

Miton UK MicroCap Trust plc

Half year Report for the
period to 31 October 2019

Accessing the **inherent vibrancy of the smallest quoted companies** to generate **attractive potential returns**



Past market trends, and how they're changing...



Generally, the extra growth of globalisation has boosted largecap expansion and the returns of the mainstream indices over the last three decades.



After the crisis in 2008, Quantitative Easing has persistently distorted market prices and led to a stagnation in global productivity.



Tepid wage growth has driven a change in the political agenda, and policy has evolved from globalisation towards nationalism.



Since larger companies often find it hard to grow much faster than their host economies, the aggregate return on larger company indices was unremarkable prior to the period of globalisation.



As global growth slows to pre-globalisation norms, bond yields have fallen to ultra-low levels implying that asset returns may not be as good as the past - where should investors look for attractive returns in future?



This Half Year Report outlines the reasons why we believe the Miton UK Microcap Trust plc is well-placed to thrive in the coming years.

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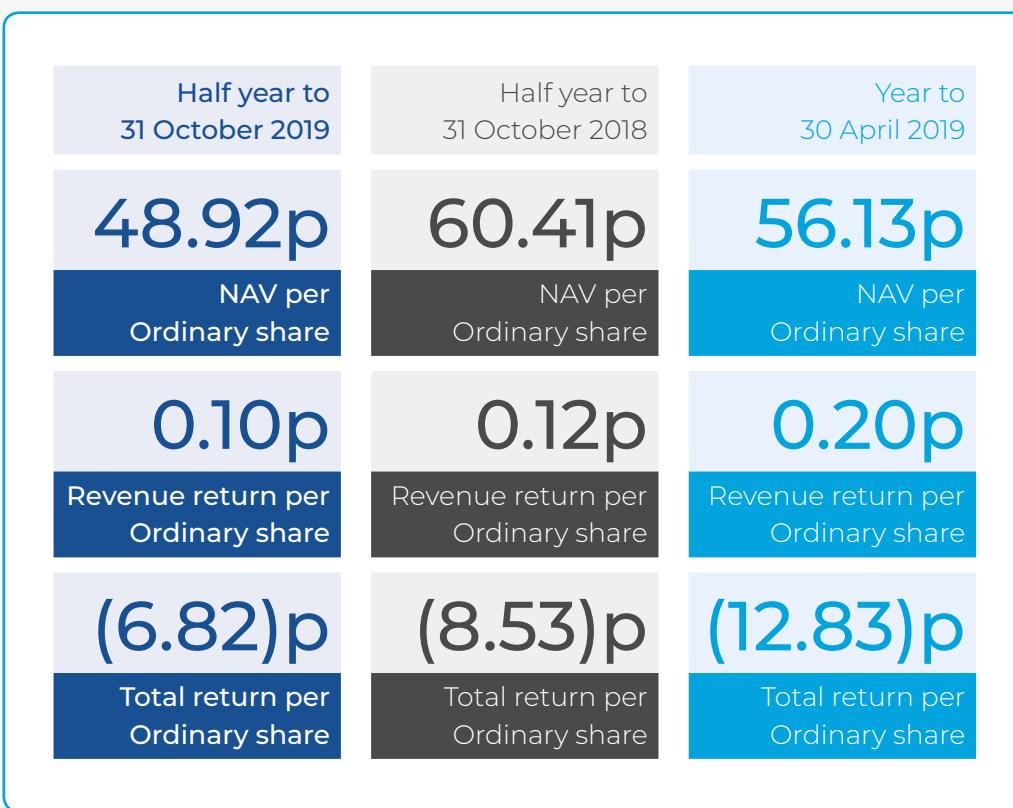
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Miton UK MicroCap Trust plc

Miton UK MicroCap Trust plc is an investment trust quoted on the London Stock Exchange under the ticker code MINI. It is referred to as the Company, MINI or the Trust in the text of this report. The board, which consists of four independent directors, appoints the Investment Manager and is responsible for monitoring the Trust's performance.

The Trust's net asset value (NAV) had risen from 49.0p in April 2015 when it was first listed, to 71.6p in June 2018. Over recent quarters however, the NAV has fallen back due to the adverse stock market trends in the second half of last year, along with anxiety over Brexit so the NAV represents the four and a half year period. This report covers the six-month period to the end of October 2019, a period when mainstream stocks were largely flat. However, Microcap share prices were depressed by marginal sellers over the six month period, and the NAV of the Trust fell by 12.8%.



Our objective

The Company invests principally in a portfolio of smaller UK quoted companies, generally with market capitalisations of less than £150m. The primary objective is to generate capital growth, through a portfolio of stocks that are themselves investing capital in anticipation of an attractive cash payback. Most of these types of stocks do not pay dividends, but it is anticipated that those that succeed in growing their cashflow may be in a position to use this cashflow to invest further and also start to pay dividends over the coming years. As the share prices of these quoted companies appreciate, the capital from maturing investments in the Company can be reinvested in other less mature businesses with attractive prospects. For this reason, it is anticipated that a major part of the Company's return will comprise capital appreciation, and that the annual dividend from the Company may vary from year to year.

Key questions on MINI's strategy and prospects

What has driven such good stock markets returns over the last three decades?

The law of large numbers means that it is often difficult for larger companies to grow much faster than the wider economies in which they operate. Therefore, over the longer term, the aggregate return on mainstream stock market indices, which are comprised of larger quoted companies, tends to have long periods when returns are unremarkable.

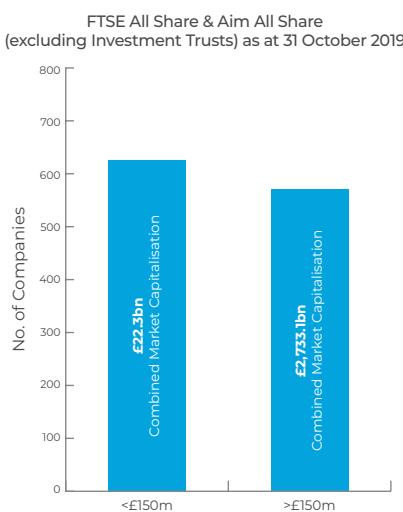
During the decades of globalisation, the reduction in trade barriers has led to a surge of imports, such as low-cost clothing, food and electronics. These low-cost imports have had the effect of offsetting indigenous inflation

such as the cost of home rental, which has progressively increased over this period.

Given that interest rates have progressively declined as well, global growth has been relatively plentiful. Hence this has been a period when quoted largecaps and the mainstream stock market indices have risen strongly, well ahead of the rate of general inflation. After decades of this favourable trend, most UK funds have narrowed their investment universe and now almost exclusively invest in the largest 350 listed companies.

How does the Trust's investment strategy differ?

The Company's investment strategy differs from most UK funds, in that it principally invests in UK quoted companies with market capitalisations of less than £150m. For more than 60 years, microcap stocks have greatly outperformed the returns on the mainstream stock market indices. Whilst the positive microcap trend has continued over recent decades, the extra return has been less distinctive during the period of globalisation as mainstream stock market indices have appreciated so well.



Academic research on past stock market data has identified that quoted companies with the highest growth expectations often underperform other listed companies. Investors can get over-enthused about companies with exciting growth and many end up buying into them when they are already overvalued relative to their prospects.

In contrast, it is easy for investors to become overly cautious about companies that are not projecting an exciting growth story. Hence more regular stocks are often undervalued relative to their prospects, and in the long term they tend to outperform. Historically overlooked, many individual microcap stocks with value characteristics have outperformed the mainstream indices by an even greater margin than the microcap universe alone.

If microcaps outperform, why have their share prices fallen back so badly recently?

Since 2008, central banks have adopted a policy of Quantitative Easing (QE) with the aim of stimulating an economic recovery. Its continued use has distorted stock market prices for a decade, and interest rates have remained lower for longer than anticipated. This has driven up valuations and boosted the performance of assets, including that of the mainstream stock markets.

Many commentators equate QE with the stagnation of productivity and the major change in the political agenda. The evolution of globalisation into nationalism is illustrated, in part, by the Brexit vote in the UK. Over the last four and half years Brexit uncertainty has overshadowed the UK weighting of many asset allocation models. Since microcap stocks trade less frequently than their larger counterparts, this paring back of capital has affected their share prices adversely, and they have fallen over recent quarters.

This cautious stance has left UK quoted companies on valuations somewhat below their international comparatives. Hence the UK stock market can be expected to have a period of performance catch-up in future. Since the undervaluation of microcaps appears to be even more marked, they have scope to outperform by a much greater quantum in time.

