Murray Income Trust

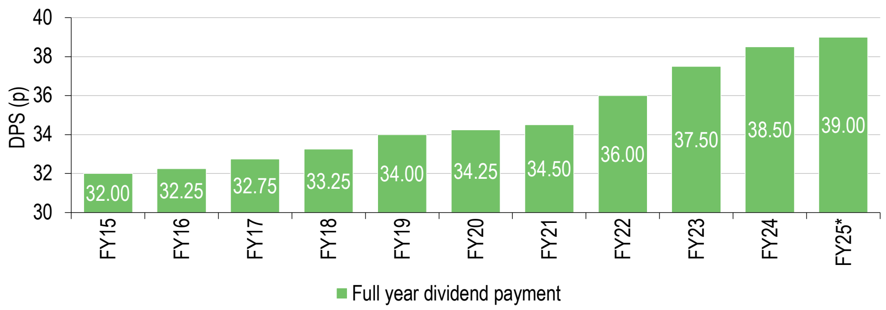
Income focus keeps paying dividends

Investment trusts
UK equity income

20 November 2024

Murray Income Trust (MUT) invests in high-quality, mainly UK-listed stocks. MUT's manager, Charles Luke, believes quality stocks are best placed to support the trust's objective to provide a high and rising dividend. The trust has realised this objective, delivering continually rising dividends for 51 years, and looks set to extend this record in FY25. MUT's quality focus has undermined its relative performance over recent years, as value stocks have outperformed, but long-term performance has been positive and close to the benchmark, satisfying MUT's capital growth goal. And Luke is optimistic about the prospects for UK equities, especially the quality businesses he targets. Investors have been underweight this market for some time, suggesting a rise in inflows is overdue, especially as the UK's political environment has stabilised. Furthermore, declining interest rates should encourage greater M&A activity as investors seek to take advantage of valuations that Luke believes remain 'compelling'.

Maintaining a long-term record of growing dividends



Source: LSEG Data & Analytics, Edison Investment Research. Note: *The board has indicated that the dividend for the financial year ended 30 June 2025 (FY25) will total at least 39.0p per share.

The analyst's view

- MUT's commitment to annually increasing dividends, and a relatively high dividend yield, should appeal to investors seeking a regular, competitive and rising income. The trust's current prospective yield is 4.9%.
- MUT may appeal to those seeking exposure to a diversified portfolio of high-quality, resilient, mainly UK stocks. The trust is diversified by sector and by income source: 75% of portfolio income is sourced from abroad, which provides significant protection from fluctuations in the UK's economic climate. A programme of option writing provides a further modest, uncorrelated supplement to portfolio revenues.
- The trust's long-term performance track record of outright gains very close to the benchmark should also interest potential investors.
- MUT's discount is more than double its long-term average, so now may be an opportune time to gain exposure to the regular income, capital growth and relative value offered by this trust, especially if UK equities return to favour with investors and if MUT's performance returns to form.
- A management fee reduction effective from 1 July 2024 may support a reduction in the ongoing charge over time.

NOT INTENDED FOR PERSONS IN THE EEA

Price ord	**803.0p**
Market cap	**£822.0m**
AUM	**£1,126.4m**

NAV*	910.2p
Discount to NAV	11.8%

*Including income. At 18 November 2024.

Yield		4.9%
Shares in issue		102.4m
Code/ISIN		MUT/GB0006111123
Primary exchange		LSE
AIC sector		UK Equity Income
52-week high/low	899.0p	803.0p
NAV* high/low	998.5p	887.3p

*Including income.

Gearing

Net gearing at 1 November 2024	7.7%

Fund objective

Murray Income Trust (MUT) aims to provide a high and growing income combined with capital growth, through investment in a portfolio principally of UK equities. MUT focuses on 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 portfolio's absolute return. MUT measures its performance versus the broad UK stock market.

Bull points

- 51 consecutive years of dividend growth and an attractive prospective yield, at a competitive fee.
- MUT's portfolio is diversified by sector and income source with 75% of income sourced from abroad.
- Scope for the discount to narrow as and when UK equities return to favour and MUT's relative performance returns to form.

