

The Diverse Income Trust plc

Half-Yearly Report

For the period to 30 November 2022

XPS Pensions Group plc (see page 8 for more details) is an example of the Trust's portfolio holdings.



Compounding and growing dividends
from a diverse range of UK companies

UPDATE INFORMATION

This is for internal use only

Client Name:
Diverse Income Trust plc

Document Type:
Half Year Report 2022

Fund No. : Reference No. :
YF036 DTP1173

Draft No. :

1

Tracked : 14

Time and Date Produced:
12:31 ~ 14 February 2023

A summary of the Diverse Income Trust strategy

The Company seeks to generate a good and growing dividend income stream for shareholders, by actively selecting individual investments across a much broader range of UK quoted companies than most other equity income trusts.

A multicap approach – The Trust invests in many mainstream quoted companies, that are typically mature businesses, along with many AIM-listed stocks that are often less mature. In both cases stocks anticipated to generate significant surplus cash each year, that will be paid out in good and growing dividends, are selected for the portfolio. Those funds investing in larger companies alone typically have fewer portfolio holdings, meaning that their revenue tends to comprise fewer dividends that each make up a larger percentage of the total revenue. In contrast, as the number of potential investments using a multicap approach is much greater than that for those typically investing in larger UK-quoted companies alone, the Trust's revenue comprises numerous smaller dividends from each holding which diversifies risk.

Stocks where abnormal cash surpluses are anticipated – At times, an individual quoted company reaches the point where a long period of investment concludes and it will start generating substantial surplus cashflow. Whilst the dividend yield on such holdings may be negligible at the time of purchase, the abnormally large cash surplus subsequently generated, may fund major dividend payments in future. Many investors overlook these potential opportunities for future surplus cash generation.

Sales of holdings on elevated high valuations and reinvesting into others standing on more overlooked valuations – A process of taking profits on the holdings with modest yields to reinvest in others that are standing on more overlooked valuations, and higher prospective dividend yields enhances the potential for the portfolio to deliver good and growing income dividend to shareholders.



The Diverse Income Trust's investment universe is broader than that of most other UK equity income trusts...



The portfolio's diversity, in terms of industry sectors and scale of businesses, provides potential to pay a resilient stream of good and growing dividend income over the longer term.



During the recent decades of globalisation, bond yields steadily declined to unprecedented levels and equities have rerated. Higher ratings have raised the risk of periodic setbacks. With interest rates now rising, this has undermined the high ratings of some growth stocks.



After many years of ongoing favourable trends businesses were often surprised by unexpected setbacks, such as those experienced in the early months of the pandemic, which often led to numerous dividend cuts. In comparison to the 28% fall in dividend income between 2019 and 2021 in the Numis Large Cap Index, income from the Trust's portfolio over the same period was almost unchanged.

Contents

The Company

- ifc A summary of the strategy
 - i The Diverse Income Trust plc
 - ii The Board's Key Performance Indicators
- 01 The Trust's objective
- 02 Chairman's Statement
- 04 A summary of results for the Half Year
- 05 Financial Performance Indicators
- 06 Manager's Report
- 13 Portfolio Information
- 15 Interim Management Report and Directors' Responsibility Statement

Group Accounts

- 16 Income Statement
- 17 Statement of Changes in Equity
- 18 Balance Sheet
- 19 Cash Flow Statement
- 20 Notes to the Financial Statements

Shareholder Information

- 27 Investment Objective and Policy
- 28 Shareholder Information
- 30 Directors and Advisers
- 31 Financial Calendar
- 32 Glossary of Terms

....which offers advantages at a time when sources of income are challenged

The Board uses the following Key Performance Indicators (KPIs) to assess the success of the Trust's strategy and its outcome to shareholders



1

NAV total return** – Over the half year the Trust's NAV total return saw a fall of 11.8%, which compares to a rise of 0.4% for the Comparator Benchmark* and a fall of 0.2% for the Numis All-Share Index. During this half year period, smaller companies within the UK stock market (in which much of the Company's portfolio is typically invested) generated poor returns compared with the largest UK quoted companies.

Over the eleven years and seven months since issue in April 2011, the NAV total return of the Trust was 189.6%, which compares favourably to 145.7% for the Comparator Benchmark and 89.8% for the Numis All-Share Index.

2

Growth in the ordinary dividends to shareholders – Over the half year to November 2022, dividends to shareholders have increased from 1.80p to 1.90p. The Trust's revenue per share for the half year was 2.23p per share which compares with 2.20p per share for the half year to November 2021.

Since issue, the Trust has consistently grown its dividends to shareholders and sustained them through the pandemic when numerous UK quoted companies cut theirs.

3

Discount ** – Over the half year to November 2022, the Trust's share price has on average traded at 5.7% below its daily NAV.

Since the Trust was first listed, its share price has traded both above and below its daily NAV, though the long-term average has been in line with its NAV.

4

Ongoing charges ** – The Trust's ongoing charges for 2021-22 were 1.05%, as set out on page 15 of the Annual Report. For the half year to November 2022, the annualised figure was 1.08%. The Board pays careful attention to expenses and believes that the Trust's overall costs are justifiable in the context of its specialist investment universe, and the premium returns it has delivered since issue.

* Morningstar Investment Trust UK Equity Income sector.

** Alternative performance measure. Details provided in the Glossary on pages 32 to 34.

Half Yearly report for the six months to 30 November 2022

The Diverse Income Trust plc (the 'Company', the 'Trust' or 'Diverse') is an investment trust quoted on the London Stock Exchange under the ticker code DIVI. In this report it is referred to as the 'Company', the 'Trust' and 'Diverse', or together with its subsidiary, DIT Income Services Limited, as the 'Group'.

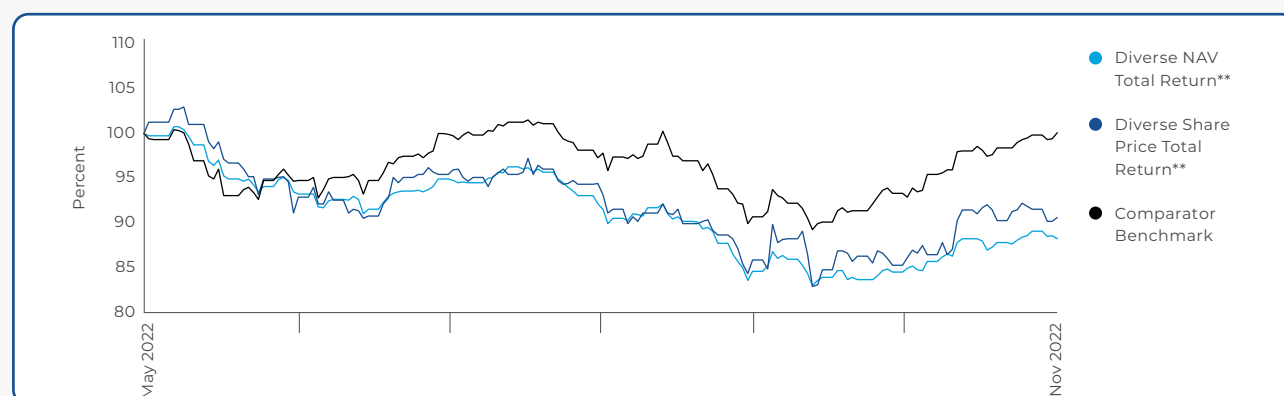
The Board sets the Trust's objective and appoints the manager, Premier Portfolio Managers Limited ('PPM' or 'the Manager'). The Board is independent of the Manager.

The Trust's objective

The Company's objective is to generate an attractive stream of good and growing dividends. It seeks to achieve this by investing principally in UK-listed companies that have the potential to generate above-average dividend growth. If the Trust's portfolio succeeds, it is anticipated that its return will outpace others in the Comparator Benchmark, as well as the mainstream stock market indices over the longer term.

The outcome for Shareholders

NAV and share price total returns of the Trust vs the Investment Trust UK Equity Income sector



Source: Morningstar including dividend income reinvested.

** Alternative performance measure. Details provided in the Glossary on pages 32 to 34.

The line chart above outlines the total return of the Trust over the half year to November 2022, a period during which the Trust's NAV total return declined by 11.8%. This is in contrast to a fall in the Numis All-Share Index of only 0.2% (its returns are dominated by the largest stocks), and a small rise in the Comparator Benchmark of 0.4% (which principally comprises the return of the largest 350 LSE-listed stocks). Over the same period the share prices of the Numis Alternative Markets (ex ICs) Index fell by 12.9%, those of the Numis Small Cap Index (ex-ICs) by 6.5% and the constituents of the Numis Mid Cap Index (ex ICs) by 5.3%; in other words the parts of the market in which the Trust tends to have overweight positions fared significantly worse than the UK market as a whole.

Chairman's Statement



Andrew Bell
Chairman

This report covers the half year to November 2022, a period when inflationary pressures were persistent, and share prices of stocks other than those in the mainstream indices declined significantly.

Half-year returns

The Trust's total return was down 11.8% over the half year, in contrast with the total return of the Numis All-Share Index (dominated by the largest stocks) which fell by 0.2%, and a return of +0.4% from the Comparator Benchmark (the constituents of which principally invest in the largest 350 LSE-listed stocks). The share prices of most AIM-listed stocks fell over the half year to November 2022. In contrast, the share prices of many of the largest UK quoted companies were more resilient, given the UK market's heavy representation in oil and mining stocks which benefited from higher inflation.

Despite falling markets, the Trust's revenue over the half year to November 2022 rose to 2.23p, which compares with 2.20p per share last year. Last year's figure was atypical as some portfolio holdings paid two dividends to make up for those cancelled during the pandemic. With the more unsettled outlook for global economic growth now prevailing however, there were fewer one-off special dividends in the period under review. The Board is declaring a second interim dividend of 0.95p making a total of 1.90p in respect of the current year, compared with 1.80p in previous year. It is anticipated that, in combination, the four dividends for the current year will at least match those paid in the previous year.

