

# Miton UK MicroCap Trust plc

Report and Accounts for the  
half year ended 31 October 2022

Accessing the **inherent  
vibrancy** of the UK's  
**quoted microcaps** to  
generate **attractive  
returns**

The background of the lower half of the page features two large, abstract blue shapes. One is a large triangle pointing upwards from the bottom left towards the top right. The other is a curved, wave-like shape at the bottom, also in blue, creating a modern, geometric design.

# The Trust's strategy is distinctive...



The Miton UK MicroCap Trust plc strategy selects companies that are anticipated to generate plentiful surplus cash, as prior capital investment matures.



Over the last seven and a half years since listing, the Trust's strategy has delivered an increase in net assets of 34.3% (total return).



Investment strategies focusing on stocks with rapid growth forecasts have until recently delivered attractive returns.



Companies that grow rapidly often need a constant supply of cash to fund their growth, so their success tends to be contingent on an absence of inflation.



In contrast, the best UK quoted microcaps have a long history of outperformance – even during periods of elevated inflation.



As inflationary pressures are rising, a wider range of investors may become interested in the Trust's strategy.

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# ...and will continue to be so

# The Board's Key Performance Indicators



The Company's strategy and its outcome to shareholders are overseen by the Board, with particular reference to the following Key Performance Indicators (KPIs):

**The Company's NAV total return** – Since the Company's listing in April 2015, the NAV total return was 34.3%, which compares to 55.6% for the peer group\* and 31.3% for the Numis 1000 Index. In the half year to October, the NAV total return of the Trust was -29.0%, which compares to -16.1% for the peer group\* and -19.5% for the Numis 1000 Index.

**Active stock market trading of the Trust's shares** – A voluntary annual redemption offer for shareholders clears any overhang in the Trust's share register, so its daily share trading is as frictionless as possible. The outcome is that the percentage of Company shares traded daily is amongst the best in the peer group\*. Since issue an average of 0.26% of the Company's shares were traded each day, and over the half year to October 2022, on average 0.10% were traded daily.

**A Trust where its share price trades close to its NAV** – Abundant stock market appreciation has distracted investors' attention away from the Trust's advantages especially during the Brexit negotiations. Hence, the Trust's share price has traded 4.3% below its daily NAV on average since issue. Over the half year under review to October 2022, the Trust's NAV declined, offsetting some of the earlier outperformance, while its share price has traded at an average of 7.0% below NAV.

**Ongoing costs** – Over the half year, the annualised ongoing charges are detailed at 1.75% of NAV over the year, which compares with an average of 1.18% for the broader peer group. The Board pays careful attention to managing costs and, in the context of the Trust's specialist investment universe and the returns it has delivered since issue, the Board believes they are reasonable.

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\* The Company's peer group is the Association of Investment Companies UK Smaller Companies sector.

# A summary of the nature of the Trust's portfolio

The Miton UK MicroCap Trust aims to deliver strong long-term returns for shareholders via a portfolio of stocks that are often well placed to generate surplus cash. This summary also highlights how downside risks can be moderated by diversifying stock specific and portfolio risk.

The Trust's capital is:

- **invested in companies whose prospects are frequently independent of the general growth of the economy...** By their nature, microcaps often have relatively modest market shares, or operate in less mature markets, which means their growth is not reliant on the general growth of the economy, resulting in them having greater growth potential than some of their larger alternatives.
- **diversified across a broad universe of stocks...** Most of the Trust's stocks are listed on the Alternative Investment Market (AIM), with a number listed on the London Stock Exchange, and a small minority listed on the Aquis Stock Exchange. The Company's Manager may occasionally invest in stocks listed on other exchanges, although this is normally a tiny percentage of the portfolio. This investment universe comprises a very large number of individual quoted stocks, operating across a very broad range of industry sectors.
- **invested in companies where cash surpluses are anticipated...** Sometimes, after a number of years of capital expenditure, the valuations of some quoted microcaps do not fully reflect the quantum of the expected cash flow surpluses, as few professional investors, aside from sector specialists such as your Manager, actively research them. As these companies announce major improvements to their cash flow, their share prices can often outperform.
- **invested with a preference for those companies with strong balance sheets, standing on overlooked valuations.** Academic reviews of UK stock market data since 1955 conclude that listed companies in the bottom two per cent by market capitalisation tend to deliver higher returns than those in all other size brackets. Furthermore, if this factor is combined with companies that stand on overlooked valuations, then the returns can be even higher.

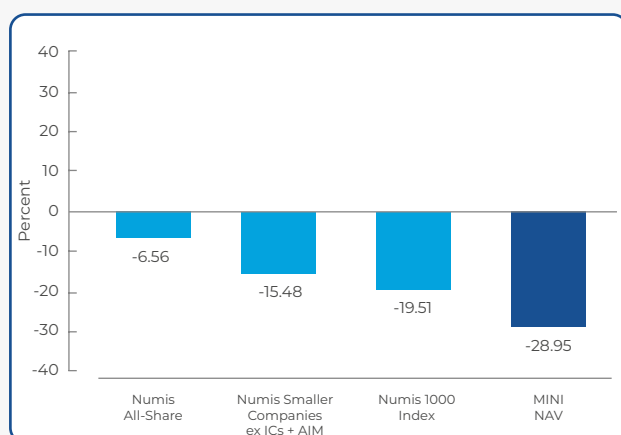
# The Miton UK MicroCap Trust plc report for the half year ended 31 October 2022

The Miton UK MicroCap Trust plc is an investment trust listed on the London Stock Exchange under the ticker code MINI. The Board, which consists of four independent directors, appoints the Investment Manager and oversees all aspects of the Trust.

The Board sets the Trust's objective which is to deliver an attractive investment return for shareholders over the longer term. In contrast to many others, the Miton UK MicroCap Trust has an ambition to deliver attractive returns even at times when the mainstream stock market returns are less buoyant. Hence, its portfolio principally invests in UK-quoted microcap companies, defined as those with market capitalisations of less than £150m.

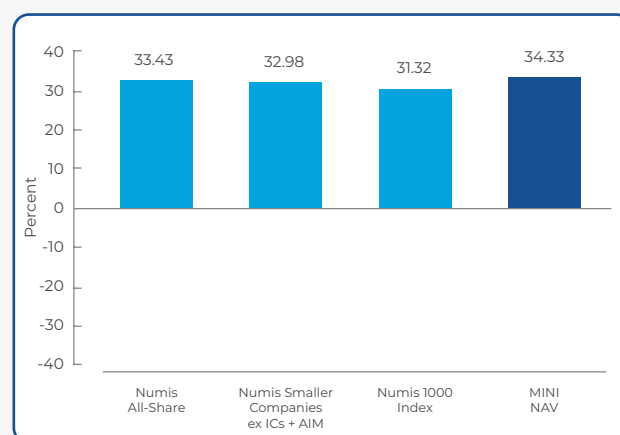
Global markets fell significantly before rallying in September and October 2022. It is not unusual for microcap share prices to lag the recovery of large caps. Hence, the Trust's total return NAV (including dividend income) fell by 29.0% over the half year which compares with a total return on the Numis 1000 Index (the aggregate return of the smallest 2% of the UK stock market) of -19.5%. Between April 2015 when the Trust was launched and October 2022, its NAV total return was 34.3% which compares with a Numis 1000 total return of 31.3%.

**Total Returns 6 months to 31 October 2022**



Source: Morningstar

**Total Returns from launch to 31 October 2022**



Source: Morningstar

The Board has opted to change to the Numis Indices as comparators for cost reasons. The above graphs use the Numis Indices as comparators.

## Our objective

The Company invests principally in a portfolio of the smallest UK quoted companies, generally with market capitalisations of less than £150m. The primary objective is to generate capital growth, through selecting stocks that are anticipated to generate plentiful surplus cash in the short to the medium term. As this comes through and their share prices appreciate, the Trust's Manager tends to take profits. The capital is reinvested in other promising microcaps standing on overlooked valuations. It is anticipated that a major part of the Company's return will comprise capital appreciation, and the Trust's annual dividend (if any) will be a modest contributor to long-term returns.

# Why invest in quoted microcaps?

## Stock market trends do vary over time

For a number of decades, international stock market returns have been strong as equity valuations have risen to abnormal multiples of corporate profits, which have themselves benefited from an unusual upsurge in profit margins during globalisation. It should be remembered, however, that stock market trends do vary over time. With inflation, the long period of capital abundance across stock markets is now being displaced by a period of capital scarcity. It could be that stock market returns will be constrained in future, as corporate expansion is offset by less extreme valuations, and declining profit margins.

