abrdn Equity Income Trust plc

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

Performance Data and Analytics to 31 August 2024

Investment objective

To provide shareholders with an above average income from their equity investment while also providing real growth in capital and income.

Benchmark

FTSE All-Share Index.

Cumulative performance (%)

	as at 31/08/24	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	320.5p	0.1	4.9	22.1	9.3	11.4	28.9
NAV	335.5p	(2.5)	2.4	20.3	18.5	6.1	19.0
FTSE All-Share Index		0.5	2.4	12.6	17.0	24.3	37.9
FTSE 350 Higher Yield Index		(0.8)	0.5	14.8	18.6	40.6	44.1

Discrete performance (%)

	31/08/24	31/08/23	31/08/22	31/08/21	31/08/20
Share Price	9.3	6.3	(4.1)	44.7	(20.0)
NAV	18.5	(7.8)	(2.9)	38.4	(19.0)
FTSE All-Share Index	17.0	5.2	1.0	26.9	(12.6)
FTSE 350 Higher Yield Index	18.6	4.0	14.1	31.9	(22.3)

Source: abrdn, total returns. The percentage growth figures are calculated over periods on a mid to mid basis. NAV total returns are calculated on a cum-income basis.
Past performance is not a guide to future results.

Morningstar Analyst Rating™

Bronze

aic DIVIDEND HERO

[A] **Morningstar Analyst Rating™**
Morningstar analysts assign the ratings globally on a five-tier scale with three positive ratings of Gold, Silver and Bronze.

Morningstar Rating™

★

[A] **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.

Twenty largest equity holdings (%)

National Grid	4.7
Imperial Brands	4.6
BP	3.9
Berkeley	3.7
SSE	3.7
BHP	3.5
British American Tobacco	3.4
CMC	3.1
Hargreaves Lansdown	3.0
Conduit	2.9
Legal & General	2.7
Barclays	2.4
Shell	2.4
HSBC	2.3
TP ICAP	2.2
Rio Tinto	2.2
OSB	2.1
Galliford Try	2.0
Chesnara	1.9
Assura	1.9
Total	**59.1**

Total number of investments 52

All sources (unless indicated): abrdn: 31 August 2024.

The Morningstar Analyst Rating for Funds is a forward-looking analysis of a fund. Morningstar has identified five key areas crucial to predicting the future success of a fund: People, Parent, Process, Performance, and Price. The pillars are used in determining the Morningstar Analyst Rating for a fund. Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken over the long term. Neutral represents funds in which our analysts don't have a strong positive or negative conviction over the long term and Negative represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance over the long term. Long term is defined as a full market cycle or at least five years. Past performance of a security may or may not be sustained in future and is no indication of future performance. For detailed information about the Morningstar Analyst Rating for Funds, please visit http://global.morningstar.com/managerdisclosures.

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1 year Premium/(Discount) Chart (%)

Ten largest positions relative to the benchmark (%)

Overweight Stocks	Portfolio	Benchmark	Relative
Imperial Brands	4.6	0.8	3.8
BHP	3.5	–	3.5
Berkeley	3.7	0.2	3.5
CMC	3.1	0.0	3.1
Conduit	2.9	–	2.9
SSE	3.7	0.8	2.9
Hargreaves Lansdown	3.0	0.2	2.9
National Grid	4.7	2.0	2.8
Legal & General	2.7	0.5	2.2
TP ICAP	2.2	0.1	2.1

Fund managers' report

Market review

UK equities advanced in August but underperformed other major markets. Global share prices fell sharply at the start of the month after disappointing economic data in the US raised recession fears and drove a decline in bond yields. However, markets quickly recovered most of these early losses. In the UK, falls in oil prices over the month led to weakness in the energy sector, while the prospect of interest-rate cuts in the US caused sterling to strengthen against the dollar, putting London-listed stocks under further pressure. The FTSE 100 returned 0.8%, but the more domestically focused FTSE 250 fell 2.0% as expectations of multiple UK rate cuts before the end of 2024 receded.

In economic news, the Bank of England cut the base rate by 0.25% at the start of August, its first reduction since the start of the Covid-19 pandemic in 2020. The UK Consumer Prices Index came in at 2.2% in July, the first rise in the rate of inflation in 2024 but a smaller increase than analysts had expected given strong recent economic growth. Official data indicated UK GDP had expanded in the second quarter of the year as a result of strong performance in the services sector. More up-to-date figures showed a further expansion of private sector activity in August, with hiring rates at their highest level in more than a

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

Fund managers' report continues overleaf

Sector allocation (%)

Financials	37.6
Energy	14.2
Basic Materials	10.2
Utilities	10.0
Consumer Staples	8.0
Industrials	6.4
Consumer Discretionary	6.1
Real Estate	5.6
Health Care	0.5
Cash	1.2
Total	**100.0**