Returns since the Trust was first listed in April 2011

Over the eleven years and seven-month period since issue, the Trust's NAV total return was 189.6%, which compares to 145.7% for the Comparator Benchmark and 89.8% for the Numis All-Share Index.

Share Issuance and Redemptions

As the Trust's daily share price reflects the balance of buyers and sellers, when there is an imbalance the Trust's share price can diverge from its NAV. In order to address any persistent imbalances between buyers and sellers, the Trust offers shareholders a voluntary option to redeem their shares each year. At the end of May 2022, 6,049,458 shares (1.7% of the issued share capital) were redeemed at NAV.

There are often fewer buyers of investment trusts when markets decline so, along with much of the sector, over the half year the Trust's share price traded below its daily NAV. Nevertheless, as the Trust's NAV started to recover late in the half year, its share price discount narrowed a little to 4.5% at the end of November. This compares with an average discount of 5.7% across the half year as a whole.

Prospects

The recent period reminds us that even (perhaps especially) investment approaches that have been successful over the long term have phases when the performance spotlight moves elsewhere and investments fall in price and underperform local indices.

The world is always changeable and broadly the response to this is either to vary the type of investments held according to changing conditions, or to find an approach that has proven successful, that seems intuitively sensible and stick with it over time. Both have successful adherents, our Manager falling generally into the latter camp. Investing across the market capitalisation spectrum, specialising particularly in the less well researched smaller companies sector, has delivered significant outperformance over the 11-12 years of the Company's life, as noted elsewhere in this report. 2022 has been atypical, partly due to the narrow range of companies (notably energy and resources) that have driven market returns and partly due to the adjustment of economies to an inflationary shock and rising interest rates. This has led to bearish investor sentiment and market conditions as the speculation associated with QE policies has unwound. Although the Trust's portfolio was not invested in speculative areas, risk aversion (as the tech, NFT and crypto bubbles burst) spread to smaller companies due to their sensitivity to market liquidity conditions.

These factors have led to fears of recession, with investors seeking refuge in larger stocks in defensive sectors as well as resources companies seen as benefiting from the otherwise unwelcome inflation of 2022. Smaller companies have generally performed poorly, irrespective of valuation or individual prospects. As a result, as commented elsewhere by our Manager, Diverse Income Trust's portfolio trades at a discount valuation to the UK equity market, which itself is lowly valued relative to international comparators and its own history.

The years of investor aversion to the UK following the Brexit referendum, allied to the recent avoidance of smaller companies leaves our portfolio well positioned for a potential turn in markets during 2023, as interest rates and inflation peak, when investors may start to anticipate better times in 2024.

Andrew Bell
Chairman

14 February 2023

A summary of results for the Half Year

to 30 November 2022

- **NAV total return to shareholders saw a fall of 11.8%, 11.6% behind the return on the wider UK market** This includes a reduction in the NAV, offset in part by the dividends paid during the half year and compares with a fall in the Numis All-Share Index of 0.2% on a total return basis over the six months to 30 November 2022. The share price total return saw a fall of 9.4%, because the discount narrowed slightly from the position at the end of May 2022.
- **First half dividend increased** The first two interim dividends this year totalled 1.90p, a 5.6% rise on the 1.80p paid in respect of the same period of 2021. This rise partly reflects rebalancing to make the quarterly dividends more equal although the Board expects at least to maintain the full year dividend.
- **Retained revenue reserves** At the half year, retained revenue reserves were £16.4m, up from £15.9m as at the end of May 2022, and compared to £13.7m of dividends paid to shareholders last year. Over the half year to November 2022, revenue earnings per share more than fully covered the dividends declared, hence the increase in revenue reserves.

Summary of Results

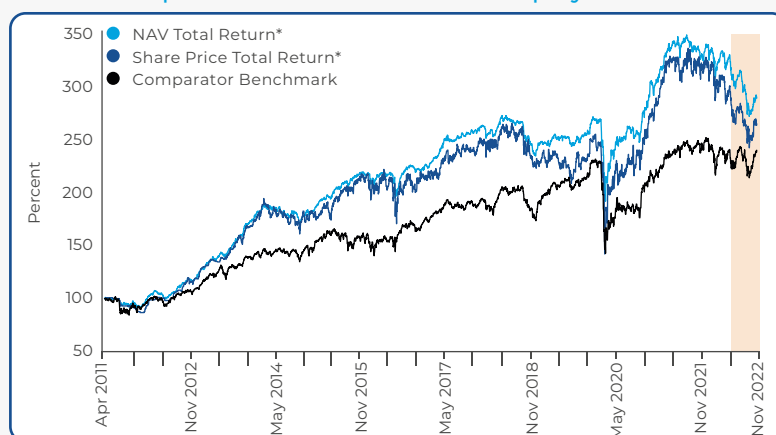
	As at 30 November 2022	As at 30 November 2021	As at 31 May 2022
NAV per ordinary share ¹	95.45p	111.81p	110.55p
Ordinary share price (mid)	91.20p	110.00p	103.00p
(Discount)/premium to NAV ¹	(4.45%)	(1.62%)	(6.83%)
Ordinary shares in issue	355,870,647	361,445,105	361,920,105
	Period to 30 November 2022	Period to 30 November 2021	Period to 31 May 2022
Revenue return per ordinary share ¹	2.23p	2.20p	4.01p
Ongoing charges ¹	1.08% ²	1.06%	1.05%

¹ Alternative performance measure. Details provided in the Glossary on pages 32 to 34.

² Estimated as at 30 November 2022. Ongoing charges are the Company's annualised revenue and capitalised expenses (excluding finance costs and certain non-recurring items) expressed as a percentage of the average daily net assets of the Company during the year.

Financial Performance Indicators

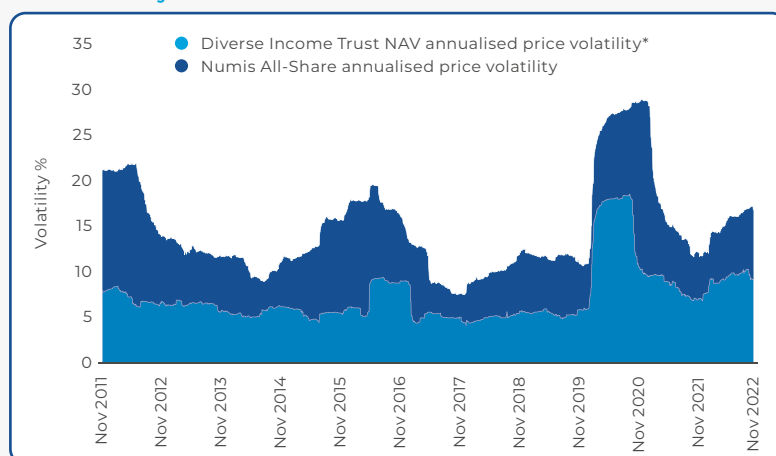
NAV v share price v Investment Trust UK Equity Income sector



The chart details the NAV and share price total returns on a cumulative basis since the fund was launched in 2011, compared with the Comparator Benchmark, on the basis that dividends have been reinvested.

Source: Morningstar including dividend income reinvested

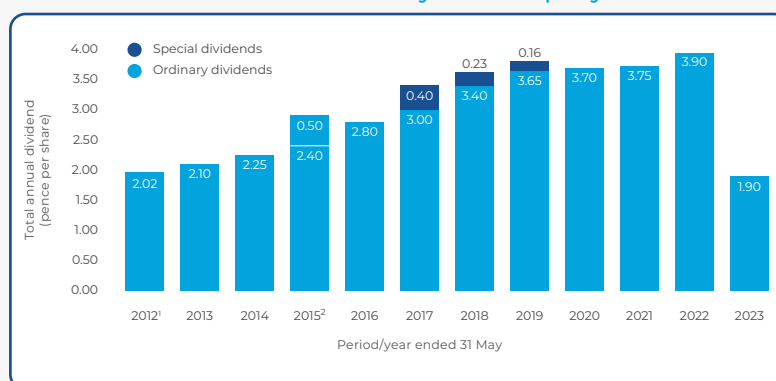
NAV volatility v Numis All-Share Index



The chart details the volatility of the Company's NAV and compares it with that of the Numis All-Share Index. Since the Trust was first launched in April 2011, the daily movements of its NAV have tended to be rather less volatile than those of the Numis All-Share Index.

Source: Premier Miton/Numis

Total annual dividends declared by the Company



The chart outlines the total annual dividends declared by the Company and how these have grown over time.

¹ The figure of 2.02p for 2012 represents 2.19p, which was the total of the four interim dividends actually paid for the initial 13-month period to 31 May 2012, recalculated proportionally as if the initial period had been 12 months.

² In order to allow shareholders to vote on the dividend, a final dividend was introduced in the year ended 31 May 2015, resulting in the payment of five dividends for that year. Since then, the Company has paid three interim dividends and a final dividend in respect of each year.

Source: Company

* Alternative performance measure. Details provided in Glossary on pages 32 to 34.

Manager's Report

Who are the fund managers of the Trust?

Premier Miton Group plc is an independent, listed fund management company, formed from the merger of Premier Asset Management and Miton Group in November 2019, with a well-established reputation for successfully managing UK-quoted multicap portfolios over the longer term. The Trust's Board appointed Miton Group as Manager in April 2011 and the Trust is now managed by PPM.

Gervais Williams and Martin Turner came together as a team in April 2011 and are responsible for the day-to-day management of the Trust's portfolio.

Gervais Williams

Gervais joined Miton in March 2011 and is now Head of Equities in Premier Miton. He has been an equity fund manager since 1985, including 17 years at Gartmore. He was named Fund Manager of the Year by What Investment? in 2014. Gervais is also a board member of the Quoted Companies Alliance and a member of the AIM Advisory Council.

