Equity Income – UK or Global?

Should investors widen their horizons?

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Introduction

- The UK Equity Income sector (UKEI) is the fourth-largest investment company (IC) sector in the Association of Investment Companies' (AIC) universe, with £12.5bn of assets (as at August 2023), and is the traditional home for investors looking for income in the equity market.

- The UKEI not only provides investors with a better dividend yield than the general UK market, but also has a strong track record of dividend growth. Indeed, many funds feature on the AIC's "dividend heroes" list for the number of years of consistent growth.

- The UKEI is also marked by the longevity in the role of many of the fund managers. In addition, it has some of the longest-established funds.

- This note asks whether there is justification for investors seeking income to consider three other sectors: Global, Global Equity Income (GEI) and Asia-Pacific Equity Income (Asia-Pac EI). Some investors may want to consider investing part of their portfolios in non-UK funds to diversify their risk; others may think of them as replacements for the UK.

- Although, strictly speaking, not defined as an "equity income" sector, we decided to include the global sector for comparative reasons, because it figures quite highly in the AIC dividend heroes.

- The global income funds benefit from the ability to fish in a wider pool of possible holdings than the UKEIs. They also give the investor currency exposure.

- Another reason to consider the global funds is their superior share price performance over 10 years. Finally, although the starting yield is lower than that of the UKEI sector, these global funds have, historically, seen faster dividend growth.

- The two questions we seek to answer are why would you still want an income fund, and, if you do want to invest in one, should you consider a global fund, as well as a UK one?

- Overall, we believe that the UKEI remains attractive for investors, but we nevertheless believe an increased awareness of other global opportunities is warranted.

Should investors in UK equity income consider global income as well?

For investors looking for equity income, we believe UKEI remains a great home…

For many investors looking for income, the UKEI is the natural hunting ground; it is a substantial sector, with a choice of 20 funds and a total market capitalisation (market cap) of £12.5bn. This note reflects on the UKEI, and then considers the merits of investing in global income sectors as well.

Historically, income was a very important feature for investors in the UK market, but this has waned over the past two decades, along with interest in the UK market overall.

The questions we pose are why would you still want an income fund in this current environment, and, if you did, should you invest in a UK one, or look at global opportunities?

In posing our question and seeking some answers, we compare the UKEI sector with the non-UK sectors (Global, GEI and Asia-Pac EI), in terms not just of income but of total return and growth as well.

We briefly touch on the Global and GEI sectors, which encompass 22 ICs of very different sizes, as measured by assets under management (AUM), and remits. Although global in nature, and focused primarily on global equities, there are some stark differences that are worth pointing out, not just in terms of AUMs, process, and philosophy, but also in terms of results for investors, be this total return over different time periods, and/or dividend yield, and dividend growth over time.

…but global equity exposure offers even more choice

In short, for investors that are looking for equity income, we believe the UKEI remains a great home, but global equity exposure offers even more choice, and this note will endeavour to give a summary of some points worth bearing in mind when approaching the sectors. An in-depth analysis of individual UK & Global ICs is beyond the scope of this note; instead, this initial note will serve as an introduction – something to whet the appetite of investors who have not looked at the global equity AIC sectors in much detail before, or who were perhaps not even aware of the diversity and scale on offer.

The UKEI sector

UKEI sector fourth-largest in AIC universe…

The UKEI sector is one of the largest in the IC space. There are 22 UKEI funds (20 if you treat the three share classes of CT UK High Income Trust as one), ranging from BlackRock Income & Growth Investment Trust, with a market cap of just under £50m, to the mighty £2bn City of London Investment Trust. The sector, in aggregate, is valued at around £12.5bn.

…and so plays important role in IC universe…

For all the recent woes of the UK equity markets (poor performance versus global and US markets, UK companies opting to list elsewhere and a weak Sterling), the UKEI sector is still the fourth-largest sector in the AIC universe after the Global, Flexible Investment and North America sectors – so it still plays an important role in the IC universe.

…with aim of giving investors predictable source of income

Historically, the sector's *raison-d'être* has been to give investors a predictable source of income, while protecting capital as much as possible in real terms over the long term, within the confines of accepting that equity as an asset class can be volatile in the short term. And if we look at the list of companies in the *Appendix* in this note, we see that, overall, the aims and objectives do not often differ that much across the companies. Although there are some differences in style and approach, the objective of providing a steady income and long-term capital protection, or even appreciation in real terms over the long term, seems to be common to all the UKEIs. An in-depth, and detailed comparison of all 20 UKEI ICs is beyond the scope of this note, but we hope the *Appendix* will provide enough of an introduction to entice readers to pursue more in-depth research of their own.

Dividends in UKEI sector historically sustainable

The sustainability of dividends as the primary case for the appeal of the UKEI sector was demonstrated during the pandemic, when most UK companies cut dividends, while UKEIs were able to maintain their payouts by drawing on their reserves. Today (10 August 2023), the simple average dividend yield for the sector is 4.2%, with the highest being 8.0% (Chelverton UK Dividend Trust) and the lowest 2.05% (Finsbury Growth & Income Trust).

Historically, the average dividend yield of the UK All-Share Index has been around 3.5% (as of 11 August 2023, 3.8%); so you get, on average, a slightly higher yield in the UKEI sector than with the index.

The table below summarises the UKEI sector by comparing not only the current dividend yield, but also the five-year growth in the dividend, which we believe is just as important for investors. The launch date gives an indication of the longevity of the ICs, and the number of holdings will give readers a quick idea of how the funds compare in terms of concentration in their investments.

Summary of UKEI sector

Company name	5-year dividend growth (% p.a.)	Dividend yield	Total assets (£m)	Launch date	Number of holdings
abrdn Equity Income Trust	5.8%	7.2%	173.7	15/11/1991	61
BlackRock Income & Growth	2.0%	3.9%	46.9	14/12/2001	46
Chelverton UK Dividend Trust	6.8%	8.2%	51	12/05/1999	74
City of London Investment Trust	2.6%	5.3%	2,043.1	01/01/1891	88
CT UK Capital & Income	2.0%	4.1%	341.4	29/10/1992	47
CT UK High Income Trust	2.5%	6.8%	115.39	01/03/2007	34
Diverse Income Trust	3.6%	5.9%	283.3	28/04/2011	126
Dunedin Income Growth	1.6%	4.7%	488.8	01/02/1873	36
Edinburgh Investment Trust	-0.3%	4.0%	1,246	01/03/1889	47
Finsbury Growth & Income Trust	5.0%	2.1%	1,946.1	15/01/1926	22
Invesco Select Trust – UK Equity Shares	1.8%	4.4%	132.1	23/11/2006	51
JPMorgan Claverhouse	4.9%	5.3%	460.95	24/04/1963	65
Law Debenture Corporation	12.0%	3.8%	1,158.21	12/12/1889	150
Lowland Investment Company	4.5%	5.1%	403.52	05/04/1963	109
Merchants Trust	2.2%	5.1%	887.71	16/02/1889	53
Murray Income Trust	2.4%	4.4%	1,113.36	07/06/1923	52
Schroder Income Growth Fund	3.3%	4.7%	235.44	09/03/1995	41
Shires Income	1.8%	6.1%	96.38	31/03/1929	63
Temple Bar Investment Trust	1.9%	4.0%	794.13	24/06/1926	30
Troy Income & Growth Trust	-5.1%	2.9%	177.7	18/07/1988	42

Source: Association of Investment Companies, Hardman & Co Research
Data as of 10 August 2023

Variety of strategies and processes within funds…

…but very similar aims and objectives

A standout feature of the above table is the very wide variation in the number of holdings. At the high end, Law Debenture Corporation has 150 investments, and Diverse Income Trust 126, while, at the low end, Finsbury Growth & Income Trust (managed by Lindsell Train) has a very concentrated 22, and Temple Bar 30. This gives a rough idea of the variety of strategies and processes, albeit all the funds mention very similar, or, in many cases, almost identical, aims and objectives (see the *Appendix* for more details).

What does the UKEI sector have in its favour?

UKEI funds are still relevant in today's market, because of their track record in their sustainability of dividends, the fact that they have some of the market's longest-serving fund managers, with verifiable track records, and because of their long fund history.

1. **Dividend growth.** The first point in the UKEI's favour is its track record in delivering dividend growth; so not only do you get a slightly higher yield than the index, but an investor also gets dividend growth. The table below, taken from the AIC website, shows how many UKEI funds make it into the chart showing AIC's dividend heroes – 7 out of the 18 heroes – meaning that just under 40% of the top dividend growers are from this sector. The AIC defines its dividend heroes as those investment companies that have consistently increased their dividends for 20 years or more in a row.

UKEI – dividend heroes

Company	No. of consecutive years of dividend increase
City of London Investment Trust	56
JPMorgan Claverhouse	50
Murray Income Trust	49
Merchants Trust	41
CT UK Capital & Income	29
Schroder Income Growth Fund	27
abrdn Equity Income Trust	22

Source: Association of Investment Companies, Hardman & Co Research

If we also look at the next generation of dividend heroes (defined by the AIC as those that have increased their dividends for 10 or more years in a row, but fewer than 20), we can see that there are 5 UKEIs with 10 or more years of dividend increases out of the overall total of 28. Add both sets of heroes together, and, in aggregate, investors have the choice of 12 UKEIs that have an unblemished track record of dividend increases ranging from 10 to 56 years – quite a track record.

