

# Dunedin Income Growth Investment Trust PLC



## Investment objective

To achieve growth of income and capital from a portfolio invested predominantly in companies listed or quoted in the United Kingdom.

## Benchmark

FTSE All-Share Index total return.

## Cumulative performance (%)

	as at 30/06/10	1 month	3 months	6 months	1 year	3 years	5 years <sup>A</sup>
Share Price	176.5p	(1.9)	(6.2)	0.2	24.8	(22.4)	9.1
NAV <sup>B</sup>	185.8p	(3.4)	(9.7)	(6.0)	25.7	(28.7)	(2.3)
FTSE All-Share		(4.6)	(11.8)	(6.1)	21.1	(16.2)	18.7

## Discrete performance (%)

Year ending:	30/06/10	30/06/09	30/06/08	30/06/07	30/06/06
Share Price	24.8	(20.0)	(22.3)	19.9	17.2
NAV <sup>B</sup>	25.7	(24.7)	(24.7)	23.3	11.2
FTSE All-Share	21.1	(20.5)	(13.0)	18.4	19.7

Total return; NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis. Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at par.

Source: Aberdeen Asset Managers Limited, Factset and Morningstar.

<sup>A</sup> The £40m 11.5% 2016 debenture stock was redeemed in August 2005, at a premium over par value of £22.8m.

<sup>B</sup> Excluding current year revenue.

Past performance is not a guide to future performance. The value of shares may go down as well as up and an investor may not get back the amount invested.

## Fund managers' report

June was another weak month for equity markets with the FTSE All-Share Index declining 4.6% on a total return basis. It is worth pointing out that this headline number is disproportionately affected by the 36% fall in the BP share price. Euro area debt concerns persisted, as investors remained unconvinced that the policy response would address public finances without acting as a brake on currently fragile economic growth. Measures taken by China to moderate its property market served as a further drag on risk appetite. In addition, generally disappointing economic data in the US reinforced growing worries regarding the sustainability of the global recovery.

In the UK, the new Coalition Government announced its emergency budget which aims to reduce net debt from 11% of GDP to 1.1% in 2015 largely through spending cuts. Interest rates were yet again kept flat by the Bank of England, although the fact that one committee member voted in favour of a 25bps rise points to mounting inflationary concerns of prolonged monetary stimulus. Economic indicators were mixed. Both the manufacturing and services PMI were encouraging, whilst industrial production disappointed and the labour market remains weak. Elsewhere, in the US Q1 2010 GDP figures were revised downwards to 2.7% from an initial 3.2% reading, May payroll figures were worse than expected and new home sales fell 33%. The main news coming out of the Euro area was that Spain would conduct banking stress tests to address funding concerns while the ratings agency Moody's downgraded Greece by four notches to Ba1, signalling a lack of confidence in the EU/IMF bailout package.

*Fund managers' report continues overleaf*

The risks outlined overleaf relating to gearing and single country market exposure are particularly relevant to this trust but should be read in conjunction with all warnings and comments given.

## Twenty largest equity holdings

	%
British American Tobacco	4.9
Centrica	4.8
Royal Dutch Shell 'B'	4.7
Vodafone	4.7
AstraZeneca	4.4
HSBC	4.2
GlaxoSmithKline	3.7
National Grid	3.2
Standard Chartered	2.9
BP	2.8
Aviva	2.7
BHP Billiton	2.7
Provident Financial	2.7
Prudential	2.7
Close Bros Group	2.4
Unilever	2.4
Rolls-Royce	2.1
AMEC	2.0
Tesco	2.0
Land Securities	1.9
<b>Total</b>	<b>63.9</b>
<b>Total number of investments</b>	<b>58</b>

## Sector allocation

	%
Financials	21.1
Oil & Gas	14.2
Consumer Goods	11.8
Consumer Services	11.5
Utilities	9.6
Health Care	9.6
Industrials	7.2
Basic Materials	5.5
Telecommunication Services	5.1
Cash	4.4
<b>Total</b>	<b>100.0</b>

Figures may not add up to 100 due to rounding.

## Further information

Private investors 0500 00 00 40

Institutional investors Ian Massie

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Website [www.dunedinincomegrowth.co.uk](http://www.dunedinincomegrowth.co.uk)

Receive the factsheet of your choice by email as soon as they are available by registering at [www.investments.co.uk/ITemail](http://www.investments.co.uk/ITemail)

All sources (unless indicated): Aberdeen Asset Managers Limited 30 June 2010.

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## Fund managers' report – continued

Amidst a volatile market backdrop we took opportunities to add to holdings in Davis Service, Close Brothers and Chaucer, all of which offer strong business models and attractive dividend paying capacity. We topped up McBride following share price weakness and took profits in Weir on strength. Positions in both Chloride and Arriva were exited following recommended bid approaches. We wrote short dated calls against Prudential, AstraZeneca and Rio Tinto; whilst writing puts against Persimmon and Tesco.

As stock pickers investing in companies rather than economies we have, on the whole, been encouraged by current trading and the steps companies have taken to manage themselves more efficiently. We believe that equity valuations are far from demanding though conditions ahead are likely to be tough. We will continue to monitor our investments carefully and make sure that the businesses we back can prosper with good quality business models, have attractive geographic exposures and have the balance sheet to withstand future volatile events. Post BP, we will continue to focus on maximising the dividend paying capability of the investment portfolio.

## Key information

<b>Calendar</b>	
Year end	31 January
Accounts published	March
Dividends paid	May, October
AGM	May
Established	1873
<b>Fund manager</b>	Jeremy Whitley
<b>Total expense ratio</b>	0.8%
<b>Annual management fee</b>	
0.45% on the first £225m, 0.35% on the next £200m and 0.25% over £425m per annum of the net assets of the Company.	
<b>Discount with debt at par</b>	5.0%
<b>Discount with debt at fair value</b>	3.7%
<b>Yield</b>	5.8%
	%
<b>Gearing<sup>c</sup></b>	12.0
<b>Gearing with debt at market value<sup>c</sup></b>	13.6
<b>Assets</b>	£m
Gross	313.9
Short-term borrowings	5.0
7.875% Debenture 2019	28.6
<sup>c</sup> Gearing is expressed as a percentage of gross assets, which includes current year revenue, divided by shareholders' funds.	
<b>Capital structure</b>	
Ordinary shares	150,706,187
Treasury shares	2,971,748
<b>Allocation of expenses and interest</b>	
Capital	60%
Revenue	40%
<b>Trading details</b>	
Bloomberg/Epic/Reuters code	DIG
Stockbroker	J.P. Morgan Securities Ltd
Market makers	SETSmm

## Important information

### Risk factors you should consider prior to investing:

- In common with most investment companies, investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV.
- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to the future.
- Exposure to a single country market increases potential volatility.
- There is no guarantee that the market price of shares in the Trust will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of investment trust shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread.

### Other Important Information:

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