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12 October 2020

Murray Income Trust PLC
LEI: 549300IRNFGVQIQHUI13

Publication of Prospectus and Circular

Murray Income Trust PLC (the "**Company**" or "**MUT**") announced on 29 July 2020 that the Board had agreed heads of terms with the Board of Perpetual Income and Growth Investment Trust plc ("**PLI**") for a combination of the assets of the Company with the assets of PLI following a highly competitive tender process conducted by the Board of PLI to identify a new manager for PLI. If approved, the combination is to be implemented through a scheme of reconstruction and voluntary winding-up of PLI under section 110 of the Insolvency Act 1986. The Board announces that the Company has today published a prospectus (the "**Prospectus**") in relation to the issue of new Ordinary Shares in the Company pursuant to the Scheme ("**New Shares**"), together with a circular to provide the Company's shareholders (the "**Shareholders**") with further details of the Proposals and to convene a general meeting of the Company (the "**General Meeting**") to seek approval from Shareholders for the implementation of the Proposals (the "**Circular**").

In terms of the Proposals, Shareholder resolutions are required to (1) amend the Articles to allow the Company to pay dividends from the Company's capital profits; and (2) approve the issue of New Shares under the Scheme. The Proposals are therefore conditional upon, amongst other things, the approval of the Resolutions by Shareholders at the General Meeting, the recommendation of the Board to proceed with the Proposals (which may be withdrawn at any time), and the approval of the resolutions to be put to PLI Shareholders at each of the PLI General Meetings. In addition, the Proposals are subject to the conditions to the PLI Note Novation Agreement being satisfied and to the consent of the MUT Noteholders.

This is not a proposal to merge the two investment portfolios of the Company and PLI. The Board understands that an exercise is being undertaken by PLI with the advice of the Investment Manager to substantially re-align the investment portfolio of PLI with that of the Investment Manager's target portfolio for the Company as enlarged by the Combination. The Board understands that this will enable the PLI Portfolio to be combined with the Portfolio under the Scheme without further material change.

The Enlarged Company will have the same investment strategy for the enlarged Portfolio and the same investment process and the Company will continue to benefit from the extensive resource and experience within the UK Equities team at Aberdeen Standard Investments ("ASI"), with Charles Luke as lead portfolio manager.

Details of the Proposals

Subject to the passing of the Resolutions and to the satisfaction of the Conditions, PLI will be placed into members' voluntary liquidation and the Scheme will take effect. It is expected that the Scheme will become effective on the Effective Date, whereupon the cash, undertaking and other assets of PLI comprising the Rollover Pool shall be transferred to the Company pursuant to the Transfer Agreement together with the obligations under the PLI Note Purchase Agreement which shall transfer to the Company pursuant to the PLI Note Novation Agreement, in consideration for the issue of the New Shares. The relevant numbers of New Shares will be allotted to the Liquidators who will renounce the New Shares in favour of the PLI Shareholders who elect or are deemed to have elected for the Rollover Option.

The issue of the New Shares under the Rollover Option will be effected on a formula asset value for formula asset value ("FAV") basis as at the Calculation Date. For the purposes of the Scheme, the NAVs of each of the Company and PLI will be adjusted to take account of (inter alia) all of the costs associated with the Proposals not already accrued (including an allowance for liquidation costs and an allowance for the Cash Option, in each case for PLI), and in respect of the Company for dividends declared by the Board which have a record date prior to the effective date of the Scheme, in order to determine their respective FAVs. The New Shares issued under the Scheme will rank equally in all respects with the existing issued Ordinary Shares other than in respect of dividends declared with a record date prior to the Effective Date.

As part of the Proposals, PLI Shareholders may elect to receive cash instead of New Shares in respect of some or all of their holdings in PLI at a discount of 2 per cent. to the Residual NAV per PLI Share (as defined in the Circular) (the "**Cash Option**"). The Cash Option will be limited to 20 per cent. of PLI Shares in issue (excluding Shares held in treasury), with aggregate elections for the Cash Option in excess of this percentage being scaled back on a *pro rata* basis by way of the rollover into the Company. The Rollover Option will be the default option for the Scheme. To the extent that an Overseas Shareholder would otherwise receive New Shares under the Scheme, either because no election for the Cash Option was made or because an Excess Application for the Cash Option is scaled back in accordance with the Scheme, then such New Shares will be sold by the Liquidators in the market and the net proceeds paid to the relevant Overseas Shareholder.