UKEI – next generation of dividend heroes

Company	No. of consecutive years of dividend increase
Lowland Investment Company	13
Law Debenture Corporation	13
Chelverton UK Dividend Trust	12
Dunedin Income Growth	12
CT UK High Income Trust	10

Source: Association of Investment Companies, Hardman & Co Research

2. **Manager longevity.** Funds can go through a tricky period when the manager changes, and investors are generally wary of such transitions. The UKEI sector comes out very well on this metric. Looking at the AIC data, of the 68 funds where the manager has been in service for 15 years or longer, 10 are UKEIs. Of the top 10, four are UKEI managers. Of course, the downside of longevity is that many investors may be wondering whether there is a looming succession and retirement risk issue, and what that could mean for the strategies and performances of the fund going forward.

Longest-serving UKEI managers	
Company	Years in service
Lowland Investment Company	32
City of London Investment Trust	31
CT UK Capital & Income	25
Chelverton UK Dividend Trust	23
Finsbury Growth & Income Trust	21

Source: Association of Investment Companies, Hardman & Co Research

3. **Long fund history.** The UKEI sector also does well in terms of the age or vintage of the ICs, i.e., how long they have been in existence. One must take this with a small pinch of salt, of course, as the processes, philosophies and managers may have changed considerably over their many years of existence. However, the launch date is shown on page 6 above. Five of the funds can trace their history back to the nineteenth century, which is very impressive. There is, however, no necessary correlation between longevity and performance, but the fact that ICs such as Dunedin, Merchants and Edinburgh can trace their lineage back to the 1880s and 1890s does indicate, at a very basic level, that they must be doing something right. Otherwise, investors would not have stuck with them for over a century, and in very different market conditions.

Why invest in a UK income fund when you can go global?

Wider pool from which to fish does not guarantee better performance…

Having established why there is still a perfectly rational reason for investing for income as a strategy, and in the UKEI market in particular, the next step is to answer the question: why shouldn't you invest in a Global Equity, GEI or Asia-Pac EI fund as well as, or instead of, a UK one?

Perhaps the first point to note is that two of the reasons we mentioned above for investing in the UKEI sector – fund manager longevity and dividend sustainability – can just as easily be applied to the global sectors.

On top of that, when you invest in equities globally, you are choosing stocks from a universe of over 5,000 dividend-paying stocks – you are fishing from a much larger pool, and are open to a much wider range of opportunities. This, of course, depends very much on how you define your universe, but just to give the reader an idea of the numbers involved, the FTSE UK All-Share has 600 constituents, the FTSE Global All Cap has 9,000 constituents, the FTSE All-World TR Index has 4,164 constituents, and, for the Asian markets, the MSCI Asia-Pacific ex Japan Index has 1,251 constituents.

…but GEI funds do, on average, have better track records than UKEI funds

One of the counterarguments is that, since more than 60% of UK listed company revenues originate overseas, buying UK listed stocks provides international exposure, anyway. But this should not detract from the fact that global funds have the luxury of a much wider investable universe. A wider pool from which to fish does not guarantee better performance, but we will see from the analysis below that the GEI funds do, on average, have better track records than the UKEI funds.

Weak Sterling has meant better returns for UK investors investing globally

One important consideration for UK investors is currencies. The relatively dismal UK market performance over the past 20 years is well-known, and a weak Sterling, by itself, has meant better returns for UK investors investing globally. The importance of currencies can be seen more recently in the increased appetite for Japanese stocks. While Japanese stocks compare favourably with US stocks on a valuation basis now, a lot of the momentum is coming from the Yen having fallen to a two-year-plus low against the US dollar; this makes Japanese stocks cheaper in US dollar terms.

Global and GEI funds have benefited from exposure to US market

Looking at the table below (dated 10 August 2023), we can see that the two Global equity sectors have a lower dividend yield than the UKEI, while the Asia-Pac EI sector has a higher yield. However, the five-year dividend growth is higher for all three non-UK sectors. If we consider whether the inferior yield in the UKEI is compensated by better overall fund performance numbers, we conclude that it is not. On 5-year and 10-year bases, the Global and GEI sectors outperform the UKEI sector quite comfortably. The Asia-Pac EI and Global sectors lag the UK on a 1-year basis, but more than make up for it on a 10-year basis. While it is hard to compare every fund in the four sectors against each other (we are talking of 46 ICs), there is no doubt that the Global and GEI funds have benefited from exposure to the US market, and, in particular, to the select few number of stocks (Microsoft, Amazon, Alphabet, Apple, etc) that have driven the US market over the last decade. A similar argument could be made for the Asia-Pacific market, with the relatively high exposure to technology and popular names such as Samsung and TSMC.

By the same token, the one-year performance of the UKEI sector has probably benefited from the higher exposure of the ICs to Financials, Energy and more cyclical and defensive sectors, such as Consumer Staples and Consumer Durables. Although a rather simplistic way of summarising it, we could say the Global funds have benefited more from their higher growth stance over the last decade, while the recent, better UKEI performance has been due more to its higher value slant.

Comparing best performers in UK and GEI, we see better performance from Global and GEI sectors

There is a wide variation within all four sectors, in terms of both processes and philosophies; so we must be careful when aggregating the sectors and drawing too many conclusions, *but*, even if we compare the best performers in both the UK and the GEI, we can see that the Global and GEI sectors have performed better. As we have already mentioned in the introduction, although, strictly speaking, not defined as an "equity income" sector, we decided to include the Global sector for comparative reasons, because its components figure quite highly in the AIC dividend heroes: 6 out of the top 19 and 4 out of the top 10 are ICs from the Global sector.

Summary of performance and dividends

Sector	1-year	5-year	10-year	5-year dividend growth (% p.a.)	Dividend yield
UKEI	3.2%	18.9%	69.8%	3.6%	4.2%
Global	-9.4%	27.2%	197.8%	7.7%	1.3%
GEI	5.1%	39.7%	105.3%	4.7%	3.9%
Asia-Pac EI	-0.5%	16.6%	88.2%	5.5%	5.9%

Source: Association of Investment Companies, Hardman & Co Research

On 10-year basis, UKEI has fared much worse than global counterparts

When we look at the top performers in each of the four sectors (UKEI, GEI, Asia-Pac EI and Global), on a 10-year basis, the UKEI fares much worse than its global counterparts, as we can see in the table below.

Top 10-year performers in UKEI, GEI, Asia-Pac EI and Global

Company	AIC sector	Share price total return
Law Debenture Corporation	UKEI	133.6%
JPMorgan Global Growth & Income	GEI	247.9%
Invesco Asia Trust	Asia-Pac EI	182.0%
Scottish Mortgage Investment Trust	Global	310.4%

Source: Association of Investment Companies, Hardman & Co Research

As we alluded to before, there is no doubt that the performance of a lot of the technology and other "growth" sectors drove much of the US and global performance in the last decade, and hence it is no surprise that Scottish Mortgage Investment Trust (SMIT) has come out as the best performer over 10 years. Therefore, it is perhaps not surprising that even the best-performing UKEI fund will lag the best Global funds over 10 years.

The picture on a one-year and five-year performance is a bit more mixed, and not so clear-cut.

On five-year basis, UKEI has underperformed GEI and Asia-Pac EI, but outperformed Global

Top five-year performers in UKEI, GEI, Asia-Pac EI and Global

Company	AIC sector	Share price total return
Law Debenture Corporation	UKEI	53.5%
JPMorgan Global Growth & Income	GEI	71.0%
IPacific Horizon Investment Trust	Asia-Pac EI	56.8%
Brunner Investment Trust	Global	51.6%

Source: Association of Investment Companies, Hardman & Co Research

On a five-year basis, we can see that the UKEI sector has underperformed the GEI and the Asia-Pac EI sectors, but has outperformed the best Global funds, albeit not by much.

On one-year basis, UKEI has lagged Global and GEI, but outperformed Asia-Pac EI

Top one-year performers in UKEI, GEI, Asia-Pac EI and Global

Company	AIC sector	Share price total return
Edinburgh Investment Trust	UKEI	11.6%
British & American	GEI	23.5%
Invesco Asia Trust	Asia-Pac EI	4.8%
Manchester & London	Global	14.0%

Source: Association of Investment Companies, Hardman & Co Research

The picture is similar on a one-year basis, where the UKEI lags the Global and GEI best performers but outperforms the Asia-Pac EI top performer.

Even on a dividend basis, the Global and GEI sectors stack up well against the UKEI funds in the AIC dividend heroes. In this category, the UK sector provides 7 out of 19 heroes, while the GEI and the Global combined have 7 as well, albeit 6 of those 7 come from the Global sector, and not the GEI sector. This also goes for the next generation of dividend heroes, as the UK has 5 out of 29, and the GEI and Global combined provide 4. The Asia-Pac EI sector provides 3 in the next generation of dividend heroes – testament perhaps to it being a smaller and relatively younger sector.

