

# SHAREHOLDER UPDATE

May 2023



EDINBURGH  
INVESTMENT TRUST





## Twin objectives

- An increase in Net Asset Value per share in excess of the growth in the FTSE All-Share
- Dividend per share growth in excess of UK inflation



## Active & diversified

- c. 40-50 stock portfolio
- Stock selection guided by prevailing valuations and expectations
- Up to 20% in non-UK stocks



## Flexible style

- Total return approach
- Fundamental, bottom-up stock selection
- ESG factors integrated throughout



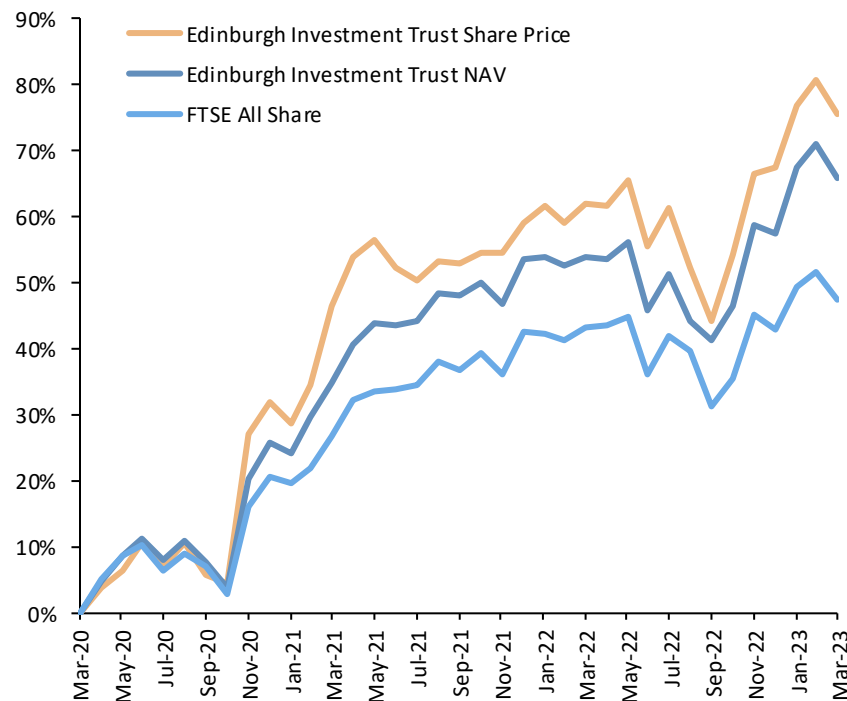
## Risk management

- Robust oversight, meaningful internal challenge
- Leverage used to enhance long-term returns
- Liquidity aware, limited capacity

*Aiming to outperform over rolling three year periods*

# Performance since 31 March 2020

## Cumulative performance since manager inception



Performance to 31 March 2023 (%)	3 months	6 months	12 months	Since manager inception
Share Price	4.8	21.8	8.4	75.5
Net Asset Value^	5.4	17.5	7.9	65.9
FTSE All-Share Index	3.1	12.3	2.9	47.4

## Three year proof point

Source: Morningstar Direct, 31.03.20 to 31.03.23, GBP, total return. ^Cum Income Net Asset Value (debt at fair value). For 10-year performance of the Trust, please see slide 16. The return on investments may increase or decrease as a result of currency fluctuations

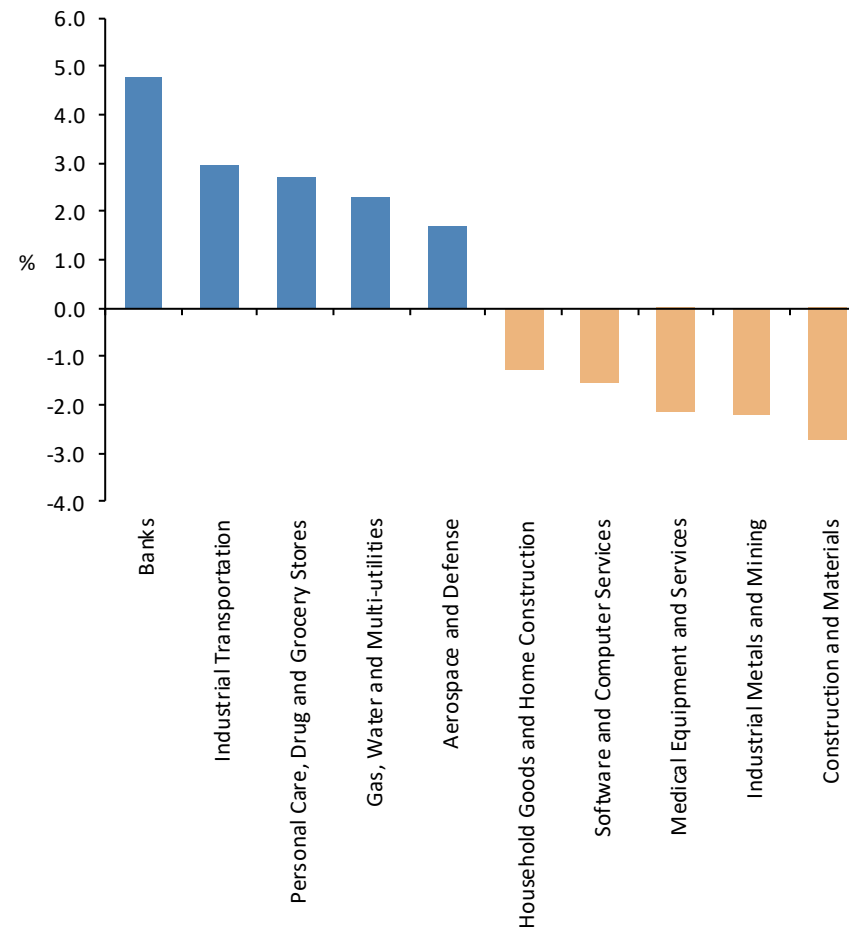
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# Performance attribution: Since 31 March 2020

