



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 29 February 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 29/02/24	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	272.0p	(4.9)	(5.4)	(10.5)	(16.7)	5.0	(9.1)
NAV	288.6p	(1.6)	(0.6)	(1.5)	(12.8)	2.2	(9.1)
FTSE All-Share Index		0.2	3.3	3.9	0.6	25.2	27.7
FTSE 350 Higher Yield Index		(0.4)	0.2	3.3	(2.8)	33.9	25.0

Discrete performance (%)

	29/02/24	28/02/23	28/02/22	28/02/21	29/02/20
Share Price	(16.7)	4.8	20.3	1.6	(14.9)
NAV	(12.8)	2.7	14.1	(2.6)	(8.7)
FTSE All-Share Index	0.6	7.3	16.0	3.5	(1.4)
FTSE 350 Higher Yield Index	(2.8)	14.1	20.8	0.4	(7.0)

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

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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>.

Morningstar Analyst Rating™



^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.

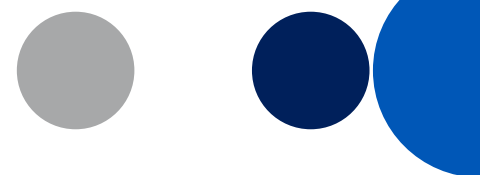
Twenty largest equity holdings (%)

BP	4.4
National Grid	4.2
Smith (DS)	4.2
Shell	4.1
Imperial Brands	3.9
SSE	3.6
Barclays	3.5
NatWest	3.3
Conduit	3.0
BHP	2.8
OSB	2.7
HSBC	2.7
British American Tobacco	2.7
CMC	2.4
LondonMetric Property	2.3
Glencore	2.3
Hargreaves Lansdown	2.3
Rio Tinto	2.2
Chesnara	2.1
Tyman	2.1
Total	60.8

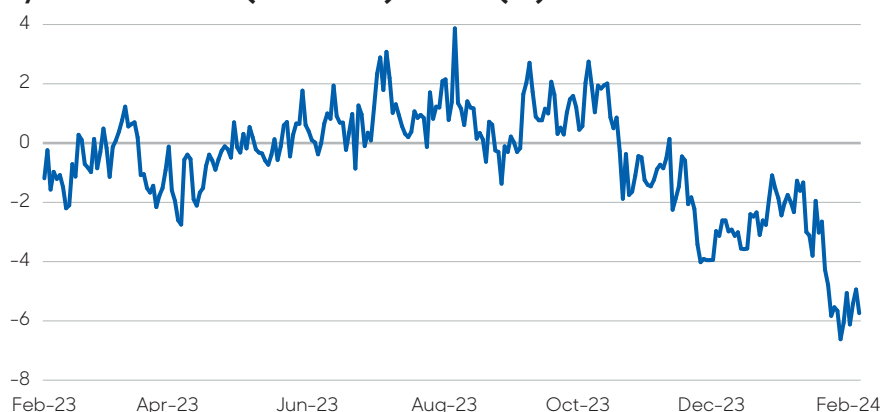
Total number of investments 53

All sources (unless indicated): abrdn: 29 February 2024.





1 year Premium/(Discount) Chart (%)



Sector allocation (%)

Financials	36.3
Energy	15.4
Industrials	10.8
Basic Materials	9.5
Utilities	7.8
Consumer Staples	7.4
Real Estate	6.4
Consumer Discretionary	2.8
Telecommunications	1.6
Health Care	0.7
Cash	1.3
Total	100.0

Ten largest positions relative to the benchmark (%)

Overweight Stocks	Portfolio	Benchmark	Relative
Smith (DS)	4.2	0.2	4.0
Imperial Brands	3.9	0.7	3.2
Conduit	3.0	-	3.0
SSE	3.6	0.8	2.8
BHP	2.8	-	2.8
NatWest	3.3	0.6	2.7
OSB	2.7	0.1	2.6
National Grid	4.2	1.7	2.5
Barclays	3.5	1.1	2.4
CMC	2.4	0.0	2.4

Composition by market capitalisation (Ex Cash) (%)

FTSE 100	51.9
FTSE 250	26.1
FTSE Small Cap	12.0
FTSE AIM	2.7
Other	7.3
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	£158.5 million
Borrowing	£20.9 million
Yield (Net)	8.4%
Current Annual Dividend Rate (Per Share)	22.8p
Market Capitalisation	£130.0 million
Premium / (Discount)	(5.8)%
12 Month High	3.9%
12 Month Low	(6.6)%
Net cash/(gearing) ^a	(13.7)%
Potential Gearing	(5%) to 25%

Fund managers' report

Market review

UK equities rose in February but lagged the strong gains seen elsewhere in Europe, North America and Asia. Optimism around artificial intelligence drove gains in major US technology companies and the broader semiconductor sector. However, these notoriously cyclical sectors are not a material part of the UK market. The FTSE 100 Index returned 0.5% while the more domestically focused FTSE 250 fell 1.3% following its particularly strong end to 2023.