## If mainstream stock markets were to flatline in future, why could the Trust still generate attractive returns?

When the returns on mainstream stocks are doubtful, others may have greater potential. With this in mind, the Miton UK MicroCap Trust was set up with a strategy that intentionally focuses on quoted microcaps. These kinds of stocks differ from mainstream stocks in the following areas:

- **Many microcaps stand on overlooked valuations, despite the imminent prospect of generating cash surpluses.** When quoted microcaps conclude a long period of investment, some subsequently generate substantial cash surpluses. Yet shareholdings in these microcaps can sometimes be picked up at very undemanding valuations, because so few professional investors actively research them.
- **Microcap returns are not necessarily correlated with the fluctuations of the global economy.** By their nature, quoted microcaps are typically less mature businesses, often involved in novel, nascent market sectors. Clearly, the current global growth slowdown is not helpful for any business, be it big or small. Even so, less mature sectors can buck the wider trend, because their prospects are related to areas of expansion rather than cyclical recovery. Hence even when mainstream stock markets flatline, quite a few microcaps can continue to deliver attractive returns.
- **Microcaps are numerous across a broad universe of industry sectors.** The Trust's portfolio principally invests in microcaps listed on the London Stock Exchange, with the largest cohort listed on the Alternative Investment Market (AIM). Interestingly, there are more UK quoted stocks below £150m market capitalisations than above this threshold. In addition, the universe is also highly diverse in terms of industry sector.
- **UK microcaps have a long history of delivering premium returns.** Academic studies of UK stock market data since 1955 conclude that listed companies in the bottom two per cent by market capitalisation have generated much higher returns than those in all other size brackets. Furthermore, if this factor is combined with those that stand on overlooked valuations, then their returns are even better.

# The Trust operates with a sense of purpose

Any organisation that operates out of consensus with the wider public, would in time find that its social licence to operate was terminated. Hence, companies that work in an obscure, controversial manner are often poor investments, because their valuations collapse as soon as weaknesses become apparent. In order to succeed therefore, a Manager such as Miton UK MicroCap Trust needs to choose stocks that operate with a strong sense of purpose, as well as successfully employing a commercial strategy. In this context, how effective is the Miton UK MicroCap Trust?

When the Manager reviews potential portfolio holdings, they seek to assess how convincing each management team is about its social licence to operate. Does the business genuinely have a culture where truth can speak openly to power – or just say it does? Whilst the answer is not always categorical, some informed judgements can be made through face-to-face meetings with the corporate leadership teams. Persistently asking some uncomfortable questions of management can provide such evidence.

Despite the rapid growth of sustainable investing these issues are not new. The UK has over 25 years of leading the world in setting the agenda on corporate governance standards and more recently on climate risk reporting standards. UK-listed companies have started to issue sustainability and climate related financial risk reports that outline the robustness of their operations on non-financial metrics. The Manager finds comparing public reports against senior management's knowledge can sometimes identify variances, and hence a potential lack of authenticity. Many mining management teams the Manager meets, for example, say 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.

As most investment trusts principally invest in larger quoted companies, their portfolio holdings usually represent 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 Manager can engage successfully with corporate management teams because the Trust's individual holdings of equity are so much more meaningful. Whilst many AIM-listed companies may have fewer formal sustainability reports than the reports on non financial metrics of the majors, if anything, their leadership teams' sense of motivation often comes through with a relatively strong 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 are fewer formal reports on non-financial metrics, although they should not be regarded as conclusive. There is also quite a lot of other less specific, but if anything, more weighty evidence around the formal reports, which implies that many of the Trust's holdings are managed with an enviable sense of purpose.

# Results for the Half Year

to 31 October 2022

- Over the half year, the Ordinary share NAV **fell from 91.05p** on 30 April 2022 **to 64.55p** on 31 October 2022, **a fall of 29.0%** (including re-invested dividend).\*
- The Ordinary share price moved **from 86.50p** at the end of April 2022 **to 59.00p** at the end of October 2022, **a decrease of 31.8%** (including re-invested dividend).\*
- A profit of £67,000 in the half year to 31 October 2022 has been credited to revenue reserves.
- Redemption requests of 13.38% of the Company's issued share capital were received and accepted, with the redeemed shares cancelled.

## Summary of Results

	Half year to 31 October 2022	Year ended 30 April 2022
Total net assets attributable to equity shareholders (£'000)	61,092	99,475
NAV per Ordinary share*	64.55p	91.05p
Share price (mid)	59.00p	86.50p
Discount to NAV*	(8.60)%	(5.00)%
Investment income	£0.5m	£1.0m
Revenue return per Ordinary share	0.07p	0.15p
Total return per Ordinary share*	(27.90)p	(13.77)p
Ongoing charges**	1.75%	1.41%
Ordinary shares in issue	94,638,561	109,253,560

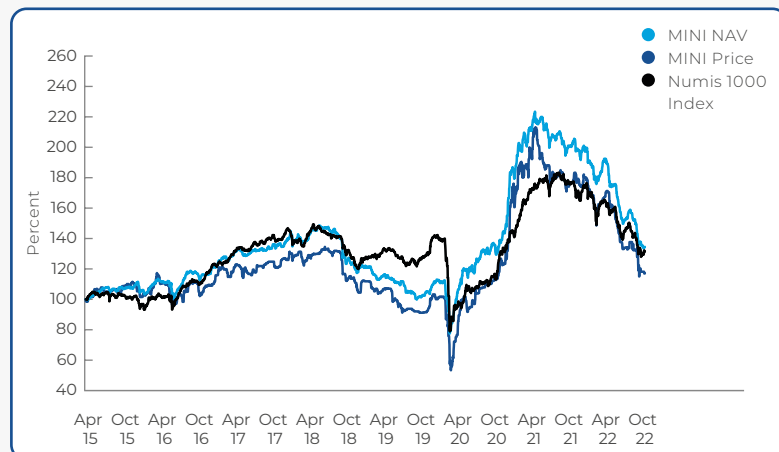
\* Alternative Performance Measure ('APM'). Details provided in the Glossary on pages 31 to 33.

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

# Financial Performance Indicators

Three charts that help set the half year returns in the context of the longer-term returns of the Trust.

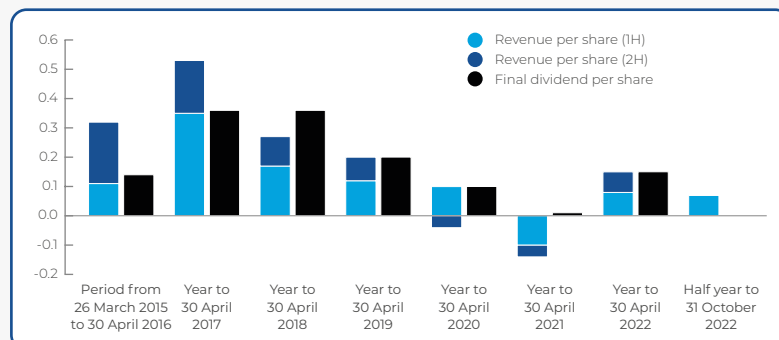
## NAV v share price v Numis 1000 Index



Source: Morningstar

This chart 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 the NAV of the Trust rose. After the Brexit referendum, many asset allocators scaled back their UK weightings given the uncertainties over the detail of the exit arrangements, and this has led to fewer buyers of smallcap stocks. This trend has been more acute amongst microcap stocks, despite many demonstrating operational resilience during the pandemic, the war in Ukraine and consequent inflation.

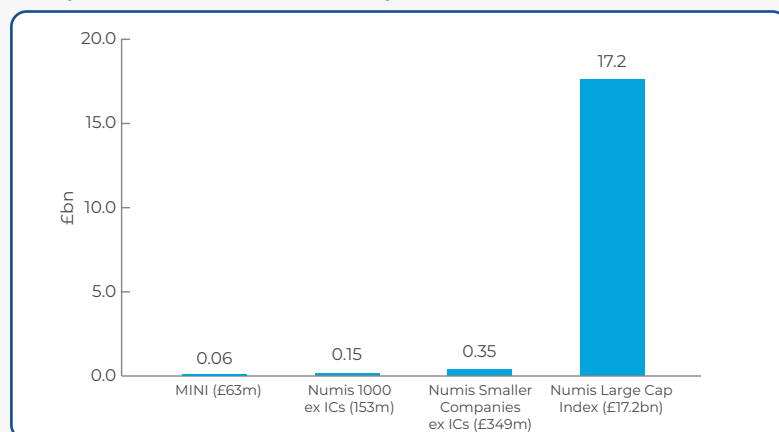
## Revenue and dividend per share



Source: Company

The revenue per share of the Trust was relatively strong in the early years, as two of the portfolio holdings were yielding 10% at purchase. After these were taken over, the underlying dividend income of the portfolio has been at a lower level, and often similar to the revenue costs each year. Overall, it has always been anticipated that the major part of the Trust's longer term returns would come via capital gain rather than dividend income.