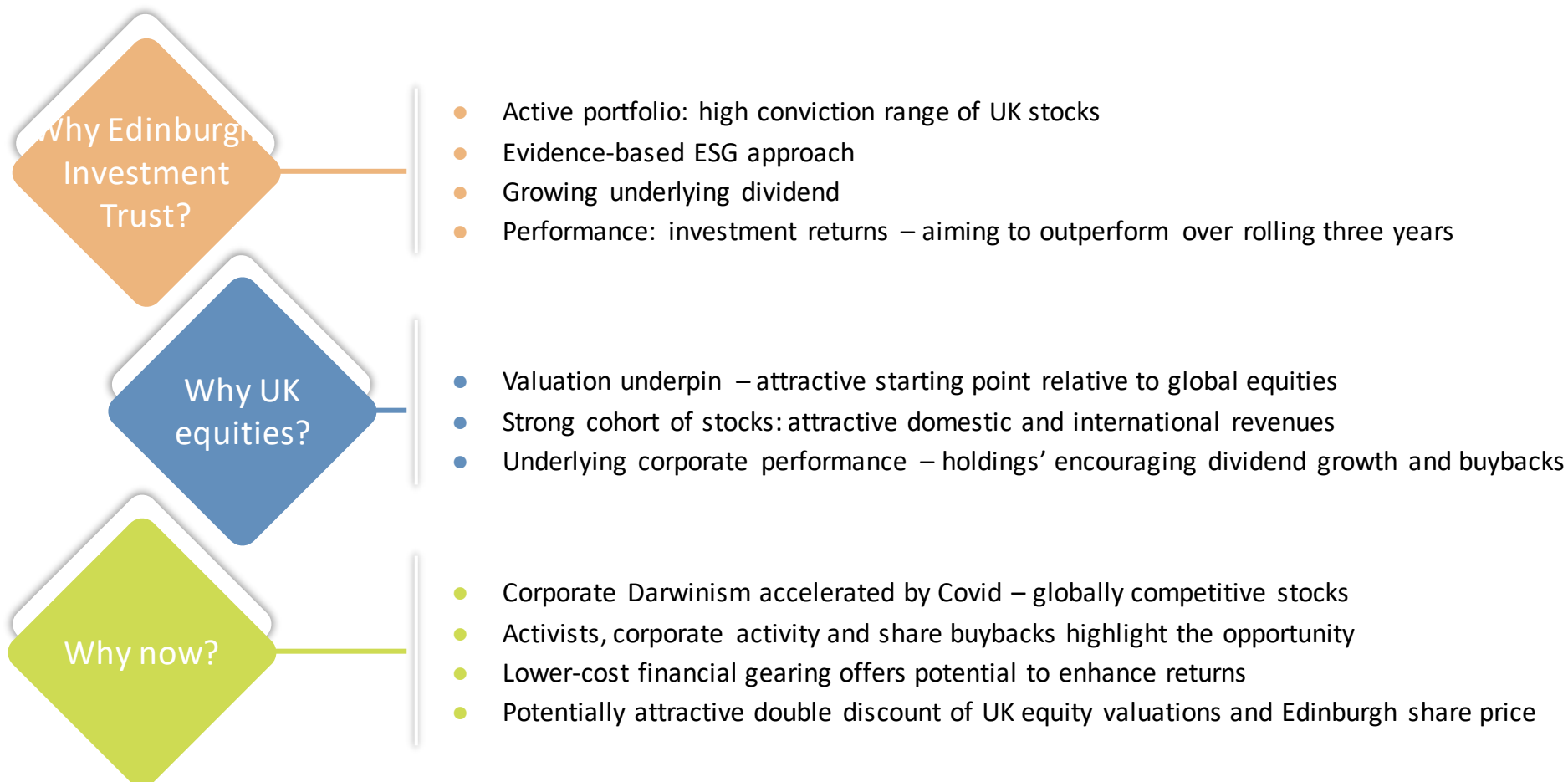
## Stock attribution since 31 March 2020

Positive	Average Portfolio Weight (%)	Average Index Weight (%)	Performance Impact (%)
Ashtead	3.7	0.8	2.8
NatWest	3.3	0.4	2.6
BAE Systems	3.8	0.9	2.0
Centrica	1.4	0.2	1.8
Anglo American	3.9	1.5	1.7
Weir	2.8	0.2	1.5
HSBC	2.1	4.1	1.3
TotalEnergies	1.3	0.0	1.2
Greggs	1.4	0.1	1.2
GSK	1.2	3.2	1.0
Negative			
AstraZeneca	4.5	5.8	-0.9
Genuit	0.9	0.0	-0.9
Made.com	0.1	0.0	-1.0
BHP	0.0	1.1	-1.1
Direct Line Insurance	1.8	0.2	-1.1
Marshalls	1.1	0.1	-1.2
Smith & Nephew	2.7	0.5	-2.0
Ascential	1.3	0.1	-2.1
Glencore	0.0	1.9	-2.3
BP	0.7	3.0	-2.7

## Sector attribution since 31 March 2020



# Why EIT? Why UK equities? Why now?



*Aiming to deliver long-term outperformance, responsibly*

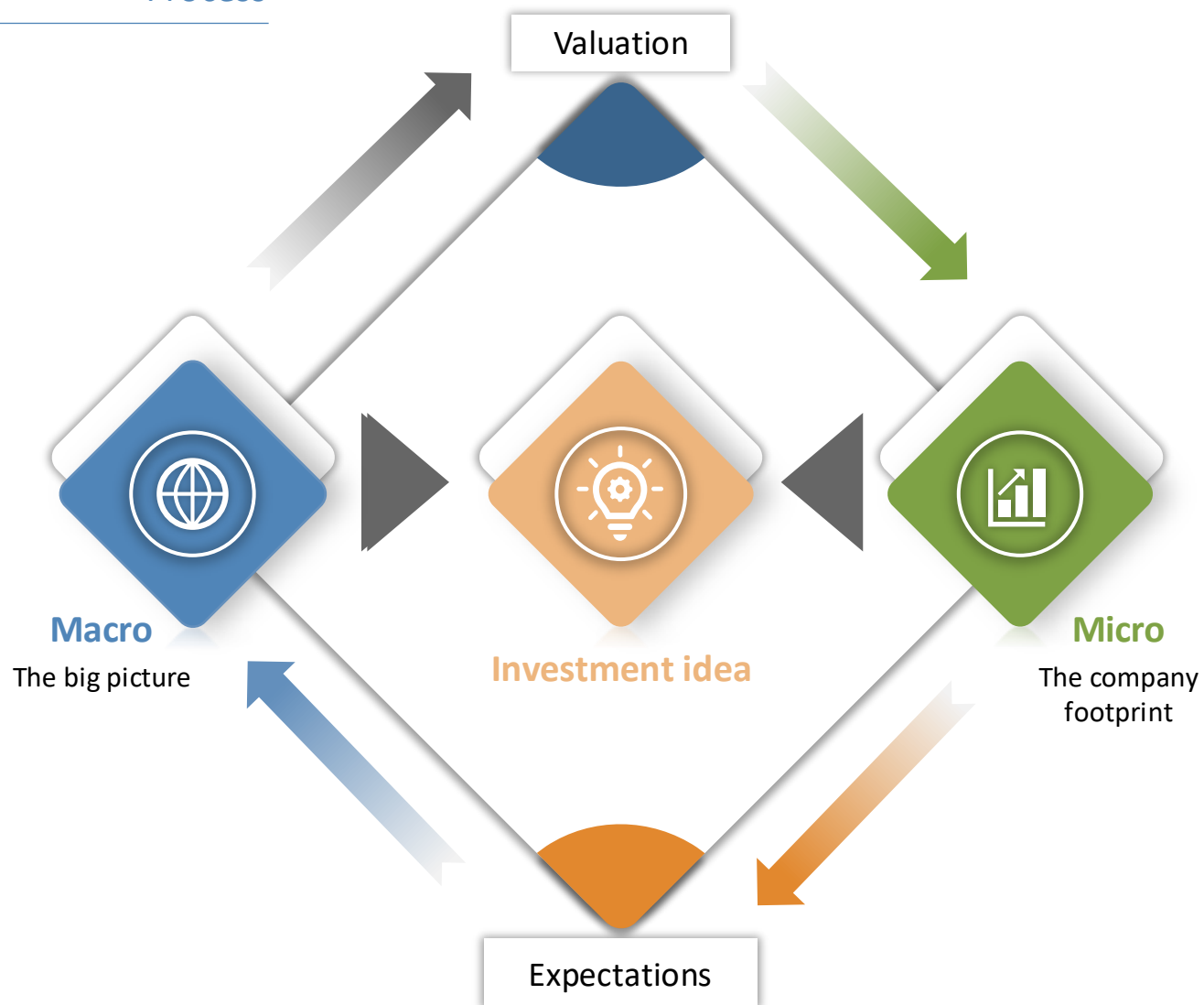
Source: annual report, as at 31.12.22. Please refer to Edinburgh Investment Trust’s Annual Financial Report, Strategic Report section, for further information on the approach to ESG

