manager.

In all other respects, the Company's principal risks and uncertainties have not changed materially since the date of the 2019 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 risks and uncertainties disclosed above, including COVID-19, 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 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.

For and on behalf of the Board

**Richard Burns,**
**Chairman**
18 May 2020

# Our Strategy

### Management
The management of the Company's investments and the day to day operation of the Company is delegated to Aberdeen Standard Fund Managers Limited ("the Manager"). Thomas Moore has been the Portfolio Manager since 2011.

### 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:

- no holding within the portfolio will exceed 10% of net assets; and
- 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 Manager for the operation of the gearing level within the above parameters

### Investment process
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 the appropriate risk control parameters. The aim is to evaluate changing corporate situations and identify 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 3,000 company meetings are conducted annually across Aberdeen Standard Investments. These meetings are used to ascertain the company's own views and expectations of the future prospects for their company and the markets in which they operate. 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.

### Investment process in practice
The index-agnostic approach ensures that the weightings of the holdings 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 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 looks very different from many other investment vehicles providing 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 like to make their own decisions and manage their ISAs, SIPPs and personal dealing accounts themselves. Around 60% of the Company's portfolio is invested in companies outside the FTSE 100.

The index-agnostic approach 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

**Thomas Moore,**
**Portfolio Manager**

## UK market review

Global equity markets were generally buoyant during the first four months of the period as investors took encouragement from dissipating US-China trade tensions and a US Federal Reserve rate cut. The UK market responded positively to a landslide Conservative majority in the General Election in December and stocks with exposure to the UK domestic economy benefited from the decisive Conservative election victory.

Sentiment turned sour in late February when it became apparent that COVID-19 was becoming a global pandemic. A global recession became inevitable once governments announced lockdowns to limit the spread of the virus. The UK lockdown, announced on 23 March 2020, caused the economy to go into an induced coma. This led to a spate of profit warnings, dividend cuts and calls for additional capital by companies. The market quickly priced in these negatives. For the three months to the end of March, the FTSE All-Share Index was down by 22% on a total return basis — its most significant quarterly decline since the Black Monday sell-off in 1987.

As pessimism set in, large-cap defensive sectors fared less badly than small and mid-cap cyclical sectors. The worst-affected sectors over the period were those where social interaction is fundamental to their business and which were consequently most directly affected by the lockdown and which saw an almost total collapse in their revenues, such as Travel & Leisure and General Retailers. Oil stocks fell as the oil price collapsed, driven by lower activity levels and an ongoing dispute between Saudi Arabia and Russia, while Banks fell on fears of a spike in loan impairments.

Recognising the importance to Shareholders of generating an attractive level of income, we have focused on identifying attractively valued stocks that should prove resilient in their dividend-paying ability.

## Portfolio performance

The portfolio's performance can be split into two discrete periods. The period started well, with December proving to be a particularly strong month for performance as our UK domestic holdings rallied strongly on the decisive Conservative election majority.

The portfolio's performance deteriorated markedly from mid-February as the full consequences of COVID-19 started to become apparent. Our portfolio was not well positioned for such a bleak and unprecedented event. Investor sentiment reversed quickly. UK domestic stocks, which investors had been buying for a recovery following the General Election, fell sharply. The vast majority of our under-performance came from owning companies that were directly impacted by the lockdown, in particular housebuilder **Vistry**, cinema operator **Cineworld**, transport operator **National Express** and travel business **TUI**. The underweight position in defensive stocks such as **AstraZeneca** and **Reckitt Benckiser** also detracted from performance, albeit far less significantly. There were only a few stock-specific disappointments during the period; the main one being oil producer **Tullow Oil** which announced a poor production update.

Partially offsetting these negatives, the portfolio benefited from owning financial businesses **CMC Markets** which enjoyed very strong volumes, **John Laing Group** whose pipeline of new investments surpassed expectations and **Chesnara** whose operations and capital position remained solid. All three companies announced an increase in their dividends in March, highlighting their resilience to COVID-19. The holding in **SSE** also benefited performance as the market responded positively to the sale of its wholesale energy business. Each of these positions helped generate some positive performance, but not enough to offset the impact of the stocks directly hit by COVID-19.

## Revenue Account

Dividends distributed by companies in the portfolio in the period were £4.7m, which was 5.8% less than the £5.0m received at the same time last year.