Generally smaller and microcap companies appear to be standing on lower valuations.



How dependent is MINI's strategy on the growth of the UK economy?

The term microcaps might imply that they are very small businesses, but terminology can be misleading. It should be read in the context of other listed companies such as midcaps that often have market capitalisations of several billion pounds. Microcaps often have market capitalisations around £70m, and hence they are significant businesses in their own right. In spite of their moniker many microcaps can have hundreds of staff and operate in a number of countries around the world.

One of the key drivers of past premium returns is the fact that microcap management teams are more agile than that of largecaps. Furthermore, listed microcaps can fund their plans with additional capital, and from time to time their investments can deliver transformational returns. Importantly, microcaps have better scope to sustain growth than largecaps, even when the wider economy is not growing. During globalisation, this microcap feature has not been distinctive. But, if growth is more anaemic in future, then the performance differential between large and microcaps could lead to renewed capital allocations to quoted microcap stocks.

Overall, the success or otherwise of individual UK quoted microcaps is not wholly unrelated to the growth of the economies in which they operate. In that context the UK is the most relevant. After three decades of globalisation, however, the UK differs from many other markets, particularly European ones, in that it retains a vibrant universe of quoted microcaps. Therefore, post globalisation, the UK's stock market has almost unique attractions for investors interested in investing in smaller quoted companies.

Results for the Half Year

to 31 October 2019

- Over the half year, the Ordinary share NAV **fell from 56.13p on 30 April 2019 to 48.92p on 31 October 2019, a fall of 12.8%.***
- The Ordinary share price moved **from 54.40p at the end of April 2019 to 46.20p at the end of October 2019, a fall of 15.1%.**
- Revenue after costs amounting to £151,000 in the half year to 31 October 2019 has been credited to the revenue reserves. The

Company normally pays a final dividend each year after shareholders' approval at the Annual General Meeting.

- At a general meeting held on 23 July 2019, a special resolution was approved to cancel the share premium reserve and credit it to a distributable reserve. This puts the Trust in a position to satisfy future redemption requests.

Summary of Results

	Half year to 31 October 2019	Year ended 30 April 2019
Total net assets attributable to equity shareholders (£'000) [†]	67,673	85,679
NAV per Ordinary share*	48.92p	56.13p
Share price (mid)	46.20p	54.40p
Discount to NAV*	(5.56)%	(3.08)%
Revenue return per Ordinary share	0.10p	0.20p
Total return per Ordinary share*	(6.82)p	(12.83)p
Ongoing charges**	1.66%	1.52%
Ordinary shares in issue	138,335,915	152,653,822

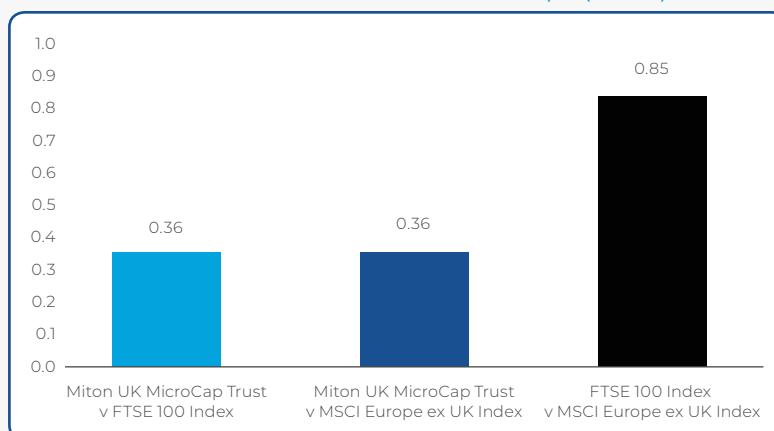
* Alternative Performance Measure ('APM'). Details provided in the Glossary on pages 30 to 32.

[†] After payment of redemption proceeds and cancellation of shares June 2019: £7,721,000 (June 2018: £12,761,000).

[#] The ongoing charges are calculated in accordance with AIC guidelines.

Financial Performance Indicators

NAV correlation v FTSE100 Index v MSCI Europe (ex UK) Index



Source: Bloomberg 30 April 2015 to 31 October 2019.

The return on major oil companies listed in the US or continental Europe tend to be quite similar to that of a major oil company listed in the UK. Furthermore, the stock exchanges tend to comprise a fairly uniform range of sectors in each geography. This explains why the daily movements of the FTSE100 and the MSCI Europe (excluding the UK) Indices tend to be closely correlated. In contrast the stocks in MINI portfolio operate in sectors that are much more wide ranging than those of the FTSE100 Index. Alongside, the MINI portfolio is more equally weighted between UK and international operations. For these reasons the returns of the MINI portfolio are not particularly correlated with those of the mainstream indices. Sometimes the Trust can generate attractive returns when the mainstream stock markets are not appreciating, although at other times the Trust returns are somewhat lower than the mainstream stock markets, as has been the case in the last 18 months.

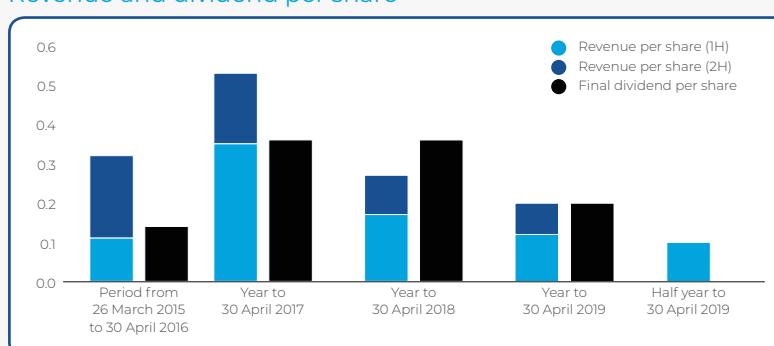
NAV v share price v FTSE AIM All-Share Index



The chart to the left details the NAV and the daily closing share price of the Company compared with that of the FTSE AIM All-Share Index. Prior to the Brexit referendum (June 2016), the share prices of microcaps generally appreciated well and the Trust's NAV rose. After the Brexit referendum many asset allocators have scaled back their UK weightings given the uncertainties over the detail of the exit arrangements, and over the last 18 months this has led to fewer buyers of smallcap stocks. The adverse trend has been more acute amongst microcap stocks, with most now standing on much lower valuations than mainstream stocks. A more detailed explanation is set out in the Investment Managers Report on pages 8 to 11.

Source: Morningstar 30 April 2015 to 31 October 2019.

Revenue and dividend per share



Source: Bloomberg 30 April 2015 to 31 October 2019.

The revenue per share of the Trust was particularly strong in the early years, as two of the portfolio holdings were yielding 10% at purchase. Since these were taken over, the underlying dividend income from the portfolio has been at a lower level. Overall it has always been anticipated that the major part of the Trust's longer term returns will be via capital gain rather than dividend income.

Chairman's Statement



"The Trust has strong prospects over both the short and the longer term."

Andy Pomfret

Chairman

This Half Year Report covers the six-month period to 31 October 2019, a period when the mainstream markets were flat, and many microcap share prices were depressed as buyers awaited more detail regarding Brexit. This has led to a disappointing performance for your Trust over the half year.

Returns

The UK's transition out of the EU was planned for the end of March 2019, but this was deferred until the end of October 2019, and, subject to the election results, it is now anticipated to occur at the end of January 2020. Many smallcap investors deferred investing during this period of uncertainty. Over the half year the FTSE SmallCap Index (excluding Investment Trusts) fell 5.9% and the FTSE AIM All-Share Index fell by 8.2%.

The adverse trend was most marked amongst microcap stocks, and typically their share prices have fallen more than the smallcap indices quoted above. For this reason, the NAV of the Trust has

fallen 12.8% over the half year. It is a little-known fact that there are 25 companies with market capitalisations over £500m in the FTSE AIM All-Share Index and these tend to be stocks, such as ASOS, Fevertree and boohoo, which have performed well as they are deemed to be high growth companies, rather than the overlooked value of more steadily growing companies, which we seek.

The revenue return per share was 0.10p over the half year, which compares with 0.12p per share in the equivalent six-month period last year. It has always been anticipated that, over time, capital appreciation would be the principal driver of the Trust's return.

When the Trust was first listed its NAV rose from 49.0p in April 2015 to 71.6p in June 2018. However, the adverse stock market trends in the second half of last year, and anxiety over Brexit in recent quarters has led to the Trust's NAV per share falling back to 48.9p at the end of October 2019. Over the four and a half year period since issue, the Trust's NAV is almost unchanged in spite of microcap companies generally growing over that period. Since microcaps valuations have declined over the period, the Trust now has significant potential upside as and when these valuations recover.

