RNS Number : 3280G
Dunedin Income Growth Inv Tst PLC
01 October 2024

DUNEDIN INCOME GROWTH INVESTMENT TRUST PLC

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 JULY 2024

Legal Entity Identifier (LEI): 549300PXLZPR5JTL763

INVESTMENT OBJECTIVE

The objective of Dunedin Income Growth Investment Trust PLC is to achieve growth of income and capital from a portfolio invested mainly in companies listed or quoted in the United Kingdom that meet the Company's sustainable and responsible investing criteria as set by the Board.

BENCHMARK

The Company's benchmark is the FTSE All-Share Index (total return). Performance is measured on a net asset value total return basis over the long-term.

PERFORMANCE HIGHLIGHTS

Net asset value total return per Ordinary share[AB]		Share price total return per Ordinary share[A]	
Six months ended 31 July 2024	+8.2%	Six months ended 31 July 2024	+10.5%
Year ended 31 January 2024	+6.7%	Year ended 31 January 2024	(1.6)%
Revenue return per Ordinary share		**FTSE All-Share Index total return**	
Six months ended 31 July 2024	8.92p	Six months ended 31 July 2024	+12.3%
Six months ended 31 July 2023	8.25p	Year ended 31 January 2024	+1.9%
Dividend yield[A]		**Discount to net asset value[AB]**	
As at 31 July 2024	4.6%	As at 31 July 2024	9.0%
As at 31 January 2024	5.0%	As at 31 January 2024	10.7%

[A] Considered to be an Alternative Performance Measure.
[B] With debt at fair value (including income).

FINANCIAL CALENDAR

Expected payment dates of quarterly dividends	29 November 2024 28 February 2025 30 May 2025 29 August 2025
Financial year end	31 January 2025
Expected announcement of results for year ended 31 January 2025	March 2025
Annual General Meeting (Edinburgh)	May 2025

FINANCIAL HIGHLIGHTS

	31 July 2024	31 January 2024	% change
Total assets (£'000)[A]	509,218	488,867	+4.2
Equity shareholders' funds (£'000)	460,429	445,815	+3.3
Market capitalisation (£'000)	424,040	403,437	+5.1
Net asset value per Ordinary share	322.49p	304.99p	+5.7
Net asset value per Ordinary share with debt at fair value[B]	326.53p	308.98p	+5.7
Share price per Ordinary share (mid)	297.00p	276.00p	+7.6
Discount to net asset value with debt at fair value[B]	9.0%	10.7%	
Revenue return per Ordinary share[C]	8.92p	8.25p	+8.1
Net gearing[B]	9.5%	6.8%	

[A] Defined as total assets per the Statement of Financial Position less current liabilities (before deduction of bank loans and Loan Notes).

[B] Considered to be an Alternative Performance Measure.

[C] Figure for 31 July 2024 is for six months to that date. Figure for 31 January 2024 is for the six months to 31 July 2023.

For further information, please contact:

Ben Heatley

abrdn Fund Managers Limited

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Chairman's Statement

Review of the Period

The UK equity market delivered a strong total return over the six months under review, driven by an improving domestic macroeconomic landscape and attractive starting valuations. The Bank of England's recent base rate cut in August signals a potential peak in the current interest rate cycle, marking a shift towards a more accommodative monetary policy. Lower inflation alleviates cost pressures on businesses, enhances consumer purchasing power, and provides central banks with more flexibility to ease interest rates, collectively supporting economic stability and growth.

In a politically charged year, marked by elections in over 100 countries, representing nearly half of the global population, the UK general election outcome in July was largely as expected. Following the decisive outcome of the election, there are signs of renewed interest in UK equities as institutional investors re-engage with the UK market and turn their focus more to economic and business fundamentals. This, along with an increase in UK merger and acquisition activity, signals a potential shift in sentiment which could support a UK market recovery.

Against this backdrop, the Company's net asset value ("NAV") total return for the six months ended 31 July 2024 was 8.2%. This compares to a total return of 12.3% from the FTSE All-Share Index. The share price total return for the period was 10.5%, reflecting a narrowing of the discount at which the shares trade relative to the NAV, from 10.7% to 9.0% at the end of the period.

The Company's performance relative to the market reflects the portfolio of high quality companies which were out of favour during the period. The portfolio continues to showcase strong quality characteristics while delivering a premium yield and stronger dividend growth compared to the FTSE All-Share Index. Furthermore, the portfolio remains concentrated, exhibiting a high active share and stock-specific risk, which underscores the Company's differentiated approach to generating income and capital growth in contrast to many UK income equity investment trust peers.

