Edinburgh Investment Trust (EDIN)

EDIN has outperformed under Liontrust's management.

Update
10 December 2025

Overview

Edinburgh Investment Trust (EDIN) is a UK-focussed investment trust managed by Imran Sattar, who applies a style-agnostic, total-return philosophy targeting high-quality, cash-generative companies. Central to his approach is investing in businesses with durable competitive advantages, structural growth potential and robust margins, which can preserve market positions and help withstand periods of volatility.

Since Liontrust's Global Fundamental team took over EDIN in March 2020, this approach has supported strong **Performance**, with a 15.7% annualised NAV total return, ahead of the FTSE All-Share Index's 14.1%. However, over the 12 months to 05/12/2025, whilst the trust delivered a positive NAV total return of 5.7%, it lagged the FTSE All-Share Index's 18.3%. Relative underperformance was driven by the overweight to mid-cap stocks, which tailed larger peers over the year, as well as underweights in certain banks and no exposure to Rolls-Royce. Conversely, a few bright spots of performance stemmed from Tesco, Whitbread and Dunelm.

Over the year, Imran selectively added new positions where share price weakness created opportunities to acquire high-quality businesses at attractive valuations. Notable additions to the **Portfolio** include mid-cap franchises Marshalls and Trainline, alongside reinforcements in existing holdings Haleon and London Stock Exchange Group. Imran believes there is an abundance of attractively priced UK opportunities currently, reflected in the portfolio's 5.5% exposure to overseas businesses, one of the lowest levels in Imran's career.

The trust's **Dividend** remains on a rising trajectory, supported by growing portfolio earnings and cash generation. Earnings per share increased 6.7% over the six months to September 2025, with full-year dividends expected to reach 32.0p, up 11% on the prior year, ahead on inflation and implying a forward yield of around 4%. Beginning from the next financial year, dividends will be paid quarterly providing more evenly spaced distributions and greater visibility.

EDIN's **Discount** has narrowed over the year, with a share price total return of 10.1% outpacing the NAV, tightening to 6.7% versus a five-year average of 8.3%, supported by buybacks of 5.1% of the shares in issue so far this financial year.

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Analyst's View

We see the UK equity market as potentially mispriced, with valuations near historic lows reflecting subdued sentiment, political tensions and lingering growth concerns. But beneath this, lies an encouraging landscape, where corporate fundamentals remain resilient, with many UK-listed companies exhibiting strong balance sheets, robust cash generation and disciplined capital allocation. Around 70% of FTSE All-Share Index earnings are derived from overseas, partially insulating returns from domestic pressures, and inbound M&A activity, largely led by international buyers, further highlights recognition of value, whilst stabilising inflation and the potential for further interest-rate cuts support a constructive environment for fundamentals-driven investing.

Against this backdrop, EDIN could be well placed to capture the opportunities. Its long-established, style-agnostic, total-return philosophy focusses on high-quality, cash-generative companies with durable competitive advantages and pricing power. This provides structural resilience, supporting both capital growth and a steadily rising dividend. Whilst the trust's yield is modest relative to most peers, its diversified sources of income, spanning both large- and mid-cap holdings, reduce reliance on any single sector or index heavyweight. Combined with Imran's focus on quality, this diversification underpins not only the sustainability of distributions but is an important contributor to total returns over time.

Short-term volatility can arise, particularly from the trust's above-market mid-cap exposure, which may lag when sentiment favours larger peers or economic pressures rise. However, EDIN's long-term, quality-led approach has historically navigated such periods whilst remaining positioned to benefit from market recoveries. Overall, we view EDIN as offering a balanced entry into the UK market: access to resilient, high-quality companies with sustainable dividend growth, alongside potential for capital appreciation.