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# Investment approach

## Process



Flexible, total return approach

Fundamental, bottom-up research

ESG integrated

Emphasis on competitive advantage,  
and changes in market position

Seeking to exploit overlooked angles

## Windfall proves double-edged sword for Hunt ahead of Budget next month

Chancellor keen to stick to debt reduction plan but faces pressure to approve public sector pay rises

Business activity

Factories and services stage strong recovery

PMI data

Construction sector builds on brighter global outlook

Resolution  
Foundation

Our work Publications Events Comment Media



Plummeting gas prices will bring a big windfall for the Chancellor, and ease the cost-of-living crisis next year

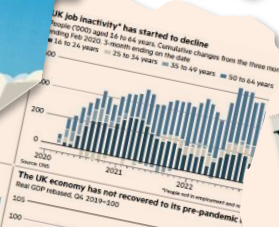


Confidence improved on each of the five measures, with the biggest jumps recorded in respondents' perceptions of the wider economy and their personal finances for the next year  
MIKE KEMP/GETTY IMAGES

Consumer confidence rebounds as economy avoids early recession

Economists project milder recession as inflation eases

Unexpected display of resilience raises hopes BoE is near end of rate rise cycle



Windsor framework hints at new harmony after rancour of Brexit

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WORLD | ASIA | CHINA

## China's Economy Seen Emerging From Zero-Covid Shadow

Sharper-than-expected expansion of activity offers Chinese leaders opportunity to shift spotlight away from pandemic missteps