Unless the conditions of the Scheme have been satisfied or, to the extent permitted, waived by the Company and PLI at or before 31 December 2020, the Scheme shall not become effective.

Benefits of the Scheme

The Board believes that the Combination has the following benefits to Shareholders:

- Shareholders will immediately benefit from an enlarged capital base which will result in a significant reduction of the weighted annual management fee to an estimated 0.38 per cent. per annum[1];

- it will result in a reduction of the estimated pro forma ongoing charges ratio of the Company to 0.50 per cent. per annum[1];

- the increase in the size of the Company should mean that the Ordinary Shares have enhanced liquidity in the secondary market; and

- with gross assets of the Enlarged Company expected to be in excess of £1 billion, the Company should have an enhanced profile as one of the largest investment trusts in the UK Equity Income sector.

Dividends

The level, frequency and timing of dividends paid are key considerations for the Board, taking into account net earnings for the year and the Company's objective of providing shareholders with a high and growing income combined with the Company's AIC 'Dividend Hero' status. Shareholders may recall that approval was given at the last AGM for the Company to pay four interim dividends, evenly spaced throughout the year, thus avoiding the considerable delay resulting from the final dividend not being paid until after the relevant resolution was passed at the AGM. The Board is proposing renewal of the dividend policy introduced in 2019 and in line with good corporate governance, intends to put the Company's dividend policy to Shareholders for approval at the forthcoming AGM.

In respect of the first three interim dividends for the year ending 30 June 2021, the Directors intend to declare an enhanced first interim dividend per Ordinary Share of 12.55 pence ("**First Interim Dividend**"), a second interim dividend per Ordinary Share of 3.95 pence ("**Second Interim Dividend**") and a third interim dividend per Ordinary Share of 8.25 pence ("**Third Interim Dividend**"). The aggregate of the First Interim Dividend, the Second Interim Dividend and the Third Interim Dividend amounts to 24.75 pence, being the same aggregate amount paid in respect of the first interim dividend, the second interim dividend and the third interim dividend for the year ended 30 June 2020. The First Interim Dividend will be time-weighted to the period from 1 July 2020 to the Effective Date, with a record date prior to the Effective Date and the Second Interim Dividend will be time-weighted to the period from the Effective Date to 31 December 2020 with a record date after the Effective Date. The holders of New Shares will not be entitled to the First Interim Dividend but rather will receive (prior to the Effective Date) a pre-liquidation special dividend from PLI as a holder of PLI Shares to reflect the distribution of PLI's accumulated revenue reserve (including current year net income to date). The holders of New Shares will be entitled to the Second Interim Dividend, the Third Interim Dividend and to any other dividends with a record date after the Effective Date.

Gearing

Subject to the agreement of both the MUT Noteholders and the PLI Noteholders, the PLI Notes will be novated to the Company and the Company will accept the obligations of PLI in respect of the PLI Notes and issue replacement notes to the PLI Noteholders. The Company will grant an English law floating charge and a Scots law floating charge as security for the New PLI Notes. The existing floating charges granted by the Company in respect of the MUT Notes and the new floating charges to be granted by the Company in respect of the amended and restated PLI Notes will rank equally in all respects. PLI will bear all interest under the PLI Notes to the Calculation Date. In connection with the Proposals, and subject to the agreement of the MUT Noteholders, the MUT Note Purchase Agreement will be amended and restated to provide for the relevant consents required from the MUT Noteholders in respect of the Scheme, including the transfer of the PLI Portfolio to the Company, the novation of the PLI Notes and the grant of security by the Company in connection with the New PLI Notes and to align certain terms as against the PLI Note Purchase Agreement.

This will result in a blended cost of long-term borrowing of 3.63 per cent. with £40 million 2.51% senior secured notes due in 2027 (being the MUT Notes) and £60 million 4.37% senior secured notes due in 2029 (being the PLI Notes). Together with the Company's rolling short-term borrowing facility of £20 million this takes the full borrowing potential to £120 million, which is 10.8 per cent. of the combined net assets of the Company and PLI as at 30 June 2020. With the beta of the investment portfolio currently running at 0.89 (meaning that statistically the Portfolio is expected to capture 89 per cent. of any market movement) the Board presently believes that the appropriate neutral gearing rate is 10 per cent. The annualised cost of the Company's current borrowing is 0.21 per cent. of net asset value.