BULL
Relative performance under Liontrust has been strong
No dogmatic style bias could mean the trust won't be as impacted in periods of sharp style rotations
Low OCF offers investors low-cost access to UK equities

BEAR
The UK market offers little exposure to certain high-growth sectors, like technology
Exposure to mid-caps increases sensitivity to the UK economy
EDIN's dividend is lower than the sector average

Portfolio

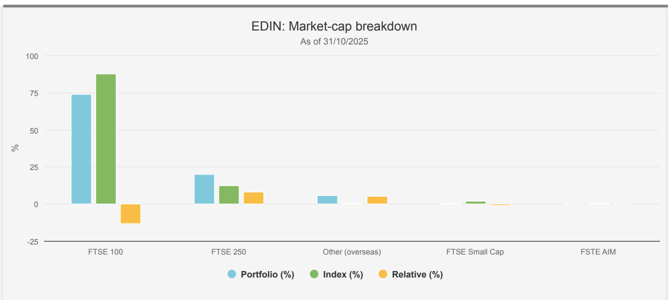
Edinburgh Investment Trust (EDIN) enters the current UK market environment with a portfolio intentionally built to take advantage of what is a potentially mispriced opportunity. Rather than relying on broad macro shifts, the strategy is rooted in company-level fundamentals: strong balance sheets, improving cash generation and disciplined capital allocation, characteristics that continue to feature across much of the UK market despite the muted sentiment surrounding it. As signs of a gradually improving domestic backdrop begin to emerge, this provides a supportive setting for EDIN's total return, quality-focussed approach.

Lead manager Imran Sattar applies a long-standing, style-agnostic, total-return philosophy centred on identifying companies with resilient business models and durable competitive advantages. His emphasis on pricing power, structural growth potential and robust margins results in a portfolio of businesses capable of compounding value across cycles, irrespective of shifts in market leadership. This consistency is a defining feature of the trust and anchors the investment process more firmly in fundamentals than in macro calls and could prove well suited to today's environment, where the operational strength of many companies has been overshadowed by macro uncertainty.

A notable area of focus continues to be mid-caps, where the manager sees a disconnect between improving fundamentals and share prices that have struggled to recover. This segment has lagged larger companies in recent years, despite improving fundamentals. Many of these businesses remain sensitive to shifts in economic sentiment, and events such as the lead-up to the Budget have caused bouts of volatility but for active investors with deep knowledge of this part of the market, value is emerging. Reflecting this, Imran has added selectively to several high-quality franchises where the market is, in his view, overly discounting temporary headwinds.

Two new holdings highlight this well. Marshalls, the building products manufacturer, has been reintroduced following share price weakness that Imran and his team believe overstates near-term construction pressures. Its strong market share, disciplined management and asset-light model fit squarely within Imran's quality-focussed framework. Trainline, Europe's leading independent rail ticketing platform, was also added, drawn to its scalable, capital-light business model which has gone underappreciated given some regulatory risks. Imran argues that both companies offer attractive competitive positions, robust financials and long runways for growth that are not reflected in current valuations. As the below chart illustrates, EDIN has an above-market exposure to mid-caps, but importantly, Imran does not target a specific mid-cap weighting; instead, the relative overweight reflects where bottom-up stock selection is uncovering value today.

Fig.1: Market-Cap Breakdown



Source: Liontrust

Opportunities have also emerged among larger companies. Imran's focus here is unchanged: high-quality, resilient franchises capable of sustaining margins and compounding value through a range of economic conditions. Recent market weakness has offered attractive entry points into several global businesses that meet these criteria.

The existing position in Haleon was increased during the year, with share price softness providing an opportunity to build exposure to a company with strong brands, pricing power and a long runway of predictable growth driven by consumer health trends. The position in London Stock Exchange Group (LSEG) was also increased. LSEG's proprietary data, entrenched client relationships and increasing relevance in AI-enabled analytics reinforce its wide competitive moat. In both cases, Imran sees recent volatility as inconsistent with the companies' medium-term earnings power. These moves were also largely funded by trimming Tesco and BAE Systems to lock in gains after strong periods of performance.