Bear points

- The UK market may remain out of favour with domestic and foreign investors.
- A quality focus means the trust underperforms during value rallies.
- MUT's gearing level increases its vulnerability to any market downturn.

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Edison profile page

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

MUT: Meeting dividend and capital growth targets

Quality approach supports income generation

Murray Income Trust (MUT) invests in high-quality businesses with robust competitive positions, attractive margins, strong balance sheets and experienced managers. In the view of MUT's manager, Charles Luke, such companies have fewer tail risks and a greater margin of safety, and generate more resilient and sustainable earnings, which support the trust's income generation objective: to provide a high, and rising, dividend.

In a further effort to enhance the portfolio's income, Luke seeks to diversify and supplement its income sources in a couple ways. Firstly, the trust has a modest option writing programme. Income from these transactions also gives the manager scope to invest in companies with lower starting yields, but attractive dividend and capital growth prospects. Option-writing premiums totalled £2.8m in FY24, representing 6.5% of total income over the period (up from 5.6% of income in FY23). Current option positions include calls on Astra Zeneca, Microsoft and Novo Nordisk.

In addition, MUT has scope to invest up to 20% of its portfolio in overseas companies, providing access to income sources, and sectors, that are relatively concentrated within the UK. These holdings also provide diversification benefits via exposure to sectors which have limited or no coverage in the UK market, such as pharmaceuticals, IT, credit card providers and luxury brands, and to better quality names than UK counterparts. At present MUT owns 14 overseas companies, representing 19% of its portfolio (see Portfolio allocation section for details).

Exposure to 'unstoppable long-term trends' also helps income

Ultimately, MUT's ability to realise its dividend objective is dependent on the earnings growth of the businesses in which it invests. Many of its holdings have exposure to what Luke refers to as 'unstoppable long-term trends', which should generate favourable tailwinds for earnings growth over the medium term. He estimates that 75% of the portfolio has exposure to trends such as ageing populations, digital transformation, the transition to clean energy and the growing wealth of the world's burgeoning middle classes. For example, MUT's holdings in drug companies AstraZeneca, Novo Nordisk and GSK give it exposure to the needs of ageing populations, while positions in Microsoft, Mastercard and Experian give leverage into the digital transformation theme. Positions in Rotork and National Grid play into the energy transition theme, and luxury brands such as LVMH and Mercedes Benz, a recent acquisition, benefit from the aspirational spending of the middle classes of China and other Asian economies.

Long record of dividend increases set to extend in FY25

The manager's focus on income generation is paying dividends, literally. The trust boasts 51 consecutive years of dividend growth, and the board has foreshadowed a further increase for the current financial year ending 30 June 2025 (FY25). The dividend for the financial year ended June 2024 (FY24) was 38.50p per share, a rise of 2.7% on the previous year (FY23: 37.5p) (see the chart above). The dividend was modestly supplemented (£0.6m) by revenue reserves, as revenue per share in FY24 totalled 37.4p (FY23: 38.7p). This drop in revenue was in part the result of an increasing trend for companies to return capital to shareholders via share buybacks rather than via dividend payments. In addition, MUT's portfolio income was adversely affected by the suspension of Close Brothers' dividend (discussed further below) and a reduced dividend from Direct Line, but the manager expects both these companies to resume normal dividend payments over the next couple of years.

In a recent presentation, MUT's chairman, Peter Tait, stressed that the board is very aware of shareholders' desire for a high and rising income, and increasing dividend payments remain a 'real focus'. Despite the recent drop in portfolio income, the board is confident of the trust's ability to keep growing its dividend in future years, supported, if necessary, by its ample reserves. MUT's revenue reserves stood at £22m following the payment of the fourth dividend for FY24, equivalent to 55% of the current annual dividend.

