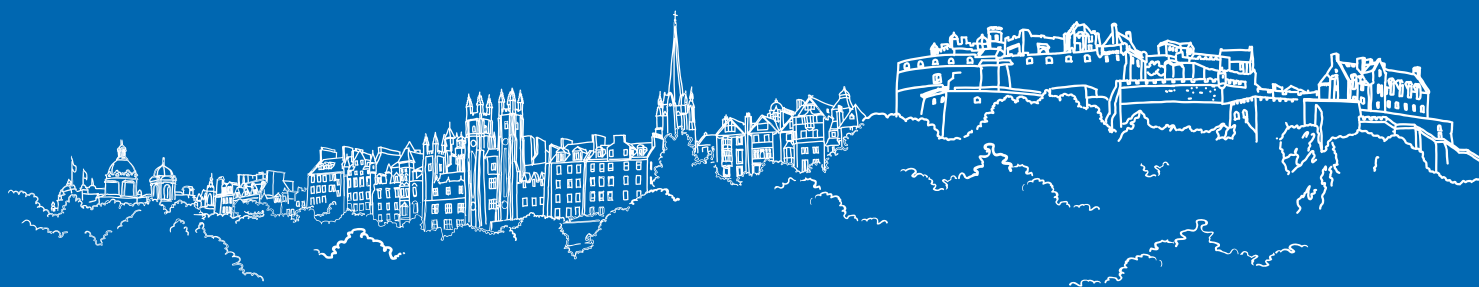
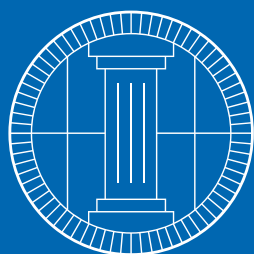


# The Edinburgh Investment Trust plc

HALF-YEARLY FINANCIAL REPORT  
SIX MONTHS TO 30 SEPTEMBER 2022





# The Edinburgh Investment Trust plc

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If you wish to contact members of the Edinburgh Investment Trust Board then please get in touch with the Company Secretary on +44 (0)20 7653 9690. If you have any enquiries for the Investment Manager, please contact them on +44 (0)20 7412 1700.

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

The Company is a  
member of

**aic**

The Association of  
Investment Companies

£1,003m

Net assets

553.00p

Share price

(10.6)%

Discount\*

4.4%

Gearing (net)\*

Comparative figures for last year are given on page 3

\*Alternative Performance Measures (see page 25)

## Investment Objective

The Edinburgh Investment Trust plc ('the Company') is an investment trust whose investment objective is to invest primarily in UK securities with the long-term objective of achieving:

1. an increase of the Net Asset Value per share in excess of the growth in the FTSE All-Share Index; and
2. growth in dividends per share in excess of the rate of UK inflation

The Company will generally invest in companies quoted on a recognised stock exchange in the UK. The Company may also invest up to 20% of the portfolio in securities listed on stock exchanges outside the UK. The portfolio is selected on the basis of assessment of fundamental value of individual securities and is not structured on the basis of industry weightings.

## Nature of the Company

The Company is a publicly listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders, according to a specified investment objective and policy (set out on page 14 of the Company's 2022 Annual Financial Report), with the aim of spreading investment risk and generating a return for shareholders.

The Company uses borrowing to enhance returns to shareholders. This increases the risk to shareholders should the value of investments fall.

In April 2022 Liontrust Fund Partners LLP became the Company's AIFM (the Manager) following the acquisition of Majedie Asset Management Limited (the Company's AIFM since its appointment in March 2022) by Liontrust Asset Management PLC. The responsibility for the day-to-day investment management activities of the Company has been delegated to Liontrust Investment Partners LLP. The Company's portfolio management team, with James de Uphaugh as the portfolio manager and Chris Field as the deputy manager, has remained unchanged. Other administrative functions are contracted to other external service providers. The Company has a Board of non-executive Directors who oversee and monitor the activities of the Manager and other third party service providers on behalf of shareholders and ensure that the investment objective and policy is adhered to. The Company has no employees.

