

Dec
2018

Aberdeen Standard Equity Income Trust plc (formerly Standard Life Equity Income Trust plc)

Aberdeen Standard
Investments

31 December 2018

<p>Investment Objective: To provide shareholders with an above average income from their equity investment while also providing real growth in capital and income.</p> <p>Benchmark: FTSE All-Share Index.</p> <p>Features of the Trust: Objective of increasing the dividend in real terms. Gearing will be actively managed reflecting individual stock views</p>	UK - Investment Trust
	UK Equity Income
	Monthly

Launch Date	14 Nov 1991	Sedol (Ordinary shares)	0603959
Standard Life Investments	Nov 2005	Reuters (Ordinary shares)	ASEI.L
Start date			
Fund Manager	Thomas Moore		

Aberdeen Standard Equity Income Trust plc, formerly Standard Life Equity Income Trust plc (the Company), currently conducts its affairs so that securities issued by it can be recommended by financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's securities are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are securities in a UK listed investment trust.

This document is intended for use by individuals who are familiar with investment terminology. Aberdeen Standard Investments has not considered the suitability of investment against your individual needs and risk tolerance. If you are in any doubt as to whether this fund is suitable for you, you should seek advice. An adviser is likely to charge for advice. We are unable to provide investment advice.

Trust Information

as at 31 December 2018	
Trust Managers	Aberdeen Standard Investments (Since November 2005)
Gross Assets	£227.5 million (Source: Aberdeen Standard Investments)
Borrowing	£30.0 million (Source: Aberdeen Standard Investments)
Yield (Net)	4.8% (Source: Aberdeen Standard Investments)
Dividends Quarterly	January/March/June/September
Current Annual Dividend Rate	19.2p
Market Capitalisation	£195.2 million (Source: Aberdeen Standard Investments)
Share Price	397.0p (Source: Datastream)
Net Asset Value	401.1p (Source: Aberdeen Standard Investments)
(Discount)/Premium	(1.0)% (Source: Aberdeen Standard Investments)
	12 Month High 2.4% (Source: Datastream)
	12 Month Low (6.2)% (Source: Datastream)
Current Equity Net Gearing	14.3% (Source: Aberdeen Standard Investments)
Potential Gearing	-5% to 15% The levels of gearing and yield change on a daily basis.
Trust Annual Management Fee	0.65% on Gross Assets up to £250 million, 0.55% on Gross Assets above £250 million
Active Share percentage~	86.3%

~The 'Active Share' percentage is a measure used to describe what portion of the Trust's holdings differ from the benchmark index holdings.

Top Twenty Holdings

Stocks	Portfolio (%)
John Laing	4.7
Royal Dutch Shell	3.9
Close Brothers	3.1
BP	3.1
Rio Tinto	2.9
HSBC	2.9
Prudential	2.5
Aviva	2.5
GVC	2.5
Premier Asset Management	2.3
Tyman	2.1
Anglo American	2.0
National Express	2.0
Ashmore	2.0
Chesnara	2.0
Legal & General	1.8
MJ Gleeson	1.8
Diversified Gas & Oil	1.8
Wood Group	1.7
River & Mercantile	1.7
Total	49.3

Portfolio Breakdown - Sector 31 December 2018

Sector	Portfolio (%)
Financials	47.0
Industrials	15.8
Consumer Services	11.7
Oil & Gas	10.5
Basic Materials	6.0
Consumer Goods	4.6
Technology	2.1
Telecommunications	1.1
Health Care	0.7
Utilities	0.7
Cash & Other	-0.2

Composition by Market Capitalisation (Ex Cash)

	Portfolio (%)
FTSE UK 250	36.1
FTSE UK 100	32.6
FTSE Small Cap	17.5
FTSE AIM Index	12.0
Non-Index	1.8

Trust Information (Continued)

Ten Largest Positions Relative to the Benchmark

Overweight Stocks	Portfolio %	B'mark %	Relative %	Overweight Stocks	Portfolio %	B'mark %	Relative %
John Laing	4.7	0.1	4.6	Chesnara	2.0	0.0	2.0
Close Brothers	3.1	0.1	3.0	Ashmore	2.0	0.1	1.9
GVC	2.5	0.2	2.3	National Express	2.0	0.1	1.9
Premier Asset Management	2.3	0.0	2.3	Aviva	2.5	0.7	1.8
Tyman	2.1	0.0	2.1	MJ Gleeson	1.8	0.0	1.8

5 Year Trust Performance – Total Return Index



Performance

Source: Aberdeen Standard Investments, total returns. The percentage growth figures are calculated over periods to 31 December 2018 on a mid to mid basis.

	3 months (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	4 Years (% p.a.)	5 Years (% p.a.)
Aberdeen Standard Equity Income Trust (SP)	-14.9	-12.5	4.1	-1.2	2.8	3.2
Aberdeen Standard Equity Income Trust (NAV)	-15.8	-16.7	0.3	-0.9	2.4	3.0
FTSE All-Share Index	-10.2	-9.5	1.2	6.1	4.8	4.1
FTSE 350 High Yield Index	-9.4	-9.2	0.1	7.9	4.4	3.6

On 10th December 2018 the Standard Life Investments (Corporate Funds) Limited retired as authorised investment fund manager and Aberdeen Standard Fund Managers Limited was appointed in its place.

