

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

## Cumulative performance (%)

	Value at 30/09/08	1 month	3 months	6 months	1 year	3 years
Share Price Ordinary Income	64.0p	(15.8)	(8.8)	(20.0)	(43.5)	(21.5)
Share Price ZDP	120.3p	1.7	0.6	0.6	3.2	14.5
NAV Ordinary Income <sup>A</sup>	68.7p	(22.2)	(12.0)	(26.1)	(43.7)	(21.5)
NAV ZDP	121.4p	0.5	1.5	3.0	6.0	19.1
FTSE All-Share		(13.2)	(12.2)	(13.5)	(22.3)	0.0

## Discrete performance (%)

Year ending:	30/09/08	30/09/07	30/09/06
Share Price Ordinary Income	(43.5)	18.4	17.3
Share Price ZDP	3.2	6.6	4.0
NAV Ordinary Income <sup>A</sup>	(43.7)	10.2	26.5
NAV ZDP	6.0	6.0	6.0
FTSE All-Share	(22.3)	12.2	14.7

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. 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, Financial Times and Fundamental Data.

<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

September saw dismal performances from global equity markets as the collapse of the wholesale funding market claimed a number of high profile victims. The stress in money markets led to the collapse of Lehman Brothers and the effective nationalisation of mortgage lenders Freddie Mac and Fannie Mae in the US. Against this background, the FTSE All-Share fell by 13.2%, while across the size spectrum the Mid Cap fell by 15.6% and SmallCap by 14.5%.

The collapse in commodity prices, part unwinding of speculative positions and part on fears of global economic growth were overshadowed by the events in the financial sector. The unprecedented stress in money markets led to the collapse of Bradford & Bingley, and HBOS being pushed into a merger with Lloyds TSB. Across Europe and the US it was a similar picture. The corollary of this was a flight to safe havens, with yields on government bonds falling, and in the case of the UK, yields on short dated gilts fell below 4%. Against this backdrop, the only sector to make absolute progress was Food Retailers, although other defensive areas like Pharmaceuticals, Tobacco, Utilities and Food Producers performed in a relative sense. Perhaps more surprisingly was the relative performance from the Bank sector, albeit helped by HSBC. The laggards featured Mining, Industrial Engineering and General Financials.

The MPC left interest rates unchanged following the pick up in August's CPI to 4.7%, although there was a modest shift in voting patterns to 8-1, Blanchflower voting for a 50 bps cut. Economic news flow continued to deteriorate, with the recent PMI survey sector data for both manufacturing and services coming in lower than anticipated.

Activity during the month saw the introduction of Rolls-Royce into the portfolio, the attraction of a strong balance sheet and visibility from its spares business. Elsewhere, we added to oil production company Venture Production, and added to positions in Millennium & Copthorne. These were funded by the sale of HMV, and reductions to British American Tobacco, AMEC, Unilever and Lloyds TSB, raising cash levels in the process.

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	4.5
HSBC	3.9
Royal Dutch Shell 'B'	3.9
AstraZeneca	3.5
BP	3.4
BT	3.4
Centrica	3.4
United Utilities	3.2
National Grid	3.1
Barclays	2.6
<b>Total</b>	<b>34.9</b>
<b>Total number of investments</b>	<b>53</b>

## Sector allocation

	%
Financials	21.6
Consumer Goods	11.2
Industrials	10.1
Utilities	9.7
Oil & Gas	9.3
Consumer Services	6.9
Health Care	6.0
Telecommunications	5.9
Basic Materials	1.9
Cash	17.4
<b>Total</b>	<b>100.0</b>

## Further information

Private investors 0500 00 00 40  
 Institutional investors Ian Massie  
 44 (0)131 528 4000  
 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 30 September 2008.

## Edinburgh New Income Trust plc

## Analytics as at 30 September 2008

## Ordinary income shares (%)

All assets/divis grown	(2.5)	0	+2.5	+5	+7.5	+10
Redemption Yield (%)	2.8	10.4	17.5	24.1	30.4	36.5
Terminal Gross Assets (m)	8.3	10.4	12.6	14.8	17.1	19.6
TAV per Share	40.6	50.7	61.2	72.1	83.5	95.3
Equity only/divis grown	(2.5)	0	+2.5	+5	+7.5	+10
Redemption Yield (%)	4.2	10.4	16.3	21.9	27.4	32.6
Terminal Gross Assets (m)	8.7	10.4	12.2	14.0	15.9	17.9
TAV per Share	42.4	50.7	59.3	68.3	77.6	87.3

	All assets grown	Equity only grown
Hurdle Rate W/O	(11.8)	(14.8)
Hurdle Rate S/P	0.9	1.1

## Zero Dividend Preference Shares 2011 (%)

	All assets grown	Equity only grown	Debt cover	Share cover
Hurdle rate W/O	(87.0)	-	1.47	1.42
Hurdle rate S/P	(18.2)	(23.2)		
Hurdle rate R/P	(12.4)	(15.5)		

Source: Fundamental Data

## Key information

<b>Calendar</b>	
Year end	31 May
Accounts published	July
AGM	September
Established	2005
<b>Fund managers</b>	Stewart Methven Charles Luke
<b>Total expense ratio</b>	1.2%
<b>Premium/(Discount)<sup>8</sup></b>	(6.8)%
<sup>8</sup> Based on Ordinary Share Price	
<b>Annual management fee</b>	0.65%
<b>ZDPs wind up date</b>	May 2011
<b>Yield</b>	11.3%
<b>Capital structure</b>	
Ordinary shares	20,519,056
ZDP shares	15,166,618
<b>Group capital structure</b>	£m %
Ordinary shareholder funds	18.4 56.6
ZDP shareholder funds	14.1 43.4
Gross assets	32.5 100.0
<b>Trading details</b>	
Bloomberg/Epic/Reuters code	ENI
Stockbroker	WINS Investment Trusts
Market makers	CAZR, WINS

## 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.

**Hurdle rate R/P**

The annualised growth rate of the gross assets required to cover fully the redemption price.

**Debt cover**

The number of times the final redemption value of the ZDP, windup cost, management fee, interest and prior charges are covered by the current gross assets minus any prior charges ending early and warrant money.

**Share cover**

The number of times the final redemption value of the ZDP is covered by today's estimated gross assets plus warrant money minus prior charges and expenses.

**Terminal gross assets**

The assets remaining at redemption after redemption of all prior charges, loan interest and management fees charged to capital and wind up costs.

**TAV per share**

The estimated net assets per share remaining at redemption after redemption of all prior charges, loan interest and management fees charged to capital and wind up costs.

## 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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