During the period, 93% of the dividend income came from recurring rather than special dividends. Although the value of special dividends increased in the period year on year, in light of COVID-19, we do not expect to see further special dividends in the second half of the financial year.

# Investment Manager's Review Continued

The market backdrop has changed drastically since the advent of COVID-19. Dividend cuts have become very widespread with over half of FTSE 100 companies and over three quarters of FTSE 250 companies cutting. We have undertaken a line by line review of the portfolio, weighing the income prospects of our holdings based on their trading and balance sheet outlook. We have adjusted the portfolio by adding to existing holdings or buying new holdings in companies with the most resilient dividend prospects. Conversely we have sold some holdings in companies that are unlikely to be able to restore the dividend in the foreseeable future. We expect that around 60% of our holdings will continue to pay dividends despite COVID-19 and we would expect our income to fall less dramatically than the FTSE All-Share index, partly thanks to not owning some of the highest profile dividend cutters such as the large-cap banking stocks. Looking ahead, we expect the revenue account to recover as dividends are reinstated thanks to improved earnings visibility post-lockdown (especially companies that had cut for precautionary reasons) and also because we have added to attractively valued resilient dividend stocks.

## Activity

### Purchases

Our portfolio activity during the six month period reflected the opportunities arising as a result of political and economic uncertainty. The run-up to the UK General Election in December was characterised by nervousness towards UK domestic stocks. We therefore started a new holding in housebuilding business **Vistry** (previously known as Bovis) which undertook an equity placing to fund the purchase of Galliford Try's housebuilding and partnerships businesses. We considered the deal to be attractive, with forecast cost synergies from the integration set to drive double digit earnings growth. We also started a new holding in utility business **Centrica** where we saw early signs of an operational turnaround, as reflected in stabilising customer numbers, increasing energy services revenues and success delivering cost efficiencies.

The period also offered opportunities to buy solid international companies trading at attractive valuations. These included paper and packaging business **Mondi** whose consistently high returns are a function of its low cost of production and high quality assets. We also added to our holding in mining company **Rio Tinto** which appears well positioned given its position at the bottom end of the cost curve and to tobacco companies **British American Tobacco** and **Imperial Brands** whose revenue growth should benefit from ongoing price hikes and improving volume growth trends.

### Sales

During the period we received bids for two of our holdings – real estate company **Hansteen** and insurance administrator **Charles Taylor.** Both were opportunistic bids by private equity, underlining the attractive valuations of neglected UK small cap stocks.

We also sold a number of industrial stocks whose full valuations appeared to offer limited upside potential, especially in the context of weakening order trends. These included ventilation business **Volution**, engineering business **IMI** and heat treatment business **Bodycote.** We also moderated our financials weighting by selling our holding in insurance business **Prudential** the solvency of whose US annuity business, Jackson National, might be jeopardised by the widening in corporate credit spreads.

## Outlook

The portfolio is positioned in two clusters of stocks in the light of COVID-19:

**1. Resilient income stocks:**
Recognising the importance to Shareholders of generating an attractive level of income, we have focused on identifying attractively valued stocks that should prove resilient in their dividend-paying ability. We estimate that these stocks represent just over half of the portfolio.

We expect these businesses to trade robustly in 2020 despite COVID-19, allowing them to continue paying attractive dividends. These stocks will have two benefits to Shareholders. First, they will support our revenue account. Second, in a world of dividend scarcity, it is likely that these stocks will see their valuations re-rate even if markets remain subdued. Examples of resilient income stocks we have added during March include **BAT, Rio Tinto, Moneysupermarket** and **Hastings**.

**2. Interrupted income stocks:**
COVID-19 has caused widespread dividend cuts. While dividend cuts are never welcome, the share price response to this news has often been savage. This requires us to take a view on whether the market has over-reacted. We recognise that the hiatus in economic activity is an issue for companies with vulnerable balance sheets. The judgement that needs to be made is to assess how a company's cash flows will be affected and whether it can weather a period of short-term balance sheet pain. Our research incorporates an assessment of each company's financial position. This requires nuanced analysis, stock by stock. On this basis we have differentiated between

companies we believe have the potential to make a healthy recovery, such as **GVC, DFS** and **MJ Gleeson**, and weaker companies that may struggle, such as **Saga, TUI** and **Cineworld.** Companies that make it through to the other side of a crisis will tend to emerge with an improved competitive position which can justify a meaningful valuation re-rating.