Share Redemptions

The Trust's share price reflects the balance of buyers and sellers in the market. Hence when there is an imbalance, its share price can diverge from the Trust's NAV. In order to ensure imbalances do not persist, the Trust offers all shareholders the option to redeem their shares each year.

This year, 14,317,907 shares were offered for redemption during May 2019, amounting to 9.4% of the then share capital, for a redemption point at the end of June 2019. This was funded in part by cash receipts from a takeover of a portfolio holding.

It is anticipated that the next redemption point for shareholders will be at the end of June 2020, for those who submit requests during May 2020. Currently it is envisaged that the portfolio will be fully invested at this time, since our manager anticipates

that microcap share prices will recover after the conclusion of the UK General Election and Brexit. If this turns out to be the case, then shareholders should note that redemptions are likely to be funded by selling an equal tranche of all the Trust holdings. This may take some weeks to complete and would incur transaction costs which would be borne by those shareholders electing to redeem.

AGM

Given the relatively low attendance at recent AGMs and in the light of feedback received from shareholders, we have decided to move the AGM from August to September 2020, to give shareholders a more convenient opportunity to attend should they wish.

Strategy

Quoted smallcaps have both corporate agility and access to external capital. Together, these trends have led to a long history of their outperforming the mainstream indices. Investing in microcaps, especially those standing at undemanding valuations at the time of purchase, has a history of even greater outperformance. For this reason, the Trust's strategy is to select UK quoted companies with overlooked prospects, in an investment universe of quoted companies principally with market capitalisations below £150m. The share prices of the most successful microcaps can deliver a multiple of the capital invested.

Since UK microcap share prices have declined over the last 18 months, a large percentage now stand on relatively undemanding valuations. Therefore, we believe that the Trust's strategy now has significant potential upside.

Prospects

As a rule, larger companies find it hard to grow much faster than their host economies. So, when economic growth is unexceptional, the aggregate return on larger company indices tends to be unremarkable. One of the key features of the decades of globalisation has been the extra growth of largecaps and consequent years of strong returns of the mainstream indices. Globalisation

has also benefitted most of the electorate as it led to plentiful, low-cost, imports of clothing, food and electronics, an ongoing reduction in mortgage rates, together with productivity improvement and new job creation.

Following the crisis in 2008, however, the policy of Quantitative Easing introduced a period of major change. QE works by distorting market prices, and hence its use and reuse has led to the persistent misallocation of capital over many years. This has led to stagnation in global productivity, disappointing wage growth, and a hardening of electoral attitudes. Over recent years the political agenda has changed, and globalisation has evolved into nationalism across the world.

As global growth falls back to pre-globalisation norms, we believe that a quoted microcap approach is advantageous. When economic conditions are challenging, the management agility that many microcaps demonstrate is important. Importantly, since acquisitions or mergers can turn out to be transformational, microcaps have a history of delivering much greater returns than those of the mainstream indices.

In summary, the growth prospects for the UK economy may be no better than others. Importantly and uniquely, the UK stock market contrasts with others in that it has retained a vibrant universe of quoted microcaps over the period of globalisation. In a slow-growth world, the Trust's microcap strategy is particularly well-placed to deliver premium returns. Furthermore, since we believe that UK microcaps themselves are overdue a period of major performance catch-up, we consider that the Trust has the potential for strong prospects over both the short and the longer term.

Andy Pomfret

Chairman

12 December 2019

Investment Manager's Report

Who are Premier Miton?

In November 2019, Premier and Miton merged to form Premier Miton Group plc, which remains an independent listed company with an emphasis on delivering premium investment returns. Some of the technology developed by Premier will be very helpful for Miton clients, and the reduction of overlapping costs will allow the combined group to accelerate investing in the business in order to address changing market trends ahead of others.

Both Miton and Premier have a heritage of organically growing their fund management businesses from small beginnings, through client-centric fund strategies that have scope to deliver returns that are ahead of others. In the case of Premier this was principally within funds including shares, bonds and property together, whereas in the case of Miton it was principally via equity portfolios in specific investment universes, such as the Miton UK Microcap Trust.

The day to day management of the Trust's portfolio continues to be carried out by Gervais Williams and Martin Turner, who have worked together on this Trust since it first listed in April 2015.

Gervais Williams

Gervais joined Miton in March 2011 and is 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 and 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. Both Martin and Gervais have had a close working relationship since 2004, with their complementary expertise that 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 Rothschild, Merrill Lynch and Collins Stewart.

Why were the Trust's returns so disappointing over the half year to October?

The FTSE100 Index peaked in May 2018 and fell back, especially during the latter part of that year. Whilst the UK largecaps subsequently staged a recovery in the first few months of 2019, more recently they have lost momentum.

Over the half year to 31 October 2019, Brexit anxiety subdued smallcap buyers, and hence the FTSE Smallcap Index excluding Investment Companies fell 5.9% and the AIM All-Share Index fell 8.2%. Generally, microcap share prices fell somewhat further, in part because their market liquidity is more limited, as a result the NAV of the Trust fell 12.8% over the six months to October.

At times when it turns out that a portfolio holding is not going to generate an attractive cash payback on their investment, the disappointing holding is sold, and the capital reallocated to others with better prospects. Nanoco was the most disappointing holding during this period since it reported that their largest prospective customer would not be utilising its new factory capacity, in spite of the customer having already paid for all the new machinery. As we considered it unlikely that Nanoco would generate any significant cash in the next few years, the MINI holding in Nanoco was sold.

Whilst the prospective cashflows from Corero Network Security, Frontier IP, Anglo African Oil & Gas, Zotefoams and Trackwise Designs were slightly deferred, we still expect them to become substantial before long. Since the microcap market is currently unsettled, the slower progress of these stocks detracted a total of 4.9% from the Trust's NAV return over the six-month period. It is anticipated that their share prices will appreciate considerably when the cash generation potential comes through.

There were offsetting positives such as Rockrose Energy, a company with an ambition to acquire North Sea oilfields already in production, that the Trust invested during September and October 2018. Rockrose was already well financed with a sizable cash balance, so any potential transaction was

unlikely to need additional capital. Meanwhile many oil majors were looking for strategic reasons to exit non-core operations such as those in the North Sea. In our view the exit valuations were likely to be modest.

During the half year, shareholders approved Rockrose's proposed transaction to buy Marathon Oil's interests in the North Sea. The assets in this transaction were so large, that it triggered a reverse takeover process, which meant that Rockrose's shares were suspended whilst the transaction was formally approved by shareholders. Rockrose Energy's share price more than doubled and enhanced the Trust's NAV return by 2.5% over the half year.

The half year ended with many microcap stocks standing on very undemanding valuations, and hence many are vulnerable to takeover. A good example is Eland Oil & Gas which agreed to a bid at 166p per share during the six months under review. Whilst the bid is well above the Trust's average purchase price of 58p, we find it disappointing that Eland has been acquired on a Price Earning Ratio of just 7.6x (according to Panmure Gordon's forecasts). Takeovers such as this underline the greatly overlooked nature of many microcap stocks and validates our confidence in the Trust's portfolio. Looking forward we anticipate that the underlying strengths of many of the microcap businesses in the portfolio will rise to more appropriate valuations.

[How has the Trust performed since listing four and half years ago?](#)

Over the decades of globalisation few funds have advocated a microcap strategy despite its long history of substantial outperformance, because the mainstream indices have delivered such strong absolute returns. Furthermore, microcap funds are by their nature necessarily limited in scale and, at a time of stock market buoyancy they may not seem to be worth the effort.

More recently, it has been becoming clear that the political agenda has started to change radically. As policy evolves beyond globalisation, we think that the prior pattern of slower world growth may recommence, along with potentially more moderate

returns on mainstream stock market indices. As this trend becomes more consensual, we expect renewed interest in strategies that can deliver attractive returns even when global growth is limited.

With this background in mind, the Miton UK MicroCap Trust was set up at the end of April 2015. Its NAV quickly rose from 49.0p in April 2015 to 71.6p in June 2018. From mid-2018 onwards, as the mainstream stock markets became more unsettled, the Trust's NAV fell back. Overlaying this, anxiety over Brexit has led to even greater recent weakness amongst microcap share prices recently. As a result, the Trust's NAV has now fallen back to 48.9p as at the end of October 2019. Overall, the FTSE100 Index has hardly risen since the Trust's listing four and a half years ago, whilst the Trust's NAV is broadly flat. Since microcap companies have generally grown profits over this period, this means that many microcap valuations have declined.

