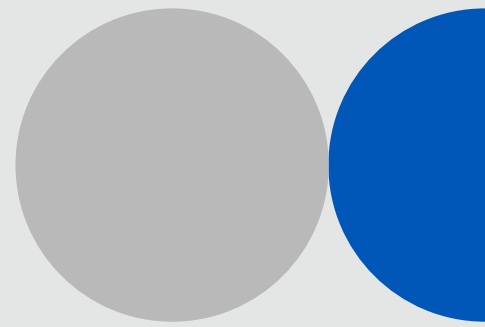


Shires Income PLC

Looking for high-quality investments for a high, regular income

Performance Data and Analytics to 31 May 2022



Investment objective

The Company's investment objective is to provide shareholders with a high level of income, together with the potential for growth of both income and capital from a diversified portfolio substantially invested in UK equities but also in preference shares, convertibles and other fixed income securities.

Benchmark

FTSE All-Share Index total return.

Cumulative performance (%)

	as at 31/05/22	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	282.5p	7.2	12.3	12.1	12.4	23.1	46.0
NAV ^a	275.1p	(0.7)	3.1	2.9	4.1	20.6	23.9
FTSE All-Share		0.7	2.3	6.2	8.3	18.4	22.2

Discrete performance (%)

	31/05/22	31/05/21	31/05/20	31/05/19	31/05/18
Share Price	12.4	23.6	(11.4)	5.0	13.0
NAV ^a	4.1	25.7	(7.8)	(0.7)	3.5
FTSE All-Share	8.3	23.1	(11.2)	(3.2)	6.5

Total return; NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis. Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at fair value. Source: Aberdeen Asset Managers Limited, Lipper and Morningstar.

Past performance is not a guide to future results.

^a Including current year revenue.

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Morningstar Rating™



^b 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.

Morningstar Sustainability Rating™



Ten largest equity holdings (%)

abrdn Smaller Companies Income	7.9
AstraZeneca	4.2
Shell	3.4
Diversified Energy	2.9
Standard Chartered	2.7
BP	2.6
British American Tobacco	2.6
Diageo	2.5
SSE	2.5
TotalEnergies	2.4
Total	33.7

Fixed income holdings (%)

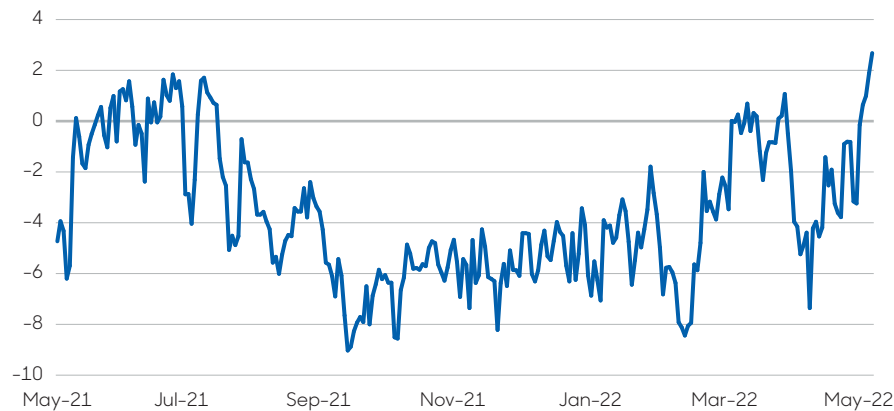
Ecclesiastical Insurance 8.875%	5.2
Royal & Sun Alliance 7.375%	4.8
Santander 10.375%	4.2
General Accident 7.875%	4.0
Standard Chartered 8.25%	3.4
Rea Holdings 9%	0.9
Total	22.5

Total number of investments 64

All sources (unless indicated): abrdn: 31 May 2022.



