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 2022

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 31/05/22	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	367.0p	0.6	3.7	11.9	6.7	9.3	8.4
NAV	383.0p	1.9	5.0	8.8	4.7	7.8	4.9
FTSE All-Share Index		0.7	2.3	6.2	8.3	18.4	22.2
FTSE 350 Higher Yield Index		2.3	7.7	18.7	19.6	20.9	22.1

Discrete performance (%)

	31/05/22	31/05/21	31/05/20	31/05/19	31/05/18
Share Price	6.7	49.3	(31.4)	(13.2)	14.2
NAV	4.7	37.2	(24.9)	(9.6)	7.6
FTSE All-Share Index	8.3	23.1	(11.2)	(3.2)	6.5
FTSE 350 Higher Yield Index	19.6	26.2	(19.9)	(4.6)	5.9

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.

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™

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.

Kepler INCOME & GROWTH RATING

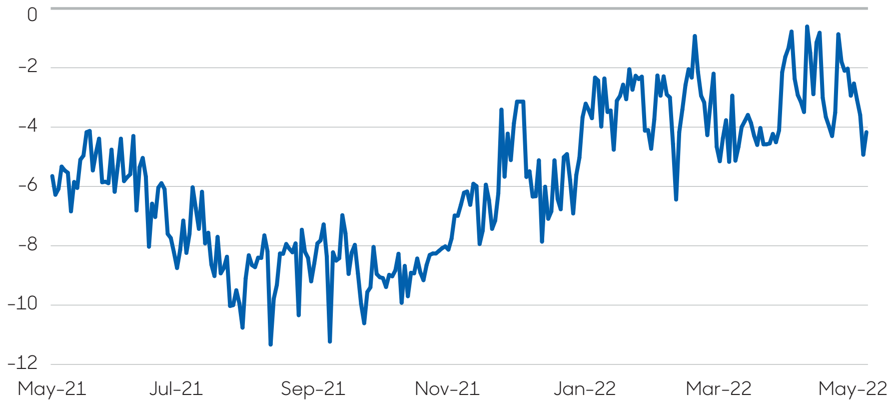
Twenty largest equity holdings (%)

BP	5.0
Shell	4.6
BHP	3.5
Thungela Resources	3.4
Glencore	3.3
Rio Tinto	3.2
SSE	3.1
CMC	3.1
Diversified Energy	2.8
Close Brothers	2.5
British American Tobacco	2.4
Standard Chartered	2.3
Vistry	2.2
OSB	2.1
Anglo American	2.1
River & Mercantile	2.0
Chesnara	1.9
Barclays	1.9
Playtech	1.8
Imperial Brands	1.8
Total	**55.0**

Total number of investments 72

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

1 year Premium/(Discount) Chart (%)



Ten largest positions relative to the benchmark (%)

Overweight Stocks	Portfolio	Benchmark	Relative
BHP	3.5	-	3.5
Thungela Resources	3.4	-	3.4
CMC	3.1	0.0	3.1
Diversified Energy	2.8	0.0	2.8
Close Brothers	2.5	0.1	2.4
SSE	3.1	0.8	2.3
Vistry	2.2	0.1	2.1
OSB	2.1	0.1	2.0
River & Mercantile	2.0	0.0	2.0
Chesnara	1.9	0.0	1.9

Fund managers' report

Market review

UK stocks fell sharply in the first week of May, following the Bank of England's (BoE) warning on the risk of recession in 2023, with BoE Governor Andrew Bailey stating that the central bank expects a "very sharp slowdown in activity". High inflation prints, ongoing supply-chain issues amid China's strict 'zero-Covid' policy and a second interest-rate hike from the US Federal Reserve pressured equities more generally, with investors fearful that central bank action could push the US and other economies into recession. However, UK stocks rallied towards the end of the month to post a marginal gain, as investors reacted positively to strong earnings from the retail sector. Chancellor Rishi Sunak also announced a £15 billion support package to help households alleviate the cost-of-living crisis. All UK households will receive a £400 energy grant, while low-income households will receive a £650 payment.

The FTSE All-Share Index generated a total return of 0.7%, but the picture is more mixed below this headline figure. Most of the positive performance came from the FTSE 100 Index, which returned 1.1%, as energy and commodity-related companies continued to outperform, whereas the FTSE 250 and FTSE Small-Cap indices fell by 1.1% and -2.1%, respectively.

The BoE hiked interest rates from 0.75% to 1% in May, its highest level for over a decade. The UK's consumer price index surged to 9% in April, a 40-year high, driven by rising electricity and fuel costs. Meanwhile, according to a leading indicator, consumer confidence fell to its lowest level since 2008. Employment data was strong with Britain's jobless rate hitting a 48-year low in the first quarter of 2022.

