

Shires Income plc



Investment objective

To provide a high level of income together with growth of both income and capital from a portfolio substantially invested in UK Equities.

Benchmark

FTSE All-Share Index total return.

Cumulative performance (%)

	as at 31/07/10	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	175.0p	1.3	(2.5)	2.6	29.9	(20.4)	(2.0)
NAV ^A	171.7p	7.2	(4.6)	3.6	29.6	(25.8)	(3.6)
FTSE All-Share		6.9	(4.4)	4.0	19.3	(7.4)	22.7

Discrete performance (%)

Year ending:	31/07/10	31/07/09	31/07/08	31/07/07	31/07/06
Share Price	29.9	(19.5)	(23.9)	2.9	19.6
NAV ^A	29.6	(16.2)	(31.7)	11.7	16.3
FTSE All-Share	19.3	(10.5)	(13.3)	12.9	17.3

Total return, NAV to NAV net income reinvested. GBP. Share price total return is on a mid-to-mid basis. NAV returns based on NAVs with debt valued at par.

Dividend calculations are to reinvest as at the ex-dividend date.

Source: Aberdeen Asset Managers Limited, Factset and Morningstar.

^A Excluding current year revenue.

Past performance is not a guide to future performance. The value of shares may go down as well as up and an investor may not get back the amount invested.

Fund managers' report

Shires Income

July was a good month for equities. Appetite for risk began to increase and this was reflected in a total return of 6.9% from the FTSE All-Share Index. Pre-close statements from companies were generally positive. Macroeconomic news flow was better in both the UK and EU. With the former reporting second quarter GDP growth of 1.1%, the strongest reading since the start of 2007. In the EU the results of the banking stress tests were surprisingly positive with just seven of the 91 banks failing and only requiring an aggregate €3.5 billion. The data coming out of the US was less positive, and although second quarter GDP was positive it represented a slowdown in comparison to Q1. This reignited fears of a double dip recession across the Atlantic and led to Ben Bernanke describing the economic outlook as being "unusually uncertain."

There was limited portfolio activity during the month.

We are entering the autumn reporting season. Many companies are reporting good results, though caution is needed not to extrapolate this level of growth into next year. There is still a lack of clarity, especially in the UK regarding the cuts that will be announced at the spending review in October. Investor sentiment is fragile. The focus has shifted from immediate concerns about a European sovereign debt crisis to worries that the US will succumb to a double dip recession. Data emanating from the US relating to the housing market and unemployment suggest that they are some way from a sustained recovery. Analysts' expectations for earnings growth are beginning to be reined back especially amongst larger companies.

The outlook is uncertain but we continue to identify companies with solid balance sheets, cost bases that are capable of coping with a slowing in the pace of recovery and that are trading on attractive valuations.

The risks outlined overleaf relating to gearing and single country market exposure are particularly relevant to this trust but should be read in conjunction with all warnings and comments given.

Ten largest equity holdings

	%
Shires Smaller Companies	6.3
British American Tobacco	4.4
Centrica	3.4
Vodafone	3.3
Royal Dutch Shell 'B'	3.2
HSBC	3.0
AstraZeneca	2.8
GlaxoSmithKline	2.5
BP	2.5
National Grid	2.3
Total	33.7
Total number of investments	50

Fixed Income holdings

	%
Ecclesiastical Insurance 8 5/8%	6.6
Royal & Sun Alliance 7.375%	6.2
General Accident 7.875%	5.1
Standard Chartered 8.25%	4.6
Santander 10.375%	4.4
Barclays 14%	2.4
Rea Holdings 9%	1.5
Balfour Beatty 10.75%	0.9
Premier Farnell 89.2p	0.9
Total	32.6

Sector allocation

	%
Financials	49.8
Consumer Goods	9.6
Consumer Services	8.6
Industrials	7.2
Oil & Gas	6.9
Utilities	5.8
Health Care	5.7
Telecommunications	3.4
Basic Materials	2.7
Technology	0.3
Total	100.0

Figures may not add up to 100 due to rounding.

Further information

Private investors **0500 00 00 40**
 Institutional investors **Kenneth Harper**
+44 (0)131 528 4000
 Website **www.shiresincome.co.uk**

Receive the factsheet of your choice by email as soon as they are available by registering at www.investments.co.uk/ITemail

All sources (unless indicated): Aberdeen Asset Managers Limited 31 July 2010.

Shires Income plc

Key information

Calendar		
Year end	31 March	
Accounts published	June	
Dividend paid	January, April, July, October	
AGM	July	
Established	1929	
Fund managers		
	Susan Anderson Ed Beal	
Total expense ratio		
	1.1%	
Annual management fee		
	0.45% for funds up to £100m and 0.4% for funds over £100m	
Premium/(Discount)		
	1.9%	
Yield (Historic)		
	6.9%	
Gearing		
Equities ^B	(10.5)%	
Total ^C	31.0%	
Assets		
	£'000	%
Equities	46,428	89.5
Fixed Income	21,500	41.5
Total investments	67,928	131.0
Other assets	1,941	3.7
Debt	(18,000)	(34.7)
Net assets	51,869	100.0
^B Expressed as a percentage of total equities held divided by Shareholders' funds.		
^C Expressed as a percentage of total investments divided by Shareholders' funds.		
Capital structure		
Ordinary shares	29,697,580	
Allocation of expenses and interest		
Capital	50%	
Revenue	50%	
Trading details		
Bloomberg/Epic/Reuters code	SHRS	
Stockbroker	J.P. Morgan Securities Ltd	
Market makers	CANA, CAZR, CSCS, WINS	

Important information

Risk factors you should consider prior to investing:

- In common with most investment companies, investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV.
- In order to maintain the high level of dividend paid by the Trust some of the assets selected for the underlying portfolio may be liable to diminish in capital value over time.
- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to the future.
- Exposure to a single country market increases potential volatility.
- There is no guarantee that the market price of shares in the Trust will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of investment trust shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread.
- High income investments, in order to meet their income objectives, may charge expenses to capital which in turn may erode the capital value of the investment to less than the amount invested.
- In certain circumstances, the Manager may enter into derivatives transactions in order to manage risk in the portfolio and generate income.
- The market in these instruments can be highly volatile and there is a high risk of loss.
- Derivatives may only be used subject to the restrictions set out for the Trust.

Other Important Information:

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