CT UK High Income Trust PLC

Annual General Meeting
David Moss

July 2023

Information as at 30 June 2023

(unless otherwise indicated)

Investment risk

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.

The value of your investment is dependent on the supply and demand for the shares of the Investment Trust rather than its underlying assets. The value of your investment will not be the same as the value of the Investment Trust's underlying assets.

A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries.

If markets fall, gearing can magnify the negative impact on performance.

Agenda

Trust Characteristics, what do you get?

What is changing?

Changes so far

Top positions

Stock examples

Annual Report Key Data

Dividend

What is CT UK High Income Trust Plc

What do you get when you invest in the Trust?

- High conviction c.35-40 stock concentrated portfolio
- Top 10 holdings represent 50% of the net assets
- Quality, but not at any price
- Transitioned away from a traditional mega-cap heavy portfolio - allocating capital to structural rather than cyclical growth with a mid-cap bias (46% FTSE 100, 29% FTSE250, 15% Europe, 10% Aim/Non-index)
- We are benchmark agnostic and happy to be contrarian, we look to buy the best quality business models (these may well be out-of-favour at initiation)
- The support of a large well established UK investment team that have a focus on income portfolio's

Key characteristics –

- Europe is c 15% of the portfolio and gives us scope to own business models that complement the Trust and add exposure that is hard to find in the UK market
- Technology is an area of strong potential growth and will be an enabler for other winning businesses – ASML, SAP, Delivery Hero, and The Hut Group

Data as at 30/6/2023

What’s Changing?

Not much

- Investment Philosophy remains to invest in Quality business models with Sustainable Economic Moat
- Portfolio is still concentrated but we will add a limited number of names
- We will continue to hold European stocks that provide opportunities that we cannot access in the UK market
- Small-caps will remain an important part of the portfolio enabling us to differentiate ourselves to peers
- We will NOT invest in any stock purely for size, yield or benchmark position

But

- Post three very difficult years of Covid and invasion of Ukraine we believe we must cover our dividend
- Our small-cap focus will be on already profitable, cash generative and income generating stocks
- Size per se is not a barrier to performance so we will add larger companies
- We believe that the backdrop for certain sectors has changed e.g. banks & Oil so will not be dogmatic

Data as at 30/6/2023

What have we done so far?

Sold

- ASOS – small position and after very poor operational execution and capital raise no conviction to add more
- Deutsche Boerse – High quality business but this is well understood and with low dividend yield
- SGS – Good business, struggled to generate organic growth, expensive sub market yield

Reduced

- ASML – High quality World leading Semi-cap company. Performed strongly, very low yield
- Delivery Hero – limited top line growth this year, no cash generation, no dividend
- THG – Prospects appear better, but stock recovered strongly, no dividend
- Experian – Good business, performed strongly, demanding valuation, low yield

Data as at 30/6/2023

What have we done so far?

Buys

- Nat West – sentiment very negative, valuation very low, high dividend yield
- M&G – weak sentiment, poorly understood, 10%+ dividend yield
- Smurfit Kappa – High quality but cyclical business, low valuation, above market growing div yield
- SAP – World leading ERP Software business, high growth, differentiated business, long term high quality compounder, sub-market but >ASML div yield
- Shell – starting position, Strong balance sheet, very strong cash generation even @ $60 oil, attractive mkt yield growing strongly
- The aim has been to look for attractive and growing sources of dividend income while retaining the possibility for strong capital returns

Data as at 30/6/2023

Top 10 relative equity positions

Company	Relative weight %
Berkeley Group Holdings	4.3
Close Brothers Group	4.0
Cairn Homes	4.0
ASML Holding	3.7
Phoenix Group Holdings	3.6
Intermediate Capital Group	3.5
Imperial Brands	3.5
OSB Group	3.4
British American Tobacco	3.3
Compagnie Financiere Richemont	3.3
Total	**36.6**

Source: Columbia Threadneedle Investments as at 30-Jun-23. Benchmark: FTSE ALL-Share Index. For the purpose of illustration only and should not be construed as a recommendation to buy or sell the mentioned security. Note: Portfolio holdings are subject to change. Figures may not exactly total owing to rounding.

How we define sustainable competitive advantage?

Disruptors/first-mover advantage

IP/Knowhow

Brands

Relationships/Switch costs

Data as at 30/6/2023
Source: Columbia Threadneedle Investments. For the purposes of illustration only and should not be construed as a recommendation to buy or sell the mentioned security.

COLUMBIA THREADNEEDLE INVESTMENTS

ASML – there is no peer

The undisputed global market leader in the printing of high-end chips. Monopoly position in the most advanced nodes

- ASML are seeking to address the crippling shortages for technology in the chip market through increased capacity
- Demand far exceeds supply with orders running at 3x billing. They are currently sold out for 2022 and 2023
- This monopoly position allows them to charge $200m per machine, with their next generation tool around $300m (pricing power)
- This is a business that can double revenue and triple profits over the coming decade. This won't be in a straight line but our demand for high-end computing power is growing exponentially
- Net cash balance sheet supports future returns
- Post a period of weakness on concerns of a recession it trades on 21x 23E – analyst target price has 61% upside

ASML

Source: Columbia Threadneedle Investments as at 30-Jun-23.