We think the portfolio's positioning today also conveys a clear message: conviction in home soil opportunities. Like many investment trusts, EDIN can invest a portion of the portfolio overseas, and Imran has used this flexibility in the past to access opportunities not readily available in the UK. However, given the current environment, where Imran believes quality, upside potential and valuations are increasingly aligned, the portfolio's non-UK exposure has been reduced to 5.5%. The trust retains its holding in US-listed Verisk, but this has been marginally reduced, primarily reflecting the depth of attractively priced ideas available at home.

Taken together, the mid-cap additions, large-cap reinforcements and reduced non-UK exposure are best seen not as short-term shifts, but as a coherent expression of a long-standing process in a market Imran believes is mispriced. Low valuations, stabilising inflation, falling rate expectations and resilient corporate fundamentals create an environment where disciplined stock selection can add meaningful value, especially when sentiment, rather than earnings trends, has driven much of the recent dispersion in share prices.

Although several adjustments have been made over the year, the investment discipline itself is unchanged, something we think is reflected in the portfolio's current characteristics. As at September 2025, the trust trades at a modest valuation premium to the benchmark on metrics such as P/E, but one supported by stronger quality and growth traits, including higher ROE and superior earnings and dividend growth forecasts. In our view, this demonstrates that Imran and his team continue to uncover high-quality businesses without compromising fundamentals for short-term performance or yield.

Portfolio Characteristics

	EDIN	FTSE All-Share Index
12-Month Forward P/E (×)	17	13
ROE (%)	30	13
Operating margin (%)	21	11
Net debt/EBITDA (%) *	1.6	1.5
Estimated EPS Growth (%)	9	7
Estimated DPS Growth (%)	8	6

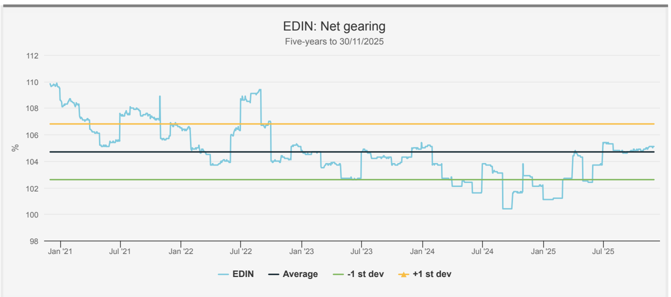
Source: Liontrust, as of 30/09/2025 * 1× ex holdings in Segro and Grainger.

Past performance is not a reliable indicator of future results.

Gearing

The board views gearing as a useful tool to enhance long-term returns, whilst recognising it increases sensitivity to falling markets. To manage risk, a formal policy caps gearing at 25% of NAV, though in practice gearing has been well within this range over time. EDIN currently employs gearing via long-term debt totalling £120m at par, represented by unsecured senior loan notes with an average maturity of 22 years and a fixed blended cost of 2.4% per annum, highly attractive in today's higher-rate environment, in our view. According to the latest factsheet (October 2025), the trust's net gearing stands at 4.1%, reflecting a modest 1.0% net cash position and the impact of rising bond yields, which have reduced the fair value of the debt.

Fig.2: Gearing

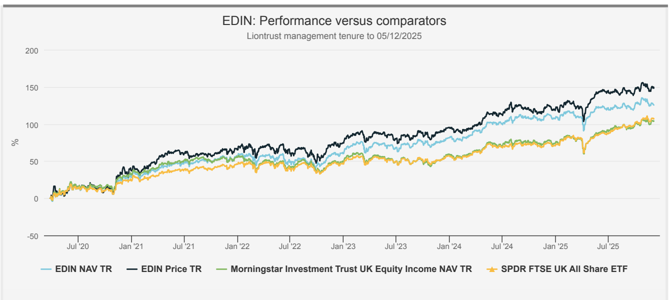


Source: Morningstar

Performance

Since Liontrust's Global Fundamental team took over management of EDIN in March 2020, the trust has delivered strong results despite periodic volatility. Over this timeframe, EDIN has delivered a 15.7% annualised NAV total return, outperforming the FTSE All-Share Index's 14.1% annualised return. Whilst the period spans two lead managers, first James de Uphaugh, followed by Imran Sattar officially taking the helm in February 2024, there has been clear continuity in approach. Imran, who worked alongside the previous managers for many years, has maintained a balanced, total-return-focussed philosophy, an approach that has been crucial in generating outperformance across different market backdrops, underscoring the strategy's longer-term resilience under Liontrust's tenure.

