abrdn Equity Income Trust plc

Half Yearly Report 31 March 2024

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

abrdnequityincome.com

Contents

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 2024

+1.6%

Year ended 30 September 2023 +1.8%

Share price total return per Ordinary share[A]
Six months ended 31 March 2024

–8.2%

Year ended 30 September 2023 +11.4%

Revenue return per Ordinary share
Six months ended 31 March 2024

9.05p

Six months ended 31 March 2023 8.60p

Discount to net asset value[A]
As at 31 March 2024

10.0%

As at 30 September 2023 0.2%

Dividend yield[A]
As at 31 March 2024

8.2%

As at 30 September 2023 7.3%

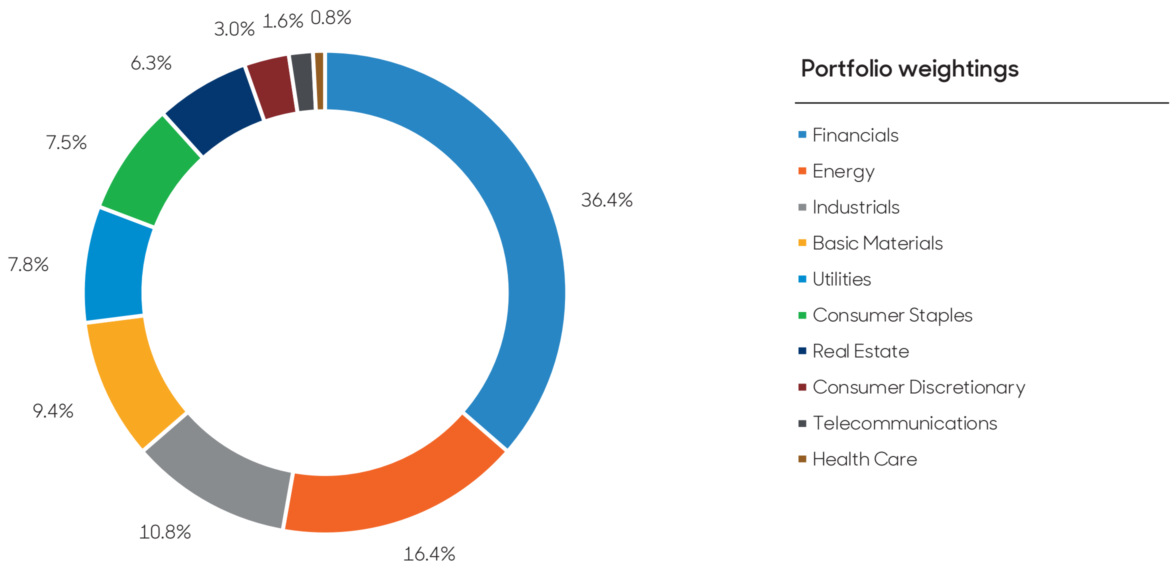
Ongoing charges ratio[A]
Forecast for year ending 30 September 2024

0.95%

Year ended 30 September 2023 0.94%

[A] Considered to be an Alternative Performance Measure.

Investment Portfolio by Sector as at 31 March 2024



Financial Calendar, Dividends and Highlights

Expected payment dates of interim dividends for the remainder of the financial year to 30 September 2024	**27 June 2024** **26 September 2024** **9 January 2025**
Financial year end	**30 September 2024**
Expected announcement of results for year ending 30 September 2024	**December 2024**
Annual General Meeting (London)	**February 2025**

Financial Highlights

Capital return	31 March 2024	30 September 2023	% change
Total assets[A] (m)	**£168.0**	£170.8	–1.6%
Equity Shareholders' funds (m)	**£147.1**	£149.9	–1.9%
Net asset value per Ordinary share	**307.81p**	314.55p	–2.1%
Market capitalisation (m)	**£132.4**	£149.6	–11.5%
Share price per Ordinary share	**277.0p**	314.0p	–11.8%
Discount of Ordinary share price to net asset value[B]	**10.0%**	0.2%	
FTSE All-Share Index	**4,338.05**	4,127.24	+5.1%
Revenue return per Ordinary share[C]	**9.05p**	8.60p	+5.2%
Gearing – net[B]	**12.5%**	11.3%	
Ongoing charges ratio[BD]	**0.95%**	0.94%	

[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 31 and 32.
[C] Figures relate to the six month periods ended 31 March 2024 and 31 March 2023.
[D] The ongoing charges ratio for the current year includes a forecast of costs and net assets for the six months to 30 September 2024.

"Company earnings remain solid across the majority of our holdings, supporting confidence in the dependable nature of the dividend and income and capital growth during 2024"

Sarika Patel, Chair

Chair's Statement

Performance

In the six months ended 31 March 2024, the Company delivered an NAV total return of 1.6% compared to the total return of the FTSE All-Share Index of 6.9%. Over the period, the share price total return was -8.2%. As an asset class, UK equities struggled to keep up with other major equity markets, notably US equities. Whilst performance has been disappointing, the portfolio continues to deliver a dependable income and the Investment Manager has re-focused current positioning in the portfolio to stocks where he sees the potential for a combination of dividend yield, dividend growth and valuation re-rating. The Investment Manager's Review on pages 10 to 15 provides a more detailed explanation of the drivers of this performance.

Revenue

Total income for the six months ended 31 March 2024 increased by 13.9% to £5.4 million, compared to £4.7 million for the same period last year. Management fees decreased by 21.9% compared to the same time last year. This was in part attributable to the reduction in the management fee to a flat fee of 0.55% per annum on net assets which the Board negotiated with the Manager and took effect on 1 October 2023 at the beginning of the period.

Administrative expenses were largely unchanged, meaning that overall costs charged to revenue were down 9.4% at £368k compared to £406k in 2023. The tax charge, which increased significantly from £57k last year to £447k in this reporting period, reflects an increase in withholding tax on overseas dividends, primarily in relation to South African-listed Thungela Resources. After interest costs and tax, net earnings increased by 6% to £4.3 million with revenue per share of 9.05 pence compared to 8.60 pence in 2023 for the same period. Typically, the Company earns between 30% and 40% of its total income for the year in the first six months and this year we are in the top half of that range. As a result, given the outlook for the balance of the financial year, the Board expects that the full year earnings will be sufficient to cover the proposed dividend.

Dividends

The Board declared its plans for the dividend for the current financial year in last year's annual report and the proposed schedule is unchanged at this time. The Company currently intends to pay three interim dividends for the current year of 5.70 pence per share. The first interim dividend was paid to Shareholders on 28 March 2024.

