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**29 July 2020**

## **Perpetual Income and Growth Investment Trust plc**

### **Results of Manager Search**

The Board of Perpetual Income and Growth Investment Trust plc (the “**Company**” or “**PLI**”) has concluded its comprehensive search for a new manager with the credentials and capacity to deliver capital growth and real growth in dividends over the medium to longer term mainly from UK equities.

Having considered a large number of proposals, the Board has agreed the heads of terms for a combination of the assets of the Company with Murray Income Trust PLC (“**MUT**”) by means of a section 110 scheme of reconstruction under the Insolvency Act 1986 (the “**Transaction**”). MUT is managed by the UK Equities team at Aberdeen Standard Investments (“**ASI**”). The Board, which had been focused on finding the best manager for the Company, was very impressed by the investment strategy and approach put forward by ASI, as well as the strength of the team and its top quartile performance over the last 1, 3 and 5 years<sup>[1]</sup>. Moreover, the existing scale of MUT and the initiative demonstrated by the MUT board added to the attractions of the proposal. Although consolidation rarely results from manager beauty parades, the Board was of the view that a combination of the two companies would bring additional benefits to PLI shareholders, by offering exposure to ASI’s UK Equity strategy in a well-managed, and enlarged, investment trust with a highly competitive management fee.

MUT, which has a similar investment objective to PLI, aims to provide a high and growing income combined with capital growth through investment in a portfolio principally of UK equities. MUT is an AIC Dividend Hero, and intends to seek to retain this status, having grown its dividend for 46 consecutive years and currently has a yield of 4.5%<sup>[2]</sup>. The proposed Transaction will result in MUT being one of the largest investment trusts in the UK Equity Income sector, with gross assets in excess of £1 billion<sup>[2]</sup>.

The Transaction will provide the Company’s shareholders with an investment in a significantly larger investment trust with one of the lowest management fees in the sector (0.38% per annum<sup>[3]</sup>), with greater liquidity, and with a stronger investment track record and in recent years a better share price rating than PLI (4.5% 12-month average discount for MUT, compared with 13.1% discount for PLI<sup>[1]</sup>).

The Company’s shareholders will benefit from the extensive resource and experience within the UK Equities team at ASI, with Charles Luke as lead portfolio manager supported by the UK Equities team. ASI manages MUT with a differentiated investment process that has a quality focus coupled with an emphasis on environmental, social and governance factors based on fundamental analysis enabled by an extensive in-house research resource. MUT has a total return approach aiming to deliver an appealing and sustainable dividend yield allied to attractive capital and dividend growth potential. Over the 5 years ending 30 June 2020, the NAV total return of MUT, which has a 5-star Morningstar rating, has been 5.6% p.a., representing outperformance of 2.6% p.a. against the FTSE All-Share index<sup>[1]</sup>. The ASI UK Equity Income Fund is the top performing fund in the IA UK Equity Income sector since Charles Luke started to manage the fund in 2016<sup>[1]</sup>.

The Company has consulted with a number of its major shareholders who have indicated their support for the Transaction.

The Transaction will be effected by way of a scheme of reconstruction of the Company under section 110 of the Insolvency Act 1986 resulting in the voluntary liquidation of the Company. In accordance with customary practice for such transactions involving investment trusts, the City Code on Takeovers and Mergers is not expected to apply to the Transaction. However, the Transaction will be subject to other regulatory and tax approvals. The Transaction will be subject to, inter alia, approval by the shareholders and noteholders of each of the Company and MUT. As part of the Transaction, in order to manage the realisation/realignment of the Company's portfolio ahead of liquidation, it is proposed that Aberdeen Standard Fund Managers Limited ("**ASFML**") will be appointed as the alternative investment fund manager of the Company. ASFML will not charge a management fee to PLI. The formal termination of Invesco Fund Managers Limited and the appointment of ASFML is expected to become effective by no later than the end of September 2020.

New MUT shares that are issued to PLI shareholders will be issued on a formula asset value ("FAV")-to-FAV basis. FAVs will be calculated using the respective net asset values of each company, adjusted for the costs of the Transaction, any dividends and distributions declared by each party which have a record date prior to the effective date of the Transaction, an allowance for the costs of liquidation (for PLI) and the cash exit option (for PLI, as defined below). ASFML has agreed to make a contribution to the costs of the Transaction by means of a reduction in the management fee payable by MUT to ASFML for the first six months following the completion of the Scheme. The value of such reduction will be based on the value of the assets transferred by PLI to MUT as part of the Transaction and the reduction will be for the benefit of the shareholders of the enlarged MUT.