1 Year Premium/Discount Chart (%)



Fund managers' report

Market Commentary

Central banks in the UK and US raised interest rates, as expected, to control high inflation amid a strong employment backdrop. The Federal Open Market Committee hiked the target range for its Federal Funds rate by 0.5%, to 0.75-1.00%, and confirmed plans to reduce the size of the Fed's balance sheet. Recent sharp interest-rate moves have prompted fears that the US economy could fall into recession, as the Fed signals that more rate rises are to come. April's US employment data remained strong although wage growth is slowing. Amid this mixed outlook, US Treasury bond and credit prices rose over the month. While the Bank of England Monetary Policy Committee raised rates by 0.25% to 1%, a third of MPC members voted for a 0.5% rise. Strong price rises are continuing, with April's consumer price inflation figure of 9% a 40-year record. Employment data was also strong, with the UK's jobless rate hitting a 48-year low of 3.7% in the first quarter of 2022.

Global stocks fell early in the month but then rebounded as data releases gave investors some comfort. There were small rises in the US, UK and Japan, although there was a modest decline in European shares. The MSCI AC World Index returned 0.19% in May (total return in US dollars). Investors remain fearful that economies will be harmed by high inflation and ongoing supply chain struggles amid China's strict policies to control Covid-19. In particular, markets fell sharply after the Fed hiked rates, as investors worried central banks' monetary tightening could push the US and other major economies into recession. Sentiment improved later in the month, leading to a rebound in stocks after a multi-week losing streak. Investors reacted positively to a moderation in US inflation, as well as strong earnings from the retail sector.

On a country level, the US finished the month slightly higher. However, high-tech stocks continued to struggle, with the NASDAQ Index closing in the red. In the UK, the blue-chip FTSE 100 Index rose, with the energy sector once again performing well. The mid- and small-cap FTSE 250 Index fell over the month. Commodity prices rose, with particularly sharp rises in energy. Brent crude closed over \$115 per barrel as the European Union agreed to ban most oil imports from Russia. Additionally, traders anticipate higher demand as China lifts coronavirus restrictions. Natural gas imports are not included in the latest embargo but prices of the commodity also jumped by double-digit percentages. Gold and precious metals bucked the trend, falling slightly over the month.

Fund managers' report continues overleaf

^c Expressed as a percentage of average daily net assets for the year ended 31 March 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.

^d Calculated using the Company's historic net dividends and month end share price.

^e The 'Active Share' percentage is a measure used to describe what proportion of the Company's holdings differ from the benchmark index holdings.

^f Expressed as a percentage of total equities held divided by shareholders' funds.

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

Sector allocation (%)

Financials	38.2
Energy	13.1
Consumer Staples	9.0
Industrials	7.7
Consumer Discretionary	7.5
Health Care	5.9
Utilities	5.5
Telecommunications	4.2
Basic Materials	4.0
Real Estate	3.9
Technology	1.0
Total	100.0

Key information

Calendar

Year end	31 March
Accounts published	June
Annual General Meeting	July
Dividend paid	January, April, July, October
Established	1929
Fund manager	Iain Pyle
Ongoing charges ^c	1.14%
Annual management fee	0.45% up to £100m and 0.4% over £100m on net assets and long term borrowings
Premium/(Discount)	2.7%
Yield ^d	4.9%
Active share ^e	90.0%

Gearing (%)

Equities ^f	(6.3)
Total net ^g	21.3

AIFMD Leverage Limits

Gross Notional	2.5x
Commitment	2x

Assets/Debt

	£'000	%
Equities (inc. Cnv's)	79,781	93.7
Fixed Income	23,330	27.4
Total investments	103,111	121.1
Cash & cash equivalents	807	0.9
Other net assets	177	0.2
Debt	(18,941)	(22.2)
Net Assets	85,154	100.0

Capital structure

Ordinary shares	30,819,580
3.5% Cumulative Preference shares	50,000

Allocation of management fees and finance costs

Capital	50%
Revenue	50%

Trading details

Reuters/Epic/Bloomberg code	SHRS
ISIN code	GB0008052507
Sedol code	0805250
Stockbrokers	J.P. Morgan Cazenove
Market makers	CFEP, JPMS,NITE, WINS, INV



Factsheet

Receive the factsheet by email as soon as it is available by registering at www.invtrusts.co.uk/#signup www.shiresincome.co.uk



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Fund managers' report - continued

Performance

The NAV of the company fell by 0.7% in the month, lagging the benchmark which rose by 0.7%. The equity portfolio (excluding the holding in the abrdn Smaller Companies Income Trust) outperformed the benchmark, returning +2.1%. However, this was offset by the preference shares, which declined in value by 3.5% as interest rates rose, detracting 1% from relative performance, and by the abrdn Smaller Companies Income Trust, which declined in value by 7%, detracting 0.9% from performance.

On a single stock basis, performance was led by our positions in the energy and financials sectors. Energy companies performed well as commodity prices rose through the month, with TOTAL up 19%, Energiean 13% and Diversified Energy 5%. In financials, Standard Chartered rose by 13.5% after strong Q2 results and Ashmore increased in value by 12% from recent lows.

The largest detractors were utilities, with SSE (-5%) and Drax (-1.7%) lagging due to the threat of the UK government imposing a windfall tax. Howden Joinery also fell, -10%, due to rising concerns about the UK consumer. We see this as a risk, but Howden has high margins, is price-competitive and should manage any downturn well. Overall, the portfolio has very limited consumer exposure.

Trading

Towards the end of the month we made some small adjustments in order to enhance income from the portfolio. We trimmed the position in Entain, given large active weight and no current yield, and added to Diversified Energy where we see the high level of income as likely to continue to grow. We also topped up a number of recent underperformers in Ashmore and Intermediate Capital. In both cases, recent market moves have caused shares to pull back, but we remain convinced about the longer term quality of the businesses.

Outlook

After an already challenging year, market sentiment has taken a clearly more bearish turn in June. The combination of inflationary pressures on many companies and the resultant acceleration of rate rises from central banks has left investors concerned that we will be pushed into a recession. While many more recessions have been predicted than have actually occurred, there is an increasing chance of negative economic growth in our view. The signs are that the consumers are turning more cautious and that companies, who are still reporting robust earnings, are seeing the outlook deteriorate.

While that scenario seems difficult for investors, there are still reasons to be constructive. Firstly, valuations are already pricing in a fair amount of pain in many areas of the market, creating some opportunities for those willing to invest long term and ride through any trouble. Secondly, balance sheets are in good shape, with consumers and corporates having saved money in recent years. That means we shouldn't see too much distress even as growth slows, although we will need to be aware of the rising cost of debt and the pressure this can put on earnings.

When thinking about how to approach a potential (and it is still only potential!) recession, balance sheet strength is particularly important as it will allow companies to continue to pay dividends and allow us to stay invested for the longer term. In terms of portfolio construction, we are looking for stocks in two areas to deal with a period of high inflation and slowing growth. Firstly, those that are beneficiaries of inflation and where valuations are already low. Banks, which benefit from rising rates, and energy stocks, where cashflows are strong and valuations are low, fit in this category, along with real estate which tends to hold real value. Secondly, we are looking for high quality companies, with strong market positions in industries that will likely prove defensive, such as healthcare. Overall, the Shires portfolio has proven to be defensive in recent years, outperforming the market in down months. This is certainly helped by the preference shares which have much more stable capital value than equities and should again prove to be a defensive source of income.

The risk outlined overleaf relating to gearing is particularly relevant to this trust, but should be read in conjunction with all warnings and comments given.
Important information overleaf

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.
- 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.
- The Company may charge expenses to capital which may erode the capital value of the investment.
- 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.
- Certain trusts may seek to invest in higher yielding securities such as bonds, which are subject to credit risk, market price risk and interest rate risk. Unlike income from a single bond, the level of income from an investment trust is not fixed and may fluctuate.
- With funds investing in bonds there is a risk that interest rate fluctuations could affect the capital value of investments. Where long term interest rates rise, the capital value of shares is likely to fall, and vice versa. In addition to the interest rate risk, bond investments are also exposed to credit risk reflecting the ability of the borrower (i.e. bond issuer) to meet its obligations (i.e. pay the interest on a bond and return the capital on the redemption date). The risk of this happening is usually higher with bonds classified as 'sub-investment grade'. These may produce a higher level of income but at a higher risk than investments in 'investment grade' bonds. In turn, this may have an adverse impact on funds that invest in such bonds.
- 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.

Other important information:

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