## Average unweighted market capitalisation comparison: MINI v Numis Large Cap Index, Numis Smaller Companies ex Investment Companies Index and Numis 1000 ex Investment Companies Index



Source: Premier Miton, Numis

The Trust pursues a clearly differentiated strategy, illustrated by the fact that the average unweighted market capitalisation of the holdings within its portfolio is £63m, which compares to an average of £17.2bn for the Numis Large Cap index, £349m for the Numis Smaller Companies ex Investment Companies Index and £153m for the Numis 1000 Index ex Investment Companies. The Trust's portfolio may therefore produce different returns from those of the mainstream stock market indices. Please see glossary for further details of these indices. An ETF comparable to the Trust's investment strategy does not exist given the specialist nature of the Trust.

# Chairman's Statement



**“Microcaps...now stand at significantly attractive valuations.”**

**Ashe Windham**

Chairman

The report covers the half year to 31 October 2022, a period when inflationary pressures remained persistent, and asset valuations around the world declined significantly.

## **NAV return and index comparators**

Between the March 2022 stock market low and the May 2021 peak, MINI's NAV rose 191% from 37.3p to 107.5p. Since May 2021, it has fallen from 107.5p to 64.55p at 31 October, a decline of 40.0%. Specifically, over the half year period of this report, the Trust's NAV declined by 29.0%, as during the October stock market recovery microcap share prices did not participate to any meaningful degree. By way of comparison, the total return on the Numis 1000 Index (the aggregate return of the smallest 2% of the UK stock market) was down 19.5% over the half year. Aside from the reasons which are covered in the Investment Manager's Report, I believe that another reason behind this underperformance was that the largest stocks in the Numis 1000 have market capitalisations of up to £600m whereas the vast majority of the stocks which we tend to hold are capitalised at under £150m.

## **Returns since the Trust was first listed in April 2015**

Over the seven and a half years since issue, the NAV of the Trust has risen from 49.0p at issue to 64.55p now in capital terms (up 31.7%). The Numis All Share Index is only up 0.6% in price terms, but with dividend income it is up 33.4%, whereas the total return of the Numis 1000 Index is 31.3%. Generally, MINI has only paid small dividends over the period, so its NAV total return is 34.3%, similar to its capital gain.

## **Trust valuation relative to its NAV and Redemptions**

Although the Trust's share price went to a premium to its NAV briefly in May 2021, it has subsequently fallen behind its daily NAV. Since issue it has been around 4.2% below its NAV on average, and over the half year since April 2022 the average discount has been about 7.0%. Because most other UK smallcap trusts do not have an annual redemption mechanism they can stand at considerably greater discounts.

In the Trust's voluntary redemption facility in June 2022, a total of 14,614,999 shares were redeemed, representing 13.38% of the Trust's equity. The Board proposes the next voluntary redemption opportunity will be in November 2023. Since the Trust's shares have not traded at a premium to NAV in the half year under review we were unable to issue more shares, as we have a policy of not tapping out shares unless this exercise is carried out at above a 1% premium to NAV, which covers the cost of the exercise and ensures that the practice enhances value for our existing shareholders.

After deliberating the consequences of adopting a 31 October 2023 Redemption Point as announced in the recent Annual Report and Accounts, which would have included having to account for two separate pools of assets if the Redemption Pool route was followed with a consequent cost implication, your Board has decided to move the Redemption Point to 2 November 2023. To remind those who decide to elect to redeem at par, a facility which we offer shareholders once each year, the redemption process can take some time depending upon the size of the redemption request. If the requests to redeem represent only a small percentage of the Company's outstanding share capital then proceeds may be received within a couple of weeks. However, In recent years, after two sizeable requests, the proceeds were not received by shareholders for some three months.

## Board Changes

I am sorry to report that, as previously foreshadowed, we are losing Jan Etherden, one of our founding non-executive directors, on 15 December 2022. Jan's diligence and hard work over the seven and a half years that the Trust has been in existence have been exemplary. We thank Jan very much for her peerless contributions over this time and we wish her every success in the future. She will be much missed.

Following an extensive search by a firm of well respected search consultants, the Board interviewed a very strong short list on 29 November 2022 and I am happy to report that Louise Bonham has accepted our invitation to join the board on 15 December 2022. Louise, whose background is mostly in property, is a chartered accountant by training and is a Fellow of the Institute of Chartered Accountants of England and Wales. Louise cut her teeth with Deloitte and Deutsche Bank. She has held a wide range of senior appointments, including at CBRE and Cushman & Wakefield. The plan is that she will understudy Peter Dicks, Chair of the Audit Committee, before taking over from him in that role in the latter half of 2024.

## Environmental, Social and Governance (ESG) issues

Your Company's Manager follows Premier Miton's responsible investing policy which is to integrate Environmental, Social and Governance responsibility into the investment process, and to engage with investee companies in order deliver improved outcomes for all stakeholders. At the same time it takes an active approach to voting on company resolutions at annual general meetings of investee companies. Premier Miton has been a signatory of the UN Principles for Responsible Investment since January 2020, an organisation which encourages and supports its signatories to incorporate ESG factors into investment and ownership decisions. Premier Miton has adopted a banned weapons exclusion policy and utilises third party data to maintain a list of such companies.

Whilst Premier Miton does not specifically exclude any other companies or sectors for ESG reasons, its active investment approach ensures that in many of the Premier Miton funds and investment trusts the exposure to 'controversial companies' is often low.

The Directors attend a 'Kick the Tyres' session with the Manager at least one day each year, where we also meet a couple of investee companies. We are struck by the diligence and thoroughness of the Manager's approach to questioning the directors of these companies. In particular, the Managers are especially interested in the matter of client service and those investee companies who can demonstrate detailed knowledge as to how their employees engage with companies will find themselves with a better chance of securing our investment.

The ongoing conflict in Ukraine continues to keep inflationary pressures elevated. The prospects for economic growth in the UK have been impacted by the badly received mini-budget delivered by Kwasi Kwarteng on 23 September, coupled with what looks like the beginning of a wage-price spiral, which may result in stagflation. Against this difficult backdrop it is worth emphasising that the Managers choose companies where growth is not overly reliant on the general health of the UK economy. In part, this is due to the relative immaturity of the companies and/or their markets. In addition, despite being defined as microcaps, portfolio holdings are often established players in their respective niches and have grown or operate internationally. Overall, therefore, the overseas activities of companies are material to the Trust, further reducing the dependency on the success or otherwise of the UK economy.

Given the challenges ahead, UK-quoted microcaps would appear to have the advantage even if they were standing at similar valuations to the majors. As it is, they are so overlooked that their Price to Book valuations are almost half of those of the UK stock market as a whole, and a mere fraction of those of the largest international stock markets. It is very rare to find stocks with such attractive prospects standing on valuations that are so far below others.

## Chairman's Statement [continued](#)

### Prospects

During 2022, global equity valuations have fallen considerably, and in the case of growth stocks from very elevated levels. Whilst UK equity valuations have reflected the global trend, generally they started at more modest levels, so UK valuations overall currently stand at even more attractive levels. During Brexit, UK microcaps tended to be overlooked, and since November 2021 have remained out of the limelight suffering a steady downward trend. As I write, it is a source of some comfort to see glimmers of life in our microcap stocks. Your Company's NAV hit its nadir during the half year at 64.02p on 25 October, since which date it has climbed steadily to 68.76p on 25 November. Naturally, the NAV progression has been helped by the recent equity rally, which may or may not turn out to be a bear market bounce. Although our stocks are cheap and some might postulate that they are ripe for takeover, I know that it is the Manager's view that, in general terms, the companies in our universe are too small for larger corporates to be bothered going through a great deal of due diligence that a takeover involves. It is more likely that some of our holdings will be able to pick up distressed assets from the receiver or when those companies are in desperate straits. We would rather not lose our well chosen companies to takeovers when their valuations are so depressed.

The UK stock market, which has a high proportion of stocks generating a cash surplus, is distinct from most other global markets. With the constraint on capital that comes with inflation, the relative strength of UK quoted company balance sheets should be a considerable advantage, especially compared to those with substantial debt burdens. Furthermore, if economic conditions remain unsettled, quoted companies can often rescue many of the jobs in the over-indebted, but otherwise viable businesses by acquiring them debt-free from the receivers given that this yields the full cash payback on their prior investment.

