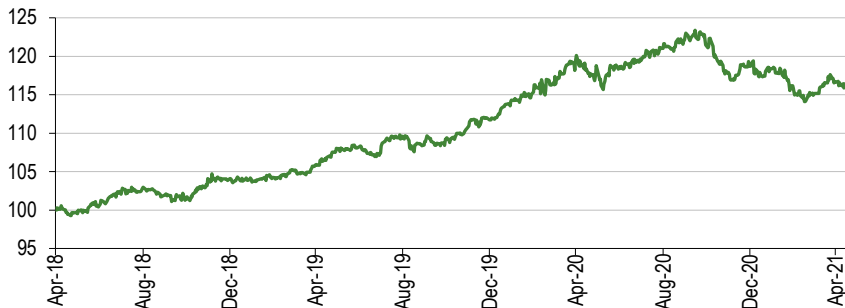


Murray Income Trust

Maintaining a commitment to quality and income

Murray Income Trust (MUT) invests in a diversified portfolio of mainly UK equities. It focuses on quality stocks and aims to provide a high and growing income, combined with capital growth. MUT's merger with Perpetual Income and Growth Investment Trust (PLI) in Q420 doubled the trust's assets under management and is expected to deliver a reduction to its already competitive fee. The income MUT provides to investors has proved very resilient during the pandemic, despite widespread dividend cuts – the trust delivered its 47th consecutive year of increased annual dividends in 2020 and the board is committed to maintaining this record in future. Recent relative performance has been challenged by the rotation into cyclical and value stocks, which has seen the quality companies MUT targets underperform. However, the trust has outperformed the broad UK market over the longer term and outpaced its peers over three and five years. The trust's manager, Charlie Luke, believes the recent rotation into cyclical and value stocks will prove short-lived. He intends to maintain his focus on higher-quality companies that should thrive in the current tough environment and emerge over time in a stronger competitive position.

Quality focus delivering long-term outperformance (NAV TR vs UK index)



Source: Refinitiv, Edison Investment Research. Note: Total returns in sterling.

Why consider the UK market now?

The removal of Brexit-related uncertainties, combined with the country's very successful vaccine roll-out, has increased the attractiveness of the UK market, including to international investors. Survey data suggests that foreign demand for UK equities is set to increase. Furthermore, the UK equity market offers relative value compared to other markets. Datastream's UK index forward P/E shows the market is trading at 25% discount to the World Index.

The analyst's view

MUT's portfolio is diversified across sectors and stocks, and around a third of its holdings are in mid-cap stocks. This may appeal to investors seeking broad exposure to the UK market. MUT's quality focus should provide performance and income resilience in uncertain times. Investors requiring a reliable and rising income may be attracted by the trust's 47-year run of annual dividend growth, delivered via quarterly dividend payments. The trust has scope to use revenue and capital reserves to maintain this record if necessary.

NOT INTENDED FOR PERSONS IN THE EEA

Investment trusts
UK equity income

18 May 2021

Price Ord. 902.0p
Market cap £1,055.8m
AUM £1,082.8m

NAV* 925.8p
Discount to NAV 2.6%

*Including income. At 14 May 2021.

Yield 3.8%

Shares in issue 117m

Code Ord/A-share MUT

Primary exchange LSE

AIC sector UK Equity Income

52-week high/low 915.0p 700.0p

NAV** high/low 936.9p 744.0p

**Including income.

Gearing

Net gearing at 30 April 2021 8.7%

Fund objective

Murray Income Trust (MUT) aims for a high and growing income combined with capital growth through investment in a portfolio principally of UK equities. Its investment policy is to invest in companies that have potential for real earnings and dividend growth, while also providing an above-average portfolio yield. The emphasis is on the management of risk and the absolute return from the portfolio. MUT measures its performance versus the broad UK stock market.

Bull points

- A well-established track record of outperformance of the market and peers.
- MUT's discount has been on a narrowing trend for some time. The recent widening of the discount may represent an attractive entry level.
- The already competitive fee is expected to decline over time.

Bear points

- The manager may be mistaken in his view that the recent rotation into cyclical and value stocks will be short-lived and that inflation will remain low.
- MUT's gearing level increases its vulnerability to any market downturn.
- The UK market may remain out of favour with investors.