# Top transactions since Company year end

## Top purchases



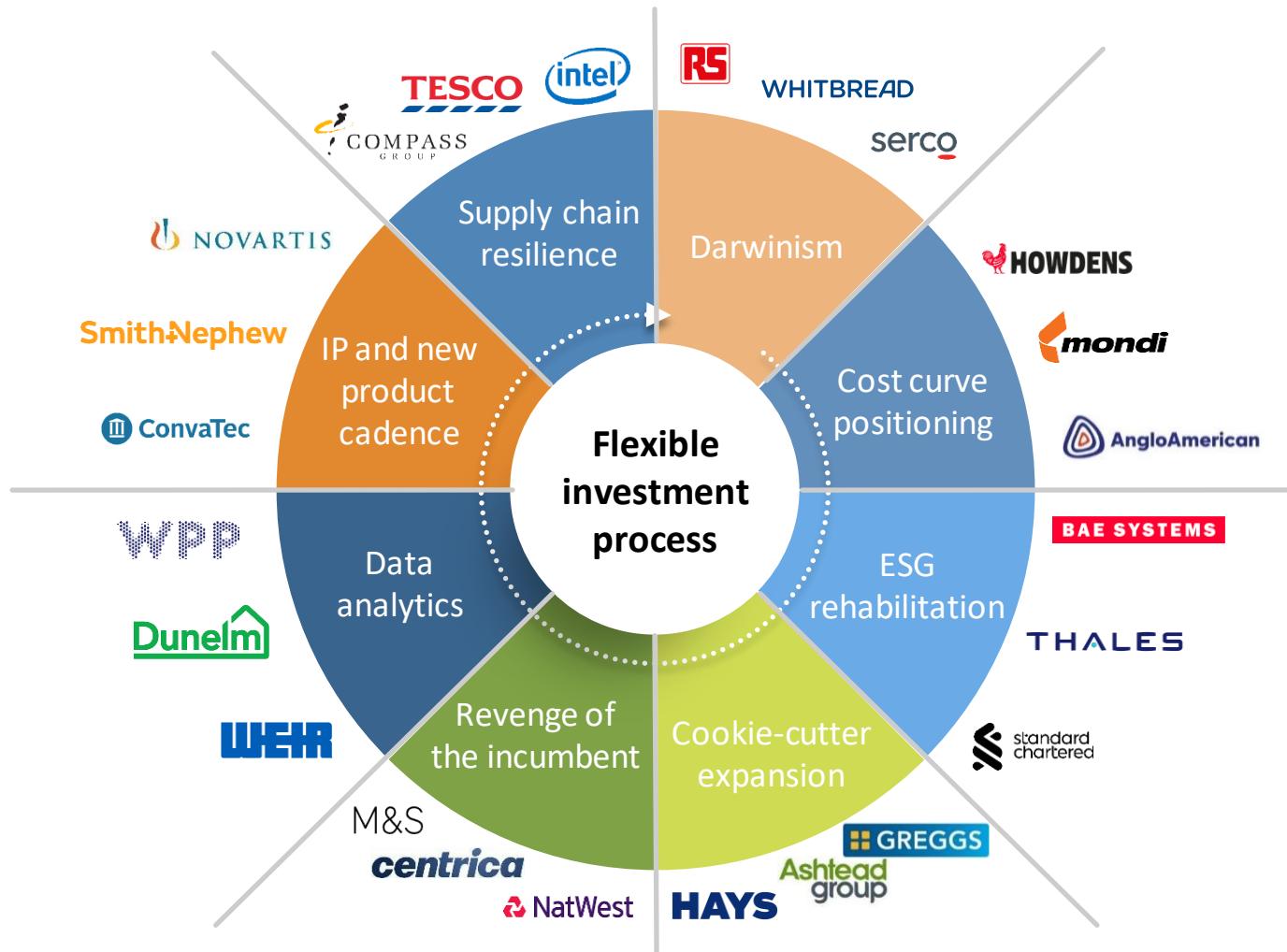
## Top sales





# Multiple themes

Flexible investment process targeting stocks with multiple drivers of returns



# Portfolio snapshot

## Key positions – absolute

Top 10	Fund %
Shell	7.1
BAE Systems	5.5
Unilever	5.0
Tesco	4.9
NatWest	4.5
AstraZeneca	4.4
Centrica	3.8
Ashtead	3.4
Anglo American	3.3
HSBC	3.1

## Index breakdown

Index	Fund %	Index %
FTSE 100	70.9	83.9
FTSE 250	18.0	13.7
International	8.5	0.0
FTSE Small Cap	0.0	2.3
Cash	2.6	0.0

## Dividend yield

	Fund %
Historic share price yield	3.9

## Key positions – relative

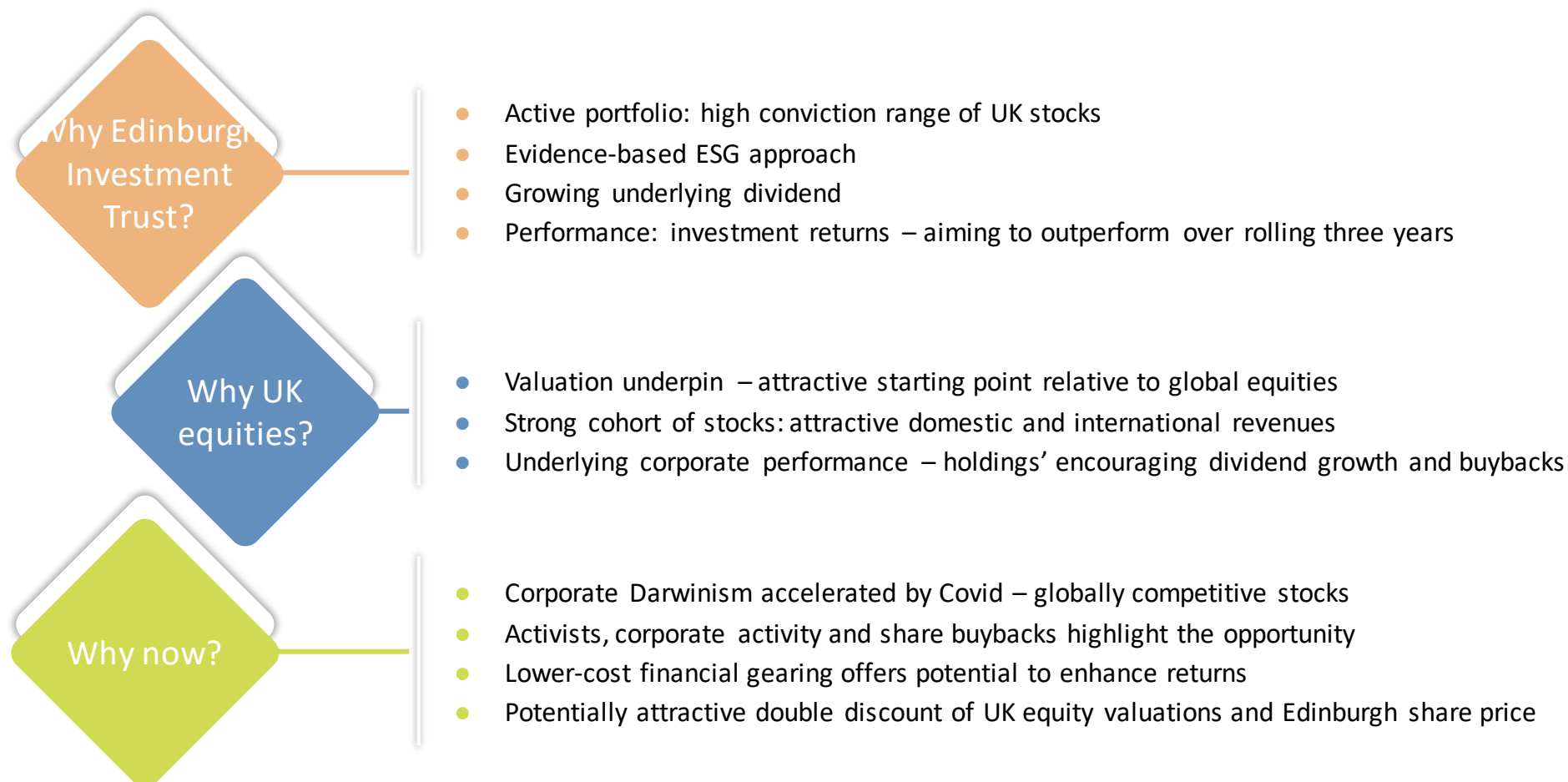
Top 15	%
BAE Systems	4.2
Tesco	4.1
NatWest	3.9
Centrica	3.5
Weir	2.8
Dunelm	2.6
Ashtead	2.5
RS Group	2.5
Hays	2.2
WPP	2.2
Novartis	1.9
Anglo American	1.9
Standard Chartered	1.9
Greggs	1.8
Serco	1.7

Bottom 5	%
Glencore	-2.5
Rio Tinto	-2.6
British American Tobacco	-2.7
AstraZeneca	-2.7
Diageo	-3.4

Source: Liontrust, as at 31.03.23. Comparator benchmark FTSE All-Share

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# Why EIT? Why UK equities? Why now?



*Aiming to deliver long-term outperformance, responsibly*

Source: annual report, as at 31.12.22. Please refer to Edinburgh Investment Trust's Annual Financial Report, Strategic Report section, for further information on the approach to ESG

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# Appendix

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## James de Uphough

James de Uphough is Head of the Liontrust Global Fundamental team. James joined Liontrust in April 2022 as part of the acquisition of Majedie Asset Management, where he was Chairman and Chief Investment Officer and responsible for co-managing the UK Equity Fund and managing the Edinburgh Investment Trust. Before co-founding Majedie in 2002, James had been a Managing Director at Mercury Asset Management (subsequently acquired by Merrill Lynch, now BlackRock) from 1988, where he was also Chairman of the UK Investment Group and Alpha Team Leader.

