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 28 February 2023

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 28/02/23	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	352.0p	1.9	11.5	14.3	4.8	28.1	3.1
NAV	356.2p	(0.1)	1.2	4.1	2.7	14.2	0.8
FTSE All-Share Index		1.5	4.6	8.7	7.3	28.9	29.2
FTSE 350 Higher Yield Index		2.2	5.9	10.5	14.1	38.3	32.2

Discrete performance (%)

	28/02/23	28/02/22	28/02/21	29/02/20	28/02/19
Share Price	4.8	20.3	1.6	(14.9)	(5.5)
NAV	2.7	14.1	(2.6)	(8.7)	(3.3)
FTSE All-Share Index	7.3	16.0	3.5	(1.4)	1.7
FTSE 350 Higher Yield Index	14.1	20.8	0.4	(7.0)	2.7

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.

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 (%)

BP	6.2
Shell	4.8
Natwest	3.3
Diversified Energy	3.1
SSE	3.1
Barclays	3.0
Imperial Brands	3.0
National Grid	3.0
Glencore	2.8
CMC	2.6
Thungela	2.5
Close Brothers	2.5
OSB	2.4
Anglo American	2.1
Vistry	2.1
BHP	2.0
Chesnara	2.0
British American Tobacco	1.9
Legal & General	1.9
Playtech	1.8
Total	**56.1**

Total number of investments 64

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: 28 February 2023.

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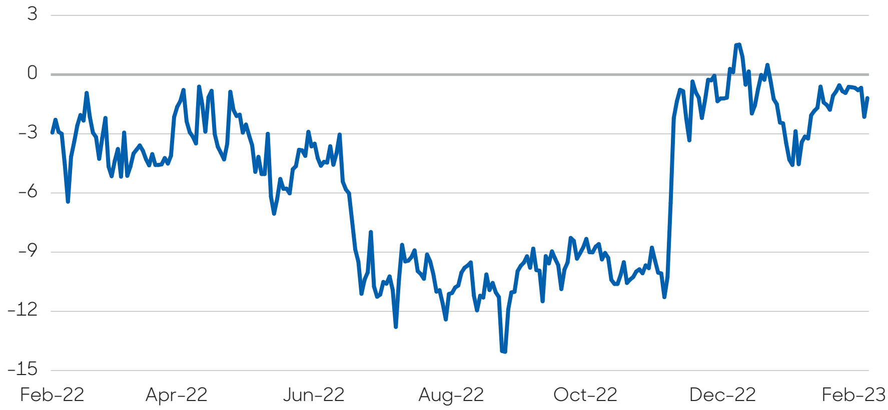
1 year Premium/(Discount) Chart (%)



Ten largest positions relative to the benchmark (%)

Overweight Stocks	Portfolio	Benchmark	Relative
Diversified Energy	3.1	0.0	3.1
NatWest	3.3	0.6	2.7
CMC	2.6	0.0	2.6
Thungela	2.5	-	2.5
Close Brothers	2.5	0.1	2.4
SSE	3.1	0.8	2.3
OSB	2.4	0.1	2.3
Imperial Brands	3.0	0.8	2.2
BP	6.2	4.1	2.1
BHP	2.0	-	2.0

Fund managers' report

Market review

UK equities advanced in February as recession fears receded and inflation continued to fall. Overall, the blue-chip FTSE 100 Index (+1.8%) fared better than the mid-cap FTSE 250 Index, which rose 0.4% in terms of total return. The multinational businesses which dominate the FTSE 100 benefited from a decline in the value of sterling against the dollar over the month, as interest-rate expectations in the US and UK began to diverge.

The month began on a positive note as Bank of England (BoE) governor Andrew Bailey suggested the British economy was on course to experience a less severe downturn than previously expected. The annual inflation rate in the UK fell more quickly than forecast in January, official data showed, although figures published towards the end of the month indicated that the rate of grocery price increases was continuing to accelerate. The BoE raised the base rate by 50 basis points, but there was increasing speculation that rates in the UK could be nearing their peak in the current cycle. Figures published by S&P Global indicated that private-sector activity in Britain had returned to growth in February following six consecutive months of decline, while UK government borrowing fell unexpectedly in January as a result of higher tax receipts.

Performance

The Trust underperformed in February, delivering a net asset value total return of 0.1% compared with a total return of 1.5% for the FTSE All-Share Index.