Dividend heroes

Dividend heroes	AIC sector	No. of consecutive years of dividend increase
Bankers Investment Trust	Global	56
Alliance Trust	Global	56
F&C Investment Trust	Global	51
Brunner Investment Trust	Global	51
Scottish American	GEI	49
Witan Investment Trust	Global	48
Scottish Mortgage Investment Trust	Global	40
Next-generation dividend heroes		
Murray International Trust	GEI	17
Invesco Select Trust	GEI	12
Lindsell Train	Global	11
Mid Wynd International	Global	10

Source: Association of Investment Companies, Hardman & Co Research

In summary, we can say that the three global sectors provide investors with all the benefits of the UKEI sector, but with more opportunities for exposure to a wider universe of stocks, and a much better long-term track record in share price total return, albeit with a lower yield in the case of the Global sector.

GEI, Asia-Pac EI and Global sectors

GEI companies

GEI companies at a glance

Company	5-year dividend growth (% p.a.)	Dividend yield	Total assets (£m)	Launch date	Number of holdings
British & American	-27.3%	10.6%	7.6	08/01/1996	n/a
Henderson International Income	8.2%	4.4%	373.4	28/04/2011	67
Invesco Select Trust – Global Equity Income shares	1.5%	3.1%	70.3	23/11/2006	41
JPMorgan Global Growth & Income	6.9%	3.7%	1,969.7	21/04/1887	60
Murray International Trust	2.3%	4.3%	1,737.1	18/12/1907	69
Scottish American	4.5%	2.7%	999.8	31/03/1873	59
Securities Trust of Scotland	-0.3%	2.8%	226.3	28/06/2005	33

Source: Association of Investment Companies, Hardman & Co Research
Data as at 10 August 2023

Seven ICs in GEI sector, for total AUM of £5.3bn

There are seven ICs in the GEI sector, for a total AUM of £5.3bn – so much smaller than the UKEI or the Global sectors, but still the eighth-largest in the AIC universe. As with other sectors, there is a wide variation in the AUMs (over £1.9bn for JPMorgan Global Growth & Income, £1.7bn for Murray International, £7.6m for British & American and £70.3m for Invesco Select Trust). The one area where, perhaps, there is less variation is in the number of holdings, with the high and low being 69 and 33, respectively – so most of the funds are quite concentrated.

Asia-Pac EI companies

Asia-Pac EI companies at a glance

Company	5-year dividend growth (% p.a.)	Dividend yield	Total assets (£m)	Launch date	Number of holdings
abrdn Asian Income Fund	2.1%	5.2%	427.78	20/12/2005	64
Henderson Far East Income	2.7%	10.3%	409.84	30/05/1930	54
Invesco Asia Trust	21.9%	4.5%	254.23	11/07/1995	57
JPMorgan Asia Growth & Income	3.5%	4.7%	358.14	12/09/1997	64
Schroder Oriental Income	4.4%	4.6%	704.09	28/07/2005	64

Source: Association of Investment Companies, Hardman & Co Research
Data as at 10 August 2023

Five ICs in Asia-Pac EI sector, for total AUM of £2bn

The Asia-Pac EI sector is even smaller than the GEI sector, with only five funds, for a total sector AUM of £2bn. As with the GEI sector, there is quite a high commonality in terms of the number of holdings, with all five of the funds being quite concentrated (54-64 holdings). We have summarised the funds in the *Appendix*, but they all have a bottom-up, stock-picking process and philosophy.

Global companies

13 ICs in Global sector, for total AUM of £25bn

There are 13 ICs in the AIC Global sector, from giants like Scottish Mortgage Investment Trust (SMIT), which has £13.1bn of AUM, to Keystone Positive Change, with AUM of £169m.

Looking at the comparative table below gives us a good idea not only of the difference in scale of the 13 companies, but also of their performances, levels of gearing, dividend yields and dividend growth.

The average charge for the companies also varies, with an average ex-performance fee of 0.5%.

Global sector at a glance

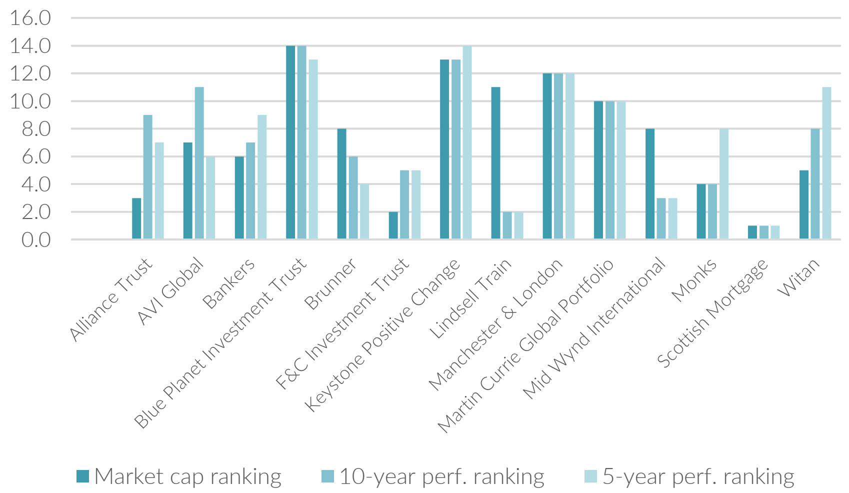
Company	Total assets (£m)	Discount/ premium to NAV	Gearing	Share price total return 1-year	Share price total return 5-year	Share price total return 10-year	5-year div. growth (% p.a.)	Div. yield	Ongoing charge
Alliance Trust	3,327.81	-6%	4%	7.5%	45.3%	189.5%	12.8%	2.4%	0.6%
AVI Global	1,153.44	-11%	4%	5.6%	41.1%	141.3%	6.6%	1.7%	2.2%
Bankers Investment Trust	1,544.2	-11.8%	9%	-3.8%	22.1%	121.9%	4.6%	2.4%	0.5%
Brunner Investment Trust	536.2	-12.3%	3%	5.9%	51.6%	172.6%	5.4%	2.1%	0.6%
F&C Investment Trust	5,380.5.	-10.9%	4%	-2.2%	26.5%	178%	5.4%	1.6%	0.5%
Keystone Positive Change	168.5	-13.7%	9%	-7.2%	-29.1%	-14.2%	-48.5%	5.2%	0.9%
Lindsell Train	207.43	-6.4%	0	-21.1%	-9.6%	257%	19.3%	5.3%	0.8%
Manchester & London	225.10	-21.0%	0	14.0%	0	111%	31.4%	3.2%	0.7%
Martin Currie Global Portfolio	282.6	-2.1%	11%	2.5%	33.7%	142.8%	0.0	1.3%	0.6%
Mid Wynd International	424.3	-1.8%	0	-1.9%	41.2%	205.4%	7.6%	1.0%	0.6%
Monks	2,714.9	-13.1%	4%	-5.7%	14.8%	175.5%	17.6%	0.3%	0.4%
Scottish Mortgage Inv. Trust	13,113.1	-18.3%	10%	-20.9%	26.0%	310.4%	6.0%	0.6%	0.3%
Witan Investment Trust	1,895.3	-8.9%	12%	3.96%	15.2%	129.5%	6.7%	2.5%	1.0%
Sector average (mean)		**-13.2%**	**7%**	**-9.4%**	**27.3%**	**197.8%**	**7.7%**	**1.3%**	**0.5%**

Source: Association of Investment Companies, Hardman & Co Research
Data as at 10 August 2023

Correlation between size of companies in Global sector and long-term performance

There is, rather unsurprisingly, a correlation between the size of the companies in the Global sector and the long-term performance. In the chart below, we show how the size of the IC (in terms of AUM) correlates with the 5- and 10-year NAV TR. The chart may seem counter-intuitive, as the scale on the left axis denotes the ranking within the peer group, i.e. the higher the ranking, the lower the number. SMIT ranks the highest in both 5- and 10-year performance, as it ranks number 1 out of 14, and its assets dwarf the rest of the sector. At the other end, we can see that Keystone ranks lowly in both performance and assets.

Global sector – assets and performance



Source: Hardman & Co Research

Appendix – the investment companies

UKEI companies

Abrdn Equity Income Trust (AEI)

Abrdn Equity Income Trust – share price graph (p)

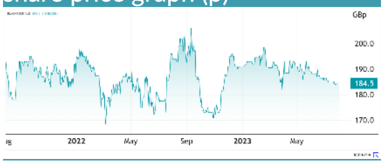
Source: Refinitiv

The company offers an actively managed portfolio of UK quoted companies. The investment approach is index-agnostic, and the aim is to "focus on change" by evaluating changing corporate situations and identifying insights that are not fully recognised by the market. The aim is to provide shareholders with an above-average income from their equity investment, while also providing real growth in capital and income. The company uses an index-agnostic approach, focusing on its best ideas from the full UK market cap spectrum. Financials and Energy make up over 50% of the portfolio, and if you add Basic Materials and Industrials, the percentage rises to 73%.