James holds a Master of Arts degree in Economics from Jesus College, Cambridge. He holds the ASIP qualification and is an Associate Member of the CFA Society of the UK.



## Chris Field

Chris Field joined Liontrust in April 2022 as part of the acquisition of Majedie Asset Management, where he had managed funds for 20 years, and is a member of the Liontrust Global Fundamental team. Before co-founding Majedie in 2002, Chris had been a Director at Mercury Asset Management (subsequently acquired by Merrill Lynch, now BlackRock). Chris joined Rowan Investment Managers (a predecessor firm to Mercury Asset Management) in 1980.

Chris holds the ASIP qualification and is an Associate Member of the CFA Society of the UK.



# Investment team: **Strength and depth**



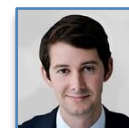
**James de Upaugh**  
Head of Global  
Fundamental Team  
*35 years' experience*



**Chris Field**  
Fund Manager  
*36 years*



**Tom Morris**  
Fund Manager  
*14 years*



**George Boyd-Bowman**  
Fund Manager  
*14 years*



**Emily Barnard**  
Equity Analyst  
*8 years*



**Hong Yi Chen**  
Fund Manager  
*13 years*



**James O'Connor**  
Fund Manager  
*8 years*



**Thomas Smith**  
Fund Manager  
*14 years*



**Sam Bealing**  
Equity Analyst  
*8 years*



**John King**  
Fund Manager  
*13 years*



**Tom Record**  
Fund Manager  
*21 years*



**Tom Hosking**  
Fund Manager  
*9 years*



**Tinger Wen**  
Equity Analyst  
*6 years*



**Imran Sattar**  
Fund Manager  
*26 years*



**Dan Ekstein**  
Fund Manager  
*14 years*



**Ewan Thompson**  
Fund Manager  
*17 years*



**Ed Jeans**  
Equity Analyst  
*4 years*



**Matthew Smith**  
Fund Manager  
*29 years*



**Ruth Chambers**  
Fund Manager  
*10 years*



**Chris Taylor**  
Fund Manager  
*40 years*

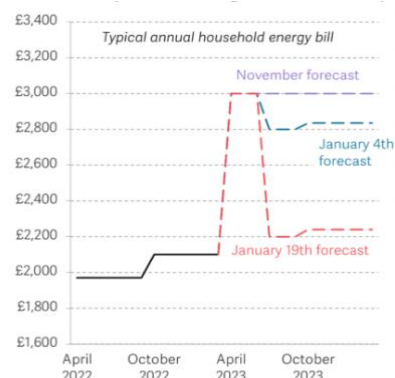


**Chloe Francisco**  
ESG researcher and  
member of RC team  
*2 years*

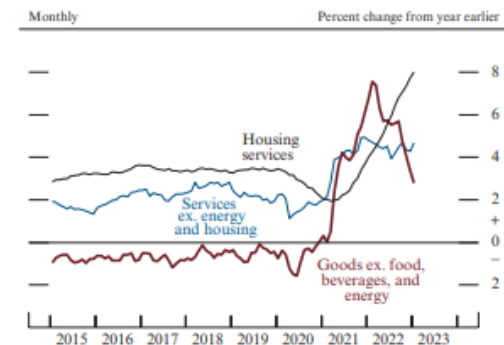
*Insights shared rapidly, with rich debate and challenge*

# The set up for the UK equity market (I)

**Typical annual household energy bill**



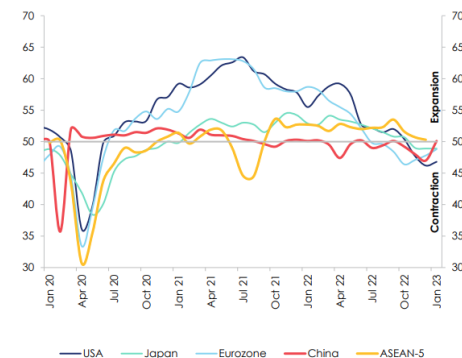
**Components of core prices**



**UK mortgage rates have risen considerably**



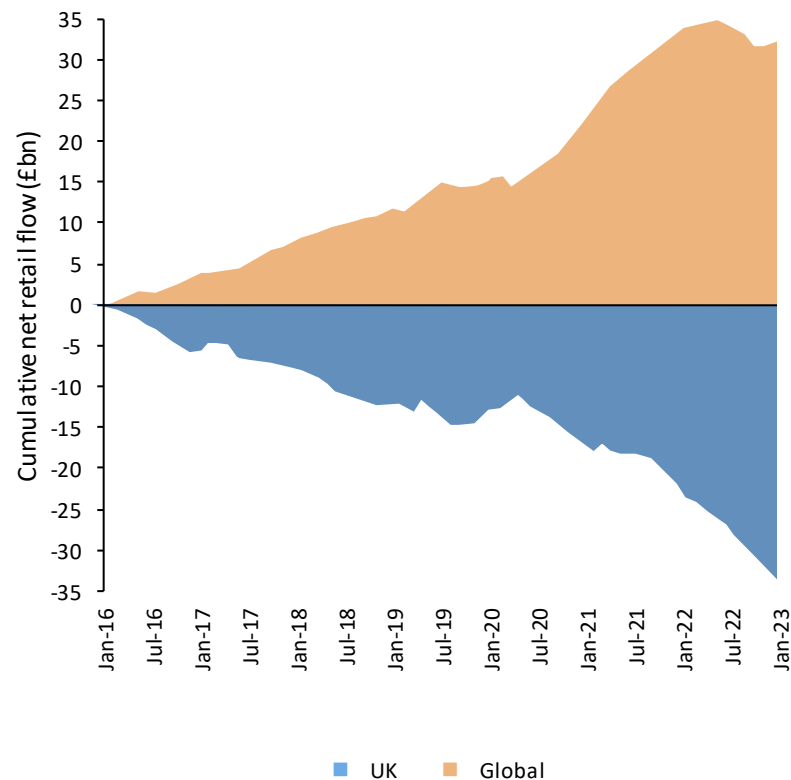
**Manufacturing PMIs in 4 Big Economies & ASEAN**