Investor uncertainty over the economic effects of COVID-19 caused an emotional response in March, with many of our holdings falling by over half within a matter of weeks as markets priced in a deep recession causing a prolonged period of depressed revenues and balance sheet stress. The level of despondency appears at least as bad as the financial crisis in 2008/09, with no shortage of economists publishing reports predicting the most painful recession in living memory. While such reports make uncomfortable reading, it is important to remember that markets tend to move several months ahead of economic data. Just as in 2009, we believe that extreme negative sentiment has created asymmetrical risk/reward for investors willing to remain focused on stock-level opportunities. As panic subsides, we expect investor time horizons to lengthen.

Share prices respond to incremental change. Once negative outcomes are priced in, share prices can go up even if the news flow is only marginally less negative than feared. It would be misguided to wait for the news flow to turn outright positive. Therefore we believe it makes sense to look forward and ask whether the reality will justify the pessimism that is priced into valuations.

While it is impossible to predict the shape of the economic recovery, we can be confident that the disruption to economic activity caused by COVID-19 will ease as lockdown restrictions are gradually lifted. Decisive government action will help to bridge the private sector through this period of exceptionally weak activity. With each incremental easing measure, economic activity is likely to pick up. Given that the economy virtually ground to a halt in April, we are set to see a month-on-month improvement in economic activity as soon as the easing measures start. On a quarter-on-quarter basis, economic activity should start to show a sequential improvement in Q3. Investors will not wait for year-on-year growth to turn positive before they start to buy cyclicals.

On a longer-term view, the challenge will be how to pay down the deficit. It is likely that the Government will favour debt monetisation, followed by a period of inflation designed to erode this debt, rather than increasing taxes. The combination of a recovery in economic growth and tolerance of higher inflation is a benign environment for equities, in particular the domestic cyclicals that are currently trading on valuations which price in a sustained period of depressed profitability. Many of these domestic cyclicals will emerge from the crisis in better shape with increased market share. This is what makes this environment a particularly rich hunting ground for investors looking over to the other side of the current turmoil.

Looking ahead, we are confident that the portfolio is well positioned. From an income perspective, we have been adding to some of our resilient income stocks and we also expect a resumption of dividend payments as soon as the outlook improves. Although the revenue account will be significantly lower than we reported last year, the Company is in a relatively comfortable position in respect of dividend payments to Shareholders, having built up significant reserves in recent years.

From a capital growth perspective, we see significant potential for share prices to appreciate as valuations respond to economic recovery once the intensity of the virus reduces and lockdowns are eased.

**Thomas Moore,**
**Portfolio Manager**
18 May 2020

# Ten Largest Investments

As at 31 March 2020

### John Laing
John Laing Group originates and invests in infrastructure projects including transportation, social and environmental infrastructure.

### National Grid
National Grid owns gas and electricity transmission and distribution assets in the UK and United States.

### British American Tobacco
British American Tobacco sells cigarettes and other tobacco products in approximately 180 markets around the world.

### Chesnara
Chesnara is a consolidator of life assurance assets in the UK, Netherlands and Sweden.

### GlaxoSmithKline
GlaxoSmithKline develops, manufactures and markets vaccines, prescription and over the counter medicines as well as health-related consumer products.

### Imperial Brands
Imperial Brands sells cigarettes, cigars and other tobacco products worldwide.

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

### BHP
BHP Group is a diversified resources group with a global portfolio of high quality assets particularly iron ore and copper.

### Close Brothers
Close Brothers is a specialist financial services group which provides loans, trades securities and provides advice and investment management solutions to a wide range of clients. It has a conservative, tried and tested model with high barriers to entry.