The holdings in mining companies BHP and Thungela Resources dragged on returns due to a softening in commodity prices. Shares in NatWest also detracted

Fund managers' report continues overleaf

Sector allocation (%)

Financials	34.3
Energy	19.5
Industrials	10.4
Basic Materials	9.5
Consumer Discretionary	6.9
Consumer Staples	6.6
Utilities	6.1
Real Estate	4.0
Health Care	1.4
Telecommunications	0.9
Cash	0.4
Total	**100.0**

Composition by market capitalisation (Ex Cash) (%)

FTSE 100	50.5
FTSE 250	26.1
FTSE AIM	4.7
Other	18.7
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	£193.7 million
Borrowing	£25.0 million
Yield (Net)	6.4%
Current Annual Dividend Rate (Per Share)	22.7p
Market Capitalisation	£166.7 million
Premium / (Discount)	(1.2)%
12 Month High	1.5%
12 Month Low	(14.0)%
Current Equity Net Gearing	14.3%
Potential Gearing	(5%) to 25%

Fund managers' report – continued

from performance as its results revealed faster than expected cost growth and slower than expected increases in net interest margin.

On the positive side, the Trust benefited from its holding in BP: its results signalled broad strength across its activities, including exploration/production, gas/power and refining/marketing. Even after the recent rally, the stock appears remarkable value, trading at a mid-single digit price-earnings ratio and offering a free cash flow yield of around 20%. This valuation stands out as particularly cheap compared with BP's US peers, including Exxon Mobil. The holding in Vistry also helped performance as falling mortgage rates gave rise to hopes of a pick-up in housing demand.

Activity

We added to the Trust's holding in Diversified Energy Company, taking part in a placing to fund an earnings-accretive acquisition that supports cash flows and dividends. The assets the company is buying include existing and undeveloped wells, providing additional production potential. We also increased our holding in National Grid, a long-term beneficiary of structural growth in electricity demand in the transition to electric vehicles, as well as short-term earnings support from inflation-linkage in its UK contracts.

Meanwhile, we trimmed our position in DS Smith following a period of strong share price performance in response to robust results. We also reduced our holding in Glencore, taking some profits following very strong performance. Recent moderation in some of the company's major commodities has made their mix less attractive.

Outlook

Our investment process seeks to identify under-appreciated stocks that are set to benefit from positive changes in their corporate fundamentals. Investors can be irrational, losing sight of company fundamentals, especially during periods of macroeconomic disruption. This can create an abundance of opportunities that can play out in the long sweeps of more stable market conditions in the wake of this macroeconomic turmoil.

We have constructed the portfolio using a high-conviction, index-agnostic approach. This approach can provide benefits over time, as it allows us to construct a differentiated portfolio with a diversified income stream, comprising stocks from across the UK market, including small- and mid-cap stocks where we believe inefficiencies can be most prevalent.

The global economy is slowing as inflationary pressures take their toll, with a high risk of recession in the UK and other major countries. We are aware that the stock market is unusually dominated by macroeconomic drivers, but we remain confident we can navigate this environment. We have consciously positioned the portfolio in stocks and sectors that have the most attractive dividend growth prospects. In inflationary conditions, we are finding companies that can help to protect against the rising cost of living. From a starting point of high dividend cover, we expect many UK stocks to deliver attractive dividend growth despite the uncertain economic situation. The UK equity market is highly diverse, allowing us to access a wide range of companies with different drivers. We are delivering a highly attractive, growing stream of income for our clients and we expect that the capital growth outlook will improve markedly as macroeconomic turbulence begins to ease.

In terms of income, dividend cover is running at a multiple of 2.5 for the UK equity market, suggesting some cushion for corporates in the event that conditions deteriorate further. Our Trust 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 across the whole of 2023.

[B] Expressed as a percentage of average daily net assets for the year ended 30 September 2022. 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.
[C] 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	0.65% per annum of net assets up to £175 million, 0.55% per annum of net assets above £175 million
Ongoing Charges[B]	0.91%
Active Share percentage[C]	70.4%

AIFMD Leverage Limits

Gross Notional	3x
Commitment	2x

Capital structure

Ordinary shares	47,371,522
Treasury shares	1,807,245

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.invtrusts.co.uk/#signup
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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