Source: March 2023. The Resolution Foundation, Figure 3, [www.resolutionfoundation.org/publications/the-only-way-is-down](http://www.resolutionfoundation.org/publications/the-only-way-is-down); Goldman Sachs, European Daily UK —The Housing Channel of Policy Tightening (Moberly) ([gs.com](http://gs.com)); Federal Reserve Monetary Policy Report, 03.03.23 ([federalreserve.gov](http://federalreserve.gov)); Clarkson/IMF, 2022 full year results final investor presentation. All use of company logos, images or trademarks in this presentation are for reference purposes only

# The set up for the UK equity market (II)

## Cumulative net flow of retail sales of open-ended funds since 2015



## Standard Chartered Bank

Business / Banking & Finance

### First Abu Dhabi Bank considered potential bid for Standard Chartered

- Gulf bank said it was previously at the 'very early stages' of considering an offer for Standard Chartered, but is no longer doing so
- Standard Chartered moved to exit seven markets in Africa and the Middle East in April

# Buy and sell discipline

## Buy

Differentiated investment thesis

Share price is below intrinsic long-term worth of the company

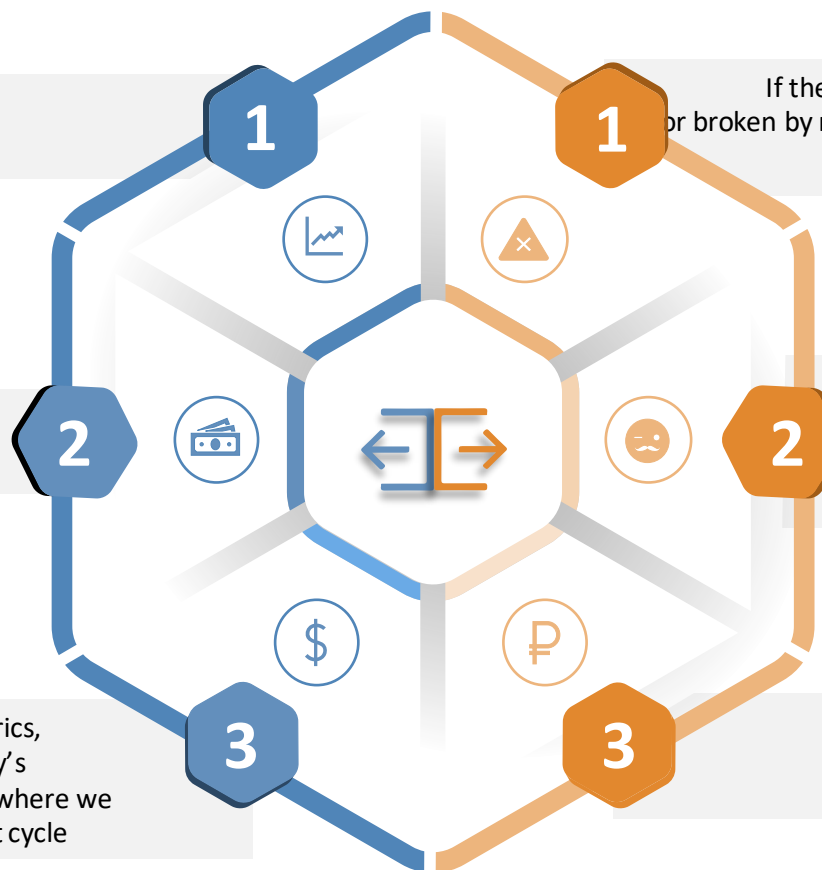
We use a wide variety of valuation metrics, depending upon the individual company's financial characteristics, its sector, and where we are in the current economic and market cycle

## Sell

If the investment thesis is challenged, weakened or broken by new information we are unemotional about reversing a position if necessary

If we alight upon a new money-making idea from our "ideas hopper" with an even more attractive risk/reward profile

If the valuation gap has narrowed (as the investment thesis has played out as expected)



# Strategic refinancing of long-term debt

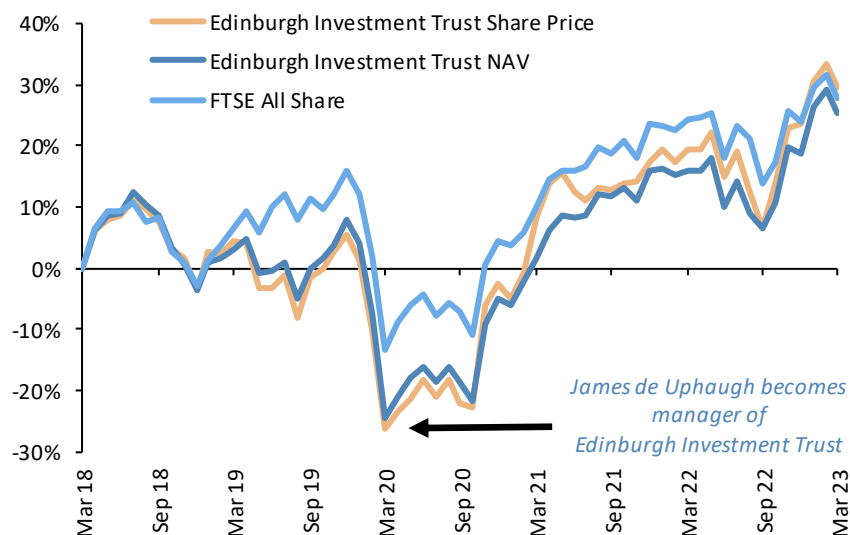
- The Board's policy is to borrow money to provide gearing to the equity portfolio of up to 25% of net assets
- The Board and Manager are supportive of modest gearing at attractive cost to enhance long-term shareholder returns
- Debenture refinanced in 2021 and extra £20m loan put into place; total gross debt at par of £120m
- Outgoing debenture coupon of 7.75%; replacement debt costs 2.42% with average maturity of 25 years

Year ending 31 March	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net debt at market value £m	246	229	174	265	246	244	246	245	222	185	208	236	162	147	71	76	52
Net asset value – debt at market value £m	1,112	1,123	889	573	778	847	933	1,091	1,197	1,339	1,360	1,504	1,376	1,362	857	1,082	1,175
Net gearing	22.2%	20.4%	19.6%	46.3%	31.6%	28.8%	26.4%	22.4%	18.6%	13.8%	15.3%	15.7%	11.8%	10.8%	8.3%	7.1%	4.4%



# Trust performance

## Cumulative performance over 5 years



Performance to 31 March 2023 (%)	3 months	Year to date	1 year	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)
Share Price	4.8	4.8	8.4	20.6	5.3	5.7
Net Asset Value <sup>^</sup>	5.4	5.4	7.9	18.4	4.6	6.6
FTSE All-Share Index	3.1	3.1	2.9	13.8	5.0	5.8

