

Recommended Combination of Aberdeen Equity Income Trust plc with Shires Income PLC

On 8th January 2025, the Boards of Aberdeen Equity Income Trust plc and Shires Income PLC announced they had agreed heads of terms for a proposed combination. The proposal would bring together two established UK equity income investment trusts to create a larger, more competitive company that aims to deliver enhanced benefits for all shareholders. Circulars are expected to be sent to all shareholders, or their nominees, in mid-February. To receive updates on the recommended combination please sign up [here](#).

Investment objective

The Company's investment objective is to provide shareholders with a high level of income, together with the potential for growth of both income and capital from a diversified portfolio substantially invested in UK equities but also in preference shares, convertibles and other fixed income securities.

Benchmark

FTSE All-Share Index total return.

Cumulative performance (%)

	as at 31/12/25	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	316.5p	7.7	14.8	11.7	39.6	45.1	72.6
NAV ^A	312.7p	2.0	6.8	11.1	24.4	42.2	58.7
FTSE All-Share		2.2	6.4	13.7	24.0	46.5	73.9

Discrete performance (%)

	31/12/25	31/12/24	31/12/23	31/12/22	31/12/21
Share Price	39.6	13.0	(8.0)	2.5	16.1
NAV ^A	24.4	11.3	2.7	(3.9)	16.1
FTSE All-Share	24.0	9.5	7.9	0.3	18.3

Total return; NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis. Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at fair value. Source: Aberdeen and Morningstar.

Past performance is not a guide to future results.

^A Including current year revenue.

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Morningstar Rating™



^B Morningstar Rating™ for Funds

Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds.

Morningstar Sustainability Rating™



Ten largest equity holdings (%)

AstraZeneca	3.7
Morgan Sindall	3.6
Shell	3.6
HSBC	3.5
Barclays Plc	3.4
Chesnara Plc	3.1
Rio Tinto	2.9
M&G plc	2.8
National Grid	2.8
Safestore Holdings Plc	2.7
Total	32.0

Fixed income holdings (%)

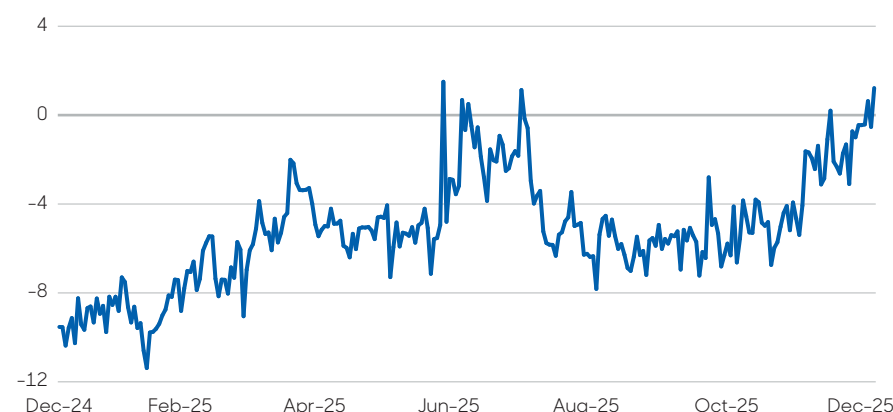
Ecclesiastical Insurance	5.2
Nationwide Building Society 10.25%	4.9
Santander 10.375%	4.1
Standard Chartered 8.25%	3.0
Lloyds Bank 11.75%	0.9
Rea Holdings 9%	0.7
Standard Chartered 7.375%	0.2
Total	19.0

Total number of investments 57

All sources (unless indicated):
Aberdeen: 31 December 2025.



1 Year Premium/Discount Chart (%)



Fund managers' report

Market commentary

Global bond markets slightly weakened in December as investors priced in a reduced pace of monetary easing and elevated fiscal risks. The Fed cut rates again as its focus remained on a softening labour market, but it maintained its data-dependent stance. Among other major central banks, the Bank of England (BoE) also eased policy, whereas the European Central Bank (ECB) kept it unchanged and the Bank of Japan (BoJ) hiked rates. The yield on 10-year US Treasuries rose, weighing on bond prices, while corporate bond yields were mixed. Investor risk appetite, as measured by the spreads on investment-grade and high-yield bonds, improved slightly.

