



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

Overview

Performance Highlights	1
Financial Calendar, Dividends and Highlights	2
Chair's Statement	4
Interim Management Report and Directors' Responsibility Statement	6
Our Strategy	8
Investment Manager's Review	9

Portfolio

Ten Largest Investments	15
Investment Portfolio	16
Investment Case Studies	18

Financial Statements

Condensed Statement of Comprehensive Income (unaudited)	20
Condensed Statement of Financial Position (unaudited)	21
Statement of Changes in Equity (unaudited)	22
Notes to the Financial Statements	23

General Information

Glossary of Terms	24
Alternative Performance Measures ("APMs")	26
Investor Information	27
Contact Addresses	29

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

[Insert Performance Cubes Table]

Investment Portfolio by Sector as at 31 March 2024

[Insert Pie Chart]

Overview
Portfolio
Financial Statements
General Information

Financial Calendar, Dividends and Highlights

Expected payment dates of interim dividends for the remainder of the financial year to 30 September 2023	28 June 2024 27 September 2024 10 January 2025
Financial year end	30 September 2024
Expected announcement of results for year ended 30 September 2024	December 2024
Annual General Meeting (London)	February 2025

Financial Highlights

[Insert Financial Highlights Table]

"Quote"

Sarika Patel, Chair

Chair's Statement

Share Rating

The Board is pleased to be able to report that the Company's share price discount to NAV, on a cum income basis, has narrowed steadily from 8.8% on the first day of the period to a small premium of 0.1% at the end of the period.

Since the beginning of December 2022 the discount has typically traded at less than 2%, and averaged 1.2%, and for brief periods has traded at a premium, which is a far cry from the four months prior to December 2022, when the discount averaged 8.6%.

It is also worth noting that while the share price had been trading at a wider discount than the average for the sector, this situation has reversed. The very sharp move in the discount last December and the fact that it has been sustained at this level suggests to the Board that the market appreciates the focus on delivering a covered and sustainably growing dividend and the Board intends to maintain that focus.

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 first three interim dividends for the current year will be 5.7 pence per Ordinary share. The first of these was paid to Shareholders on 22 March 2023 and the Board announces that the second interim dividend of 5.7 pence per Ordinary share will be paid on 22 June 2023 to Shareholders on the register on 26 May 2023 with an associated ex-dividend date of 25 May 2023. The third interim dividend of 5.7 pence per Ordinary share will be paid in September and the fourth interim dividend will be determined when the accounts are being finalised in November / December. The Board's expectation remains that the fourth interim dividend will be at least 5.7 pence per Ordinary share, making a total payment for the year of at least 22.80 pence per Ordinary share.

Based on the share price at 31 March 2023, this puts the Company on a dividend yield of 6.9%, which is amongst the highest of any equity investment trust.

Gearing

At 31 March 2023 £25m of the Company's £30m loan facility was drawn and net gearing amounted to 14.8% of assets, compared to 15.0% in September 2022. The borrowing is in the form of a revolving credit facility which cost 5.0% at the end of the period.

Buybacks

In the first two months of the period under review, the company bought back 100,417 shares at an average price of 310.9 pence per share and a weighted average discount of 10.0%. Since the beginning of December, the share price has traded at levels very close to the underlying NAV, negating the need for any further buy backs. Shares bought back are held in treasury.

The Board continues to monitor the discount and premium and will re-issue treasury shares if a material premium persists or buyback shares into treasury if the discount is considered too wide in absolute and relative terms.

Board

As I mentioned above, I was delighted to assume the role of Chair from Mark White on 2 February 2023. Mark retired as Chair and as a Director at the AGM in February 2023 having served on the Board since November 2013. Mark Little succeeded me as Chair of the Audit Committee at the same time.

Outlook

There seem to have been storm clouds on the economic horizon for some time now and we do not see much sign of them dissipating in the near future. Having said that, we are of the view that despite them looking ominous, there remain opportunities in the market that, as our Manager has demonstrated, can be pursued. The macro environment is going to remain challenging with respect to inflation, the cost-of-living crisis, and the war in Ukraine. However, the indications are that they are not going to be quite as damaging, economically, as was being predicted six months ago; the UK was expected to have gone into recession but that has not yet happened.

