Shires Income PLC

Investment Trust

Performance Data and Analytics to 31 March 2019

Investment objective

The Company's investment objective is to provide shareholders with a high level of income, together with the potential for growth of both income and capital from a diversified portfolio substantially invested in UK equities but also in preference shares, convertibles and fixed income securities.

Benchmark

FTSE All-Share Index total return.

Cumulative performance (%)

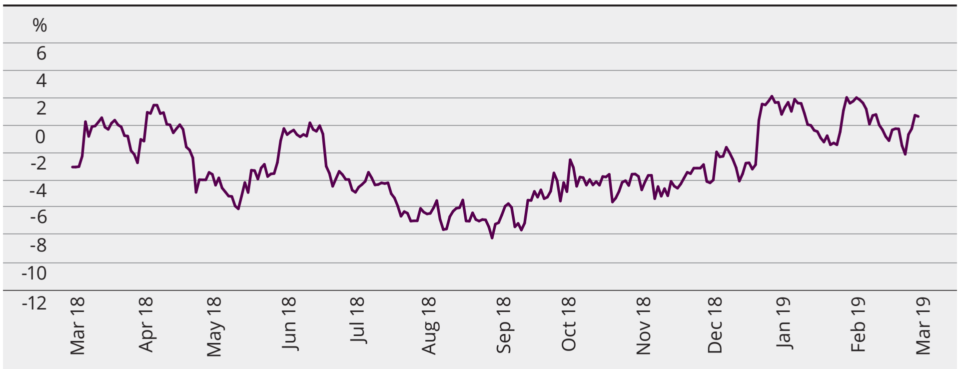
	as at 31/03/19	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	**267.0p**	**3.5**	**17.3**	**8.2**	**8.0**	**54.5**	**37.0**
NAV[A]	**265.3p**	**4.5**	**11.7**	**(0.3)**	**3.9**	**33.6**	**36.3**
FTSE All-Share		2.7	9.4	(1.8)	6.4	31.3	34.5

Discrete performance (%)

Year ending	31/03/19	31/03/18	31/03/17	31/03/16	31/03/15
Share Price	**8.0**	**12.2**	**27.5**	**(15.4)**	**4.9**
NAV[A]	**3.9**	**3.3**	**24.5**	**(7.0)**	**9.7**
FTSE All-Share	6.4	1.2	22.0	(3.9)	6.6

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 fair value.
Source: Aberdeen Asset Managers Limited, Lipper and Morningstar.
Past performance is not a guide to future results.

1 Year Premium/Discount Chart (%)



[A] Including current year revenue.

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Morningstar Rating™

★★★★

[B] **Morningstar RatingTM for Funds**
Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds.

Ten largest equity holdings (%)

Aberdeen Smaller Companies Income	8.4
BP	3.5
Royal Dutch Shell 'B'	3.3
Prudential	2.7
British American Tobacco	2.5
AstraZeneca	2.3
Chesnara	2.1
Vodafone	2.0
Imperial Brands	1.9
St James's Place	1.9
Total	**30.6**

Fixed income holdings (%)

Ecclesiastical Insurance 8.875%	6.2
Royal & Sun Alliance 7.375%	5.3
General Accident 7.875%	4.4
Santander 10.375%	4.3
Standard Chartered 8.25%	3.4
Rea Holdings 9%	0.8
Balfour Beatty 10.75%	0.5
Total	**24.9**

Sector allocation (%)

Financials	52.7
Consumer Goods	11.0
Oil & Gas	7.7
Industrials	7.4
Health Care	5.9
Consumer Services	4.8
Basic Materials	4.7
Telecommunications	3.7
Utilities	1.5
Technology	0.6
Total	**100.0**

Figures may not add up to 100 due to rounding.

Total number of investments	**54**

All sources (unless indicated):
Aberdeen Asset Managers Limited 31 March 2019.