In summary, microcaps have a long history of generating premium returns, with their advantages most distinctive at a time when world growth is unexceptional. Alongside this, with microcap valuations unusually low at present, we believe that the Trust has greater potential upside now, even than it did when first listed.

[What should investors expect after Brexit transition occurs?](#)

Three stock market changes occurred after the result of the EU referendum was announced in June 2016.

1. The UK exchange rate fell back abruptly. This boosted the value of profits generated overseas and increased the Sterling profits of multinational stocks. Hence the FTSE100 Index actually ended up rising after the Brexit vote.
2. The share prices of mainstream cyclical stocks such as banks, housebuilders and retailers fell sharply on the assumption that domestic growth prospects were going to be less buoyant.

Investment Manager's Report continued

3. Smallcap stocks were lumped together with domestics, and their share prices marked down sharply, rather like the cyclicals. After a few months with many small caps reporting upbeat results, their share prices staged a recovery.

Overall, we expect renewed capital allocations to the UK stock market when the uncertainty of the Brexit transition is lifted. Also, we expect that UK stock market trends will be the reverse of those outlined above.

1. The UK exchange rate may steadily appreciate, which would be a headwind for multinational stocks, and the FTSE100 Index specifically. Hence renewed UK capital allocations will initially be more likely to be directed to the FTSE250 Index stocks.
2. There are already some early indications that the share prices of mainstream cyclicals, such as banks, housebuilders and retailers will rise. It is unlikely, however, that the prospects for the UK economy would greatly improve as a result of the Brexit transition agreement, so these moves might not be sustained.
3. We expect the renewed capital inflows into the UK to move from the FTSE250 stocks, into smallcap, and then into microcap stocks, given that their valuations are so much lower. This is something that may progressively occur in the months following the UK's exit from the EU, with the best performers being those microcaps whose results surprise on the upside.

Overall, we do not just expect renewed interest in UK quoted companies after the Brexit transition, but also potentially much greater interest in small and microcap companies. Importantly, the UK is distinctive with its vibrant community of quoted small and microcaps, as there are few other markets where investors can participate in all the advantages these stocks offer.

How does the Trust add value when markets are particularly volatile?

Stock markets can suffer periods of high volatility at times, that sometimes involve larger price setbacks. The Trust has two strategies specifically ready to enhance shareholder returns through such periods when they occur.

A FTSE100 Put Option

MINI is currently holding a Put option. This option means the Company can sell the FTSE100 Index at a certain level (6,100 in our case) after the stock market has sold off. This works a bit like portfolio insurance, with value of the FTSE100 Put option rising as the FTSE100 falls below 6,100.

Options come with a cost – similar to an insurance premium. Specifically, the cost of the Put option will gradually decay over the insured period (to December 2020 in our case), irrespective of whether the markets suffer any fluctuations or not. It is therefore important to minimise the initial cash cost of Put options, since their resale value generally falls over time (assuming markets are relatively flat) and ultimately becomes worthless if the FTSE100 Index does not fall significantly below 6,100.

With this in mind, we tend to wait for buoyant periods in the market before purchasing Put options. In addition, we have been cautious about the scale of the Put options purchased. Therefore, the Put options only cover severe market setbacks, (in our case when the FTSE100 Index falls below 6,100), and only cover one quarter of the total assets in the Trust. This means that the cost of the option is rather less than 0.5% of the NAV per year on average, were the option to expire worthless at the end of its term.

The key advantage of having Put options in the portfolio is that their resale value would be expected to rise proportionate to a market selloff. The full level of that appreciation would be related to the duration of the remaining term of the option as well as the scale of the market setback. If the Put option were to be sold when markets were low, then the cash proceeds could be used to purchase additional equities for the portfolio at a time when their share

prices were depressed. The added holdings in the portfolio would then enhance its recovery potential thereafter. Alongside this, the Trust would benefit from the extra income from the new holdings added during this period.

In summary, the Put option strategy places MINI in a position where it has scope to take advantage of any major market setback, at a relatively modest running cost, if markets do not drop back significantly in the period prior to December 2020.

[The Trust's Debt Facility](#)

Generally, as outlined above, we believe the Trust has scope to generate an attractive long-term return without relying on debt. Therefore, the Trust has not significantly borrowed at all most of the time, since it would detract from returns during periods of market weakness. However, the Trust has an unused debt facility available, so it can purchase additional shares when we consider valuations especially compelling and hold them when markets are well-placed to recover after a severe setback.

[Managing the potential downside volatility of the stock market – in summary](#)

MINI's objective is to offer shareholders the prospect of premium long-term returns, through investing in overlooked microcap stocks. Along the way this necessarily involves taking stock market risk, which could involve a significant fall in NAV. At present this risk is being offset in part by holding a FTSE100 Put option holding since this would rise in value if the mainstream stock market fell back sharply before December 2020. Once the stock market has bottomed, the Trust has access to a pre-agreed debt facility, which would be able to purchase extra holdings and participate in greater scale in the recovery. Together, we believe these strategies put the Company in a position to take advantage of any significant stock market setback and subsequent recovery, enhancing the returns of the Trust's NAV over such a period.

[What are the prospects for the Trust?](#)

Since 2008, the main driver of global growth has been Chinese infrastructure investment. The collective problem is that after a decade of Chinese infrastructure spend, many of their current projects do not generate sufficient cash to fund the repayment of their debt. Therefore, the Chinese have found it harder to borrow over recent years, and this has led to a marked slowdown in Chinese growth, and that of the world economy.

As larger companies rarely grow much faster than their host economies, the slowdown in world growth suggests that many mainstream companies will not grow much in future. It also implies stock market returns could turn out to be quite modest. Indeed, the fact that government debt is now standing on ultra-low rates also implies that returns on most asset classes are likely to be very modest.

The Miton UK MicroCap Trust was set up with these challenges in mind. Microcaps are small compared to the largecaps and so some can sustain good growth even when the wider economy is not growing. During globalisation and the years of plentiful growth, this differential has not been particularly relevant. However, now that globalisation has evolved into nationalism and global growth has moderated, microcaps could be important. We would argue that this is the moment when all investors should step up their allocation to quoted microcap stocks, because of their scope to buck the wider economic constraints.

In addition, during the period of Brexit uncertainty the valuation of the UK stock market has fallen behind others. Quoted microcaps have been even more likely to be overlooked than mainstream stocks, so we believe that they have potential for an even greater performance to come. In summary, we are excited about the Trust's prospects over the short and the longer term.