In the six months to 31 March 2023, the company delivered an NAV total return of 3.3%, which underperformed the total return of the FTSE All-Share Index of 12.3%. However, on a more positive note, the board was encouraged by the share price total return of 13.5% during the period, which resulted in the most significant narrowing of any discount in the UKEI sector

BlackRock Income & Growth (BRIG)

BlackRock Income & Growth – share price graph (p)



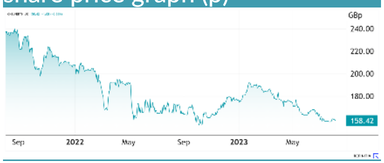
Source: Refinitiv

The company targets growing income and capital returns, and the aim is to deliver long-term total returns through the cycle, including a premium and growing dividend. It has a concentrated, high-conviction portfolio, focused on UK companies generating sustainable and growing free cashflow. This is a concentrated and well-diversified IC, with only three sectors above, or close to, 10% of the fund.

As at 19 June 2023, the NAV per share of the company had decreased by 2.9%, from 215.22p per share to 209.01p per share, and the shares fell by 1.8%, from 191.00p per share to 187.50p per share, over the same period. Its benchmark, the FTSE All-Share Index, has decreased by 2.8% over the period.

Chelverton UK Dividend Trust (SDV)

Chelverton UK Dividend Trust – share price graph (p)



Source: Refinitiv

The company invests in equities to achieve its investment objectives, which are to provide both income and capital growth, predominantly through investment in mid- and smaller-capitalised UK companies. It invests in a company for the first time only if it yields at least 4% on a 12-month view. This is a cast-iron rule, to which there are no exceptions. 62% of the fund is invested in companies with a market cap of below £250m – so it is very much a small-/mid-cap fund.

The underlying portfolio yield has increased this year, as Chelverton's investee companies have continued to grow their dividends, while, at the same time, there has been a continued general derating of the shares. The portfolio yield is currently 5.6%, which is significantly higher than the normal range of 4%-4.5% for this company over its 24-year life. It is also worth pointing out that 6.5% of the portfolio is currently not paying a dividend, as the investment manager manages the balance between revenue and capital growth.

City of London Investment Trust – share price graph (p)

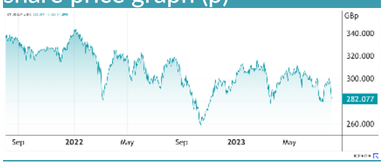
Source: Refinitiv

City of London Investment Trust (CTY)

Renowned for its record-setting annual dividend increases since 1966, the company targets long-term income and capital growth. Its objective is to provide long-term growth in income and capital, principally by investment in equities listed on the London Stock Exchange. The board fully recognises the importance of dividend income to shareholders. The fund is well-diversified, but, at the moment, three sectors account for 58% of the fund: Financials for 26%, Consumer Staples 20% and Industrials 12%.

As of December 2022, City of London's NAV total return was 4.5%, slightly behind the FTSE All-Share and the AIC UK Equity Income average, but ahead of the IA UK Equity Income OEIC sector average. In terms of attribution, gearing contributed positively by 95bps, owing to the beneficial effect of the rise in gilt yields on the fair value of the secured notes the company has issued in recent years.

CT UK Capital & Income Investment Trust – share price graph (p)



Source: Refinitiv

CT UK Capital & Income Investment Trust PLC (CT UK)

In its literature, this IC states that it offers the best of both worlds, the potential for long-term capital growth and a regular, growing income. Dividends have increased annually since launch in 1992, are paid quarterly and have grown significantly faster than inflation. It is a diversified portfolio focusing on well-established UK companies. Many of the stocks purchased have a higher-than-average dividend yield. Financials account for 31% of the fund, while Consumer Staples & Discretionary together account for 28%.

For the half-year-ended 31 March 2023, the dividend of 5.50p represents an increase of 3.8% in comparison with the six months at the end of 31 March 2022, and provides shareholders with an annual yield of 4.1%. The share price total return was 8.1%, and the company's NAV total return was 12.4%, outperforming the benchmark, the FTSE All-Share Index, which returned 12.3% over the same period.

CT UK High Income Trust – share price graph (p)

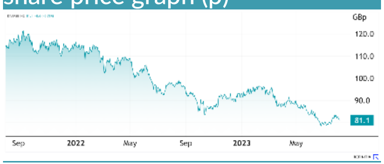
Source: Refinitiv

CT UK High Income Trust (CHI/CHIB/CHIU)

The company's aim is to provide an attractive return to shareholders each year in the form of dividends and/or capital returns, together with prospects for capital growth. In pursuit of this objective, the company invests predominantly in UK equities and equity-related securities of companies across the market cap spectrum. There are three share classes, and it has a concentrated portfolio, with only 34 stocks. Financials account for 30% of the fund, Consumer Discretionary 20% and Consumer Staples 17%. These three sectors make up 67% of the fund. 15% of the fund is invested overseas, and 7% is invested in non-index stocks.

In the year to 31 March 2023, the NAV total return was -0.4%, versus the total return from the FTSE All-Share Index, the benchmark index, of +2.9%.

Diverse Income Trust – share price graph (p)



Source: Refinitiv

Diverse Income Trust (DIV)

The company's objective is to provide shareholders with an attractive and growing level of dividends, coupled with capital growth, over the long term. The trust invests primarily in quoted or traded UK companies with a wide range of market caps, but has a long-term bias towards small- and mid-cap equities. The trust may also invest in large-cap companies, including FTSE 100 Index constituents, where it is believed that this may increase shareholder value. The fund has 126 holdings. AIM and FTSE Small-Cap holdings account for 50% of the fund, the FTSE 250 15% and the FTSE 100 18%.

In its results for the half-year to 30 November 2022, its NAV total return to shareholders saw a fall of 11.8%, 11.6% behind the return on the wider UK market. This included a reduction in the NAV, offset in part by the dividends paid during the half-year, and compares with a fall in the Numis All-Share Index of 0.2%

on a total return basis over the six months to 30 November 2022. The share price total return saw a fall of 9.4%, because the discount narrowed slightly from the position at the end of May 2022.

Dunedin Income Growth (DIG)

Dunedin Income Growth – share price graph (p)

Source: Refinitiv

The company's aim is to achieve growth of income and capital from a portfolio invested mainly in companies listed or quoted in the United Kingdom that meet the company's Sustainable and Responsible investing criteria, as set by the board. It is a concentrated fund with 36 names. Financials, Consumer Staples and Consumer Discretionary account for 53% of the fund, and 21% is invested overseas.

The company delivered a positive absolute return for the year-ended 31 January 2023, albeit this lagged the return of the wider market in what was a positive year for UK equities in a global context. Its NAV increased by 2.4% on a total return basis, underperforming the FTSE All-Share Index, which produced a total return of 5.2%.

Edinburgh Investment Trust (EDIN)

Edinburgh Investment Trust – share price graph (p)

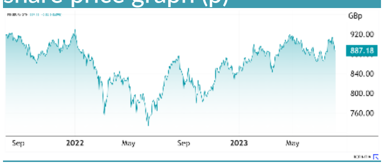
Source: Refinitiv

Edinburgh Investment Trust seeks to grow capital and income by investing in UK companies, with the ability to invest up to 20% of the portfolio in international stocks. The portfolio manager and his colleagues aim to achieve this through a flexible approach, as they acknowledge that investment styles come in and out of fashion, with economic and market cycles affecting them positively and negatively. The goal is to generate an attractive total return – combining capital growth and dividends – over the long term through a flexible investment process that is thoughtful and responsible. Hence, it invests in growth and value companies, as well as those able to recover through management change, business transformation and an improving business environment. This multi-style and flexible process is designed to reduce the volatility of returns through the economic top and market cycle. The fund is concentrated with 47 names. 88% is invested in the UK, and, by sector, Industrials make up 25%, with Healthcare and Consumer Discretionary accounting for 15% each.

EDIN delivered strong outperformance of the benchmark in the year to 31 March 2023, with an NAV total return of 7.9%, compared with a 2.9% total return for the FTSE All-Share Index. EDIN's share price return was 8.4%.

Finsbury Growth & Income Trust (FGT)

Finsbury Growth & Income Trust – share price graph (p)



Source: Refinitiv

This IC is managed by Lindsell Train, and invests principally in the securities of UK listed companies, with the objective of achieving capital and income growth, and providing a total return in excess of that of its benchmark, the FTSE All-Share Index (net dividends re-invested). The fund has only 22 names, and so is very concentrated. The top 10% accounts for 84% of the fund. The top three names account for 34% of the fund, and three sectors (Financials, Consumer Staples and Discretionary) account for 86% of the fund.

In the six months to 31 March 2023, FGT delivered an NAV per share total return of 12.3% and a share price total return of 12.5%. This was in line with the company's benchmark, the FTSE All-Share Index, which, measured on a total return basis, rose by 12.3% over the same period.

Invesco Select Trust (IVPU)

Invesco Select Trust – share price graph (p)

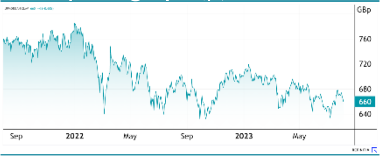
Source: Refinitiv

The investment objective of the UK equity share portfolio is to provide shareholders with an attractive real, long-term total return, with an income that will grow over time, by investing primarily in quoted UK equities. It is relatively concentrated, with 51 names, and well-diversified by sector, with the top two sectors (Financials and Consumer Discretionary) making up only 35% of the fund.