Global equities rose modestly in December against a backdrop of dwindling investor enthusiasm towards technology shares, particularly those linked to artificial intelligence (AI), and mixed signalling from the Fed on further interest-rate cuts in 2026. The MSCI World Index returned 0.84% (total return in US dollars). UK equities rose, with the FTSE 100 outperforming the FTSE 250.

Performance

It was a strong end to the year for the company, with shares rising by 7.7% into the year end. As a result, shares rose by 39.5% in the calendar year. The NAV of the trust increased by 2%, roughly in line with the FTSE All-Share benchmark, and over the year the portfolio delivered NAV per share growth of 24.4%, beating the benchmark return of 24%. This should be seen as a strong result given the yield premium delivered and the defensive skew due to the fixed income holdings in the portfolio.

The best performing position this month was Close Brothers (+15%), which continued to strengthen from a low level and was helped by the possibility that its capital requirements may reduce. OSB (+11%) saw the same benefit. Conduit (+14%) also performed well as the discount to NAV closed on more stable financial performance. Drax (+13%) also performed well, helped by

Fund managers' report continues overleaf

^c Expressed as a percentage of average daily net assets for the year ended 31 March 2025. The Ongoing Charges Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Company. It is made up of the Annual Management Fee and other charges. It does not include any costs associated with buying shares in the Company or the cost of buying and selling stocks within the Company. The OCF can help you compare the annual operating expenses of different Companies.

^d Calculated using the Company's historic net dividends and month end share price.

^e The 'Active Share' percentage is a measure used to describe what proportion of the Company's holdings differ from the benchmark index holdings.

^f Expressed as a percentage of total equities and convertibles held divided by shareholders' funds.

^g Net gearing is defined as a percentage, with net debt (total debt less cash/cash equivalents) divided by shareholders' funds.

Sector allocation (%)

Financials	33.6
Industrials	11.8
Energy	10.4
Technology	7.6
Real Estate	6.8
Consumer Staples	6.3
Health Care	6.2
Consumer Discretionary	5.4
Basic Materials	5.3
Utilities	4.0
Telecommunications	2.0
Communication Services	0.6
Total	100.0

Key information

Calendar

Year end	31 March
Accounts published	June
Annual General Meeting	July
Dividend paid	January, April, July, October
Established	1929
Fund manager	Iain Pyle
Ongoing charges ^c	1.00%
Annual management fee	0.45% up to £100m and 0.4% over £100m on net assets and long term borrowings
Premium/(Discount)	1.2%
Yield ^d	4.7%
Active share ^e	70.3%

Gearing (%)

Equities ^f	(5.0)
Net cash/(gearing) ^g	(13.9)

AIFMD Leverage Limits

Gross Notional	2.5x
Commitment	2x

Fund managers' report – continued

signals from the company that it was progressing an opportunity to build a data centre on unused land adjacent to its power station.

The greatest faller in the month was Telecom Plus (-12%), where there was some concern around the pace of new client addition. We see this as overdone and remain positive on the company's ability to add books of customers through acquisition. Pets At Home (-9%) also struggled after announcing disappointing numbers for its retail business. A change in management is to be welcomed after a period of underperformance, while the vet business continues to trade well and to generate cash.

Trading

At the start of the month we sold out of our position in Wood Group. With shares trading close to the potential bid price, we chose to de-risk the small remaining holding and move on. This has certainly been one that has not worked but the exit with some value extracted is a reasonable result given the accounting and balance sheet issues the company has faced.

We also sold out of a much more successful holding in December, exiting SSE after a long holding period. There is no change to the view on the company, which is set for stable earnings growth in the next few years. However, with shares up around 40% in the last 12 months and dividend yield compressed to under 3% we see more limited upside from here and choose to reallocate the capital.

We used the funds to start a position in Diageo. This is a business with many quality attributes that we have watched for some years, but have struggled to get comfortable on valuation or the near term pressures faced by the spirits sector as it digested a bumper period through Covid. Shares are down 55% over the last 3 years, de-rating from 24x earnings to 13x and with the dividend yield now at 4.5%, a decent premium to the market. While we do not expect to see fortunes change quickly, our view is that concerns are within the price and new management can take action to leverage Diageo's excellent brand stable and distribution network to deliver earnings growth over the medium term.