Fig.3: Management Tenure

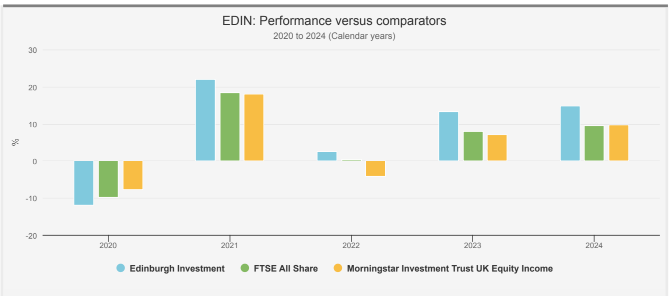


Source: Morningstar

Past performance is not a reliable indicator of future results.

Whilst the portfolio often leans toward high-quality businesses with strong balance sheets, cash generation, and disciplined capital allocation, it does not target a particular style bias, neither 'growth' nor 'value'. Instead, it reflects where Imran and his team see the best

Fig.4: Calendar-Year Performance



Source: Morningstar

Past performance is not a reliable indicator of future results.

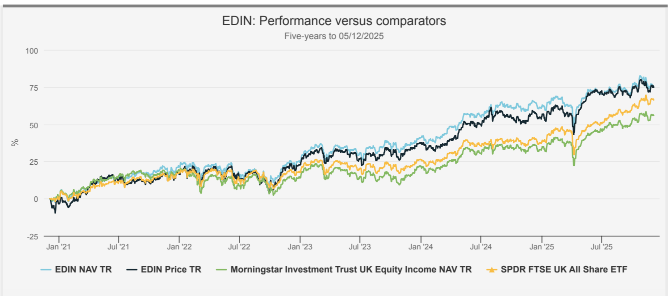
opportunities to compound value over time. This flexibility has historically helped the trust perform well in years where style has whipsawed and fundamentals have driven returns, as seen in the post-pandemic years (2021–2024).

Over the past 12 months, performance has been more challenging. EDIN's NAV total return of 5.7% to 05/12/2025, whilst positive in absolute terms, lagged the FTSE All-Share Index's 18.3%. Several factors contributed: quality-growth investing has experienced its weakest relative performance in over a decade; and mid-cap companies lagged larger peers amid an uncertain economic backdrop, meaning EDIN's overweight to this segment weighed on relative returns. Further, stock-specifics also played a part as the trust held HSBC at a lower weight than the index during a period of strong bank performance and did not own Rolls-Royce, which continued its strong share price recovery on the back of operational improvements and a supportive end market.

Despite these challenges, there were clear areas of strength. Tesco continued to gain market share, Whitbread progressed through its improvement programme and Dunelm delivered robust earnings. Imran's approach remains flexible: where fundamentals align with their criteria, they are willing to increase exposure to cyclical opportunities. Recent additions to UK housebuilders, such as Marshalls and Ibstock, companies operating well below peak volumes, illustrate this adaptability.

Short-term underperformance is a risk for quality-focussed, fundamentally driven strategies, but EDIN's long-term record remains compelling. The trust has outperformed its benchmark by around seven percentage points over five years, reflecting the durability of its balanced, bottom-up approach. A period that reflects two managerial tenures but a single consistent process, EDIN continues to invest in well-run, cash-generative companies with strong competitive advantages and attractive valuations, regardless of style. This discipline, combined with Imran's willingness to exploit opportunities across sectors and market caps, underpins the trust's potential for competitive long-term returns.

Fig.5: Five-Year Performance



Source: Morningstar

Past performance is not a reliable indicator of future results.

Dividend

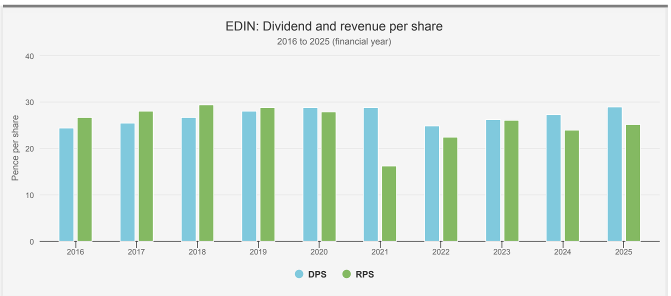
At the time of writing, EDIN offers a 3.6% dividend yield, modest relative to peers and current cash rates. However, the trust is not designed as a pure income vehicle. The manager targets total returns, with an emphasis on sustainable and steadily rising dividend emerging naturally from investing in high-quality businesses, rather than pursuing artificially high payouts. Recent results support this approach: earnings per share rose 6.7% to 14.0p over the six months to September 2025, and the board expects full-year dividends to reach 32.0p, an 11% increase, well ahead of inflation, and implying a forward yield of around 4%.

The board has proposed replacing the final dividend with a fourth interim payment, giving shareholders evenly spaced distributions, beginning from the next financial year (31/03/2026) and greater visibility over income. EDIN's ability to fund dividends from both income and capital also remains attractive. As more UK companies return cash via share buybacks rather than traditional dividends, returns that do not count as accounting income, this flexibility allows the trust to reflect the full value of shareholder distributions in its own payout, maintaining a more predictable and growing dividend without the requirement of chasing the highest, often unsustainable yields.

The trust's income stream is further strengthened by diversification. Whilst the portfolio is deliberately concentrated around the manager's highest-conviction ideas, income sources are broader than headline concentration suggests. The top 20 holdings account for 79% of EDIN's income versus 63% for the FTSE All-Share Index, largely reflecting the portfolio concentration but also the index's very long tail of marginal dividend payers, yet only 43% comes from the index's largest payers. EDIN draws meaningful income from mid-caps such as Dunelm and Grainger, reducing reliance on traditional heavyweight dividend payers and broadening both income and economic exposure.

Overall, although the current yield sits below that available from cash accounts and peer group averages, rising

Fig.6: DPS & RPS



Source: Liontrust

earnings, real dividend growth, diversified income streams and the ability to use a combination of capital and income help underpin the sustainability of EDIN's distributions. The proposed increase in the full-year dividend reflects the board's confidence and income remains a key element of the manager's total-return focus, enhancing the trust's long-term appeal.

Management

Lead portfolio manager Imran Sattar brings nearly three decades of industry experience to EDIN. He joined Liontrust in April 2022 following its acquisition of Majedie Asset Management and now heads the Liontrust Global Fundamental team. Whilst Imran officially became EDIN's lead manager in February 2024, following the retirement of his predecessor, he had been working closely with the team for several years and had been making investment decisions since October 2023. Before joining Majedie in 2018, he was a managing director and fund manager at BlackRock, where he managed UK equity portfolios with combined assets exceeding £2bn.

He is supported by Emily Barnard, deputy manager of the trust and a fund manager within the Global Fundamental team, who brings close to a decade of investment experience. Like Imran, she joined Liontrust via the Majedie acquisition, having previously spent six years there as an equity analyst covering a wide range of sectors. The team also include investment analysts Tom Gilbey and Gabriel Lever Grecu.