Analysts

Joanne Collins +44 (0)20 3077 5700

Sarah Godfrey +44 (0)20 3681 2519

investmenttrusts@edisongroup.com

[Edison profile page](#)

**Murray Income Trust is a
research client of Edison
Investment Research Limited**

The manager's view: Outlook favours MUT's approach

In the last two months of 2020, the arrival of viable vaccines, combined with Joe Biden's election to the US presidency and the finalisation of a Brexit deal, led to a surge of optimism about the economic outlook in the UK, and around the world. Investors became more positive about the prospects of companies in economically sensitive sectors such as banks, industrials and oil and gas, triggering a rotation into these cyclical and value stocks. This rotation, which came at the expense of the high-value technology and other growth stocks that have made significant gains since the onset of the pandemic, continued during the first quarter of 2021.

However, Murray Income Trust's manager, Charlie Luke, believes the rotation will prove to be a short-lived phenomenon. He maintains that the uptick in the prices of these cyclical and value companies caused specifically by the vaccine-related improvement in the economic outlook 'can only happen once, and it has happened'. And even if the rotation does continue, it will not alter Luke's investment approach or his focus on quality companies. He argues that many of the companies that benefited most from this shift in market sentiment were low-quality companies whose capacity to survive the pandemic had, up until late 2020, been in question. 'These are poor quality companies and have no place in a portfolio of quality companies like ours' Luke says.

Despite the good news on the vaccine front, in Luke's view the trajectory of the economic recovery remains uncertain in many places. Coronavirus case numbers remain high in India, Latin America and some European countries, and vaccine rollouts have been slow in most countries, hindering plans to re-open borders and lift lockdowns. However, the manager believes the UK outlook is clearer, thanks to the success of the government's vaccination program. He expects a sharp recovery over the remainder of this year, to be followed by a long period of low interest rates, modest growth, high levels of corporate indebtedness and consequent pressure on company profits. Unlike many investors and commentators, Luke does not expect inflationary pressures to take hold. 'We believe that the forces that have weighed down on inflation for the past 30 years will still be present, including a significant output gap, the limited power of labour, price transparency and demographic factors.'

In these less than favourable circumstances, MUT's manager believes that companies with attractive yields, sound growth prospects and strong balance sheets are likely to be highly prized. 'Therefore, it seems eminently sensible to maintain our careful and measured approach to investing in high quality companies that should be able to thrive in this challenging environment and emerge over time in a stronger competitive position' he reasons.

Luke has added several such companies to the portfolio in recent months, including Moonpig, a greeting card and gifting company; Electrocomponents, an electrical product retailer; and the homebuilder Vistry. Luke believes Vistry's share price does not reflect the significant growth potential of its Partnerships business, which collaborates with local authorities and public housing associations on regeneration projects. One Savings Bank, a buy-to-let lender, is another new addition to the portfolio, along with Stenprop, which owns UK multi-let industrial property and offers an attractive dividend yield, at an appealing valuation.

The manager has also added to several existing positions including pharmaceutical and vaccine producer Astra Zeneca (MUT's largest position, Exhibit 1); Coca-Cola Hellenic, a drinks company; Sanne, a fund administrator; and Safestore, which owns and operates self-storage units, mainly in the UK and France. Luke likes this company because of its attractive defensive attributes and its scope to expand. He has also topped up exposure to Direct Line, a personal and commercial insurance provider, due to its attractive dividend yield and resilient earnings stream.

Exhibit 1: Top 10 holdings (as at 31 March 2021)

Company	Country	Industry	Portfolio weight %	
			31 March 2021	31 March 2020*
AstraZeneca	UK	Healthcare	4.7	4.0
Diageo	UK	Consumer goods	4.5	3.7
Rio Tinto	UK	Materials	3.8	3.1
BHP	UK	Materials	3.8	N/A
Unilever	UK	Consumer goods	3.5	3.2
RELX	UK	Media	3.5	3.5
Standard Chartered	UK	Financials	3.0	N/A
Close Brothers	UK	Financials	2.9	N/A
National Grid	UK	Utilities	2.7	3.1
SSE	UK	Utilities	2.7	N/A
Top 10 (% of portfolio)			35.1	33.4

Source: Murray Income Trust, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-March 2020 top 10.