Outlook

Our outlook for equity markets remains constructive into 2026, despite an excellent return from the last twelve months. The main views we have taken recently remain in place: Namely that the UK is undervalued compared to global equities and specifically that UK mid-cap stocks are trading at a particular discount to the overall market and offering attractive yields. This may not change quickly, but the opportunity to find good companies at very reasonable prices remains in the UK and that fills us with enthusiasm.

More notable for Shires Income is the announcement on the 8th of January that the company has agreed heads of terms on a combination with the Aberdeen Equity Income Trust ("AEI"). The Boards believe that the Combination will bring together two investment trusts with broadly similar investment objectives, good performance records and share price ratings, using the same portfolio management team. It will create a larger, more liquid, and more cost-effective company, which should deliver greater value for all shareholders. For Shires shareholders, we see the benefits of scale creating more liquidity and lower costs, and an uplift in distributions should be positive. Shareholders will have the chance to vote on the combination and we will look forward to engaging in more detail. All available information can be found on the [company's website](#).

The risk outlined overleaf relating to gearing is particularly relevant to this trust, but should be read in conjunction with all warnings and comments given. Important information overleaf

Assets/Debt

	£'000	%
Equities (inc. Cnv's)	116,980	95.0
Fixed Income	23,375	19.0
Total investments	140,355	114.0
Cash & cash equivalents	1,838	1.5
Other net assets	(53)	0.0
Debt	(18,984)	(15.4)
Net Assets	123,156	100.0

Capital structure

Ordinary shares	39,411,699
3.5% Cumulative Preference shares	50,000

Allocation of management fees and finance costs

Capital	60%
Revenue	40%

Trading details

Reuters/Epic/Bloomberg code	SHRS
ISIN code	GB0008052507
Sedol code	0805250
Stockbrokers	J.P. Morgan Cazenove
Market makers	INV. JPMS, MREX, PEEL, SCAP, WINS



Factsheet

Receive the factsheet by email as soon as it is available by registering at www.aberdeeninvestments.com/trustupdates
www.aberdeeninvestments.com/shrs



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Shires Income PLC

Statement of Operating Expenses

Publication date: 21 July 2025

	Year ended 31 Mar 2025	% of Average NAV	Year ended 31 Mar 2024	% of Average NAV	% Change (YOY)
Recurring Operating Expenses (£000s)					
Management Fee (inc AIFM)	653	0.60%	420	0.49%	55.5%
Custody fees and bank charges	12	0.01%	11	0.01%	9.1%
Promotional activities	55	0.05%	50	0.06%	10.0%
Professional fees	2	0.00%	25	0.03%	-92.0%
Directors remuneration	149	0.14%	141	0.17%	5.7%
Directors & officers liability insurance	11	0.01%	11	0.01%	0.0%
Auditors' remuneration	57	0.05%	60	0.07%	-5.0%
Trade subscriptions	32	0.03%	32	0.04%	0.0%
Printing, postage and stationery	12	0.01%	28	0.03%	-57.1%
Share plan costs	-	0.00%	30	0.04%	-100.0%
Registrars fees	47	0.04%	39	0.05%	20.5%
Other administrative expenses	64	0.06%	78	0.09%	-17.9%
Ongoing Operating Expenses (ex indirect fund management expenses)	1,094	1.00%	925	1.09%	18.3%
Expenses relating to investments in other collective investments		0.00%		0.01%	
Ongoing Operating Expenses (inc indirect fund management expenses)	1,094	1.00%	925	1.10%	18.3%
Average Net Asset Value	109,660		85,134		28.8%
Operating Expense Ratio (ex indirect fund management expenses)	1.00%		1.09%		
Operating Expense Ratio (inc indirect fund management expenses)	1.00%		1.10%		
	Year ended 31 Mar 2025	% of Average NAV	Year ended 31 Mar 2024	% of Average NAV	% Change (YOY)
Transaction costs and other one-off expenses (£000s)					
Transaction costs	271	0.25%	197	0.23%	37.6%
Performance fees		0.00%		0.00%	
Other non-recurring expenses	6	0.01%	24	0.03%	-75.0%
Total	277	0.25%	221	0.26%	25.3%