**The Company's ordinary shares qualify to be considered as mainstream investment products suitable for promotion to retail investors. The Company's ordinary shares are eligible for investment in an ISA.**



# Strategic Report



# Financial Information and Performance Statistics

	Six months to 30 September 2022 % Change
<b>Total Return<sup>(1)(2)(3)</sup> (all with dividends reinvested)</b>	
Net asset value (NAV) - debt at fair value	-8.2
Share price	-11.0
FTSE All-Share Index	-8.3

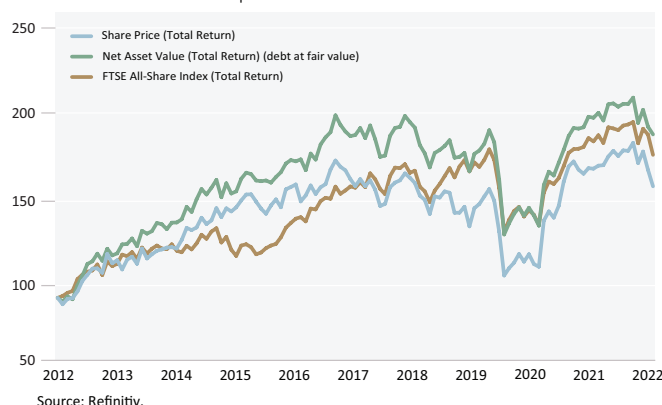
The Company's benchmark is the FTSE All-Share Index.

	At 30 September 2022	At 31 March 2022	% Change
<b>Capital Return</b>			
Net asset value – debt at fair value <sup>(2)</sup>	618.85p	686.69p	-9.9
Share price <sup>(1)(2)</sup>	553.00p	634.00p	-12.8
FTSE All-Share Index <sup>(1)</sup>	3,763.48	4,187.78	-10.1
<b>Discount<sup>(2)(3)</sup> – debt at fair value</b>	(10.6)%	(7.7)%	
<b>Gearing (debt at fair value)<sup>(2)(3)</sup> – gross gearing</b>	7.3%	10.3%	
– net gearing	4.4%	4.4%	
<b>Consumer Price Index<sup>(1)</sup> – annual change</b>	10.1%	7.0%	

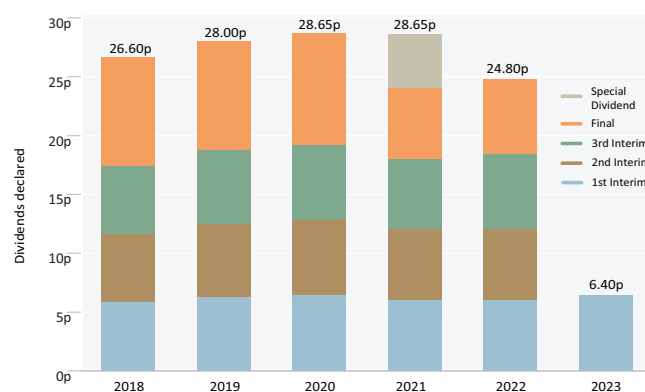
	2022	2021	% Change
<b>Six months to 30 September</b>			
<b>Revenue Return and Dividends</b>			
Revenue return per ordinary share	14.77p	13.77p	+7.3
First interim dividend <sup>(4)</sup>	6.40p	6.00p	+6.7

## Ten Year Total Return performance

Rebased to 100 at 30 September 2012



## Recent Dividend History



Notes:

<sup>(1)</sup> Source: Refinitiv.

<sup>(2)</sup> These terms are defined in the Alternative Performance Measures on pages 25 to 27. NAV with debt at fair value is widely used by the investment company sector for the reporting of performance, premium or discount and gearing. NAV with debt at par is explained in the Alternative Performance Measures.

<sup>(3)</sup> Key Performance Indicator.

<sup>(4)</sup> Dividends declared in respect of the financial year.