Consistent with the board's commitment to dividend growth, it has confirmed that the first three dividend payments for FY25 will each be 9.5p per share, the same as the previous year's first three interim dividends. These will be paid in December, March and June respectively. The board expects the fourth interim dividend for the year will 'not be less than 10.5p per share, giving an expected total for the year of a minimum of 39.0p per share'. This represents a rise of at least 1.3% on the FY24 dividend. This fourth interim dividend will be paid in September 2025. Based on the current share price, this represents a prospective yield of 4.9%.

Capital growth positive and close to benchmark over long term

While MUT's dividend record is certainly commendable, its near-term performance has disappointed. In the six months to end October 2024, its NAV declined by 1.1%, lagging the benchmark return of +2.2%. This extends the trust's underperformance of recent years, as its quality holdings have underperformed more value-oriented names (see the Performance section for details). However, its performance over five- and 10-year periods is positive in absolute terms and close to the benchmark.

UK equities currently offer unusual value….

Luke is optimistic about the outlook for UK equities, especially the high-quality businesses the trust targets, for several reasons. In his view, UK equity valuations remain 'compelling' versus both history and relative to other markets, at the headline level and across sectors. The dividend yield offered by the UK market is also attractive relative to other regional equity markets. Furthermore, many of MUT's portfolio holdings have exposure to global growth opportunities due to their competitive advantages; 75% of portfolio revenues are generated from overseas. This provides significant protection from the vagaries of the UK economy.

…which may tempt investors back to this undervalued market

Despite the value offered by UK equities, this market has been out of favour with both domestic and foreign investors for some time and they are significantly underweight. However, Luke sees the potential for this to change. In his view, the certainty offered by a new government with a large majority and an agenda focused on growth may encourage the return of investors spooked by the Brexit vote and the instability and erratic policy decisions of the previous government. And with interest rates declining, the manager also sees potential for a significant increase in merger and acquisition (M&A) activity. Private equity investors and other participants in M&A tend to target the same kind of high-quality businesses in which MUT invests, so some of the trust's portfolio holdings may be direct beneficiaries of any surge in takeover activity.

Wide discount should narrow if UK equities return to favour

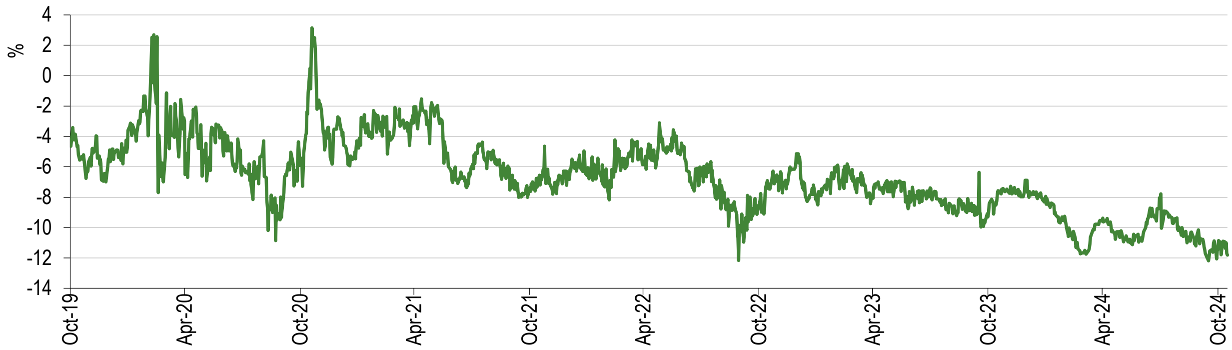
The value offered by UK equities is enhanced by the fact that UK equity investment trusts are trading at unusually wide discounts to their NAVs. Indeed, discounts have widened across the investment trust sector in the past couple of years, regardless of underlying strategy. This is due in part to the higher interest rate environment, which raised the returns on lower-risk investments in cash and bonds. MUT has not been spared from this general increase in share price discounts.

Having averaged around 5% over the past 10 years, its discount is currently more than double this level (Exhibit 1).