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

# Investment Portfolio



## At 31 March 2020

| Company | Sector | Market value £'000 | Total assets % |
|---|---|---|---|
| John Laing | Financial Services | 9,361 | 6.0 |
| British American Tobacco | Tobacco | 6,783 | 4.3 |
| GlaxoSmithKline | Pharmaceuticals & Biotechnology | 6,591 | 4.2 |
| CMC Markets | Financial Services | 5,474 | 3.5 |
| Close Brothers | Banks | 5,387 | 3.4 |
| National Grid | Gas Water & Multiutilities | 4,784 | 3.0 |
| Chesnara | Life Insurance | 4,544 | 2.9 |
| Imperial Brands | Tobacco | 4,384 | 2.8 |
| BHP | Mining | 4,189 | 2.7 |
| SSE | Electricity | 4,100 | 2.6 |
| **Top ten investments** | | **55,597** | **35.4** |
| Rio Tinto | Mining | 4,046 | 2.6 |
| Equiniti | Support Services | 3,864 | 2.5 |
| BP | Oil & Gas Producers | 3,790 | 2.4 |
| BAE Systems | Aerospace & Defence | 3,778 | 2.4 |
| Royal Dutch Shell | Oil & Gas Producers | 3,770 | 2.4 |
| Diversified Gas & Oil | Oil & Gas Producers | 3,658 | 2.3 |
| Randall & Quilter | Nonlife Insurance | 3,526 | 2.2 |
| Vistry | Household Goods & Home Construction | 3,110 | 2.0 |
| Aviva | Life Insurance | 3,096 | 2.0 |
| Smith (DS) | General Industrials | 2,997 | 1.9 |
| **Top twenty investments** | | **91,232** | **58.1** |
| River & Mercantile | Financial Services | 2,841 | 1.8 |
| MJ Gleeson | Household Goods & Home Construction | 2,817 | 1.8 |
| Phoenix | Life Insurance | 2,747 | 1.7 |
| GVC | Travel & Leisure | 2,653 | 1.7 |
| National Express | Travel & Leisure | 2,504 | 1.6 |
| Premier Miton | Financial Services | 2,464 | 1.6 |
| Ashmore | Financial Services | 2,433 | 1.5 |
| TP ICAP | Financial Services | 2,315 | 1.5 |
| Real Estate Investors | Real Estate Investment & Services | 2,178 | 1.4 |
| Onesavings | Financial Services | 2,162 | 1.4 |
| **Top thirty investments** | | **116,346** | **74.1** |

# Investment Portfolio Continued

**At 31 March 2020**

| Company | Sector | Market value £'000 | Total assets % |
|---|---|---|---|
| Speedy Hire | Support Services | 2,105 | 1.3 |
| Mondi | Forestry & Paper | 2,097 | 1.3 |
| Glencore | Mining | 1,972 | 1.3 |
| Tyman | Construction & Materials | 1,954 | 1.2 |
| Quilter | Financial Services | 1,833 | 1.2 |
| Hastings | Nonlife Insurance | 1,799 | 1.1 |
| Energean Oil & Gas | Oil & Gas Producers | 1,759 | 1.1 |
| DWF | Support Services | 1,752 | 1.1 |
| DFS Furniture | General Retailers | 1,564 | 1.0 |
| Zegona Communications | Fixed Line Telecommunications | 1,551 | 1.0 |
| **Top forty investments** | | **134,732** | **85.7** |
| Litigation Capital | Financial Services | 1,462 | 0.9 |
| Centrica | Gas Water & Multiutilities | 1,444 | 0.9 |
| Naked Wines | General Retailers | 1,429 | 0.9 |
| Wood Group | Oil Equipment Services & Distribution | 1,391 | 0.9 |
| Galliford Try | Construction & Materials | 1,371 | 0.9 |
| International Personal Finance | Financial Services | 1,169 | 0.7 |
| Polar Capital | Financial Services | 1,119 | 0.7 |
| Sabre Insurance | Nonlife Insurance | 1,110 | 0.7 |
| WM Morrison Supermarkets | Food & Drug Retailers | 1,060 | 0.7 |
| AFH Financial | Financial Services | 899 | 0.6 |
| **Top fifty investments** | | **147,186** | **93.6** |
| Vodafone | Mobile Telecommunications | 898 | 0.6 |
| Playtech | Travel & Leisure | 880 | 0.6 |
| M&G | Life Insurance | 760 | 0.5 |
| Urban Exposure | Financial Services | 756 | 0.5 |
| Mitie | Support Services | 733 | 0.4 |
| Moneysupermarket.com | Media | 560 | 0.4 |
| NewRiver REIT | Real Estate Investment Trusts | 281 | 0.2 |
| Saga | General Retailers | 262 | 0.2 |
| Hunting | Oil Equipment Services & Distribution | 60 | 0.0 |
| **Total portfolio** | | **152,376** | **97.0** |
| **Net current assets[A]** | | **4,672** | **3.0** |
| **Total assets** | | **157,048** | **100.0** |

[A] Total assets less current liabilities excluding bank loan of £20,000,000.

# Investment Case Studies


TP ICAP is the world's number 1 inter-dealer broking business.