Luke has also trimmed some positions, taking profits on holdings that have done so well that valuations have begun to look less attractive. These partial sales have included pharmaceutical company Roche, software provider Aveva and LondonMetric, a diversified REIT. In addition, the manager disposed of the trust's entire position in British American Tobacco, a decision motivated by environmental, social and corporate governance (ESG) considerations; owning a tobacco company is not consistent with the trust's ESG principles. The company could also be vulnerable to a general re-rating as other investors adopt a more proactive stance on companies in this industry. Luke also disposed of a position in Standard Life UK Smaller Companies Trust. Its performance has been 'fantastic' he says, but he is now buying these mid-cap companies directly.

Exhibit 2: MUT's overseas holdings as at 31 March 2021

Company	Country	Sector	% of portfolio end March 2021
Total	France	Oil & gas producers	2.4
Coca-Cola HBC	Switzerland	Beverages	2.3
Nestlé	Switzerland	Food producers	1.6
Telenor	Norway	Mobile telecommunications	1.4
Novo-Nordisk	Denmark	Pharmaceuticals & biotechnology	1.2
Kone	Finland	Industrial engineering	1.1
Microsoft	USA	Software & computer services	1.0
VAT Group	Switzerland	Industrial engineering	1.0
Roche Holdings	Switzerland	Pharmaceuticals & biotechnology	0.7
Mowi	Norway	Industrial engineering	0.7

Source: Murray Income Trust, Edison Investment Research

Exhibit 3: Portfolio sector exposure vs benchmark (% unless stated)

	Portfolio end-March 2021	Portfolio end-March 2020	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Financials	23.3	19.1	4.2	26.4	(3.1)	0.9
Consumer goods	17.0	17.0	0.0	15.5	1.5	1.1
Healthcare	11.6	15.8	(4.2)	8.4	3.2	1.4
Industrials	11.6	11.7	(0.1)	12.7	(1.1)	0.9
Basic materials	11.0	8.9	2.1	9.4	1.6	1.2
Consumer services	9.7	9.3	0.4	12.9	(3.2)	0.8
Utilities	5.5	5.5	(0.1)	3.0	2.5	1.8
Oil & gas	3.9	4.6	(0.6)	7.6	(3.7)	0.5
Technology	3.7	5.0	(1.3)	1.8	1.9	2.1
Telecommunications	2.5	3.1	(0.5)	2.3	0.2	1.1
	100.0	100.0		100.0		

Source: Murray Income Trust, Edison Investment Research

These transactions have resulted in the number of portfolio holdings rising to 61 stocks at end March, up from 56 in October 2020. The portfolio's non-UK holdings remained unchanged as at end March 2021, from June 2020 (Exhibit 2), although trims to some of the 10 positions reduced the percentage of the portfolio's non-UK holdings to 13.4%, compared to 16.1% in mid-2020. With the exceptions of Microsoft and Total, these foreign holdings are listed in Switzerland and the Nordic countries, although the manager has indicated that he is considering adding a Taiwanese name to the list, which would be the portfolio's first Asian name. MUT currently has 12 short call option

positions, which comprise a total of 3% of the portfolio, so each option represents a call on only a very small portion of the portfolio. The calls are written against companies including Close Brothers bank (a top 10 holding), software provider Aveva, paper products supplier Mondi, Countryside Properties, and two Swiss companies, Roche and engineering company VAT Group. Annualised portfolio turnover stood at 21% at end March, close to the five-year average of 20%. At the end of April 2021, the portfolio's forward P/E was 16.8x, compared to 14.2x for the UK market, which Luke argues 'is a small price to pay for a higher quality portfolio'.