Discrete years to previous quarter (%):	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Share Price	8.4	10.6	46.4	-29.4	4.6	-6.7	11.2	4.0	15.7	8.0
Net Asset Value <sup>^</sup>	7.9	14.0	34.8	-26.7	2.9	-5.4	14.5	4.9	16.1	14.1
FTSE All-Share Index	2.9	13.0	26.7	-18.5	6.4	1.2	22.0	-3.9	6.6	8.8

Source: Morningstar Direct, as at 31.03.23, GBP, total return. <sup>^</sup>Cum Income Net Asset Value (debt at fair value). The return on investments may increase or decrease as a result of currency fluctuations

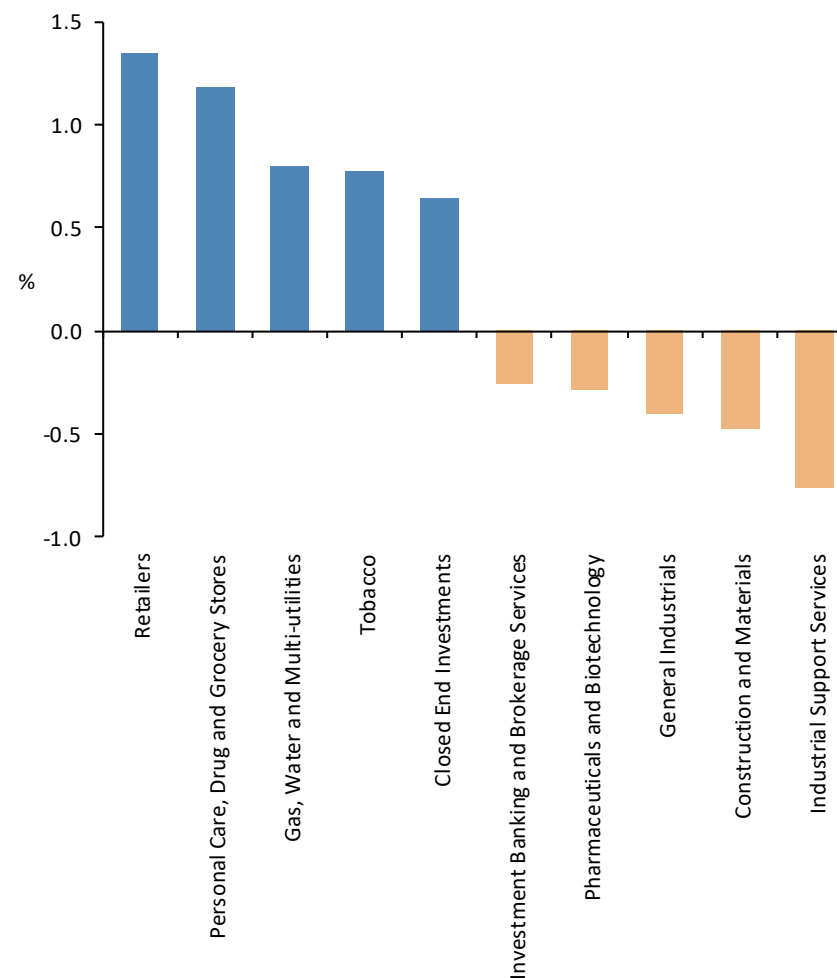
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# Performance attribution: 6 months

## 6 months stock attribution

	Average Portfolio Weight (%)	Average Index Weight (%)	Performance Impact (%)
<b>Positive</b>			
Centrica	3.2	0.2	1.0
Dunelm	2.4	0.0	0.9
British American Tobacco	0.0	3.1	0.7
Greggs	1.8	0.1	0.7
Tesco	4.5	0.7	0.7
Diageo	0.0	3.5	0.7
Marks and Spencer	1.3	0.1	0.6
BAE Systems	5.0	1.1	0.5
Weir	2.9	0.2	0.5
Glencore	0.0	2.9	0.5
<b>Negative</b>			
3i Group	0.0	0.6	-0.2
Anglo American	4.0	1.6	-0.3
Serco	1.9	0.1	-0.3
Mondi	1.8	0.3	-0.3
Rolls-Royce	0.0	0.4	-0.3
Roche	0.8	0.0	-0.3
Flutter Entertainment	0.0	0.9	-0.3
CRH	0.0	1.1	-0.3
BP	0.4	3.8	-0.4
RS Group	2.8	0.2	-0.5