A detailed review of portfolio activity during the period is contained in the Investment Manager's Review.

Earnings and Dividends

Revenue earnings per share increased by 8.1% during the period, to 8.92p per share compared to 8.25p per share for the first six months of last year. This was due principally to an increase in income generated from option writing activity, along with the impact of the reduction in the number of shares in issue as a result of the share buy back activity. Underlying dividend income from the portfolio was broadly unchanged compared to the same period last year, but the Investment Manager has seen a number of dividend declarations well ahead of their expectations and they expect to see further progress in the second half of the financial year. Further details are provided in the Investment Manager's Review.

A first interim dividend in respect of the year ending 31 January 2025, of 3.2p (2024: 3.2p) per share, was paid on 30 August 2024 and the Board has declared a second interim dividend of 3.2p (2024: 3.2p) per share, which will be paid on 29 November 2024 to shareholders on the register on 1 November 2024.

Based on last year's annual dividend of 13.75p per share, the dividend yield on the Company's shares was 4.6% at the end of the period. This is one of the higher yields available from the AIC's UK Equity Sector and is approximately 20% higher than the yield available from the UK equity market as measured by the FTSE All-Share Index.

Our distribution policy remains to grow the dividend faster than inflation over the medium term and, with the Company's robust revenue and capital reserves and the healthy underlying dividend and earnings growth of the companies within the portfolio, we believe that the policy remains very well supported.

Regulatory Change

In line with my statement in the Annual Report on the UK's sustainability disclosure requirements and investment labels regime (together "SDR"), the Board has continued to consult with the Investment Manager on the application of the new regime to the Company.

As background, shareholders will be aware that the Company adopted a sustainable investment overlay to its investment objective in 2021 and full details of the sustainable and responsible investing criteria adopted by the Board are set out in the Company's Annual Report each year. The move reflected an evolution of the investment process and formalised the existing approach to quality investing, which incorporates an assessment of long term environmental, social and governance risks and opportunities.

At the time of writing, our understanding of the way in which the new regime will apply to the Company continues to evolve but the Board wishes to emphasise that it intends to be fully compliant with the SDR regime from its implementation date on 2 December 2024 and the Investment Manager is not intending to change its strategy in managing the Company's portfolio.

Gearing

The level of gearing (net of cash) was 9.5% as at 30 June 2024, compared to 6.8% at the beginning of the period. During the period, the Investment Manager drew down an additional £6 million from the Company's revolving credit facility ("RCF") to enable it to take advantage of some of the attractive investment opportunities in the market. Gearing also increased as a result of a lower cash balance held at the period end than at the start of the period, and through the impact of share buy backs, which reduce the Company's capital base.

Since the end of the period, the Company has announced the renewal of its multi-currency RCF with Bank of America, N.A., London Branch (the "Lender") on a secured basis. The facility replaced the previous, unsecured, £30 million facility with Bank of Nova Scotia London Branch, which expired on 8 August 2024.

Under the terms of the new facility, the Company has the option to increase the level of the commitment from £30 million to £40 million at any time, subject to the Lender's consent. The facility sits alongside the Company's £30 million secured 30 year loan note, which is drawn down in full until 8 December 2045 at an all-in rate of 3.99%.

Following the renewal of the facility, the level of the Company's borrowings remains unchanged.

Discount

As stated above, at the end of the period the Company's shares traded at a discount of 9.0% (on a cum-income basis with borrowings stated at fair value), compared to a discount of 10.7% at the beginning of the period. We continued to buy back shares during the period, buying back 3.4 million shares (2.3% of the share capital) at an average discount of 10.9%, thereby providing a small enhancement to the NAV per share for shareholders. Since the end of the period we have bought back a further 1.5 million shares.

As we have previously stated, the Board believes a consistent rating of the Company's shares close to the underlying asset value is of significant benefit to shareholders. As well as a strong focus on execution of the investment strategy, the Board continues to support efforts to attract new investors and retain existing ones through clear messaging and regular engagement with investors. We are confident that the Company's attractive dividend yield and differentiated positioning are a good basis to support a strong rating for its shares over the medium term. The Company will continue to buy back shares to provide liquidity and address any imbalances between buyers and sellers.

