

# 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 31/12/09	1 month	3 months	6 months	1 year	3 years
Share Price Ordinary Income	54.0p	0.5	(3.1)	24.5	51.7	(47.1)
Share Price ZDP	134.5p	0.6	0.6	3.1	13.3	16.4
NAV Ordinary Income <sup>A</sup>	54.3p	(4.8)	5.5	30.9	58.7	(49.9)
NAV ZDP	131.3p	0.5	1.5	3.0	6.0	19.1
FTSE All-Share		(3.6)	3.6	14.7	33.2	(7.2)

## Discrete performance (%)

Year ending:	31/01/10	31/01/09	31/01/08	31/01/07
Share Price Ordinary Income	51.7	(53.0)	(25.9)	36.5
Share Price ZDP	13.3	(0.6)	3.5	9.2
NAV Ordinary Income <sup>A</sup>	58.7	(59.3)	(22.4)	29.3
NAV ZDP	6.0	6.0	6.0	6.0
FTSE All-Share	33.2	(27.8)	(3.6)	13.2

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 fell by 3.2% in January on a total return basis as concerns regarding European sovereign risk, bank regulation and the potential for China to tighten monetary policy combined to heighten risk aversion. The FTSE SmallCap and 250 Indices outperformed the FTSE 100 over the month, as a result of their limited mining exposure.

Economic data remained mixed domestically. The economy emerged from recession during the fourth quarter of 2009, ending six consecutive quarters of decline, expanding by a lower than expected 0.1% during the period. The Monetary Policy Committee maintained both interest rates at 0.5% and the scale of quantitative easing at £200 billion. CPI inflation increased sharply to 2.9% in December partly due to the base effects of a year earlier. On a positive note, the number of people unemployed fell by 7,000 in the three months to November representing an unemployment rate of 7.8%.

The month was a quiet period in terms of trading. We took profits in McBride, Daily Mail and General Trust and XP Power following strong share prices performances, reinvesting the funds in Vodafone which offers an attractive yield and valuation.

Although conditions remain very accommodative, at some stage both monetary and fiscal stimuli will need to be withdrawn and in a number of cases reversed. We remain cognisant that the market may not necessarily be factoring in the full implications of this. We believe that 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, in the longer term, 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	4.3
HSBC	3.6
AstraZeneca	3.5
BP	3.2
Centrica	3.1
Royal Dutch Shell 'B'	3.1
Vodafone	2.9
National Grid	2.4
GlaxoSmithKline	2.1
Unilever	2.0
<b>Total</b>	<b>30.2</b>
<b>Total number of investments</b>	<b>50</b>

## Sector allocation

	%
Fixed Interest	27.2
Financials	15.1
Consumer Goods	9.4
Oil & Gas	8.2
Utilities	7.1
Industrials	6.7
Consumer Services	5.8
Health Care	5.6
Basic Materials	4.3
Telecommunication Services	2.9
Cash	7.7
<b>Total</b>	<b>100.0</b>

## Further information

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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.investments.co.uk/ITemail](http://www.investments.co.uk/ITemail)

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

## Edinburgh New Income Trust plc

## Analytics as at 31 January 2010

## Ordinary income shares (%)

All assets/divis grown	(2.5)	0	+2.5	+5	+7.5	+10
Redemption Yield (%)	(10.2)	(2.5)	5.2	12.7	20.1	27.4
Terminal Gross Assets (m)	8.1	9.1	10.1	11.1	12.1	13.2
TAV per Share	39.5	44.4	49.3	54.2	59.1	64.1
Equity only/divis grown	(2.5)	0	+2.5	+5	+7.5	+10
Redemption Yield (%)	(7.2)	(2.5)	2.3	7.0	11.7	16.3
Terminal Gross Assets (m)	8.5	9.1	9.7	10.3	11	11.6
TAV per Share	41.4	44.4	47.3	50.4	53.4	56.4

	All assets grown	Equity only grown
Hurdle rate W/O	(23.6)	(39.9)
Hurdle rate S/P	4.9	8.1

## Zero Dividend Preference Shares 2011 (%)

	All assets grown	Equity only grown	Debt cover	Share cover
Hurdle rate W/O	-	-	1.41	1.42
Hurdle rate S/P	(26.7)	(45.4)		
Hurdle rate R/P	(23.6)	(39.9)		

Source: Morningstar

## 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	September
Established	2005
<b>Fund managers</b>	James Laing Charles Luke
<b>Total expense ratio</b>	0.9%
<b>Premium/(Discount)<sup>b</sup></b>	(0.6)%
<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>	11.1%
<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 36.0
ZDP shareholder funds	19.9 64.0
Net assets	31.1 100.0
<b>Trading details</b>	
Bloomberg/Epic/Reuters code	ENI
Stockbroker	WINS Investment Trusts
Market makers	CAZR, WINS