

# 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 31/07/10	1 month	3 months	6 months	1 year	3 years	5 years <sup>A</sup>
Share Price	192.0p	8.8	1.1	12.1	27.0	(13.9)	22.1
NAV <sup>B</sup>	196.8p	5.9	(5.3)	2.7	21.0	(21.9)	2.7
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	27.0	(11.2)	(23.7)	15.7	22.6
NAV <sup>B</sup>	21.0	(15.9)	(23.4)	17.5	12.0
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.

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

July was a strong month for equity markets. The FTSE All-Share Index rose 6.9% on a total return basis following a weak end to June with only two sectors of the Index ending the month in negative territory: Health Care (-0.7%) and Pharmaceuticals (-0.2%). The EU banking stress tests were perhaps the key event underlying the pick-up in risk appetite. Only seven of 91 banks under scrutiny failed, five of which were Spanish savings banks. Whilst the rigour of such tests may be questioned, the process has served to improve investors' perceptions of transparency within the banking system for the time being. Also driving the rebound in sentiment was a fairly upbeat body of economic and corporate releases in the UK and EU, although the US recovery appeared increasingly fragile.

In a positive period of domestic economic news flow UK Q2 GDP rose 1.1% quarter-on-quarter against a 0.6% consensus forecast. Within this figure the construction recovery was particularly robust. Once again the Bank of England kept interest rates on hold and pointed to further downward pressure on inflation. Other indicators such as manufacturing PMI, retail sales, and industrial output were firm. Similar indicators were better than forecast in the Euro-area, with the export-led German economy performing significantly ahead of expectations. However we were reminded of lingering sovereign debt concerns within the region as Moody's downgraded Portugal's rating by two notches and Ireland by one notch. In the US, Q2 GDP exhibited a significant slowdown on Q1, consumer confidence weakened to the lowest level since February, and unemployment data was generally poor. The Chairman of the Federal Reserve noted that the economic outlook was "unusually uncertain." Growth expectations across the developed world remain muted.

*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	4.8
Centrica	4.7
Vodafone	4.7
Royal Dutch Shell 'B'	4.5
AstraZeneca	4.0
HSBC	3.9
GlaxoSmithKline	3.8
BP	3.4
National Grid	3.2
Standard Chartered	3.1
Aviva	3.0
BHP Billiton	2.8
Prudential	2.8
Provident Financial	2.5
Unilever	2.2
Close Bros	2.2
AMEC	2.0
Land Securities	2.0
Rolls-Royce	2.0
Total	2.0
<b>Total</b>	<b>63.6</b>
<b>Total number of investments</b>	<b>69</b>

## Sector allocation

	%
Financials	21.8
Oil & Gas	15.6
Consumer Goods	11.2
Consumer Services	11.0
Utilities	10.2
Health Care	9.0
Industrials	7.0
Basic Materials	5.7
Telecommunication Services	5.2
Cash	3.3
<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**  
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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.

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## Fund managers' report – continued

During the period we took profits in a number of holdings including GKN, Associated British Foods, Millenium & Copthorne Hotels, HSBC, and Weir. Proceeds were reinvested in better yielding stocks such as ENI, Total, and GlaxoSmithKline as well as McBride on valuation grounds. The Trust also initiated positions in two global businesses with attractive income generating characteristics: insurer Zurich Financial Services and multi-utility GDF Suez. Puts were written at price levels where we would be happy raising exposure in companies such as Pearson, Prudential and Tesco. Whilst we expect volatile market conditions to persist going forward, it is worth commenting that recent results from many of our holdings have been encouraging despite broader macroeconomic headwinds. We continue to invest in companies capable of generating attractive through-cycle returns with solid balance sheets and attractive dividend paying capabilities.

## 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>	
2.4%	
<b>Discount with debt at fair value</b>	
1.1%	
<b>Yield</b>	
5.3%	
%	
<b>Gearing<sup>c</sup></b>	11.3
<b>Gearing with debt at market value<sup>c</sup></b>	12.8
<b>Assets</b>	
£m	
Gross	330.5
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 Cazenove
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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