MUT's board has responded by stepping up share buybacks to support the share price and reduce discount volatility. The company bought back just over 7.0m shares in FY24, representing 6.3% of shares in issue (FY23 share repurchases comprised 4.3% of outstanding shares), and has repurchased a further 2.3m shares since end FY24 (as at 15 November 2024). These buybacks are accretive to the value of the remaining shares. During FY24, repurchases contributed 0.6% to NAV. And, arguably, they have served to stabilise the discount around current levels over recent months.

We see potential for MUT's discount to narrow back towards its long-term average as and when investor sentiment towards UK equities improves, as Luke predicts. The share price would also benefit if MUT's relative performance returns to form. So, for those who share the manager's confidence in the longer-term prospects of the UK market, and MUT's portfolio holdings, the current unusually wide discount may represent an attractive entry point.

Exhibit 1: Share price premium/discount to NAV (including income) over five years (%)



Source: LSEG Data & Analytics, Edison Investment Research

Performance

Exhibit 2: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	CBOE UK All Companies (%)	MSCI AC World (%)
31/10/20	(12.6)	(11.3)	(20.2)	5.5
31/10/21	31.2	33.7	36.0	30.0
31/10/22	(10.9)	(10.5)	(1.6)	(4.3)
31/10/23	6.2	6.8	6.1	5.4
31/10/24	10.1	12.4	16.7	25.9

Source: LSEG Data & Analytics. Note: All % on a total return basis in pounds sterling.

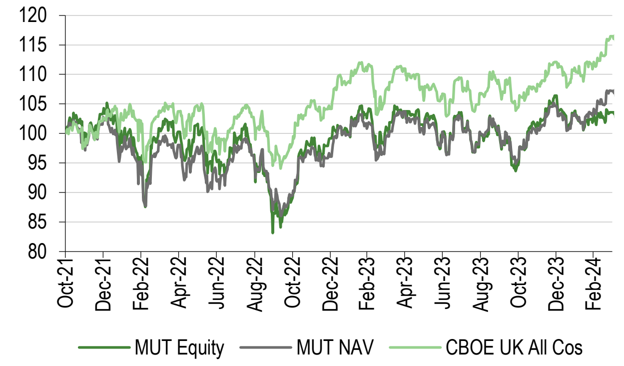
In the six months to end October 2024, MUT returned -1.1% in NAV terms, and -3.0% on a share price basis, lagging the benchmark return of +2.2%. However, as noted above, the trust's longer-term performance has been close to the benchmark. In the 10 years to end October 2024, it made an average annual return of 6.2% in NAV terms, very close to the benchmark return of 6.3%. Its average annual share price return over this period was 5.1%.

MUT's performance has lagged in the past three years as value stocks have done better than the quality stocks favoured by the manager. At the sector level, underweights to financials and oil and gas detracted in FY24, as these sectors were beneficiaries of the value rally. Not owning aerospace and defence names also hurt relative performance. The favourable performance impact of an overweight to consumer discretionary only partially offset the adverse effect of this positioning.

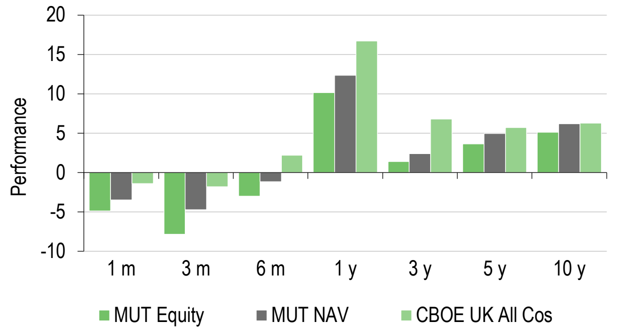
At the stock level, Close Brothers was the largest detractor from relative returns over FY24, due to the launch of an FCA investigation into motor finance practices. The company has since suspended its dividend to conserve capital in anticipation of compensation claims. The FCA report is due in May 2025, but Luke has retained the position as he views the market reaction to recent developments as excessive. Decisions not to own Rolls-Royce or Shell also detracted. Luke avoided the former name as it did not pay a dividend in 2024, and he prefers Total and BP to Shell as these two companies provide better exposure to the energy transition story. The main contributors to relative performance were UK-listed asset manager Intermediate Capital, Novo Nordisk (with the Danish pharmaceutical company experiencing great success with its anti-obesity drug) and Relx, a British business services company.

