

## 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 30/06/10	1 month	3 months	6 months	1 year	3 years	5 years
Share Price							
Ordinary Income	51.3p	0.5	(12.0)	(0.2)	35.5	(48.2)	(21.6)
Share Price ZDP	133.8p	0.4	(0.9)	0.0	3.5	15.3	30.8
NAV Ordinary Income <sup>A</sup>	48.9p	(6.7)	(19.4)	(10.6)	48.7	(54.1)	(30.0)
NAV ZDP	134.5p	0.5	1.5	2.9	6.0	19.1	33.8
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 Ordinary Income	35.5	(33.8)	(42.3)	38.0	9.7
Share Price ZDP	3.5	8.2	3.0	8.9	4.2
NAV Ordinary Income <sup>A</sup>	48.7	(48.3)	(40.4)	27.4	19.9
NAV ZDP	6.0	6.0	6.0	6.0	6.0
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.

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 declined by 4.6% in June on a total return basis following a weak performance during May. Sovereign debt risk concerns remained at elevated levels with the potential negative impact on Europe's banks generating greater focus. In addition, poor economic data from the US and concerns over the impact of tightening measures in China weighed on sentiment. From a sector perspective, on the one hand defensive areas of the market such as tobacco, utilities and pharmaceuticals outperformed. On the other hand, macro-sensitive areas such as mining and basic materials underperformed and the oil sector was particularly badly affected by the fall in BP's share price.

Over the month, we introduced three new holdings, Sage, Wm Morrison supermarkets and Imperial Tobacco, all are characterised by their strong cashflows and attractive valuations. Firstly, Sage, the accounting software company has a strong competitive position among small and medium sized companies. Secondly, Wm Morrison, which helped by its value focus is performing well and benefits from significant asset backing. Thirdly, Imperial Tobacco, where the integration of its acquisition of Altadis is progressing to plan and provides the company with good opportunities for revenue synergies. These purchases were funded by the sale of Arriva following the approval by shareholders of the acquisition of the company by Deutsche Bahn and we also tendered our Land Securities bond. There were a number of small additions where we felt that certain holdings had been oversold during the market fall including United Utilities, Pearson, Aviva and Close Brothers amongst others.

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 is 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	4.7
AstraZeneca	4.5
Centrica	4.0
HSBC	3.8
Royal Dutch Shell 'B'	3.8
Vodafone	3.5
GlaxoSmithKline	2.5
Standard Chartered	2.5
National Grid	2.4
United Utilities	2.4
<b>Total</b>	<b>34.1</b>
<b>Total number of investments</b>	<b>48</b>

## Sector allocation

	%
Fixed Interest	18.1
Financials	17.8
Consumer Goods	10.7
Utilities	8.8
Oil & Gas	8.2
Consumer Services	8.1
Health Care	7.0
Industrials	6.9
Basic Materials	4.9
Telecommunication Services	3.5
Technology	0.9
Cash	5.1
<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 30 June 2010.

## Edinburgh New Income Trust plc

## Analytics as at 30 June 2010

## Ordinary income shares (%)

All assets/divis grown	(2.5)	0	+2.5	+5	+7.5	+10
Redemption Yield (%)	(10.7)	(2.8)	5.1	13.2	21.2	29.3
Terminal Gross Assets (m)	7.8	8.5	9.2	9.8	10.5	11.2
TAV per Share	38.2	41.5	44.7	48.0	51.2	54.4
Equity only/divis grown	(2.5)	0	+2.5	+5	+7.5	+10
Redemption Yield (%)	(8.1)	(2.8)	2.5	7.8	13.1	18.5
Terminal Gross Assets (m)	8.1	8.5	8.9	9.4	9.8	10.2
TAV per Share	39.4	41.5	43.6	45.7	47.8	49.9

	All assets grown	Equity only grown
Hurdle rate W/O	(28.7)	(43.6)
Hurdle rate S/P	5.5	8.6

## Zero Dividend Preference Shares 2011 (%)

	All assets grown	Equity only grown
Hurdle rate W/O	-	-
Hurdle rate S/P	(33.9)	(51.4)
Hurdle rate R/P	(29.3)	(44.6)

Source: Morningstar

	Debt cover	Share cover
	1.39	1.36

## 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>	0.9%
<b>Premium/(Discount)<sup>B</sup></b>	4.9%
<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>	11.7%
<b>Capital structure</b>	
Ordinary shares	20,519,056
ZDP shares	15,166,618
<b>Group capital structure</b>	£m %
Ordinary shareholder funds	10.5 34.0
ZDP shareholder funds	20.4 66.0
Net assets	30.9 100.0
<b>Trading details</b>	
Bloomberg/Epic/Reuters code	ENI
Stockbroker	WINS Investment Trusts
Market makers	CAZR, WINS