In NAV terms, with dividends re-invested, the UK equity share portfolio returned -4.0% over the six months to the end of November 2022 and -3.9% on the share price, compared with the FTSE All-Share Index's total return of +0.3%.

JPMorgan Claverhouse (JCH)

JPMorgan Claverhouse – share price graph (p)



Source: Refinitiv

The company aims to provide a combination of capital and income growth from a portfolio consisting mostly of companies listed on the London Stock Exchange. Its portfolio consists typically of between 60 and 80 individual equities in which the manager has high conviction. The company can use borrowing to gear the portfolio within the range of 5% net cash to 20% geared in normal market conditions. The fund currently has 65 names, and is well-diversified by sector, although Financials account for 23%, Energy and Consumer Discretionary 12% each, and Consumer Staples 12% – so the top four sectors account for almost 60%.

In sum, in the year to 31 December 2022 as a whole, JCH delivered a total return on net assets (capital plus dividends re-invested) of -4.6%, 4.3ppts weaker than the benchmark (the FTSE All-Share Index) return of +0.3%. With the company's shares moving from a premium of +0.2% to a small discount of -0.3% at the year-end, the total annual return for shareholders was -5.1%.

Law Debenture Corporation (LWDB)

Law Debenture Corporation – share price graph (p)

Source: Refinitiv

The fund's objective is to achieve long-term capital growth in real terms, and steadily increase income. It is well-diversified, with 150 holdings, and the UK accounts for 84% of the fund, Europe 10% and North America 5%.

Its benchmark, the FTSE Actuaries All-Share Index, delivered a 0.3% total return, and the company's share price total return marginally outperformed this, with a total return of 0.4% for 2022.

Lowland Investment Company (LWI)

Lowland Investment Company – share price graph (p)

Source: Refinitiv

The company aims to give shareholders a higher-than-average return, with growth of both capital and income over the medium to long term, by investing in a broad spread of predominantly UK companies. It measures its performance against the FTSE All-Share Index total return. The fund has 109 names, with two sectors, Financials (36%) and Industrials (26%), accounting for 62% of the fund.

For the half-year-ended 31 March 2023, earnings per share increased by 43%, to 6.10p, and the dividend yield at the end of March amounted to a historically very high 5.8%.

Merchants Trust (MRCH)

Merchants Trust – share price graph (p)

Source: Refinitiv

The trust's objective is to provide an above-average level of income, income growth and long-term growth of capital through a policy of investing mainly in higher-yielding, large UK companies. It is a concentrated fund, with 53 names. Financials account for 21% and Consumer Staples and Discretionary 15% each – so these three sectors alone account for over 50% of the fund. 95% of the fund is invested in the UK and 5% in Europe. FTSE 100 names account for 58% of the fund and FTSE 250 names 32%.

Over the year to 31 January 2023, MRCH's' NAV total return for the period was 7.6%, which was well ahead of the benchmark index's (the FTSE All-Share) return of 5.2%. MRCH was also second in its peer group (a group of 21 investment trusts with similar objectives) over the year to 31 January 2023, reflecting a strong comparative year for the underlying investment strategy.

Murray Income Trust (MUT)

Murray Income Trust – share price graph (p)

Source: Refinitiv

The company's aim is to achieve a high and growing income, combined with capital growth, through investment in a portfolio principally of UK equities. The 20 largest holdings account for 61% of the fund, and the top five sectors account for 70% of the portfolio. It has 52 holdings – so it is relatively concentrated.

Over the six months ended 31 December 2022, the company's NAV per share rose by 4.0% in total return terms, compared with the benchmark's (the FTSE All-Share Index) return of 5.1%. The share price total return was 3.8%, reflecting the discount widening from 3.8% to 4.1%.

Schroder Income Growth Fund (SCF)

Schroder Income Growth Fund – share price graph (p)

Source: Refinitiv

The Schroder Income Growth Fund aims to achieve income growth, more than inflation and capital growth, as a result of rising income. It is a concentrated fund with only 41 holdings, and the top two sectors make up just under half of the fund: Financials 26% and Consumer Discretionary 21%.

For the six-month period to 28 February 2023, the company's NAV total return was 10.7%, compared with 8.7% for the FTSE All-Share Index. The share price performance was slightly higher than the NAV, returning 11.4%, as a result of the discount narrowing from 2.1% to 1.5% over the period. Post 28 February 2023 to 25 April 2023, the NAV and share price have delivered total returns of -0.4% and -0.8%, respectively, versus the return on the FTSE All-Share Index of +0.4%.

Shires Income (SHRS)

Shires Income – share price graph (p)

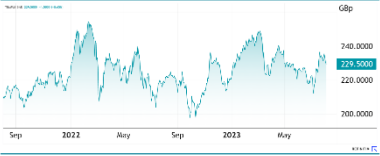
Source: Refinitiv

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 invested substantially in UK equities, but also in preference shares, convertibles and other fixed-income securities. It has 63 holdings, and the top 10 names account for 33% of the fund. Fixed income accounts for 26% of the fund and equities 96%, with debt/gearing accounting for 23%. By sector, Financials account for 42%, and Energy 14% – so just two sectors make up 56% of the fund.

The company's NAV performance for the year to 31 March 2023, on a total return basis, was -2.2%, representing an underperformance of 5.1% compared with the FTSE All-Share Index benchmark return. The company's share price performance was also behind the benchmark, with a total return of -5.5% for the year. Its revenue earnings per share for the year were 14.83p, compared with 14.21p last year, an increase of 4.4%

Temple Bar Investment Trust (TMPL)

Temple Bar Investment Trust – share price graph (p)



Source: Refinitiv

The company aims to rotate the trust's investment portfolio into companies that it believes are available at a significant discount to intrinsic value. This involves buying the shares of attractively valued, out-of-favour companies and holding them for the long term, until their share prices more appropriately reflect their true value, or until even more attractive ideas present themselves. The company's policy is to invest in a broad spread of securities, with typically most of the portfolio selected from the constituents of the FTSE 350 Index. The fund has only 30 holdings – so it is concentrated. The top 10 account for 57%, with the Financials exposure making up 20%, and Energy 18%.

As at December 2022, the company's NAV total return was -2.0%, which compares with the total return on the benchmark FTSE All-Share index of 0.3%. The share price total return was 3.6%, as the discount narrowed over the year, to finish at 5.6%.

Troy Income & Growth Trust (TIGT)

Troy Income & Growth Trust – share price graph (p)

Source: Refinitiv

The company's investment objective is to achieve rising income and long-term capital growth through investment in a portfolio of predominantly UK equities. It aims to achieve a share price total return above the FTSE All-Share Index over a five-year period, and dividend growth of 4% per annum for shareholders, with share price volatility lower than the FTSE All-Share Index. It is a concentrated fund, with only 42 names, and the top 10 accounting for 49%.

The company delivered an NAV per share total return of +8.9% and a share price total return of +7.7% over the six months to 31 March 2023. Over the same period, the FTSE All-Share Index, the benchmark, produced a total return of +12.3%. The average NAV total return for the AIC UKEI sector was +12.6% for the same period.

GEI companies

British & American (BAF)

British & American – share price graph (p)

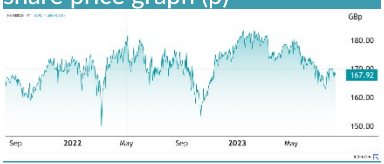
Source: Refinitiv

The company's policy is to invest predominantly in investment trusts and other leading UK- and US-quoted companies to achieve a balance of income and growth. The fund is very small (£8m), and its website does not provide much information.

Net assets at year-end December 2022 were £7.1m (2021: £6.7m), an increase of 5.4%, after the payment of £0.6m in dividends to shareholders during the year. This compares with an increase in the FTSE 100 index of 0.9% and to a decrease in the UK All-Share index of 3.2% over the period. On a total return basis, after adding back dividends paid during the year, net assets increased by 14.5%, compared with increases of 4.7% and 0.3% in the FTSE 100 and UK All-Share indices, respectively.

Henderson International Income (HINT)

Henderson International Income – share price graph (p)



Source: Refinitiv

Henderson International Income Trust was launched in 2011 to provide an investment solution for investors seeking attractive income and capital growth opportunities. The company invests in the best global income ideas, and is well-diversified by sector and region outside the UK, with the investment ideas being generated by the Janus Henderson Global Equity Income team. The team believes that global diversification helps mitigate political and economic risks, and provides exposure to additional opportunities. The portfolio is split into three regions, North America, Europe and Asia-Pacific, with none representing more than 50% of assets and no individual stock over 5% of the portfolio at the time of investment. It has 67 holdings – so it is well-diversified.

During the six months to 28 February 2023, the NAV total return per ordinary share was 2.2% (debt at par) and 2.8% (debt at fair value). The company's return on the ordinary share price was 6.5%. This included dividends totalling 3.7p per share (2022: 3.6p), an increase of 2.8% YoY. The total return of the company's comparator index (MSCI ACWI (ex-UK) High Dividend Yield Index (Sterling-adjusted)) was 0.5%.