Source: shutterstock.com

## TP ICAP

TP ICAP is the world's number 1 inter-dealer broking business, following the 2015 merger between Tullett Prebon and ICAP. The old adage "liquidity begets liquidity" results in TP ICAP being the go-to platform for traders across a range of asset classes including rates, credit and commodities. The merger got off to a poor start under the former CEO who mis-managed expectations, but the new CEO, Nicolas Breteau, has turned it around, completing the integration and investing in new growth initiatives such as Data & Analytics which will allow TP ICAP to monetise its huge treasure chest of trading data. This is an activity that is perceived by the market to be highly valuable given that these are high quality, recurring revenues – it is the reason why the London Stock Exchange's ("LSE") valuation has soared in recent years.

TP ICAP is at the foothills of exploiting this data and as a result its Price to Earnings ("PE") ratio is only 9x which is about a third of the LSE's 30x PE ratio. Its dividend yield is 5% vs LSE's dividend yield of 1%. Both of these businesses are market leaders in their respective markets, but the difference is that TP ICAP has its valuation re-rating ahead of it, not behind it.

In the short-term, COVID-19 is an event that has driven unprecedented high levels of volatility and consequently trading volumes. TP ICAP is therefore a clear beneficiary of this crisis. This will ensure that its dividend is underpinned, with upgrades likely if the current uncertainty persists. The stock remains a high conviction Buy.

# Investment Case Studies Continued

## John Laing

John Laing originates and invests in infrastructure projects including transportation, social and environmental infrastructure.

Since its stock market listing in 2015, John Laing has established a consistent track record of delivering attractive returns and using its expertise to expand into new countries and sectors.

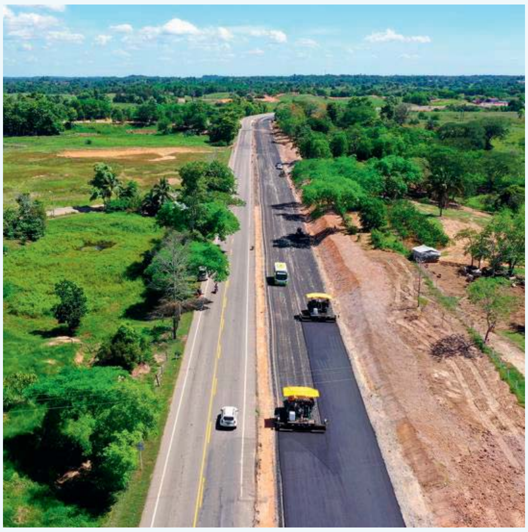
At a time of great macro-economic uncertainty and growing government debt, John Laing appears poised to help countries to deliver vital infrastructure projects. The business is led by a management team that believes in working with their customers, recognising that providing leadership on environmental, social and governance matters is key to winning government contracts.

One example is a road project in the Netherlands where John Laing's successful bid involved plans to lower noise, dust and congestion at local communities, schools, businesses and natural spaces.

In Colombia, John Laing secured an environmental permit after demonstrating its engagement with local communities to reduce the negative impact of building a motorway.

This underlines John Laing's core belief that in order to thrive it needs to demonstrate the value it is creating for local communities.

We see John Laing's position as a pioneer in infrastructure and a leader on ESG as underpinning double-digit Return on Equity and in that context we see the valuation of 1x Net Asset Value as highly attractive.



In Colombia, John Laing secured an environmental permit after demonstrating its engagement with local communities to reduce the negative impact of building a motorway.

Source: John Laing

# Condensed Statement of Comprehensive Income

| | | Six months ended 31 March 2020 | | | Six months ended 31 March 2019 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Net losses on investments at fair value | | – | (62,410) | (62,410) | – | (21,073) | (21,073) |
| Currency gains | | – | – | – | – | 2 | 2 |
| Income | 2 | 4,739 | – | 4,739 | 5,212 | – | 5,212 |
| Investment management fee | | (169) | (395) | (564) | (225) | (526) | (751) |
| Administrative expenses | | (244) | – | (244) | (213) | – | (213) |
| **Net return before finance costs and taxation** | | 4,327 | (62,805) | (58,479) | 4,774 | (21,597) | (16,823) |
| Finance costs | | (89) | (208) | (297) | (85) | (199) | (284) |
| **Return before taxation** | | 4,238 | (63,013) | (58,775) | 4,689 | (21,796) | (17,107) |
| Taxation | 3 | (150) | – | (150) | (51) | – | (51) |
| **Return after taxation** | | **4,087** | **(63,013)** | **(58,925)** | **4,638** | **(21,796)** | **(17,158)** |
| **Return per Ordinary share (pence)** | 4 | **8.35** | **(128.81)** | **(120.46)** | **9.43** | **(44.33)** | **(34.90)** |