Board Succession

It is the Company's stated policy that Directors should stand down after nine years on the Board. Jasper Judd, who is Chairman of the Audit Committee, and I, both joined the Board in February 2016. As stated in the Annual Report, we will therefore stand down from the Board at the conclusion of the Company's AGM in 2025. The Board will recruit a further Director during the course of this financial year who, it is intended, will take over from Jasper as Chairman of the Audit Committee. The number of Directors will therefore increase to six for a short period to allow for an orderly handover and smooth succession. Howard Williams, who has been a Director since April 2018, will succeed me as Chair of the Company and it is the Board's intention to recruit a fifth Director in 2025 to bring the number of Directors back to five.

Outlook

The UK macroeconomic picture, while still subdued, looks more encouraging than it did at the turn of the year. Inflation has fallen to close to the Bank of England's 2% target, there is the prospect of further interest rate reductions and economic growth is expected to gradually improve.

There remain a number of geo-political risks. The details of the new government's first budget will be important in setting the economic and fiscal landscape in the UK. Protracted conflicts in Ukraine and the Middle East continue to pose potential upside risks to commodity prices. The outcome of the upcoming US presidential election in November adds a layer of uncertainty that could significantly impact global international relations. While the UK macro environment is showing signs of improvement, the US economy is projected to experience a moderation in growth, although it is expected to avoid a significant recession. Meanwhile, the Chinese economy faces substantial challenges, including weak domestic demand and an unstable real estate sector.

The Investment Manager continues to select high-quality, sustainable companies that can provide income resilience and capital growth across various economic conditions, and remains optimistic for the outlook for the companies in the portfolio. The concentrated portfolio reflects the Investment Manager's best investment ideas to meet this objective. While performance can lag the benchmark in periods where businesses exposed to rising commodity prices and positively geared to rising interest rates are in favour, the Investment Manager believes that limiting exposure to the most cyclical companies with high financial and operating risks, while favouring those exposed to structural growth and stronger balance sheets will support long term shareholder total returns.

David Barron
Chairman
1 October 2024

Interim Management Statement

Directors' Responsibility Statement

The Directors are responsible for preparing the Half Yearly Financial Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with Financial Reporting Standard 104 'Interim Financial Reporting';
- The Interim Board Report (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- The financial statements include a fair review of the information required by DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

Principal Risks and Uncertainties

The Board regularly reviews the principal risks and uncertainties faced by the Company together with the mitigating actions it has established to manage the risks. These are set out within the Strategic Report contained within the Annual Report for the year ended 31 January 2024 and comprise the following risk categories:

- Investment objectives
- Investment strategies
- Investment performance
- Income/dividends
- Financial/market
- Gearing
- Regulatory
- ESG risks
- Operational (including cyber-crime)
- Geo-political

The Company's principal risks and uncertainties have not changed materially since the date of the Annual Report and are not expected to change materially for the remaining six months of the Company's financial year.

In addition to those principal risks and uncertainties, the Board considers that the development of Artificial Intelligence ("AI") presents potential risks to businesses in almost every sector. The extent of the risk presented by AI is extremely hard to assess at this point but the Board considers that it is an emerging risk and, together with the Manager, will monitor developments in this area.

Going Concern

The Company's assets consist mainly of equity shares in companies listed on the London Stock Exchange and in most circumstances are considered to be realisable within a short timescale. The Board has set limits for borrowing and derivative contract positions and regularly reviews actual exposures, cash flow projections and compliance with loan covenants. The Directors have considered the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary. The Directors have also performed stress testing on the portfolio and the loan financial covenants.

Having taken these matters into account, the Directors believe that the Company has adequate financial resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of this Report. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

On behalf of the Board

David Barron

Chairman

1 October 2024

Investment Manager's Review

Performance and Market Review

The UK equity market experienced a strong appreciation in the first half of the Company's financial year, driven by a continued decline in the inflation rate, which has now reached target levels, alongside improving sentiment regarding both UK and global economic activity. The Bank of England joined the global rate cutting cycle at the end of the period, with the first reduction in rates since April 2020.

Against this backdrop, the Company's net asset value ("NAV") total return for the six months to 31 July 2024 was 8.2%, which compared to a total return of 12.3% from the FTSE All-Share Index. In the first quarter of the year, cyclical sectors, particularly banks, energy, and mining companies, led the market, with mid-cap stocks outperforming as risk appetite grew and signs of a more resilient global economy emerged. The market exhibited a wide dispersion of stock returns, with investors willing to reward high performers while penalising those missing expectations.

Commodity prices rose, notably for oil amid escalating tensions in the Middle East, and for copper, driven by strong demand against a backdrop of constrained supply, although prices retreated toward the end of the period. Overall, global economic data remained mixed but generally exceeded initial expectations for the year. However, China stands out as an exception, with economic activity continuing to lag and persistent concerns surrounding its real estate market.