Note: Past performance is not a guide to future performance. The price of shares and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

Investment Review & Outlook

Environment

The final quarter of 2018 saw UK share prices in the doldrums. This capped a year in which the FTSE 100 Index delivered its weakest annual performance since 2008. The broader FTSE All-Share Index also closed the period with a double-digit decline. This result was not surprising, as the market had to contend with several global issues. These included the prospect of a worldwide economic slowdown and the lingering trade squabble between the US and China. The tightening grip of Brexit-driven uncertainty was also painful for firms exposed to the domestic economy.

Welcome economic newsflow somewhat balanced stock market gloom and the Brexit impasse. GDP growth for the three months to end September was 0.6%. This was the strongest figure since the end of 2016. Hot summer conditions and the FIFA World Cup helped to lift consumers' spirits. Furthermore, analysts believed that the economy recovered some of the momentum lost to the inclement weather at the start of the year.

At the Bank of England (BoE), the rate-setting committee opted to keep the cost of borrowing unchanged at 0.75%. In its final meeting of the year, the panel noted the rise in Brexit-induced volatility. It therefore adopted a wait-and-see policy as we move towards the UK's expected departure from the EU at the end of March 2019. The BoE also expects that UK growth will ease to 0.2% in the fourth quarter.

Activity

We added to our holding in lender Urban Exposure. A trading update highlighted positive momentum with continued growth. This reflected strong demand from real estate developers seeking finance. At the same time, the asset management division is benefiting from high levels of demand from third parties looking to provide financing for projects. Engineering business IMI was a new

holding during the period. Following a period of restructuring that included streamlining factories and improving product, the company is in a position to grow sales and improve margins. This should result in a re-rating for IMI.

Selling activity involved taking some profits in Cineworld, which has performed well since purchase. We decided to trim the position and rotate the proceeds into stocks with more compelling upside potential. Lastly, we sold Ferguson as it is heavily exposed to the US housing market. Investors appear to understand the business better than when we first bought it.

Performance

Betting company GVC had a negative impact on performance, as it continued to retrace gains made earlier in the year. Kier Group also underperformed. It fell on the announcement of a rights-issue designed to strengthen its balance sheet. However, this will enable the construction company to build on its leading market position. Tyman, the building supplier, sold off due to fears of a slowdown in the US housing market triggered by ongoing interest rate hikes. Not holding AstraZeneca was also detrimental to the Fund's relative returns.

Infrastructure business John Laing Group was positive during the quarter. Its shares were resilient in a falling market. National Express also boosted returns. Its share price responded positively to another encouraging trading update. This highlighted healthy profit growth and management signalled a positive outlook. Investors in Micro Focus responded positively when the company gave a trading update that highlighted revenues at the upper end of expectation and a resumption of the share buyback programme. This continued the trend of delivering solid operational performance since an unexpected profit warning in March 2018.

Outlook

The Trust's positions are based upon high conviction stock-specific insights. We use our Focus on Change investment process to identify companies with: (1) improving cash flows and dividends and (2) the potential for valuation re-rating. We see this as a powerful combination that can drive significant total return over time.

We see a sharp divergence in valuations across the UK equity market. Turbulent macroeconomic newsflow is leading to many opportunities.

The Trust is exposed to three themes.

1. Global yield – stocks that offer strong cashflow characteristics in sectors such as resources, industrials and financials.
2. Domestic opportunities – Brexit has created opportunities to buy UK businesses with strong market positions and financial fundamentals. We expect corporate activity to re-emerge as sterling-based assets look cheap.
3. Uncorrelated value – we are identifying many attractively valued stocks whose primary earnings driver is independent of the economic cycle. Examples include infrastructure (John Laing) and insurance (Sabre Insurance) businesses.

The economic and political outlook is uncertain. Out of this uncertainty, stock-level opportunities emerge. Despite higher volatility in share prices, we are encouraged by the strength of the Trust's income generation. It is one of the key benefits of our index-agnostic approach to UK equity income investing.

*Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by Standard Life Aberdeen**. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, Standard Life Aberdeen** or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Past performance is no guarantee of future results. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

Standard Life Aberdeen means the relevant member of the Standard Life Aberdeen group, being Standard Life Aberdeen plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

Investors should review the relevant Key Information Document (KID) prior to making an investment decision. These can be obtained free of charge from www.standardlifeinvestments.com or by writing to Aberdeen Standard Investments, 1 George Street, Edinburgh EH2 2LL.

www.aberdeenstandard.com

Contact us

Telephone

0345 600 2268

E-mail

globalclientmanagement@standardlife.com

Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.

Standard Life Investments Limited acts as Investment Manager for Standard Life Assurance Limited and Standard Life Pension Funds Limited. Standard Life Assurance Limited is registered in Scotland (SC286833) at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH. Standard Life Investments Limited is authorised and regulated by the Financial Conduct Authority. Standard Life Assurance Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Calls may be monitored and/or recorded to protect both you and us and help with our training. www.aberdeenstandard.com
© 2019 Standard Life Aberdeen, images reproduced under licence