The Bank of England raised interest rates to 4.5 per cent on 11 May 2023, and warned it would not hit its inflation target until 2025. Investing against such a backdrop remains challenging. However, the Board has maintained its guidance to the Manager that delivering a covered and sustainably growing dividend is the primary focus. The Board has reviewed the dividend projections and reaffirms its intention to pay three interim dividends of 5.7 pence per Ordinary share and to ensure that the full year's dividend will be at least 22.80 pence per Ordinary share.



Sarika Patel
Chair
XX 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 within the Strategic Report contained within the Annual Report for the year ended 30 September 2023 and comprise the following risk categories:

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

The Board continues to closely monitor the political and economic uncertainties which could affect markets, particularly the heightened interest rate risk and the knock on impact on the recent collapse of the likes of Silicon Valley Bank, Credit Suisse and First Republic Bank. The Board also monitors the impact of the ongoing war in Ukraine and potential supply chain issues. 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 emanating from increasing Environmental, Social and Governance ("ESG") challenges together with climate change and continues to monitor, through its Investment Manager, the potential risk that investee companies may fail to keep pace with the rates of ESG and Climate Change adaptation required.

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 in 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

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

Delivering the Investment Objective

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

Our Strategy

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

Idea Generation and Research

The vast majority of the investment insights are generated from information and analysis from one-on-one company meetings. Collectively, more than 6,000 company meetings are conducted annually by abrdn. These meetings are used to ascertain the company's own views and expectations of its future prospects and the markets in which it operates. Through actively questioning the

senior management and key decision makers of companies, the portfolio managers and analysts look to uncover the key changes affecting the business and the materiality of their impact on company fundamentals within the targeted investment time horizon.

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

Investment Process in Practice

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

The consequence of this is that the Company's portfolio often looks very different from other investment vehicles which aim to provide their investors with access to UK equity income. This is because the process focuses on conviction levels rather than index weightings. This means that the Company may provide a complementary portfolio to the existing portfolios of investors who prefer to make their own decisions and manage their ISAs, SIPPs and personal dealing accounts themselves. Currently 51% (30 September 2022: 57%) of the Company's portfolio is invested in companies outside the FTSE 100 Index.

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

Investment Manager's Review

Market Review

Despite ongoing geopolitical tensions, the UK equity market generated positive returns during the six month period to 31 March 2023 helped by peaking inflation fears and data suggesting that the economy might avoid recession.