Thank you for your patience in holding the Company's shares. We are hopeful that the current period will prove to be rather more rewarding.

**Ashe Windham**  
Chairman

13 December 2022

## Investment Manager's Report

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 Head of Equities at 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. He and Gervais have had a close working relationship since 2004, with 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 Merrill Lynch and Collins Stewart.

## Key questions for the Manager concerning the recent period, and the prospects for the Trust.

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

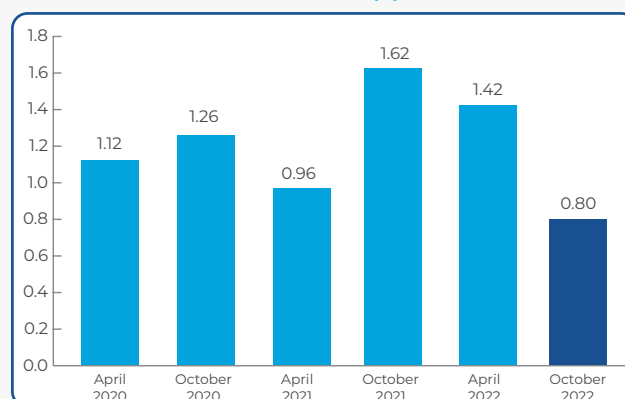
After the substantial outperformance of quoted microcaps in the year to April 2021, the share prices of UK-quoted microcaps peaked in May 2021 because microcap capital raisings exceeded the scale of capital available. During 2022, inflationary pressures have persisted, and with fewer investors buying microcaps, their share prices have declined further. As highlighted on page 1, the NAV of the Trust declined by 29.0% over the half year, which compares with a decline of 19.5% for the Extended Numis 1000 Index over the same period.

Overall, despite such weak share prices over the half year, the prospects for most of the Trust's holdings have not deteriorated. There were, however, some relatively isolated examples where prospects did deteriorate, such as Pressure Technologies, Quadrise Fuel and Lamprell, and these holdings have been sold. Collectively, these three investments detracted 2.1% from the portfolio returns in the period.

Elsewhere, whilst numerous other portfolio stocks continued to report good progress, even modest profit taking was sufficient to drive down their share prices considerably. Saietta Group for example, raised £23m of new capital in August from investors to fund a major contract with a US business and accelerate its transition to a fully integrated e-drive supplier with a substantial US business. Yet as institutional demand was satiated, even modest sellers thereafter drove its share price down from the 138p placing price to just 72p at the end of October. Over the half year, the Trust's holding in Saietta detracted 1.1% from returns, despite its prospects having improved over the period.

The reduction in portfolio valuations can be illustrated via the Price to Book metric – which is a company's share price divided by its asset value per share. The following bar chart illustrates how this valuation metric has fluctuated over recent periods. Portfolio ratios below one are most unusual, especially for a portfolio of stocks with attractive prospects.

Portfolio Price to Book Ratio (x)



Source: Premier Miton

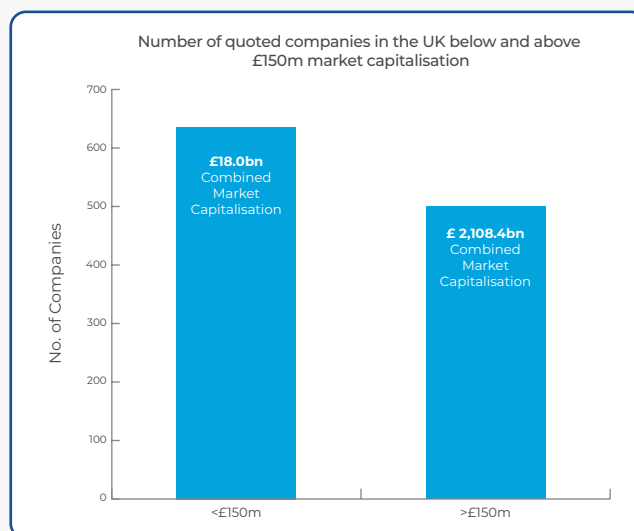
## Investment Manager's Report *continued*

### What has influenced the Trust's NAV since it first listed in April 2015?

Whilst the period since April 2015 has witnessed reasonable corporate expansion, various events have led to investors being more cautious about the UK's prospects. These included the Brexit vote encompassing the period when Parliament was politically gridlocked, and the UK could have suffered an unmanaged chaotic exit from the EU. In addition, the global pandemic and an overconfident mini-budget were also of concern. Overall, most UK stock market indices have hardly appreciated over the period. Indeed, their overall return has been principally driven by the value of the dividend income they have generated over the years.

It was always anticipated that the return on Miton UK MicroCap Trust would be principally generated by capital appreciation, as the true potential of portfolio holdings was recognised. Whilst some of these successes might start to generate dividend payments, often their valuations have risen to such an extent that they are sold and the capital reallocated to other, overlooked microcaps.

Whilst the Trust's NAV has appreciated ahead of that of the comparative indices since issue, its overall returns are not dissimilar as it has not generated such significant dividends. With the unusually low valuations of portfolio holdings outlined previously, there appears to be ample scope for the Trust's portfolio to generate considerable capital appreciation from here, over time.



Source: Premier Miton

### As interest rate rises suppress demand, which stocks are best able to sustain profit margins, when others are cutting prices to hold on to customers?

During globalisation, inflationary pressures were subdued principally due to abundant imports of low-cost goods that typically exceeded demand. During these decades, central banks were able to inject extra demand when economic growth slowed, normally through reducing interest rates or more recently 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. The net effect is that demand has exceeded supply, which has led to inflation. To bring this mismatch back into balance, central banks have raised interest rates to choke off demand.

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

In our view, businesses with poor customer service are often the most vulnerable in these circumstances. Conversely, companies delivering not only good, but outstanding levels of customer service tend to retain their customers even when others are offering similar services at lower prices.

With this in mind, the Manager questions management teams closely about whether they collect data on customer service, which helps them identify those that are delivering outstanding customer service. Whilst such companies may not be immune to wider economic trends, it is anticipated that they will have greater resilience than others.

**With the stock market setback, does Premier Miton remain well-resourced so 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 2015. In November 2019, Miton Group merged with Premier Asset Management to form Premier Miton Group plc. As with Miton Group plc, Premier Miton Group plc is an independent, UK listed fund management company, wholly focused on delivering attractive outcomes for investors.

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

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 are the prospects for the Trust?**

During 2022, inflation was persistent and valuations fell considerably. Even prior to this year, with the uncertainties of Brexit, the valuation of UK equities was already relatively undemanding. Following the share price weakness in 2022, UK microcaps have fallen to what we consider to be exceptionally attractive valuations. The trend in the Price/Book valuation of the Trust's portfolio is shown on a previous graph on page 9. On this metric, after the setback this year, it is now considerably below the valuation of comparative indices, which in turn are standing on relatively low valuations versus international comparatives.

As inflationary pressures peak, investors are starting to look forward to a time when asset values stop falling. Indeed, some are starting to look across the recessionary valley in earnings, to an improving trend some quarters hence.

In our view, the prospects for global recovery still range between a recession that may persist for longer than expected to a scenario where inflationary pressures may have been conquered. Either way, with elevated energy prices and the cost of mortgages rising, in our view consumers, governments and corporates will become much more price sensitive in their purchases and moderate their consumption rate. This implies that profit margins will come under pressure which coupled with limited global growth, will hinder earnings growth.

## Investment Manager's Report [continued](#)

Whilst this period could be challenging for all businesses, those with over-levered balance sheets, or those making persistent losses, will be at risk of bankruptcy. In contrast, quoted companies tend to have relatively strong balance sheets. Better still, they have the potential to acquire overindebted, but otherwise viable businesses from the receiver, debt-free, at distressed valuations. In our view, these transactions will actively improve the potential for these companies to generate surplus cash at a time when most others are short of capital.

Since mainstream stocks will typically be large compared to the scale of any acquisitions, in general they will only deliver incremental improvements. In contrast, the scale of these acquisitions will often be very significant relative to quoted microcaps, and consequently some will have the potential to generate transformational returns.

In short, in terms of the price/book metric, many UK-quoted microcaps are currently standing at unusually low valuations. And yet, even if economic conditions remain challenging, prospects are expected to be superior to many others. Furthermore, if they make acquisitions at distressed valuations, their returns may be substantially better. Overall, whilst markets might remain volatile for quite some time, in our view the prospects for the Trust's strategy have never been better.