Compass – the new outsourcing trend

The business model has been a post crisis winner – cost alignment, digital strategy and outsourcing strength

- Group revenue at 99% of 2019 levels – 3 of their 5 divisions tracking above 100%
- Client retention at 95.8%, record new contract wins of £2.5bn
- Inflation is a tailwind to outsourcing – compass can drive procurement and operational benefits
- Margin exit-rate for 2022 of 7%, this is not the peak, they have the opportunity to move the margin higher in the future
- Having raised capital at the start of the pandemic, they are already paying it back. Interim dividend 70% of pre-pandemic levels, £500m share buyback
- Very strong balance sheet 1.3x ND/EBITDA

COMPASS
GROUP

Source: Columbia Threadneedle Investments as at 30-Jun-23.

Annual Report Key Financial Data

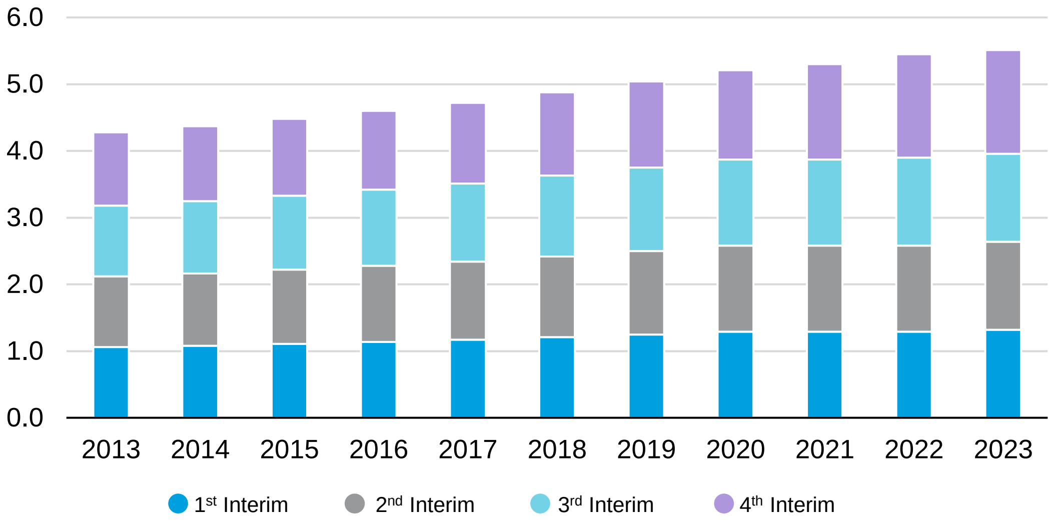
Total Return (1)	Year to 31 March 2023	Year to 31 March 2022
Net asset value per Ordinary share, B share and unit	-0.4%	+1.9%
Ordinary share price	+0.6%	+0.6%
B share price	+2.3%	+1.6%
Unit price (2)	+1.9%	-2.6%
FTSE All-share Index	+2.9%	+13.0%

Revenues and Distributions	Year to 31 March 2023	Year to 31 March 2022	% change
Distribution per Ordinary share and B share	5.51p	5.45p	+1.1%
Distribution per unit	22.04p	21.80p	+1.1%
Yield (1) Ordinary share	6.7%	6.3%	
Revenue reserve – per Ordinary share (2)	2.83p	3.41p	-17.0%

Sources: CT UK High Income Trust PLC Annual Report and Financial Statements 31 March 2023
* Total return – the theoretical return calculated on a per share basis taking into account dividends paid in the period and the increase or decrease in the share price or NAV in the period.
(1) A unit consists of three Ordinary shares and one B share
(2) Calculated after deducting the fourth interim dividend (which wad paid after the year end) from the revenue reserve at 31 March.

Dividend progression

Dividend / Capital repayments – by financial year



FY	Annual rate (p)	Y-O-Y Increase %
2014	4.37	2.1%
2015	4.48	2.5%
2016	4.60	2.7%
2017	4.72	2.6%
2018	4.88	3.4%
2019	5.04	3.3%
2020	5.21	3.4%
2021	5.30	1.7%
2022	5.45	2.8%
2023	5.51	1.1%

Statement from the Board – within the first interim dividend/capital repayment announcement dated 22 June 2023

In the absence of unforeseen circumstances, the Company currently intends that the aggregate distribution for the financial year to 31 March 2024 will be at least 5.51 pence per share

Source: Columbia Threadneedle Investments as at Jun-23. YOY = year on year.

Glossary

- **Bond**: A form of loan paying a generally agreed rate of interest over a fixed term, with the principal paid at maturity. Bonds may be issued by governments or companies. Bonds can generally be traded on the stock market and therefore may trade above or below their issue price
- **Dividend**: Income paid to shareholders by the company they invest in
- **Equities**: Shares in a company listed on a stock exchange. Shareholders are effectively the owners of the company and typically have the right to vote on company matters
- **Liquidity**: The ability to quickly convert an investment portfolio to cash with little or no loss in value
- **Revenue reserve**: The portion of a business' profits retained by the company for investment in future growth, and are not redistributed to the shareholders through regular or special dividends
- **Yield**: The annual dividend or income on an investment expressed as a percentage of the purchase price

Source: Columbia Threadneedle Investments as at 30-Jun-23.

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