At the company level the portfolio benefitted from a number of positive performers. Intermediate Capital has delivered strong performance, with the company forecasting a positive outlook for fundraising within private credit. Morgan Sindall has also excelled, with its fit-out division demonstrating significant growth as clients invest to upgrade office space standards. This has led to strong profit growth and a further significant dividend increase. Unilever has also performed well as the company's strategy under the new CEO, Hein Schumacher, starts to take hold, delivering accelerating revenue growth and greater than expected margin expansion.

There were a number of companies that underperformed over the period. These included the French digital services and payments company Edenred, which was impacted by the political uncertainty generated by the recent elections, expectations of falling interest rates and declining inflation impacting its income, and a regulatory investigation into contract tendering processes in its Italian business. Despite these headwinds, the company has maintained its guidance for double-digit revenue growth, highlighting new client wins and the rollout of new products while the valuation and dividend yield look increasingly attractive. Meanwhile, Diageo's shares also underperformed, primarily due to weakened consumer demand in Latin America and the Caribbean, compounded by a prolonged destocking cycle in the United States. We believe the downgrade cycle is coming closer to an end, while the underlying valuation remains attractive, presenting an opportunity to continue to back a high-quality business going through a challenging cyclical period. The Company's underweight exposure to the banking sector also detracted from performance during the period under review, where we remain somewhat cautious on the sustainability of profitability and, by extension, dividend generation.

Portfolio Activity

We have introduced several new companies to the portfolio. One notable addition is Genuit, a leading manufacturer of piping solutions for water, climate, and ventilation management. The company has a strong focus on sustainability and, while it is cyclical, is well-positioned for long-term structural growth and offers potential margin expansion. We also added Convatec, which specialises in advanced wound care, ostomy care, continence care, and infusion care. Convatec benefits from favourable demographic trends, including an aging population and an increasing incidence of chronic conditions. The company has strong brands and is experiencing accelerated growth due to product innovation and improved execution. We believe it has the potential to enhance its operating margins, a positive outlook that is not yet reflected in its valuation.

Additionally, we initiated a position in Azelis, a Belgian-listed specialty chemical distributor. We see strong long-term growth prospects as it supplies chemicals to fast-growing end markets, such as life sciences. Azelis operates a capital-light business model and has a network of application laboratories that provide technical guidance on product development. Finally, we acquired a stake in Gaztransport & Technigaz ("GTT"), a French-listed industrial engineering design firm known for its design of membranes used in LNG carrier ships for the storage of liquefied natural gas ("LNG"). GTT's capital-light model is supported by strong pricing power, with growth driven by the expansion of the global LNG fleet, premium pricing on new designs, and the application of its technology in areas like hydrogen. The company has a net cash balance sheet, generates high cash conversion rates, and returns excess liquidity to investors, positioning it well to provide a growing dividend stream.

We added to positions in UK mid-cap companies such as Assura, and Softcat, where we see attractive total return prospects in this segment of the market. We also increased the holding in animal genetics company Genus, given its depressed valuation relative to historical levels and its strong long-term potential. In addition, we significantly increased the Company's investment in National Grid at the time of its rights issue, which has strengthened the company's capital position and enabled significant future growth.

To fund these purchases, we reduced the position in Intermediate Capital after a significant increase in its share price exceeded our risk appetite. We exited a small position in Moonpig following a strong recovery in its share price, as well as in the specialty chemicals manufacturer Croda, where we have lower conviction in the firm's competitive position. We divested the holding in Scandinavian bank Nordea after it paid its large annual dividend, trimmed the position in Marshalls following a strong share price recovery, and reduced the substantial position in AstraZeneca, as we believe its prospects no longer justify such a significant allocation of the Company's capital.

We continued to generate income from option writing. We wrote a number of options to both generate income and to position the portfolio. This included puts over branded consumer health company Haleon which we are looking to introduce to the portfolio. In addition, we wrote puts over TotalEnergies, Genus, Azelis and Prudential where we are happy to increase the holdings, and calls over Taylor Wimpey, Croda and Intermediate Capital.

The level of investment income rose healthily year on year, boosted by the timing of option income, with dividend income more or less flat. Overall, the income delivery from the portfolio was solid, with a number of declarations well ahead of our expectations. While the decision by Close Brothers to pass its dividend given the ongoing regulatory investigation into its auto lending business was frustrating, we were able to largely make up the lost income from other sources.

Gearing

In May we took the decision to increase the level of gearing by just over 1%, drawing down an additional £6 million from the revolving credit facility, reflecting the very healthy pipeline of potential investment opportunities that we have open to us. The last time we increased borrowings was in March 2020 amidst the market turmoil sparked by the pandemic. The Company also continued to buy back its own shares in the market - we consider the current discount to NAV as attractive, particularly when we believe the underlying portfolio is on an undemanding rating.

Outlook

Despite recent market volatility, the UK macroeconomic landscape is gradually improving, with growth set to recover slowly, inflation moderating, and consumer confidence picking up, painting a more encouraging picture than at the turn of the year. The recent change in government in the UK has brought a degree of political stability that reassures markets, although attention is now focused on the upcoming autumn budget, which is expected to have significant implications for various sectors.

The current valuation of the market and the portfolio reflects muted expectations, potentially providing a springboard for strong prospective returns. Mergers and acquisitions remain a prominent feature, while share buybacks continue to provide support. There have also been some encouraging early signs of international investors returning to the UK market. A confluence of a steadily improving economic landscape, declining interest rates, and a softer currency could present a compelling investment case for UK equities, particularly in the mid-cap sector, where the Company holds a strategic overweight position.

However, risks remain, and elevated tensions in the Middle East and Ukraine, along with their potential impact on energy prices, warrant close monitoring. Likewise, the Chinese economy continues to struggle and there are increasing signs of a slowdown in the United States, both factors to remain vigilant to. As ever, we shall continue to seek a balance in our positioning of the portfolio, giving the Company the potential to perform in a range of market environments while keeping watch for new opportunities in high-quality companies with attractive long-term prospects that align with the Company's sustainable and responsible investing criteria.

Ben Ritchie and Rebecca Maclean
abrdn Investments Limited
1 October 2024

Investment Portfolio

At 31 July 2024

Company	Sector	Market value £'000	Total assets %
Unilever	Personal Care, Drug and Grocery Stores	35,008	6.9
National Grid	Gas, Water and Multi-utilities	28,990	5.7
AstraZeneca	Pharmaceuticals and Biotechnology	27,492	5.4
RELX	Media	26,829	5.3
TotalEnergies	Oil, Gas and Coal	26,823	5.3
London Stock Exchange	Finance and Credit Services	22,065	4.3
Diageo	Beverages	19,205	3.8
Chesnara	Life Insurance	15,302	3.0
SSE	Electricity	14,448	2.8
Morgan Sindall	Construction and Materials	14,074	2.7
Ten largest equity investments		230,236	45.2
Intermediate Capital	Investment Banking and Brokerage Services	12,735	2.5
Games Workshop	Leisure Goods	12,689	2.5
Hiscox	Non-life Insurance	12,275	2.4
Sirius Real Estate	Real Estate Investment Trusts	11,861	2.3
Sage	Software and Computer Services	11,782	2.3
M&G	Investment Banking and Brokerage Services	11,754	2.3
Weir Group	Industrial Engineering	11,685	2.3
Telecom Plus	Telecommunications Service Providers	11,623	2.3
ASML	Technology Hardware and Equipment	11,600	2.3
Prudential	Life Insurance	11,116	2.2
Twenty largest equity investments		349,356	68.6
Taylor Wimpey	Household Goods and Home Construction	11,099	2.2
Assura	Real Estate Investment Trusts	10,659	2.1
Edenred	Industrial Support Services	10,495	2.1
Novo-Nordisk	Pharmaceuticals and Biotechnology	10,476	2.1
Oxford Instruments	Electronic and Electrical Equipment	10,433	2.0
Softcat	Software and Computer Services	10,125	2.0
Volvo	Industrial Transportation	10,120	2.0
Genus	Pharmaceuticals and Biotechnology	9,995	2.0
Convatec	Medical Equipment and Services	9,917	1.9
Pets At Home	Retailers	9,794	1.9
Thirty largest equity investments		452,469	88.9

Marshalls	Construction and Materials	9,397	1.8
Mercedes-Benz	Automobiles & Parts	9,124	1.8
Genuit	Construction and Materials	8,796	1.7
Azelis	Industrial Support Services	8,685	1.7
Gaztransport & Technigaz	Oil, Gas and Coal	8,101	1.6
Close Brothers	Banks	5,144	1.0
Total equity investments		501,716	98.5
Net current assets[A]		7,488	1.5
Total assets less current liabilities (excluding borrowings)		509,204	100.0

[A] Excluding bank loan of £19,040,000.

Condensed Statement of Comprehensive Income (unaudited)

		Six months ended 31 July 2024			Six months ended 31 July 2023		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments		-	23,080	23,080	-	7,192	7,192
Income	2	14,409	-	14,409	13,776	-	13,776
Investment management fees		(349)	(523)	(872)	(352)	(527)	(879)
Administrative expenses		(357)	-	(357)	(541)	-	(541)
Currency gains		-	52	52	-	227	227
Net return before finance costs and tax		13,703	22,609	36,312	12,883	6,892	19,775
Finance costs		(411)	(610)	(1,021)	(353)	(523)	(876)
Return before taxation		13,292	21,999	35,291	12,530	6,369	18,899
Taxation	3	(402)	-	(402)	(305)	-	(305)
Return after taxation		12,890	21,999	34,889	12,225	6,369	18,594
Return per Ordinary share (pence)	5	8.92	15.22	24.14	8.25	4.29	12.54

The total column of the Condensed Statement of Comprehensive Income is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Financial Position (unaudited)

	Note	As at 31 July 2024 £'000	As at 31 January 2024 £'000
Non-current assets			
Investments at fair value through profit or loss	9	501,716	474,087
Current assets			
Debtors		3,750	2,925
Cash and short-term deposits		4,844	12,868
		8,594	15,793
Creditors: amounts falling due within one year			
Bank loan		(19,040)	(13,307)
Other creditors		(1,092)	(1,013)
		(20,132)	(14,320)
Net current (liabilities)/assets		(11,538)	1,473
Total assets less current liabilities		490,178	475,560
Creditors: amounts falling due after more than one year			
Loan Notes 2045		(29,749)	(29,745)

Net assets		460,429	445,815

Capital and reserves			
Called-up share capital		38,419	38,419
Share premium account		4,908	4,908
Capital redemption reserve		1,606	1,606
Capital reserve	6	389,393	376,996
Revenue reserve		26,103	23,886
Equity shareholders' funds		460,429	445,815

Net asset value per Ordinary share (pence)	7	322.49	304.99

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Changes in Equity (unaudited)

Six months ended 31 July 2024

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2024		38,419	4,908	1,606	376,996	23,886	445,815
Return after taxation		-	-	-	21,999	12,890	34,889
Purchase of own shares for treasury		-	-	-	(9,602)	-	(9,602)
Dividends paid	4	-	-	-	-	(10,673)	(10,673)
Balance at 31 July 2024		38,419	4,908	1,606	389,393	26,103	460,429

Six months ended 31 July 2023

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2023		38,419	4,908	1,606	379,839	23,833	448,605
Return after taxation		-	-	-	6,369	12,225	18,594
Issue of shares from treasury		-	-	-	(62)	-	(62)
Dividends paid	4	-	-	-	-	(10,527)	(10,527)
Balance at 31 July 2023		38,419	4,908	1,606	386,146	25,531	456,610

The Revenue reserve and the part of the Capital reserve represented by realised capital gains represent the amount of the Company's reserves distributable by way of dividend.

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Cash Flows (unaudited)

	Six months ended 31 July 2024 £'000	Six months ended 31 July 2023 £'000
Operating activities		
Net return before finance costs and taxation	36,312	19,775
Adjustments for:		
Gains on investments	(23,080)	(7,192)
Currency gains	(52)	(227)
Decrease/(increase) in accrued dividend income	722	(623)
Stock dividends included in dividend income	(915)	(432)
(Increase)/decrease in other debtors excluding tax	(157)	144
Increase in other creditors	128	111
Net tax paid	(698)	(944)
Net cash inflow from operating activities	12,260	10,612

Investing activities		
Purchases of investments	(73,396)	(57,296)
Sales of investments	68,604	44,824
Net cash used in investing activities	(4,792)	(12,472)

Financing activities		
Interest paid	(1,007)	(921)
Dividends paid	(10,673)	(10,527)
Buyback of Ordinary shares for treasury	(9,597)	-
Purchase of own shares for treasury	-	(6)
Drawdown of loan	5,733	-
Loan repayment	-	(394)
Net cash used in financing activities	(15,544)	(11,848)
Decrease in cash and cash equivalents	(8,076)	(13,708)

Analysis of changes in cash and cash equivalents during the period		
Opening balance	12,868	12,267
Effect of exchange rate fluctuations on cash held	52	227
Decrease in cash as above	(8,076)	(13,708)
Closing balance	4,844	(1,214)

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements (unaudited)

For the year ended 31 July 2024

1. Accounting policies

Basis of preparation. The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 'Interim Financial Reporting' and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued in July 2022. They have also been prepared on a going concern basis and on the assumption that status as an investment trust will be maintained.

The half yearly financial statements have been prepared using the same accounting policies and methods of computation as the preceding annual financial statements (year ended 31 January 2024), which were prepared in accordance with Financial Reporting Standard 102.

2. Income

	Six months ended 31 July 2024 £'000	Six months ended 31 July 2023 £'000
Income from investments		
UK dividend income	6,832	6,983
Overseas dividends	5,137	5,642
Stock dividends	915	432
	12,884	13,057
Other income		
Income on derivatives	1,497	684
Interest income	28	35
	1,525	719
Total income	14,409	13,776

3. Taxation

The taxation charge for the period, and the comparative period, represents withholding tax suffered on overseas dividend income.

4. Ordinary dividends on equity shares

	Six months ended 31 July 2024 £'000	Six months ended 31 July 2023 £'000
Third interim dividend 2024 of 3.20p (2023 - 3.00p)	4,677	4,448
Final dividend 2024 of 4.15p (2023 - 4.10p)	5,996	6,079
	10,673	10,527

A first interim dividend in respect of the year ending 31 January 2025 of 3.20p per Ordinary share (2024 - 3.20p) was paid on 30 August 2024 to shareholders on the register on 2 August 2024. The ex-dividend date was 1 August 2024.

5. Returns per share

	Six months ended 31 July 2024 p	Six months ended 31 July 2023 p
Revenue return	8.92	8.25
Capital return	15.22	4.29
Total return	24.14	12.54

The returns per share are based on the following:

	Six months ended 31 July 2024 £'000	Six months ended 31 July 2023 £'000
Revenue return	12,890	12,225
Capital return	21,999	6,369
Total return	34,889	18,594
Weighted average number of Ordinary shares	144,501,086	148,264,249

6. Capital reserves

The capital reserve reflected in the Condensed Statement of Financial Position at 31 July 2024 includes gains of £80,539,000 (31 January 2024 - gains of £64,644,000) which relate to the revaluation of investments held at the reporting date.

7. Net asset value

Equity shareholders' funds have been calculated in accordance with the provisions of Financial Reporting Standard 102. The analysis of equity shareholders' funds on the face of the Condensed Statement of Financial Position does not reflect the rights under the Articles of Association of the Ordinary shareholders on a return of assets. These rights are reflected in the net asset value and the net asset value per share attributable to Ordinary shareholders at the period end, adjusted to reflect the deduction of the Loan Notes at par. A reconciliation between the two sets of figures is as follows:

	31 July 2024	31 January 2024
Net assets attributable (£'000)	460,429	445,815
Number of Ordinary shares in issue at the period end[A]	142,774,382	146,172,889
Net asset value per Ordinary share	322.49p	304.99p

[A] Excluding shares held in treasury

Adjusted net assets	31 July 2024 £'000	31 January 2024 £'000
Net assets attributable (as above)	460,429	445,815
Unamortised Loan Notes issue expenses	(251)	(255)
Adjusted net assets attributable	460,178	445,560
Number of Ordinary shares in issue at the period end[A]	142,774,382	146,172,889
Adjusted net asset value per Ordinary share	322.31p	304.82p

[A] Excluding shares held in treasury.

Net assets - debt at fair value	31 July 2024 £'000	31 January 2024 £'000
Net assets attributable	460,429	445,815
Amortised cost Loan Notes	29,749	29,745
Market value Loan Notes	(23,978)	(23,916)
Net assets attributable	466,200	451,644
Number of Ordinary shares in issue at the period end[A]	142,774,382	146,172,889
Net asset value per Ordinary share - debt at fair value	326.53p	308.98p

[A] Excluding shares held in treasury.

8. Transaction costs

During the period expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains/(losses) on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 July 2024 £'000	Six months ended 31 July 2023 £'000
Purchases	246	151
Sales	42	25
	288	176

9. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The financial assets and liabilities measured at fair value in the Condensed Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

As at 31 July 2024	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	501,716	-	-	501,716
Total		501,716	-	-	501,716

As at 31 January 2024	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	474,087	-	-	474,087
Total		474,087	-	-	474,087

a) Quoted equities. The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges.

