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 May 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 31/05/24	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	311.0p	4.1	16.4	10.1	6.8	4.5	7.1
NAV	333.2p	5.0	17.5	16.7	14.8	4.9	8.1
FTSE All-Share Index		2.4	9.9	13.6	15.4	25.5	37.3
FTSE 350 Higher Yield Index		2.6	14.3	14.5	20.3	40.7	42.3

Discrete performance (%)

	31/05/24	31/05/23	31/05/22	31/05/21	31/05/20
Share Price	6.8	(8.2)	6.7	49.3	(31.4)
NAV	14.8	(12.7)	4.7	37.2	(24.9)
FTSE All-Share Index	15.4	0.4	8.3	23.1	(11.2)
FTSE 350 Higher Yield Index	20.3	(2.2)	19.6	26.2	(19.9)

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 (%)

Imperial Brands	4.1
Smith (DS)	4.1
Shell	3.9
BP	3.9
CMC	3.7
SSE	3.5
HSBC	3.3
National Grid	3.2
British American Tobacco	3.0
Hargreaves Lansdown	2.9
OSB	2.7
Conduit	2.7
BHP	2.5
Barclays	2.4
Diversified	2.1
Rio Tinto	2.1
Glencore	2.1
Standard Chartered	2.1
TP ICAP	2.0
Chesnara	1.9
Total	**58.2**

Total number of investments 56

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.

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

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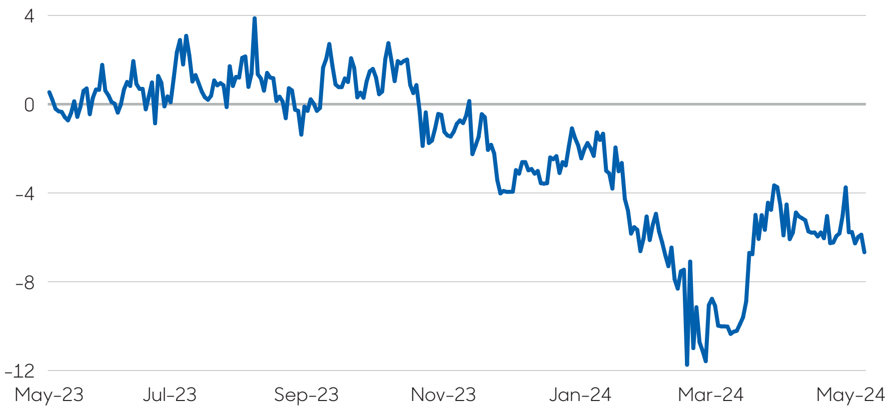
1 year Premium/(Discount) Chart (%)



Ten largest positions relative to the benchmark (%)

Overweight Stocks	Portfolio	Benchmark	Relative
Smith (DS)	4.1	0.2	3.9
CMC	3.7	0.0	3.7
Imperial Brands	4.1	0.7	3.4
Hargreaves Lansdown	2.9	0.2	2.7
SSE	3.5	0.8	2.7
Conduit	2.7	-	2.7
OSB	2.7	0.1	2.6
BHP	2.5	-	2.5
Diversified Energy	2.1	0.0	2.1
TP ICAP	2.0	0.1	1.9

Fund managers' report

Market review

UK equities made further gains in May as inflation fell to its lowest level in almost three years and hopes rose that interest rates would be cut over the summer. The FTSE 100 Index delivered a total return of 2.0% and reached an all-time high during the month, while the more domestically focused FTSE 250 delivered 4.2% on a total return basis. Gains on large-cap stocks were held back by declining oil prices as signs of an economic slowdown in the US emerged and tensions in the Middle East eased.

The UK Consumer Prices Index was 2.3% in April, its lowest rate of increase since July 2021. The Bank of England kept interest rates on hold, but officials suggested the base rate could be cut in August. GDP data for the first quarter of 2024 showed that the British economy had exited last year's shallow technical recession, while more up-to-date figures from S&P Global indicated a recovery in manufacturing activity in May. The positive economic news was thought to be behind Prime Minister Rishi Sunak's unexpected decision to call a general election in July.

Performance

On a net asset value total return basis, the Trust significantly outperformed the total return of the FTSE All-Share Index in May. In the financials sector, our overweight holding and stock selection added to relative returns.

[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	39.3
Energy	15.8
Industrials	10.3
Basic Materials	8.9
Utilities	8.0
Consumer Staples	7.1
Real Estate	5.4
Consumer Discretionary	2.3
Telecommunications	1.6
Health Care	0.8
Cash	0.5
Total	**100.0**

Composition by market capitalisation (Ex Cash) (%)

FTSE 100	52.3
FTSE 250	29.5
FTSE Small Cap	8.6
FTSE AIM	2.6
Other	7.0
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	£180.2 million
Borrowing	£21.0 million
Yield (Net)	7.4%
Current Annual Dividend Rate (Per Share)	22.9p
Market Capitalisation	£148.6 million
Premium / (Discount)	(3.6)%
12 Month High	3.9%
12 Month Low	(11.7)%
Net cash/(gearing)[B]	(12.5)%
Potential Gearing	(5%) to 25%

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Fund managers' report - continued

In stock-specific terms, performance benefited from our holding in Hargreaves Lansdown, which surged on news that the company had received an opportunistic bid from a consortium led by Nordnet. We have argued that the stock's valuation multiple did not reflect the strength of the company's market position as the UK's dominant direct-to-consumer investment platform. The Trust also benefited from its holding in OSB Group after the shares rallied on the publication of a reassuring trading update that signalled mid-single-digit loan growth alongside stable net interest margins and credit quality. This positive news flow does not appear to be priced in at the current valuation, with the shares trading at 5x earnings. Conversely, not owning Experian and GSK detracted from performance during the month as these stocks both performed strongly.

Activity

The Trust started a new holding in Drax, which is increasing the proportion of earnings it is generating from non-biomass areas, including hydro, pumped storage and natural gas generation. This reduces its vulnerability to policy decisions relating to biomass. The backdrop is that the UK needs to maintain a high level of baseload electricity given the intermittency of renewables, so we see Drax as part of the solution for the UK government at a time of rising electricity demand. We also initiated a position in Man Group, where increased diversification across the fund range has reduced dependence on individual fund performance and supports revenues that are more consistent and repeatable than the stock's valuation implies.

Meanwhile, we reduced our holding in Tyman, taking some profits after the shares surged on the announcement of a bid from a US peer at a 35% premium to its closing share price on the day before the announcement. We also reduced the Trust's holding in Glencore following a strong run linked to rises in the price of copper.

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.

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]	70.5%

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.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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