

SHIRES INCOME PLC

Investment Policy

Shires Income plc's ("the Company") investment policy is to invest principally in the ordinary shares of UK quoted companies, and in preference shares, convertibles and other fixed income securities with above average yields. The Company generates income primarily from ordinary shares, preference shares, convertibles and other fixed income securities. It also generates income by writing call and put options on shares owned, or shares the Company would like to own. By doing so, the Company generates premium income.

Gearing

The Directors are responsible for determining the gearing strategy of the Company. Gearing is used with the intention of enhancing long-term returns. It is subject to a maximum equity gearing level of 35 per cent. of net assets at the time of drawdown. Any borrowing except in relation to short-term liquidity requirements is used for investment purposes.

In accordance with the Listing Rules, the Company will not make any material change to its published investment policy without the prior approval of the FCA and the approval of its Shareholders by ordinary resolution. Such an alteration would be announced by the Company through a RIS. Any proposed changes to the Company's investment policy are also required to be notified to HMRC in advance of the filing date for the accounting period in which the investment policy is revised (together with details of why the change does not impact the Company's status as an investment trust).

Diversification of risk and investment restrictions

In order to ensure adequate diversification, limits are set within the investment policy which abrdn Fund Managers Limited and abrdn Investments Limited ("Investment Manager") must operate. All of these limits are measured at the point of acquisition of investments, unless otherwise stated, as follows:

General investment limits

- a maximum of 10 per cent. of total assets may be invested in the equity securities of overseas companies.
- a maximum of 7.5 per cent. of total assets may be invested in the securities of one company.
- any investment must not represent more than 5 per cent. of a quoted investee company's ordinary shares ; and
- a maximum of 10 per cent. of total assets invested directly in AIM holdings.

Limits in relation to preference shares

- a maximum of 7.5 per cent. of total assets may be invested in the preference shares of any one company.
- the Company may not hold more than 10 per cent. of any investee company's preference shares.

Limits in relation to traded options contracts

There are principal guidelines put in place to manage the risks associated with these contracts, including:

- Call options written are to be covered by stock;
- Put options written are to be covered by net current assets/borrowing facilities;
- Call options are not to be written on more than 10 per cent. of the equity portfolio; and
- Put options are not to be written on more than 10 per cent. of the equity portfolio.

The Board assesses on a regular basis with the Investment Manager the applicability of these investment limits, the use of gearing and risk diversification, whilst aiming to meet the overall investment objectives of the Company.

Preference shares

The Company invests in preference shares, primarily to enhance the income generation of the Company. The majority of these investments are in large financial institutions. Issue sizes are normally relatively small and the underlying securities are relatively illiquid by comparison with the equity component of the portfolio.

Traded options contracts

The Company enters into traded option contracts primarily to enhance the income of the Company. Call options are covered by stock and put options are written to be covered by net current assets/borrowing facilities as set out above.