The Board is declaring that the second interim dividend of 5.70 pence per share will be paid on 27 June 2024 to shareholders on the register on 24 May 2024 with an associated ex-dividend date of 23 May 2024. The fourth interim dividend will be determined towards the end of the Company's financial year. The Board's current expectation remains for a fourth interim dividend of at least 5.80 pence per share, making a total payment for the year of a minimum of 22.90 pence per share.

Based on the share price of 277.0p at 31 March 2024, this puts the Company on a dividend yield of 8.3%, amongst the highest of any investment trust invested in equities.

Gearing

At 31 March 2024, £21 million of the £30 million facility provided by the Royal Bank of Scotland International was drawn down and net gearing, allowing for cash held, amounted to 12.5% of net assets which compared to 11.3% at the Company's 30 September 2023 year end. The borrowing facility is in the form of a revolving credit facility which in aggregate cost 6.5% per annum at the end of the period. Given market volatility the Board carefully monitors the leverage.

Discount / Share Buybacks

The underperformance of the share price relative to the NAV resulted in a widening of the discount, which ended the period at 10.0%. The Board constantly monitors the level of the share price discount to NAV and the Company buys back shares when market conditions suggest that this may reduce discount volatility and the discount is considered wide over a period of time in absolute and relative terms. Discounts have widened across the whole investment trust sector over the last couple of years and in October 2023 the average of all investment trusts reached the widest level since the Global Financial Crisis in 2008. It is encouraging to note that the wider level of the Company's discount has not been sustained and since the period end the discount has narrowed steadily with the shares currently trading at around a 6% discount to NAV, as at the date of this Report.

There have been no changes to the Company's share capital structure during the six months under review other than the sale from treasury of 135,000 shares at a premium to the prevailing net asset value per share. Accordingly, as at 31 March 2024, there were 47,781,522 Ordinary 25p shares in issue with voting rights and an additional 1,397,245 shares held in treasury.

Outlook

The geopolitical and macroeconomic backdrop has led to a period of volatile performance for UK equities. Although expectations are growing for an interest rate cut in June, we expect any decreases to be slower than analysts originally forecast. Against this backdrop, the Investment Manager remains focused on companies that have the ability to generate growth and strong cash flows which can then be used to pay sustainable dividends.

Since the beginning of 2024 there has been significant press commentary highlighting how undervalued the UK is relative to other markets and, within the UK, how mid- and small-cap companies are undervalued relative to large-caps. The Company's index-agnostic investment approach, coupled with the manager's focus on valuation, means that the portfolio is well positioned to benefit from any resurgent interest in the UK equity market, either via increased investor allocations or merger activity. Since February, three of our holdings have received bid approaches at substantial premiums to the then existing share prices, underlining the fact that the UK's low valuations are being noticed overseas.

Over time, dividends have tended to represent a high proportion of total return from UK equities. Income stocks have been out of favour in recent years as investors have favoured growth. This remained true during the period as a whole, although the Investment Manager observed a pronounced shift towards value stocks towards the end of the period, which coincided with a recovery in our relative performance.

Having weathered recent crises, our Investment Manager believes that our holdings have demonstrated a level of resilience not reflected in their valuations. This implies low expectations, which provides the potential for share prices to respond favourably to further evidence of solid cash flows and dividends in the months ahead. The portfolio is well diversified, providing a range of earnings drivers and limiting the dependence on an economic recovery. Company earnings remain solid across the majority of our holdings, supporting confidence in the dependable nature of the dividend and income and capital growth during 2024.

Sarika Patel
Chair
13 May 2024

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 on pages 19 to 21 within the Annual Report for the year ended 30 September 2023 (the "2023 Annual Report) 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.

In addition to these risks, the Board is conscious of the impact of inflation and higher interest rates on financial markets. The Board also monitors the potential impact of the heightened geopolitical risks and potential supply chain issues caused by the conflicts in Ukraine and the Middle East. The Company has made enquiries of its Manager and third party service providers in relation to continued compliance with sanctions measures enacted by the UK in response to Russia's invasion of Ukraine.

The Board is also very conscious of the risks emerging 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.

In all other respects, the Company's principal risks and uncertainties have not changed materially since the date of the 2023 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 to the related party transactions described in the 2023 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 2024.
- The Interim Management Report, together with the Chair'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 Chair.

For abrdn Equity Income Trust plc
Sarika Patel
Chair
13 May 2024

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 have 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. At 31 March 2024 48% (30 September 2023: 47%) of the Company's portfolio is invested in companies outside the FTSE-100 Index, whereas the constituents of the FTSE-100 Index account for 84% of the total value of the FTSE All-Share 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

UK equities advanced over the six months to 31 March 2024 as investors expressed relief over the receding risk of a hard landing for the economy, as falling inflation raised hopes of interest rate cuts later in the year.

The start of the period was characterised by nervousness over the resilience of the global economy against the backdrop of elevated interest rates and geopolitical tensions. UK consumer spending remained subdued throughout the period, reflecting cost of living concerns after a prolonged period of high inflation. GDP data for the final quarter of 2023 confirmed a second consecutive quarterly contraction in output, signalling that the UK fell into a mild technical recession in the second half of the year. The market brushed off this news, focusing instead on the reduction in inflation from 6.7% in September 2023 to 3.2% in March 2024, at the same time as a robust jobs market supported UK wage growth running ahead of inflation. This raised the prospect of accelerating GDP growth later in the year.

Elsewhere, the strength of the US economy continued to surprise investors, with the US Federal Reserve providing a further impetus to sentiment by signalling a change in monetary policy in November 2023. This helped to persuade investors that a hard landing for the US economy could be avoided. The success of the US economy was in sharp contrast to China which was held back by an ongoing slump in the real estate sector. Geopolitics remained febrile with investors' nerves tested by tension in the Middle East and the ongoing conflict in Ukraine.

Towards the end of the period, rate cut expectations were pared back, especially in the US where inflation data remained sticky, leading to higher Treasury yields. Around the world, growth stocks continued to outperform value stocks, while cyclical stocks outperformed defensive stocks. The US equity market continued to outperform that of the UK, helped by the heavy weighting in Technology stocks at a time of intense interest in Artificial Intelligence. European equity markets benefited from their heavy weightings in Industrials, Technology and Healthcare stocks. Late in the period, the UK equity market gained some support from a reversal in commodity prices following more encouraging industrial data from China, while oil prices moved higher on concerns over the potential escalation of conflict in the Middle East. The domestically focused FTSE-250 Index was supported by hopes of imminent rate cuts, outperforming the FTSE-100 Index during the six months, although its outperformance tailed off towards the end of the period as the prospect of early interest rate cuts receded.

Revenue Account

Total income generated by the portfolio in the period under review increased by over £650,000 or 13.9% to £5.4 million. We remain confident that the second half of the year will generate more than 60% of the total income for the period. This is the experience of the last 10 years to differing degrees and is as a result of many of the holdings declaring their final dividend for their previous financial year after our period end.