It is expected that PLI shareholders will see a reduction in their overall share price yield given MUT has a lower, but still attractive, current yield than PLI, but it is believed that MUT has a more resilient portfolio income profile than the market. MUT also has strong revenue reserves and an extensive record of dividend growth, which it intends to maintain. Partly in recognition of the reduction in absolute dividends that a PLI shareholder would be expected to receive, the Board of PLI intends to pay a pre-liquidation interim dividend to its shareholders to reflect a distribution of its revenue reserve in full, such amount is anticipated to be approximately 13.6 pence per share<sup>[4]</sup>. PLI shareholders receiving MUT shares will rank fully for all dividends declared by MUT on or after the date of the issue of MUT shares to them.

As part of the Transaction, the Company expects to offer its shareholders the ability to elect to receive cash in respect of some or all of their holdings in the Company at a price equal to 98% of FAV (the "**Cash Option**"). The Cash Option will be limited to 20% of the Company's shares in issue and aggregate elections for the Cash Option in excess of this number will be scaled back on a pro rata basis in favour of the rollover into MUT, which will also be the default option for the Transaction.

The Board of MUT have invited Richard Laing, Alan Giles and Georgina Field to join the Board of MUT from the date of completion of the Transaction. Bob Yerbury and Victoria Cochrane did not wish to be considered for a position on the MUT board and Mike Balfour stood aside as he would not be considered independent given he is on the board of another ASFML-managed investment company.

A circular convening a general meeting to approve the Transaction will be sent to the Company's shareholders in due course, together with a prospectus published by MUT containing details of the MUT shares to be issued in connection with the Transaction. It is expected that the Transaction will conclude in early Q4 2020.

Richard Laing, the Company's chairman said "*After a thorough tender process, when a number of excellent proposals were received, the Board of PLI is delighted to recommend to*

shareholders the combination of Perpetual Income & Growth and Murray Income Trust. We believe this decision will provide shareholders with strong potential for future capital growth and income generation. With very similar investment objectives to deliver growing income and capital growth from mainly UK equities, Murray Income Trust has demonstrated a consistent performance track record in doing both, with its NAV total return outperforming its benchmark FTSE All-Share index on an annualised basis by 8.8%, 3.6%, 2.6% and 1.6% over 1, 3, 5 and 10 years respectively<sup>[1]</sup>. We are confident that the depth and breadth of experience in Charles Luke, the lead portfolio manager of MUT, as well as the wider UK equity team at Aberdeen Standard Investments will continue to deliver for shareholders over the long run.

*“There are few mergers of investment trusts, but we believe that this Transaction will have great appeal to shareholders of PLI. They will transition their interests at net asset value (after deduction of costs and adjusting for dividends), and with Murray Income shares typically trading at a narrower discount to PLI, should bring an immediate uplift. Our shareholders will become part of a trust that has an excellent track record and share price rating, one of the lowest ongoing charges ratio in the sector at an estimated 0.50% per annum<sup>[3]</sup> (a significant reduction from PLI’s present 0.73% per annum<sup>[5]</sup>), and an attractive yield of 4.5%<sup>[2]</sup> with the accolade of being an AIC Dividend Hero. It will also be one of the largest investment trusts in the UK equity income sector, with the liquidity and positioning that a trust with gross assets well over £1 billion brings.”*

## Notes

1 As at 30 June 2020. Sources Morningstar, FTSE or Datastream.

2 As at 28 July 2020, being the latest date prior to the publication of this announcement. Source: Datastream or Bloomberg.

3 ASI is paid a variable management fee by MUT of 0.55% p.a. of the first £350m of net assets, 0.45% p.a. on the assets between £350 – 450m, and 0.25% p.a. on assets in excess of £450m. The weighted average annual management fee would be 0.38% p.a. and the estimated pro forma ongoing charges ratio would be 0.50% p.a., based on the net assets of MUT and PLI, assuming the cash option is fully taken-up, as at 24 July 2020. Source: ASI.

4 Based on revenue reserves at the latest date prior to the publication of this announcement. Source: Invesco.

5 Source: PLI annual report and accounts for the year ended 31 March 2020.

## Important Information

This announcement contains information that is inside information for the purposes of the Market Abuse Regulation (EU) No. 596/2014. The person responsible for arranging for the release of this announcement on behalf of the Company is Paul Griggs of Invesco Asset Management Limited.

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