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

| | Notes | As at 31 March 2020 (unaudited) £'000 | As at 30 September 2019 (audited) £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments at fair value through profit or loss | | 152,376 | 229,277 |
| | | | |
| **Current assets** | | | |
| Debtors | | 766 | 4,411 |
| Money-market funds | | 5,868 | 1,262 |
| Cash and short-term deposits | | 223 | 389 |
| | | 6,857 | 6,062 |
| | | | |
| **Creditors: amounts falling due within one year** | | | |
| Bank loan | | (19,883) | (29,867) |
| Other creditors | | (2,185) | (4,000) |
| | | (22,068) | (33,867) |
| **Net current liabilities** | | (15,211) | (27,805) |
| **Net assets** | | **137,165** | **201,472** |
| | | | |
| **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 | 49,927 | 112,940 |
| Revenue reserve | | 10,284 | 11,578 |
| **Equity Shareholders' funds** | | **137,165** | **201,472** |
| | | | |
| **Net asset value per Ordinary share (pence)** | 8 | **280.38** | **411.83** |

The financial statements on pages 17 to 22 were approved by the Board of Directors and authorised for issue on 18 May 2020 and were signed on its behalf by:

**R Burns**

Chairman

# Condensed Statement of Changes in Equity

## Six months ended 31 March 2020

| | Note | Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Balance at 30 September 2019 | | 12,295 | 52,043 | 12,616 | 112,940 | 11,578 | 201,472 |
| Return after taxation | | – | – | – | (63,013) | 4,087 | (58,926) |
| Dividends paid | 5 | – | – | – | – | (5,381) | (5,381) |
| **Balance at 31 March 2020** | | **12,295** | **52,043** | **12,616** | **49,927** | **10,284** | **137,165** |

## Six months ended 31 March 2019

| | Note | Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Balance at 30 September 2018 | | 12,295 | 52,043 | 12,616 | 150,675 | 10,820 | 238,449 |
| Return after taxation | | – | – | – | (21,796) | 4,638 | (17,158) |
| Dividends paid | 5 | – | – | – | – | (5,113) | (5,113) |
| **Balance at 31 March 2019** | | **12,295** | **52,043** | **12,616** | **128,879** | **10,345** | **216,178** |

# Notes to the Financial Statements (unaudited)

## 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 October 2019 (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 2020 £'000 | Six months ended 31 March 2019 £'000 |
|---|---|---|
| **Income from investments** | | |
| **UK investment income** | | |
| Ordinary dividends | 3,408 | 4,204 |
| Special dividends | 211 | 59 |
| | 3,619 | 4,263 |
| **Overseas and Property Income Distribution investment income** | | |
| Ordinary dividends | 1,016 | 675 |
| Special dividends | 89 | 78 |
| | 1,105 | 753 |
| **Total income from investments** | 4,724 | 5,016 |
| **Other income** | | |
| Money-market interest | 15 | 12 |
| Stock dividends | – | 174 |
| Underwriting commission | – | 10 |
| **Total other income** | 15 | 196 |
| **Total income** | **4,739** | **5,212** |

**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 2020 p | Six months ended 31 March 2019 p |
|---|---|---|
| Revenue return | 8.35 | 9.43 |
| Capital return | (128.81) | (44.33) |
| **Total return** | **(120.46)** | **(34.90)** |

The figures above are based on the following figures:

| | Six months ended 31 March 2020 £'000 | Six months ended 31 March 2019 £'000 |
|---|---|---|
| Revenue return | 4,087 | 4,638 |
| Capital return | (63,013) | (21,796) |
| **Total return** | **(58,926)** | **(17,158)** |
| **Weighted average number of Ordinary shares in issue**[A] | **48,921,128** | **49,162,782** |

[A] Calculated excluding shares in treasury.