# Chair's Statement



ELISABETH STHEEMAN /  
CHAIR

## DEAR SHAREHOLDER

This has been an active six months for your Company: in addition to the normal day-to-day business of managing the portfolio, there have been changes to the debt structure, a first interim dividend announced and the welcome return of our in-person events for shareholders.

## INTRODUCTION

Since your Company's last year end on 31 March 2022, global equity markets have been weaker and more volatile. This reflects a number of concerns, including geopolitical risks – such as the war in Ukraine and the rising tensions over Taiwan in the Far East – or economic ones, principally slower economic growth with higher interest rates and bond yields, as central banks around the world try to address rising inflation.

## MARKET BACKDROP AND INVESTMENT RETURNS

The UK equity market has not been immune from these concerns. On top of this we have had the added uncertainty of domestic policymaking. This reached a peak at the Company's half year end in September, with the policy U-turns of the then prime minister. Financial markets – particularly the gilt market – sold off sharply. This had an indirect – but in this case helpful – effect on your Company, as I describe further below. Fortunately those concerns have since receded with a change in leadership in Downing Street. At the time of writing the gilt market has returned to yields similar to those before the infamous 'mini' Budget at the end of September. However, the outcome over your Company's first half to 30 September was the backdrop of a UK equity market 8.3% lower in total return terms. Your company's Net Asset Value ('NAV', also in total return terms) fell by 8.2%.

Since the current Portfolio Manager began day-to-day management of the Company's portfolio at the end of March 2020, the cumulative NAV return has been +41.2% and the share price return +44.1%, compared with the FTSE All-Share return of +31.3% (all in total return terms). Furthermore, it is encouraging to see that over three years the Company's returns are now ahead of the index. However, the five year return remains behind the index. Delivering returns above that of the index over all longer term periods remains a key priority.

I would like to highlight that the NAV return I quote above is calculated by deducting the value of the Company's borrowings at *fair value*. It has been our longstanding approach to quote NAV returns on this basis (the other option being to quote NAV after deducting debt at par value, which is not typically market practice). For the six month period covered in this report there was an unanticipated boost of *approximately 4%* to NAV with debt at fair value, which took effect as the new debt went onto the balance sheet at the end of September. In short, when a bond yield rises, the price of that debt correspondingly falls, resulting in a lower fair value for the debt being deducted from our gross asset value. The scale of the rises in bond market yields compared with the rates we achieved a year ago on the new debt drove this. The reason I flag this now is that this debt driven boost to NAV has offset underperformance at the portfolio level. It is possible that some or all of this boost may reverse if bond markets begin to recover – as they have since the half year end.

The Portfolio Manager explores the factors behind the fall in the NAV, and of its relative performance, in his report in the pages that follow. Your Board regularly reviews performance with the Portfolio Manager and also examines the investment approach of him and his team. We remain comfortable with their approach, which remains focused on delivering attractive total returns through a combination of dividend income and capital growth. We expect periodic periods of underperformance in the same way that we have had periods of strong performance since their appointment. We note that over this six month period a diverse range of the portfolio's larger holdings, such as BAE Systems, TotalEnergies, Standard Chartered and NatWest, made positive contributions to performance. Offsetting this were some of the mining groups held in the portfolio (Anglo American and Newmont), Tesco, and in the holding in the data analytics group Ascential.

Several of the holdings I mention above are exposed to specific Environmental, Social and Governance ('ESG') concerns. During the period the Board reviewed the manager's approach to ESG, which forms part of the investment process. The Portfolio Manager has included extra detail on ESG in his own report, complete with a detailed stock example, to illustrate the process in action – and how specific ESG concerns are addressed. I encourage shareholders to read it. ESG is an important topic for a portfolio such as Edinburgh's and we will further enhance disclosures and reporting in the months and years ahead.

### DIVIDEND

The historic dividend yield on the Company's shares (taking the dividends paid in the 12m to end Sept) was 4.5%. Since then, the Board has declared a first interim dividend of 6.4p per share, which will be paid to shareholders on 25 November 2022. This first interim dividend is 6.7% higher than the 6.0p per share declared at the same time a year ago.