The contribution from special dividends remained low at 3.7% of the total cash dividend income. We note that share buybacks, rather than special dividends, remain the preferred method of distributing surplus capital. This partly reflects the view amongst management teams that unusually low valuations make these buybacks particularly accretive to earnings. We note that 19 of our holdings, representing 45% of the portfolio, have undertaken a share buyback so far during the current financial year.

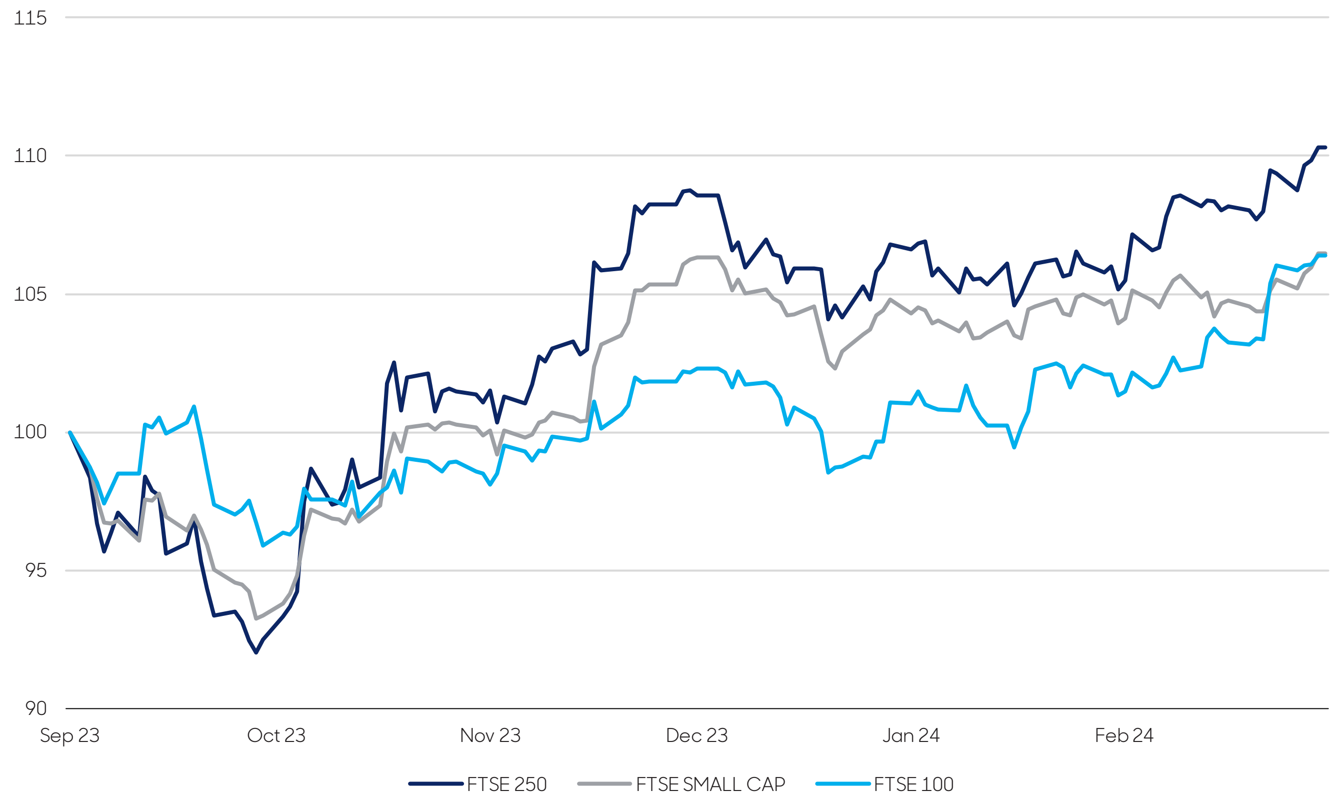
Net revenue earnings for the six month period were £4.3 million, or 6.0% higher than last year's £4.1 million.

We calculate that the portfolio is expected to deliver a gross dividend yield, before costs, of around 6.9% based on the income expected to be generated by the portfolio over this financial year divided by the portfolio value at the period end. While this is lower than it was at the end of the last financial year it continues to represent a significant premium to the dividend yield of the reference index of 3.8% as at 31 March 2024. Elevated interest rates are unhelpful for our investment return as they reduce the gap between the rate we pay for the bank facility and the dividend yield we earn on the portfolio, although we note that money markets are now factoring in rate cuts in late summer.

We continue to focus on identifying stocks that could help us deliver on the yield aspect of our investment objective, while also providing dividend and capital growth over time. The focus on portfolio income is consistent with our investment process given the emphasis we place on finding companies whose cash flow and dividend potential are not effectively priced in by the market.

We are aware of the challenges facing income investors, notably the preference among management teams for share buybacks over special dividends, as well as the prolonged period of geopolitical and economic uncertainty. Looking ahead, we expect many UK stocks to be able to accelerate dividend growth once this uncertainty starts to ease. This would help to reduce the concentration in dividend payments among a handful of sectors that has resulted from the unusual macro backdrop since Covid. Our index-agnostic approach allows us to consider a wide range of stocks, across the UK market, with many different drivers of earnings. We have worked hard during the period to seek out companies with strong dividend prospects from a broad range of sectors, helping to diversify the portfolio's income.

FTSE Index total returns



Investment Manager's Review

Continued

Portfolio Performance

The Company's net asset value ("NAV") total return was 1.6% for the period. This was behind the total return of 6.9% for the Company's reference index. Performance during the period was largely the result of stock-specific drivers.

Within the Financials sector, **Close Brothers** fell on concerns over the risk of sizeable customer redress following the announcement of an FCA review into historic motor finance industry lending practices before 2021. Shortly after this decision, the Company announced that it would waive the dividend, reflecting its priority to build capital and so allay any market concerns over capital adequacy in the event of a harsher than expected outcome from the review. The shares subsequently retraced some of the losses, helped by results that indicated solid trading in their Banking and Asset Management divisions. Also in Financials, performance was hit by the holding in **Vanquis** which guided to weaker than expected profits in 2024 due to the cost of processing a large number of vexatious Financial Ombudsman Service claims, alongside the financial impact of a restructuring programme.

In contrast, **CMC Markets** (see the Case Study on page 19) surged on the publication of a string of positive trading updates revealing higher than expected operating income, as well as earnings upgrades from a cost management programme. CMC is generating an increasing contribution from institutional clients, suggesting that recent heavy investment in this area is beginning to pay off. We added to our holding near the trough in the share price, seeing this as an example of the potential to identify a growth business trading on low valuation despite a well-invested platform and sector-leading technology.