Service providers as at year ended 31 March 2025

AIFM	abrdn Fund Managers Limited
Investment Manager	abrdn Investments Limited
Company Secretary	abrdn Holdings Limited
Fund Accounting Services	BNP Paribas Fund Services UK Limited
Auditor	Ernst & Young LLP
Depository & Custodian	BNP Paribas S.A. London Branch
Registrar	Equiniti Limited
Corporate Broker	JPMorgan Cazenove

Summary of key commercial arrangements

The Company has appointed abrdn Fund Managers Limited ("aFML"), a wholly owned subsidiary of Aberdeen plc, as its alternative investment fund manager. aFML has been appointed to provide investment management, risk management, administration, company secretarial services and promotional activities to the Company. aFML has sub-delegated administrative and company secretarial services to abrdn Holdings Limited, promotional activities to abrdn Investments Limited and fund accounting services to BNP Paribas Fund Services UK Limited.

The Company's portfolio is managed by abrdn Investments Limited by way of a group delegation agreement in place between aFML and abrdn Investments Limited.

Details of the management fee and fees payable for promotional activities are shown in notes 4 and 5 to the financial statements in the annual report.

The management agreement is terminable on not less than six months' notice. In the event of termination by the Company on less than the agreed notice period, compensation is payable to the Manager in lieu of the unexpired notice period.

No performance fee.

Fee scale	% of Net Assets plus LT borrowings
£0-£100m	0.45%
>£100m	0.40%

Directors fee rates (£)	Year ended 31 Mar 2025	Year ended 31 Mar 2024	% change YoY
Chair	43,500	41,000	6.1%
Chair of Audit & Risk Committee	35,000	33,500	4.5%
Senior Independent Director	31,500	30,000	5.0%
Director	30,500	29,000	5.2%
Number of Directors	4	5	

Important Information

The Statement of Operating Expenses is designed to help investors understand the impact of operating expenses on financial performance.

Operating expenses are NOT deducted from the value of an investor's shareholding, which is derived from the share price.

The market value (share price) of all publicly traded companies reflects a wide range of factors, including the estimated impact of operating expenses on future financial performance.

The market value of an investment trust may diverge materially, both positively and negatively, from the reported net asset value.

Important information

Risk factors you should consider prior to investing:

- The value of investments, and the income from them, can go down as well as up and investors may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.
- The Company may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that any movement in the value of the company's assets will result in a magnified movement in the NAV.
- The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.
- The Company may charge expenses to capital which may erode the capital value of the investment.
- There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- Certain trusts may seek to invest in higher yielding securities such as bonds, which are subject to credit risk, market price risk and interest rate risk. Unlike income from a single bond, the level of income from an investment trust is not fixed and may fluctuate.
- With funds investing in bonds there is a risk that interest rate fluctuations could affect the capital value of investments. Where long term interest rates rise, the capital value of shares is likely to fall, and vice versa. In addition to the interest rate risk, bond investments are also exposed to credit risk reflecting the ability of the borrower (i.e. bond issuer) to meet its obligations (i.e. pay the interest on a bond and return the capital on the redemption date). The risk of this happening is usually higher with bonds classified as 'sub-investment grade'. These may produce a higher level of income but at a higher risk than investments in 'investment grade' bonds. In turn, this may have an adverse impact on funds that invest in such bonds.
- Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends.

Other important information:

An investment trust should be considered only as part of a balanced portfolio. The information contained in this document should not be considered as an offer, solicitation or investment recommendation to deal in the shares of any securities or financial instruments. It is not intended for distribution or use by any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited. Nothing herein constitutes investment, legal, tax or other advice and is not to be relied upon in making an investment or other decision. No recommendation is made, positive or otherwise, regarding individual securities mentioned. This is not an invitation to subscribe for shares and is by way of information only. Investment should only be following a review of the current Key Information Document (KID) and pre-investment disclosure document (PIDD) both of which are available on www.investortrusts.co.uk. Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by Aberdeen*. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, Aberdeen* or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

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