## 6 months sector attribution

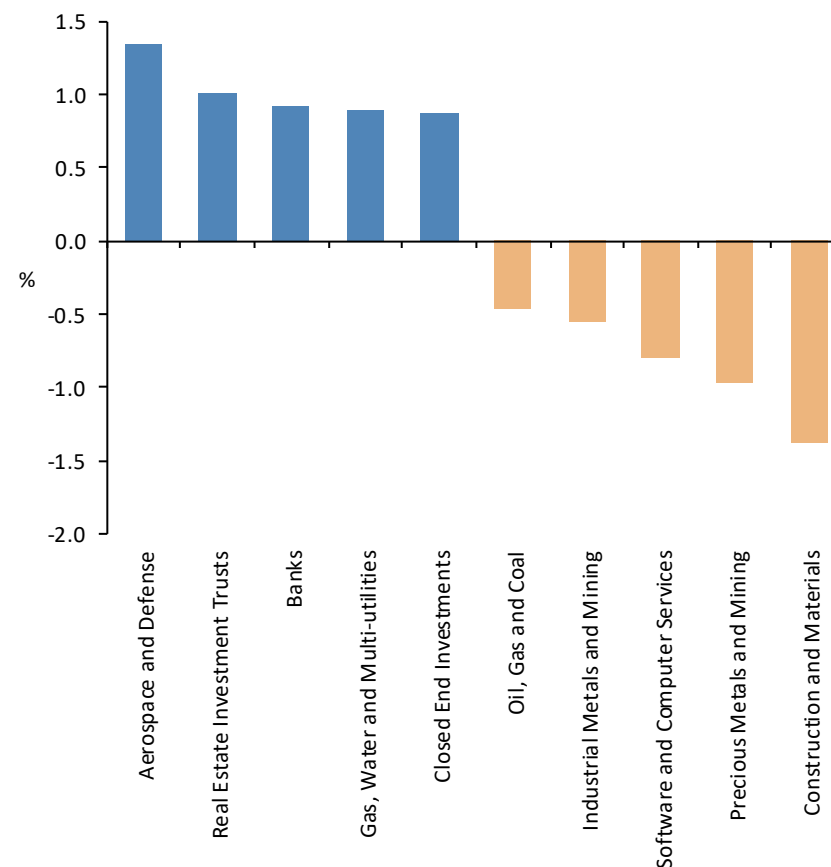


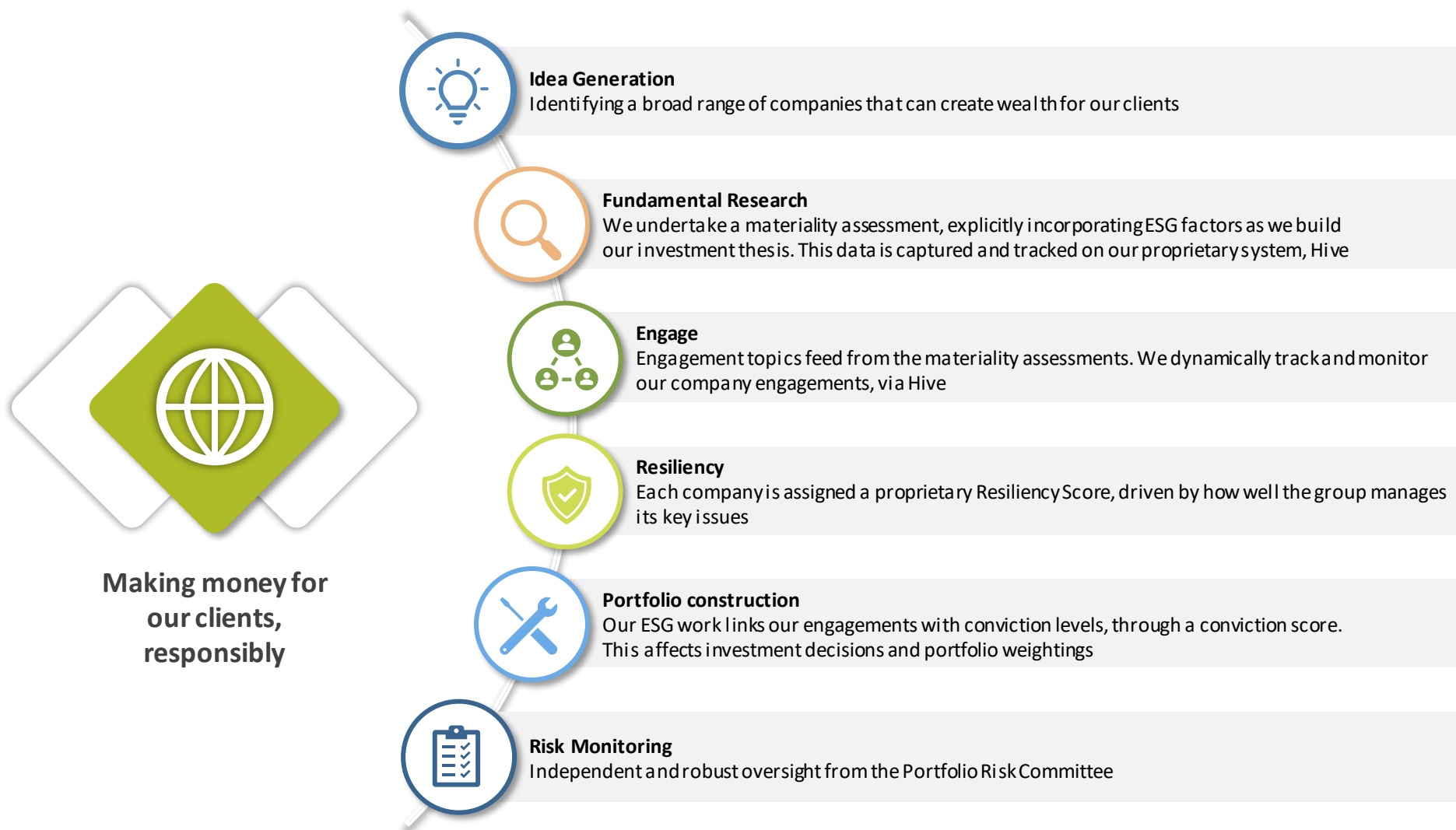
# Performance attribution: 12 months

## 12 months stock attribution

	Average Portfolio Weight (%)	Average Index Weight (%)	Performance Impact (%)
<b>Positive</b>			
BAE Systems	4.8	1.1	1.2
NatWest	4.4	0.6	0.8
Centrica	2.9	0.2	0.8
TotalEnergies	1.9	0.0	0.6
Vodafone	0.0	1.2	0.3
Weir	2.9	0.2	0.3
Segro	0.0	0.5	0.3
Greggs	1.6	0.1	0.3
Standard Chartered	2.5	0.6	0.3
Dunelm	2.1	0.0	0.3
<b>Negative</b>			
AstraZeneca	4.5	6.9	-0.2
CRH	0.0	1.1	-0.3
Flutter Entertainment	0.0	0.8	-0.4
Genuit	0.7	0.0	-0.4
RS Group	2.8	0.2	-0.5
Marshalls	0.7	0.0	-0.6
Ascential	1.4	0.0	-0.8
Anglo American	4.0	1.6	-0.9
Newmont	1.7	0.0	-1.0
BP	0.2	3.6	-1.2

## 12 months sector attribution





# Key statistics

## Key statistics as at 31 March 2023

Total assets	<b>£1.1bn</b>
Share price	<b>660.00p</b>
Net Asset Value per share	<b>713.70p</b>
Discount	<b>7.5%</b>
Historic dividend per share	<b>25.60p</b>
Historic share price yield	<b>3.9%</b>
Gearing (gross)	<b>6.6%</b>
Gearing (net)	<b>4.7%</b>
Ongoing charges ratio	<b>0.52%</b>
Active share	<b>66.0%</b>

Source: Liontrust, as at 31.03.23. Comparator benchmark FTSE All-Share

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# Key risks: Edinburgh Investment Trust

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The portfolio may invest in smaller companies. These stocks may be less liquid and the price swings greater than those in, for example, larger companies. The Company borrows money to invest in the stock market within prescribed limits with the aim of enhancing returns. The use of borrowings may increase the volatility of the NAV and may reduce returns when asset values fall. The Company may invest in derivatives. The use of derivatives may create leverage or gearing. A relatively small movement in the value of a derivative's underlying investment may have a larger impact, positive or negative, on the value of the company than if the underlying investment was held instead. The issue of shares in the Edinburgh Investment Trust may be subject to an initial charge, which will have an impact on the realisable value of the investment, particularly in the short term. Investments should always be considered as long term.

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