Within the Energy sector, a backdrop of falling commodity prices for most of the period was unhelpful for some of our holdings. **Diversified Energy** declined as a collapse in the US natural gas price impacted cash flows, ultimately leading to the decision to cut the dividend in order to increase the balance sheet flexibility, enabling them to continue making accretive acquisitions, while paying down debt. The stock subsequently rallied as investor confidence in the balance sheet outlook improved. **Thungela Resources** declined in response to falling thermal coal prices, although results revealed that it remains highly cash generative, providing the management team with optionality on use of capital and supporting the share price.

The return of M&A activity helped performance in **DS Smith** (see the Case Study on page 20) as the share price reacted positively to the announcement of rival bids for the company from International Paper and Mondi. We had identified DS Smith as an example of a business that was of far higher quality than the valuation implied. DS Smith had struggled to close the gap with its global paper and packaging peers, but this bid situation highlights the role that can be played by M&A in correcting these valuation anomalies.

Finally, performance relative to the index was impacted by the strong performance of lower yielding large cap growth stocks **RELX, Rolls-Royce, 3i** and **Experian**, although this was partially offset by the weak performance of defensive consumer stocks **Unilever** and **Reckitt Benckiser.**

Activity

During the period we intensified our focus on identifying investment opportunities that can help to deliver on each aspect of our investment objective. We seek individual stocks that can exhibit a combination of dividend yield, dividend growth or valuation re-rating. Sometimes we find stocks that have the potential to deliver all three of these attributes.

We see current market conditions as particularly conducive to finding such stocks, given the long period of valuation de-rating experienced by many UK companies, in particular small and mid-cap companies. It is unusual for the mid-cap index to be trading at a similar yield to the large-cap index. As a result, we see the current period as benign for our index-agnostic investment approach, with a potential kicker to returns as improving investor sentiment drives a re-rating in valuations, alongside dividend yield and growth. As a reminder, a key feature of our investment process is the identification of stocks that offer positive catalysts that can drive a valuation re-rating. Current market conditions are therefore supportive in allowing us to identify opportunities across a broad range of sectors, helping to diversify the portfolio's income.

Notable examples of some of the largest purchases during the period include:

- **Assura:** We initiated a new holding in Assura, the primary healthcare property group. We last owned this stock in the portfolio in 2021, selling the stock at a large premium to its NAV, since which time the share price slipped below its NAV as a result of higher interest rates. Operationally the business remains strong, with evidence of attractive rental growth and a pipeline of new developments.
- **Sirius Real Estate:** We bought a new holding in Sirius Real Estate, the multi-let real estate business, taking part in a placing. We see potential to use the funds to acquire attractively valued assets onto the existing platform, driving up income.
- **Energean:** We built a new position in oil and gas business Energean, which operates mainly in the Mediterranean where it is growing production rapidly and building long-term gas contracts that insulate against commodity price volatility. Rising geopolitical tension is increasing awareness of the need for energy security, especially in Europe.
- **M&G:** We started a new holding in M&G which is using strong cash generation from its life business to invest in new sources of growth while paying a very attractive dividend. The high dividend yield implies that the market is not efficiently pricing in further success in these growth initiatives.
- **Imperial Brands:** We added to our existing position. We note that since the arrival of a new management team, the business has consistently delivered on the profits guidance they provide to the market, focusing on getting the operational basics right. Earnings growth is underpinned by a large share buyback, with over £600 million of stock bought back in the first half of their current financial year, equating to nearly 8% of the shares in issue on an annualised basis, in addition to the 8% dividend yield.

These purchases were funded by profit-taking in some larger cap stocks that had rallied strongly on the improving macro outlook, as well as some mid or small-cap holdings where our process has led us to conclude that the investment thesis may have weakened due to a lack of imminent catalysts.

Notable examples of our largest sales include:

- **Glencore/Shell:** We moderated the position size, in both cases managing the trade-off between portfolio income and portfolio risk, redeploying the proceeds elsewhere.
- **Barclays/NatWest:** We took some profits following a very sharp rally in the share prices, as investors became more positive on the sector, recognising the brightening outlook for net interest income and feeding through to upgrades to return on equity forecasts. We reinvested some of the proceeds in HSBC and Standard Chartered, which had lagged.
- **Bellway/Vistry:** We sold our holding in Bellway towards the end of the period, after the shares had rallied strongly in response to falling mortgage rates. We sold our holding in Vistry earlier in the period following a change in dividend policy.
- **Hays:** We sold the holding as the macro-economic backdrop was unhelpful, with a mismatch between candidate and employer confidence causing a slowdown in hiring activity.

Investment Manager's Review

Continued

Outlook

The period under review was characterised by gradually improving investor sentiment, despite ongoing geopolitical tensions, as the risk of a hard landing for the global economy was perceived to be receding. The market backdrop was initially challenging given the market's preference for growth stocks over value stocks, but market conditions became more benign later in the period as market leadership began to broaden out.

After troughing in mid-February, our NAV performance picked up sharply as the results season unfolded, providing catalysts for our holdings to unlock the value that is latent in the portfolio. A prolonged period of scepticism on the macro outlook has driven down expectations, paving the way for a sharp recovery in share prices, analogous to a coiled spring, on the first hint of more positive news. As valuation re-rating comes through, it can be extremely powerful for our NAV, especially when coupled with earnings and dividend upgrades. A further benefit of a recovery in the NAV is that it provides an increased capital base from which to generate portfolio income.

The full year earnings season (February-April) tends to be the richest period of the year for our team in generating investment insights, as this is when we are most busy meeting company management teams, writing stock notes and collaborating, providing a decent pipeline of new investment ideas for the portfolio.

As I explained in the Activity section, we have continued to use our investment process to position the portfolio in stocks where we see the potential for a combination of dividend yield, dividend growth and valuation re-rating. A more stable macro backdrop would increase the number and breadth of stock opportunities offering all of these characteristics, but we are working hard to ensure that the stock-specific catalysts that we have identified are robust enough such that our portfolio is not dependent on an improving macro backdrop.

The scale of the valuation opportunity can be seen from the gap between the valuations of our holdings and those of the wider market. At the time of writing, the portfolio has a median Price/Earnings ratio of 9.4x and a median Price/Book ratio of 1.2x which compares favourably with 12.1x and 1.6x respectively for the FTSE All-Share (ex Investment Trusts) Index. Elsewhere in this report I provide two stock examples where we are now seeing valuations re-rate on positive news flow.