The current year's dividend payments to shareholders are set to be well supported by the portfolio's underlying income. This support continues to improve from the 2020 pandemic lows. As the Manager notes, there has been a boost this year as a significant proportion of income generated by the companies in the portfolio is paid as dividends in non-Sterling currencies: Sterling weakness has boosted dividend income. However, this currency effect could in time reverse.

In the months ahead, the Board will consider the level of the dividend per share to be paid in respect of the current financial year. We are mindful of one of the Company's objectives, namely to increase the dividend per share in excess of UK inflation. In coming to our decision on future dividends per share we will carefully monitor the portfolio's income after all costs have been deducted, as well as the level of UK inflation.

### BORROWINGS

The Board and Portfolio Manager are firmly of the view that a well-managed, sensibly-diversified equity portfolio should generate attractive absolute returns over the medium term. As such, low cost long-term borrowings should boost shareholders' returns.

The last year or so has been a busy one in respect of the Company's borrowings. An important project completed in September 2021 when the refinancing of the Company's long-term debt was arranged. This was in anticipation of the maturing of the Company's debenture (a listed, long-term debt instrument) on 30 September 2022. By prearranging the refinancing of this debenture, the Company was able to take advantage of the low interest rates then available. The Company has thus locked in fixed term debt instruments of up to 35 years' maturity at a very attractive annual interest rate of 2.44%. The rates we achieved last year should be a source of competitive advantage in the years ahead. Had we been refinancing today, we estimate that the annual interest rate would be approximately 4.75%.

The end result has been the successful repayment and retirement of the debenture, which no longer features on the Company's balance

sheet. It has been replaced by four *privately* issued loan notes – hence the reference to debt at *fair value*, rather than at *market* value as was the case for the (listed) Debenture. All borrowings are fixed rate and long-term in nature: there was a revolving credit facility with a bank, but this had not been used in over two years and it expired in June. The manager expands on the level of gearing in his report.

### DISCOUNT

The Company's discount has ranged from 4.8% to 12.0% over the period. At the half year it was at 10.6%. As a Board we would like to see a tighter discount, but we are mindful that it is a function of many factors beyond the Company's own performance. These include market sentiment towards UK equities, towards dividend-paying stocks, and indeed sentiment towards the investment trust sector as a whole. Regardless of the reasons for the discount, we have in place a share buy-back programme that modestly enhances value for existing shareholders by buying back shares at a discount from those who wish to sell. Over the period 1.89 million shares were bought back, representing 1.1% of the Company's equity capital.

### SHAREHOLDER COMMUNICATIONS

After two years of difficulty in meeting with shareholders face to face because of the pandemic, I was pleased to see the return of shareholders at the Company's Annual General Meeting in Edinburgh in July this year. We also hosted two events in London for shareholders in September. Further events will be promoted on the Company's website and the Portfolio Manager periodically speaks at other industry events, again often with the content subsequently made available on the website. A video of the Portfolio Manager discussing the last six months and the portfolio outlook is now on the website.

### OUTLOOK

At present there seem to be a multitude of reasons to be cautious. Global geopolitical tensions, slower growth, rising inflation and the domestic political situation all play a role. As the Portfolio Manager notes, the latter issue has even dented the confidence of some corporate management teams. Nonetheless, at the stock specific level there are many reasons to be positive. Indeed, it is heartening to see markets recovering. At the last practical date before signing this report, the share price is 627p. As such, the Company is in a strong position to take advantage of the attractive opportunities that are now arising, as well as to continue with the important business of working with existing holdings that underpin the income and capital value of the portfolio. As the Portfolio Manager describes, on this front things are in good health and this should support attractive returns to shareholders in the years ahead.

*E. T. Sheeman*

ELISABETH STHEEMAN / CHAIR / 23 NOVEMBER 2022



# Portfolio Manager's Report

For the period ended 30 September 2022



**JAMES DE UPHAUGH /**  
PORTFOLIO MANAGER



**CHRIS FIELD /**  
PORTFOLIO MANAGER

## A BRIEF REMINDER OF WHAT WE DO

Our overarching aim is to generate attractive medium term investment results for shareholders by meeting the two formal objectives set out at the front of this report. We do this by managing a portfolio of equities and by ensuring the other aspects of the Company – such as the debt structure and risk oversight – are as strong and efficient as possible.

We take a team approach to researching investment opportunities. We are 'bottom-up' in style, focusing on individual stock opportunities – which is where we believe we have an edge. Our emphasis is primarily on stocks that should provide an attractive combination of income and capital growth: a total return approach. The resulting portfolio is designed to be sensibly diversified by stock and industry, and to be as 'all-weather' as possible by reflecting the economic and market backdrop. We draw predominantly from UK stocks and, for up to 20% of the portfolio, on our best ideas from overseas too.

## PERFORMANCE UPDATE

As the Chair has noted in her statement, equity markets gave up some ground over this six month period. Part of that is the general weakness of global equity markets, part was self-made problems in the UK owing to the political uncertainty. The political uncertainty undoubtedly hinders sentiment towards UK equities. It is also unhelpful for company management teams. However, hopefully the worst of it is behind us: a more credible set of leaders is in Downing Street, and there is a dawning realisation in parliament that economic nettles need to be grasped. The portfolio's performance against the index over this period was a little weak. Part of the underperformance was a function of weakness among several of the midcap holdings in the portfolio. Given the weakness in equity markets, and of the portfolio as a whole, the effect of leverage slightly increased the underlying underperformance.

In terms of stock specifics, there was weakness among some of the mining stocks, such as Newmont and Anglo American – we remain happy with both, but have reduced Newmont a little (see profile in box); and mid cap holdings such as Ascential, Marshalls and Dunelm. The latter two have significant exposure to the UK and are seeing trade slow but their market positions remain strong.

Positive contributors included BAE Systems – the dreadful events in Ukraine are a prompt for investment in defence systems around the world,

NatWest – this bank should generate further improving returns for shareholders even in the face of softer economic growth; and TotalEnergies, which continues to drive its portfolio into renewable energy in an impressive way.

## TRADING ACTIVITY

Changes in the portfolio are typically modest over any six month period. This is in keeping with our general approach of holding stocks for three years or more on average. Nonetheless, we do gently change the composition and this period has been no exception. Notable purchases have included:

- CNHI: an agricultural equipment company, it manufactures under the Case IH, New Holland and STEYR brands. It is the second largest global manufacturer, behind Deere. The long-term outlook for agricultural equipment is strong: food production efficiency needs to improve. In the shorter term, high crop prices and low inventories are supportive. The company also has attractive financial characteristics: it should be net debt free next year and pays a reasonable dividend yield. In our view there is scope for shareholder returns to improve substantially.
- We added to our WPP holding post results. The fragmentation of the digital and media landscape increases the value of a global player that clients can use to optimise their marketing spend in a fast evolving market. The sensible decision by management not to set a margin target for next year at this stage created a sell off that is, in our view, a valuation anomaly.

During the period we also added to a selection of other existing positions including Tesco, GSK, Unilever, Centrica and Thales. These additions were funded to a degree through reductions to Newmont, TotalEnergies and Mondi, and by drawing on the funds available from the Company's borrowing facilities.

We have sold the insurer Direct Line, as we are concerned about the volatility of earnings and cashflow of the business. We reinvested the proceeds into its rival Admiral, which offers a higher growth, higher margin and arguably higher quality and lower volatility of earnings stream than Direct Line. In addition Direct Line is less well capitalised with higher yielding corporate debt within the capital structure. Admiral offers an attractive 6%+ dividend yield that should grow.