Transfer Agreement

If the Proposals become effective, the Liquidators (in their personal capacity and on behalf of PLI) will enter into a transfer agreement (the "**Transfer Agreement**") with the Company. Under the terms of the Transfer Agreement, the cash, undertaking and other assets of PLI comprising the Rollover Pool will be transferred to the Company in consideration for the allotment and issue by the Company of the New Shares to the Liquidators (as nominees for PLI Shareholders entitled to them in accordance with the Scheme). Thereafter, the Liquidators will renounce the allotments of the New Shares in favour of PLI Shareholders who have elected (or are deemed to have elected) to receive New Shares, and such New Shares will be issued by the Company to those PLI Shareholders pursuant to the Scheme.

The Transfer Agreement provides that the assets to be transferred to the Company will be transferred with such rights and title as PLI may have in respect of the same or any part thereof subject to and with the benefit of all and any rights, restrictions, obligations, conditions and agreements affecting the same or any part thereof, including the right to all income, dividends, distributions, interest and other rights and benefits attaching thereto or accruing therefrom. The Transfer Agreement further provides that the Company, acting by the Liquidators, insofar as they are reasonably able to do so by law or otherwise, shall comply with all reasonable requests made by the Company (or its nominee) in respect of the cash, undertaking and other assets of PLI to be acquired and shall, in particular, account to the Company for all income, dividends, distributions, interest and other rights and benefits in respect of such cash, undertaking and other assets, received after the Effective Date.

The Transfer Agreement excludes any liability on the part of the Liquidators for entering into or carrying into effect the Transfer Agreement.

Proposed change to the Articles

The Company currently has a provision in its Articles which expressly prohibits the distribution of capital profits in line with historic statutory requirements which no longer apply. The Board no longer considers it appropriate to have such a prohibition in the Company's articles and, in order to provide the Board with increased flexibility in relation to the payment of dividends in the future as outlined above, it therefore proposes that the prohibition is removed, regardless of whether or not the Scheme is implemented.

The Board had proposed that, amongst a number of changes to the Articles to be put forward at the forthcoming AGM, all reference to the prohibition of the distribution of capital profits should be removed. However, given the AGM is due to be held after the proposed date for implementing the Scheme and the removal of the prohibition on the distribution of capital profits is a condition of the Scheme, the Board has agreed to bring forward that specific change to the Articles. Accordingly, a resolution proposing to adopt New Articles solely for the purpose of removing the prohibition on the distribution of capital profits is being proposed at the General Meeting.

The Board does not presently intend to change its approach to the payment of dividends by utilising this new power to pay dividends out of capital. However, the Board may seek to use this power in the future where it considers it is in the best interests of shareholders to do so.

Proposed Board changes

If the Scheme is implemented, it is intended that the current chairman of PLI, Richard Laing, and two of his fellow PLI directors, Alan Giles and Georgina Field, will join the Board on the Effective Date. The Proposed Directors will be Non-Executive Directors and independent of the AIFM and the Investment Manager.

It is the intention of the Board, for the purposes of good succession planning, that the overall size of the Board will revert back to six Directors at the close of the 2021 AGM and that the three directors who will each have completed nine years' cumulative service on either or both of the companies' boards, being Proposed Director Richard Laing, and current Directors Donald Cameron and Jean Park will each retire on that date.

Costs and expenses of the Scheme

Subject as noted below, in the event that the Scheme is implemented, the Company and PLI have each agreed to bear their own costs associated with the Scheme. The fixed costs of the Proposals payable by the Company are estimated to be approximately £633,000 (including irrecoverable VAT).

Any costs of realignment/realisation of the PLI Portfolio prior to the Scheme becoming effective will be borne by PLI. Any stamp duty, stamp duty reserve tax or other transaction tax, or investment costs incurred by the Company on the acquisition of the Rollover Pool or the deployment of the cash therein upon receipt and listing fees in relation to the listing of the New Shares will be borne by the Enlarged Company. For illustrative purposes, the stamp duty reserve tax on the acquisition of the Rollover Pool based on PLI's portfolio as at 8 October 2020 (being the latest practicable date prior to the publication of this document) and assuming that no PLI Shareholders exercise their right to dissent from participation in the

Scheme and the maximum amount is elected for the Cash Option, is expected to be approximately £2.3 million and the listing fees are expected to be approximately £285,000.