Valuations can seem to be an abstract concept, but they come to life when thinking about the dividend yields available, the buybacks being pursued by management teams hungry to take advantage of low valuations to hoover up shares or the surge in inbound M&A activity taking hold as the gap between UK valuations and global valuations becomes too wide for overseas companies to ignore.

In conclusion, we are now increasingly confident that the clouds that have existed for some time are now dissipating, with many of our holdings now delivering on the investment thesis we originally anticipated at the time of purchase. In the second half of the Company's financial year, we will strive to build a portfolio that can deliver for shareholders both an attractive level of portfolio income and a sustained NAV recovery.

Thomas Moore
Portfolio Manager
13 May 2024

Ten Largest Investments

As at 31 March 2024

Smith (DS)
DS Smith is an international packaging company, offering sustainable plastic-free packaging, integrated recycling services and sustainable paper products.

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.

National Grid
National Grid is a utility company which is focused on the transmission and distribution of electricity and gas in Great Britain and the United States.

Imperial Brands
Imperial Brands is a global consumer goods company that manufactures, markets and distributes tobacco products across approximately 120 markets.

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.

HSBC
HSBC is a banking and financial services company. The Company's segments include Wealth and Personal Banking, Commercial Banking and Global Banking and Markets.

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

British American Tobacco
British American Tobacco sells combustible tobacco products in more than 50 countries around the world, as well as a growing portfolio of non-combustible products such as vapour and tobacco heating products.

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

Conduit Holdings
Conduit is a Bermuda-based reinsurer with a diversified portfolio across Property, Casualty and Specialty.

Investment Portfolio

At 31 March 2024

Company	Sector	Market value £'000	Market value %
Smith (DS)	General Industrials	7,768	4.7
BP	Oil Gas and Coal	7,150	4.4
National Grid	Gas Water and Multi-utilities	6,953	4.2
Imperial Brands	Tobacco	6,896	4.2
Shell	Oil Gas and Coal	6,664	4.1
HSBC	Banks	6,098	3.7
SSE	Electricity	5,968	3.6
British American Tobacco	Tobacco	5,367	3.3
CMC Markets	Investment Banking and Brokerage Services	5,193	3.2
Conduit Holdings	Non-life Insurance	4,791	2.9
Top ten investments		**62,848**	**38.3**
BHP	Industrial Metals and Mining	4,485	2.7
Glencore	Industrial Metals and Mining	4,306	2.6
OSB Group	Finance and Credit Services	4,004	2.4
Hargreaves Lansdown	Investment Banking and Brokerage Services	3,698	2.3
Standard Chartered	Banks	3,694	2.3
Barclays	Banks	3,614	2.2
Chesnara	Life Insurance	3,599	2.2
Rio Tinto	Industrial Metals and Mining	3,575	2.2
LondonMetric	Real Estate Investment Trusts	3,494	2.1
Legal & General	Life Insurance	3,487	2.1
Top twenty investments		**100,804**	**61.4**
Tyman	Construction and Materials	3,310	2.0
Diversified Energy	Oil Gas and Coal	3,154	1.9
Galliford Try	Construction and Materials	2,967	1.8
Energean	Oil Gas and Coal	2,877	1.8
Thungela Resources	Oil Gas and Coal	2,786	1.7
BAE Systems	Aerospace and Defense	2,770	1.7
Vodafone	Telecommunications Service Providers	2,637	1.6
Ithaca Energy	Oil Gas and Coal	2,635	1.6
TP ICAP	Investment Banking and Brokerage Services	2,630	1.6
Petershill Partners	Investment Banking and Brokerage Services	2,502	1.6
Top thirty investments		**129,072**	**78.7**

At 31 March 2024

Company	Sector	Market value £'000	Market value %
Close Brothers	Banks	2,487	1.5
Real Estate Investors	Real Estate Investment Trusts	2,394	1.5
Quilter	Investment Banking and Brokerage Services	2,369	1.4
NatWest Group	Banks	2,307	1.4
M&G	Investment Banking and Brokerage Services	2,096	1.3
Centamin	Precious Metals and Mining	2,084	1.3
DFS Furniture	Retailers	2,055	1.3
International Personal Finance	Finance and Credit Services	2,049	1.2
Assura	Real Estate Investment Trusts	1,998	1.2
Litigation Capital	Investment Banking and Brokerage Services	1,989	1.2
Top forty investments		**150,900**	**92.0**
Crest Nicholson Holdings	Household Goods and Home Construction	1,727	1.1
Phoenix	Life Insurance	1,681	1.0
Sirius Real Estate	Real Estate Investment Trusts	1,638	1.0
Harbour Energy	Oil Gas and Coal	1,461	0.9
Ashmore	Investment Banking and Brokerage Services	1,279	0.8
AstraZeneca	Pharmaceuticals and Biotechnology	1,261	0.8
Speedy Hire	Industrial Transportation	1,058	0.6
Anglo American	Industrial Metals and Mining	1,041	0.6
Halfords	Retailers	917	0.6
CLS Holdings	Real Estate Investment and Services	785	0.5
Top fifty investments		**163,748**	**99.9**
Vanquis Banking Group	Finance and Credit Services	201	0.1
Randall & Quilter	Non-life Insurance	42	0.0
Total portfolio		**163,991**	**100.0**

Investment Case Studies

CMC Markets

CMC Markets ("CMC") specialises in two key activities – it is best known as a leading online Contracts for Difference ("CFD") trading platform operating in the UK, Europe and Australasia, but it also has a growing stockbroking investment platform and a technology business providing solutions for institutions seeking to access their platform on a white-label basis. Having started CMC in 1989 the founder, Lord Cruddas, remains heavily involved in the business as its CEO and also owns more than 60% of the shares, ensuring that he is strongly aligned with external shareholders. CMC now has over 58,000 active trading customers and over 218,000 active investing customers.

In 2022 an ambitious 3-pillar investment programme was announced, with a target to grow net operating income by 30% within three years. The first pillar involved investing in the core trading platform, broadening the range of tradable instruments and investing in cloud-based technology that improves the customer experience. The second pillar involved expanding their investment platform, positioning themselves to take part in the rapid growth of self-invested investing as individuals take control over their finances. The third pillar involved growing their business to business institutional offering, enabling clients to gain access to their technology, products and liquidity.

One example of successful diversification is CMC's push into stockbroking, with a new investment platform in Australia that has grown its market share to 16%, making them the second largest stockbroking platform in Australia. Their brand was already trusted in Australia as they have operated one of the country's largest CFD-betting trading platforms. High levels of financial literacy in Australia make this an attractive market. CMC is now looking to replicate their Australian success in the UK, where they have launched CMC Invest UK, a new UK investment platform. At the same time, CMC continues to grow its list of business to business partnerships, using cloud-based technology to connect to their platform and offer bespoke white-label solutions for these clients.

