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26 October 2023

For Immediate Release

abrdn Diversified Income and Growth plc

**Conclusion of Strategic Review,
Capital Return via an Enhanced Distribution Programme
and announcement of Special Dividend**

Summary

The Board of abrdn Diversified Income and Growth plc ("**ADIG**" or the "**Company**") announces the outcome of the strategic review process that commenced on 20 June 2023.

Strategic review

The strategic review sought to address the material discount to net asset value ("**NAV**") at which the Company's shares have traded and consider how best to deliver value to shareholders. Following careful consideration of the options available to the Company, including asset sales and discussions with third parties, the Board has determined that it is in the best interests of its shareholders to continue the Company's existing investment strategy and to return optimal value by means of enhanced distributions, comprising realised gains and surplus available cash, through a combination of special dividends and a tender offer (the "**Enhanced Distribution Programme**"). The Enhanced Distribution Programme is expected to return between £30 million and £35 million to shareholders by the end of 2024 and further enhanced returns of value, including special dividends, are envisaged during 2025 and 2026 as a substantial part of the Company's private markets portfolio matures.

Having considered a number of potential options under the strategic review, the Company continues to be committed to offering shareholders an attractive and differentiated investment proposition characterised by a genuinely diversified portfolio which provides access to a wide selection of asset classes, an attractive level of dependable income and defensive characteristics relative to the volatility of equity markets.

Special interim dividend

Pursuant to the Enhanced Distribution Programme, the Board is pleased to declare a special interim dividend of 1.65 pence per ordinary share, amounting to c.£5 million in aggregate, following gains realised from the private markets portfolio over recent months. The special dividend will be paid on 1 December 2023 to shareholders on the register on 3 November 2023.

Tender Offer

A tender offer of between £25 million and £30 million, at an expected discount of approximately 15 per cent. to the Company's prevailing NAV, will also be offered to all shareholders during 2024 subject to the passing of the continuation vote at the Company's annual general meeting in February 2024 (the "**Tender Offer**"). Full details of the Tender Offer, which also requires shareholder approval, will be set out in a circular to be published in 2024. The exact timing of the Tender Offer will take account of the Board's assessment of portfolio considerations and wider market conditions.

Ongoing assessment of strategic options

Approximately 33 per cent. of the Company's current NAV, comprising existing private market investments, is expected to mature by the end of 2026. At that time, the Board will be well positioned to assess the effectiveness of the Enhanced Distribution Programme in narrowing the discount at which the Company's shares trade relative to NAV through returning value to shareholders by means of special dividends or buying shares under the Tender Offer at closer to NAV. Subject to the outcome of this assessment, the Board will consider whether to extend the Enhanced Distribution Programme alongside other strategic options.

Outcome of the strategic review

As noted at the outset of the strategic review, the Board has been encouraged that, in exceptionally volatile markets, Nalaka De Silva and the Company's wider investment team have continued to deliver steady performance under the Company's investment strategy adopted in 2020. However, despite this, the Company's shares have continued to trade at a material and persistent discount to their NAV and, accordingly, the Board announced on 20 June 2023 that it was commencing a strategic review to consider how the Company can best deliver value to shareholders.

Having consulted with abrdn Investments Limited (the "**Investment Manager**" or "**abrdn**") and taken third party advice regarding the market for secondary fund interests, the Board concluded that the early disposal of private market investments in current market conditions would necessitate a substantial discount to their long term realisable values, and thereby limit the value that could be achieved for shareholders. Accordingly, the Board has sought to avoid an outcome of the strategic review that would require material realisations of private market investments in the current market environment.

The Company received a number of proposals in response to the strategic review and, in particular, was engaged in discussions regarding potential combinations with other investment trusts that the Board believed could achieve the aims of the strategic review. Whilst these discussions were encouraging, the Board ultimately concluded that none of the third party proposals put forward would optimise shareholder value at this time, and determined that shareholder interests would be better served over the near to medium term by realising value from the Company's existing investment strategy and portfolio.

Enhanced Distribution Programme

In recognition of the discount to NAV at which the Company's shares continue to trade and the current position of the Company's portfolio (with a significant proportion of the Company's private market assets expected to mature in the period from 2024 to 2026), the Board has therefore resolved that shareholder value is best served by enhancing distributions to shareholders at closer to NAV.

It is expected that the Enhanced Distribution Programme, which will be in addition to the reliable level of dividend income that the Company already offers, can be funded from the Company's surplus available cash, after taking into account the Company's undrawn commitments to private funds, together with realised gains over the short to medium term. The Board intends to keep the level of gearing under review but does not currently intend to repay the Company's existing secured bonds. The Enhanced Distribution Programme is expected to return between £30 million and £35 million to shareholders by the end of 2024, through the Tender Offer and the First Special Dividend, with further enhanced returns of value, including special dividends, envisaged during 2025 and 2026 as a substantial part of the Company's private markets portfolio matures. The Company recognises that reliable dividend income is important to many of its shareholders and the Enhanced Distribution Programme, which will be funded from realised gains and surplus available cash, is intended to augment the attractive level of income that the Company already provides. Notwithstanding the Enhanced Distribution Programme, the Board and the Investment Manager expect that the Company's investment strategy will continue to produce a dependable level of dividend income on an ongoing basis.

The effectiveness of the Enhanced Distribution Programme will be kept under review and the Board and the Investment Manager will explore other potential opportunities to realise income and capital value for shareholders. In particular, the Board notes that approximately 33 per cent. of the Company's current net asset value is invested in private market assets that are expected to be realised by the end of 2026. At that time, the Board will be well positioned to assess the effectiveness of the Enhanced Distribution Programme in managing the discount at which the Company's shares have traded to their net asset value and the performance achieved on the Company's private market investments. Subject to the outcome of this assessment, the Board will consider whether to extend the Enhanced Distribution Programme alongside other strategic options.

Tender Offer

Subject to the passing of the continuation vote at the Company's annual general meeting in February 2024 (the "**2024 AGM**"), the Tender Offer will be offered to all shareholders during 2024 at an expected discount of approximately 15 per cent. to the Company's prevailing net asset value. The Board believes that, by undertaking a material Tender Offer at an appropriate discount to the prevailing net asset value, the Company can generate attractive returns from the Company's available liquid resources for the benefit of continuing shareholders. It is expected that between £25 million and £30 million will be returned to shareholders under the Tender Offer.

In addition to returning surplus cash and generating an enhanced return for continuing shareholders, the Tender Offer will also enable those shareholders who wish to sell some of their shares to elect to do so, subject to the overall limits of the Tender Offer and certain restrictions in respect of overseas shareholders.

Full details of the Tender Offer, which also requires shareholder approval, will be set out in a circular to be published in 2024. The exact timing of the Tender Offer will take account of the Board's assessment of portfolio considerations and wider market conditions.

Special dividends

The Company also intends to return realised profits to shareholders through a number of special dividends throughout the course of the Enhanced Distribution Programme. The Board is pleased to declare a special interim dividend of 1.65 pence per ordinary share in the capital of the Company in respect of the financial year ended 30 September 2023 (the "**First Special Dividend**").

The First Special Dividend, amounting to c.£5 million in aggregate, reflects realised gains from the Company's investments over recent months and will be paid on 1 December 2023 to shareholders on the register on 3 November 2023. The ex-dividend date is 2 November 2023.

Dividend policy

In addition to the special dividends referred to above, it is expected that the Company will continue to pay four quarterly interim dividends per year in line with its dividend policy. At present the Company offers an attractive 7.5 per cent. dividend yield, the highest in the AIC's Flexible Investment sector, and the Board remains committed to offering shareholders a dependable level of dividend income on an ongoing basis.

The Board also recognises that some shareholders may wish to reinvest their dividends, including special dividends, and benefit from the compounding of these returns over time. The Company facilitates dividend reinvestment in an efficient manner through its registrar and will provide details to investors that wish to do so, including in its annual report and accounts for the year ended 30 September 2023.

Future realisations and returns of capital

The Investment Manager expects that further realised gains from a number of the Company's private market investments will be received and distributed to shareholders during the course of the Enhanced Distribution Programme. As noted above, approximately 33 per cent. of the Company's current NAV, comprising existing private market investments, is expected to mature by the end of 2026. The remainder of the private markets portfolio is expected to mature between 2029 and 2032.

There can be no certainty as to the precise timing or quantum of any future distributions or returns of capital, which will also be dependent on the Company's liabilities, undrawn fund commitments and general working capital requirements. Given the current market volatility, the market approach to valuing private market investments and the timing of the availability of returns of cash on investments, the Board does not believe that implementing a share buy back policy that targets a fixed or maximum discount level is in the best interests of shareholders. However, when considering the offer price for any future tender offers, or other share buy backs, the Board will take into account prevailing market conditions and the net present value of the Company's anticipated future cash flows from its portfolio.

Investment objective, policy and strategy

The Company's investment objective is to seek to provide income and capital appreciation over the long term through investment in a globally diversified multi-asset portfolio. The Board continues to have confidence in the Investment Manager's strategy in pursuance of this objective and there are no plans to amend the Company's investment objective and policy at this time.

The Company continues to be committed to offering shareholders an attractive investment proposition characterised by a genuinely diversified portfolio which provides access to a wide selection of asset classes, an attractive and dependable level of income and defensive characteristics relative to the volatility of equity markets.

Portfolio modification

Going forward, the Investment Manager notes that the Company will seek exposure to alternative asset classes primarily through private investments rather than listed funds. In the light of the Enhanced Distribution Programme and as the existing private market investments mature (and undrawn commitments reduce), it is expected that the private market investments will represent a higher proportion of the Company's portfolio.

Additional disclosures on valuations

The Investment Manager notes that the high level of valuation uncertainty in the current market is attributable to a range of factors including high inflation, rising interest rates, deglobalisation and escalating geopolitical tension. This uncertainty results in higher cost of capital, lower real growth and volatile capital markets. As a result, the Investment Manager believes that investors remain cautious and are currently positioning themselves in cash and cash equivalents until market conditions become more settled.

58.5 per cent. of the Company's existing portfolio is invested in private markets with the balance being held in listed investments and bonds (as at 30 September 2023). The Investment Manager believes that ADIG's listed and private portfolio has a much greater intrinsic value than that currently reflected in the share price. This value can be assessed on an asset's financial performance, growth prospects and risk characteristics. Going forward, the Investment Manager will provide additional disclosures on the investments within the Company's portfolio to provide the market with a greater ability to understand this intrinsic value and reduce the impact of short term price fluctuations influenced by near term market forces.

Investment outlook

A benefit of having long term patient capital is the ability take advantage of market dislocations and allow returns to be generated as valuations normalise. In the present market environment, abrdn believes that investing in both public and private markets presents excellent opportunities for carefully chosen investments. In particular, the Investment Manager believes that ADIG is well positioned to benefit from newly arising opportunities that could generate Net IRRs* of 10-15 per cent. Such opportunities include both new sectors, such as green infrastructure, and opportunities to provide capital where traditional providers have stepped back, such as private credit. In the light of these attractive short to medium term investment opportunities, the Investment Manager will continue to make new investments provided that it is satisfied that such investments offer a compelling investment opportunity for the Company taking into account the Enhanced Distribution Programme and the Board's assessment of its effectiveness in 2026.

**Net IRR (net internal rate of return) is a performance measure used to estimate the profitability of potential investments after fees and carried interest.*