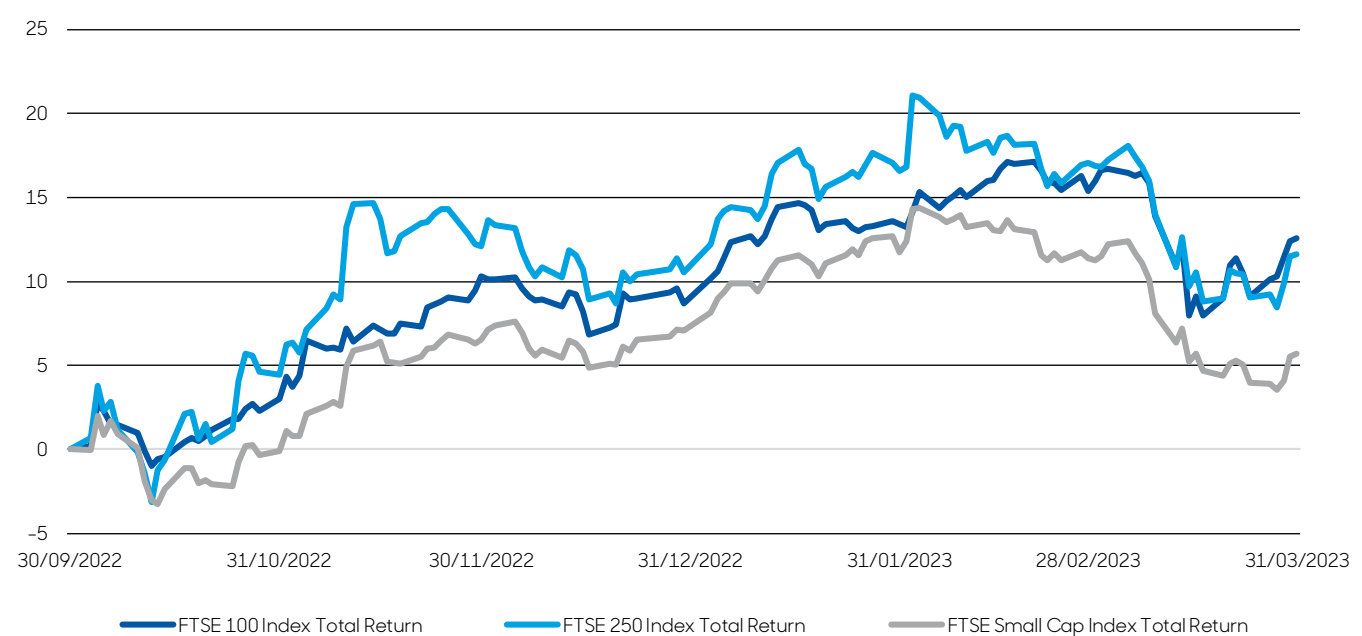
The financial year began with a resolution to a lengthy period of UK political uncertainty that had accompanied the announcements of the resignation of prime ministers Boris Johnson in July 2022 and Liz Truss in October 2022. Markets were reassured by the policies introduced by Rishi Sunak as Prime Minister and Jeremy Hunt as Chancellor, as reflected in a reduction in Gilt yields and a recovery in sterling. Economic forecasts were progressively revised upwards, albeit remaining at very subdued levels, as the employment and housing markets remained more resilient than the economists had feared. By the end of the period it had become clearer that the economy might be on track to avoid a recession. At the same time, the reopening of the Chinese economy following the lifting of Covid restrictions helped to lift global growth expectations.

The most important economic variable in the UK was Consumer Price Inflation (CPI) given its bearing on interest rates. CPI hit a peak of 11.1% in October 2022, its highest level in more than 40 years, driven by a range of factors, including tight labour markets, the Russia-Ukraine war and supply chain issues including shortages of fresh produce. The Bank of England, focusing on signs that tight labour markets were causing core inflation to remain elevated,

responded by raising the base rate four times. By the end of the period CPI had fallen back from the highs, although it remained well above the Bank of England's target. This prompted the twelfth consecutive increase in the Bank of England base rate on 11 May 2023, taking it to 4.5%, the highest level since 2008.

In March 2023, markets suffered a jolt from the collapse of US-based Silicon Valley Bank and the demise of Credit Suisse, although intervention from financial regulators helped to limit the contagion across the global financial system. This episode provided a reminder of the fragilities that can be exposed as economies adjust to a world of higher interest rates. It also fuelled investor hopes that the end of the rate-hike cycle could be brought forward.

The Company's Reference Index, the FTSE All-Share Index, delivered a total return of 12.3% over the period, although there were significant variations in performance within the UK market. The FTSE 100 Index produced a total return of 12.7%, reflecting investors' preference for larger, more liquid stocks during nervous market conditions. The more domestically-orientated FTSE 250 and Small Cap indices initially staged a recovery as sentiment towards the UK economy improved, but retraced much of their gains in February and March as worries about the banking system caused investors to shun less liquid stocks. They ended up returning 11.6% and 5.7% respectively. The divergence of nearly 7% in total returns between the FTSE 100 and the FTSE Small Cap indices was particularly striking, extending a prolonged period of large-cap outperformance.