**Gervais Williams and Martin Turner**

13 December 2022

# Portfolio Information

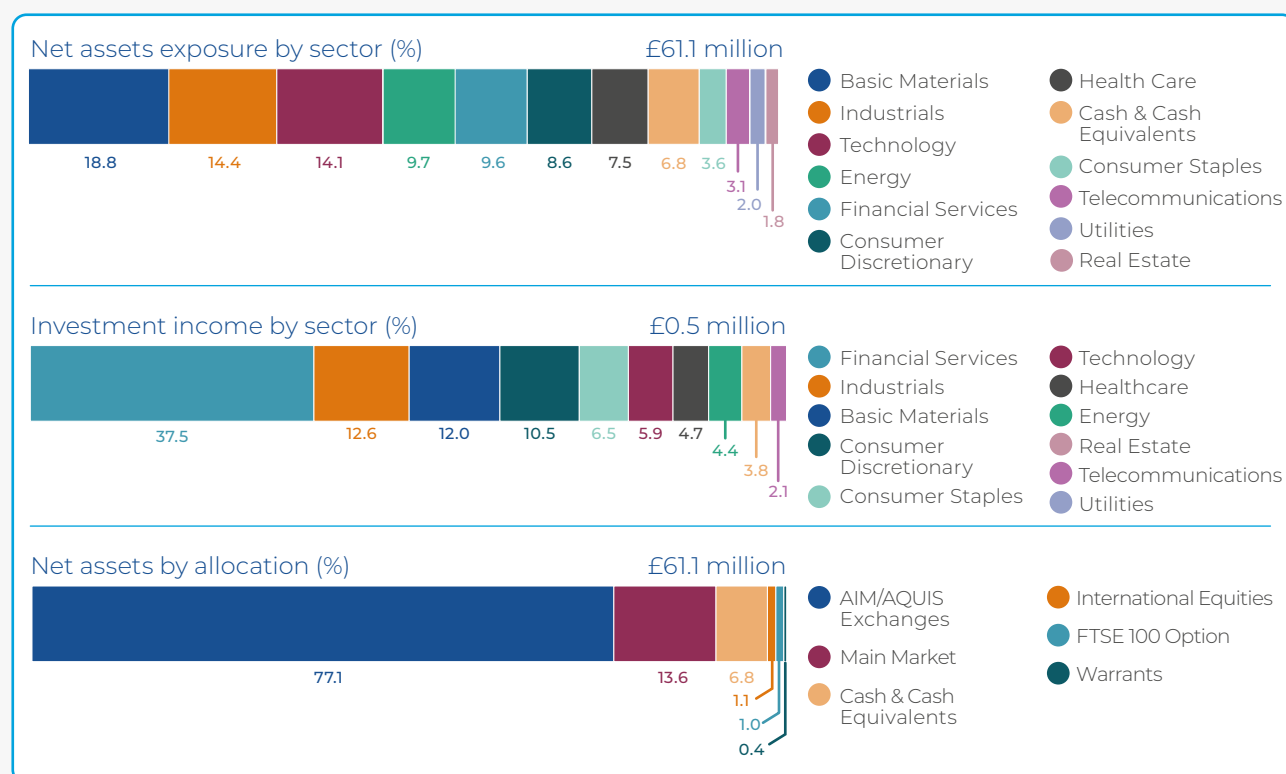
as at 31 October 2022

Rank	Company	Sector & main activity	Valuation £'000	% of net assets	Yield* %
1	MTI Wireless Edge	Technology	1,824	3.0	4.7
2	Frontier IP Group	Industrials	1,598	2.6	–
3	Yu Group	Utilities	1,253	2.1	–
4	Totally	Health Care	1,239	2.0	3.0
5	Kistos	Energy	1,231	2.0	–
6	Afritin Mining	Basic Materials	1,208	2.0	–
7	TruFin	Financials	1,160	1.9	–
8	HEIQ	Basic Materials	1,121	1.8	–
9	Corero Network Security	Technology	1,104	1.8	–
10	Braemar	Industrials	1,025	1.7	3.5
<b>Top 10 investments</b>			<b>12,763</b>	<b>20.9</b>	
11	Eneraqua Technologies	Industrials	1,019	1.7	0.3
12	Zoo Digital Group	Technology	982	1.6	–
13	Centralnic Group	Technology	961	1.6	–
14	Accrol Group Holdings	Consumer Staples	918	1.5	–
15	Cyanconnode Holdings	Telecommunications	897	1.5	–
16	CT Automotive Group	Consumer Discretionary	884	1.4	–
17	Aferian	Telecommunications	846	1.4	3.5
18	Capital Limited	Basic Materials	792	1.3	3.3
19	Van Elle Holdings	Industrials	790	1.3	2.4
20	Atlantic Lithium	Basic Materials	764	1.2	–
<b>Top 20 investments</b>			<b>21,616</b>	<b>35.4</b>	
21	Supreme	Consumer Staples	757	1.2	5.5
22	Cleantech Lithium	Basic Materials	750	1.2	–
23	Futura Medical	Health Care	749	1.2	–
24	Zinc Media Group	Consumer Discretionary	730	1.2	–
25	Marwyn Value Investors	Financials	727	1.2	10.1
26	Kinovo	Industrials	716	1.2	–
27	Saietta Group	Consumer Discretionary	686	1.1	–
28	Touchstone Exploration	Energy	678	1.1	–
29	Elemental Altus Royalties	Basic Materials	668	1.1	–
30	Jubilee Metals Group	Basic Materials	663	1.1	–
<b>Top 30 investments</b>			<b>28,740</b>	<b>47.0</b>	
<b>Balance held in 104 equity investments</b>			<b>27,578</b>	<b>45.2</b>	
<b>Total equity investments</b>			<b>56,318</b>	<b>92.2</b>	
<b>Listed Put Option</b>					
	UKX – December 2023 5,700 Put		615	1.0	
<b>Other net current assets</b>			<b>4,159</b>	<b>6.8</b>	
<b>Net assets</b>			<b>61,092</b>	<b>100.0</b>	

\* Source: Refinitiv. Based on historical yields and therefore not representative of future yields. Includes special dividends if applicable.

## Portfolio Information continued

### Net assets as at 31 October 2022



Source: Thomson Reuters.

The tables above set out how the Company's capital was deployed as at 31 October 2022. The data is shown in terms of the classifications or the stock markets on which the holdings are listed. UK smaller quoted companies that are not listed on the Main Market of the London Stock Exchange are normally quoted on AIM. The AIM market was set up to meet the requirements of smaller listed companies, providing them with the ability to raise funds. This also provides liquidity for acquisitions and trading in the shares.

The Trust's cash position and the available revolving credit facility of £5m (which may be drawn upon demand) together provide the Company with plenty of cash resources. This enables the Company to take advantage of investments at opportune times.

The warrants give the right, but not the obligation, to buy or sell a security at a certain price before expiration. The current value of the holdings in the tables above are at exercise price, where these are 'in the money'.

The investment income shown above comprises income from the portfolio as included in the Income Statement for the Half Year to 31 October 2022, attributable to the various sectors. The returns of the Company are from Capital and Revenue.

Investments for the Company's portfolio are principally selected on their individual merits.

The Investment Policy is set out on page 26, and details regarding risk factors, diversification and other policies are set out each year in the Annual Report.

# Half-Year Management Report and Directors' Responsibility Statement

## Half-Year 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 8 and the Investment Manager's Report on pages 9 to 12.

The principal risks facing the Company are substantially unchanged since the date of the Annual Report and Accounts for the year ended 30 April 2022 and remain as set out in that report on pages 23 to 25.

The Board has, throughout the period, considered risks surrounding the impact of the COVID-19 pandemic. The risks related to market volatility and, in the worst case scenario, a decline in market prices, are continually monitored by Premier Miton and reviewed regularly by the Board.

The risks faced by the Company include, but are not limited to: the availability of suitable investments to execute its investment strategy; reliance on third-party service providers; reliance on key personnel/individuals employed by the Investment Manager; share price volatility and liquidity risk; operational costs which are unrelated to the size of the fund; adverse regulatory or law changes; cyber security risk; and legal action by others. The risks arising from the Company's financial instruments are market risk; liquidity risk; and credit and counterparty risk.