5. **Dividends**

| | Six months ended 31 March 2020 £'000 | Six months ended 31 March 2019 £'000 |
|---|---|---|
| Ordinary dividends on equity shares deducted from reserves: | | |
| Final dividend for 2019 of 5.80p per share (2019 – 5.50p) | 2,837 | 2,704 |
| First interim dividend for 2020 of 5.20p per share (2019 – 4.90p) | 2,544 | 2,409 |
| | **5,381** | **5,113** |

6. **Called-up share capital**

| | Number | £'000 |
|---|---|---|
| **Issued and fully paid:** | | |
| **Ordinary shares 25p each** | | |
| Balance at 31 March 2020 and 30 September 2019 | 48,921,128 | 12,231 |
| **Treasury shares** | | |
| Balance at 31 March 2020 and 30 September 2019 | 257,639 | 64 |
| **Called-up share capital at 31 March 2020** | | **12,295** |

At 31 March 2020 there were 257,639 Ordinary shares held in treasury (2019 – 15,985).

7. **Capital reserve.** The capital reserve figure reflected in the Condensed Statement of Financial Position includes investment holdings losses at 31 March 2020 of £50,628,015 (30 September 2019 – losses of £5,731,144) which relate to the revaluation of investments held on that date and realised gains as at 31 March 2020 of £100,555,181 (30 September 2019 – £118,670,801).

8. **Net asset value per Ordinary share**

| | As at 31 March 2020 | As at 30 September 2019 |
|---|---|---|
| Attributable net assets (£'000) | 137,165 | 201,472 |
| Number of ordinary shares in issue[A] | 48,921,128 | 48,921,128 |
| NAV per ordinary share (p) | 280.38 | 411.83 |

[A] Excludes shares in issue held in treasury.

# Notes to the Financial Statements (unaudited) Continued

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 losses on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

| | Six months ended 31 March 2020 £'000 | Six months ended 31 March 2019 £'000 |
|---|---|---|
| Purchases | 104 | 91 |
| Sales | 29 | 22 |
| | **133** | **113** |

10. **Loans.** The loan facility by Scotiabank (Ireland) Ltd was repaid on 17 December 2018 and refinanced by a £40,000,000 facility provided by Banco Santander. The facility consists of a five year revolving facility which has a maturity date of 20 November 2023.

At 31 March 2020, £20,000,000 had been drawn down (30 September 2019 – £30,000,000) at a rate of 1.53275% (30 September 2019 – 1.57463%).

The loan is shown in the Condensed Statement of Financial Position net of amortised expenses of £117,000.

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 2019 – 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 have therefore been deemed as Level 1 (30 September 2019 – 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 2020 and 31 March 2019 has not been audited.

The information for the year ended 30 September 2019 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 2020.

# Glossary

### 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 per share. A premium is the percentage by which the market price per share of an investment trust exceeds its Net Asset Value per share.

### Net Asset Value per share (NAV)
Net Assets divided by the number of Ordinary shares in issue produces the Net Asset Value per share.

### Net Gearing
Net borrowings (both short and long-term, less cash held in the portfolio) as a percentage of Shareholders' funds. Calculated in accordance with AIC guidance "Gearing Disclosures post RDR".

### 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 Return
The theoretical return including 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 & premium.** A discount is the percentage by which the market price of an investment trust is lower than the Net Asset Value ("NAV") per share. A premium is the percentage by which the market price per share of an investment trust exceeds the NAV per share.

| | 31 March 2020 | 30 September 2019 |
|---|---|---|
| Share price | 262.00p | 381.50p |
| Net asset value per share | 280.38p | 411.83p |
| (Discount)/premium | (6.6%) | (7.4%) |

**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 2020 £'000 | 30 September 2019 £'000 |
|---|---|---|---|
| Total borrowings | a | 19,883 | 29,867 |
| Cash and short-term deposits | | 223 | 389 |
| Investments in AAA-rated money-market funds | | 5,868 | 1,262 |
| Amounts due from brokers | | 53 | 3,672 |
| Amounts payable to brokers | | (1,797) | (3,061) |
| Total cash and cash equivalents | b | 4,347 | 2,262 |
| **Gearing (borrowings less cash & cash equivalents)** | c=(a-b) | **15,536** | **27,605** |
| **Shareholders' funds** | d | **137,165** | **201,472** |
| **Net gearing** | e=(c/d) | **11.3%** | **13.7%** |

**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 asset values throughout the period. The ratio reported for 31 March 2020 is based on forecast ongoing charges for the year ending 30 September 2020.

| | | 31 March 2020 £'000 | 30 September 2019 £'000 |
|---|---|---|---|
| Investment management fees | | 1,002 | 1,537 |
| Administrative expenses | | 492 | 424 |
| Less: non-recurring charges[A] | | – | (40) |
| **Ongoing charges** | a | **1,494** | **1,921** |
| **Average net assets** | b | **167,521** | **210,698** |
| **Ongoing charges ratio** | c=(a/b) | **0.89%** | **0.91%** |

[A] Comprises professional fees not expected to recur.