Investment Manager's Review

Continued

Revenue Account

Dividends distributed by our portfolio in the period under review were largely unchanged at £4.7 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 3.2% of the dividend income but was an improvement on the nil return for the same period last year. The return of special dividends could reflect an early sign of some confidence that earnings are recovering, although we are also witnessing a growing tendency of management teams to distribute surplus capital via buybacks rather than special dividends. We note that 26 of our holdings have done a share buyback during the current financial year.

Net revenue earnings for the six month period were £4.1 million, or 3.0% lower than last year's £4.2 million. Management fees were 4% lower, but this is a function of the decrease in the value of the portfolio. Total expenditure before interest and tax was 5.5% higher than last year. This was largely due to the comparative year's professional fees being a rebate as a result of reversal of provisions in the year prior.

We are forecasting that the portfolio is currently expecting 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 3.6% as at 31 March 2023.

Recent interest rate hikes are unhelpful for our investment return as they increase the cost of our overdraft facility. However, the gap between the interest rate we pay for this overdraft facility and the dividend yield we earn on the portfolio, while narrower than it was a year ago, remains very wide by historical standards at almost 300 percentage points at the time of writing.

Our focus remains on achieving the priorities set out by the Board at the time of Covid crisis. The Board emphasised that our first priority should be to build a portfolio that could deliver sufficient income to cover the dividend. This was achieved last September for the first time for two years. We continue to position the portfolio with the intention of achieving the Board's objectives of covering the dividend, delivering dividend growth in excess of inflation over the cycle and rebuilding reserves. We see the focus on portfolio income as consistent with our investment process which favours companies whose cash flow and dividend potential are not priced in by the market.

For the wider UK equity market, the outlook for dividends has improved significantly since the pandemic, with dividend cover recovering to just over 2 times (on a 12-month forward basis), suggesting some cushion for corporates in the event that macro conditions deteriorate. We also have the advantage of selecting from a broad palette of UK stocks, with many different earnings drivers. This helps to underpin our confidence in the continued progression of our dividend per Ordinary share in FY23.

Portfolio Performance

The Company's net asset value ("NAV") total return was 3.3% for the period. This was behind the total return of 12.3% from the Company's Reference Index and the AIC sector's weighted average NAV total return.

Sharp swings in the macro landscape caused some major reversals in performance, with many of last year's leading stocks and sectors becoming laggards. The drivers of our performance over the period can be summarised as follows:

- The main detractor from performance was the heavy weighting in Energy at a time of falling energy prices due to a rebuilding in gas storage levels and an unseasonably mild winter. The weakest performers were **Thungela Resources** and **Diversified Energy** which reversed the gains they had made in the previous six months. Both companies remain highly cash generative even at lower energy prices. Despite the benefit of our large holding in **BP**, this sector alone detracted around 4.5% of relative performance.

- Within Financials, encouraging results from insurance underwriter **Conduit** and lenders **OSB and International Personal Finance** were offset by profit warnings from **CMC Markets, Close Brothers** and **Direct Line**. Among large cap financials, the contribution from owning **NatWest** was offset by not owning **HSBC** or **Prudential** as sentiment towards Asian stocks improved following the reopening of the Chinese economy. Overall, this sector detracted around 2% of relative performance.
- Performance was varied within Consumer and Industrial sectors. Improving sentiment towards the UK housing market helping to drive positive contributions from housebuilders **Vistry** and **Bellway** and sofa retailer **DFS**. The portfolio also benefited from its underweight in Consumer Staples, in particular not owning **Unilever** and **Reckitt Benckiser**. However, this was offset by concerns about a slowdown in demand at paper business **Mondi**, law firm **DWF** and plant hire firm **Speedy Hire**. In aggregate, these sectors detracted around 1.7% of performance.
- The gearing position, averaging 14.9% over the six months, added around 1.7% of relative performance.