Invesco Select Trust (IVPG)

Invesco Select Trust – share price graph (p)

Source: Refinitiv

This is a multi-asset class investment trust, which was launched in 2006, with four portfolios, each with its own share class: UK Equity, Global Equity Income, Balanced Risk Allocation and Managed Liquidity. The investment objective of the Global Equity Income Share Portfolio is to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide. The portfolio is made up of three categories: i) dividend compounders – a minimum of 70% of the fund will be in companies that have a strong track record of paying and growing dividends; ii) up to 20% in low-yielding, but faster-growth stocks – these are companies with excellent capital allocation, resulting in compelling returns on invested capital or a progressive buyback policy; and iii) up to 10% of the portfolio will be invested in "dividend restoration" ideas – businesses that the company believes are undergoing a temporary challenge or turnaround, but where we see a clear route to dividend restoration. The portfolio is quite concentrated, with 41 holdings.

For the six months to November 2022, the Global Equity Income Share Portfolio returned +1.9% in NAV terms and –0.8% on the share price (both on a total return basis), compared with its benchmark, the MSCI World Index (GBP) total return over the period of +3.9%.

JPMorgan Global Growth & Income (JGGI/JGGC)

JPMorgan Global Growth & Income – share price graph (p)

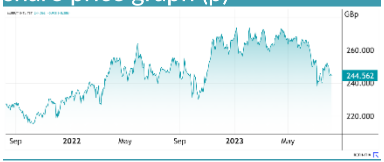
Source: Refinitiv

JPMorgan Global Growth & Income plc management believes that its IC provides "the best of both worlds": the manager focuses on investing in the best ideas from across the world's stock market, while the company delivers a predictable quarterly income distribution, which is set at the beginning of its financial year. The IC states that its key differentiating factors are tapping into the local proprietary analysis of JPMorgan's award-winning and experienced global research team. This is a global "best-ideas" portfolio, with the manager focused on identifying companies that will provide the best total returns. It has 60 holdings.

Over the six months to December 2022, the total return on the company's net assets (with debt at par) was +8.6%, compared with the return on its benchmark, the MSCI AC World Index (£), of +3.3%. The return to shareholders over the same period was +9.7%. This is testament to the investment manager's disciplined approach to stock selection and management of the portfolio.

Murray International Trust (MYI)

Murray International Trust – share price graph (p)



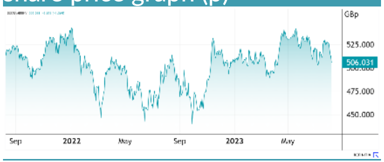
Source: Refinitiv

Part of the abrdn group, the aim of the company is to achieve an above-average dividend yield, with long-term growth in dividends and capital ahead of inflation, by investing principally in global equities. The most recent factsheet shows that the IC had 65 holdings, with 51 in equities and 14 in fixed income. In percentage terms, the equity proportion of the fund was 100%, with fixed income at 7% and gearing of 9%.

The company's NAV posted a total return for the year-ended 31 December 2022 (i.e. with net income re-invested) of +8.8%. The company has no benchmark, but this performance compares favourably with a total return for the Reference Index, the FSTE ALL World TR Index, of -7.3%. However, the company's performance could not match an abnormal rise over the same period of +13.4% for the UK Retail Price Index (RPI). The share price posted a higher total return of +20.6%. Increased income per share amounted to 60.1p for the year (2021: 51.7p), enabling an ongoing improvement in the level of dividend and a return to a fully covered dividend.

Scottish American (SAIN)

Scottish American – share price graph (p)



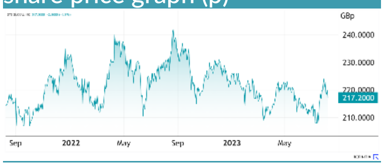
Source: Refinitiv

Another Baillie Gifford IC, the company's stated aim is to be a core investment for private investors seeking income. Its objective is to grow the dividend at a faster rate than inflation by increasing capital and growing income. The focus of the portfolio is on global equities, but investments are also made in bonds, property and other asset types. The equity portfolio is managed on a global basis, and usually consists of between 50 and 100 stocks. In constructing the portfolio, little regard is paid to the composition of the equity indices. It is the only IC in the GEI sector to be in the AIC's dividend heroes table, with 49 years of consecutive dividend increases. It has 59 global equity holdings, which account for 85% of the fund, 2.6% in infrastructure holdings, 7.1% in direct property and 4.5% in bonds.

In a challenging year, as of the end of December 2022, investments in SAIN delivered a share price total return of -3.5%, and the NAV total return was -3.7%.

Securities Trust of Scotland (STS)

Securities Trust of Scotland – share price graph (p)



Source: Refinitiv

Troy Asset Management Limited was appointed Investment Manager of Securities Trust of Scotland in November 2020. The trust was formerly managed by Martin Currie (since its launch in 2005). The investment objective of the Securities Trust of Scotland is to achieve rising income and long-term capital growth through investment in a balanced portfolio constructed from global equities. At the last count, it had a portfolio of 33 stocks – so it is quite concentrated.

Over the 12-month period to 31 March 2023, the NAV total return for the company was -1.8%, marginally behind the +0.5% total return for the comparator benchmark, Lipper-Global – Equity Global Income Index. Total revenue earned for the year was £8.2m, an increase of 11.7% on the previous year.

Asia-Pac EI companies

abrdn Asian Income Fund (AAIF)

abrdn Asian Income Fund – share price graph (p)

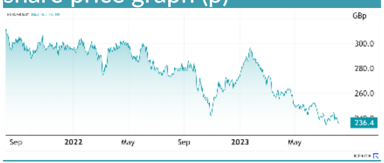
Source: Refinitiv

The IC's aim is to provide investors with a total return, primarily through investing in Asia-Pacific securities, including those with an above-average yield. Within its overall investment objective, the company aims to grow its dividends over time. Its portfolio is constructed without reference to the composition of any stock market index or benchmark. It targets the income and growth potential of Asia's most compelling and sustainable companies. It is a bottom-up, unconstrained strategy focused on delivering rising income and capital growth by investing in quality Asia-Pacific companies at sensible valuations. It has local teams seeking out cash-generative companies with strong balance sheets and paying attractive dividends to their shareholders. It has 64 investments, and the top 10 account for 35% of the portfolio.

The NAV total return of -3.6% for the year-ended 31 December 2022 was ahead of the MSCI Asia-Pacific ex Japan Index, which fell by 6.8% on a total return basis. The dividend per Ordinary share increased by 5.3%, from 9.5p to 10.0p, providing a dividend yield of 4.7%.

Henderson Far East Income (HFEL)

Henderson Far East Income – share price graph (p)



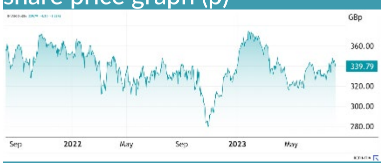
Source: Refinitiv

The company seeks to provide shareholders with a growing total annual dividend per share, as well as capital appreciation, from a diversified portfolio of investments from the Asia-Pacific region. It employs a value-driven approach providing unique access to the growing economies in Asia-Pacific. It invests in companies with high and sustainable dividends and those that have the potential to grow their dividends. It is well-diversified, with 54 holdings and the top 10 accounting for just over 30% of the fund.

The NAV total return of -3.6% for the year-ended 31 December 2022 was ahead of the MSCI AC Asia-Pacific ex Japan Index, which fell by 6.8% on a total return basis. The dividend per Ordinary share increased by 5.3%, from 9.5p to 10.0p, providing a dividend yield of 4.7%. Performance was ahead of the MSCI AC Asia-Pacific ex Japan Index in the year. NAV per share was down 3.6% on a total return basis, compared with a fall of 6.8% in the MSCI Asia-Pacific ex Japan Index. Revenue earnings per share were 10.2p for the year, an increase of 14.3% compared with the previous year.

Invesco Asia Trust (IAT)

Invesco Asia Trust – share price graph (p)

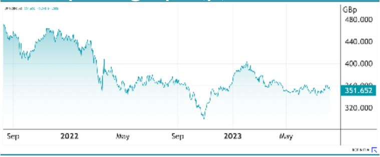


Source: Refinitiv

The company's objective is to provide long-term capital growth and income by investing in a diversified portfolio of Asian and Australasian companies. The company aims to achieve growth in its NAV total return, ahead of the benchmark Index, the MSCI Asia-Pacific ex Japan Index (total return, net of withholding tax, in Sterling terms). It has 57 holdings, and so is well-diversified, and the top 10 account for 45% of the fund. It has 33% of the fund invested in China, which is its biggest country exposure.

Performance over the six months to 31 October 2022 was ahead of its benchmark, with an NAV per share total return of -13.1%, versus the MSCI Asia-Pacific ex Japan Index's return of -15.3%. The share price total return was -15.5%, with the discount widening from 11.9% to 14.2% over the period.