In the event that the Company resolves not to proceed to implement the Proposals on the terms agreed (including if Shareholders do not approve any resolution required to implement the Proposals, including approving the payment of dividends from the Company's capital profits) then the Company will bear the abort costs incurred by the Company and PLI in connection with the Proposals. In the event that PLI resolves not to proceed to implement the Proposals on the terms agreed (including if PLI Shareholders do not approve any resolution required to implement the Scheme) then PLI will bear the abort costs incurred by the Company and PLI in connection with the Proposals. In the event that both the Company and PLI resolve not to proceed to implement the Proposals on the terms agreed or do not obtain the required approvals then each party will bear its own abort costs.

The AIFM has agreed to waive the management fee payable by the Company in respect of the net assets transferred to the Company under the Scheme for the first 182 days following the completion of the Scheme. The financial value of this amount (which is estimated at £792,000 based on PLI's portfolio as at 8 October 2020 (being the last practicable date prior to the publication of this document) and assuming that no PLI Shareholders exercise their right to dissent from participation in the Scheme and the maximum amount is elected for the Cash Option) will be for the benefit of the shareholders of the Enlarged Company. For the avoidance of doubt, this amount will not be taken into account in the calculation of either the MUT FAV per Share or the PLI FAV per Share.

The General Meeting

The Proposals are conditional amongst other things on the approval of the Resolutions by the Shareholders at the General Meeting. The Resolutions will be proposed as special resolutions.

In accordance with the Company's articles of association, all Shareholders are entitled to attend and vote at the General Meeting and all Shareholders entitled to vote and be present in person or by proxy at the General Meeting shall upon a show of hands have one vote and upon a poll shall have one vote in respect of every Ordinary Share held.

The safety, security and health of the Shareholders, their guests and our advisers, including the Manager's personnel, is of paramount importance to the Board. Accordingly, in view of the current Government guidance regarding measures to reduce the transmission of Covid-19 in the UK, the Board is changing the format of the General Meeting. The General Meeting will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH at 10.30 a.m. on 9 November 2020 but will follow the minimum legal requirements for a general meeting. Only the formal business set out in the Notice will be considered. In line with this guidance, Shareholders are strongly discouraged from attending the meeting and indeed entry will be refused if current UK Government guidance is unchanged. Arrangements will be made by the Company to ensure that a minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed.

Recommendation

The Board considers the Proposals to be in the best interests of Shareholders as a whole. Accordingly, the Board recommends unanimously that Shareholders vote in favour of the Resolutions, and that Shareholders complete and return their Forms of Proxy, Letters of

Direction or transmit CREST proxy instructions accordingly. The Directors intend to vote in favour of the Resolutions in respect of their own beneficial holdings which total 51,267 Ordinary Shares (representing 0.077 per cent. of the total voting rights in the Company exercisable at the General Meeting). In addition, the Board understands that the PLI Directors all intend to roll over their entire beneficial holdings of PLI Shares into New Shares.

Expected Timetable

Ex-dividend date for First Interim Dividend to Shareholders	29 October 2020
Record date for First Interim Dividend to Shareholders	30 October 2020
Latest time and date for receipt of Letters of Direction	2.00 p.m. on 2 November 2020
Latest time and date for receipt of Forms of Proxy	10.30 a.m. on 5 November 2020
General Meeting	10.30 a.m. on 9 November 2020
Calculation Date in relation to the Scheme	5.00 p.m. on 12 November 2020
Effective date for implementation of the Scheme	17 November 2020
Dealings in New Shares commence	8.00 a.m. on 18 November 2020

Terms used and not defined in this announcement have the meanings given in the Circular unless the context otherwise requires.

Enquiries

Murray Income Trust PLC	Neil Rogan	Via Aberdeen Standard Investments
Investec Bank plc	David Yovichic Tom Skinner	T: 020 7597 4000
Aberdeen Standard Investments	Maria Allen William Hemmings	T: 020 7463 6000

Notes

1 ASI is paid a variable management fee by the Company of 0.55% per annum of the first £350 million of net assets, 0.45% per annum on the assets between £350 million and £450 million, and 0.25% on assets in excess of £450 million. The weighted annual management fee would be 0.38% per annum and the estimated pro forma ongoing charges ratio would be 0.50% per annum, based on the net assets of the Company and PLI, assuming the cash option is fully taken up, as at 24 July 2020. Source: ASI.