The market was initially sceptical over the merits of this heavy investment programme, but is now warming to it as more evidence of success emerges. At the low point in November 2023, the share price was trading at around the value of CMC's own cash resources, pricing in little or nothing for its operations. We added to our holding between mid-January and mid-March 2024 as we had gained confidence that the management team could convince the market that they had a range of levers to grow profitability. CMC published three trading updates between early January and late March, signalling growing revenue upgrades resulting from their investment programme, in particular their Institutional business. They also announced a cost management programme, as completion of their investment allows them to improve efficiency, releasing development spending and streamlining back-office functions. As a result of these developments, analysts have upgraded their earnings and dividend forecasts, resulting in the share price more than doubling since the beginning of January.

CMC captures the potential of index-agnostic income investing – we have identified a business that is largely a technology platform which is valued as if it were a pure trading business. This is a stock that is not well understood, providing us with an opportunity to add to our holding at a highly attractive valuation.

DS Smith

We previously featured DS Smith as an investment case study explaining the rationale for our purchase of the stock in August 2023. We described the long-term structural drivers supporting the business, notably the shift from plastics to paper packaging in consumer goods, as well as the increasing popularity of online retailing. Weakness in the share price, linked to short term swings in demand, created an opportunity to buy back into a business with long-term earnings tailwinds. We also discussed the reasons why UK stocks tend to trade on lower valuations than their global peers and how low valuations could trigger bids for UK companies.

Paper and packaging is a sector that is consolidating rapidly, as companies seek scale economies by streamlining operations around larger sites and becoming more vertically integrated, while building the distribution networks necessary to service global brands. It is unsurprising that a UK-listed business, trading on a lower valuation than its global peers, became the subject of a bidding war.

In February 2024, Mondi announced that it was considering an all-share combination with DS Smith. International Paper then entered the fray in March 2024, confirming that it was in discussions with DS Smith at terms that were superior to the Mondi bid, representing a 48% premium to the closing price the day before Mondi's original offer. After the Company's period end, in April 2024, International Paper and DS Smith announced that they had come to an agreement.

Our investment process seeks to identify stocks whose valuations offer the potential to re-rate as positive catalysts emerge. We saw DS Smith as a business whose quality was far better than its valuation implied. In this case, M&A was the catalyst for a re-rating. It seems likely that M&A will remain a feature within our portfolio given the low valuations of our holdings relative to their global peers. This is an example of how our investment process can play out in practice.

Condensed Statement of Comprehensive Income (unaudited)

		Six months ended 31 March 2024			Six months ended 31 March 2023		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (losses)/gains on investments at fair value		–	(1,264)	(1,264)	–	2,174	2,174
Currency losses		–	(4)	(4)	–	–	–
Income	2	5,360	–	5,360	4,705	–	4,705
Investment management fee		(122)	(285)	(407)	(156)	(365)	(521)
Administrative expenses		(245)	–	(245)	(250)	–	(250)
Net return before finance costs and taxation		4,993	(1,553)	3,440	4,299	1,809	6,108
Finance costs		(224)	(522)	(746)	(167)	(391)	(558)
Return before taxation		4,769	(2,075)	2,694	4,132	1,418	5,550
Taxation	3	(447)	–	(447)	(57)	–	(57)
Return after taxation		4,322	(2,075)	2,247	4,075	1,418	5,493
Return per Ordinary share (pence)	4	9.05	(4.35)	4.70	8.60	2.99	11.59

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 2024 £'000	As at 30 September 2023 £'000
Fixed assets			
Investments at fair value through profit or loss		**163,991**	165,734
Current assets			
Debtors		**2,036**	1,611
Money-market funds		**2,188**	3,027
Cash and short-term deposits		**238**	1,196
		4,462	5,834
Creditors: amounts falling due within one year			
Bank loan		**(20,952)**	(20,941)
Other creditors		**(426)**	(754)
		(21,378)	(21,695)
Net current liabilities		**(16,916)**	(15,861)
Net assets		**147,075**	149,873
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	**61,062**	62,735
Revenue reserve		**9,059**	10,184
Equity Shareholders' funds		**147,075**	149,873
Net asset value per Ordinary share (pence)	8	**307.81**	314.55

The financial statements on pages 21 to 28 were approved by the Board of Directors and authorised for issue on 13 May 2024 and were signed on its behalf by:

Sarika Patel
Chair

Statement of Changes in Equity (unaudited)

Six months ended 31 March 2024

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2023		12,295	52,043	12,616	62,735	10,184	149,873
Return after taxation		–	–	–	(2,075)	4,322	2,247
Issue of own shares from treasury	6	–	–	–	402	–	402
Dividends paid	5	–	–	–	–	(5,447)	(5,447)
Balance at 31 March 2024		12,295	52,043	12,616	61,062	9,059	147,075

Six months ended 31 March 2023

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2022		12,295	52,043	12,616	70,276	10,269	157,499
Return after taxation		–	–	–	1,418	4,075	5,493
Purchase of own shares for treasury	6	–	–	–	(315)	–	(315)
Dividends paid	5	–	–	–	–	(5,779)	(5,779)
Balance at 31 March 2023		12,295	52,043	12,616	71,379	8,565	156,898

Notes to the Financial Statements

For the year ended 31 March 2024

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 July 2022 (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 2024 £'000	Six months ended 31 March 2023 £'000
Income from investments		
UK investment income		
Ordinary dividends	**4,070**	3,579
Special dividends	**158**	101
	4,228	3,680
Overseas and Property Income Distribution investment income		
Ordinary dividends	**979**	852
	979	852
Total income from investments	**5,207**	4,532
Other income		
Money-market interest	**67**	20
Stock dividends	**82**	152
Bank interest	**4**	1
Total other income	**153**	173
Total income	**5,360**	4,705

3. Taxation

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

Notes to the Financial Statements

Continued

4. Return per Ordinary share

	Six months ended 31 March 2024 p	Six months ended 31 March 2023 p
Revenue return	**9.05**	8.60
Capital return	**(4.35)**	2.99
Total return	**4.70**	11.59

The figures above are based on the following figures:

	Six months ended 31 March 2024 £'000	Six months ended 31 March 2023 £'000
Revenue return	**4,322**	4,075
Capital return	**(2,075)**	1,418
Total return	**2,247**	5,493
Weighted average number of Ordinary shares in issue[A]	**47,751,741**	47,391,568

[A] Calculated excluding shares in treasury.

