Results analysis: Edinburgh Investment Trust

EDIN has delivered strong outperformance over five years...

Update
22 May 2025

- **Edinburgh Investment Trust (EDIN) has reported results for the year ending 31/03/2025, during which the NAV rose 8.3% and the share price 11.3% versus a 10.5% rise in the FTSE All Share, all in total return terms.**

- **This means that in the five years since the change of strategy both NAV and share price returns have been well ahead of those of the FTSE All Share, up 103.9% and 112.7% respectively against just 76.5% for the index.**

- **Over FY 2025, the managers reported a strong year for the portfolio in terms of profits and earnings, with NAV underperformance due to an underweight to HSBC and stock specific issues with three holdings.**

- **While they hold 6.7% in three overseas positions, the managers argue that the UK continues to offer a wide range of strong businesses which are attractively valued in absolute terms and versus peers.**

- **The total dividends declared for the year were 5.9% up on FY 2024, and worth 28.8p in total, equivalent to a yield of 3.6% on the share price at the time of writing. Dividend growth was thus well ahead of the rise in the UK CPI, which was 2.3%.**

- **Discounts remained wide across much of the investment trust sector, with EDIN no exception. The board undertook a significant buyback programme, repurchasing 4.7% of the shares in issue, bringing the total bought back to 17.7% over five years, while the board states it has been considering whether it should go further and look at tenders or continuation votes.**

- **Board chair, Elisabeth Stheeman, said: "The volatility in markets that followed the tariff announcements is another reminder of the short-term challenges that investors face as the global economic order evolves. We feel more strongly than ever that a stock-driven and flexible investment process, focusing on delivering attractive long-term total returns, is the best way of navigating the geopolitical and macroeconomic challenges to the advantage of shareholders."**

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Kepler View

We think **Edinburgh Investment Trust's (EDIN)** diversified portfolio, managed to a style agnostic approach, should support a robust dividend growth profile. This diversification and the importance placed on finding high quality businesses with barriers to entry should make the trust a relatively dependable performer in troubled markets and we think offers a good balance of capital growth and dividend growth potential.

Returns for the year in question were behind the index largely due to stock specific issues with certain companies. In particular, two high conviction holdings held as large overweights underperformed: Greggs and Dunelm. Manager Imran Sattar and deputy manager Emily Barnard met with both companies to discuss their issues. Greggs they see as suffering from higher-than-expected investment in expansion, which they think should buttress the competitive advantages of the business and should be applauded. The managers have communicated their wishes for the company to communicate their intentions better with the market in future. Dunelm they think has suffered as the UK consumer has been weak, but Imran and Emily are impressed by the operational improvements made by the company and their plans for digital. Their conviction in Dunelm has grown, and it remains a substantial overweight.

We think these examples illustrate well some key characteristics of the management style. The strategy is to look out longer than the market, and focus on the medium to long-term prospects for companies. They also show the managers' focus on the quality of a business, its operational strengths and ability to compound advantages into the future. We think these are attractive elements of an active investment strategy and mean EDIN is an attractive candidate for a core holding for both income and growth-focussed investors.

It is striking that UK equities outperformed US equities over the year in question, as investors seem to be diversifying away from the latter country, yet UK equities remain relatively cheap. While the country is not short of economic challenges, we think a lot of negativity is priced in and on a long-term view the market looks attractive. EDIN's own share price discount of c. 8% adds to the cheapness, and the board is clearly determined to make headway on it, which would be accretive to returns. Meanwhile the dividend is well supported by reserves of over 1x the dividends declared for the year, with income growing on the underlying portfolio and buybacks by portfolio companies also rising. The managers estimate that the 'buyback yield' was roughly 1.9% over the financial year on top of a portfolio dividend yield of 3.4%.

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