JPMorgan Asia Growth & Income – share price graph (p)



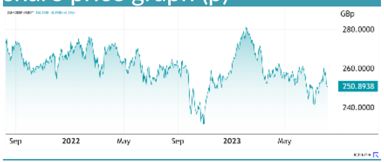
Source: Refinitiv

JPMorgan Asia Growth & Income (JAGI)

The company's aim is to provide capital growth from a diversified portfolio of around 50 to 80 companies, quoted on the Asian stock markets, excluding Japan. The company pays quarterly dividends equivalent to 1% of its NAV, set on the last business day of each financial quarter. It can also use gearing up to a maximum level of 20% of net assets to increase potential returns. The top 10 companies account for 45% of the fund. By sector, IT accounts for 29%, and Financials 22%. By country, China is 26%, Hong Kong 13%, Taiwan 17% and South Korea 19% – so these four countries make up 75% in total. The fund has 64 holdings.

The company's return on net assets over the six months ended 31 March 2023 was +11.4%, while the return to Ordinary shareholders was +13.2%, reflecting a narrowing of the company's share price discount to NAV over the period. The company significantly outperformed its benchmark, the MSCI Asia-Pacific ex Japan Index, which returned +4.9% – a result that is consistent with its long-term track record of absolute returns and outperformance.

Schroder Oriental Income – share price graph (p)



Source: Refinitiv

Schroder Oriental Income (SOI)

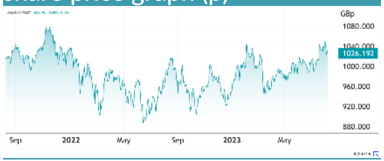
The investment objective of the company is to provide a total return for investors, primarily through investments in equities and equity-related investments, of companies that are based in, or that derive a significant proportion of their revenues from, the Asia-Pacific region, and that offer attractive yields. It has 64 holdings. By sector, Financials account for 32%, and IT 28%. By country, Taiwan accounts for 20%, China 16% and Australia 18%.

The company's NAV per share recorded a total return of +1.6% over the six months to end-February 2023. Two interim dividends have been declared, totalling 4.00p per share (3.80p last year).

Global companies

Alliance Trust (ATST)

Alliance Trust – share price graph (p)



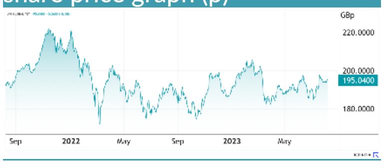
Source: Refinitiv

Alliance Trust's pedigree is very long. It started in 1888, and is one of the AIC's dividend heroes, with 56 years of consecutive dividend increases – an incredible record. It focuses primarily on global equities, and states that its policy is to grow capital and to pay investors a dividend that increases every year. Unlike many of the other ICs in the sector, it uses a multi-manager approach, which it believes reduces risk and volatility. It manages a diverse portfolio of around 200 stocks. The company benefits from having Willis Towers Watson (WTW), one of the world's leading investment groups, as its investment manager. WTW has a wealth of experience managing similar global equity portfolios that have outperformed over time. The strategy is managed by WTW's Alliance Trust Investment Committee, which is responsible for selecting, appointing and managing its stock pickers. WTW is then also responsible for blending and balancing overall portfolio risk, at a stock, sector and geographical level, as well as implementing any hedging and gearing, and stringent cost management.

In the year to 31 December 2022, the company's NAV total return was -7.1% (2021: 18.6%), outperforming the benchmark index, the MSCI ACWI, which returned -8.1% (2021: 19.6%). The company's Total Shareholder Return (TSR) was -5.8% (2021: 16.5%), as the discount to NAV at which the shares traded narrowed. The average TSR of the AIC Global Sector peer group was -23.2% over the same period.

AVI Global (AGT)

AVI Global – share price graph (p)



Source: Refinitiv

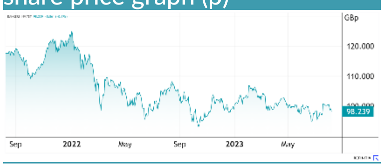
AGT dates back to 1889, when it was known as the British Empire Trust Plc, although its current incarnation can be more realistically dated back to 1985 – which is still an impressive 38 years. In 1985, Asset Value Investors were appointed as investment managers of AGT, which, at that point, held a total of £6m in AUM. As at the end of June 2023, AGT's total AUM stood at over £1.2bn.

Its primary aim is to achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying NAV. The differentiating factor (and, in this respect, AVI Global is almost unique in the sector) is that it invests in a concentrated portfolio, which is a combination of family-controlled holding companies, closed-ended funds and asset-backed opportunities. This is not something that is found in other funds or indices. The result is a concentrated portfolio of high-conviction ideas, yet with a broad diversification to sectors and companies through the holding structures of the portfolio companies.

The NAV total return for the six months under review was +5.3%, underperforming the comparator benchmark, which produced a return of +10.3%. As set out in the Investment Manager's Report, all of the underperformance occurred in a difficult period in March 2023.

Bankers Investment Trust (BNKR)

Bankers Investment Trust – share price graph (p)



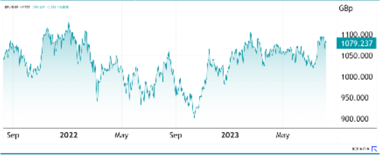
Source: Refinitiv

This is a diversified equity portfolio from Janus Henderson Investors' regional investment specialists. It currently comprises 163 stocks, and its aim is to generate income and capital growth for shareholders with a globally diversified portfolio. It has demonstrated 56 consecutive years of dividend increases, and is another one of the AIC's dividend heroes.

The company delivered a strong NAV total return over the six months ended 30 April 2023 of 8.1% (2022: -5.6%) and a share price total return of 5.4% (2022: -6.3%), outperforming the FTSE World Index total return of 3.5% (2022: -2.6%).

Brunner Investment Trust (BUT)

Brunner Investment Trust – share price graph (p)



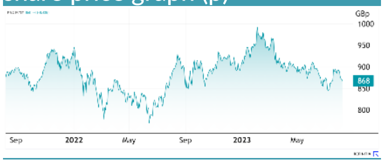
Source: Refinitiv

Brunner can date its inception to 1927, and is run by Allianz, the German-quoted global insurance and asset management giant. The trust aims to provide growth in capital value and dividends over the long term by investing in global and UK securities. The benchmark against which performance is measured is 70% FTSE World ex-UK Index and 30% FTSE All-Share Index. The fund comprises 60 stocks – so is relatively concentrated. Brunner is another of the AIC's dividend heroes, with 51 years of dividend increases.

At its recent results, for the six months up to 31 May 2023, Brunner reported a gain in NAV of 0.7%; this was ahead, in relative terms, of an overall decline in the composite benchmark index (70% FTSE World Index Ex UK and 30% FTSE All-Share Index) of -1.2%. The NAV total return was 1.6%, ahead of the more modest 0.3% return of the benchmark.

F&C Investment Trust (FCIT)

F&C Investment Trust – share price graph (p)



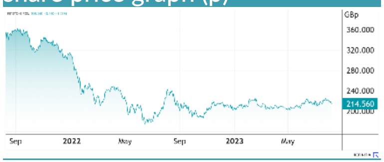
Source: Refinitiv

This is another of the oldest ICs, dating back to 1868, and is also another of the AIC's dividend heroes, with 51 years of dividend increases. It invests on the world's major stock markets in the shares of established companies, as well as in strong newcomers and rising stars in developing markets. It has a diverse portfolio strategy that also gives investors exposure to a range of well-managed private equity (PE) funds. It currently has 350 holdings.

For the year 2022, the NAV total return, taking debt at market value, of -5.3%, outperformed the return from its benchmark of -7.7%, and the discount on which the share price traded relative to NAV per share narrowed, from a start-of-year level of 7.3%, to 3.0% at the end of the year. The narrowing of the discount enhanced shareholder returns, resulting in a share price total return of -0.9%.

Keystone Positive Change (KPC)

Keystone Positive Change – share price graph (p)



Source: Refinitiv

This is one of Baillie Gifford's ICs, and its aim is to generate long-term capital growth, with the NAV total return exceeding that of the MSCI AC World Index in Sterling terms by at least 2% per annum over rolling five-year periods. As the name of the IC suggests, it aims to do this by contributing towards a more sustainable and inclusive world by investing in the equities of companies whose products or services make a positive social or environmental impact.

Over the six months to 31 March 2023, the company's NAV total return was 14.6%, and the share price total return was 9.7%. In comparison, the benchmark MSCI All Country World Index returned 6.6% (in Sterling terms).

Lindsell Train (LTI)

Lindsell Train – share price graph (p)

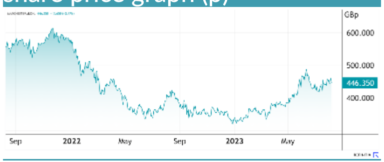
Source: Refinitiv

Lindsell Train was established in 2000 by Michael Lindsell and Nick Train, and was founded on the shared investment philosophy that developed while they worked together during the early 1990s. The IC was launched in 2001. The portfolio is concentrated, with the number of equity investments averaging 15. The aim is to maximise long-term total returns, with a minimum objective to maintain the real purchasing power of Sterling capital, by investing globally in a wide range of financial assets, with no limitations on the markets and sectors in which investment may be made. There is likely to be a bias towards equities and Sterling assets, consistent with a Sterling-dominated investment objective. Included in the range of assets are Lindsell Train managed funds and the unlisted security, Lindsell Train Limited. The most recent report shows that 40.6% is invested in Lindsell Train Ltd. The IC is also on the AIC's list of next-generation dividend heroes, with 11 years of consecutive dividend increases.

The company's NAV was £1,056.95 on 31 March 2023. Although it fell from £1,113.81 a year earlier, the payment of the company's total annual dividend of £53.00 per share in September 2022 ensured that the NAV total return was only fractionally down, by 0.4%. This was a marginally better result than the performance of the company's benchmark, the MSCI World Index, in Sterling, which fell in value by 1.0% over the year. The company's share price closely tracked the NAV for most of the year, and, at 31 March 2023, it closed at £1,052.50 – a 0.4% discount. After two consecutive years of underperformance compared with the benchmark index between 31 March 2020 and 31 March 2022, it was pleasing to see comparative returns improving.

Manchester & London (MNL)

Manchester & London – share price graph (p)



Source: Refinitiv

Not an AIC member, MNL has the investment objective of achieving capital appreciation through a policy of actively investing in a diversified portfolio of predominately developed market-listed equities. MNL maintains a portfolio of approximately 20 to 100 securities, which it defines as generally blue-chip, quality, global and growth-orientated. 98% is invested in large-cap equities, of which over 90% are stocks in the information technology sector. This is very much a technology and growth IC.

Martin Currie Global Portfolio Trust (MNP)

Martin Currie Global Portfolio Trust – share price graph (p)

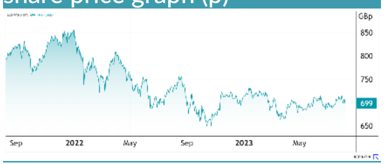
Source: Refinitiv

Launched in 1999, Martin Currie Global Portfolio Trust aims to achieve long-term returns in excess of the total return from the MSCI All Country World index. The team aims to create a portfolio consisting of businesses it believes are leaders and innovators at the forefront of some multi-decade investment themes, such as the rise of electric vehicles, the growth of the emerging market middle class and the onset of artificial intelligence (AI). The focus seems to be very much on sustainable growth.

The period to 31 January 2023 was difficult for this IC and the portfolio manager's investment style. Net revenue earnings per share for the period amounted to 2.16p. The company has paid three interim dividends of 0.9p per share, and it paid a fourth interim dividend of 1.5p per share on 28 April 2023 to shareholders on the register on 11 April 2023. The total dividends with respect to the year to 31 January 2023 will be 4.2p per share, maintaining the same total dividend as the previous years. The company's NAV total return was -8.8%.

Mid Wynd International (MWY)

Mid Wynd International – share price graph (p)

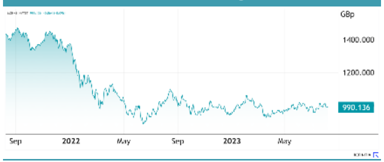


Source: Refinitiv

Artemis was appointed as the manager of Mid Wynd International in 2014. The managers of the Mid Wynd International Investment Trust seek to deliver capital and income growth by investing worldwide in company shares they regard as being of high quality: companies with strong positions in their markets, excellent balance sheets and sustainable pricing power. Regardless of the short-term economic environment, the managers believe these companies have the strength and financial resources to prosper over time. Mid Wynd is another of the AIC's next-generation dividend heroes, with 10 years of consecutive dividend increases.

For the six months ended 31 December 2022, the company's share price rose 4.0%, on a total return basis (with dividends assumed to be re-invested). This compares with a total return from the MSCI All Country World Index (GBP) of 3.3%. The company's NAV per share rose 2.6% on a total return basis. Since Artemis's appointment as Investment Manager on 1 May 2014, the NAV per share has increased by 184.4%, on a total return basis, against the comparator index increase of 141.3%. As at 31 December 2022, the share price stood at a 1.5% premium to NAV.

Monks – share price graph (p)



Source: Refinitiv

Monks (MNKS)

Another Baillie Gifford fund, the trust aims for long-term capital growth, which takes priority over income. This is pursued through applying a patient approach to investment, principally from a differentiated, actively managed global equity portfolio containing a diversified range of growth stocks – companies with above-average earnings growth – which the fund expects to hold for around five years, on average. Investments are made on an unconstrained basis. The portfolio, which includes stocks with a range of different growth profiles, will typically contain 100+ stocks from around the world.

During the year to April 2023, the NAV total return, with borrowings calculated at fair value, was -1.6%. The share price total return was -7.0%, while the FTSE World Index returned +3.2%. This is a disappointing outcome against the backdrop of last year's declines. It is now eight years since the change in investment approach was implemented, in March 2015. Since the end of March 2015, the NAV total return has been +126.7%, against the comparative index at +127.4%. Over the same period, the share price total return was +131.3%.

Scottish Mortgage Investment Trust – share price graph (p)

Source: Refinitiv

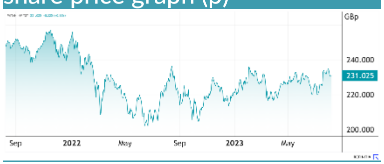
Scottish Mortgage Investment Trust (SMIT)

Another Baillie Gifford IC, and the largest by size of the Global sector, its stated aim is "seeking the outliers and finding companies that can transform society", and "giving transformation time to happen". It "invests in progress". Originally launched in 1909, SMIT has a rich history, which has grown and evolved through the years to become the global investment giant that it is today. It aims to identify, own and support the world's most exceptional growth companies. In its own words, SMIT aims to provide long-term funding and support for the companies and entrepreneurs building the future of the economy. Its unconstrained approach enables it to have the broadest opportunity set, spanning both public and private companies across the globe. The fund has 101 holdings, and 28% of the fund is invested in private companies. SMIT is another AIC dividend hero, with 40 years of consecutive dividend increases.

The company posted a negative return in the year to 31 March 2023. While this is a disappointing result, its view is that this represents too short a time frame on which to judge returns, given the long-term nature of the investment strategy.

Over the last 10 years, SMIT's NAV per share has increased by 432%, compared with a 181% increase in the FTSE All-World index. This track record of delivering strong returns and its reputation for identifying high-growth companies that will transform society mean that it continues to be regarded as one of the UK's leading investment trusts.

Witan Investment Trust – share price graph (p)



Source: Refinitiv

Witan Investment Trust (WTAN)

Like SMIT above, Witan can trace its history back to 1909. It invests in established and promising emerging companies around the world. It searches for the best fund managers internationally, and so the portfolio is not reliant on the stock-picking skills of one individual. The multi-manager, team-based approach ensures that the portfolio embraces many companies, sectors and geographies. This degree of diversity – coupled with the variety of investments – makes Witan a straightforward, one-stop gateway to the international equity markets. Witan has a 48-year history of consecutive dividend rises and as an investment trust, and so is another AIC dividend hero. At the last count, Witan had 8 external managers and 251 holdings; so, in line with our comment above, it is not reliant on the stock-picking skills of one manager.

As of December 2022, the full-year NAV total return was -10.3%, and the share price total return was -9.8%. The benchmark, (Witan's benchmark is a composite of 85% Global MSCI All Country World Index and 15% UK MSCI UK IMI Index), returned -6.2%, and the AIC Global sector's NAV total return was -20.4%. The share price discount to NAV was 5.4% at year-end (2021: 5.8%). The 2023 NAV total return to 10 March was +5.6%, 3.6% ahead of the benchmark total return of 2.0%.

About the authors

Riccardo Bindi

Riccardo Bindi is an analyst covering investment companies and Italian-quoted companies. He joined Hardman & Co in 2021.

Riccardo has close to 30 years of buy-side experience, as an analyst and fund manager, primarily in Pan-European and UK equities. He began his fund management career as a European Small- and Mid-Cap analyst at the Prudential Insurance Company of America (PRICOA), before moving to Lombard Odier, where he was a European equities portfolio manager, and also head of the Small- and Mid-Cap product. He then worked at Société Générale Asset Management (SGAM), where he was a Director and Senior Portfolio Manager, and, more recently, he was at Morgan Stanley Invest Management (MSIM,) for close to 14 years, as a Senior Portfolio Manager.

Riccardo has a BSc (Hons) in Economics from the University of Bath, and an MSc in Economics from the University of London. He is also a CFA Charterholder and a member of the CFA Institute.

Keith Hiscock, Chief Executive of Hardman & Co

Keith has published a number of papers on the issues facing companies and markets in today's climate.

His career in stockbroking started 43 years ago at James Capel, at the time, the top-ranked research house in London. He was a founding member of Schroder Securities and of Agency Partners, a leading research boutique, and was a member of the five-man securities board at Evolution. Keith has also advised companies, large and small, on their relationships with the capital markets.

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The fact that Hardman & Co is commissioned to write the research is disclosed in the disclaimer, and the research is widely available.

The full detail is on page 26 of the full directive, which can be accessed here: http://ec.europa.eu/finance/docs/level-2-measures/mifid-delegated-regulation-2016-2031.pdf

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