5. Dividends

	Six months ended 31 March 2024 £'000	Six months ended 31 March 2023 £'000
Ordinary dividends on equity shares deducted from reserves:		
Final dividend for 2023 of 5.70p per share (2022 – 6.50p)	**2,724**	3,079
First interim dividend for 2024 of 5.70p per share (2023 – 5.70p)	**2,723**	2,700
	5,447	5,779

6. Called-up share capital

	As at 31 March 2024 £'000	As at 30 September 2023 £'000
Issued and fully paid:		
Ordinary shares 25p each		
Opening balance of 47,646,522 (2023 – 47,471,939) Ordinary shares	**11,912**	11,868
Buyback of nil (2023 – 100,417) Ordinary shares	**–**	(25)
Issue of 135,000 (2023 – 275,000) Ordinary shares	**33**	69
Closing balance of 47,781,522 (2023 – 47,646,522) Ordinary shares	**11,945**	11,912
Treasury shares		
Opening balance of 1,532,245 (2023 – 1,706,828) Ordinary shares	**383**	427
Buyback of nil (2023 – 100,417) Ordinary shares to Treasury	**–**	25
Issue of 135,000 (2023 – 275,000) Ordinary shares from Treasury	**(33)**	(69)
Closing balance of 1,397,245 (2023 – 1,532,245) Ordinary shares	**350**	383
	12,295	12,295

During the period, 135,000 Ordinary shares (2023 – 275,000) were issued from Treasury for a consideration of £402,000 (2023 – £858,000). No Ordinary shares (2023 – 100,417) were repurchased for a consideration of £nil (2023 – £315,000), and. The total shares held in Treasury is 1,397,245 (2023 – 1,532,245).

7. Capital reserve

The capital reserve figure reflected in the Condensed Statement of Financial Position includes investment holdings losses at 31 March 2024 of £12,099,000 (30 September 2023 – losses of £17,939,000) which relate to the revaluation of investments held on that date and realised gains as at 31 March 2024 of £73,161,000 (30 September 2023 – £80,674,000).

Notes to the Financial Statements
Continued

8. Net asset value per Ordinary share

	As at 31 March 2024	As at 30 September 2023
Attributable net assets (£'000)	**147,075**	149,873
Number of ordinary shares in issue[A]	**47,781,522**	47,646,522
NAV per ordinary share (p)	**307.81**	314.55

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

	Six months ended 31 March 2024 £'000	Six months ended 31 March 2023 £'000
Purchases	**149**	83
Sales	**17**	12
	166	95

10. Loans

On 23 June 2023, the Company agreed a three year £30 million revolving credit facility with the Royal Bank of Scotland International Limited, which has a maturity date of 23 June 2026.

At 31 March 2024, £21,000,000 had been drawn down (30 September 2023 - £21,000,000) at an all-in interest rate of 6.6887% (30 September 2023 - all-in interest rate of 6.6847%).

The loan is shown in the Condensed Statement of Financial Position net of amortised expenses of £48,000 (30 September 2023 - £59,000).

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 2023 – 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 2023 - 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 2024 and 31 March 2023 have not been audited.

The information for the year ended 30 September 2023 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 13 May 2024.

Glossary of Terms

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.

Capital Return
The realised and unrealised gains and losses of the investment portfolio net of costs, interest and tax of the Company that have been allocated to capital.

Closed-End Investment Company
A collective investment scheme which has a fixed number of shares which are not redeemable from the fund itself. Unlike open-ended funds, new shares/units are not created by managers to meet demand from investors; instead, shares are purchased (or sold) only in the market. Closed-end funds are normally listed on a recognised stock exchange, such as the London Stock Exchange, and shares can be bought and sold on that exchange.

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.

Dividend Cover
Revenue return per share divided by dividends per share expressed as a ratio.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

EBITDA
EBITDA, or earnings before interest, taxes, depreciation, and amortisation, is an alternate measure of profitability to net income. By stripping out the non-cash depreciation and amortisation expense as well as taxes and debt costs dependent on the capital structure, EBITDA attempts to represent cash profit generated by a company's operations.

ESG
Environmental, social and governance (ESG) factors, which are considered in all investment decisions.

Ex-dividend date ("XD date")
The day before the Record Date. The XD date is normally about a month before the dividend is paid.

Index
A market index calculates the average performance of its constituents, normally on a weighted basis. It provides a means against which the performance of individual instruments can be assessed.

Market Capitalisation
The latest price of an Ordinary share multiplied by the number of shares in issue.

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.

Price/Earnings Ratio
This is calculated by dividing the market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

Realised Gains / Losses
The profit / loss on the sale of investments during the year.

Record Date
The date when an investor needs to be registered as holding a share in order to qualify for a forthcoming dividend.

Relative Performance
Performance of the Company relative to the FTSE All-Share Index.

Revenue Return
The net income from dividends and interest received, after costs, interest and tax allocated to revenue, 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.

Unrealised Gains / Losses
The profit / loss on the revaluation of the investment portfolio at the end of the period.

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:

Dividend yield

Dividend yield measures the dividend per share as a percentage of the share price per share.

	31 March 2024	30 September 2023
Share price	**277.00p**	314.00p
Dividend per share	**22.80p**	22.80p
Dividend yield	**8.2%**	7.3%

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 2024	30 September 2023
Share price	**277.00p**	314.00p
Net asset value per share	**307.81p**	314.55p
Discount	**10.0%**	0.2%

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 2024 £'000	30 September 2023 £'000
Total borrowings	a	**20,952**	20,941
Cash and short-term deposits		**238**	1,196
Investments in AAA-rated money-market funds		**2,188**	3,027
Amounts due from brokers		**90**	148
Amounts payable to brokers		**–**	(305)
Total cash and cash equivalents	b	**2,516**	4,066
Gearing (borrowings less cash & cash equivalents)	c=(a-b)	**18,436**	16,875
Shareholders' funds	d	**147,075**	149,873
Net gearing	e=(c/d)	**12.5%**	11.3%

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 2024 is based on forecast ongoing charges for the year ending 30 September 2024.

		31 March 2024 £'000	30 September 2023 £'000
Investment management fees		**821**	1,006
Administrative expenses		**463**	508
Less: non-recurring charges[A]		**–**	(27)
Ongoing charges	a	**1,284**	1,487
Average net assets	b	**146,028**	158,676
Ongoing charges ratio (excluding look-through costs)	c=(a/b)	**0.88%**	0.94%
Look-through costs[B]	d	**0.07%**	0.00%
Ongoing charges ratio (including look-through costs)	e=c+d	**0.95%**	0.94%

[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.

Alternative Performance Measures ("APMs")

Continued

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 2024		NAV	Share Price
Opening at 1 October 2023	a	**314.55p**	**314.00p**
Closing at 31 March 2024	b	**307.81p**	**277.00p**
Price movements	c=(b/a)-1	**(2.1%)**	**(11.8%)**
Dividend reinvestment[A]	d	**3.7%**	**3.6%**
Total return	c+d	**+1.6%**	**-8.2%**

Year ended 30 September 2023		NAV	Share Price
Opening at 1 October 2022	a	**331.77p**	302.50p
Closing at 30 September 2023	b	**314.55p**	314.00p
Price movements	c=(b/a)-1	**(5.2%)**	3.8%
Dividend reinvestment[A]	d	**7.0%**	7.6%
Total return	c+d	**+1.8%**	+11.4%

[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

Keeping You Informed

Information on the Company, including its share price, may be found on its dedicated website, **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.

abrdn Investment Trusts Social Media Accounts

X (Formerly Twitter): **@abrdntrusts**

LinkedIn: **abrdn Investment Trusts**

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

The Board has been made aware by abrdn that some investors have received telephone calls from people purporting to work for abrdn, or third parties, who have offered to buy their investment trust shares. 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 an investor is required to release the supposed payment for their shares. These callers do not work for abrdn and any third party making such offers has no link with 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 the Company (see Additional Shareholder Information).

The Financial Conduct Authority (FCA) provides advice with respect to share fraud and boiler room scams: **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 Registrar Computershare Investor Services PLC, the Company's Registrar (see Additional Shareholder Information for details).

Changes of address must be notified to the Registrar in writing.

Any general queries about the Company should be directed to the Company Secretary in writing (see Additional Shareholder Information) or by email to **cef.cosec@abrdn.com**

Suitable for Retail/NMPI Status

The Company's shares are designed for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who seek an above average income from their equity investment, while also providing real growth in capital and income, and who understand and are willing to accept the risks of exposure to equities.

Investors should consider consulting an independent 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 its securities can be recommended by a financial adviser to ordinary retail investors in accordance with FCA 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 FCA's restrictions which apply to non-mainstream pooled investments because they are shares in an investment trust.

Key Information Document

The KID relating to the Company and published by the Manager can be found on the Manager's website at **https://www.invtrusts.co.uk/en-gb/prices-and-literature**

How to Invest

A range of leading investment platforms and share dealing services let you buy and sell abrdn-managed investment trusts. Many of these platforms operate on an 'execution-only' basis. This means they can carry out your instruction to buy or sell a particular investment trust. But they may not be able to advise on suitable investments for you. If you require advice, please speak to a qualified financial adviser (see below).

Flexibility

Many investment platform providers will allow you to buy and hold abrdn Investment Trust shares within an Individual Savings Account (ISA), Junior ISA or Self Invested Personal Pension (SIPP), all of which have potential tax advantages. Most will also allow you to invest on both a lump sum and regular savings basis.

Investor Information

Continued

Costs and service

It is important to choose the right platform for your needs, so take time to research what each platform offers before you make your decision, as well as considering charges. When it comes to charges, some platforms have flat fee structures while others levy percentage-based charges. Typically, you will also pay a fee every time you buy and sell shares, so you need to bear in mind these transaction costs if you are trading frequently. There may also be additional charges for ISA and SIPP investments.

Can I exercise my voting rights if I hold my shares through an investment platform?

Yes, you should be able to exercise your right to vote by contacting your platform provider. Procedures differ, but some platforms will automatically alert you when new statutory documents are available and then allow you to vote online. Others will require you to contact them to vote. Your chosen platform provider will provide further guidance.

Platform providers

Platforms featuring abrdn-managed investment trusts include:

- interactive investor (owned by abrdn plc): **ii.co.uk/investment-trusts**
- AJ Bell: **ajbell.co.uk/markets/investment-trusts**
- Barclays Smart Investor: **barclays.co.uk/smart-investor**
- Charles Stanley Direct: **charles-stanley-direct.co.uk**
- Fidelity: **fidelity.co.uk**
- Halifax: **halifax.co.uk/investing**
- Hargreaves Lansdown: **hl.co.uk/shares/investment-trusts**

The companies above are shown for illustrative purposes only. Other platform providers are available. The links above direct you to external websites operated by each platform provider. abrdn is not responsible for the content and information on these third-party sites.

Getting advice

It is recommended that you seek financial advice prior to making an investment decision. You may pay a fee for advisory services. If you do not currently have a financial adviser, details of authorised financial advisers in your area can be found at **pimfa.co.uk** or **unbiased.co.uk** (see below).

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**.

Independent Financial Advisers

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

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the FCA:

Tel: **0800 111 6768**
Website: **fca.org.uk/firms/financial-services-register**
Email: **consumer.queries@fca.org.uk**

A note about the abrdn Investment Trusts Savings Plans (the "Plans")

The abrdn Investment Trusts ISA, Share Plan and Investment Plan for Children closed in December 2023. All investors with a holding or cash balance in the Plans at that date transferred to interactive investor ("ii") in December 2023, ii communicated with planholders in late November 2023 to set up account security to ensure that investors would be able to continue to access their holdings via ii following the closure of the Plans.

Please contact ii for any ongoing support with your ii account on 0345 646 1366, or +44 113 346 2309 if you are calling from outside the UK. Lines are open 8.00am to 5.00pm Monday to Friday. Alternatively, you can access the website at **ii.co.uk/abrdn-welcome**.

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 abrdn Investments Limited which is authorised and regulated by the FCA in the United Kingdom.

Additional Shareholder Information

Directors
Sarika Patel (Chair)
Caroline Hitch
Mark Little
Nick Timberlake

Points of Contact
The Chair or Company Secretary c/o the Registered Office of the Company

280 Bishopsgate
London
EC2M 4AG

Registered in England & Wales under company number 2648152

Email: **abrdnequityincome@abrdn.com**

Company Secretary
abrdn Holdings Limited
1 George Street
Edinburgh
EH2 2LL

Alternative Investment Fund Manager
abrdn Fund Managers Limited
280 Bishopsgate
London
EC2M 4AG

(Authorised and regulated by the Financial Conduct Authority)

Investment Manager
abrdn Investments Limited
1 George Street
Edinburgh
EH2 2LL

(Authorised and regulated by the Financial Conduct Authority)

Website
abrdnequityincome.com

Registrar (for direct shareholders)
Computershare Investor Services PLC operates a secure online website where shareholdings can be managed quickly and easily, including changing address or arranging to pay dividends directly into a bank account or receive electronic communications:

investorcentre.co.uk

Alternatively, please contact the registrar:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

E-mail is available via the above website, or by phone to **0370 707 1150**
(UK calls cost 10p per minute plus network extras)
Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday, excluding public holidays

Depositary
BNP Paribas, London Branch
10 Harewood Avenue
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NW1 6AA

Auditor
Johnston Carmichael LLP
7 - 11 Melville Street
Edinburgh
EH3 7PE

Lenders
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For more information visit **abrdnequityincome.com**

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