Discount

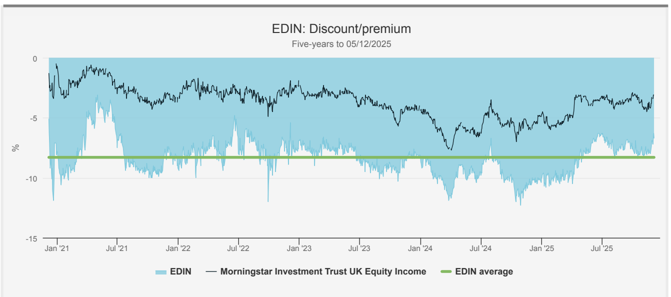
EDIN's discount has narrowed over the past year, with a share price total return of 10.1% outpacing NAV, tightening the discount to 6.7%, as of 05/12/2025, below its five-year average of 8.3%. The board has actively supported this through buybacks, repurchasing 2.6% of shares in issue over the six months to September 2025, followed by a further 2.5% to 01/12/2025.

That said, there are factors weighing on the discount. Whilst interest rates have started to decline from their peak, a 4% base rate still presents competition for equity income strategies, meaning EDIN's lower dividend yield may deter income-focussed investors. Performance over the past 12 months has also been challenging, with the trust lagging the index due to a lack of exposure to Rolls-Royce, underweights to certain banks and an overweight to Haleon.

However, we think these headwinds sit within a broadly supportive backdrop. Inflation is easing and UK debt levels remain among the lowest in the G7. Corporate balance sheets are healthy, cash generation is improving and around 70% of FTSE All-Share Index earnings come from overseas, providing some insulation from domestic uncertainty. Inbound M&A also continues to highlight the value within the UK market. We see this environment aligning well with Imran's focus on companies with pricing power, strong balance sheets and durable competitive advantages. Meanwhile, the Bank of England retains scope to cut rates, which may increase the relative appeal of lower-yielding trusts, like EDIN, but particularly because of its consistent dividend growth underpinned by strengthening earnings and cash generation.

Overall, if sentiment towards UK equities improves or the trust's relative performance strengthens, we see scope for further discount tightening, offering an additional kicker to shareholder returns as it does. While there are not guarantees that it will not persist, EDIN's current discount may represent an opportunity for investors seeking exposure to quality UK companies that could re-rate quickly if sentiment toward them improves, alongside the potential for long-term capital and dividend growth.

Fig.7: Discount



Source: Morningstar

Charges

EDIN's latest ongoing charges figure (OCF) stands at 0.51%, below the AIC UK Equity Income sector's weighted average of 0.55% and ranks joint third lowest trust in the peer group. We note that these charges are incorporated in the reported NAV and are not deducted from the share price. The OCF includes a tiered management fee of 0.45% per annum on the first £500m of market capitalisation, 0.40% on the next £500m and 0.35% on the remainder. Based on EDIN's approximate net assets of £1.2bn at the time of writing, this equates to a blended management fee of around 0.41%, allocated 30% to revenue and 70% to capital. Notably, the fee is based on market capitalisation rather than net asset value, which we believe helps align the manager's incentives with shareholders by encouraging discount narrowing. There is no performance fee.

ESG

Liontrust Asset Management is committed to sustainable integration across the business to achieve better outcomes for both investors and society. This includes strengthening company engagement, enhancing reporting and applying dedicated ESG resources, something lead manager Imran Sattar upholds throughout his investment approach.

Imran and his team argue that well-managed companies with strong governance practices are more likely to deliver longer-term success, so ensure that their approach focusses on assessing the key risks and opportunities each current or potential holding faces over a three- to five-year horizon, including material ESG factors areas. Imran emphasises responsible ownership, particularly through active engagement as a critical tool for influencing company behaviour, which not only deepens the team's understanding of the companies within the investable universe but also strengthens conviction in each investment, supporting the ability to foster positive change.

Whilst EDIN does not carry a sustainable investment label under the FCA's new regime, it earns four out of five globes from Morningstar for sustainability when looking across open- and closed-ended funds in the UK equity income sector as of October 2025.

Disclaimer