## HOW WE ASSESS ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS WITHIN THE INVESTMENT PROCESS

Our investment approach incorporates a *materiality process* to integrate the consideration of key risks and opportunities, including those that are ESG related, into the investment decision making process for the EIT portfolio. As part of the fundamental assessment of a holding, we undertake a materiality assessment on the risks and opportunities faced by each holding over a time horizon of one to three years.

To illustrate, EIT is invested in US gold miner, Newmont. The following are an example of key issues we think face Newmont:

- The opportunity that the Group has to reduce its carbon footprint and energy costs through automation and improved efficiency;
- The risk that the Group's health and safety record deteriorates;
- The risk that the Group's relationships with the governments and/or communities where it has operations deteriorate.

These key ESG issues are mapped on a materiality matrix alongside other investment considerations (based on their likelihood and impact) and are important for the following reasons:

- All these issues lead the team's engagement with Newmont. Through engagement, the team aims to understand how Newmont is managing these issues. This information is central to the *resiliency* score that the team assigns for Newmont.
- How Newmont is managing them may also impact the team's *conviction* score for Newmont in the EIT portfolio.

The 'resiliency' score for Newmont is '3' (an average score on our one 1 to 5 scale) due to: its track record of operating mines safely; providing employment and tax revenue in remote and often reasonably poor places, benefitting both the local government and communities; and having science-based targets to reduce carbon emissions by 30% by 2030 and reach net zero by 2050, helping to reduce its carbon footprint. Newmont's resiliency score was recently reduced (from 4 to 3) in light of the decreased efficiency of operations: the company has been facing challenges due to rising energy costs, supply chain issues, and labour shortages which led Newmont to downgrade its production guidance.

Finally, we assign a 'conviction' score. The team downgraded Newmont's score to an average '3' in September 2022 to reflect the challenging operational performance of the mines. This corresponded to a decrease in the weighting of Newmont in the EIT portfolio. The score still takes account of the increased attractiveness of gold (and gold miners) given the multiple uncertainties worldwide. An economic slowdown now seems more likely given higher inflation, which tends to favour gold. Use of sanctions by the US may also encourage more central banks to hold more of their reserves in gold and thus may drive additional demand for the commodity.

## BORROWINGS

It is very good to have completed the refinancing of the debenture which matured at the end of the period under review. The new debt structure has a fixed annual cost of 2.44% and an average term of 25 years. We are optimistic that over time the portfolio should be able to generate a return comfortably in excess of the cost of this debt. We ended the period with net gearing (i.e. after adjusting for cash balances) of 4.4%. At the last practical date before signing this report, net gearing is 5.7%. Were we to have a fully invested portfolio (i.e. no cash balances and the debt fully invested in the equity portfolio) at the end of September, the gearing would have been 7.3%.

## DIVIDEND INCOME

The portfolio continues to benefit from a rising level of underlying income and we will work with the Board to enable them to decide on the most appropriate level of future payouts. We have had a tailwind from dividends that are either based on overseas profits, or are paid in overseas currencies – especially the US dollar which has been particularly strong against Sterling. Approximately 30% of dividends currently received are paid in US dollars.

## Portfolio Manager's Report / continued

### OUTLOOK

The UK still has the third lowest level of debt in the G7 behind Germany and Canada, and its debt to maturity is around 14 years, which is much longer than any other G7 country. A weak currency means interest rates need to be higher to tackle inflation.

The good news is that inflationary pressures are easing too as commodity prices come off their highs, including for oil and gas. Having been cautious about the inflationary outlook for the last year, it is plausible to make a case for inflation having peaked.

Supply problems are also easing, with China tip toeing towards re-opening and freight rates falling substantially. The economy is slowing, but a deep recession is not a certainty, especially if the jobs market can remain robust. In recent years many consumers and businesses have become accustomed to operating with an element of macroeconomic and political uncertainty. The situation today is no different. As such, we think the most important thing is to produce an equity portfolio that has the ability to thrive, as well as withstand any unanticipated shocks. To return to our opening comments, a diversified portfolio is important. On this basis we believe the portfolio is well placed to underpin the delivery of the Company's dual objectives in the years ahead.