As noted in the Market Review, the continued outperformance of large-cap stocks was an unwelcome drag on performance given the portfolio's relatively heavy weightings in small and mid-cap stocks; itself a function of the index-agnostic approach that we use in constructing the portfolio. This approach involves sizing our positions according to our conviction levels, rather than anchoring around index weightings. Consequently our portfolio's exposure to the FTSE 100 Index was 49% at the end of the period, whereas the FTSE 100 Index represented 84% of the total value of the FTSE All-Share Index. The recent series of macro events, notably Covid and Ukraine, have favoured large-caps, causing a headwind for our portfolio. As macro-economic uncertainty recedes, we would expect investors to become more inclined to consider owning stocks further down the market cap spectrum. We remain convinced that a differentiated portfolio, containing a wide range of stocks across the UK market, positions us best to generate a diversified income stream and deliver on our objectives through the cycle.

Activity

Purchases

The market backdrop has continued to be influenced by expectations over the path for inflation and interest rates. Greater stability in domestic politics has been helpful, reducing the risk premium that was being applied to UK assets. This has allowed investors to shift their focus onto economic data, in particular the ability of policy-makers to bring inflation under control without precipitating a recession. It is against this backdrop that we have been positioning the portfolio.

We have continued to focus our purchases in companies with strong cash flows, enabling them to trade well through an inflationary period:

- **National Grid:** We added to National Grid whose UK business benefits from inflation-linked contracts, at the same time as their regulatory asset base starts to grow rapidly to deliver the infrastructure necessary for the transition to electric vehicles. The stock had fallen sharply at the time of the Truss mini-budget due to its correlation with government bonds, providing us with an opportunity to add to our holding.
- **NatWest:** We also added to NatWest which we expected to benefit from rising base rates, as net interest income grows thanks to the stickiness of deposit pricing. Despite the sharp slowdown in economic growth, we expect bad debts to remain low, with significant impairment provisions already taken. As with National Grid, this opportunity arose at the time of the Truss mini-budget. We have subsequently seen a narrowing in the stock's discount to NAV.
- **Vanquis:** We bought a new holding in Vanquis Banking Group (formerly known as Provident Financial) where we see evidence of improving returns, robust credit quality and accelerating loan growth as demand picks up and competition reduces. The stock's low valuation appears to reflect historic perceptions of the business, after a long period of restructuring, rather than analysis of the group's forward-looking earnings potential. We see this stock as a classic example of our investment approach, anticipating positive change that has not yet been priced in.

Investment Manager's Review

Continued

- **Oil & Gas:** We increased our exposure to the Energy sector, adding to **Diversified Energy** in a placing to fund an earnings accretive acquisition which supports cash flows and dividends. The valuation paid was 2.3x EBITDA which appears highly attractive. The assets they are buying include existing wells and undeveloped wells, providing additional production potential. We also added to our holding in **Ithaca Energy**, whose huge cash generation sets the scene for attractive dividends. We expect Ithaca's heavy investment in the North Sea to provide it with significant up-front tax breaks, mitigating the Energy Profits Levy.

Sales

Our largest sales can be grouped into the following categories:

- **Managing position sizes within Resources:** After very strong performance linked to the surge in energy prices after Russia's invasion of Ukraine, we took some profits in **Thungela Resources**, **Glencore** and **BP**. We also trimmed our weightings in **Rio Tinto** and **BHP** where weakness in the Chinese construction sector created a difficult backdrop for their main commodity, iron ore. We continue to have conviction in the cash generation potential of these businesses, but are mindful that their position sizes had reached very high levels.
- **Trimming some lower yielding stocks:** We reduced our weightings in lower yielding stocks **Coca-Cola Hellenic** and **Standard Chartered**, seeing more attractive income opportunities elsewhere in the UK market.
- **DS Smith:** The business has proved resilient during a turbulent period for the global economy, but we are aware that it may prove difficult to avoid the slowdown being reported by some sector peers.
- **GlaxoSmithKline:** We sold our holding in GlaxoSmithKline where we see a relatively weak drugs pipeline with limited scope for any meaningful catalysts to drive a re-rating in the shares. The dividend was cut in 2022 after the spin-off of its consumer health business.

Outlook

The fluctuating macro landscape has created some sharp swings in performance within the UK equity market during the period. Although markets went up during the six months, there was an underlying tone of caution, as reflected in the continued out-performance of large cap stocks. This was largely driven by the ever-present fear that recession could be imminent. Many commentators pointed to the inversion in the yield curve (where long-dated bond yields fall below short-dated bond yields) as a forward-looking indicator that recession is likely at some point in the next two years.

Against this uncertain backdrop, our approach remains to stay focused on companies that have the ability to generate strong cash flows and pay these cash flows out in the form of dividends. We believe that many companies with these characteristics have been overlooked by the wider market in recent years, resulting in valuation opportunities. Historically dividends have tended to represent a relatively high proportion of total return, especially when investors shift their focus from growth stocks to value and income stocks. We have consciously tilted the portfolio towards stocks that offer a high free cash flow yield, underpinning an attractive dividend yield. The portfolio has a 9.2% free cash flow yield (12 month trailing, median) which compares favourably with the 5.7% free cash flow yield of the FTSE All-Share ex Investment Trusts Index. As a result, we remain confident in the outlook for portfolio income, putting us on track to pay a fully covered dividend in the 12 months to September 2023, extending our 22 year track record of consecutive dividend increases.

On the capital account, we remain positive on the prospects for our portfolio. At the annual results we outlined how we had segmented the portfolio into three baskets, each of which is intended to play a role in helping the portfolio to deliver each element of our investment objective:

1. **Inflation Protection:** Stocks with inflation hedge characteristics; potentially see some earnings benefit from rising prices, helping them to grow their cash flows and dividends. Examples include Shell and National Grid. At the time of writing, this basket represented 41% of the portfolio. Objective: achieve real growth in income.
2. **Mispriced Yield:** Higher yield stocks where we see resilient business models, enabling the dividends to be paid, contrary to market expectations. Examples include Legal & General and Diversified Energy. At the time of writing, this basket represented 26% of the portfolio. Objective: achieve above average income.
3. **Latent Growth:** Stocks with the potential to deliver operational change that can drive medium-term growth. This change is often overlooked by the market at times of macro uncertainty. Examples include OneSavings Bank and DFS. At the time of writing, this basket represented 33% of the portfolio. Objective: achieve real growth in capital.

The market backdrop that we experienced during the period was challenging for our portfolio, as recession fears held back the performance of many of our holdings across all three baskets. In particular, falling commodity prices caused some of our large Resources holdings to give back their gains, while many of our more cyclical small and mid-cap holdings remained out of favour.

Looking ahead, we see several reasons to remain confident in the outlook for the portfolio:

- **Low valuations:** Recent market movements have only increased our conviction in the valuation re-rating potential of the portfolio, with a price/earnings ratio at 9.5x and the price/book ratio at 1.2x both at a meaningful discount to the FTSE All-Share Index despite returns that are in line with the wider market (return on equity of 11.6%, median). Since the period-end, one of our holdings, Industrials REIT, has received a bid from Blackstone at a 42% premium, underlining the scale of the valuation upside within the portfolio. These low valuations primarily reflect recession fears, rather than operational issues.
- **Company resilience:** If and when recession strikes, we believe that our holdings will generally be well positioned. This has been one of the most anticipated recessions in history, with the US yield curve having been inverted since July 2022. This has given management teams plenty of time to adjust their businesses, taking self-help measures to ensure that they are not caught off guard. For example, lenders such as NatWest have taken steps to tighten lending standards, building in highly conservative assumptions into their lending decisions, thereby minimising the risk of bad debts down the line. Recent economic data has surprised on the upside, suggesting that the market's fears might have been exaggerated, at least for now. Assuming that recession does eventually strike, we are reassured by the high level of dividend cover of the portfolio at 1.8x (12 month trailing, median) and the modest level of balance sheet gearing, with net debt/EBITDA at 1.3x (12 month trailing, median).
- **Geographical diversification:** The portfolio is well diversified in terms of the source of revenues by geographical region, with 59% coming from outside the UK. The war in Ukraine has driven different outcomes from region to region according to the impact on terms of trade resulting from differences in energy security and sanctions. In general, Emerging Markets have had a far better crisis than Europe. This reduces the risk of a synchronised global recession which would be a worst-case scenario for the portfolio.