Exhibit 3: Investment company performance to 31 October 2024

Price, NAV and index total return performance over three years, rebased



Price, NAV and index total return performance (%)



Source: LSEG Data & Analytics, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

Peer group comparison

MUT is a member of the Association of Investment Companies' (AIC's) UK Equity Income sector, which comprises 17 investment trusts, although it is differentiated from many of the constituents of this sector in several respects. MUT's portfolio is more diversified than some of its peers, across sectors, stocks and geographies, as around 20% of its portfolio is invested in mid-cap stocks and c 20% is held in international stocks. While MUT is focused on companies with high-quality characteristics, several of its peers have a more value-oriented investment approach. The manager also seeks to supplement and diversify income sources with modest option writing.

MUT's merger with Perpetual Income & Growth (PLI) in November 2020 doubled its market capitalisation, making it the fifth largest fund in this sector (Exhibit 4). The trust's relative performance has deteriorated over the past year. It has underperformed the average of its peers over one and three years, although returns have been close to the average of its peers over five and 10 years. MUT's ongoing charge remains the second lowest among peers, reflecting the benefits of its scale since its merger with PLI. Its discount is wider than the average, while its gearing is lower. MUT's dividend yield is very close to the average of its peers.

Exhibit 4: UK Equity Income peer group as at 8 November 2024*

% 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	Disc/prem (cum-fair)	Net gearing	Dividend yield
Murray Income Trust	844.1	11.1	5.2	24.1	80.1	0.5	No	(10.5)	108	4.9
abrdn Equity Income Trust	152.9	20.9	6.0	8.5	38.4	0.9	No	(3.7)	113	7.2
BlackRock Income and Growth	38.4	16.4	20.2	30.4	84.6	1.3	No	(12.7)	102	3.7
Chelverton UK Dividend Trust	35.6	30.3	(15.6)	14.8	59.3	2.7	No	1.6	169	8.0
City of London	2,091.0	17.3	24.1	30.5	81.7	0.4	No	(0.9)	105	4.9
Diverse Income Trust	218.9	24.1	(1.6)	29.6	87.5	1.1	No	(7.1)	100	4.6
Dunedin Income Growth	381.3	9.7	2.0	25.1	74.0	0.6	No	(10.4)	110	5.0
Edinburgh Investment	1,072.4	21.1	26.7	43.3	79.2	0.5	No	(10.9)	110	3.8
Finsbury Growth & Income	1,381.2	8.1	3.6	16.0	120.0	0.6	No	(7.6)	101	2.3
JPMorgan Claverhouse	397.9	16.5	9.9	26.4	79.2	0.7	No	(5.8)	108	5.0
Law Debenture Corporation	1,173.4	20.0	16.3	56.1	125.4	0.5	No	1.4	122	3.6
Lowland	340.4	18.2	8.5	23.1	59.7	0.6	No	(10.8)	113	5.0
Merchants Trust	837.1	19.5	13.8	41.9	90.5	0.5	No	(0.4)	112	5.0
Schroder Income Growth	197.8	17.0	19.2	31.6	83.5	0.8	No	(9.9)	114	5.0
Shires Income	98.0	15.7	8.0	24.8	80.6	1.1	No	(8.6)	123	6.1
Temple Bar	766.4	24.3	31.7	23.3	71.1	0.5	No	(6.8)	100	3.6
Simple average	**626.7**	**18.1**	**11.1**	**28.1**	**80.9**	**0.8**		**(6.5)**	**113**	**4.8**
MUT rank in sector	**5**	**14**	**12**	**11**	**9**	**=2**		**13**	**11**	**10**

Source: Morningstar, Edison Investment Research. Note: *Performance to 7 November 2024 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).

Asset allocation

Current portfolio positioning

As ever, changes to MUT's portfolio reflect the manager's efforts to improve its quality and maintain its focus on attractive capital and dividend growth. Nine new holdings were added to the portfolio in FY24, including three overseas companies. US credit card provider Mastercard was added thanks to its strong competitive position, high barriers to entry and multiple long-term growth opportunities. The manager's interest in luxury brands underpinned the purchase of Mercedes-Benz, which also offered a good yield at an attractive valuation, while Air Liquide, a French industrial gases supplier, earned its place in the portfolio due to its exposure to the UK's transition to renewable energy. Since the end of FY24, the manager has purchased LondonMetric Property, a UK Industrial REIT and switched into Singaporean Bank DBS, after closing a position in its rival OCBC. He has also topped up a number of existing holdings as opportunities arose.

Exhibit 5: MUT's overseas holdings as at 30 October 2024

Company	Country	Sector	% of portfolio end October 2024
TotalEnergies	France	Oil & gas producers	3.3
DBS	Singapore	Financials	3.0
Nordea	Finland	Financials	1.7
Microsoft	US	Software & computer services	1.3
Kone	Finland	Industrial engineering	1.3
Accton Technology	Taiwan	Telecommunications equipment	1.1
Telenor	Norway	Industrial engineering	1.1
Mastercard	US	Financial and credit card services	1.0
L'Oréal	France	Cosmetics and skin care	0.9
LVMH	France	Luxury goods	0.8
ASML	Netherland	Semiconductors	0.8
Mercedes-Benz	Germany	Carmaker	0.8
Novo Nordisk	Denmark	Pharmaceuticals & biotechnology	0.7
VAT Group	Switzerland	Industrial engineering	0.7
Total non-UK exposure			**18.5**

Source: MUT, Edison Investment Research

These additions were partially funded by the disposal of nine names during FY24, due to deterioration in their quality or the emergence of more attractive opportunities, as in the case of the sale of OCBC. The manager also sold UK homebuilder Vistry given its focus on share buybacks rather than dividend payments and following the emergence of some concerns regarding the company's corporate governance. Several other positions were trimmed to manage position size after strong performance, notably Novo Nordisk, AstraZeneca, Unilever and Sage. In all, turnover for FY24 was 18%, the same as the previous year.

These changes have had a limited impact on portfolio structure. MUT's largest sector overweights remain to technology, industrials and utilities, while its most significant underweights are to financials, energy and consumer staples.

Exhibit 6: Portfolio sector exposure* versus benchmark (% unless stated)

	Portfolio end-Sept 2024	Portfolio end-Feb 2024	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Financials	18.5	19.6	(1.1)	25.2	(6.7)	0.7
Industrials	14.6	15.7	(1.1)	12.1	2.5	1.2
Consumer discretionary	12.7	12.9	(0.2)	11.4	1.3	1.1
Healthcare	12.1	11.4	0.7	11.3	0.8	1.1
Consumer staples	11.0	11.6	(0.6)	14.6	(3.6)	0.8
Energy	7.4	7.0	0.4	9.8	(2.4)	0.8
Basic materials	6.5	4.5	2.0	6.8	(0.3)	1.0
Utilities	6.1	4.4	1.7	3.9	2.2	1.6
Technology	4.4	5.4	(1.0)	1.2	3.2	3.8
Real estate	3.3	1.5	1.8	2.6	0.7	1.3
Telecommunications	1.9	1.9	0.0	1.2	0.7	1.6
	100.0	**100.0**		**100.0**		

Source: MUT, Edison Investment Research. Note: *Adjusted for cash.

Exhibit 7: Top 10 holdings (as at 30 September 2024)

Company	Country	Industry	Portfolio weight %	
			30 September 2024	29 February 2024*
Unilever	UK	Consumer goods	5.7	4.9
RELX	UK	Media	5.0	6.0
AstraZeneca	UK	Healthcare	4.9	4.8
London Stock Exchange	UK	Financial Exchanges	4.4	3.3
Diageo	UK	Consumer goods	4.3	4.6
National Grid	UK	Utilities	4.0	N/A
Experian	UK	Consultancy services	3.3	3.0
TotalEnergies	France	Oil & gas producers	3.2	3.4
BP	UK	Oil & gas producers	3.1	3.6
Anglo American	UK	Metals & Mining	2.6	N/A
Top 10 (% of portfolio)			**40.5**	**40.0**

Source: MUT, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-February 2024 top 10.

Fund profile

MUT was founded in Scotland in 1923 and has been part of abrdn (formerly called Aberdeen Asset Management) since 2000. The company celebrated its 100th anniversary in 2023. Charles Luke has been the trust's portfolio manager since 2006. His deputy, Iain Pyle, joined the team in 2018.

MUT is structured as an investment trust, with one share class. Its assets under management (AUM) almost doubled to c £1.1bn in November 2020 following a merger with Perpetual Income and Growth Investment Trust (PLI), after a competitive tender. PLI's chairman, Richard Laing, said the PLI board opted for the combination, instead of taking the more usual route of appointing a new manager, because of MUT's top-quartile performance over the short and longer term and the strength of its team. The merger made MUT one of the largest funds in the AIC's UK Equity Income sector, delivering a higher profile and greater liquidity.

The enlarged MUT maintains its objective of realising a high and growing income, combined with capital growth, through investment in a diversified portfolio of mainly UK equities, although up to 20% may be invested in non-UK stocks. The trust has a longer-term investment focus and targets good-quality, well-managed companies with attractive valuations and strong ESG characteristics.

MUT uses a broad UK stock market index as its benchmark. For comparison purposes in this note, we use the CBOE UK All Companies Index. Performance is also measured against peers in the UK Equity Income sector. The company has £100m of long-term borrowings with £40m due to mature in 2027 and £60m in 2029. The blended interest rate for these borrowings is 3.6%. At 1 November 2024, net gearing stood at 7.7%, somewhat lower than its long-term average. MUT has a 51-year record of annual dividend growth.

Investment policy

Investment process: A focus on income growth

Following an internal reorganisation at abrdn, MUT's managers Charles Luke and Iain Pyle are now members of a 20-person UK and European Equity team, which provides detailed coverage of the UK's 350 listed companies. This change in structure is intended to improve the team's focus and efficiency. For example, analysts now have responsibility for the coverage of their sector across Europe, an arrangement that allows the team as a whole to more easily identify investment opportunities both within and across markets. Luke and Pyle receive further support from abrdn's 39-strong Developed Markets Equities team, and from the firm's global research network. Investment ideas are tested against a quality filter, which includes assessments of the attractiveness of the industry, the durability of the company's business model, its financial strength, management capability and ESG risks. All ideas are subject to rigorous team scrutiny and debate. Fundamental research is supplemented by regular company meetings and ongoing dialogue with investee companies.

The company summarises its investment process as 'a search for good quality companies at attractive valuations, with the potential for substantial dividend growth'. The manager defines a good quality company as 'one capable of strong and predictable cash generation, enduring high returns on capital and with attractive growth opportunities over the longer term'. These features usually result from a sound business model, a robust balance sheet, good management and strong ESG characteristics. More specifically, Luke and his team seek undervalued companies with high margins and return on equity, low levels of net debt, and above-average earnings and dividend growth potential over the long term.

MUT's portfolio typically comprises between 50 and 70 stocks, which are held for an average of five years, to give holdings time to realise their potential value. Portfolio turnover is therefore low, although the managers will exit a stock quickly if a company's fundamentals deteriorate. All positions are kept under continuous review, supported by the UK equity team's daily meetings to discuss company news and outlook changes.

Diversification is crucial to MUT's approach. About 30% of the portfolio is invested in mid- and small-cap companies, while overseas stocks may represent up to 20% of holdings. This provides diversification by size and geography beyond that of some other UK equity income funds. Additionally, the team seeks to diversify holdings by income and capital (with a limit on each of 5% per holding) and by sector. The three largest sector weightings ('sector' is the third tier as defined by Industry Classification Benchmark (ICB) classifications, after industry and super-sector) are limited to 50% of the portfolio, and the top five holdings in aggregate may not exceed 40% of the total. Overseas holdings also provide scope for MUT to benefit from currency gains during periods of sterling weakness.

The team uses option writing to augment the investment process in two ways. Firstly, it allows the team to optimise exposure to individual holdings, mainly via the writing of call options, to potentially reduce exposure to stocks where the managers would be happy to take some profits at a given price. Additionally, option premium income provides a modest, uncorrelated supplement to portfolio income and also gives the manager some 'headroom' to invest in attractive quality stocks with lower dividends.

ESG considerations

ESG considerations are a key component of abrdn's philosophy, based on the view that this helps foster stronger long-term performance and mitigate risk. MUT's managers dedicate significant time and resources to understanding the ESG characteristics of the companies in which they invest. They are assisted in this task by the expertise and proprietary research of abrdn's more than 40-strong, in-house ESG team. The team makes a great effort to engage with companies on a variety of ESG issues including board diversity, remuneration, experience and expertise, climate change and child labour, to ensure that they are acting in the long-term interests of shareholders and broader society. As one example of very positive behaviour that augments the investment case for Novo Nordisk, Luke is very supportive of this company's programme to provide access to medicines to 1.5 million people in low-income countries.

MUT's approach to ESG considerations is dynamic rather than static. The team's ESG conclusions can change if the inputs change. For example, Russia's invasion of Ukraine, may, in some instances, have boosted the importance of the social factor of security and personal safety within ESG assessments, or increased the priority placed on energy security, relative to concerns about CO_2 emissions. Such shifts may result in a new conclusion as to whether or not to hold an energy stock. The trust holds a Morningstar Sustainability Rating of four out of five.

Fees and charges

In September 2024, MUT announced that it had negotiated a downward revision to the investment management fee payable to abrdn, which is the largest cost incurred by the trust. This fee is calculated on a sliding scale based on net assets. The company agreed a fee reduction to 0.35% on the first £1.1bn and 0.25% thereafter, backdated to the start of the company's financial year on 1 July 2024. This replaces the three-tiered fee structure agreed with abrdn at the time of MUT's 2020 merger with PLI, which comprised a fee of 0.55% for up to £350m in AUM, 0.45% up to £450m and 0.25% per annum on assets over £450m. As the trust currently has AUM of £1.1bn, the annual management fee would be 0.35%, down from 0.375% under the previous fee structure, equivalent to a reduction of £250,000.

MUT's ongoing charge to shareholders for FY24 is 0.50% of average daily net assets for the year ended 30 June 2024, unchanged from the previous year. However, the management fee reduction may serve to reduce the ongoing charge over the coming year, subject to movements in the NAV.

The board

Exhibit 8: MUT's board of directors

	Date of appointment	Remuneration from 1 July 2024	Shareholdings at 30 June 2024
Peter Tait (chair)	November 2017	£43,125	7,000
Stephanie Eastment (senior independent director)	August 2018	£31,625	4,500
Nandita Sahgal Tully (chair, audit committee)	November 2021	£35,950	560
Angus Franklin	January 2024	£28,750	6,044

Source: Murray Income Trust

MUT's board is chaired by Peter Tait, who assumed this role in November 2023. Alan Giles, who was appointed a director following the trust's merger with PLI in November 2020, retired from the board at the AGM held on 5 November 2024. Stephanie Eastment has replaced Mr Giles as senior independent director, and Nandita Sahgal Tully has taken from Ms Eastment as chair of the audit committee. Following Mr Giles' departure, the board now comprises four independent non-executive directors. A search has commenced for a new director with a view to making an appointment by the end of 2024 or early 2025.