Performance: Lagging recently, but solid long term

Exhibit 4: Five-year discrete performance data

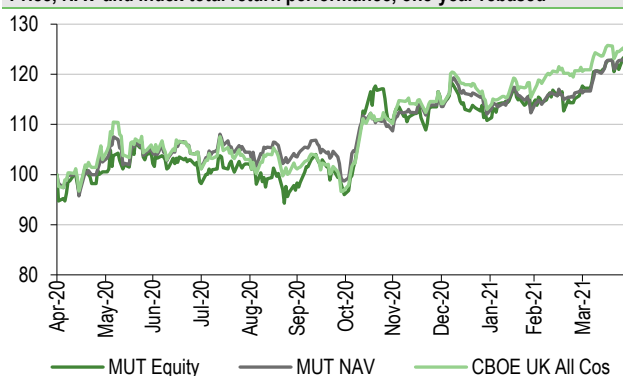
12 months ending	Share price (%)	NAV (%)	CBOE UK All Companies (%)	MSCI UK High Dividend Yield (%)	MSCI AC World (%)
30/04/17	24.2	24.1	20.3	21.8	31.1
30/04/18	2.2	2.1	8.1	7.2	7.8
30/04/19	12.6	8.5	2.5	3.8	11.6
30/04/20	(4.5)	(6.6)	(17.2)	(18.2)	(1.2)
30/04/21	24.0	22.3	25.3	14.8	33.4

Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

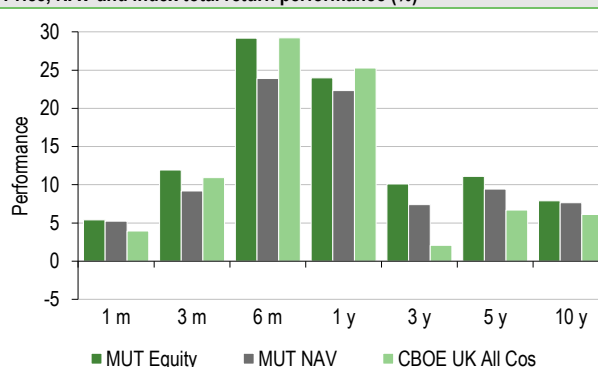
MUT's relative performance deteriorated in late 2020 and early 2021. As investors rotated into cyclical and value stocks expected to benefit most, at least in the short term, from a resumption in economic activity, the stocks with a higher-quality focus held by MUT underperformed. Although the trust delivered strong absolute returns in the six months ended April 2021, it underperformed the broad UK market (as measured here by the CBOE UK All Companies index) on a net asset value (NAV) basis over the period, returning 23.9%, compared to the index return of 29.2%. On a share price basis, the trust matched the index over the period. MUT has also underperformed its value-focused peers in the AIC's UK Equity Income sector, as discussed below. However, MUT's longer-term performance remains solid. It has outperformed the UK market (Exhibit 5) over three, five and 10 years, and also outpaced the average return of its AIC sector peers over three and five years.

Exhibit 5: Investment company performance to 28 April 2021

Price, NAV and index total return performance, one-year rebased



Price, NAV and index total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

On a sectoral basis, the portfolio's underweights to banks, industrials and oil and gas (Exhibit 3) – sectors dominated by newly popular cyclical stocks – detracted from returns over the six months to end-April 2021, as did its zero weighting in travel and leisure companies. At the stock level, the manager's focus on quality stocks also detracted from returns. For example, not owning UK banks HSBC and Barclays, hurt returns, as did MUT's holding in Euromoney, a financial information services and conference business, which was adversely affected by delays to the resumption of face-to-face events.

These negative influences on returns were partially offset by the positive impact of the portfolio's positions in Close Brothers bank and Inchcape, an auto dealer. An overweight to M&G Investments also assisted due to the strength of its latest results. Not owning London Stock Exchange boosted performance, as the stock price was hit by news of additional costs associated with the exchange's merger with Refinitiv.