10. Analysis of changes in net debt

	At 31 January 2024 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 31 July 2024 £'000
Cash and cash equivalents	12,868	52	(8,076)	-	4,844
Debt due within one year	(13,307)	(47)	(5,686)	-	(19,040)
Debt due after more than one year	(29,745)	-	-	(4)	(29,749)
	(30,184)	5	(13,762)	(4)	(43,945)

Analysis of changes in net debt	At 31 January 2023 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 31 July 2023 £'000
Cash and cash equivalents/(bank overdraft)	12,267	227	(13,708)	-	(1,214)
Debt due within one year	(13,762)	43	351	-	(13,368)
Debt due after more than one year	(29,738)	-	-	(4)	(29,742)
	(31,233)	270	(13,357)	(4)	(44,324)

A statement reconciling the movement in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

11. Transactions with the Manager

The Company has an agreement with abrdn Fund Managers Limited (the "Manager") for the provision of investment management, secretarial, accounting and administration and promotional activity services.

The management fee is calculated and charged, on a monthly basis, at 0.45% per annum on the first £225 million, 0.35% per annum on the next £200 million and 0.25% per annum on amounts over £425 million of the net assets of the Company, with debt at par and excluding commonly managed funds. The management fee is chargeable 40% to revenue and 60% to capital. During the period £872,000 (31 July 2023 - £879,000) of investment management fees were payable to the Manager, with a balance of £292,000 (31 July 2023 - £291,000) being due at the period end. There were no commonly managed funds held in the portfolio during the six months to 31 July 2024 (2023 - none).

The management agreement may be terminated by either party on not less than six months' written notice. On termination by the Company on less than the agreed notice period the Manager would be entitled to receive fees which would otherwise have been due up to that date.

The Manager also receives a separate promotional activities fee which is based on a current annual amount of £200,000 payable quarterly in arrears. During the period £100,000 (31 July 2023 - £125,000) of fees were payable to the Manager, with a balance of £17,000 (31 July 2023 - £83,000) being due at the period end.

12. Segmental information

The Company is engaged in a single segment of business, which is to invest mainly in equity securities. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based on the Company as one segment.

13. Half Yearly Financial Report

The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 - 436 of the Companies Act 2006. The financial information for the six months ended 31 July 2024 and 31 July 2023 has not been audited.

The information for the year ended 31 January 2024 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditor on those accounts contained no qualification or statement under Section 498 of the Companies Act 2006.

14. Approval

This Half Yearly Financial Report was approved by the Board on 1 October 2024.

Alternative Performance Measures ("APMs")

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

Discount to net asset value per share with debt at fair value

The discount is the amount by which the share price is lower than the net asset value per share with debt at fair value, expressed as a percentage of the net asset value with debt at fair value.

		31 July 2024	31 January 2024
Share price (p)	a	297.00p	276.00p
NAV per Ordinary share (p)	b	326.53p	308.98p
Discount	(a-b)/a	9.0%	10.7%

Dividend yield

Dividend yield is calculated using the Company's historic annual dividend per Ordinary share divided by the share price, expressed as a percentage.

		31 July 2024	31 January 2024
Annual dividend per Ordinary share (p)	a	13.75p	13.75p
Share price (p)	b	297.00p	276.00p
Dividend yield	a/b	4.6%	5.0%

Net gearing

Net gearing measures total borrowings less cash and cash equivalents divided by shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes net amounts due to and from brokers at the period end as well as cash and short term deposits.

		31 July 2024	31 January 2024
Borrowings (£'000)	a	48,789	43,052
Cash (£'000)	b	4,844	12,868
Amounts due to brokers (£'000)	c	-	92
Amounts due from brokers (£'000)	d	-	-
Shareholders' funds (£'000)	e	460,429	445,815
Net gearing	(a-b+c-d)/e	9.5%	6.8%

Total return

NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. Share price and NAV total returns are monitored against open-ended and closed-ended competitors, and the Reference Index, respectively.

Six months ended 31 July 2024		NAV	Share Price
Opening at 1 February 2024	a	309.0p	276.0p
Closing at 31 July 2024	b	326.5p	297.0p
Price movements	c=(b/a)-1	+5.7%	+7.6%
Dividend re-investment[A]	d	+2.5%	+2.9%
Total return	c+d	+8.2%	+10.5%

Year ended 31 January 2024		NAV	Share Price
Opening at 1 February 2023	a	302.8p	294.0p
Closing at 31 January 2024	b	309.0p	276.0p
Price movements	c=(b/a)-1	+2.0%	(6.1)%
Dividend re-investment[A]	d	+4.7%	+4.5%
Total return	c+d	+6.7%	(1.6)%

[A] NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

By order of the Board
abrdn Holdings Limited
Company Secretary
1 October 2024

Please note that past performance is not necessarily a guide to the future and the value of investments and the income from them may fall as well as rise. Investors may not get back the amount they originally invested