Investment Manager's Review

Continued

- **Low probability of reverting to era of zero rates:** Inflation is set to fall back through the course of 2023 thanks to base effects one year after the start of the Ukraine war, particularly in relation to energy prices. This is raising hopes that interest rates are approaching their peak level, but tight labour markets are likely to cause monetary policy setting to remain tight in order to bring down core inflation. Just as loose monetary policy was a boon for highly-valued growth stocks, we expect an era of elevated interest rates to favour the more traditional cash-generative stocks that our investment process favours. One clear example is the transformation in interest income prospects for many of our Financials holdings. This will not be a linear path, as interest rate expectations wax and wane from quarter to quarter, but overall we expect this to be a favourable environment for the portfolio, helping to support both income and capital growth.

The UK stands out within global stock markets as offering a rich seam of dividend payouts. We see this as a mark of strength as it reflects rigorous corporate governance standards, disciplined capital allocation and robust cash generation. Having come through recent crises, we believe that our portfolio holdings have demonstrated a level of resilience that is not reflected in their valuations. We see potential for share prices to respond to further evidence of resilience in cash flows and dividends in the months ahead, helping us to deliver for shareholders.



Thomas Moore
Portfolio Manager
XX May 2024

Ten Largest Investments

As at 31 March 2024

[Insert Portfolio Top 10 Table]

Overview

Portfolio

Financial Statements

General Information

Investment Portfolio

[Insert Portfolio Table]

Investment Case Studies

Company Name
[Insert Text]

Company Name
[Insert Text]

Condensed Statement of Comprehensive Income (unaudited)

[Insert Table]

Condensed Statement of Financial Position (unaudited)

[Insert Table]

Overview
Portfolio
Financial Statements
General Information

Statement of Changes in Equity (unaudited)

[Insert Table]

Notes to the Financial Statements

For the year ended 31 March 2024

[Insert Notes Tables]

Overview
Portfolio
Financial Statements
General Information

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 amortization 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 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")

[Insert APM Table]

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

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 abrdn's investor services centre using the details provided on page XX.

The Financial Conduct Authority (FCA) provides advice with respect to share fraud and boiler room scams:

[fca.org.uk/consumers/scams](https://www.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 page XX 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 page XX for details) 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 income and capital growth from investment in North American markets 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 securities issued by The North American Income Trust plc 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 **invtrusts.co.uk/en/fund-centre#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).

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

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

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.

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.

Getting advice

abrdn recommends that you seek financial advice prior to making an investment decision. 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). You will pay a fee for advisory services.

Platform providers

Platforms featuring abrdn-managed investment trusts include:

- interactive investor:
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.

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

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.

Contact Addresses

Directors

Sarika Patel (Chair)
Caroline Hitch
Mark Little
Jeremy Tigue

Registered Office

280 Bishopgate
London
EC2M 4AG

Registered Number

Registered in England & Wales No. 2648152

Investment Manager

abrdn Fund Managers Limited
1 George Street
Edinburgh
EH2 2LL

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

Website Address:

abrdnequityincome.com

Company Secretary

abrdn Holdings Limited
1 George Street
Edinburgh
EH2 2LL

Independent Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Solicitors

Dickson Minto
16 Charlotte Square
Edinburgh
EH2 4DF

Depository and Custodian

BNP Paribas Securities Services
10 Harewood Avenue
London
NW1 6AA

Lenders

The Royal Bank of Scotland International, London Branch
3rd Floor
440 Strand
London
WC2R 0QS

Stockbrokers

J.P.Morgan Cazenove
29th Floor
25 Bank Street
London
E14 5JP

Registrars

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

Telephone: **0370 707 1150**

For more information visit abrdnequityincome.com

abrdn.com