Peer group comparison

Exhibit 6: UK Equity Income peer group as at 17 May 2021*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Ongoing charge	Perf. fee	Discount (cum-fair)	Net gearing	Dividend yield
Murray Income Trust	1,055.8	28.8	21.3	60.2	111.0	0.6	No	(2.6)	109	3.8
Aberdeen Standard Equity Inc Trust	181.2	44.5	(8.5)	16.4	83.7	0.9	No	(3.5)	110	5.5
BlackRock Income and Growth	40.6	28.7	5.3	35.1	88.7	1.2	No	(7.6)	102	3.9
BMO Capital & Income	342.8	46.0	10.0	53.5	112.9	0.6	No	(2.0)	106	3.7
BMO UK High Income Units	117.3	36.4	7.0	37.7	91.9	1.0	No	(10.2)	108	4.3
Chelverton UK Dividend Trust	45.9	123.0	11.9	49.4	256.8	2.1	No	(5.8)	169	4.5
City of London	1,741.4	28.4	4.9	32.1	106.2	0.4	No	1.9	107	4.8
Diverse Income Trust	429.2	45.0	24.3	54.9	237.1	1.1	No	1.3	100	3.1
Dunedin Income Growth	459.3	30.1	24.0	64.7	109.3	0.6	No	(1.3)	106	4.1
Edinburgh Investment	1,086.5	40.1	(0.8)	17.3	112.7	0.6	No	(4.1)	110	3.8
Finsbury Growth & Income	2,031.7	19.4	22.1	70.2	229.5	0.6	No	0.1	101	1.8
JPMorgan Claverhouse	427.8	45.2	4.8	49.8	114.0	0.7	No	0.1	118	4.2
JPMorgan Elect Managed Inc	77.8	37.2	3.1	33.7	94.6	0.8	No	(4.0)	105	4.6
Law Debenture Corporation	916.7	58.6	25.3	75.0	155.0	0.6	No	1.6	122	3.6
Lowland	369.5	58.6	(2.0)	35.2	117.8	0.6	No	(4.1)	114	4.4
Merchants Trust	640.1	58.7	10.5	58.6	112.3	0.6	No	0.3	113	5.2
Schroder Income Growth	213.2	42.2	7.2	43.3	116.2	0.9	No	(0.0)	109	4.1
Shires Income	82.8	34.9	14.8	54.7	134.7	1.0	No	(3.3)	123	4.9
Temple Bar	757.0	68.1	(3.2)	30.9	87.6	0.5	No	(5.7)	100	3.4
Troy Income & Growth	247.4	13.8	8.0	26.9	104.2	0.9	No	(1.3)	100	2.6
Sector average (20 funds)	563.2	44.4	9.5	45.0	128.8	0.8		(2.5)	112	4.0
MUT rank in sector	4	16	5	4	12	13		11	9	14

Source: Morningstar, Edison Investment Research. Note: *Performance to 14 May 2021 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

MUT is a member of the AIC's UK Equity Income sector, although it is differentiated from many of the constituents of this sector in several respects. While MUT is focused on companies with high-quality characteristics, several of its peers have a more value-oriented investment approach. MUT's portfolio is more diversified than some, across sectors and stocks, as around a third of its portfolio is invested in mid-cap stocks and more than 10% is held in international stocks. The manager also seeks to supplement and diversify income sources with modest call writing.

MUT's merger with PLI, in November 2020, doubled its market capitalisation, making it the fourth largest fund in this sector (Exhibit 6). As discussed above, its recent performance has lagged that of its more value-focused peers such as Law Debenture, Lowland and Merchant Trusts (all Edison clients), and Temple Bar, and other peers such as Diverse Income Trust (also an Edison client) with a small-cap bias, as these trusts have outperformed during the rotation into cyclical and value stocks. While this has reduced MUT's performance ranking over one year, its performance over longer periods still compares favourably with the average of its peers. This is due in part to the fact that MUT's quality growth approach, which it shares with peers such as Finsbury Growth & Income Trust (an Edison client) and Dunedin Income Growth, was in favour with investors for many years before the recent rotation into value stocks. MUT is ranked fifth in performance over three years, fourth over five years and 12th over 10 years.

The trust's ongoing charge of 0.64% (as at 30 June 2020) is below the average of its peers and the trust's half-yearly report, for the period ended 31 December 2020, forecast that the ongoing charge will decline to 0.46% for the year to 30 June 2021, following the merger with PLI. Like all its peers, MUT does not pay a performance fee. Its discount to cum-income NAV has been on a narrowing

trend for several years, and this trend has been reinforced by the merger with PLI. From a discount of around 6% in May last year, MUT's shares traded at a small premium in October and November last year, in the run up to the merger. It is currently trading at a 2.6% discount, close to the average of its peers. The trust's dividend yield of 3.8% (based on the current share price and the last four dividends), is just below average, due to its strong share price performance over the medium to long term. MUT's gearing is lower than average.

General disclaimer and copyright

This report has been commissioned by Murray Income Trust and prepared and issued by Edison, in consideration of a fee payable by Murray Income Trust. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2021 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960

Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700

280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026

1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342

Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia