

Portfolio manager
David Moss



Manager Commentary

UK markets were positive again during May; the FTSE All-Share Index returned 2.4% and, although this was less than most other developed markets, the FTSE Small-Cap Index did much better, rising 4.5% (both total return). This is, in itself, a positive sign of sentiment towards the UK, perhaps surprisingly during a month in which a UK general election was announced. For a short period now, inflation and interest rates will be less of a driver of the UK market as the election will dominate news flow. The reaction, so far, has been fairly benign, indicating that expectations have long been that a change in government is likely and that the Labour party has done a good job to date of reassuring investors that any impact will be limited. More will become clear as we see the respective parties' manifestos.

The Trust had a good month again, with the net asset value rising 3.8% (total return), outperforming the benchmark by well over 1 percentage point. The top-contributing sector was financials; Hargreaves Lansdown rose 29% following news that it had turned down a bid from a group of private equity firms, and OSB Group reported a strong trading statement with a solid net interest margin after weak guidance on this metric had caused the shares to collapse during March. Also positive was our preference for Shell over BP in the oil sector, with the latter falling during the month; not holding UK utility National Grid also helped, as it announced an earlier- and larger-than-expected rights issue. On the negative side, legal lender Burford was weak after results led to some investors questioning its ability to continue to grow investments; we are aware that this is a uniquely irregular industry so remain relaxed. Water utility Pennon was also weak, impacted by ongoing issues with peer Thames Water and reporting indifferent final results and a lower-than-expected final dividend.

We added three new holdings to the portfolio during May. The largest holding was HSBC, funded initially by a reduction in the positions in NatWest and OSB Group. Both have performed well and remain big positions, but with a near 7% dividend yield, ongoing share buyback, and a very attractive valuation, we felt this was a good time to diversify our bank holdings by adding HSBC. In the housebuilding sector, we switched from Vistry to Taylor Wimpey. The former has been a strong performer and we remain fans of its ongoing switch to more partnership developments; however, the change in strategy has led to share buybacks being preferred to dividends. We believe Taylor Wimpey is one of the best-positioned housebuilders for any recovery in housing volumes, with a long landbank and significant spare capacity; it also has a much higher level of dividend, making the stock relatively more attractive for the Trust. As mentioned above, not holding National Grid was positive for performance; however, the rights issue announced, and the capital raised, will enable it to fund its capital expenditure plan until 2030, meaning it can meet the UK needs in terms of electricity infrastructure and grow returns to shareholders. Therefore, since the announcement, we bought a new position in National Grid, confident that the re-based dividend could grow from here and with a much bigger margin of safety after the share-price fall.

Key risks

Stock market movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. If markets fall, gearing can magnify the negative impact on performance.

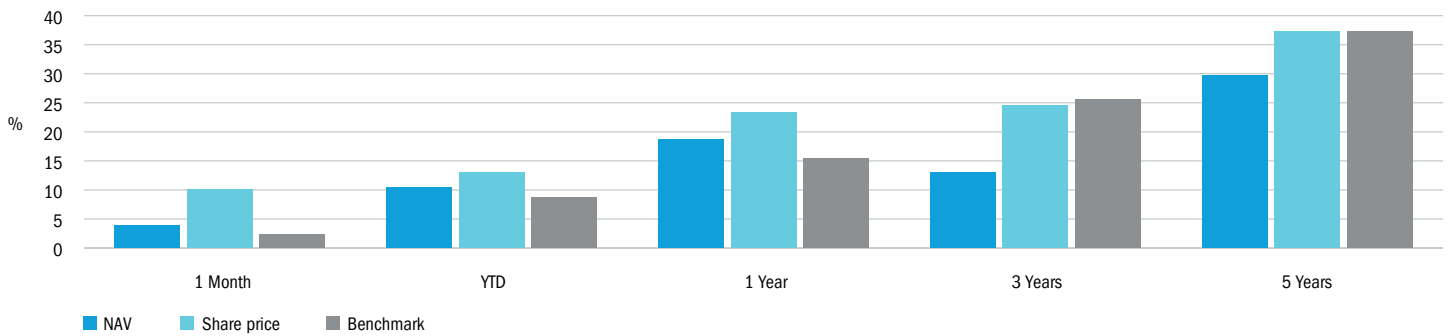
Key facts as at 31.05.24

Trust aims: To provide an attractive return to shareholders each year in the form of dividends and/or capital returns, together with prospects for capital growth. In pursuit of this objective, the Company invests predominantly in UK equities and equity-related securities of companies across the market capitalisation spectrum.

| | |
|--|----------------------|
| Benchmark: | FTSE All-Share Index |
| Fund type: | Investment Trust |
| Launch date: | 1 March 2007 |
| Total assets: | £126.8 million |
| Share price: | 95.00p |
| NAV: | 98.06p |
| Discount/premium(-/+): | -3.12% |
| Dividend payment dates: | Feb, May, Aug, Nov |
| Net yield[†]: | 5.92% |
| Net gearing: | 12.55% |
| Management fee rate^{**}: | 0.60% |
| Ongoing charges^{**}: | 1.08% |
| Year end: | 31 March |
| Sector: | UK Equity Income |
| Currency: | Sterling |
| Website: | ctukhighincome.co.uk |

^{**}Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.