Data published in February showed the UK Consumer Prices Index had remained at 4.0% in January, although analysts had expected the rate to increase slightly. The Bank of England once again kept the base rate on hold at the start of February, with governor Andrew Bailey indicating the next move would be downwards. Bailey also said UK inflation was on course to fall to its 2% target in the first half of 2024, before rising again later in the year. Figures published by S&P Global indicated that private sector output continued to increase during February, supported by expansion in services, while business confidence rose on hopes of interest-rate cuts and resilient customer demand. More backward-looking official data showed the UK economy had shrunk by 0.3% in the final three months of 2023, taking it into a technical recession, while shares in British housebuilders were hit by the news that the competition regulator was launching a probe into pricing practices in the sector.

Performance

On a net asset value total return basis, the Trust underperformed the total return of the FTSE All-Share Index in February. The main detractor from performance was the holding in Close Brothers Group. Its shares continued to fall on concerns relating to the risk of sizeable customer redress following the announcement of a regulatory probe into motor finance lending practices before 2021. The company's decision to waive its dividend reflects the priority to

^a 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

Fund managers' report – continued

build cash reserves, and so allay any market concerns over capital adequacy in the event of a harsher-than-expected outcome from the investigation. Imperial Brands stock also dragged on performance following the announcement of new taxes on tobacco and vaping products in the UK Budget, while the holding in Thungela Resources declined due to falling energy prices. However, the firm's latest trading update highlighted earnings in line with expectations, despite continued difficulties with rail transportation in South Africa.

Conversely, the biggest contributor to returns was DS Smith. Shares in the paper and packaging company rose after it received a preliminary bid approach from industry peer Mondi. CMC Markets stock advanced following an impressive trading update that also included details of a significant cost-saving programme. Over the longer term, CMC is generating increasing contributions from institutional clients, which suggests that substantial recent investment in this area is beginning to pay off. The holding in Barclays was also beneficial as the share price reacted positively to a strategic update that set out an upgraded return-on-tangible-equity target of 12%. This is being driven by rising operating leverage as revenues grow faster than costs. The shares had been trading at a discount of more than 50% to tangible book value, indicating low market expectations prior to the publication of the results and setting the scene for February's rally.

Activity

The Trust started a new holding in housebuilder Crest Nicholson, a business that has an attractive land portfolio and favourable market position in areas of strong employment. The shares trade at a discount to book value of around 35%, making this the cheapest stock in its sector. Crest Nicholson is not part of the recently announced Competition and Markets Authority probe into the UK housebuilding sector. We added to our holding in Hargreaves Lansdown, the UK's largest investment platform. We believe that subdued client activity in the short term has masked the strong longer-term growth prospects, supported by the shift to self-invested pensions and savings. High levels of interest income are helping to underpin earnings, providing a bridge while we await a pick-up in investment activity. We sold the Trust's holding in Bellway following a rally in the firm's shares in response to falling mortgage rates. We expect a change in policy to result in a lower level of dividends in the year ahead. We also reduced our holding in BAe Systems, taking some profits after a rally. The business is undoubtedly well positioned given the need for increased defence spending against a febrile geopolitical backdrop.

Outlook

The fluctuating macroeconomic landscape has created sharp recent swings in performance in UK equities. Against this uncertain backdrop, we remain focused on companies that have the ability to generate strong cash flows that can be used to pay 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 to value and income stocks. We have consciously tilted the portfolio towards shares that offer a high free cash flow yield, underpinning an attractive dividend yield.

Looking ahead, we see several reasons to remain confident in the outlook for the Trust. Recent market movements have only increased our conviction in a potential valuation re-rating, with our companies typically trading at meaningful valuation discounts to the FTSE All-Share Index despite the solid returns they are generating. Therefore, we see low valuations as primarily reflecting recession fears rather than operational issues. We are reassured by the high level of dividend cover in the portfolio and the modest level of balance-sheet gearing.

The UK stands out as offering a rich seam of dividend payers. 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 our holdings have demonstrated a level of resilience 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.

Dividend cover is running at a multiple of 2.5 for the UK equity market, suggesting some cushion for corporates in the event that macroeconomic conditions deteriorate further. Our portfolio is well diversified, providing a range of earnings drivers. Trading remains solid across the bulk of our holdings, supporting our confidence in the continued progression of our dividend per share during 2024.

^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

Trust information continued

Trust Annual Management Fee	0.55% per annum of net assets
Ongoing Charges ^c	0.94%
Active Share percentage ^d	71.1%

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	CENK, JPMS, NUMS, PEEL, WINS



Factsheet

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



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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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