Gervais Williams and Martin Turner

12 December 2019

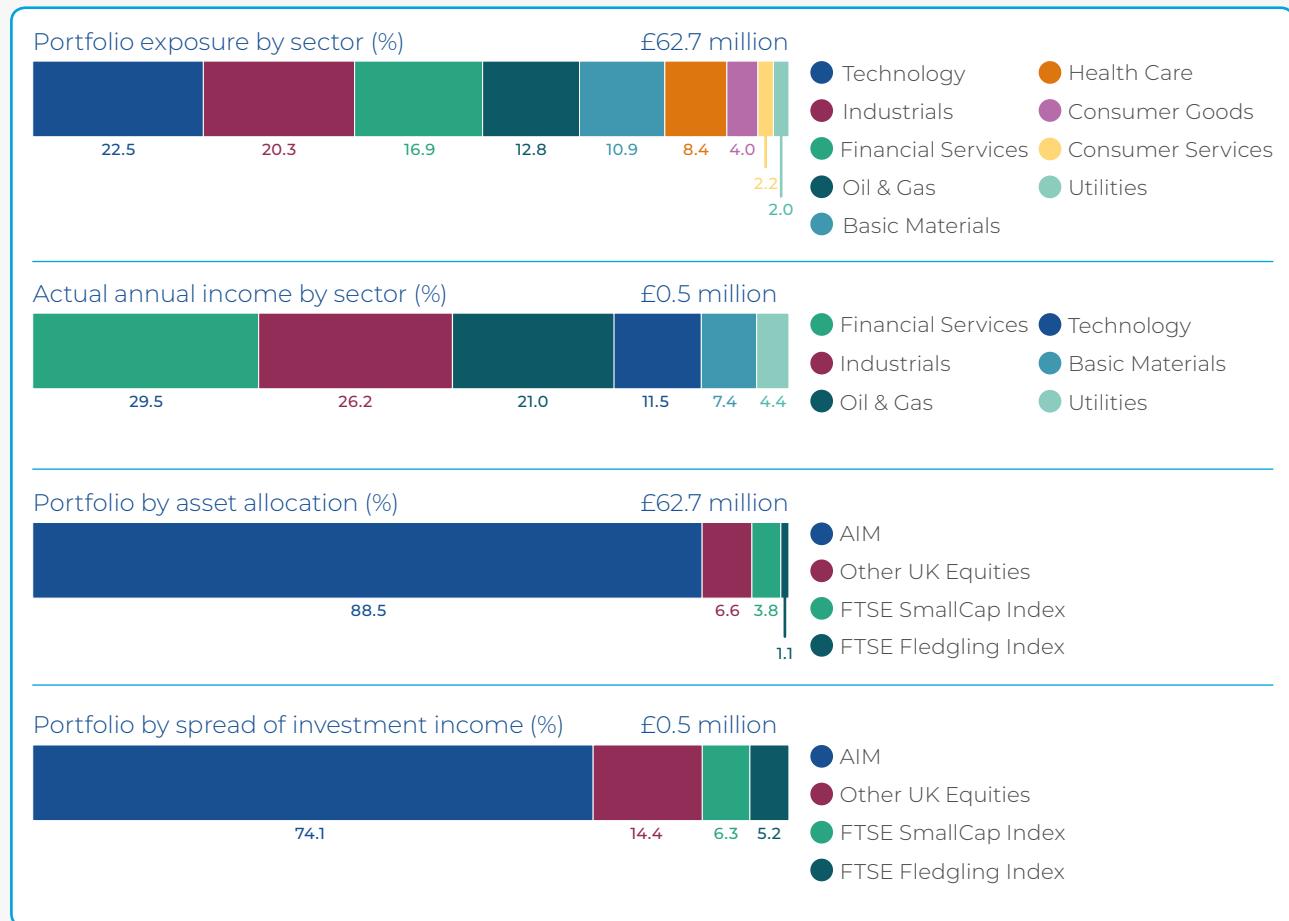
Portfolio Information

as at 31 October 2019

Rank	Company	Sector & main activity	Valuation £'000	% of net assets	Yield*
1	Cerillion	Technology	2,996	4.4	2.5
2	Kape Technologies	Technology	2,155	3.2	—
3	Frontier IP Group	Industrials	2,132	3.2	—
4	Rockrose Energy	Oil & Gas	2,089	3.1	3.5
5	Aquis Exchange	Financials	2,081	3.1	—
6	Eland Oil & Gas	Oil & Gas	1,918	2.8	—
7	Kromek Group	Health Care	1,818	2.7	—
8	MTI Wireless Edge	Technology	1,707	2.5	4.0
9	Jubilee Metals Group	Basic Materials	1,490	2.2	—
10	Caledonia Mining Corporation	Basic Materials	1,322	1.9	4.5
Top 10 investments			19,708	29.1	
11	Reabold Resources	Financials	1,257	1.9	—
12	Science in Sport	Consumer Goods	1,225	1.8	—
13	Totally	Health Care	1,221	1.8	—
14	Mind Gym	Industrials	1,141	1.7	1.8
15	Hydrogen Group	Industrials	1,115	1.6	2.9
16	Conygar Investment Company	Financials	1,107	1.6	—
17	Mercantile Ports & Logistics	Industrials	1,060	1.6	—
18	BATM Advanced Communications	Technology	1,038	1.5	—
19	Amino Technologies	Technology	990	1.5	6.9
20	Oxford Metrics	Technology	979	1.5	1.7
Top 20 investments			30,841	45.6	
21	Cropper (James)	Basic Materials	978	1.5	1.0
22	Palace Capital	Financials	889	1.3	6.5
23	Inspired Energy	Industrials	875	1.3	4.9
24	STM Group	Financials	867	1.3	5.0
25	Centralnic Group	Technology	850	1.3	—
26	Diversified Gas & Oil	Oil & Gas	839	1.2	9.9
27	Simec Atlantis Energy	Utilities	839	1.2	—
28	Tungsten	Financials	770	1.1	—
29	Inspiration Healthcare Group	Health Care	754	1.1	—
30	Redde	Financials	745	1.1	10.4
Top 30 investments			39,247	58.0	
31	Wey Education	Industrials	704	1.0	—
32	600 Group	Industrials	688	1.0	4.6
33	Share	Financials	678	1.0	1.9
34	Corero Network Security	Technology	660	1.0	—
35	Ingenta	Technology	650	1.0	1.9
36	Van Elle Holdings	Industrials	649	1.0	5.3
37	Enteq Upstream	Oil & Gas	639	0.9	—
38	TP Group	Industrials	638	0.9	—
39	Oxford Biodynamics	Health Care	617	0.9	—
40	Brighton Pier Group	Consumer Services	589	0.9	—
Top 40 investments			45,759	67.6	
Balance held in 59 equity instruments			16,942	25.0	
Total equity investments			62,701	92.6	
Listed Put option					
FTSE100 – December 2020 6,100 put			501	0.8	
Other net current assets			4,471	6.6	
Net assets			67,673	100.0	

*Source: Thomson Reuters. Based on historic dividends and therefore not representative of future yield.

Portfolio as at 31 October 2019



Source: Thomson Reuters.

The tables above set out how the portfolio's capital is deployed, and the source of the semi-annual dividend income in terms of industry sectors. The same data is also shown in terms of the London Stock Exchange FTSE Index in which they are classified, or the stock markets on which the holdings are listed. UK smaller quoted companies that are not listed on the London Stock Exchange are normally quoted on the AIM or the NEX exchanges. The portfolio as at 31 October 2019 is set out in some detail on page 12, in line with that included in the Balance Sheet. The investment income above comprises the income from the portfolio as included in the Income Statement for the half year ended 31 October 2019. The AIM and NEX market are both UK exchanges specifically set up to meet the requirements of smaller listed companies.

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 and index balance to ensure that it remains in line with the underlying conviction of the Investment Manager. The Investment Policy is set out on page 25, 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 any updates to the principal risks and uncertainties for the remaining six months of the financial year are set out in the Chairman's Statement on pages 6 and 7 and the Investment Manager's Report on pages 8 to 11.

The principal risks facing the Company are substantially unchanged since the date of the Annual Report and Accounts for the year ended 30 April 2019 and remain as set out in that report on pages 19 and 20.

Responsibility Statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as adopted by the European Union; and gives a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- this Half Year 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 Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half Year Report was approved by the Board of Directors on 12 December 2019 and the above responsibility statement was signed on its behalf by Andy Pomfret, Chairman.

Condensed Income Statement

for the half year to 31 October 2019

	Notes	Half year to 31 October 2019			Half year to 31 October 2018			Year ended 30 April 2019		
		Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
(Losses)/ gains on investments held at fair value through profit or loss		–	(9,658)	(9,658)	–	(12,915)	(12,915)	–	(18,995)	(18,995)
Foreign exchange losses		–	–	–	–	–	–	–	(1)	(1)
Losses on derivatives held at fair value through profit or loss		–	(190)	(190)	–	–	–	–	(241)	(241)
Income	2	508	–	508	581	–	581	1,087	–	1,087
Management fee	8	(91)	(273)	(364)	(128)	(383)	(511)	(233)	(698)	(931)
Other expenses		(266)	–	(266)	(268)	–	(268)	(533)	–	(533)
Return/ (loss) on ordinary activities before finance costs and taxation		151	(10,121)	(9,970)	185	(13,298)	(13,113)	321	(19,935)	(19,614)
Finance costs	9	–	(24)	(24)	–	(24)	(24)	–	(47)	(47)
Return/ (loss) on ordinary activities before taxation		151	(10,145)	(9,994)	185	(13,322)	(13,137)	321	(19,982)	(19,661)
Taxation		–	–	–	–	–	–	(14)	–	(14)
Return/ (loss) on ordinary activities after taxation		151	(10,145)	(9,994)	185	(13,322)	(13,137)	307	(19,982)	(19,675)
Return on ordinary activities for the year analysed as follows:										
Attributable to Ordinary shares		151	(10,145)	(9,994)	185	(13,322)	(13,137)	307	(19,982)	(19,675)
Return per Ordinary share (pence)	3	0.10	(6.92)	(6.82)	0.12	(8.65)	(8.53)	0.20	(13.03)	(12.83)

The total column of this statement is the Income Statement of the Company prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union. The supplementary revenue return and capital return 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 period.