Composition by market capitalisation (Ex Cash) (%)

FTSE 100	49.3
FTSE 250	30.0
FTSE Small Cap	9.7
FTSE AIM	2.4
Other	8.6
Total	**100.0**

Key information
Calendar

Launch Date	14 Nov 1991
Accounts Published	December
Annual General Meeting	February
Dividends Paid	March, June, September, January

Trust information

Fund Manager	Thomas Moore
Gross Assets	£182.8 million
Borrowing	£22.5 million
Yield (Net)	7.1%
Current Annual Dividend Rate (Per Share)	22.9p
Market Capitalisation	£153.1 million
Premium / (Discount)	(4.5)%
12 Month High	2.8%
12 Month Low	(11.7)%
Net cash/(gearing)[B]	(12.6)%
Annual Management Fee	0.55% per annum of net assets
Ongoing Charges[C]	0.94%
Active Share percentage[D]	75.1%

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Fund managers' report - continued

year. The new Labour government warned of challenges in the UK's public finances, and a number of tax increases are expected to be announced in the autumn Budget.

Performance

In August, the Trust's net asset value total return on an ex-income basis declined in sterling terms and lagged its benchmark. Performance benefited from the Trust's holding in TP ICAP after the company published encouraging results and a confident outlook statement, pointing to robust activity levels and strong cost control. The holding in International Personal Finance was a further positive. The firm issued strong results that were underpinned by accelerating loan growth and strong credit quality, leading to significant earnings upgrades. On the negative side, OSB Group detracted from returns as management guided to lower net-interest margins due to weak buy-to-let mortgage demand and higher levels of competition from mainstream lenders. The holding in Diversified Energy also had a negative impact on performance as lower US gas prices continued to weigh on the shares.

Activity

The Trust started a new holding in Berkeley Group, a leading operator in the housebuilding sector. The firm is deploying its surplus cash into a new growth initiative, Build to Rent, and paying a special dividend. Strong forward sales have enabled management to upgrade their guidance, and there is the potential for further support from falling mortgage rates. We added to the holding in BHP, which is using its strong cash flows to invest in copper production growth, while also paying an attractive dividend. We took some profits in NatWest after a period of strong performance. Given the sensitivity of net interest income to bond yields, expectations of lower interest rates make the macro backdrop slightly less benign. We sold our holding in Anglo American as the company's break-up plan has got off to a difficult start, while subdued economic growth in China continues to constrain commodity prices.

Outlook

We are positioning the portfolio in stocks where we see the potential for a combination of dividend yield, dividend growth and valuation re-rating. While a more stable macroeconomic backdrop would increase the number and breadth of stock opportunities offering all of these characteristics, we are also aiming to identify stock-specific catalysts that should make our holdings less dependent on an economic upturn. Many of our holdings generate strong cash flows, supporting both an attractive level of dividends and share buybacks, yet they trade at a meaningful valuation discount to the FTSE All-Share Index. We therefore see a significant valuation re-rating opportunity.

Our holdings are benefiting from a range of positive catalysts including encouraging company earnings announcements and an increase in the level of M&A activity, with several holdings receiving bids in recent months. In addition, interest in UK equities appears to be picking up as macro sentiment improves. Overall, this creates a more positive backdrop for the UK market than we have seen for some time.

[C] Expressed as a percentage of average daily net assets for the year ended 30 September 2023. 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] The 'Active Share' percentage is a measure used to describe what portion of the Trust's holdings differ from the benchmark index holdings.

Important information overleaf

AIFMD Leverage Limits

Gross Notional	3x
Commitment	2x

Capital structure

Ordinary shares	47,781,522
Treasury shares	1,397,245

Allocation of management fees and finance costs

Capital	70%
Revenue	30%

Trading details

Reuters/Epic/ Bloomberg code:	AEI
ISIN code	GB0006039597
Sedol code	0603959
Stockbrokers	J.P. Morgan Cazenove
Market makers	CNKS, INV, JPMS, NUMS, PEEL, PMUR, WINS

Factsheet

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

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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.
- 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.
- 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.
- 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.
- The Company may charge expenses to capital which may erode the capital value of the investment.
- The Alternative Investment Market (AIM) is a flexible, international market that offers small and growing companies the benefits of trading on a world-class public market within a regulatory environment designed specifically for them. AIM is owned and operated by the London Stock Exchange. Companies that trade on AIM may be harder to buy and sell than larger companies and their share prices may move up and down very sharply because they have lower trading volumes and also because of the nature of the companies themselves. In times of economic difficulty, companies listed on AIM could fail altogether and you could lose all your money.
- The Company invests in the securities of smaller companies which are likely to carry a higher degree of risk than larger companies.

Other important information:

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