## Responsibility Statement

The Directors acknowledge responsibility for the Half-Year Financial Report and 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, as contained in UK-adopted IFRS; and gives a true and fair view of the assets, liabilities, financial position and profit of the Company as required by the Disclosure Guidance and Transparency Rules (DTR) 4.2.4R; and
- this Half Year Report (including the Chairman's Statement and the Investment Manager's Report) includes a fair review of the information required by:
  1. DTR 4.2.7R, 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, 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 13 December 2022 and the above responsibility statement was signed on its behalf by Ashe Windham, Chairman.

# Income Statement

for the half year to 31 October 2022

		Half year to 31 October 2022			Half year to 31 October 2021			Year ended 30 April 2022		
	Notes	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 on investments held at fair value through profit or loss		–	(27,124)	(27,124)	–	(7,997)	(7,997)	–	(13,284)	(13,284)
Losses on derivatives held at fair value through profit or loss		–	(407)	(407)	–	(677)	(677)	–	(1,268)	(1,268)
Income	2	484	–	484	508	–	508	983	–	983
Management fee	7	(84)	(251)	(335)	(118)	(353)	(471)	(892)	(669)	(892)
Other expenses		(333)	–	(333)	(306)	–	(306)	(587)	–	(587)
<b>Return on ordinary activities before finance costs and taxation</b>		67	(27,782)	(27,715)	84	(9,027)	(8,943)	173	(15,221)	(15,408)
Finance costs	8	–	(19)	(19)	–	(20)	(20)	–	(39)	(39)
<b>Return/(loss) on ordinary activities before taxation</b>		67	(27,801)	(27,734)	84	(9,047)	(8,963)	173	(15,260)	(15,087)
Taxation		–	–	–	–	–	–	(14)	–	(14)
<b>Return/(loss) on ordinary activities after taxation</b>	3	67	(27,801)	(27,734)	84	(9,047)	(8,963)	159	(15,260)	(15,101)
Return per Ordinary share – basic and diluted (pence)	3	0.07	(27.97)	(27.90)	0.08	(8.22)	(8.14)	0.15	(13.91)	(13.76)

The total column of this statement is the Income Statement of the Company prepared in accordance with international accounting standards in conformity with the Companies Act 2006. 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.

There is no other comprehensive income, and therefore the return/(loss) for the six months is also the comprehensive income.

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

# Statement of Changes in Equity

for the half year to 31 October 2022

	Notes	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>As at 30 April 2022</b>		<b>160</b>	<b>64</b>	<b>672</b>	<b>61,546</b>	<b>36,801</b>	<b>232</b>	<b>99,475</b>
<b>Total comprehensive income:</b>								
Return on ordinary activities after taxation		–	–	–	–	(27,801)	67	(27,734)
<b>Transactions with shareholders recorded directly to equity:</b>								
Redemption of Ordinary shares		–	–	–	(10,507)	–	–	(10,507)
Cancellation of shares	5	(15)	15	–	–	–	–	–
Equity dividends paid	4	–	–	–	–	–	(142)	(142)
<b>As at 31 October 2022</b>		<b>145</b>	<b>79</b>	<b>672</b>	<b>51,039</b>	<b>9,000</b>	<b>157</b>	<b>61,092</b>
<b>As at 30 April 2021</b>		<b>162</b>	<b>61</b>	<b>–</b>	<b>64,283</b>	<b>52,061</b>	<b>84</b>	<b>116,651</b>
<b>Total comprehensive income:</b>								
Return on ordinary activities after taxation		–	–	–	–	(9,047)	84	(8,963)
<b>Transactions with shareholders recorded directly to equity:</b>								
Redemption of Ordinary shares		–	–	–	(2,736)	–	–	(2,736)
Shares issued		1	–	673	–	–	–	674
Cancellation of shares	5	(3)	3	–	–	–	–	–
Equity dividends paid	4	–	–	–	–	–	(11)	(11)
<b>As at 31 October 2021</b>		<b>160</b>	<b>64</b>	<b>673</b>	<b>61,547</b>	<b>43,014</b>	<b>157</b>	<b>105,615</b>
<b>As at 30 April 2021</b>		<b>162</b>	<b>61</b>	<b>–</b>	<b>64,283</b>	<b>52,061</b>	<b>84</b>	<b>116,651</b>
<b>Total comprehensive income:</b>								
Return on ordinary activities after taxation		–	–	–	–	(15,260)	159	(15,101)
<b>Transactions with shareholders recorded directly to equity:</b>								
Issue of Ordinary shares		1	–	672	–	–	–	673
Redemption of Ordinary shares		–	–	–	(2,737)	–	–	(2,737)
Cancellation of shares	5	(3)	3	–	–	–	–	–
Equity dividends paid	4	–	–	–	–	–	(11)	(11)
<b>As at 30 April 2022</b>		<b>160</b>	<b>64</b>	<b>672</b>	<b>61,546</b>	<b>36,801</b>	<b>232</b>	<b>99,475</b>

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

# Balance Sheet

as at 31 October 2022

	Notes	31 October 2022 £'000	31 October 2021 £'000	30 April 2022 £'000
<b>Non-current assets:</b>				
Investments held at fair value through profit or loss		56,318	99,210	94,822
<b>Current assets:</b>				
Derivative instruments		615	1,392	802
Trade and other receivables		116	714	232
Cash at bank and cash equivalents		4,931	5,349	3,794
		5,662	7,455	4,828
<b>Liabilities:</b>				
Trade and other payables		(888)	1,050	175
<b>Net current assets</b>		<b>4,774</b>	<b>6,405</b>	<b>4,653</b>
<b>Net assets</b>		<b>61,092</b>	<b>105,615</b>	<b>99,475</b>
<b>Capital and reserves</b>				
Share capital	5	145	160	160
Capital redemption reserve		79	64	64
Share premium account		672	673	672
Special reserve		51,039	61,547	61,546
Capital reserve		9,000	43,014	36,801
Revenue reserve		157	157	232
<b>Shareholders' funds</b>		<b>61,092</b>	<b>105,615</b>	<b>99,475</b>
		pence	pence	pence
<b>Net asset value per Ordinary share – basic and diluted</b>		<b>64.55</b>	<b>96.67</b>	<b>91.05</b>

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

# Statement of Cash Flows

for the half year to 31 October 2022

	Half year to 31 October 2022 £'000	Half year to 31 October 2021 £'000	Year ended 30 April 2022 £'000
<b>Operating activities:</b>			
Net (loss)/return before taxation	(27,734)	(8,963)	(15,087)
Loss/(gain) on investments and derivatives held at fair value through profit or loss	27,531	8,674	14,552
Decrease/(increase) in trade and other receivables	23	10	12
(Decrease)/increase in trade and other payables	(37)	(35)	(18)
Exchange losses on capital items	–	–	1
Amortisation of finance costs	19	19	39
Withholding tax paid	–	–	(14)
<b>Net cash outflow from operating activities</b>	<b>(198)</b>	<b>(295)</b>	<b>(515)</b>
<b>Investing activities:</b>			
Purchase of investments	(6,988)	(15,838)	(26,813)
Sale of investments	17,832	17,284	29,012
Purchase of derivative instruments	(911)	–	(2,070)
Sale of derivative instruments	2,070	–	–
<b>Net cash inflow from investing activities</b>	<b>12,003</b>	<b>1,446</b>	<b>129</b>
<b>Financing activities:</b>			
Proceeds of ordinary share issue	–	689	688
Redemption of ordinary shares	(10,507)	(2,736)	(2,737)
Equity dividends paid	(19)	(11)	(11)
Finance costs paid	(142)	(16)	(32)
<b>Net cash outflow from financing activities</b>	<b>(10,668)</b>	<b>(2,074)</b>	<b>(2,092)</b>
(Decrease)/increase in cash and cash equivalents	1,137	(923)	(2,478)
<b>Reconciliation of net cash flow movement in funds:</b>			
Cash and cash equivalents at the start of the period	3,794	6,272	6,272
Net cash (outflow)/inflow from cash and cash equivalents	1,137	(923)	(2,478)
<b>Cash at the end of the period</b>	<b>4,931</b>	<b>5,349</b>	<b>3,794</b>

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 International Accounting Standards ("IAS") 34 – Interim Financial Reporting.

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 2022 and 31 October 2021 have not been audited or reviewed by the Company's Auditor. The figures and financial information for the year ended 30 April 2022 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.

In the current period, the Company has applied amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. The adoption of these has not had any material impact on these financial statements and the accounting policies used by the Company followed in these half-year financial statements are consistent with the most recent Annual Report for the year ended 30 April 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 twelve 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 current cash balance plus available additional borrowing, through the revolving credit facility, enables the Company to meet any funding requirements and finance future additional investments.

The Directors have assessed the impact of changes in market value and income with associated cash flows. In making this assessment, they have considered plausible downside scenarios including the impact of inflation and simulated a 50% reduction in NAV. The conclusion was that in a plausible downside scenario the Company could continue to meet its liabilities. The economic future remains uncertain, and while the Directors believe that it is possible the Company could experience further reductions in income and/or market value, that in their opinion this should not be to a level which would threaten the Company's ability to continue as a going concern.

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.

## 2. Income

	Period ended 31 October 2022 £'000	Period ended 31 October 2021 £'000	Year ended 30 April 2022 £'000
<b>Income from investments:</b>			
UK dividends	317	371	604
UK REIT dividend income	17	130	31
Non UK dividends	124	7	348
	<b>458</b>	<b>508</b>	<b>983</b>
<b>Other income:</b>			
Bank deposit interest	21	–	–
Exchange gains	2	–	–
Other income	3	–	–
<b>Total income</b>	<b>484</b>	<b>508</b>	<b>983</b>

## 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 2022			Half year to 31 October 2021			Year ended 30 April 2022		
Net profit (£'000)	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Continuation shareholders (£'000)	89	(27,063)	(26,974)	84	(9,047)	(8,963)	159	(15,260)	(15,101)
Redemption shareholders (£'000)	(22)	(738)	(760)	–	–	–	–	–	–
	<b>67</b>	<b>(27,801)</b>	<b>(27,734)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>159</b>	<b>(15,260)</b>	<b>(15,101)</b>
Weighted average number of shares in issue	99,404,322			110,083,570			109,671,976		
<b>Return per share (pence)</b>	<b>0.07</b>	<b>(27.97)</b>	<b>(27.90)</b>	<b>0.08</b>	<b>(8.22)</b>	<b>(8.14)</b>	<b>0.15</b>	<b>(13.91)</b>	<b>(13.76)</b>

The return per share is allocated as follows:

	Return per ordinary share			Weighted average
	Pence	Pence	Pence	
Continuing Pool	0.09	(27.22)	(27.13)	99,404,322
Redemption Pool*	(0.02)	(0.75)	(0.77)	14,614,999

\*Returns of the Redemption Pool

# Notes to the Condensed Financial Statements *continued*

## 4. Dividends per Ordinary Share

	Half year to 31 October 2022		Half year to 31 October 2021		Year ended 30 April 2022	
	£'000	pence	£'000	pence	£'000	pence
Amounts recognised as distributions to equity holders in the period:						
Final dividend for the year ended 30 April 2021	–	–	11	0.01	11	0.01
Final dividend for the year ended 30 April 2022	142	0.15	–	–	–	–
	142	0.15	11	0.01	11	0.01

## 5. Called-up Share Capital

	Half year to 31 October 2022		Half year to 31 October 2021		Year ended 30 April 2022	
	Number	£'000	Number	£'000	Number	£'000
Ordinary shares of £0.001 each						
Opening balance	109,253,560	110	111,274,758	112	111,274,758	112
Shares issued	–	–	650,000	1	650,000	1
Cancellation of shares	(14,614,999)	(15)	(2,671,198)	(3)	(2,671,198)	(3)
	94,638,561	95	109,253,560	110	109,253,560	110

	Half year to 31 October 2022		Half year to 31 October 2021		Year ended 30 April 2022	
	Number	£'000	Number	£'000	Number	£'000
Management shares of £1 each	50,000	50	50,000	50	50,000	50

The total number of Ordinary Shares in respect of which valid redemption requests were received for the 30 June 2022 Redemption Point was 14,614,999 Ordinary Shares (representing 13.38% of the issued share capital (the “Redemption”). The Board resolved to effect the Redemption using the Redemption Pool method set out in the Company’s Articles, pursuant to which the Company notionally divided its assets and liabilities into two pools, the Redemption Pool and the Continuation Pool. The 14,614,999 Ordinary Shares over which valid redemption requests were made have been cancelled with effect from 30 June 2022. The assets of the Redemption Pool have been liquidated with 71.89p despatched for each share redeemed on 20 September 2022.

The redeemed shares have been cancelled by the Company.

As at 31 October 2022, there were 94,638,561 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 2022 pence	Net assets attributable 31 October 2022 £'000	NAV per Ordinary share 31 October 2021 pence	Net assets attributable 31 October 2021 £'000	NAV per Ordinary share 30 April 2022 pence	Net assets attributable 30 April 2022 £'000
Basic and diluted	64.55	61,092	96.67	105,615	91.05	99,475

NAV per Ordinary share is based on net assets at the period end and 94,638,561 Ordinary shares, being the number of Ordinary shares in issue at the period end (31 October 2021: 109,253,560 Ordinary shares; 30 April 2022: 109,253,560 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 holders of Management shares have no right to any surplus capital or assets of the Company.

## 7. Management Fee

	Half year to 31 October 2022			Half year to 31 October 2021			Year ended 30 April 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	84	251	335	118	353	471	223	669	892

At 31 October 2022, an amount of £43,000 (31 October 2021: £74,000; 30 April 2022: £68,000) was outstanding and due to Premier Portfolio Managers ("PPM") in respect of management fees.

The basic management fee payable to the AIFM is calculated at the rate of one-twelfth of 0.9% of the average market capitalisation of the Company up to £100m, 0.8% per annum on the average market capitalisation above £100m, on the last business day of each calendar month. The basic management fee accrues daily and is payable in arrears in respect of each calendar month. For the purpose of calculating the basic fee, the 'adjusted market capitalisation' of the Company is defined as the average daily midmarket price for an Ordinary share (and C share when in issue), multiplied by the number of relevant shares in issue, excluding those held by the Company in treasury, on the last business day of the relevant month. In addition to the basic management fee, and when a Redemption Pool is in existence, the AIFM is entitled to receive from the Company a fee calculated at the rate of 0.9% of the net asset value of the Redemption Pool on the last Business Day of the relevant calendar month.

The AIFM has agreed that, for so long as it remains the Company's Investment Manager, it will not charge such part of any management fee payable to it so that the Company can 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.

# Notes to the Condensed Financial Statements *continued*

## 8. Finance Costs

	Half year to 31 October 2022			Half year to 31 October 2021			Year ended 30 April 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
£5m revolving loan facility arrangement fee	–	3	3	–	3	3	–	6	6
£5m revolving loan facility non-utilisation fee	–	16	16	–	17	17	–	33	33
	–	19	19	–	20	20	–	39	39

### Revolving credit facility

The Company entered into a revolving credit facility (the “facility”) on 25 February 2021 for £5m for three years. The facility has been arranged by NatWest Markets Plc (previously known as The Royal Bank of Scotland plc), and the lender The Royal Bank of Scotland International Limited, London branch.

The Company has not drawn down this facility during the period and no amounts have been drawn down at the date of signing this report.

The terms of the facility are set out below:

- Interest starting at 1.35% above SONIA on any drawn balance depending on the time period of the borrowing.
- Commitment fee of 0.65% on any undrawn balance where less than 25% of the facility is drawn down or 0.55% on any undrawn balance where more than 25% of the facility is drawn down.
- The covenants require that borrowings will not at any time exceed 15% of the adjusted portfolio value, being the total portfolio value less the gross market value of each investment which is not a quoted equity freely traded on a recognised investment exchange, and that the net asset value shall at all times be greater than £50m.

## 9. 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
<b>Financial assets at fair value through profit or loss at 31 October 2022</b>				
Equity investments	55,081	1,070	167	56,318
Derivative contracts	–	615	–	615
	55,081	1,685	167	56,933

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss at 31 October 2021</b>				
Equity investments	97,365	1,781	64	99,210
Derivative contracts	–	1,392	–	1,392
	97,365	3,173	64	100,602

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss at 30 April 2022</b>				
Equity investments	93,190	1,153	479	94,822
Derivative contracts	802	–	–	802
	93,992	1,153	479	95,624

#### Reconciliation of level 3 movements – financial assets

	As at 31 October 2022 Level 3 £'000	As at 31 October 2021 Level 3 £'000	As at 30 April 2022 Level 3 £'000
Opening fair value investments	479	64	64
Transfer from Level 1 to Level 3	225	–	479
Transfer from Level 2 to Level 3	86	–	–
Transfer from Level 3 to Level 1	(340)	–	–
Movement in investment holdings gains movement in unrealised	(283)	–	(64)
<b>Closing fair value of investments</b>	<b>167</b>	<b>64</b>	<b>479</b>

#### 10. 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 7. There were no other identifiable related parties at the half year end.

# 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 UK 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 NAV, 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 2022 and the date of this report, there are 94,638,561 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 2 November 2023. 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.

## Shareholder Information continued

### November 2023 Redemption Point

It is anticipated that the next redemption point for shareholders will be in November 2023. The Board retains the discretion to further amend this timetable.

The following are the expected dates for the November 2023 Redemption Point:

<b>3 October 2023</b>	Latest date for receipt of Redemption Requests and certificates for certificated shares
<b>3 pm on 3 October 2023</b>	Latest date and time for receipt of Redemption Requests and settled TTE (Transfer to Escrow) instructions for uncertificated shares via CREST
<b>2 November 2023</b>	Redemption Point
<b>16 November 2023</b>	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 In the case of a large redemption request it may take around three months or longer for the Redemption Pool to be fully liquidated and all redemption monies to be despatched
<b>30 November 2023</b>	Balance certificate 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 Official List of the FCA and traded on the London Stock Exchange.

### 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.

By phone – UK – 0371 664 0300 Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

By email – [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk).

By post – Link Group, 10<sup>th</sup> Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

### Ticker code

The Company's Ticker code is MINI

### Investment Manager and AIFM: Premier Fund Managers Limited

The Company's Investment Manager is Premier Fund 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. Premier Portfolio Managers, also a wholly owned subsidiary of Premier Miton Group plc, has been appointed as the Company's Alternative Investment Fund Manager under the Alternative Investment Fund Managers' Directive.

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

Investor updates in the form of monthly factsheets are available from the Investment Manager's website, [premiermiton.com](http://premiermiton.com).

## Directors and Secretary

### Directors (all non-executive)

Ashe Windham, Chairman

Peter Dicks

Jan Etherden

Davina Walter

## Advisers

### Secretary and Registered Office

Link Company Matters Limited

6<sup>th</sup> Floor

65 Gresham Street

London EC2V 7NQ

Telephone: +44 (0) 333 300 1950

*(Registered Office was changed from  
Beaufort House on 8 December 2022)*

### Investment Manager and Alternative Investment Fund Manager

Premier Portfolio Managers Limited

Eastgate Court

High Street

Guildford

Surrey GU1 3DE

### Company website

[www.mitonukmicrocaptrust.com](http://www.mitonukmicrocaptrust.com)

### Twitter

@PMTrusts\_UK

### Auditor

BDO LLP

55 Baker Street

London W1U 7EU

### Company Administrator

Link Alternative Fund Administrators Limited

Beaufort House

51 New North Road

Exeter EX4 4EP

### Depository and Custodian

The Bank of New York Mellon (International) Limited

One Canada Square

London E14 5AL

### Registrar and Transfer Office

Link Group

10<sup>th</sup> Floor

Central Square

29 Wellington Street

Leeds LS1 4DL

Telephone: 0371 664 0300

(Calls are charged at the standard geographic rate and  
will vary by provider. Calls outside the United Kingdom  
will be charged at the applicable international rate)

Email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)

Website: [www.linkassetservices.com](http://www.linkassetservices.com)

### Solicitor

Stephenson Harwood LLP

1 Finsbury Circus

London EC2M 7SH

### Stockbroker

Peel Hunt LLP

100 Liverpool Street

London EC2M 2AT

# Financial Calendar

Year end	30 April 2023
2023 full-year results announced	July 2023
Annual General Meeting	September 2023
Half-year end	31 October 2023
Redemption Point	2 November 2023
2023 half-year results announced	December 2023

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 and Alternative Performance Measures (APMs)

### Alternative Investment Market ("AIM")

MINI's shares are traded on the London Stock Exchange, although most of the stocks held in the Company's portfolio are quoted on AIM. 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.

### Discount/Premium to NAV ("APM")

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	31 October 2022	30 April 2022	
Closing NAV per share (p)	64.55	91.05	(a)
Closing share price (p)	59.00	86.50	(b)
Discount (c = ((a - b)/a))	(8.60)%	(5.00)%	(c)

### 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.

### FTSE 100 Put Option

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.

### 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.

# Glossary and Alternative Performance Measures (APMs)

continued

## International Financial Reporting Standards

("IFRS") are standards issued by the International Accounting Standards Board ("IASB"), approved for implementation 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.

## Key Performance Indicators ("KPIs")

KPIs are a short list of corporate attributes that are used to assess the general progress of the business and are outlined in this Report on page i.

## MicroCap stocks

The smallest companies in the investment universe, as measured by market capitalisation, which is the total value of the shares of a company. These are typically less than £150m by value at the time of investment.

## Net Asset Value ("NAV") per Ordinary share

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.

## 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 make up the largest 80% by market value of the UK fully listed equity market.

**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 1000 Index** contains all the stocks that make up the smallest 2% by value of the UK fully listed equity market. It excludes investment companies.

## Ongoing Charges ("APM")

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.

	31 October 2022 £'000	30 April 2022 £'000
<b>Ongoing Charges Calculation</b>		
Management fee	335	892
Other administrative expenses	333	587
Less non-recurring items	(13)	–
Total management fee and other administrative expenses (annualised)	1,312	1,479 (a)
Average net assets in the year	74,910	104,901 (b)
<b>Ongoing charges (c = a/b)*</b>	1.75%	1.41% (c)

\* Annualised.

### Peer Group

The Association of Investment Companies ("the AIC") has defined a series of categories in which investment companies sit, in order to provide meaningful peer groups for comparative purposes. MINI sits within the AIC's UK Smaller Companies sector, alongside other investment companies, the majority of whose investments are in medium to microcap companies.

### SONIA (interest rate)

Sterling Overnight Index Average.

### 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 ("APM")

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.

	31 October 2022	30 April 2022
<b>NAV Total Return</b>		
Closing NAV per share (p)	64.55	91.05
Add back final dividend for the year ended 30 April 2022 (2021) (p)	0.15	0.01
Adjusted closing NAV (p)	64.70	91.06 (a)
Opening NAV per share (p)	91.05	104.83 (b)
<b>NAV total return unadjusted (%)</b>		
$c = ((a-b) \div b) \times 100$	(28.9)%	(13.1)% (c)
<b>NAV total return adjusted (%)</b>	(29.0)%	(13.1)%

	31 October 2021	30 April 2021
<b>Share Price Total Return</b>		
Closing share price (p)	59.00	86.50
Add back final dividend for the year ended 30 April 2022 (2021) (p)	0.15	0.01
Adjusted closing share price (p)	59.15	86.51 (a)
Opening share price (p)	86.50	104.50 (b)
<b>Share price total return unadjusted (%)</b>		
$c = ((a-b) \div b) \times 100$	(31.6)%	(17.2)% (c)
<b>Share price total return adjusted (%)</b>	(31.8)%*	(18.0)%*

\* 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.

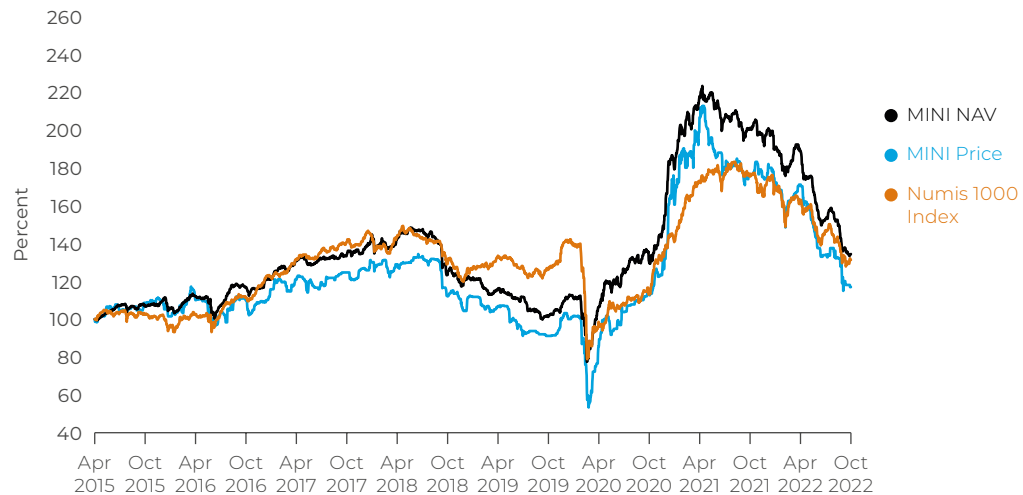
# Notes



# Notes



## Company performance since launch on 30 April 2015



Source: Morningstar 30 April 2015 to 31 October 2022.

**Premier Miton**  
INVESTORS

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65 St Paul's Churchyard  
London EC4M 8AB