Fund performance as at 31.05.24



Cumulative performance as at 31.05.24 (%)

| | 1 Month | Year to date | 1 Year | 3 Years | 5 Years |
|-------------|---------|--------------|--------|---------|---------|
| NAV | 3.79 | 10.46 | 18.75 | 12.93 | 29.73 |
| Share price | 10.14 | 13.08 | 23.27 | 24.62 | 37.23 |
| Benchmark | 2.41 | 8.68 | 15.44 | 25.54 | 37.32 |

Discrete annual performance as at 31.05.24 (%)

| | 2024/23 | 2023/22 | 2022/21 | 2021/20 | 2020/19 |
|-------------|---------|---------|---------|---------|---------|
| NAV | 18.75 | -0.84 | -4.09 | 25.90 | -8.76 |
| Share price | 23.27 | 2.02 | -0.91 | 24.57 | -11.60 |
| Benchmark | 15.44 | 0.44 | 8.27 | 23.13 | -11.16 |

Past performance is not a guide to future performance. Source: Lipper and Columbia Threadneedle Investments. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. The discrete performance table refers to 12 month periods, ending at the date shown.

Trust codes

| Stock exchange code | | Sedol |
|---------------------|------|---------|
| CT UK High Income | CHI | B1N4G29 |
| CT UK High Income B | CHIB | B1N4H59 |

Top 10 holdings (%)

| | Portfolio Weight | Benchmark Weight | Difference | Sector |
|-----------------------|------------------|------------------|------------|------------------------|
| Shell | 8.34 | 7.53 | 0.81 | Energy |
| AstraZeneca | 7.13 | 7.42 | -0.29 | Health Care |
| HSBC | 6.00 | 5.48 | 0.52 | Financials |
| Rio Tinto | 5.75 | 2.46 | 3.29 | Basic Materials |
| GSK | 4.20 | 2.93 | 1.27 | Health Care |
| Legal & General Group | 3.96 | 0.61 | 3.35 | Financials |
| Imperial Brands | 3.76 | 0.70 | 3.06 | Consumer Staples |
| NatWest | 3.09 | 0.70 | 2.39 | Financials |
| Phoenix Group | 3.00 | 0.15 | 2.85 | Financials |
| RELX | 2.72 | 2.67 | 0.05 | Consumer Discretionary |

All figures are subject to rounding. Not all holdings are in the FTSE All-Share Index.

| Net Dividend distributions pence per share (paid)/ (declared) with respect to the financial year to 31 March | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| August | 1.29 | 1.29 | 1.29 | 1.32 | 1.32 |
| November | 1.29 | 1.29 | 1.29 | 1.32 | 1.32 |
| February | 1.29 | 1.29 | 1.32 | 1.32 | 1.32 |
| May | 1.34 | 1.43 | 1.55 | 1.55 | 1.66 |
| Total | 5.21 | 5.30 | 5.45 | 5.51 | 5.62 |

All figures are subject to rounding.

| Glossary | |
|------------------------|---|
| Bid price | Investment trust shares are sold via the stock exchange at the bid price. This price is determined by supply and demand. |
| Dividend | Income paid to shareholders by the company they invest in. |
| Net asset value | A key measure of the value of a company or trust – the total value of assets less liabilities, divided by the number of shares. |

| Total summary | % of investment portfolio |
|---------------|---------------------------|
| FTSE 100 | 77.51 |
| FTSE 250 | 12.53 |
| Overseas | 5.71 |
| Non-Index | 2.99 |
| AIM | 1.26 |

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All data as at 31.05.2024 unless otherwise stated.

All information is sourced from Columbia Threadneedle Investments, unless otherwise stated. All percentages are based on gross assets, unless stated otherwise. †The aggregate distribution for the financial year to 31 March 2024 was 5.62 pence per share. The yield is therefore calculated using a rate of 5.62 pence per share and the closing share price at the end of the relevant month. *Net gearing is total assets less cash and cash equivalents divided by shareholders' funds and expressed as a percentage. Net cash is net exposure to cash and cash equivalents expressed as a percentage of shareholders funds after any offset against gearing. **Ongoing charges as at 31 March 2024. Please refer to the latest annual report as to how the management fee is structured. Ongoing charges are calculated in accordance with AIC recommendations. The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously.

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