

# Edinburgh New Income Trust plc



## Investment objective

To provide Ordinary Shareholders with an attractive level of income, together with the potential for capital and income growth. To provide ZDP Shareholders with a pre-determined capital entitlement on 31 May 2011 of 141.85p.

## Benchmark

The Trust does not have a benchmark, but the portfolio is largely drawn from from large, mid and SmallCap components of the FTSE All-Share Index.

The Trust's investment policy allows the investment manager to invest a proportion of the assets in fixed income securities (or 'bonds').

## Cumulative performance (%)

	Value at 31/07/10	1 month	3 months	6 months	1 year	3 years	5 years
Share Price							
Ordinary Income	55.3p	12.1	3.6	8.8	38.6	(38.7)	(12.5)
Share Price ZDP	136.0p	1.7	1.1	1.1	4.2	17.7	32.0
NAV Ordinary Income <sup>A</sup>	53.2p	13.2	(7.0)	3.9	39.2	(46.2)	(21.2)
NAV ZDP	135.1p	0.5	1.5	2.9	6.0	19.1	33.9
FTSE All-Share		6.9	(4.4)	4.0	19.3	(7.4)	22.7

## Discrete performance (%)

Year ending:	31/07/10	31/07/09	31/07/08	31/07/07	31/07/06
Share Price Ordinary Income	38.6	(22.8)	(42.7)	26.5	12.8
Share Price ZDP	4.2	11.3	1.5	8.4	3.4
NAV Ordinary Income <sup>A</sup>	39.2	(37.2)	(38.5)	20.7	21.4
NAV ZDP	6.0	6.0	6.0	6.0	6.0
FTSE All-Share	19.3	(10.5)	(13.3)	12.9	17.3

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.

At launch on 1 June 2005 the Ordinary Shares were issued at 100.0p and ZDP Shares were issued at 100.0p.

Source: Aberdeen Asset Managers Limited, Factset and Morningstar.

<sup>A</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

The FTSE All-Share Index rebounded strongly in July increasing by 6.9% on a total return basis following weakness in May and June. Strong second quarter earnings coupled with the soothing of European sovereign debt concerns led to the return of risk appetite. In addition, the European banks' stress tests did not reveal any untoward surprises although the market questioned the severity of the assumptions. From a sector perspective, financials performed strongly over the month as did oil and gas as BP's share price recovered while the more defensive areas of the market such as tobacco and pharmaceuticals underperformed.

The MPC decided to keep interest rates on hold for the seventeenth consecutive month at 0.5% as inflation reduced from 3.4% in May to 3.2% in June and the government's fiscal tightening initiatives moved closer. Second quarter GDP growth was well above consensus expectations at 1.1% helped by strong activity in the construction sector. However there are still signs that the economy remains fragile with the housing market showing signs of slowing down with the Nationwide reporting that house prices fell 0.6% in July while new mortgage approvals fell in June. There was also weakness in the services PMI survey that fell to 53.1 in July from 54.4 in June, the lowest level in over a year.

Following a strong recovery in the share price we sold our holding in Acal and reinvested the proceeds in Royal Dutch Shell, Imperial Tobacco and GlaxoSmithKline. These three companies offer generous yields, strong market positions and good growth prospects. In addition, we topped up the holding in McBride - we believed that the market had over-reacted to a weak trading statement which provided an opportunity to purchase the shares cheaply.

On a fundamental basis, we believe the path to sustainable economic growth remains challenging and the outlook uncertain. Record budget deficits need to be repaired, savings ratios enhanced to historic levels, inflation restrained, interest rates normalised, banking re-regulated and quantitative easing unwound. None of these tasks are easy, and we remain cognisant that the market may not necessarily be factoring in the full implications of the tests ahead. We take increasing comfort that equity markets appear not to be expensive, but volatility is likely to remain a significant characteristic of the market. However, where opportunities present themselves we will continue to add to our holdings which we believe are attractively valued and maintain strong business models.

The risks outlined overleaf relating to gearing, split capital trusts and high income are particularly relevant to this trust but should be read in conjunction with all warnings and comments given.

## Ten largest equity holdings

	%
British American Tobacco	4.4
AstraZeneca	4.2
Centrica	3.8
HSBC	3.7
Royal Dutch Shell 'B'	3.7
Vodafone	3.5
Standard Chartered	2.6
GlaxoSmithKline	2.5
United Utilities	2.4
BP	2.4
<b>Total</b>	<b>33.2</b>
<b>Total number of investments</b>	<b>48</b>

## Sector allocation

	%
Fixed Interest	21.8
Financials	17.2
Consumer Goods	10.6
Utilities	8.5
Oil & Gas	8.5
Consumer Services	8.0
Health Care	6.7
Industrials	6.1
Basic Materials	5.1
Telecommunication Services	3.5
Technology	0.9
Cash	3.1
<b>Total</b>	<b>100.0</b>

## Further information

Private investors 0500 00 00 40  
 Institutional investors Ian Massie  
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 Website [www.edinburghnewincome.co.uk](http://www.edinburghnewincome.co.uk)

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

All sources (unless indicated): Aberdeen Asset Managers Limited 31 July 2010.

## Edinburgh New Income Trust plc

## Analytics as at 31 July 2010

## Ordinary income shares (%)

All assets/divis grown	(2.5)	0	+2.5	+5	+7.5	+10
Redemption Yield (%)	(10.7)	(3.4)	4.1	11.7	19.3	27.0
Terminal Gross Assets (m)	8.9	9.6	10.2	10.8	11.4	12.0
TAV per Share	43.5	46.6	49.6	52.7	55.7	58.7
Equity only/divis grown	(2.5)	0	+2.5	+5	+7.5	+10
Redemption Yield (%)	(13.7)	(3.4)	0.7	8.0	15.4	22.8
Terminal Gross Assets (m)	8.9	9.6	10.2	10.8	11.4	12.0
TAV per Share	43.5	46.6	49.6	52.7	55.7	58.7

	All assets grown	Equity only grown
Hurdle rate W/O	(33.8)	(48.8)
Hurdle rate S/P	5.5	8.2

## Zero Dividend Preference Shares 2011 (%)

	All assets grown	Equity only grown
Hurdle rate W/O	-	-
Hurdle rate S/P	(37.8)	(54.3)
Hurdle rate R/P	(34.6)	(49.9)

Source: Morningstar

	Debt cover	Share cover
	1.44	1.41

## Glossary of terms

**All assets grown**

The assumed annualised growth rates where all components of the assets are grown at the same rate.

**Equity only grown**

The assumed annualised growth rates where only the equity components of the assets are grown at the same rate. Cash and fixed interest are held as constants.

**All shareholders funds**

The total return on the summed net assets, i.e. all assets less prior charges.

**Redemption yield (%)**

The estimated net redemption yields, for assumed annualised growth rates of the gross assets and dividends, after accounting for a 1% windup cost, and interest and management charges accrued to capital over the remaining life.

**Hurdle rate W/O**

The annualised growth rate of the gross assets required to cover fully all prior charges ranking before the income share.

**Hurdle rate S/P**

The annualised growth rate of total assets required to pay the current price.

## 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 Trust is a split capital investment trust. Split capital investment trusts have more than one class of share. Typically, the capital structure will comprise of ordinary shares offering a high level of income, and Zero Dividend Preference (ZDP) shares offering a pre-determined capital payment at a later date, provided there is sufficient capital available. The ZDP shares act as gearing. Some trusts will also have gearing in the form of a bank loan. ZDP shareholders should note that if a trust does not have sufficient assets, after the repayment of its bank loan, to cover the full cost of the ZDP repayments, they will not receive the full amount of the pre-determined return. Ordinary shareholders should note that after the repayment of the bank loan and the redemption of the ZDP shares, the value of assets attributed to ordinary shareholders may be less than their original investment. Depending on the performance of the trust, there is, in any case, a risk that ZDP shareholders will receive less than their original investment and that the level of assets attributed to ordinary shareholders could be less than their original investment and in certain cases, could be zero.
- In order to maintain the high level of dividend paid by the Trust some of the assets selected for the underlying portfolio may be liable to diminish in capital value over time.
- 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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## Key information

<b>Calendar</b>	
Year end	31 May
Accounts published	July
AGM	October
Established	2005
<b>Fund managers</b>	James Laing Charles Luke
<b>Total expense ratio</b>	1.2%
<b>Premium/(Discount)<sup>B</sup></b>	3.9%
<sup>B</sup> Based on Ordinary share price	
<b>Annual management fee</b>	0.65%
<b>ZDPs wind up date</b>	May 2011
<b>Yield</b>	10.9%
<b>Capital structure</b>	
Ordinary shares	20,519,056
ZDP shares	15,166,618
<b>Group capital structure</b>	£m %
Ordinary shareholder funds	11.2 35.3
ZDP shareholder funds	20.5 64.7
Net assets	31.7 100.0
<b>Trading details</b>	
Bloomberg/Epic/Reuters code	ENI
Stockbroker	WINS Investment Trusts
Market makers	CAZR, WINS