Performance

The portfolio outperformed in May, delivering a net asset value total return of 1.9%, compared with a total return of 0.7% for the FTSE All-Share Index.

Fund managers' report continues overleaf

Sector allocation (%)

Financials	31.5
Energy	17.1
Basic Materials	13.3
Industrials	10.5
Consumer Discretionary	10.3
Consumer Staples	5.6
Utilities	5.3
Real Estate	3.3
Health Care	1.9
Telecommunications	1.2
Cash	0.0
Total	**100.0**

Composition by market capitalisation (Ex Cash) (%)

FTSE 100	46.8
FTSE 250	29.0
FTSE AIM	5.7
Other	18.5
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	£208.9million
Borrowing	£25.0 million
Yield (Net)	5.9%
Current Annual Dividend Rate (Per Share)	21.8p
Market Capitalisation	£176.3 million
Discount	(4.4)%
12 Month High	(0.6)%
12 Month Low	(11.3)%
Current Equity Net Gearing	13.6%
Potential Gearing	(5%) to 25%

Fund managers' report - continued

The portfolio benefited from holding utility stock ContourGlobal, which received a bid at a 36% premium to the closing share price. We felt that the quality of the company was not being fully recognised by investors, despite its healthy yield and record of consistent dividend growth. Given the recent market volatility, we see potential for other underappreciated stocks to attract interest from corporate bidders. CMC Markets also continued to contribute positively following an encouraging trading update. We have been adding to this position in recent months as we believed the improving outlook was not being adequately reflected in the share price.

Conversely, the holding in diversified financial company Randall & Quilter detracted from performance as the proposed bid by one of its major shareholders, Brickell, narrowly failed to secure sufficient support in a shareholder vote. The legacy division will now require a capital raise following a review of its liabilities. However, on a more positive note, the company released a reassuring update on the growth being generated by its programme-management division. The Trust was also hit by the holding in Premier Miton which saw its share price fall as a result of the adverse conditions for fund flows in wholesale and retail markets.

Activity

We opened a new position in National Express. We expect investor perception of the business to improve as revenue recovers from a period of Covid-related disruption. We see broad-based growth across a range of markets, including the US, Spain and the UK. We also opened a new position in Energean, as we expect a significant lift in free cash flow as production ramps up. This should also lead to the commencement of dividend payments. Further, we feel that the company's assets offer an attractive combination of growth and minimal commodity-price risk.

We reduced our holdings in mining majors BHP and Rio Tinto. We expect the slowdown in the Chinese economy, resulting from the central government's decision to impose Covid lockdowns in various cities, to affect demand for iron ore. This prompted us to take some profit, although both remain significant weightings in the portfolio.

Outlook

Recent months have continued to be tricky for equities, especially for growth stocks. However, the most pleasing aspect for us is seeing the continued earnings resilience from the companies in which we are invested. Indeed, we have seen a healthy level of earnings upgrades across our holdings. While this is perhaps not currently being rewarded in the way we think it should be, we believe this will normalise. We are seeing a sharp turn in net upgrades versus downgrades across the market and are pleased to report that the portfolio's holdings are on the right side of this metric.

We are heading towards a tougher economic environment and continued geopolitical instability. In a slower economic environment, or a recession, investors tend to look to quality as a safe haven. This has not been the case so far this year, with investors dismissing quality as a factor. But we have started to see that turn in the last month. With interest rates rising, balance-sheet strength will become increasingly important, and investors will look to well-managed companies, with visible and resilient revenue streams, that can continue to invest in their businesses through tougher periods. With inflationary pressures continuing, having a strong market position which facilitates pricing power is going to be key. Equally important is a strong culture, given the challenges in attracting good employees.

Timing the market, especially in the small and mid-cap space, can be difficult. While many data points show we are at extremes in terms of market moves, both in large versus small caps as well as in growth versus value, there is still a risk that markets will overshoot to the downside. There may need to be a turn in macroeconomic indicators, such as inflation levels or the direction of interest rates, before we see greater levels of risk tolerance. In our view, these are not likely to be near-term developments. Therefore, it is important to remain focused on the long term.

[B] Expressed as a percentage of average daily net assets for the year ended 30 September 2021. 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]	0.93%
Active Share percentage[C]	81.5%

AIFMD Leverage Limits

Gross Notional	3x
Commitment	2x

Capital structure

Ordinary shares	48,033,474
Treasury shares	1,145,293

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
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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: