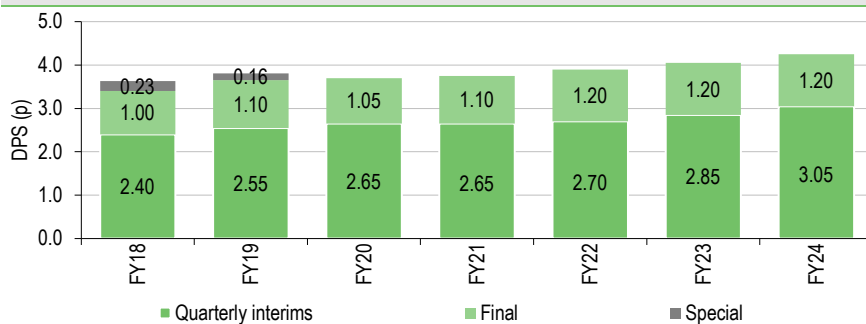


The Diverse Income Trust

Could be the time for UK equities to shine

The Diverse Income Trust (DIVI) is a member of the 18-strong AIC UK Equity Income sector. It has a differentiated multi-cap income strategy and therefore its performance can differ meaningfully from those of its peers. Managers Gervais Williams and Martin Turner at Premier Miton Investors are very bullish on the outlook for UK stocks, which they believe can outperform overseas mainstream equity indices due to very attractive valuations and income prospects. They note that with global profit margins at all-time highs and increased geopolitical tensions, there could be a change in investor behaviour, with increased demand for income rather than capital growth strategies, which have dominated the investment landscape for the last few decades.

COVID-19 did not interrupt DIVI's progressive dividend policy



Source: DIVI, Edison Investment Research

Why consider DIVI?

Williams and Turner aim to generate a robust and growing income stream by investing in a broader range of UK-listed companies than the trust's peers. DIVI has exposure across the market cap spectrum, from larger mature firms to AIM-listed younger businesses, all of which are expected to generate excess cash that can fund meaningful and growing dividends. In broad terms, the portfolio split is large-cap (20%), mid-cap (20%), small-cap (55%) and cash (5%), and there are holdings in all 11 market sectors. Financials make up around 35% of the fund and has been the largest sector weighting since the trust was launched in 2011.

Having a broadly diversified portfolio means that the trust is less reliant on a limited number of companies to generate its income. DIVI's revenue is not only more diversified, but also has scope to grow faster than its peers over the long term. The trust has delivered an unbroken record of higher annual dividends, including during the global pandemic when DIVI's revenue fell due to corporate dividend cuts.

The trust has a low market beta, meaning that its upside/downside capture rates versus mainstream stock market indices are typically less than 100%. DIVI's strong performance record since launch has been supported by active stock selection, which has enhanced the trust's dividend growth and long-term capital appreciation. Until Brexit, DIVI's shares regularly traded at a premium. If there is an increase in demand for UK and particularly UK income strategies, the trust could trade closer to, or return to a premium to, its NAV.

Investment trusts
UK multi-cap equity income

14 October 2024

Price 91.0p
Market cap £214m
Total assets £231m

NAV* 97.7p
Discount to NAV 7.2%

*Including income. At 10 October 2024.

Yield 4.7%

Ordinary shares in issue 236.4m

Code/ISIN DIVI/GB00B65TLW28

Primary exchange LSE

AIC sector UK Equity Income

Financial year end 31 May

52-week high/low 93.8p 75.4p

NAV* high/low 101.2p 82.5p

*Including income.

Gearing

Gearing at 30 September 2024 0.0%

Fund objective

The Diverse Income Trust's investment objective is to provide an attractive and growing level of dividends, coupled with capital growth over the long term. It invests in a diversified portfolio primarily of quoted or traded UK companies across the market cap spectrum, with a bias to high-quality small- and mid-cap stocks. The stock-specific approach means the trust's portfolio does not track a benchmark index.

Bull points

- DIVI's modest large-cap exposure means if these companies deliver disappointing results, the trust still has the potential to deliver satisfactory returns (as in 2020 for example).
- Since its launch in 2011, DIVI has built a revenue reserve that is more than 1x the last annual dividend.
- Income diversification enabled DIVI to grow its dividend during the global pandemic.

Bear points

- DIVI's strategy based on 'the small-cap effect' has been a major headwind in recent quarters when large-cap stocks have been in favour.
- The UK market underperformed during globalisation; as global relationships fragment it may take time to be reflected in UK share prices.
- The trust's intensive research process contributes to its above-average ongoing charge within the AIC UK Equity Income sector.

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The Diverse Income Trust is a research client of Edison Investment Research Limited

DIVI: Attractive income strategy for all seasons

Williams and Turner are very bullish on the outlook for the UK market, and DIVI's prospects in particular, given its potential to generate decent income-based returns for shareholders even during periods when stock markets come under pressure.

Data from the company show that the trust has outperformed over the long term. Since launch in April 2011 to the end of FY24 (May), DIVI's NAV total return is just under 220%, and its share price total return was 181%, which compares to the Deutsche Numis All-Share Index's 119% total return.

A genuine multi-cap UK income fund

Exhibit 1: Portfolio capitalisation exposure			
	End-August 2024 (%)	End-August 2023 (%)	Change (pp)
AIM	29.3	31.0	(1.7)
Large cap	21.0	19.9	1.1
Small cap	20.6	20.3	0.3
Mid cap	19.1	17.4	1.7
UK listed non-index	3.0	2.8	0.2
Fledgling	0.7	0.8	(0.1)
Large-cap put option	0.0	0.1	(0.1)
Other	0.4	0.7	(0.3)
Cash	5.9	7.0	(1.1)
Total	100.0	100.0	

Source: DIVI, Edison Investment Research

DIVI's multi-cap exposure is shown in Exhibit 1. There was very little change in the structure of the portfolio in the 12 months to the end of August 2024, with large and mid-cap stocks making up just 40.1% of the portfolio.

DIVI's top 10 holdings

Over the year to the end of August 2024, DIVI's total number of holdings increased from 118 to 121. The top 10 positions made up 24.4% of the fund, which was a higher concentration compared with 19.9% a year before; five names were common to both periods. Williams explains that the trust's top 10 concentration has increased as some of DIVI's holdings have performed very well, such as CMC Markets (c +185% year to date), Pan African Resources (c +105%), Plus500 (c +50%) and Galliford Try (c +45%).

Exhibit 2: Top 10 holdings (at 31 August 2024)			
Company	Industry	Portfolio weight %	
		31 August 2024	31 August 2023*
CMC Markets	Financials	3.3	N/A
XPS Pensions Group	Financials	3.1	2.4
TP ICAP Group	Financials	2.8	2.2
Pan African Resources	Basic materials	2.6	N/A
Galliford Try Holdings	Industrials	2.6	1.9
PayPoint	Industrials	2.5	1.9
Plus500	Financials	2.0	N/A
Kenmare Resources	Energy	1.9	2.5
Savannah Energy	Energy	1.8	N/A
BT Group	Telecommunications	1.8	N/A
Top 10 (% of portfolio)		24.4	19.9

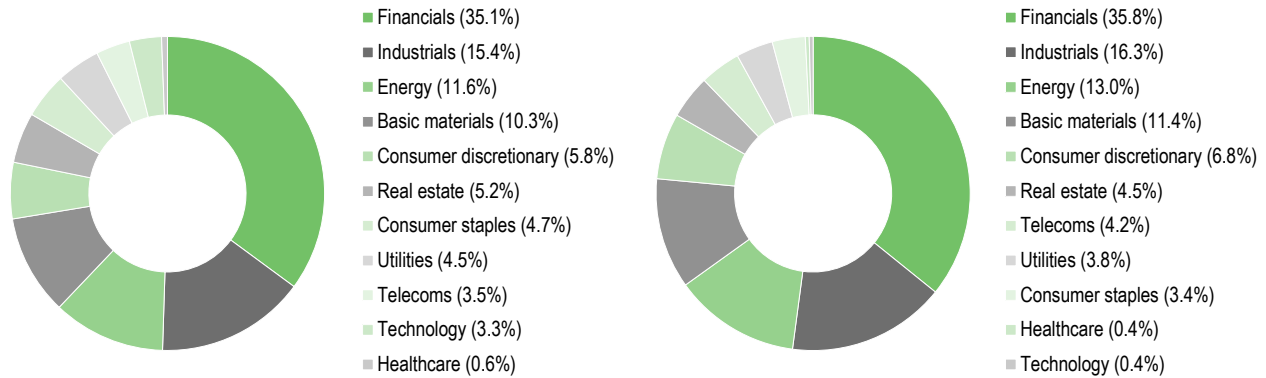
Source: DIVI, Edison Investment Research. Note: *N/A where not in end August 2023 top 10.

DIVI's sector and income exposures

The trust's not dissimilar sector and income breakdowns at the end of H124 are shown in Exhibit 3. Since the trust's inception in 2011, the financial sector has been DIVI's largest exposure – it is a

diverse area of the market covering a broad range of different businesses. Compared to the broad UK market, the trust has a notable larger weighting to financial stocks and meaningful underweight exposures to healthcare and consumer staple stocks.

Exhibit 3: DIVI's sector exposure* (left-hand chart) and income exposure (right-hand chart)



Source: DIVI, Edison Investment Research. Note: *Rebased without cash. Data at 31 May 2024.

Recent portfolio activity

Attractive UK company valuations mean there has been a step-up in the pace of takeover approaches for UK businesses. There were bids for DIVI investee companies Centamin and i3 Energy. Williams would prefer that portfolio companies were not acquired, as the trust is unable to benefit from the potential long-term value creation by these firms. The Centamin and i3 Energy positions were sold with the proceeds reinvested into what the managers consider to be other interesting opportunities.

In recent months, sales include Hostelworld Group, which rallied following a successful capital raise. The managers locked in profits in some market-sensitive names that had done well, such as CMC Markets, IG Group Holdings and Plus500.

New holdings include Greencoat UK Wind, a wind turbine business with an attractive c 7.5% dividend yield, and Greatland Gold, an Australian miner listed in the UK, which is undertaking a transformational deal by buying the remaining 70% of the Havieron gold-copper project and 100% of the Telfer gold-copper mine from US major Newmont Corporation.

Williams's observations on the investment backdrop

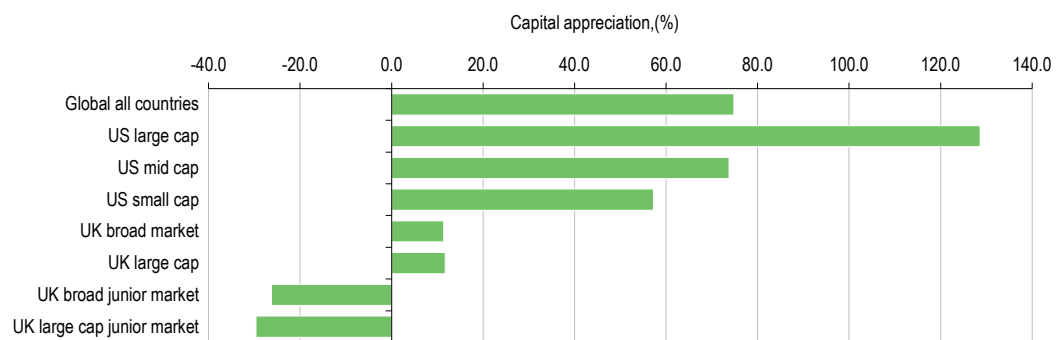
At a recent meeting with one of DIVI's managers, Williams reiterated that he remains very bullish on the outlook for UK equities. He highlighted that during Q324, in sterling terms, the 'Magnificent Seven' mega-cap US technology stocks declined, while the broad UK market rallied, with mid-cap stocks outperforming those of large-cap companies. The UK AIM market remains weak, but the manager expects these stocks to perform considerably better once there is clarification on the regulation of these stocks. If a catch-up with larger-cap stocks does not materialise, Williams would consider weakness in AIM stocks as a buying opportunity.

The manager discusses the prevalence of capital growth investment strategies such as private equity, US technology funds and global growth funds. He opines that successful growth strategies require stocks to be purchased when they are inexpensive and sold when they are expensive, which can be difficult to time. Also, if there is a change in the investment landscape, for example due to a geopolitical event, there may be many investors heading for the exit at the same time, which is likely to prove very detrimental for the share prices of growth companies. This occurred in 2022, following the Russian invasion of Ukraine, when growth stocks underperformed due to reduced growth expectations, while higher interest rates in response to rising inflation put pressure on growth company valuations. Williams compares growth funds with DIVI's compounding dividend

strategy. He says that the trust’s returns are generated gradually over time, without having to optimise the timing of portfolio transactions.

Williams comments that we are living in an unstable world, with increasing geopolitical tensions. However, he suggests that income funds can generate a positive return for shareholders, when income exceeds capital losses, and they are less reliant on capturing the upside of market fluctuations. The manager believes that the UK has the potential to be the best performing market, bar none, over the next 20 years, and he anticipates a major change in investor behaviour. There is a proposal by the UK government, which is in the consultation phase, to broaden access to collective defined contribution pension schemes. These are designed to deliver reliable returns for savers, while ensuring more predictable costs for employers, and could see increased demand for UK shares. Williams comments that there could also be a requirement for UK pension funds and insurance companies to increase their modest allocations to the UK market.

Exhibit 4: Capital return of indices over seven years to 30 September 2024



Source: Bloomberg, Edison Investment Research

The manager highlights the significant outperformance of the US market over the last seven years; Exhibit 4 also shows the relatively low UK market capital returns over the period. Williams suggests that investors now have a degree of overconfidence about the US equity market and, as UK companies are performing well at an operational level and are very attractively valued, there is potential for UK stock market outperformance. He believes that over the next 20 years, the UK could outperform the US market by more than during the 1965 to 1985 inflationary period (globalisation contributed to lower inflation between 1985 and 2022). The manager comments that global profit margins are at record levels and could come under pressure due to geopolitical tensions and immigration restrictions. In such an environment, mainstream markets could flatline, which could lead to a significant increase in demand for income strategies.

Performance: Onwards and upwards

In the 18-strong AIC UK Equity Income sector, DIVI is one of the smaller funds. Its performance versus the peer group is improving, ranking second over the last 12 months and broadly average over the last decade, ranking ninth. The trust’s discount is wider than average, it has an above-average ongoing charge, no gearing and a dividend yield that is modestly below the mean.

However, it should be remembered that DIVI is part of a very diverse sector, made up of a wide range of different sized companies. As its name suggests, the trust’s portfolio has one of the largest number of holdings, which means that it is not overly reliant on a small number of companies to fulfil its income requirement. DIVI has a differentiated approach by investing across the market cap spectrum from immature companies up to major, well-established multinational operators.

Considering the longer term, Williams comments that DIVI’s performance has been hurt by the underperformance of small-cap stocks over the last three years, which has negatively affected its

10-year record. However, even with this setback, the manager notes that the trust has one of the best performance records since it was launched in 2011.

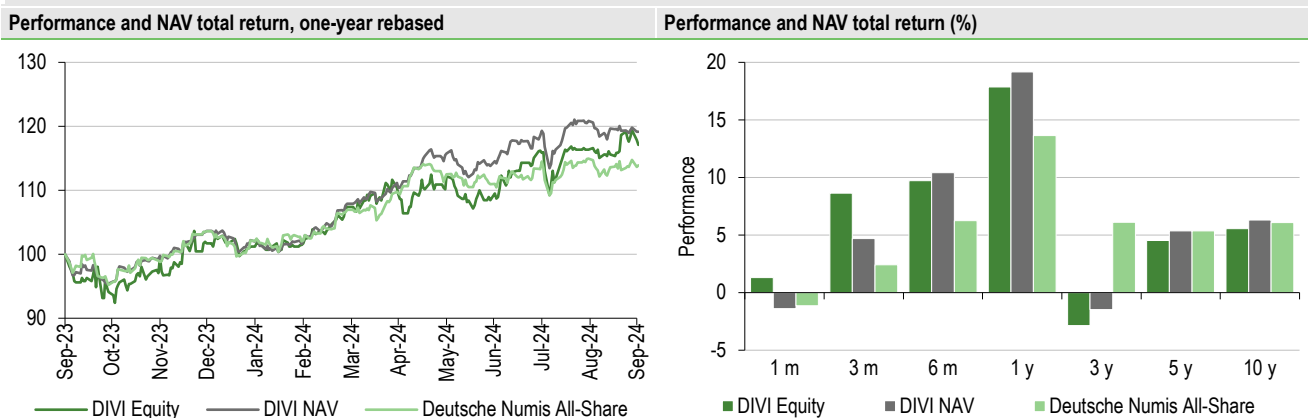
Exhibit 5: AIC UK Equity Income sector at 11 October 2024*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
Diverse Income Trust	214.2	21.0	(3.3)	29.0	89.3	(7.8)	1.1	No	100	4.7
abrdrn Equity Income Trust	154.3	15.6	6.6	11.1	45.0	(2.9)	0.9	No	113	7.1
BlackRock Income and Growth	38.0	12.9	24.2	32.9	93.3	(12.4)	1.3	No	105	3.8
Chelverton UK Dividend Trust	35.9	23.0	(15.4)	15.6	61.0	1.3	2.7	No	152	7.9
City of London	2,133.1	17.3	30.6	34.7	93.8	(0.8)	0.4	No	106	4.8
CT UK Capital and Income	322.1	19.1	14.5	26.1	104.2	(4.7)	0.7	No	108	3.8
CT UK High Income	74.2	20.2	18.0	25.3	68.3	(4.8)	1.1	No	113	6.3
Dunedin Income Growth	393.4	11.4	10.6	32.4	85.8	(11.5)	0.6	No	109	4.9
Edinburgh Investment	1,091.1	18.4	32.3	46.5	89.1	(10.9)	0.5	No	106	3.7
Finsbury Growth & Income	1,391.1	7.7	8.2	14.5	133.7	(9.3)	0.6	No	101	2.3
JPMorgan Claverhouse	402.9	13.9	13.2	26.0	88.3	(6.6)	0.7	No	108	5.0
Law Debenture Corporation	1,172.0	17.7	20.7	58.5	137.6	1.3	0.5	No	112	3.6
Lowland	340.4	17.5	11.9	27.8	68.7	(10.9)	0.6	No	114	5.0
Merchants Trust	844.5	18.5	19.5	49.2	104.5	(0.6)	0.5	No	111	5.0
Murray Income Trust	863.3	10.9	12.9	30.2	92.4	(11.4)	0.5	No	109	4.6
Schroder Income Growth	195.8	14.9	22.7	35.8	95.2	(11.2)	0.8	No	128	5.0
Shires Income	95.6	14.8	9.9	28.6	87.3	(10.4)	1.1	No	116	6.2
Temple Bar	764.0	20.9	33.6	27.0	78.2	(8.4)	0.5	No	108	3.6
Sector average (18 funds)	584.8	16.4	15.0	30.6	89.8	(6.8)	0.8		112	4.8
DIVI rank	12	2	17	9	9	9	16		18	11

Source: Morningstar, Edison Investment Research. Note: *Performance to 11 October 2024. NAV with debt at par. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 is ungeared).

Morningstar data show that within the sector there are only two funds classified as small-cap value funds: DIVI and the much smaller Chelverton UK Dividend Trust. DIVI has the superior performance over three, five and 10 years. Considering the whole sector, the trust has a larger-than-average exposure to cyclical sectors (high sensitivity to the business cycle) and a similarly smaller-than-average exposure to defensive sectors (anticyclical) with an exposure to sensitive sectors (moderate correlation to the business cycle) that is broadly in line with the average.

Exhibit 6: Investment company performance to 30 September 2024



Source: LSEG Data & Analytics, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised, on a total return basis in pounds sterling terms.

In FY24 (ending 31 May), DIVI's NAV and share price total returns of +15.4% and +7.2% respectively compared with the Deutsche Numis Small Cap plus AIM (excluding investment companies) Index's +12.5% total and the Deutsche Numis All-Share Index's +15.6% total return. The managers note that the financial year was one of two halves, with H1 (May to November 2023) strength in the Magnificent Seven US mega-cap technology stocks and outflows from the UK market, while in H2 (December 2023 to May 2024) investors started to recognise the very attractive UK valuations and there was broader stock market leadership.

The three largest positive contributors to the trust's performance in FY24 were CMC Markets (+138bp, concluded its investment phase and started winning new customers), XPS Pensions (+134bp, market share gains and growth rate accelerated) and Pan African Resources (+126bp, benefited from higher gold prices). There was just one position that detracted more than 100bp: Vanquis Banking Group (-136bp, higher credit losses).

Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to Deutsche Numis All-Share	2.5	6.1	3.3	3.7	(23.3)	(3.9)	(4.8)
NAV relative to Deutsche Numis All-Share	(0.3)	2.2	3.9	4.9	(20.0)	0.0	2.2
Price relative to Deutsche Numis Smaller Cos ex-ICs	2.4	3.4	(0.8)	(1.8)	(8.8)	(5.8)	(7.1)
NAV relative to Deutsche Numis Smaller Cos ex-ICs	(0.3)	(0.4)	(0.1)	(0.7)	(4.8)	(2.0)	(0.3)
Price relative to CBOE UK All Cos	2.6	5.8	3.5	4.0	(26.8)	(5.5)	(6.6)
NAV relative to CBOE UK All Cos	(0.1)	2.0	4.1	5.2	(23.7)	(1.7)	0.2

Source: LSEG Data & Analytics, Edison Investment Research. Note: Data to end September 2024. Geometric calculation.

Williams explains that during 2024, there has been very strong performance from a handful of DIVI's portfolio companies. The trust's performance over the last three years in capital terms has been disappointing. However, investee businesses have been successful, and companies have increased their dividends. The manager notes that some poorly performing share prices have started to recover and that when they turn, the recovery can be very rapid.

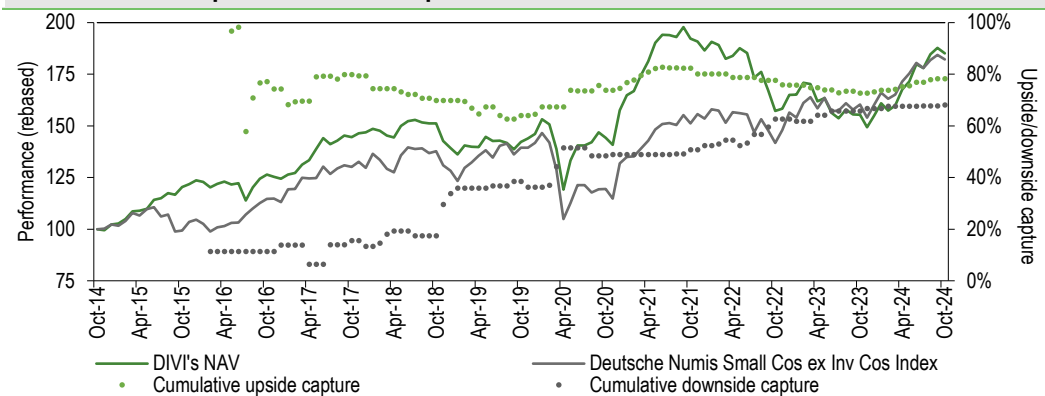
Exhibit 8: Five-year discrete performance data

12 months ending	Total share price return (%)	Total NAV return (%)	Deutsche Numis All-Share (%)	Deutsche Numis Smaller Cos ex ICs (%)	CBOE UK All Cos (%)
30/09/20	(5.0)	0.9	(15.1)	(9.6)	(17.9)
30/09/21	43.3	34.6	27.9	45.9	28.5
30/09/22	(21.5)	(18.8)	(7.0)	(25.1)	(3.4)
30/09/23	(1.0)	(1.2)	13.1	11.8	14.5
30/09/24	17.9	19.2	13.7	20.0	13.3

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

DIVI's upside/downside capture

Exhibit 9: DIVI's upside/downside capture



Source: LSEG Data & Analytics, Edison Investment Research. Note: Cumulative upside/downside capture calculated as the geometric average NAV total return (TR) of the fund during months with positive/negative reference index TRs, divided by the geometric average reference index TR during these months. A 100% upside/downside indicates that the fund's TR was in line with the reference index's during months with positive/negative returns. Data points for the initial 12 months have been omitted in the exhibit due to the limited number of observations used to calculate the cumulative upside/downside capture ratios.

Exhibit 9 shows DIVI's upside/downside cumulative capture rates over the last 10 years versus the Deutsche Numis Smaller Companies excluding Investment Companies Index. The trust's defensive portfolio qualities are shown by capture rates of less than 100%. However, the upside capture of 78% and a downside capture of 68% imply that DIVI will appreciate more in a rising market than it will lose in a falling market.

Overall, the low volatility, coupled with the trust’s outperformance since inception, implies that DIVI offers investors an attractive mix of high alpha and a below-average beta.

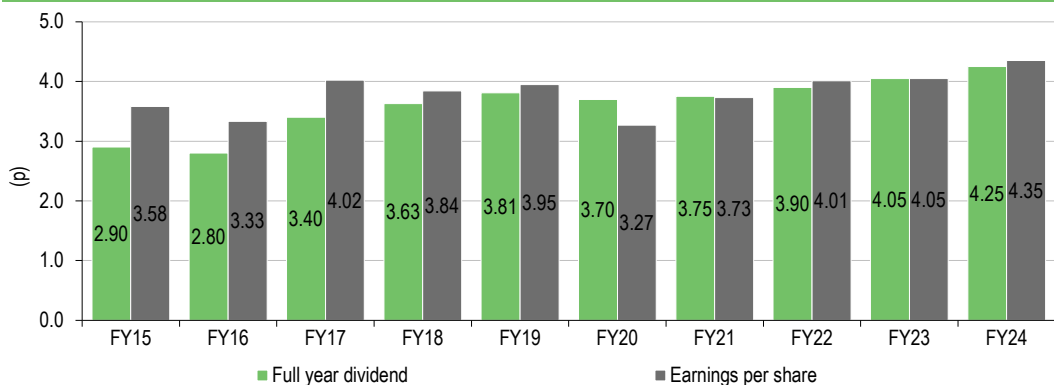
Dividends: Another higher annual dividend in FY24

DIVI’s 10-year dividend and revenue history is shown in Exhibit 10. In FY24, the trust’s revenue per share of 4.35p per share was 7.4% higher year-on-year, while its dividend of 4.25p per share increased by 4.9%. The annual dividend has increased each year since the fund was launched in 2011, compounding at an annual rate of around 6%.

To enable shareholders to vote on the FY15 dividend, a final dividend of 0.50p per share was paid in addition to four interim dividends. Since then, four payments have been made in respect of each financial year – three interim and a final dividend.

In normal market conditions, DIVI has a fully covered dividend. There was an exception during COVID when the FY20 annual payment was 0.9x covered and there was a modest drawdown from revenue reserves in FY21. At the end of FY24, the trust had a healthy c £16.8m revenue reserve, which is more than 1.0x the last annual dividend payment.

Exhibit 10: Last 10-year dividend and earnings per share history



Source: DIVI, Edison Investment Research. Note: Includes special dividends of 0.40p, 0.23p and 0.16p per share in FY17, FY18 and FY19, respectively.

Valuation: Discount remains wider than average

In general, investment trust discounts remain wider than normal during a period of above-average investor risk aversion. DIVI has not been immune to this trend; its current 7.2% discount compares with the three-year range of a 2.5% premium to a 10.9% discount and is wider than the 5.3%, 5.0% and 2.7% averages over the last three, five and 10 years respectively.

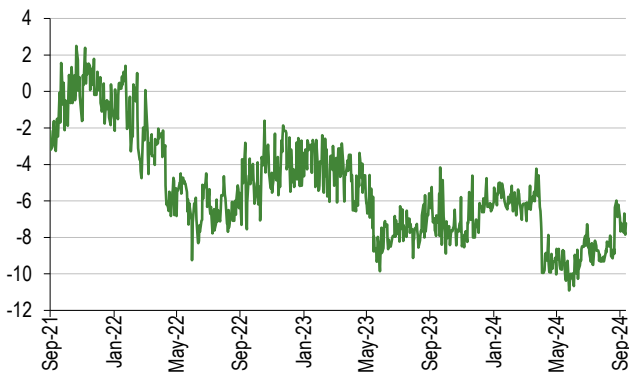
The trust offers shareholders the option to redeem their shares each year (at the board’s discretion). In FY24, c 82.1m shares (c 25.8% of the share base versus c 10.5% in FY23) were offered up (the deadline for the 31 May 2024 redemption point was 1 May 2024). Williams reports that the redemption included a large M&G holding (this firm had a change in investment policy) and some arbitrage activity, so there was no major change in underlying shareholder redemptions in FY24 compared with FY23.

As the redemption was sizable, the board opted to create a redemption pool. DIVI’s assets and liabilities were divided into two pools: 1) the redemption pool consisted of cash, assets and liabilities attributable to the c 82.1m redemption shares; and 2) all the other cash, assets and liabilities attributable to the remaining shareholders. By 9 July 2024, the assets of the redemption pool had

been realised in full, the proceeds of which – minus costs, plus dividends and bank interest – resulted in a 31 May redemption price of 94.86p per share, which was paid out on 24 July 2024.

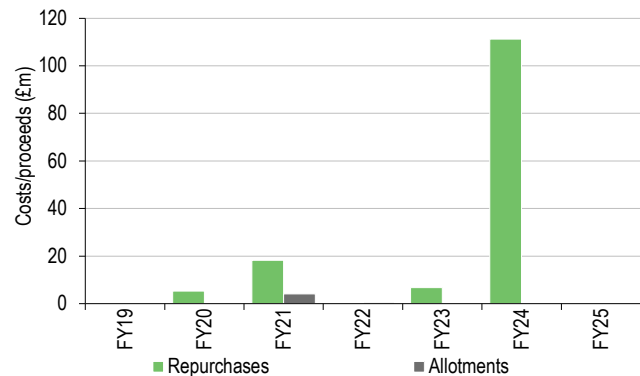
The 2025 redemption point has been moved from 31 May to 29 August to separate the redemption process from the preparation of DIVI’s annual results.

Exhibit 11: Discount over three years (%)



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 12: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Fund profile: Multi-cap income specialist

DIVI was launched on 28 April 2011 and is listed on the Main Market of the London Stock Exchange. Co-managers since launch, Gervais Williams and Martin Turner employ a multi-cap UK income and growth strategy seeking to deliver attractive returns by compounding good and growing dividends even in the absence of stock market appreciation. Williams is a renowned UK equity fund manager, whose passion for and experience of investing, along with his strong performance track record, make him an influential UK opinion leader. He joined Miton in March 2011 and is now head of equities at Premier Miton. Williams has been an equity fund manager since 1985. Turner joined Miton in May 2011, having qualified as a chartered accountant in 1992. The two managers have had a close working relationship since 2004 and bring complementary expertise to the partnership.

Williams and Turner have a bias towards investing in small- and mid-cap equities and the bottom-up stock selection approach means sector weights are a secondary consideration. The portfolio does not track a benchmark index; however, DIVI’s performance is measured against the Deutsche Numis All-Share Total Return Index, which is the closest broad index available. Portfolio risk is mitigated by having a wide range of 100–180 holdings and, at the time of acquisition, a single position may not make up more than 15% of the fund; most new holdings make up less than 1.5% of the portfolio. Derivatives can be used for efficient portfolio management, gearing and investment purposes. Uncovered short positions are not permitted. Unquoted companies are allowed, subject to prior board approval, up to 5% of the portfolio at the time of investment. Gearing via bank facilities and derivative instruments is permitted up to 15% of NAV at the time of borrowing.

Investment process: Pure bottom-up stock selection

Williams and Turner select stocks following thorough fundamental research, seeking companies that can generate sustainable cash flows to support growing dividend payments. Businesses that generate the largest long-term dividend growth are often those that also deliver the best capital growth. The bias towards smaller firms, which are often under-researched, increases the managers’ opportunity to find mispriced securities. They use a traffic light system (red, amber and green) to assess companies based on five key questions:

- Are there prospects for rising turnover?

- Can corporate margins be sustained?
- Is the management team good enough?
- How much financial headroom is there in the balance sheet?
- Does the share price reflect low expectations?

A deterioration in the grading of portfolio companies leads to a reassessment, and the holding could be sold.

DIVI is the only pure multi-cap fund within the AIC UK Equity Income sector. The trust's managers are unconstrained by index considerations and have a very wide universe from which to source attractive opportunities. Many mainstream UK-quoted companies are relatively mature, so have surplus cash available to fund sustainable growing dividends. Some AIM-listed companies become dominant in their specific markets, enabling them to generate surplus cash and superior dividend growth. There are instances when a company's long investment phase comes to an end, paving the way for substantial future cash flow and dividends. The managers also rotate out of companies that have appreciated significantly, resulting in a lower dividend yield. Proceeds are reinvested into companies that are attractively valued and have dividend growth potential.

DIVI's approach to ESG

The board believes that integrating ESG into the investment process helps to achieve DIVI's primary objective of delivering a good and growing level of dividend income. It supports the managers' focus on helping UK-quoted companies address the climate change agenda and encouraging them to deliver demonstrably socially useful outcomes. Williams and Turner use a variety of ESG information sources including companies' reports and meetings with their management teams and boards, along with independent specialist ESG research and data, when available, to understand ESG-related risks and opportunities. There is generally more ESG information available for larger companies and, while smaller businesses may have less robust ESG policies and disclosures, this does not necessarily reflect higher ESG risks. The managers are unable to invest in companies that are involved in banned weapons. When engaging with companies on ESG issues, Williams and Turner encourage discussion on a broad range of topics such as remuneration, safety records, the use of staff surveys, board composition, working conditions in the plants of overseas suppliers and approaches to climate change.

Gearing

DIVI has not employed gearing since the fund was launched. The trust had a revolving loan facility with Royal Bank of Scotland, London branch between 4 October 2019 and 3 October 2023, but it was never drawn down.

Fees and charges

On 20 June 2024, DIVI's board announced a reduction in the investment management fee. Effective from 1 June 2024, Premier Miton receives a fee of 0.8% per year on the trust's average market cap up to £450m and 0.7% per year of average market cap above £450m (previously 0.9% per year of average market cap up to £300m, 0.8% per year of average market cap between £300m and £500m and 0.7% per year of average market cap above £500m).

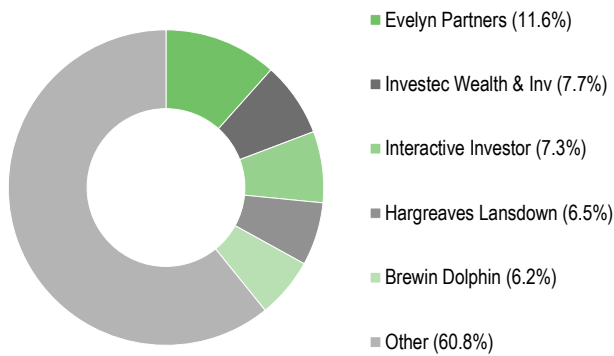
The management fee is split 75%:25% between the trust's capital and revenue accounts respectively. DIVI's ongoing charges are higher than its peer group average. The board considers this is justified in the context of the trust's specialist investment universe and the premium returns

that DIVI has generated since launch. The FY24 ongoing charges were 1.14%, which was 5bp higher than 1.09% in FY23.

Capital structure

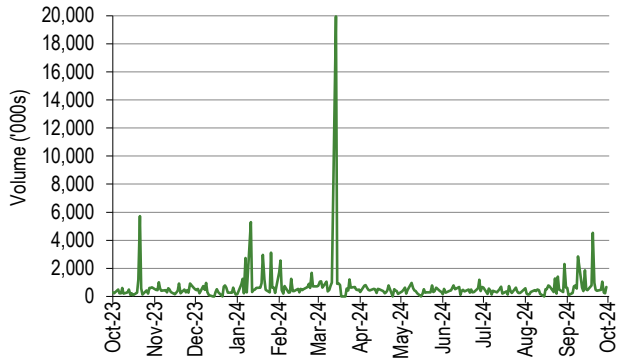
DIVI is a conventional investment trust with one class of share – there are c 236.4m ordinary shares in issue. Over the last year, DIVI's average daily trading volume was c 695k shares.

Exhibit 13: Major shareholders



Source: Bloomberg. Note: At 30 September 2024.

Exhibit 14: Average daily volume



Source: LSEG Data & Analytics. Note: 12 months to 11 Oct 2024.

The board

Exhibit 15: DIVI's board of directors

Board member	Date of appointment	Remuneration in FY24	Shareholdings at end FY24
Andrew Bell (chairman)*	1 January 2019	£44,000	250,000
Calum Thomson	20 December 2016	£35,950	53,591
Caroline Kemsley-Pein	1 January 2019	£31,600	52,458
Michelle McGrade	10 October 2019	£31,600	63,616
Charles Crole	1 February 2022	£31,600	31,936

Source: DIVI. Note: *Chairman since 14 October 2020.

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