Martin Turner

Martin joined Miton in May 2011. Martin and Gervais have had a close working relationship since 2004, with complementary expertise that has led them to back a series of successful companies. Martin qualified as a Chartered Accountant with Arthur Anderson and had senior roles and extensive experience at Merrill Lynch and Collins Stewart.

In what ways does the Trust's strategy differ from most other UK equity income trusts?

Like most UK equity income trusts, The Diverse Income Trust appoints a Manager to manage its portfolio of investments actively. The Manager employs a strategy that differs from most others in that the Trust's portfolio includes the largest, mainstream quoted companies, alongside smaller companies that are often overlooked by investors. It therefore has the potential to generate shareholder returns in excess of the mainstream stock market indices, and others in the Comparator Benchmark.

The areas that the Trust invests in are set out in detail in the inside front cover.

Investing over a full range of stocks that can generate superior dividend growth for the Trust and potentially generate superior capital appreciation.

How does the Trust's strategy aim to continue performing well during variable / negative market conditions?

As a result of strong stock market returns over decades, by the end of 2021 equity valuations were standing on elevated multiples of corporate profits, which themselves were flattered by strong growth in corporate margins due to globalisation. If inflation were to persist, equity valuations and corporate profit margins might decline and offset any ongoing corporate growth. This might lead to stock market returns that could disappoint for several sequential years. In such an environment, how can the Trust's strategy continue to add value?

- Specifically, many Alternative Investment Market ("AIM")-listed stocks stand on overlooked valuations, despite the prospect of generating abundant cash surpluses. When AIM-listed stocks conclude a long period of investment, some generate substantial cash surpluses thereafter. Yet shareholdings in such stocks can sometimes be purchased at undemanding valuations, because most professional equity income investors only research the largest stocks.
- The returns on AIM-listed stocks are not necessarily reliant on the vagaries of the global economy. The returns on a broader portfolio of stocks may not be as reliant on the vagaries of the global economy. Less mature stocks for example, sometimes operate in novel, nascent market sectors. Specifically, the current economic slowdown is probably unhelpful for nearly all businesses. Even so, sometimes younger businesses can buck the wider trend, because their prospects are related to an area of structural expansion rather than cyclical fluctuations.
- Stocks that are not large are numerous and operate across a broad universe of industry sectors. Around 22.0% of the Trust's portfolio is drawn from amongst the largest 100 UK stocks, and 14.0% invested in the 250 next largest LSE stocks. The majority of the Trust's portfolio is invested in AIM-listed stocks, or those outside the largest 350 LSE-listed stocks. This investment universe is substantial in terms of company numbers, and diverse in terms of industry sectors.
- Historically, long-term investment returns have been inversely correlated with market capitalisation. Academic reviews of UK stock market data have concluded that the very largest stocks tend to underperform those with lower market capitalisations. Whilst this pattern may not occur every year, the trend has been very persistent in the UK since the start of the data series in 1955.

During global recessions there will be fewer stocks that continue to generate good and growing dividends. At these times, the Trust's strategy has the advantage that it can invest in all the stocks that continue to succeed, even those with lower market capitalisations.

Manager's Report [continued](#)

What is the nature of the risks taken, and to what degree can they be managed?

Investing over the full range of market capitalisations may have long-term advantages, but the returns of the strategy should not necessarily be expected to be closely correlated with the fluctuations of the largest UK-quoted companies alone.

This risk was evident during the six months to November 2022 for example, when the Trust's return was well below those of the mainstream stock market indices, and most other UK equity income trusts, since most of their capital was invested in the largest quoted companies.

Whilst this outcome is disappointing over the recent six-month period, at other times, the portfolio's less-correlated returns can mean that it can greatly outperform both others in the Comparator Benchmark, and the mainstream indices. When asset fluctuations are not closely correlated, the value of one may rise at a time when the other is suffering a setback. In this way, their combined returns tend to offset each other at times, and are more consistent than their individual returns.

In this regard, we believe that the less correlated return of The Diverse Income Trust plc is a positive advantage for investors, as alongside different strategies, it provides diversification. Since April 2011, we note that the risks taken by the Trust have delivered returns that are ahead of most others in the Comparator Benchmark, and the mainstream stock indices. Furthermore, we believe that its prospects are strong, despite the current unsettled nature of the global economy and the equity markets.

Investment example – XPS Pensions Group PLC



The portfolio holds XPS Pensions Group a leading pension consulting and administration business heavily focused on UK pension schemes. On 13 September, it won the top three awards at Professional Pensions' UK Pensions Awards; the

first time ever that these have all been awarded to a single business. As it has gathered additional clients and carried out a wider range of services for them, XPS has generated a growing cash surplus that has been reflected in good dividend growth. One of the features of its industry sector is that demand for its services is not closely correlated with the fluctuations in the global economy; hence even if there was a recession, we believe XPS's dividend growth is unlikely to slow.

Why do we invest with a sense of purpose?

Any organisation that knowingly operates out of consensus with the wider public would in time find that its social licence to operate was terminated. In order to succeed therefore, we believe that the portfolio of The Diverse Income Trust needs to own stocks that also operate with a strong sense of purpose. In this context, how effective is The Diverse Income Trust?

When we review potential portfolio holdings, we assess how convincing each management team is about their social licence to operate. Does the business genuinely operate a culture where truth can speak openly to power – or just say it does? Whilst the answer isn't always categoric, some informed judgements can be made in face-to-face meetings where persistent, uncomfortable questions can provide some evidence.

Despite the rapid growth of sustainable investing, these issues are not new. The UK has led the world in setting corporate governance standards over the last 25 years, and more recently on climate risk reporting standards. An increasing number of UK-listed companies now issue formal sustainability reports on their operations, reporting on a range of non-financial metrics. We find comparing public reports against senior management's knowledge of internal detail can sometimes identify variances, and hence a potential lack of authenticity. Many mining management teams the Manager meets, for example, report that they start every meeting with safety concerns. And yet, in far too many cases, their safety data is not covered by the first slide of their corporate presentation nor is it the first matter of substance in their annual report.

When portfolios invest in large UK-quoted companies, the holding usually represents only a tiny proportion of the individual equity base of these companies. For this reason, the largest quoted companies tend to be offered a vast range of advice about Environmental, Social and Governance (ESG) issues, some of which may be conflicting.

In contrast, the Trust's individual holdings of many AIM-listed companies' equity are often so much more meaningful, that the Manager's opinion carries more weight. Whilst many of these companies typically have fewer reports on non-financial metrics than the majors, if anything, their leadership teams' sense of motivation comes through with a much stronger sense of corporate purpose.

In conclusion, assessing the strength of an organisation's internal social licence to operate and its authenticity is not straightforward. In the case of the Trust's investment activities, there is an increasing number of sustainability reports on non-financial metrics, although in themselves they should not be regarded as conclusive. There is quite a lot of other less specific, but if anything, more weighty evidence around the sustainability reports, which implies that many of the Trust's holdings are managed with a strong sense of purpose.

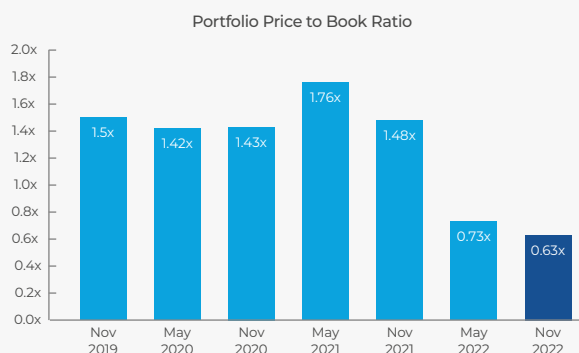
Manager's Report *continued*

Key questions for the Manager covering the period to November 2022, and the prospects for the Trust.

In the light of the declining NAV over the half year, to what degree have the prospects of various portfolio holdings deteriorated?

Despite weak share prices over the half year, the prospects for most of the Trust's holdings have not greatly deteriorated, in our view. Some that appeared vulnerable, such as Barratt, the housebuilder, BP, the energy major, and EasyJet were sold. 888, the online gaming company, had convinced us that it was more careful than others regarding problem gamblers, but more recent data cast doubt on this assertion. For that reason, amongst others, the holding was sold. Alongside, new holdings such as H&T Group, which makes emergency loans against valuables, were brought into the Trust portfolio. We also considered the share prices of New River REIT, a property company with landmark shopping centres, and Tatton Asset Management, to be overlooked, and they were also purchased for the portfolio in the period as a result. We consider all three have promising prospects that will fund growing dividends.

Whilst most other portfolio stocks continued to report good progress, with few buyers, even modest profit taking was sufficient to drive their share prices down considerably. Portfolio valuations have become even more attractive, with the scale illustrated via the Price to Book metric* – which is a company's share price divided by its asset value per share. The bar chart alongside illustrates how this valuation metric has fluctuated over recent periods. Portfolio ratios below one are most unusual, especially for a portfolio of stocks with what we consider attractive prospects.



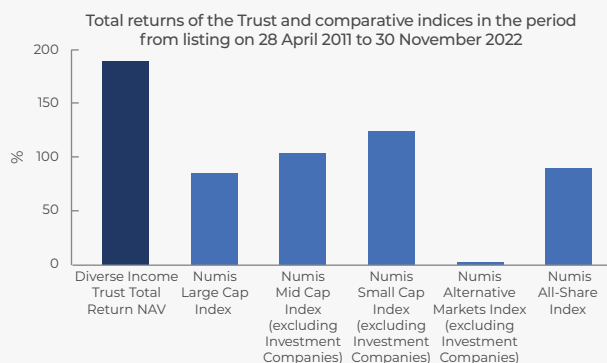
Source: Premier Miton

Do you consider the Trust's strategy has been successful over the period you have been managing it, since launch in April 2011?

Generally, corporate earnings have expanded at a reasonable pace since April 2011, when the Trust was launched. Countering this, UK investors have become more cautious, initially worried that the UK might leave the EU in a chaotic manner without an agreement, then by the uncertainty of the global pandemic, and most recently by inflation and interest rate rises and the prospect of global recession. In capital return terms the Numis All-Share Index has only appreciated by 23.3% over the 11 years, 7 months since the launch of the Trust. With the dividend income included, its total return is 89.8%, an annual return of just under 6%.

It was always anticipated that a large part of the return on Diverse Income Trust would be generated from the receipt of good and growing dividends. But alongside, as these grew well, it was also hoped that they might push up the relevant share prices. The Trust's capital NAV has appreciated by 90%. In addition, the aggregate value of all the dividends paid have added a further 47% of return, so the NAV total return of the Trust is 189.6%. The returns of the comparative indices are shown on the bar chart below.

* Alternative performance measure. Details provided in the Glossary on pages 32 to 34.



Source: Morningstar

Overall, we do believe that our management of the Trust has added value for shareholders, although, if anything, we believe the strategy we employ has the potential to add even greater value in time were inflation to become persistent.

As interest rates rises suppress demand, which stocks can sustain profit margins, when others are cutting prices to retain customers?

During globalisation, abundant imports of low-cost goods that typically exceeded demand subdued inflationary pressures. During these decades, when economic growth slowed, central banks were able to boost demand, either through reducing interest rates or latterly via financial stimulus in the form of quantitative easing.

With the global pandemic and the reduced availability of energy following the Ukrainian invasion, global economic supply has been compromised. Demand now exceeds supply, leading to an acceleration in inflation. To bring this mismatch back into balance, central banks are raising interest rates to choke off demand.

Suppressing demand represents a major business challenge, as there are fewer sales to go around. Hence, when demand declines, it often sparks price wars that also drive down profit margins. The outcome is that corporate profitability often comes under pressure, so that over-levered companies risk insolvency.

In our view, businesses with poor customer service are often the most vulnerable to the loss of sales, and reduced profit margins. Conversely, companies delivering not only good, but outstanding levels of customer service can sometimes retain customers even when others are offering similar services at lower prices.

With this in mind, we question management teams closely about whether they collect data on customer service, so that we can select those companies delivering outstanding customer service. Whilst such companies may not be immune to an adverse economic trend, we anticipate that they will have greater resilience than many others.

With the stock market setback, does Premier Miton remain well-resourced so that it can continue to deliver for the Trust's investors in future?

The Trust's board initially appointed Miton Group as Manager when it was listed in April 2011. In November 2019, Miton Group merged with Premier Asset Management. Like Miton Group plc, Premier Miton Group plc is an independent, listed fund management company wholly focused on delivering attractive outcomes for investors.

Listed plcs have the advantage of access to institutional capital, and as a group they tend to be less indebted than similar private companies. In the case of Premier Miton, at the end of September 2022, the plc had net cash and no debt.

Manager's Report [continued](#)

Although Premier Miton's revenues have declined with markets, stockbroking analysts continue to forecast that it will remain profitable and cash generative. Despite the decline in stock markets, Premier Miton remains well-placed to resource its fund managers fully, so that they remain unconstrained in overseeing client portfolios and have the best possible opportunity to continue adding value through active management over the coming years.

[What is the outlook for the Trust?](#)

After Diverse Income Trust's recent underperformance, most of holdings appear to be standing on exceptionally low valuations. But just how out of line are they?

One way to gauge valuation is via the Price/Book ratio. After some decades of underperformance, the wider UK market is already standing at a ratio around 1.5x, which is a substantial discount compared to the US exchanges for example.

After the recent underperformance of The Diverse Income Trust this year, its price/book ratio has fallen to just 0.85x at the end of November 2022.

In short, whereas the UK stock market is lowly valued, the Diverse Income Trust's portfolio appears exceptionally lowly valued relative to international stock markets such as the US.

Some presume that these low valuations are justified by an unfavourable outlook for UK equities. But these arguments do not stand up to scrutiny. Many UK-quoted stocks are capital-intensive in nature. When capital is abundant, as during globalisation, the entry of new participants may often result in premium returns being competed away. But when capital is more costly, and supply/demand curves are steeper, it is more difficult to raise new capital, and premium returns in some capital-intensive areas can persist.

Many capital-intensive businesses typically provide a large part of their returns via a stream of good and growing dividends. Cash compounding strategies such as these are less reliant on stock market appreciation to deliver return.

Companies generating cash surpluses have an advantage during recessions, in that they can use their cash to acquire over-indebted but otherwise viable businesses from the receiver, debt-free at often knockdown valuations. As with Next plc which recently acquired Made.com for £3.4m versus a previous peak market valuation of £700m, these deals tend to accelerate earnings and dividend growth.

Even if UK equities were similarly valued to international comparatives, for risk diversification reasons we would anticipate increased capital allocations. At current low valuations, we believe that UK equity capital allocations may be about to move from a trickle to a flood.

We believe the Diverse Income Trust's strategy now has the potential not only to outperform the mainstream indices in the UK, as it has done since issue, but also to outperform international markets – as the UK stock market itself outperforms. When the asset class of UK-quoted multicap equity income stocks, stands at such a particularly low valuation, coupled with very modest institutional allocations, such favourable trends can persist over very long time periods.

[Although at the time of writing global economic conditions remain uncertain, amid high rates of inflation and rising interest rates, the Trust invests in stocks on overlooked valuations in the UK market which currently stands at a historically low valuation compared with international comparators and its own history. Consequently, once current uncertainties unwind, as Managers we are optimistic that the sound fundamentals of our portfolio companies will deliver good returns for shareholders.](#)

[Gervais Williams and Martin Turner](#)

14 February 2023

Portfolio Information

as at 30 November 2022

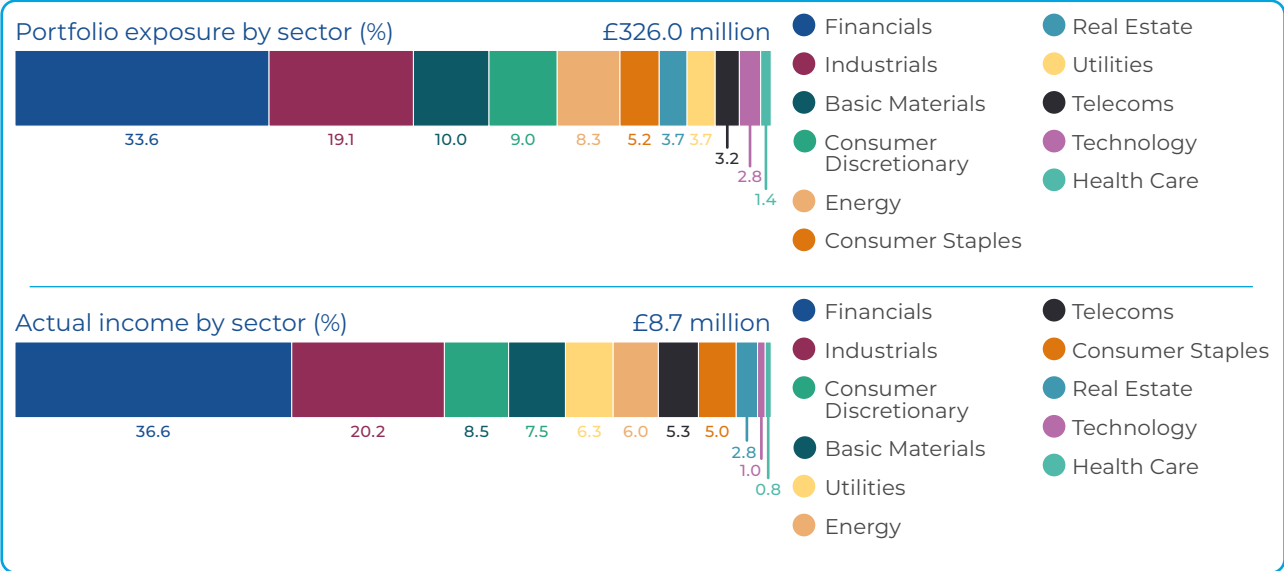
Rank	Company	Sector & main activity	Valuation £000	% of net assets	Yield ¹ %
1	I3 Energy ²	Energy	9,300	2.7	6.6
2	K3 Capital ²	Financials	7,898	2.3	4.5
3	Kenmare Resources	Basic Materials	7,625	2.3	7.1
4	CMC Markets	Financials	7,358	2.2	5.2
5	Ienergizer ²	Industrials	7,128	2.1	5.3
6	XPS Pensions	Financials	6,165	1.8	5.1
7	National Grid	Utilities	5,507	1.6	5.1
8	Legal & General	Financials	5,332	1.6	7.4
9	MAN	Financials	5,313	1.6	5.6
10	Centamin	Basic Materials	5,141	1.5	6.0
Top 10 investments			66,767	19.7	
11	Bloomsbury Publishing	Consumer Discretionary	5,037	1.5	2.2
12	Phoenix	Financials	5,007	1.5	8.4
13	Galliford Try	Industrials	4,987	1.4	5.1
14	NatWest	Financials	4,881	1.4	4.2
15	TP ICAP	Financials	4,856	1.4	5.7
16	Plus500	Financials	4,805	1.4	4.4
17	Drax	Utilities	4,761	1.4	3.2
18	Mears	Industrials	4,636	1.4	4.6
19	FRP Advisory ²	Industrials	4,630	1.4	2.7
20	Savannah Energy ²	Energy	4,531	1.3	–
Top 20 investments			114,898	33.8	
21	Direct Line Insurance	Financials	4,521	1.3	10.9
22	Sainsbury (J)	Consumer Staples	4,387	1.3	6.2
23	Just	Financials	4,373	1.3	2.0
24	Tesco	Consumer Staples	4,368	1.3	5.1
25	Lloyds Banking	Financials	4,352	1.3	4.5
26	Paypoint	Industrials	4,339	1.3	6.8
27	Hostelworld	Consumer Discretionary	3,995	1.2	–
28	Provident Financial	Financials	3,992	1.2	8.6
29	BT	Telecommunications	3,904	1.1	6.3
30	AVIVA	Financials	3,869	1.1	5.6
Top 30 investments			156,998	46.2	
31	Rio Tinto	Basic Materials	3,717	1.1	9.5
32	Pan African Resources ²	Basic Materials	3,637	1.1	4.9
33	DWF	Industrials	3,637	1.1	6.2
34	Concurrent Technologies ²	Technology	3,536	1.0	1.8
35	Admiral	Financials	3,483	1.0	7.3
36	BAE Systems	Industrials	3,476	1.0	3.1
37	Conygar Investment Company ²	Real Estate	3,436	1.0	–
38	Aferian ²	Telecommunications	3,361	1.0	3.4
39	CT Automotive ²	Consumer Discretionary	3,347	1.0	–
40	Kitwave ²	Consumer Staples	3,269	1.0	4.0
Top 40 investments			191,897	56.5	
Balance held in 82 equity investments			132,022	38.9	
Total equity investments			323,919	95.4	
Fixed interest investments			–	–	
Total equity and fixed interest investments			323,919	95.4	
Listed Put option					
UKX – December 2023 5,700 Put			2,071	0.6	
Traded options			2,071	0.6	
Total investment portfolio			325,990	96.0	
Other net current assets			13,697	4.0	
Net assets			339,687	100.0	

¹ Source: Refinitiv. Based on historical yields and therefore not representative of future yields. Includes special dividends where applicable.

² AIM/AQUIS listed

Portfolio Information continued

Portfolio as at 30 November 2022



Source: Thomson Reuters.

The LSE assigns all UK-quoted companies to an industrial sector. The LSE also assigns industrial sectors to many international quoted equities and those that have not been classified by the LSE, have been assigned as though they had. The portfolio as at 30 November 2022 is set out in detail on page 13, in line with that included in the Balance Sheet on page 18. The income from investments above comprises all of the income from the portfolio as included in the Income Statement for the six-month period.

The two bars above determine the overall sector weightings of the Company’s capital at the end of the half year and with regard to the income received by the Company over the six-month period.

Investments for the Company’s portfolio are principally selected on their individual merits. As the portfolio evolves, the Manager continuously reviews the portfolio’s overall sector balance to ensure that it remains in line with the underlying conviction of the Manager. The Investment Policy is set out on page 27 and details regarding risk diversification and other policies are set out each year in the Annual Report.

Interim Management Report and Directors' Responsibility Statement

Interim Management Report

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal risks and uncertainties for the remaining six months of the financial year are set out in the Chairman's Statement on pages 2 and 3 and the Manager's Report on pages 6 to 12.

The principal risks facing the Group are substantially unchanged since the date of the Annual Report and Accounts for the year ended 31 May 2022 and continue to be as set out in that report on pages 19 to 22.

Risks faced by the Group include, but are not limited to, investment and strategy, smaller companies, sectoral diversification, dividends, share price volatility and liquidity/marketability risk, gearing, key man risk, engagement of third party service providers.

Responsibility Statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with the applicable set of accounting standards and Article 4 of the IAS Regulation; and gives a true and fair view of the assets, liabilities and financial position and return of the Group; and

- this Half-Yearly Financial Report includes a fair review of the information required by:

1. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
2. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions that could do so.

This Half-Yearly Financial Report was approved by the Board of Directors on 14 February 2023 and the above responsibility statement was signed on its behalf by:

Andrew Bell

Chairman

14 February 2023

Condensed Consolidated Income Statement

for the half year to 30 November 2022 (unaudited)

		Half year to 30 November 2022			Half year to 30 November 2021			Year ended 31 May 2022*		
	Notes	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Losses on investments held at fair value through profit or loss		–	(50,479)	(50,479)	–	(21,971)	(21,971)	–	(20,655)	(20,655)
Losses on derivative contracts		–	(2,684)	(2,684)	–	(902)	(902)	–	(5,536)	(5,536)
Foreign exchange gain/(losses)		–	10	10	–	(14)	(14)	–	(23)	(23)
Income	2	8,752	77	8,829	9,007	79	9,086	16,512	158	16,670
Management fee	8	(372)	(1,117)	(1,489)	(457)	(1,371)	(1,828)	(890)	(2,669)	(3,559)
Other expenses		(421)	–	(421)	(426)	–	(426)	(850)	–	(850)
Return on ordinary activities before finance costs and taxation		7,959	(54,193)	(46,234)	8,124	(24,179)	(16,055)	14,772	(28,725)	(13,953)
Finance costs		(5)	(14)	(19)	(12)	(35)	(47)	(13)	(41)	(54)
Return on ordinary activities before taxation		7,954	(54,207)	(46,253)	8,112	(24,214)	(16,102)	14,759	(28,766)	(14,007)
Taxation										
– irrecoverable withholding tax		(21)	–	(21)	(167)	–	(167)	(257)	–	(257)
Taxation										
– irrecoverable withholding tax		–	–	–	–	–	–	–	–	–
Return on ordinary activities after taxation		7,933	(54,207)	(46,274)	7,945	(24,214)	(16,269)	14,502	(28,766)	(14,264)
Basic and diluted return:		pence	pence	pence	pence	pence	pence	pence	pence	pence
Per ordinary share	3	2.23	(15.21)	(12.98)	2.20	(6.70)	(4.50)	4.01	(7.95)	(3.94)

* Extracted from audited financial statements.

The total column of this statement is the Income Statement of the Group prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

There is no other comprehensive income and therefore the return on ordinary activities after tax is also the total comprehensive income.

The accompanying notes are an integral part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

for the half year to 30 November 2022 (unaudited)

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
As at 1 June 2022*		412	197,039	26	22,378	164,325	15,933	400,113
Total comprehensive income:								
Net return for the period		–	–	–	–	(54,207)	7,933	(46,274)
Transactions with shareholders recorded directly to equity:								
Shares bought back and cancelled		(6)	–	6	(6,676)	–	–	(6,676)
Expenses in relation to cancellation		–	–	–	(3)	–	–	(3)
Equity dividends paid	4	–	–	–	–	–	(7,473)	(7,473)
As at 30 November 2022		406	197,039	32	15,699	110,118	16,393	339,687
As at 1 June 2021*								
		411	196,562	26	22,378	193,091	15,174	427,642
Total comprehensive income:								
Net return for the period		–	–	–	–	(24,214)	7,945	(16,269)
Transactions with shareholders recorded directly to equity:								
Equity dividends paid	4	–	–	–	–	–	(7,229)	(7,229)
As at 30 November 2021		411	196,562	26	22,378	168,877	15,890	404,144
As at 1 June 2021*								
		411	196,562	26	22,378	193,091	15,174	427,642
Total comprehensive income:								
Net return for the year		–	–	–	–	(28,766)	14,502	(14,264)
Transactions with shareholders recorded directly to equity:								
Issue of ordinary shares		1	546	–	–	–	–	547
Expense of share issue		–	(69)	–	–	–	–	(69)
Equity dividends paid	4	–	–	–	–	–	(13,743)	(13,743)
As at 31 May 2022*		412	197,039	26	22,378	164,325	15,933	400,113

* Extracted from audited financial statements.

The accompanying notes are an integral part of these financial statements.

Condensed Consolidated Balance Sheet

as at 30 November 2022 (unaudited)

	Notes	30 November 2022 £000	30 November 2021 £000	31 May 2022* £000
Non-current assets:				
Investments held at fair value through profit or loss		323,919	382,681	377,591
Current assets:				
Derivative instruments		2,071	7,115	2,481
Trade and other receivables		1,450	1,439	3,899
Cash at bank and cash equivalents		12,936	15,745	16,543
		16,457	24,299	22,923
Current liabilities:				
Trade and other payables		(689)	(2,836)	(401)
Net current assets		15,768	21,463	22,522
Total net assets		339,687	404,144	400,113
Capital and reserves:				
Share capital – ordinary shares	5	356	361	362
Share capital – management shares	5	50	50	50
Share premium account		197,039	196,562	197,039
Capital redemption reserve		32	26	26
Special reserve		15,699	22,378	22,378
Capital reserve		110,118	168,877	164,325
Revenue reserve		16,393	15,890	15,933
Shareholders' funds		339,687	404,144	400,113
		pence	pence	pence
Net asset value per ordinary share	6	95.45	111.81	110.55

* Extracted from audited financial statements.

The accompanying notes are an integral part of these financial statements.

Condensed Consolidated Cash Flow Statement

for the half year to 30 November 2022 (unaudited)

	Half year to 30 November 2022 £000	Half year to 30 November 2021 £000	Year ended 31 May 2022* £000
Operating activities:			
Net return before taxation	(46,253)	(16,102)	(14,007)
Losses on investments and derivatives held at fair value through profit or loss	53,163	22,873	26,191
Finance costs	41	51	63
Decrease/(increase) in trade and other receivables	1,157	438	(730)
Increase/(decrease) in trade and other payables	190	(33)	(36)
Withholding tax paid	(21)	(167)	(257)
Net cash inflow from operating activities	8,277	7,060	11,224
Investing activities:			
Purchase of investments	(20,731)	(35,035)	(75,748)
Sale of investments	25,314	47,638	91,033
Purchase of derivative instruments	(4,364)	(8,017)	(8,017)
Sale of derivative instruments	2,090	–	–
Net cash inflow from financing activities	2,309	4,586	7,268
Financing activities:			
Ordinary shares issued	–	–	550
Expenses of share issue	–	–	(72)
Cancellation of shares	(6,679)	–	–
Finance costs paid	(41)	(51)	(63)
Equity dividends paid	(7,473)	(7,229)	(13,743)
Net cash outflow from financing	(14,193)	(7,280)	(13,328)
(Decrease)/increase in cash and cash equivalents	(3,607)	4,366	5,164
Reconciliation of net cash flow movements in funds:			
Cash and cash equivalents at the start of the period	16,543	11,379	11,379
Net cash (outflow)/inflow from cash and cash equivalents	(3,607)	4,366	5,164
Cash at bank and cash equivalents at the end of the period	12,936	15,745	16,543

* Extracted from audited financial statements.

The accompanying notes are an integral part of these financial statements.

Notes to the Condensed Consolidated Financial Statements

for the half year to 30 November 2022 (unaudited)

1. General Information and Accounting Policies

The condensed consolidated financial statements, which comprise the unaudited results of the Company and its wholly-owned subsidiary, DIT Income Services Limited (together referred to as the “Group”), for the period ended 30 November 2022 have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

In the current period, the Company has applied a number of amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements including updates relating to COVID-19.

The adoption of these updates has not had any material impact on these financial statements and apart from the above, the accounting policies used by the Group followed in these half-yearly financial statements are consistent with the most recent Annual Report for the year ended 31 May 2022.

Going concern

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date when these financial statements were approved. In making the assessment, the Directors of the Company have considered the likely impacts of international and economic uncertainties on the Company, operations and the investment portfolio. These include, but are not limited to, the impact of COVID-19, the war in Ukraine, political and economic instability in the UK, supply shortages and inflationary pressures.

The Directors noted that the Company, with the current cash balance and holding a portfolio of listed investments, is able to meet the obligations of the Company as they fall due. The current cash balance plus additional borrowing, through the revolving credit facility, enables the Company to meet any funding requirements and finance future additional investments. The Company is a closed-end fund, where assets are not required to be liquidated to meet day to day redemptions.

The Directors have completed stress tests assessing the impact of changes in market value and income with associated cash flows. In making this assessment, they have considered plausible downside scenarios. These tests were driven by the possible effects of continuation of the COVID-19 pandemic but, as an arithmetic exercise, apply equally to any other set of circumstances in which asset value and income are significantly impaired. The conclusion was that in a plausible downside scenario the Company could continue to meet its liabilities. Whilst the economic future is uncertain, and the Directors believe that it is possible the Company could experience further reductions in income and/or market value, and changes in expenses, the opinion of the Directors is that this should not be to a level which would threaten the Company's ability to continue as a going concern.

The Directors, the Manager and other service providers have put in place contingency plans to minimise disruption. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

Comparative information

The financial information contained in this Half-Yearly Report does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the half-year periods ended 30 November 2021 and 30 November 2022 has not been audited or reviewed by the Company's Auditor. The comparative figures for the financial year ended 31 May 2022 have been extracted from the latest published Annual Report and Accounts, which have been reported on by the Company's Auditor and delivered to the Registrar of Companies. The report of the Auditor was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Income

	Half year to 30 November 2022			Half year to 30 November 2021			Year ended 31 May 2022		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Income from investments:									
UK dividends	7,009	77	7,086	7,242	79	7,321	12,036	158	12,194
UK REIT dividend income	165	–	165	105	–	105	211	–	211
Non UK dividend income	1,483	–	1,483	1,550	–	1,550	4,080	–	4,080
UK fixed interest	–	–	–	95	–	95	167	–	167
	8,657	77	8,734	8,992	79	9,071	16,494	158	16,652
Other income:									
Bank deposit interest	77	–	77	–	–	–	1	–	1
Exchange gains	18	–	18	13	–	13	16	–	16
Other income	–	–	–	2	–	2	1	–	1
Total income	8,752	77	8,829	9,007	79	9,086	16,512	158	16,670

Notes to the Condensed Consolidated Financial Statements continued

for the half year to 30 November 2022 (unaudited)

3. Return per Ordinary Share

Returns per share are based on the weighted average number of shares in issue during the period. Normal and diluted return per share are the same as there are no dilutive elements on share capital.

	Half year to 30 November 2022		Half year to 30 November 2021		Year ended 31 May 2022	
	£000	pence per share	£000	pence per share	£000	pence per share
Revenue return	7,933	2.23	7,945	2.20	14,502	4.01
Capital return	(54,207)	(15.21)	(24,214)	(6.70)	(28,766)	(7.95)
Total return	(46,274)	(12.98)	(16,269)	(4.50)	(14,264)	(3.94)
Weighted average number of ordinary shares	356,366,504		361,445,105		361,674,146	

4. Dividends per Ordinary Share

Amounts recognised as distributions to equity holders in the period.

	Half year to 30 November 2022		Half year to 30 November 2021		Year ended 31 May 2022	
	£000	pence per share	£000	pence per share	£000	pence per share
In respect of the previous period:						
Third interim dividend	3,203	0.90	3,253	0.90	3,253	0.90
Final dividend	4,270	1.20	3,976	1.10	3,976	1.10
In respect of the period under review:						
First interim dividend	–	–	–	–	3,257	0.90
Second interim dividend	–	–	–	–	3,257	0.90
	7,473	2.10	7,229	2.00	13,743	3.80

The Board has declared a first interim dividend of 0.95p per ordinary share, payable on 28 February 2023 to shareholders registered at the close of business on 23 December 2022. The ex-dividend date was 22 December 2022. The Board has also declared a second interim dividend of 0.95p per ordinary share, payable on 31 May 2023 to shareholders registered at the close of business on 24 March 2023. The ex-dividend date will be 23 March 2023 and the latest date to elect for dividends to be reinvested via the Dividend Reinvestment Plan ("DRIP") will be 14 April 2023. In accordance with IFRS, these dividends have not been included as a liability in these financial statements.

5. Called-up Share Capital

The Company, which is a closed-ended investment company with an unlimited life, has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of ordinary shares annually on 31 May each year. The Board may, at its absolute discretion, elect not to operate the annual redemption facility in whole or in part. In respect of the 31 May 2022 Redemption Point, the Company received redemption requests for 6,049,458 ordinary shares. All of these shares were redeemed by the Company at the calculated redemption price of 110.36p per share and cancelled.

The issued share capital consisted of 355,870,647 ordinary shares and 50,000 management shares as at 30 November 2022.

6. Net Asset Value

Ordinary shares

The NAV per ordinary share and the net assets attributable at the period end were as follows:

	NAV pence per share 30 November 2022	Net assets attributable 30 November 2022 £000	NAV pence per share 30 November 2021	Net assets attributable 30 November 2021 £000	NAV pence per share 31 May 2022	Net assets attributable 31 May 2022 £000
Basic and diluted	95.45	339,687	111.81	404,144	110.55	400,113

NAV per ordinary share is based on net assets at the period end and 355,870,647 ordinary shares, being the number of ordinary shares in issue at the period end (30 November 2021: 361,445,105 and 31 May 2022: 361,920,105 ordinary shares).

Management shares

The NAV of £1 (30 November 2021: £1 and 31 May 2022: £1) per management share is based on net assets at the period end of £50,000 (30 November 2021: £50,000 and 31 May 2022: £50,000) and 50,000 (30 November 2021: 50,000 and 31 May 2022: 50,000) management shares. The shareholders have no right to any surplus or capital or assets of the Company.

Notes to the Condensed Consolidated Financial Statements continued

for the half year to 30 November 2022 (unaudited)

7. Transaction Costs

During the period, expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

	Half year to 30 November 2022 £000	Half year to 30 November 2021 £000	Year ended 31 May 2022 £000
Costs on acquisitions	88	97	195
Costs on disposals	17	21	38
	105	118	233

These transaction costs are dealing commissions paid to stockbrokers and stamp duty, a government tax paid on transactions (which is zero when dealing on the AIM/AQUIS exchanges). A breakdown of these costs is set out below:

	Half year to 30 November 2022 £000	% of average monthly net assets	Half year to 30 November 2021 £000	% of average monthly net assets	Year to 31 May 2022 £000	% of average monthly net assets
Costs paid in dealing commissions	36	0.01	35	0.01	64	0.02
Costs of stamp duty	69	0.02	83	0.02	169	0.04
	105	0.03	118	0.03	233	0.06

The average monthly net assets for the six months to 30 November 2022 were £347,304,000 (30 November 2021: £421,569,000 and 31 May 2022: £412,777,000).

8. Management Fee

The management fee is calculated at the rate of one-twelfth of 0.9% per calendar month on the average market capitalisation of the Company's shares up to £300m and one-twelfth of 0.8% per calendar month on the average market capitalisation between £300m and £500m, and 0.7% above £500m, payable monthly in arrears. In addition to the basic management fee, and for so long as a Redemption Pool is in existence, the Manager is entitled to receive from the Company a fee calculated at the rate of one-twelfth of 1.0% per calendar month of the NAV of the Redemption Pool on the last business day of the relevant calendar month.

At 30 November 2022, the management fee was £1,489,000 (30 November 2021: £1,828,000 and 31 May 2022: £3,559,000), of which an amount of £472,000 was outstanding and due to Premier Portfolio Managers Limited in respect of management fees (30 November 2021: £297,000 and 31 May 2022: £280,000).

9. Valuation of Financial Instruments

The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

Level 1 – valued using quoted prices, unadjusted in active markets for identical assets or liabilities.

Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The tables below set out fair value measurements of financial instruments as at the period end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss at 30 November 2022				
Equity investments	323,919	–	–	323,919
Derivative contracts	–	2,071	–	2,071
	323,919	2,071	–	325,990

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss at 30 November 2021				
Equity investments	380,426	–	–	380,426
Derivative contracts	–	7,115	–	7,115
Fixed interest bearing securities	–	2,255	–	2,255
	380,426	9,370	–	389,796

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss at 31 May 2022				
Equity investments	377,591	–	–	377,591
Derivative contracts	–	2,481	–	2,481
	377,591	2,481	–	380,072

Notes to the Condensed Consolidated Financial Statements

continued

for the half year to 30 November 2022 (unaudited)

Subsidiary

The value of the subsidiary, DIT Income Services Limited, held at fair value is £1 (30 November 2021: £1 and 31 May 2022: £1) and is classified as a Level 3 investment.

The Company's subsidiary completes trading transactions. There were no investments held for trading in the subsidiary at 30 November 2022 (30 November 2022: £nil and 31 May 2022: £nil). The difference between the sale and purchase of assets is trading income recognised in the Income Statement.

10. Transactions with the Manager and Related Parties

The amounts paid and payable to the Manager pursuant to the management agreement are disclosed in note 8. Fees paid to the Directors in the half year to 30 November 2022 amounted to £84,000 (half year to 30 November 2021: £80,000 and year ended 31 May 2022: £163,000).

Investment Objective and Policy

Investment Objective

The Company's investment objective is to provide shareholders with an attractive and growing level of dividends coupled with capital growth over the long term.

Investment Policy

The Company invests primarily in UK-quoted or traded companies with a wide range of market capitalisations, but a long-term bias toward small and mid cap equities. The Company may also invest in large cap companies, including FTSE 100 constituents, where it is believed that this may increase shareholder value.

The Manager adopts a stock specific approach in managing the Company's portfolio and therefore sector weightings are of secondary consideration. As a result of this approach, the Company's portfolio does not track any benchmark index.

The Company may utilise derivative instruments including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes. Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described below. The Company will not enter into uncovered short positions.

Risk Diversification

Portfolio risk is mitigated by investing in a diversified spread of investments. Investments in any one company shall not, at the time of acquisition, exceed 15% of the value of the Company's investment portfolio. Typically it is expected that the Company will hold a portfolio of between 100 and 180 securities, most of which will represent no more than 1.5% of the value of the Company's investment portfolio as at the time of acquisition.

The Company will not invest more than 10% of its gross assets, at the time of acquisition, in other listed closed-ended investment funds, whether managed by the Manager or not, except that this

restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds. In addition to this restriction, the Directors have further determined that no more than 15% of the Company's gross assets will, at the time of acquisition, be invested in other listed closed-ended investment funds (including investment trusts) notwithstanding whether or not such funds have stated policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds.

Unquoted Investments

The Company may invest in unquoted companies from time to time subject to prior Board approval. Investments in unquoted companies in aggregate will not exceed 5% of the value of the Company's investment portfolio as at the time of investment.

Borrowing and Gearing Policy

The Board considers that long-term capital growth may be enhanced by the use of gearing which may be through bank borrowings and the use of derivative instruments such as contracts for differences. The Company may borrow (through bank facilities and derivative instruments) up to 15% of NAV (calculated at the time of borrowing).

The Board oversees the level of gearing in the Company, and reviews the position with the Manager on a regular basis.

In the event of a breach of the investment policy set out above and the investment and gearing restrictions set out therein, the Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to the LSE.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

Shareholder Information

Capital Structure

The Company's share capital consists of redeemable ordinary shares of 0.1p each ("ordinary shares") with one vote per share and non-voting management shares of £1 each ("management shares"). From time to time, the Company may issue C ordinary shares of 1p each ("C shares") with one vote per share.

As at 30 November 2022, there were 355,870,647 ordinary shares in issue. As at the date of this Report there are 355,870,647 ordinary shares in issue, none of which are held in treasury, and 50,000 management shares in issue.

Redemption of Ordinary Shares

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of ordinary shares on 31 May each year. Redemption Request forms are available upon request from the Company's Registrar.

Shareholders submitting valid requests for the redemption of ordinary shares will have their shares redeemed at the Redemption Price or the Company may arrange for such shares to be sold in the market at the NAV (including current period revenue) (the "Dealing Value") prevailing at the end of May (subject to the Directors' discretion). The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any redemption point by reference to a separate Redemption Pool, when the Redemption Price will be calculated by reference to the amount generated upon the realisation of the Redemption Pool.

The Board may, at its absolute discretion, elect not to operate the annual redemption facility on any given Redemption Point, or to decline in whole or part any redemption request, although the Board does not generally expect to exercise this discretion, save in the interests of shareholders as a whole.

A redemption of ordinary shares may be subject to either income tax and/or capital gains tax. In particular, private shareholders that sell their shares via the redemption mechanism could find they are subject to income tax on the gains made on the redeemed shares rather than the more usual capital gains tax on the sale of their shares in the market. However, individual circumstances do vary, so shareholders who are in any doubt about the redemption or the action that should be taken should consult their stockbroker, accountant, tax adviser or other independent financial adviser.

The relevant dates for the May 2023 Redemption Point are:

2 May 2023	Latest date for receipt of Redemption Requests and certificates for certificated shares
3.00 pm on 2 May 2023	Latest date and time for receipt of Redemption Requests and TTE (transfer to escrow) instructions for uncertificated shares via CREST
5.00 pm on 31 May 2023	The Redemption Point
On or before 14 June 2023	Company to notify Redemption Price and dispatch redemption monies; or If the redemption is to be funded by way of a Redemption Pool, Company to notify the number of shares being redeemed. Notification of Redemption Price and dispatch of redemption monies to take place as soon as practicable thereafter
On or before 28 June 2023	Balance certificates to be sent to shareholders

Further details of the redemption facility are set out in the Company's Articles of Association or are available from the Company Secretary.

Historic Dividend Record (pence per share)

Period/year ended 31 May:	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
First interim dividend	0.30	0.40	0.65	0.70	0.75	0.80	0.85	0.85	0.90	0.95
Second interim dividend	0.50	0.50	0.65	0.70	0.80	0.85	0.90	0.90	0.90	0.95
Third interim dividend	0.50	0.50	0.75	0.80	0.85	0.90	0.90	0.90	0.90	–
Fourth interim dividend	0.95	1.00	–	–	–	–	–	–	–	–
Final dividend	–	0.50	0.75	0.80	1.00	1.10	1.05	1.10	1.20	–
Special dividend	–	–	–	0.40 ³	0.23 ³	0.16 ³	–	–	–	–
	2.25	2.90 ²	2.80	3.40	3.63	3.81	3.70	3.75	3.90	1.90

¹ The fourth interim dividend for the period ended 31 May 2012 was 0.93p but this included the benefit of the initial 13-month period. As shown above, on an annualised basis, the fourth interim dividend would have been 0.76p.

² In order to allow shareholders to vote on the dividend, a final dividend was introduced in the year ended 31 May 2015, resulting in the payment of five dividends for that year. Since then, the Company has paid three interim dividends and a final dividend in respect of each year. There was no interruption in the dividend payment timetable as a result of this change.

³ A special dividend was paid for the years ended 31 May 2017, 31 May 2018 and 31 May 2019, reflecting years when many special dividends were also paid by the companies in the portfolio.

Share Dealing

Shares can be traded through your usual stockbroker.

Share Prices

The Company's ordinary shares are listed on the Official List of the FCA and traded on the LSE.

Share Register Enquiries

The register for the ordinary shares is maintained by Link Group. In the event of queries regarding your holding, please contact the Registrar on 0371 664 0300 or on +44 (0)371 664 0300 from outside the UK (calls are charged at the standard geographic rate and will vary by provider; calls outside the UK will be charged at the applicable international rate). Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. You can also email enquiries@linkgroup.co.uk.

Changes of name and/or address must be notified in writing to the Registrar: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Electronic Communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's annual report, half-yearly report and other formal communications are available on the

Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company.

If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar using the details shown on page 30. Please have your investor code to hand.

Manager: Premier Portfolio Managers Limited

The Company's Manager is Premier Portfolio Managers Limited, a wholly-owned subsidiary of Premier Miton Group plc. Premier Miton Group is listed on AIM.

Members of the fund management team invest in their own funds and are significant shareholders in the Premier Miton Group.

Investor updates in the form of monthly factsheets are available from the Company's website, www.diverseincometrust.com.

Directors and Advisers

Directors (all non-executive)

Andrew Bell, Chairman
Charles Crole
Caroline Kemsley-Pein
Michelle McGrade
Calum Thomson

Alternative Investment Fund Manager or Manager Premier Portfolio Managers Limited

Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Tel: 020 3714 1525

Web: www.premiermiton.com

Company website

www.diverseincometrust.com

Auditor

BDO LLP

55 Baker Street
London W1U 7EU

Banker

Bank of New York Mellon

One Piccadilly Gardens
Manchester M1 1RN

Depository and Custodian

The Bank of New York Mellon (International) Limited

One Canada Square
London E14 5AL

Secretary and Registered Office

Link Alternative Fund Administrators Limited

(trading as Link Group)
Broadwalk House, Southernhay West
Exeter
EX1 1TS
Tel: 01392 477500

Registrar and Transfer Office

Link Group

Shareholder Services Department
The Registry
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Tel: 0371 664 0300

(+44 (0)371 664 0300 from outside the UK)
(calls are charged at the standard geographic rate
and will vary by provider; calls from outside the UK
will be charged at the applicable international rate).

Lines are open 9.00am to 5.30pm, Monday to Friday,
excluding public holidays in England and Wales.

Email: enquiries@linkgroup.co.uk

Web: www.linkgroup.eu

Solicitor

Stephenson Harwood LLP

1 Finsbury Circus
London EC2M 7SH

Stockbroker

Panmure Gordon

One New Change
London EC4 9AF

Financial Calendar

Announcement of half-yearly results	February 2023
Payment of first interim dividend	
Year end	May 2023
Payment of second interim dividend	
Redemption Point	
Announcement of annual results	August 2023
Payment of third interim dividend	
Annual General Meeting	October 2023
Half-year end	November 2023
Payment of final dividend	

Shareholder warning

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These calls typically come from fraudsters operating in 'boiler rooms' offering investors shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. While high profits are promised, those who buy or sell shares in this way usually lose their money. These fraudsters can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

It is very unlikely that either the Company or the Company's Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you have been contacted by an unauthorised firm regarding your shares, you can report this using the FCA helpline on 0800 111 6768 or by using the share fraud reporting form at www.fca.org.uk/consumers/scams.

An investment company as defined under Section 833 of the Companies Act 2006.

Registered in England No. 7584303.

