# Abrdn Equity Income trust bucks trend with fresh share issue and strong dividend appeal



Few investment trusts are currently in expansion mode, but Abrdn Equity Income stands out as a notable exception. Riding the momentum of robust returns over the past year, the £170 million trust has recently issued 175,000 new shares, generating over £600,000 in new capital. Manager Thomas Moore attributes this rising interest to a renewed investor focus on the UK stock market, suggesting that conditions for investment are increasingly favourable.

Moore, who has led the trust for more than 13 years, expresses enthusiasm for the current market climate. "As a manager, I'm licking my lips," he states, highlighting the trust’s appealing dual focus on high dividend yields and capital growth—a combination he believes is attracting a diverse array of investors. Currently, the trust offers a dividend yield of 6.4 per cent, accompanied by a notable total return of 24.2 per cent over the past year, surpassing both the FTSE 100's 8.5 per cent and the broader FTSE All-Share Index's 7.9 per cent. This performance also eclipses the average return of its UK equity income peer group, which is at 13.6 per cent.

The trust has maintained impressive operational metrics, with a track record of 24 consecutive years of annual dividend growth. In the last financial year (ending September), Abrdn Equity Income declared quarterly dividends totaling 22.9 pence per share and has already announced two dividends of 5.7 pence each for the current year, with the second payment due this month. Considering current share prices around £3.56, this competitive dividend stream positions the trust as an attractive option for yield-seeking investors.

Additionally, the trust's shares currently trade at a small premium to the net asset value, a rarity in an environment where many investment trusts sell at a discount to their asset base. Moore’s investment philosophy leans towards identifying undervalued UK companies with strong dividend potential. "I stay close to the companies we invest in," he says, firmly believing there are abundant opportunities in the market, from both large-cap FTSE stocks to smaller firms.

Among the diversified 50-strong portfolio, notable holdings include investment house M&G, insurer L&G, and tobacco giant British American Tobacco, with respective yields of 7.9, 8.5, and 6.6 per cent. One of Moore's preferred stocks is EasyJet, which he believes is poised for profit growth as the company invests in new aircraft. Although its current yield is modest at just over 2 per cent, he is optimistic about future dividend increases as earnings improve.

However, despite the positive outlook, Moore remains cautious, acknowledging a challenging macroeconomic backdrop, particularly concerning potential disruptions in the bond markets. He emphasises the necessity of strategic vigilance even amidst current success, with investors needing to navigate a complex economic landscape.

Interestingly, while Abrdn Equity Income takes a proactive approach in the market, it has witnessed fluctuations in performance metrics over recent periods. Earlier this year, the trust reported a lower than expected total return of 2.5% over six months, trailing behind the FTSE All-Share Index's 4.7%. Furthermore, while the trust achieved a 12.0% total return over three years, it still underperformed the sector average of 19.8%. This illustrates the volatility and the potential for varied success within different points in the market cycle.

As investors weigh their options, Abrdn Equity Income appears well-positioned with its stable dividend growth and its manager's commitment to seeking out high-quality, undervalued stocks across the UK. With its latest strategic moves and the optimistic performance indicators, it may well continue to attract interest as a sound investment choice.

## 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/investing/article-14812207/ABRDN-EQUITY-INCOME-TRUST-UK-never-looked-good.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[6]](https://www.theaic.co.uk/aic/news/industry-news/lowly-abrdn-equity-income-rallies-23-since-march-in-uk-rally)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/investing/article-14812207/ABRDN-EQUITY-INCOME-TRUST-UK-never-looked-good.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.theaic.co.uk/companydata/abrdn-equity-income-trust/announcements/483495), [[5]](https://www.abrdnequityincome.com/en-gb/news-and-insights/insights/aei-ar-portfolio-manager-statement)
* Paragraph 3 – [[3]](https://www.theaic.co.uk/companydata/abrdn-equity-income-trust/performance), [[4]](https://www.abrdn.com/en-gb/trusts/insights/aei-managers-review-interim-report-23)
* Paragraph 4 – [[6]](https://www.theaic.co.uk/aic/news/industry-news/lowly-abrdn-equity-income-rallies-23-since-march-in-uk-rally)

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## Bibliography

1. <https://www.dailymail.co.uk/money/investing/article-14812207/ABRDN-EQUITY-INCOME-TRUST-UK-never-looked-good.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.theaic.co.uk/companydata/abrdn-equity-income-trust/announcements/483495> - The abrdn Equity Income Trust declared a fourth interim dividend of 5.7 pence per share for 2023, marking the 23rd consecutive annual dividend increase. This brings the total dividend for the year to 22.80 pence per share, with shares yielding 7.6%, among the highest in the AIC UK Equity Income sector. The Board aims to extend this track record by paying at least 22.90 pence per share in the coming financial year. ([theaic.co.uk](https://www.theaic.co.uk/companydata/abrdn-equity-income-trust/announcements/483495?utm_source=openai))
3. <https://www.theaic.co.uk/companydata/abrdn-equity-income-trust/performance> - As of 27 September 2024, the abrdn Equity Income Trust reported a share price total return of 9.8% over the past year, underperforming the UK Equity Income AIC sector's return of 14.5%. Over three years, the Trust achieved a 12.0% return, compared to the sector's 19.8%. The Trust's net asset value (NAV) total return was 14.8% over the past year, and 7.5% over three years. ([theaic.co.uk](https://www.theaic.co.uk/companydata/abrdn-equity-income-trust/performance?utm_source=openai))
4. <https://www.abrdn.com/en-gb/trusts/insights/aei-managers-review-interim-report-23> - In the interim report for the six months ending 31 March 2023, the abrdn Equity Income Trust's portfolio delivered a total return of 2.5%, underperforming the FTSE All-Share Index's return of 4.7%. The portfolio's exposure to the FTSE 100 Index was below 60%, highlighting its flexibility in investing where the best opportunities are identified. The report also noted that resource companies like BHP and Rio Tinto contributed nearly 5% to relative performance. ([abrdn.com](https://www.abrdn.com/en-gb/trusts/insights/aei-managers-review-interim-report-23?utm_source=openai))
5. <https://www.abrdnequityincome.com/en-gb/news-and-insights/insights/aei-ar-portfolio-manager-statement> - In the annual report, the abrdn Equity Income Trust's portfolio manager highlighted that, despite the FTSE All-Share Index returning 13.8% over the period, there were significant variations within the UK market. The FTSE 100 Index produced a total return of 14.7%, reflecting investors' preference for larger, more liquid stocks during nervous market conditions. The more domestically-oriented FTSE 250 and Small Cap indices lagged, returning 10.0% and 7.5% respectively. ([abrdnequityincome.com](https://www.abrdnequityincome.com/en-gb/news-and-insights/insights/aei-ar-portfolio-manager-statement?utm_source=openai))
6. <https://www.theaic.co.uk/aic/news/industry-news/lowly-abrdn-equity-income-rallies-23-since-march-in-uk-rally> - The abrdn Equity Income Trust, managed by Thomas Moore, has seen its shares rebound 23% from mid-March lows, following a period of underperformance. The Trust's shares were trading at a valuation of 9.4 times earnings, compared to a 12.1 multiple for the rest of the market. Moore is positioning the portfolio towards stocks with recovery potential in dividend yield, dividend growth, and valuation re-rating. ([theaic.co.uk](https://www.theaic.co.uk/aic/news/industry-news/lowly-abrdn-equity-income-rallies-23-since-march-in-uk-rally?utm_source=openai))