Private investors 0808 500 0040
Institutional investors
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Fund managers' report

Market commentary

The wider UK index increased in value by 2.7% in March, continuing a positive start to the year. As we write this, the all share index is up 11% year to date and has largely reversed the declines seen in the fourth quarter of 2018. Most sectors delivered a positive return. The mining sector, +12%, was particularly strong as sentiment towards emerging markets. Tobacco rallied by 14% from a low valuation and consumer goods were also strong, up 8.5% in the month.

Driving the sector moves in the market were two big picture changes compared to last year. Firstly, the US and China continue to make progress on trade discussions. The two countries are getting closer to resolving many of the issues that caused emerging markets exposed stocks to be weak in mid-2018. With the prospect of Chinese government stimulus also having an impact in the second half, these stocks have performed better. The miners specifically were also helped by iron ore shortages following from mine closures in Brazil after another incident involving the failure of a tailings dam.

Secondly, the outlook for rate rises has moderated significantly. The messaging for the US Federal Reserve is now that a cut in rates is as likely as a rise, and the rate rise cycle seems to have come to an end for now. That reflects concerns around the economy, hopefully more so than a bowing to political pressure and the Fed has been followed by the European Central Bank which has also opened the possibility of a rate cut. An outlook for lower interest rates is particularly helpful for the consumer goods sectors which deliver longer term stable growth. With low rates the valuations look less stretched and the stocks become the attractive to investors seeking a stable yield – hence the term "bond proxies" often being used to describe them. From the point of view of Shires, however, the valuations at a premium to the market and relatively low dividend yields make the stocks relatively unappealing compared to many other sectors.

Performance

March was a good month for performance. The NAV of the trust grew by 4.5%, beating the benchmark which was up 2.7%. The outperformance was generated by the equity portfolio, which beat its benchmark by 1.3%, slightly offset by the preference shares and cash position which lagged as we would expect in a rising market.

The most significant contributor to performance was our position in Inmarsat, which rose strongly in the month after a takeover bid was announced. The shares traded above the bid price and we have chosen to halve the position to take some profits, reflecting the uncertainty around the next move with no guarantee of a deal completing or a further approach. The company was in a similar position last year, before falling back.

Diversified Gas & Oil was also a strong positive position. The share price rose almost 20% following the announcement of an accretive deal to acquire further gas producing assets in the United States. The deal is very much in line with DGOC's strategy. That is, to add undervalued, mature, producing gas wells that can deliver cash-flow and help the company to increase the dividend over time.

Fund managers' report continues overleaf

The risk outlined overleaf relating to gearing is particularly relevant to the trust, but should be read in conjunction with all warnings and comments given.
Important information overleaf

Key information

Calendar

Year end	31 March
Accounts published	June
Annual General Meeting	July
Dividend paid	January, April, July, October
Established	1929
Fund manager	Iain Pyle
Ongoing charges[C]	0.95%
Annual management fee	0.45% up to £100m and 0.4% over £100m on net assets and long term borrowings
Premium/(Discount)	0.7%
Yield[D]	4.9%
Active share[E]	58.8%

Gearing (%)

Equities[F]	(12.0)
Total net[G]	18.7

AIFMD Leverage Limits

Gross Notional	2.5x
Commitment	2x

Assets/Debt

Assets/Debt	£'000	%
Equities (inc. Cnv's)	70,400	88.0
Fixed Income	24,570	30.7
Total investments	94,970	118.7
Cash	4,103	5.1
Other net assets	-	-
Debt	(19,048)	(23.8)
Net Assets	80,025	100.0

Capital structure

Ordinary shares	30,154,580
3.5% Cumulative Preference shares	50,000

Allocation of management fees and finance costs

Capital	50%
Revenue	50%

Trading details

Reuters/Epic/ Bloomberg code	SHRS
ISIN code	GB0008052507
Sedol code	0805250
Stockbrokers	J.P. Morgan Cazenove
Market makers	CANA, CFEP, JPMS,NITE, WINS

Receive the factsheet by email as soon as it is available by registering at www.invtrusts.co.uk/ITemail www.shiresincome.co.uk