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

Condensed Statement of Changes in Equity

for the half year to 31 October 2019

Notes	Share capital £000	Share premium account £000	Special reserve £000	Capital reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
As at 30 April 2019	203	86,986	–	(2,073)	20	543	85,679
Total comprehensive income:							
Net return for the period	–	–	–	(10,145)	–	151	(9,994)
Transactions with shareholders recorded directly to equity:							
Cancellation of share premium net of costs	–	(86,986)	86,972	–	–	–	(14)
Repurchase of Ordinary shares	5	(15)	–	(7,721)	15	–	(7,721)
Equity dividends paid	4	–	–	–	–	(277)	(277)
As at 31 October 2019	188	–	79,251	(12,218)	35	417	67,673
As at 30 April 2018	221	86,986	–	30,670	2	786	118,665
Total comprehensive income:							
Net return for the period	–	–	–	(13,322)	–	185	(13,137)
Transactions with shareholders recorded directly to equity:							
Redemption of Ordinary shares	5	(18)	–	–	(12,760)	18	–
Equity dividends paid	–	–	–	–	–	(550)	(550)
As at 31 October 2018	203	86,986	–	4,588	20	421	92,218
As at 30 April 2018	221	86,986	–	30,670	2	786	118,665
Total comprehensive income:							
Net return for the period	–	–	–	(19,982)	–	307	(19,675)
Transactions with shareholders recorded directly to equity:							
Redemption of Ordinary shares	5	(18)	–	–	(12,761)	18	–
Equity dividends paid	4	–	–	–	–	(550)	(550)
As at 30 April 2019	203	86,986	–	(2,073)	20	543	85,679

Following Court approval and the subsequent registration of the Court order with the Registrar of Companies on 13 August 2019, the cancellation of the Company's share premium account became effective and an amount of £86,986,000 was transferred from the share premium account to the special reserve which is a distributable reserve.

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

Condensed Balance Sheet

as at 31 October 2019

	Notes	31 October 2019 £000	31 October 2018 £000	30 April 2019 £000
Non-current assets:				
Investments held at fair value through profit or loss		62,701	88,765	80,308
Current assets:				
Derivative instruments		501	–	690
Trade and other receivables		134	192	108
Cash at bank and cash equivalents		4,466	3,419	4,784
		5,101	3,611	5,582
Liabilities:				
Trade and other payables		129	158	211
Net current assets		4,972	3,453	5,371
Net assets		67,673	92,218	85,679
 Capital and reserves				
Share capital	5	188	203	203
Share premium account		–	86,986	86,986
Special reserve		79,251	–	–
Capital reserve		(12,218)	4,588	(2,073)
Capital redemption reserve		35	20	20
Revenue reserve		417	421	543
Shareholders' funds		67,673	92,218	85,679
		pence	pence	pence
Net asset value per Ordinary share	6	48.92	60.41	56.13

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

Condensed Statement of Cash Flows

for the half year to 31 October 2019

	Half year to 31 October 2019 £'000	Half year to 31 October 2018 £'000	Year ended 30 April 2019 £'000
Operating activities:			
Net loss before taxation	(9,994)	(13,137)	(19,661)
Loss on investments held at fair value through profit or loss	9,848	12,915	19,236
(Increase)/ decrease in trade and other receivables	(21)	80	38
Decrease in trade and other payables	(11)	(25)	(34)
Exchange losses on capital items	–	–	1
Exclude finance costs	24	24	47
Withholding tax paid	–	–	(14)
Net cash outflow from operating activities	(154)	(143)	(387)
Investing activities:			
Purchase of investments	(6,110)	(16,989)	(27,511)
Sale of investments	13,979	19,295	32,371
Purchase of derivative instruments	–	–	(931)
Net cash inflow from investing activities	7,869	2,306	3,929
Financing activities:			
Redemption/ repurchase of ordinary shares	(7,721)	(12,760)	(12,761)
Equity dividends paid	(277)	(550)	(550)
Finance Costs paid	(21)	(29)	(41)
Costs paid in relation to share premium cancellation	(14)	–	–
Net cash outflow from financing activities	(8,033)	(13,339)	(13,352)
Decrease in cash and cash equivalents	(318)	(11,176)	(9,810)
Reconciliation of net cash flow movement in funds:			
Cash and cash equivalents at the start of the period	4,784	14,595	14,595
Net cash outflow from cash and cash equivalents	(318)	(11,176)	(9,810)
Exchange rate movements	–	–	(1)
Cash at the end of the period	4,466	3,419	4,784
	£'000	£'000	£'000
Cash received/(paid) during the period includes:			
– Dividends Received	487	659	1,142

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

Notes to the Condensed Financial Statements

1. Significant Accounting Policies

Basis of preparation

The condensed financial statements of the Company have been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

The functional currency of the Company is pounds sterling because this is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling rounded to the nearest thousands, except where otherwise indicated.

The financial information contained in this Half Year Report does not constitute statutory accounts as defined in Section 435(1) of the Companies Act 2006. The financial information for the periods ended 31 October 2019 and 31 October 2018 have not been audited or reviewed by the Company's Auditor. The figures and financial information for the year ended 30 April 2019 are an extract from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the Auditor on those financial statements was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

The special reserve was created by the cancellation of the share premium account. One purpose is to allow the Company to meet annual redemption requests of ordinary shares. The costs of repurchasing of ordinary shares and meeting annual redemption requests, including related stamp duty and transaction costs, are also charged to the special reserve. The accounting policies and methods of computation followed in these half year condensed financial statements are, apart from above, consistent with the most recent annual financial statements for the year ended 30 April 2019.

Going concern

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 the foreseeable future (being a period of 12 months from the date these financial statements were approved). Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon 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 and on the basis that approval as an investment trust company will continue to be met.

2. Income

	Half year to 31 October 2019 £000	Half year to 31 October 2018 £000	Year ended 30 April 2019 £000
Income from investments:			
UK dividends	384	326	705
Unfranked dividend income	124	255	382
Total income	508	581	1,087

Notes to the Condensed Financial Statements continued

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 31 October 2019			Half year to 31 October 2018			Year ended 30 April 2018		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Net profit (£000)	151	(10,145)	(9,994)	185	(13,322)	(13,137)	307	(19,982)	(19,675)
Weighted average number of shares in issue			146,584,275			154,061,255			153,363,323
Return per share (pence)	0.10	(6.92)	(6.82)	0.12	(8.65)	(8.53)	0.20	(13.03)	(12.83)

4. Dividends per Ordinary Share

	Half year to 31 October 2019		Half year to 31 October 2018		Year ended 30 April 2019	
	£000	pence	£000	pence	£000	pence
Amounts recognised as distributions to equity holders in the period:						
Final dividend for the year ended 30 April 2018	–	–	550	0.36	550	0.36
Final dividend for the year ended 30 April 2019	277	0.20	–	–	–	–
	277	0.20	550	0.36	550	0.36

5. Called-up Share Capital

	Half year to 31 October 2019		Half year to 31 October 2018		Year ended 30 April 2019	
	Number	£000	Number	£000	Number	£000
Ordinary shares of £0.001 each						
Opening balance	152,653,822	153	171,151,514	171	171,151,514	171
Redemptions	(14,317,907)	(15)	(18,497,692)	(18)	(18,497,692)	(18)
	138,335,915	138	152,653,822	153	152,653,822	153
 Management shares of £1 each						
	Number	£000	Number	£000	Number	£000
Management shares of £1 each	50,000	50	50,000	50	50,000	50

Following Court approval and the subsequent registration of the Court order with the Registrar of Companies on 13 August 2019, the cancellation of the Company's share premium account became effective. Accordingly, the amount of £86,986,000 previously held in the share premium account was cancelled and transferred to the special reserve.

On 15 August 2019, the Company redeemed 14,317,907 Ordinary shares pursuant to its voluntary redemption facility. The Ordinary shares were redeemed at a price of 53.92 pence per Ordinary share, costing £7,721,000 million including expenses.

As at 31 October 2019, there were 138,335,915 Ordinary shares and 50,000 Management shares in issue.

6. Net Asset Value per Share

Ordinary shares

The NAV per Ordinary share and the NAV attributable at the period end were as follows:

	NAV per Ordinary share 31 October 2019 pence	Net assets attributable 31 October 2019 £'000	NAV per Ordinary share 31 October 2018 pence	Net assets attributable 31 October 2018 £'000	NAV per Ordinary share 30 April 2019 pence	Net assets attributable 30 April 2019 £'000
Basic and diluted	48.92	67,673	60.41	92,218	56.13	85,679

NAV per Ordinary share is based on net assets at the period end and 138,335,915 Ordinary shares, being the number of Ordinary shares in issue at the period end (31 October 2018: 152,653,822 Ordinary shares; 30 April 2019: 152,653,822 Ordinary shares).

Management shares

Net assets of £1.00 per Management share is based on net assets at the period end of £50,000 and attributable to 50,000 Management shares at the period end. The shareholders have no right to any surplus capital or assets of the Company.

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 '(losses)/gains on investments' in the Income Statement. The total costs were as follows:

	Half year to 31 October 2019 £'000	Half year to 31 October 2018 £'000	Year ended 30 April 2019 £'000
Costs on acquisitions	2	10	21
Costs on disposals	18	33	50
	20	43	71

	Half year to 31 October 2019 £'000	% of average monthly net assets in the period	Half year to 31 October 2018 £'000	% of average monthly net assets in the period	Year to 30 April 2019 £'000	% of average monthly net assets in the period
Costs paid in dealing commissions	20	0.03	38	0.04	59	0.06
Costs of stamp duty	–	–	5	–	12	0.01
	20	0.03	43	0.04	71	0.07

The average monthly net assets for the six months to 31 October 2019 was £75,778,000 (six months to 31 October 2018: £105,045,000; year to 30 April 2019: £96,534,000).

These costs do not include the costs of investing capital and the bid-offer spread on securities in the portfolio. Investments are valued at fair value which is bid value for listed securities. Certain holdings may have been acquired at a price higher than the bid price.

Notes to the Condensed Financial Statements continued

8. Management Fee

	Half year to 31 October 2019			Half year to 31 October 2018			Year ended 30 April 2019			Total £000
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000		
Management fee	91	273	364	128	383	511	233	698	931	

At 31 October 2019, an amount of £54,000 (31 October 2018: £78,000; 30 April 2019: £67,000) was outstanding and due to Miton Trust Managers Limited in respect of management fees.

The Investment Manager is entitled to receive from the Company in respect of its services provided under the Management Agreement a management fee payable monthly in arrears calculated at the rate of 1% per annum of the market capitalisation as at the relevant calculation date.

In addition to the basic management fee, and for so long as a Redemption Pool is in existence, the Investment Manager is entitled to receive from the Company a fee calculated at the rate of 1% per annum of the net asset value of the Redemption Pool on the last business day of the relevant calendar month.

The Investment Manager has agreed that, for so long as it remains the Company's investment manager, it will rebate such part of any management fee payable to it so as to help the Company maintain an ongoing charges ratio of 2% or lower. In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year, 75% of the management fee payable is expected to be charged to capital and the remaining 25% to income.

9. Finance Costs

	Half year to 31 October 2019			Half year to 31 October 2018			Year ended 30 April 2019			Total £000
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000		
RBS £7.5m revolving loan facility arrangement fee	–	3	3	–	3	21	–	6	6	
RBS £7.5m revolving loan facility non-utilisation fee	–	21	21	–	21	3	–	41	41	
	–	24	24	–	24	24	–	47	47	

10. Fair Value Hierarchy

The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements. The fair value is the amount at which the asset could be sold in an ordinary transaction between market participants, at the measurement date, other than a forced or liquidation sale.

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 asset as follows:

Level 1 – Valued using quoted prices, unadjusted in active markets.

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 measurement of financial assets and financial liabilities in accordance with 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 31 October 2019				
Equity investments	62,701	–	–	62,701
Derivative contracts	501	–	–	501
	63,202	–	–	63,202
Financial assets at fair value through profit or loss at 31 October 2018				
Equity investments	88,035	355	375	88,765
	88,035	355	375	88,765
Financial assets at fair value through profit or loss at 30 April 2019				
Equity investments				
Ordinary shares	78,501	–	1,807	80,308
Derivative contracts	690	–	–	690
	79,191	–	1,807	80,998

Notes to the Condensed Financial Statements continued

10. Fair Value Hierarchy continued

Reconciliation of level 3 movements – financial assets

	As at 31 October 2019 Level 3 £000	As at 31 October 2018 Level 3 £000	As at 30 April 2019 Level 3 £000
Opening fair value investments	1,807	2,404	2,404
Transfer to level 1	(1,807)	(2,007)	(200)
Sale proceeds	–	(36)	(579)
Movement in investment holdings gains movement in unrealised	–	14	182
Closing fair value of investments	–	375	1,807

As at 30 April 2019, Rockrose Energy and Wheelsure Group were both temporarily suspended from AIM. Rockrose Energy was readmitted to AIM on 24 July 2019 and Wheelsure Group was readmitted to AIM on 1 July 2019 and both were reclassified from Level 3 to Level 1.

As at 31 October 2019, the Company has holdings in Atlas African Industries, Constellation Healthcare, Fairpoint Group, Fishing Republic and Patisserie Holdings which are all held at nil value.

11. Transactions with the Investment Manager and Related Parties

The amounts paid and payable to the Investment Manager pursuant to the management agreement are disclosed in note 8. There were no other identifiable related parties at the half year end.

12. Contingent Liability

The Company is one of 45 defendants to proceedings filed in June 2019 by Howard M. Ehrenberg, in his capacity as the liquidating trustee of Orion Healthcorp, Inc., (the “Trustee”) in the United States Bankruptcy Court in the Eastern District of New York arising from the takeover of Constellation Health Technologies, Inc. In November 2019, the Company moved to dismiss the proceedings on the grounds that the United States Bankruptcy Court does not have jurisdiction over the Company and further intends to dispute the claim on multiple additional grounds. The Trustee’s opposition to that motion is due in late February 2020.

Investment Objective and Policy

Investment Objective

The investment objective of the Company is to provide shareholders with capital growth over the long term.

Investment Policy

The Company invests primarily in the smallest companies, measured by their market capitalisation, quoted or traded on an exchange in the United Kingdom at the time of investment. It is likely that the majority of the microcap companies held in the Company's portfolio will be quoted on AIM and will typically have a market capitalisation of less than £150m at the time of investment. The Company may also invest in debt, warrants or convertible instruments issued by such companies and may invest in, or underwrite, future equity issues by such companies.

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.

If companies in the portfolio achieve organic growth or grow through corporate activity such as acquisitions, and consequently have a market capitalisation that would place them outside the investable universe, the Investment Manager will not be obliged to sell those holdings, but the proportion of the portfolio in such companies will be carefully monitored by the Investment Manager and the Board so that the overall investment policy to invest in the smallest quoted or traded companies is not materially altered.

The Company's portfolio is expected to be diversified by industry and market of activity. No single holding will represent more than 15% of Gross Assets at the time of investment and, when fully invested, the portfolio is expected to have over 120 holdings although there is no guarantee that will be the case and it may contain a lesser number of holdings at any time.

The Company will have the flexibility to invest up to 10% of its Gross Assets at the time of investment in unquoted or untraded companies, or in any one unquoted or untraded company.

The Company will invest no more than 10% of Gross Assets at the time of investment in other investment funds.

Borrowing

The Company may deploy borrowing to enhance long-term capital growth. Gearing will be deployed flexibly up to 15% of the Net Asset Value, at the time of borrowing. In the event this limit is breached as a result of market movements, and the Board considers that borrowing should be reduced, the Investment Manager shall be permitted to realise investments in an orderly manner so as not to prejudice shareholders.

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 Ordinary shares of £0.001 each ("Ordinary shares") with one vote per share and non-voting Management shares of £1 each ("Management shares"). The Ordinary shares shall be redeemable in accordance with the Articles of Association of the Company. From time to time, the Company may issue C ordinary shares of £0.01 each ("C shares") with one vote per share.

As at 31 October 2019 and the date of this report, there are 138,335,915 Ordinary shares in issue, none of which are held in treasury, and 50,000 Management shares.

Redemption of Ordinary Shares

The Company has a voluntary redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary shares on an annual basis. The next Redemption Point for the Ordinary shares will be 30 June 2020. 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. The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any redemption point by reference to the Dealing Value per Ordinary share or by reference to a separate 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 or capital gains tax. In particular, private shareholders who 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.

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

June 2020 Redemption Point

As disclosed in the Chairman's Statement on page 6, it is anticipated that the next redemption point for shareholders will be in June 2020. The Board retains the discretion to further amend this timetable given the ongoing uncertainty as to the eventual Brexit timetable as at the date of publication of this Report.

The following are the relevant dates for the June 2020 Redemption Point:

2 June 2020	Latest date for receipt of Redemption Requests and certificates for certificated shares
3.00 pm on 2 June 2020	Latest date and time for receipt of Redemption Requests and settled TTE (Transfer to Escrow) instructions for uncertificated shares via CREST
5.00 pm on 30 June 2020	Redemption Point
By 14 July 2020	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.
By 28 July 2020	Balance certificates to be sent to shareholders

Share Dealing

Shares can be traded through your usual stockbroker.

Share Prices

The Company's Ordinary shares are listed on the London Stock Exchange.

Share Register Enquiries

The register for the Ordinary shares is maintained by Link Asset Services. In the event of queries regarding your holding, please contact the Registrar on 0871 664 0300 (calls cost 12p per minute plus network charges) or email enquiries@linkgroup.co.uk.

Changes of name and/or address must be notified in writing to the Registrar: Link Asset Services, Shareholder Services Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Investment Manager: Miton Trust

Managers Limited

The Company's Investment Manager is Miton Trust Managers Limited, a wholly-owned subsidiary of Premier Miton Group plc. Premier Miton Group is a leading multi-asset and equity fund management specialist listed on the AIM market for smaller and growing companies. The Investment Manager has also been appointed as the Company's Alternative Investment Fund Manager under the Alternative Investment Fund Managers' Directive.

Premier Miton had pro-forma assets under management of £11.1 billion (as at 31 October 2019, unaudited).

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

Investor updates in the form of monthly factsheets are available from the Company's website, premiermiton.com/micro.

Advisers

**Investment Manager and
Alternative Investment Fund Manager**
Premier Miton Investors Limited
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Company website: premiermiton.com/micro

Auditor
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

Company Administrator
Link Alternative Fund Administrators Limited
Beaufort House
51 New North Road
Exeter EX4 4EP

Depositary and Custodian
**The Bank of New York Mellon
(International) Limited**
1 Canada Square
London E14 5AL

Registrar and Transfer Office
Link Asset Services
Shareholder Services Department
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: 0871 664 0300
(calls will cost 12p per minute plus network charges)
Email: enquiries@linkgroup.co.uk
Website: linkassetservices.com

Solicitor
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Stockbroker
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Directors and Secretary

Directors (all non-executive)
Andy Pomfret, Chairman
Peter Dicks
Jan Etherden
Ashe Windham, CVO

Company Secretary and Registered Office
Link Company Matters Limited
Beaufort House
51 New North Road
Exeter EX4 4EP
Tel: 01392 477500

Financial Calendar

Year end	30 April 2020
Redemption Point	30 June 2020
2020 full year results announced	June 2020
Annual General Meeting	September 2020
Half year end	31 October 2020
2020 half year results announced	December 2020
Ticker code	MINI

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

Registered in England No. 09511015.

A member of the Association of Investment Companies.

Glossary

Alternative Investment Market ("AIM")

MINI's shares are traded on the London Stock Exchange, although most the stocks held in the Company's portfolio are quoted on the AIM exchange. AIM is owned by the London Stock Exchange and was principally set up to meet the funding needs of smaller, growing companies.

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.

Annual General Meeting ("AGM")

All public companies have an AGM every year, and this is the opportunity for the shareholders to confirm their approval of the annual accounts, the annual dividend and the appointment of the Directors and Auditors. It is also a good time for shareholders to meet the non-executive directors. One of the fund managers usually gives shareholders a presentation on the current position of the Company's portfolio and some thoughts on the market outlook. The AGM is usually held in early autumn each year.

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 Calculation	Page	31 October 2019	30 April 2019
Closing NAV per share (p)	4	48.92	56.13 (a)
Closing share price (p)	4	46.20	54.40 (b)
Discount (c = ((a - b)/a))	4	5.56%	3.08% (c)

The discount and performance is calculated in accordance with guidelines issued by the AIC. The discount is calculated using the NAVs 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.

Financial Conduct Authority ("FCA")

This regulator oversees the fund management industry, including the operation of the Company.

Financial Reporting Council ("FRC")

The FRC regulates UK auditors and provides guidance to accountants with the aim of promoting better transparency and integrity in the annual reports of quoted businesses.

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.

Generally Accepted Accounting Principles ("GAAP")

GAAP are a common set of accounting principles, standards and procedures that companies follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information.

This enables the financial results of companies to be determined on a common basis so they are able to be compared. In the UK, company accounts must be prepared in accordance with applicable company law, this being the Companies Act 2006, which recognises GAAP.

International Financial Reporting Standards ("IFRS") are standards issued by the International Accounting Standards Board ("IASB"), approved for implementation by the European Union to provide a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. These were previously International Accounting Standards ("IAS") maintained by the IASB. The Company adopted IFRS with the accounting policies of the Company set out in the financial statements.

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.

Investment Association ("IA")

The IA is the trade body that represents UK investment managers. Miton Group plc is a member, and Gervais Williams is on the board.

Link Company Matters Limited ("Link")

Link is the Company Secretary for the Company.

Markets in Financial Instruments Directive II ("MiFID II")

This directive came into effect on 3 January 2018. In the case of Miton Group plc clients, the principal change has been the unbundling of transaction and external research charges paid by the Company, when stock market transactions are carried out.

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 NAV per share is calculated by dividing the shareholders' funds by the number of Ordinary shares in issue excluding treasury shares.

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 monthly net assets of the Company during the year.

Ongoing Charges Calculation	Page	31 October 2019	30 April 2019
Management fee	15	364	931
Other administrative expenses	15	266	533
Total management fee and other administrative expenses	15	630	1,464
Total management fee and other administrative expenses (annualised)		1,260	1,464 (a)
Average net assets in the year		75,778	96,534 (b)
Ongoing charges (c = a/b)		1.66%	1.52% (c)

Peer Group

The Company is part of the AIC's UK Smaller Companies sector whose members invest at least 80% of their assets in UK Smaller Companies.

Put Option

Put options are most commonly used in the stock market to protect against the decline of the price of a stock below a specified price likened to purchasing a form of financial insurance. An owner of a Put option can collect a financial benefit after an adverse event, with the scale of the benefit proportionate to the setback in the market and the remaining term of the cover. The Company's Put option would become more valuable should the market decline.

Glossary continued

Senior Independent Director ("SID")

The SID is a non-executive director who can be contacted by investors to discuss a matter of governance when it concerns the Chairman and the normal practice cannot be followed. MINI's SID is Peter Dicks.

Tap Issue

A tap issue is a procedure that allows the Company to issue new shares at the current market value when the share price is at a premium to NAV. The Company is authorised to issue up to 10% of its share capital without the need for an open offer. This enables the Company to invest in attractive investment opportunities and to issue new shares on a flexible and cost-effective basis.

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 the dividends paid by the Company assuming these are re-invested in the Company at the prevailing NAV.

NAV Total Return	Page	31 October 2019	30 April 2019
Closing NAV per share (p)	4	48.92	56.13
Add back final dividend for the year ended 30 April 2019 (2018) (p)	20	0.20	0.36
Adjusted closing NAV (p)		49.12	56.49 (a)
Opening NAV per share (p)	4	56.13	69.33 (b)
NAV total return unadjusted			
(c = ((a - b)/b)) (%)		(12.5%)	(18.5%) (c)
NAV total return adjusted (%)			
		(12.5%)*	(18.6%)*
Share Price Total Return	Page	31 October 2019	30 April 2019
Closing share price (p)	4	46.20	54.40
Add back final dividend for the year ended 30 April 2019 (2018) (p)	20	0.20	0.36
Adjusted closing share price (p)		46.40	54.76 (a)
Opening share price (p)	4	54.40	65.80 (b)
Share price total return unadjusted			
(c = ((a - b)/b)) (%)		(14.7%)	(16.8%) (c)
Share price total return adjusted (%)			
		(14.7%)*	(16.9%)*

* Based on NAV/share price movements and dividends being reinvested at the relevant cum dividend NAV/share price during the period. 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.

Yield Stock

Yield stocks pay above-average dividends to shareholders. If the dividend grows, and the yield on the share remains constant, the share price will increase. Companies which grow their dividends faster than average are capable of delivering faster share price growth.

Company performance since launch on 30 April 2015



Source: Morningstar 30 April 2015 to 31 October 2019 including dividend income reinvested.

The chart above details the NAV and the daily closing share price of the Company. Prior to the Brexit referendum, the share prices of microcaps generally appreciated well and NAV of the Trust rose. After the Brexit referendum many asset allocators have scaled back their UK weightings given the uncertainties over the detail of the exit arrangements, and over the last 18 months this has led to fewer buyers of smallcap stocks. The adverse trend has been more acute amongst microcap stocks, with most now standing on much lower valuations than the mainstream stocks. The Chairman sets out the prospects for the Trust on page 7 of this Report.



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