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

**Total return.** NAV and share price total returns show how the NAV and share price have performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to Shareholders. NAV total return involves reinvesting the net dividend paid by the Company back into the NAV of the Company with debt at fair value on the date on which that divid end 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.

The table below provides information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the period and the resultant total return.

In order to calculate the total return for the year, returns are calculated on each key date for the period and then the return for the year is derived from the product of these individual returns. Dividends are reported on their ex-dividend date and are added back to the NAV or share price to calculate the return for that period.

| **Six months ended 31 March 2020** | **Dividend rate** | **NAV** | **Share price** |
|---|---|---|---|
| 30 September 2019 | | 411.83p | 381.50p |
| 24 December 2019 | 5.80p | 442.36p | 421.00p |
| 5 March 2020 | 5.20p | 379.01p | 358.00p |
| 31 March 2020 | | 280.38p | 262.00p |
| **Total return** | | **–30.1%** | **–29.4%** |

# 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.aberdeenstandardequityincometrust.com**

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

Aberdeen Standard Investments has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Standard Investments or for third party firms. Aberdeen Standard Investments has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your 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 your shares. These callers/senders do not work for Aberdeen Standard Investments and any third party making such offers/claims has no link with Aberdeen Standard Investments.

Aberdeen Standard Investments does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department.

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.

If you have any general questions about your Company, the Investment Manager or performance, please telephone the Aberdeen Standard Investments Customer Services Department, send an email to inv.trusts@aberdeenstandard.com or write to:

Aberdeen Standard 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 2020/21 tax year (2019/20: £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

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the Aberdeen Standard Investment Plan for Children, Investment Trust Share Plan or Investment Trust Individual Savings Account ("ISA").

### Aberdeen Standard Investment Plan for Children

Aberdeen Standard Investments 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 (subject to the eligibility criteria as stated within the terms and conditions), including parents, grandparents and family friends. 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%) on entry 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 Aberdeen Standard Investments in writing at any time.

### Aberdeen Standard Investment Trust Share Plan

Aberdeen Standard Investments operates an Investment Trust Share Plan (the "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%) on entry where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time.

**Aberdeen Standard Investment Trust ISA**
Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the 2020/21 tax year.

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 Aberdeen Standard Investments, 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
All investments in the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan and Investment Trust ISA 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.aberdeenstandardequityincometrust.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.

Alternatively, please call 0808 500 0040 (Freephone) or email **inv.trusts@aberdeenstandard.com** or write to the address for Aberdeen Standard Investment Trusts stated above.

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

## Key Information Document ("KID")
The KID relating to the Company and published by the Manager can be found on its website at: **invtrusts.co.uk.**

## Literature Request Service
For literature and application forms for Aberdeen Standard Investment's investment trust products, please contact us through: **inv.trusts@aberdeenstandard.com**

By telephone:- **0808 500 4000** Or write to:-

Aberdeen Standard Investment Trusts PO Box 11020
Chelmsford Essex CM99 2DB

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

## 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 who are seeking long-term capital growth by investment in UK-quoted smaller companies, and who understand and are willing to accept the risks of exposure to equities.

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.

# Investor Information Continued

### 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 & Financial Advice Association at: **pimfa.co.uk.**

### 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 at: **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 information on pages 26 to 28 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.

# Corporate Information

## Directors
Richard Burns (Chairman)
Caroline Hitch
Sarika Patel
Jeremy Tigue
Mark White

## Registered Office
Bow Bells House
1 Bread Street
London
EC4M 9HH

## Registered Number
Registered in England & Wales No. 2648152

## Investment Manager
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1 George Street
Edinburgh
EH2 2LL

(Authorised and regulated by the Financial Conduct Authority)
Telephone: **0808 500 0040**

## Website Address:
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## Company Secretary
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EH2 2LL

## Independent Auditor
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319 St Vincent Street
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G2 5AS

## Solicitors
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## Stockbrokers
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25 Bank Street
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E14 5JP

## Registrars
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