[C] Expressed as a percentage of average daily net assets for the year ended 31 March 2018. The Ongoing Charges Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Company. It is made up of the Annual Management Fee and other charges. It does not include any costs associated with buying shares in the Company or the cost of buying and selling stocks within the Company. The Ongoing Charges figure can help you compare the annual operating expenses of different Companies.
[D] Calculated using the Company's historic net dividends and month end share price.
[E] The 'Active Share' percentage is a measure used to describe what proportion of the Company's holdings differ from the benchmark index holdings.
[F] Expressed as a percentage of total equities held divided by shareholders' funds.
[G] Net gearing is defined as a percentage, with net debt (total debt less cash/cash equivalents) divided by shareholders' funds.

Fund managers' report – continued

Partially offsetting these positives, GVC continued to be weak, with the shares falling after management sold a large position in the company. While the sale clearly looked bad to the market, we don't believe investors should read too much into it. The trading performance for the company has remained strong despite increased regulation and management with a high proportion of their net worth tied up in the company can have good reason to reduce their holdings. GVC now delivers 6% dividend yield and double digit growth, even excluding the US opportunity, for an 8x price to earnings multiple, so we continue to believe it is worth persevering for the longer term.

Trading

March was a relatively quiet month for trading. We added to DGOC in the placing to raise funds for the acquisition discussed above, choosing to back management as they deliver on the strategy of increasing cashflow and dividend per share through sensible acquisitions. The latest deal fits with the strategy and importantly takes the market capitalisation of the company up to the point at which it is eligible for inclusion on the main list. Although listing on AIM has been the right route to market for this growing company, we are hopeful that inclusion on the main list will increase investor awareness and drive some merited yield compression over time.

Outlook

A much discussed and predicted event occurred in March. Not the exit of the UK from the EU, which has been unsurprisingly delayed, but the inversion of the US yield curve, with 10 year treasuries now yielding less than three month equivalents. With the Fed signalling that its rate rise cycle is on hold, if not coming to an end, then that is not unusual. It also reflects the level of caution on economic growth in markets at the moment. And although the inversion is an output rather than a driver of markets, it should not be ignored. The event has successfully predicted ten of the last thirteen recessions in the US and, in combination with weakening PMI data and slowing growth in most markets, caution is well merited.

It does not mean we should fully retreat to safety, however. Previous yield inversions have preceded 12-18 months of further growth for equity indices, often with significant upside. And we should also be aware that the market on which the Trust focuses, UK income, is trading at an already depressed valuation. The UK is at a marked discount to other developed markets, and dividend yields are at decade highs. That yield means that investing in equities earns significantly more than in bonds, and with rates unlikely to rise the attraction of dividend yield is likely to persist.

Receive the factsheet by email as soon as it is available by registering at www.invtrusts.co.uk/ITemail www.shiresincome.co.uk

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Important information

Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.

Risk factors you should consider prior to investing:

- The value of investments and the income from them can fall and investors may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.
- The Company 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 any movement in the value of the company's assets will result in a magnified movement in the NAV.
- The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.
- The Company may charge expenses to capital which may erode the capital value of the investment.
- There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- Certain trusts may seek to invest in higher yielding securities such as bonds, which are subject to credit risk, market price risk and interest rate risk. Unlike income from a single bond, the level of income from an investment trust is not fixed and may fluctuate.
- With funds investing in bonds there is a risk that interest rate fluctuations could affect the capital value of investments. Where long term interest rates rise, the capital value of shares is likely to fall, and vice versa. In addition to the interest rate risk, bond investments are also exposed to credit risk reflecting the ability of the borrower (i.e. bond issuer) to meet its obligations (i.e. pay the interest on a bond and return the capital on the redemption date). The risk of this happening is usually higher with bonds classified as 'sub-investment grade'. These may produce a higher level of income but at a higher risk than investments in 'investment grade' bonds. In turn, this may have an adverse impact on funds that invest in such bonds.
- Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends.

Other important information:

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