

Sep
2018

Standard Life Equity Income Trust PLC

Aberdeen Standard
Investments

30 September 2018

Investment Objective: To provide shareholders with an above average income from their equity investment while also providing real growth in capital and income.

Benchmark: FTSE All-Share Index.

Features of the Trust: Objective of increasing the dividend in real terms. Gearing will be actively managed reflecting individual stock views

UK - Investment
Trust

UK Equity
Income

Monthly

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

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. Standard Life 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 30 September 2018	
Trust Managers	Aberdeen Standard Investments (Since November 2005)
Gross Assets	£268.8 million (Source: Aberdeen Standard Investments)
Borrowing	£30.0 million (Source: Aberdeen Standard Investments)
Yield (Net)	4.1% (Source: Aberdeen Standard Investments)
Dividends Quarterly	January/March/June/September
Current Annual Dividend Rate	19.2p
Market Capitalisation	£232.5 million (Source: Aberdeen Standard Investments)
Share Price	473.0p (Source: Datastream)
Net Asset Value	485.0p (Source: Aberdeen Standard Investments)
(Discount)/Premium	(2.5)% (Source: Aberdeen Standard Investments)
	12 Month High 2.3% (Source: Datastream)
	12 Month Low (6.2)% (Source: Datastream)
Current Equity Net Gearing	11.9% (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~	85.6%

~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 (%)
Royal Dutch Shell	3.8
John Laing	3.8
BP	3.1
GVC	2.9
Close Brothers	2.9
Aviva	2.8
Premier Asset Management	2.8
Prudential	2.7
Tyman	2.6
Rio Tinto	2.6
HSBC	2.5
Wood Group	2.3
Galliford Try	2.0
British American Tobacco	2.0
Cineworld	2.0
River & Mercantile	1.9
National Express	1.8
Virgin Money	1.8
MJ Gleeson	1.8
Legal & General	1.7
Total	49.8

Portfolio Breakdown - Sector 30 September 2018

Sector	Portfolio (%)
Financials	43.8
Industrials	17.0
Consumer Services	13.1
Oil & Gas	12.1
Basic Materials	5.0
Consumer Goods	4.0
Technology	2.3
Telecommunications	1.3
Health Care	1.3
Utilities	0.9
Cash & Other	-0.8

Composition by Market Capitalisation (Ex Cash)

	Portfolio (%)
FTSE UK 250	34.6
FTSE UK 100	34.2
FTSE Small Cap	17.9
FTSE AIM Index	12.8
Non-Index	0.5

Trust Information (Continued)

Ten Largest Positions Relative to the Benchmark

Overweight Stocks	Portfolio %	B'mark %	Relative %	Overweight Stocks	Portfolio %	B'mark %	Relative %
John Laing	3.8	0.1	3.7	Wood Group	2.3	0.2	2.1
Close Brothers	2.9	0.1	2.8	Aviva	2.8	0.8	2.0
Premier Asset Management	2.8	0.0	2.8	Galliford Try	2.0	0.0	2.0
GVC	2.9	0.2	2.7	River & Mercantile	1.9	0.0	1.9
Tyman	2.6	0.0	2.6	Cineworld	2.0	0.1	1.9

5 Year Trust Performance – Total Return Index



Performance

Source: Aberdeen Standard Investments, total returns. The percentage growth figures are calculated over periods to 30 September 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.)
Standard Life Equity Income Trust (SP)	-0.5	7.1	11.4	6.5	8.6	8.1
Standard Life Equity Income Trust (NAV)	0.8	5.2	9.9	6.9	8.8	8.4
FTSE All-Share Index	-0.8	5.9	8.9	11.5	7.8	7.5
FTSE 350 High Yield Index	-0.9	5.8	8.1	12.8	6.7	6.7

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

UK shares declined in the third quarter as the stumbling Brexit negotiations, worsening US-China trade conflict and emerging-market volatility dominated headlines. Brexit talks failed to progress meaningfully, with EU leaders and leading members of the leave camp dismissing Prime Minister Theresa May's Chequers proposal. As a result, the prospect of no deal being in place by March 2019 became a distinct possibility. The see-saw nature of negotiations was not helpful for share prices or sterling, with the latter slumping when talks failed to advance.

Turning to economic news, GDP growth was better than anticipated with healthy consumer spending a driving factor. Unemployment ended the period at 4%, and both the number of people in work and wages earned rose at a healthy pace. Despite this, the continued decline of sterling signalled that investors might have limited confidence in the UK economy. In August, the Bank of England increased interest rates to 0.75%, which investors had anticipated. GDP forecasts for 2018 and 2019 were also raised.

Activity

During the quarter, we added to our holding in Anglo American and started a new position in BHP Billiton. Both of these mining stocks have strong balance sheets and prodigious cashflows that position them to deliver attractive dividends. We also bought Tullow Oil. The independent UK exploration and production company has set out a credible plan for production growth. It has the potential to double its production and hence generate a significant increase in cashflow. Our view is that some of this cash will be paid out in dividends.

We sold the holding in Imperial Brands. The company's opportunity to grow is limited as it is biased to developed markets. In addition, given the competition in vapour products, we doubt that it can generate returns that will

match those of its tobacco business. Lastly, we sold insurance firm Beazley, whose high valuation suggested that there was little cushion for any deterioration in trading.

Performance

The most significant contributor to performance over the quarter was Cineworld, whose shares soared on solid results that appeared to vindicate the recent acquisition of Regal Entertainment. The US business grew revenues and earnings at a double-digit pace, resulting in substantial upgrades to group earnings forecasts. The Trust also benefited from its exposure to the oil sector, particularly Tullow Oil, Diversified Gas & Oil and Wood Group. All have recently reported strong results, demonstrating stronger-than-expected cash generation. Infrastructure holding company John Laing Group delivered growth in net asset value that surpassed expectations.

Less positively, gambling company GVC continued to surrender some of the gains it had made earlier in the year. Just Group, which focuses on the insurance and pensions markets, struggled due to market fears over a Prudential Regulatory Authority consultation paper aimed at developing the regulatory approach to the equity release mortgage sector. Finally, shares in interdealer broker TP ICAP tumbled after it fired its chief executive and lowered its cost savings target. While this was unwelcome news, it does not change the logic of the merger between Tullett Prebon and ICAP's voice-broking business.

Outlook

Despite recent market volatility, most macroeconomic indicators remain positive and although the UK economy is set to lag others due to the handbrake of Brexit, earnings for UK corporates look attractive. Therefore, while we are increasingly aware of where there may be stretched valuations,

recent underperformance from some sectors has created attractive opportunities. Over the coming months, we expect the UK market to be increasingly sensitive to EU negotiations. With a deal still the most likely outcome, we believe there is risk to the upside and downside for sterling and domestic equities. However, any acceptable deal and resultant rally in sterling would likely mean lower market levels, given the weighting to overseas earnings.

Strategy

Our focus remains on identifying attractively valued companies with the potential to deliver improving cash flows and dividends, which can act as a powerful trigger for a valuation re-rating and driving significant total return over time.

Our investment approach enlarges the available universe beyond just the large-cap hunting ground of traditional income funds, allowing greater reach to identify attractive companies across the UK market. We base the Trust's positions on high conviction stock-specific insights, which are currently most abundant within the financials, consumer and resources sectors.

We believe that the benefits of this approach will improve diversification of income sources and boost the potential for improved total return. With this clear focus, we remain positive on the Trust's prospects.

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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

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