A member of the Association of Investment Companies.

Glossary of Terms

AIC

The Association of Investment Companies.

AIM

The Alternative Investment Market is a sub-market of the LSE. It allows smaller companies to float shares with a more flexible regulatory system than applicable to the main market.

Alternative Performance Measure ("APM")

An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework.

The Company uses a number of APMs to provide information in order to assist the Board and the Investment Manager in monitoring the Company in order for them to meet the objectives of the Company, including the management of risk. These consist of, but are not limited to, key performance and financial indicators set out in the various relevant parts of the Report.

AQUIS Stock Exchange ("AQUIS")

The AQUIS Stock Exchange (previously known as NEX, ICAP Securities and Derivatives Exchange or ISDX) operates two primary traded market segments, the AQUIS Stock Exchange Main Market and the AQUIS Stock Exchange Growth Market. Both AQUIS Stock Exchanges are focused on smaller enterprises, with the latter focused on both smaller and medium-sized enterprises.

Comparator Benchmark

The Comparator Benchmark is the Morningstar Investment Trust UK Equity Income Sector. Comparison against this may assist investors in evaluating the Trust's performance against a group of its peers.

CO₂e/BOE

The infrastructure required for the extraction of oil or gas itself involves emitting carbon into the atmosphere. The term CO₂e/BOE is an assessment of the overall carbon emitted to build and decommission the infrastructure that brings a new oil or gas field into production, averaged over the life of the field, set out on the basis of each barrel of crude oil produced, or gaseous energy equivalent.

Discount/Premium*

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

(Discount)/premium calculation	Page	30 November 2022	31 May 2022
Closing NAV per share (p)	6	95.45	110.55 (a)
Closing share price (p)	6	91.20	103.00 (b)
(Discount)/premium (c = ((b - a) ÷ a) x 100) (%)	6	(4.45)	(6.83) (c)

The discount/premium and performance is calculated in accordance with guidelines issued by the AIC. The discount/premium is calculated using the NAV per share inclusive of accrued income with debt at market value.

Dividend Yield

The annual dividend expressed as a percentage of the mid-market share price. This financial ratio shows how much an investment pays out in dividends relative to its stock price. The dividends are based upon historic dividend rates and announcements by the investment company. The dividend yield indicates the anticipated future cashflows from the investment contributing to the income of the Group.

Financial Conduct Authority ("FCA")

This regulator oversees the fund management industry, including the Company's Manager.

* Alternative performance measure.

Gearing

Gearing refers to the ratio of the Company's debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. If the Company's assets grow, the shareholders' assets grow proportionately because the debt remains the same. If the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Group

The Company and its subsidiary, DIT Income Services Limited.

Growth Stock

A stock where the earnings are expected to grow at an above-average rate, leading to a faster than average growing share price. Growth stocks do not usually pay a significant dividend.

Net Asset Value per Ordinary Share ("NAV")

The NAV is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all of the Company's assets, at their current market value, having deducted all liabilities and prior charges at their par value, or at their asset value as appropriate. The total NAV per share is calculated by dividing the NAV by the number of ordinary shares in issue excluding treasury shares.

Numis indices

The Numis indices mentioned in this report comprise the following:

Numis All-Share Index comprises all fully listed companies on the main UK equity market.

Numis Large Cap Index contains all the stocks that, as at the annual end-year rebalancing date, make up the largest 80% by value of the UK fully listed equity market (including Premium and Standard Listings) as at the annual end-year rebalancing date.

Numis Smaller Companies + AIM ex Investment Companies Index covers the smallest 10% by market value of the UK fully listed equity market, plus AIM stocks that meet this size limit. It excludes investment companies.

Numis Mid Cap Index contains all the stocks that, as at the annual end-year rebalancing date, make up the smallest 20% by value of the UK fully listed equity market (including Premium and Standard Listings), excluding the bottom 5% by value of the UK fully listed equity market.

Numis Alternative Markets Index contains all stocks listed on qualifying UK Alternative markets, regardless of market capitalisation. Currently the AIM market is the only market that qualifies.

Ongoing Charges*

As recommended by the AIC in its guidance, ongoing charges are the Company's annualised revenue and capital expenses (excluding finance costs and certain non-recurring items) expressed as a percentage of the average daily net assets of the Company during the year.

Ongoing Charges Calculation	Page	30 November 2022 £000	31 May 2022 £000
Management fee	17	2,969	3,559
Other administrative expenses	17	841	849
Less one-time costs		(3)	(47)
Total management fee and other administrative expenses (annualised)		3,807	4,361 (a)
Average net assets in the year		353,494	413,468 (b)
Ongoing charges (c = a ÷ b x 100) (%)	6	1.08	1.05 (c)

* Alternative performance measure.

Glossary of Terms *continued*

Price to Book

A company's price to book ratio is its share price divided by its asset value per share. If this is below 1.0x, the stockmarket is thought to be underpricing the company in question in relation to the accounting value of its assets if sold.

Put Option FTSE 100

A FTSE 100 Put Option is a type of derivative contract in which the underlying value is based on the level of the FTSE 100 index.

When the Trust's portfolio appreciates, along with the mainstream Stock Market, the value of Put option tends to become worthless over its term (which in the case of the Trust currently extends to December 2023). The key advantage of investing in a FTSE 100 Put option is that at times of major market setbacks, the valuation of the Put option rises, which can then offset a part of the decline of other portfolio holdings. During the March 2020 setback for example, the Trust was able to take profits on its FTSE Puts after they had risen. It then bought more UK microcaps with the additional cash, at a time when their share prices were low. This process boosted the returns of the Trust through the market setback and the subsequent recovery.

Total Assets

Total assets include investments, cash, current assets and all other assets. An asset is an economic resource, being anything tangible or intangible that can be owned or controlled to produce value and to produce positive economic value. Assets represent the value of ownership that can be converted into cash. The total assets less all liabilities will be equivalent to total shareholders' funds.

Total Return – NAV and Share Price Returns*

Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The total return measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. This is calculated by the movement in the share price or NAV plus dividend income reinvested by the Company at the prevailing NAV.

NAV Total Return	Page	30 November 2022	31 May 2022
Closing NAV per share (p)	6	95.45	110.55
Add back total dividends paid per share in the period/year (p)	23	2.10	3.80
Adjusted closing NAV per share (p)		97.55	114.35 (a)
Opening NAV per share (p)	6	110.55	118.31 (b)
NAV total return unadjusted (c = ((a – b) ÷ b) x 100) (%)		(11.76)	(3.35) (c)
NAV total return adjusted (%)**		(11.75)	(3.41)

Share Price Total Return	Page	30 November 2022	31 May 2022
Closing share price (p)	6	91.20	103.00
Add back total dividends paid per share in the period/year (p)	23	2.10	3.80
Adjusted closing share price (p)		93.30	106.80 (a)
Opening share price (p)	6	103.00	119.00 (b)
Share price total return unadjusted (c = ((a – b) ÷ b) x 100) (%)		(9.42)	(10.25) (c)
Share price total return adjusted (%)**		(9.35)	(10.53)

Volatility

The term volatility describes how much and how quickly the share price or net asset value of an investment has tended to change in the past. Those investments with the greatest movement in their share prices are known as having high volatility, whereas those with a narrow range of change are known as having low volatility.

* Alternative performance measure.

** Based on NAV/share price movements and dividends being reinvested at the relevant cum dividend NAV/share price during the year. Where the dividend is invested and the NAV/share price falls, this will further reduce the return or, if it rises, any increase will be greater. The source is Morningstar who have calculated the return on an industry comparative basis.

Notes

Notes

Total return for the half year to 30 November 2022

The Diverse Income Trust NAV Total Return ¹	-11.8%
Numis All-Share Total Return	-0.2%

Source: Morningstar including dividend income reinvested.

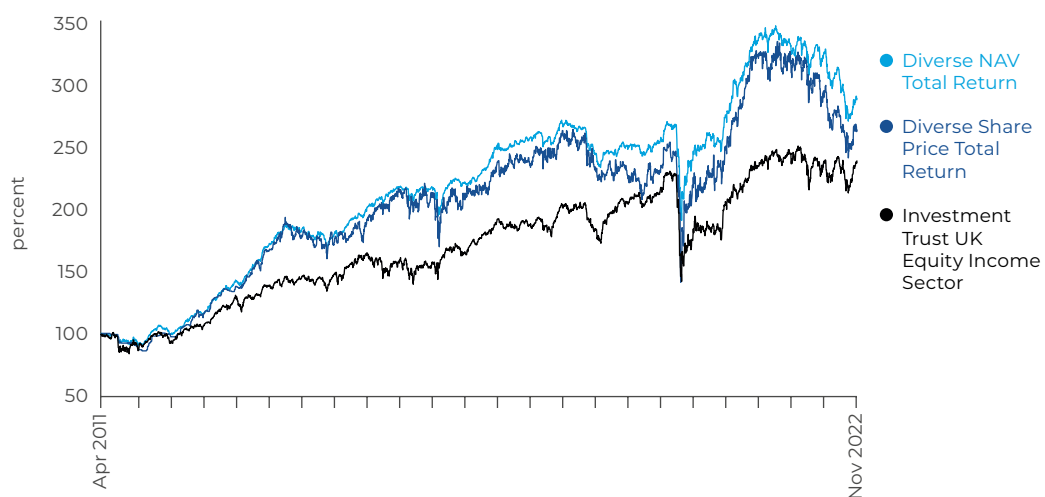
¹ Including the movement in NAV plus the third interim and final dividends for 2022.

Total return since launch on 28 April 2011

The Diverse Income Trust NAV Total Return	+189.6%
Numis All-Share Total Return	+89.8%

Source: Morningstar including dividend income reinvested.

Company performance since launch on 28 April 2011



Source: Morningstar including dividend income reinvested.

Premier Miton
INVESTORS

Eastgate Court
High Street
Guildford
Surrey GU1 3DE