**JAMES DE UPHAUGH** / PORTFOLIO MANAGER

**CHRIS FIELD** / DEPUTY PORTFOLIO MANAGER

23 NOVEMBER 2022

# Interim Management Report

The Directors are required to provide an Interim Management Report in accordance with the Financial Conduct Authority ("FCA") Disclosure Guidance and Transparency Rules ("DTR"). The Directors consider that the Chair's Statement on pages 4 and 5 and the Portfolio Manager's Report on pages 6 to 8 of this Half-yearly Financial Report, provide details of the important events which have occurred during the six months ended 30 September 2022 ("Period") and their impact on the financial statements.

The statement on related party transactions and the Directors' Statement of Responsibility (below), the Chair's Statement and the Portfolio Manager's Report together constitute the Interim Management Report of the Company for the Period. The outlook for the Company for the remaining six months of the year to 31 March 2023 is discussed in the Chair's Statement and the Portfolio Manager's Report.

# Principal Risks and Uncertainties

A detailed explanation of the principal risks and uncertainties facing the Company can be found on pages 19 to 21 of the 2022 annual financial report, which is available on the Company's website at [www.edinburghinvestmenttrust.com](http://www.edinburghinvestmenttrust.com).

Since the publication of the 2022 annual financial report, the risks posed by the war in Ukraine, inflation and the secondary effects of the COVID-19 pandemic continue to be a serious threat to the global economy. The Board continues to monitor these situations closely and has been in regular contact with the Manager and the Company's other service providers to assess and mitigate the impact on the Company's investment objectives, investment portfolio and shareholders.

Otherwise, in the view of the Board, these principal risks and uncertainties are substantially unchanged from the previous year end and are as much applicable to the remaining six months of the financial year, as they were to the six months under review.

The principal risk factors relating to the Company can be summarised as follows:

- **Market Risk** – a fall in the stock market as a whole will affect the performance of the portfolio as well as the performance of individual portfolio investments; it also includes interest rate, inflation and currency risks; market risk may be impacted by increased volatility during the continuing period of uncertainty arising from the war in Ukraine, energy costs, supply chain disruption and potential further evolution of COVID-19;
- **Investment Performance Risk** – this is the stock specific risk that the stock selection process may not achieve the Company's published objectives;
- **Borrowing Risk** – the Company has fixed long term borrowings through its recently arranged Unsecured Senior Loan Notes. If the Company's investments fall in value, gearing will result in an increased adverse impact on performance;
- **Income/Dividend Risk** – investment income may fail to reach the level required to meet the Company's income objective;
- **Share Price Risk** – the Company's prospects and NAV may not be fully reflected in the share price;
- **Corporate Governance and Internal Controls Risk** – the Board has delegated to third-party service providers the management of the investment portfolio, depositary and custody services, registration services, accounting and company secretarial services and therefore relies on these service providers to manage the associated risks;

- **Reliance on Manager and other Third-Party Service Providers Risk** – the Company has no employees, so is reliant upon the performance of third-party service providers for it to function, particularly the Manager, administrator, depositary, custodian and registrar;
- **Emerging Risks** – the Company may be affected by unexpected macro-economic changes in inflation, interest rates and energy costs. It may also be affected by the changing regulatory landscape around ESG issues, including climate change. Whilst these risks currently exist, the extent of them is yet to fully emerge but they are regularly assessed by the Manager and the Board.

Other risks such as business, cyber security, strategic, policy and political risks, as well as regulatory risks (such as an adverse change in the tax treatment of investment companies) and the perceived impact of the Manager ceasing to be involved with the Company, are all considered.

# Investments in Order of Valuation

As at 30 September 2022

## UK LISTED ORDINARY SHARES UNLESS STATED OTHERWISE

Investment	Sector	Value £'000	% of Portfolio
Shell	Oil, Gas and Coal	89,520	8.2
Unilever	Personal Care, Drug and Grocery Stores	68,244	6.3
BAE Systems	Aerospace and Defence	58,374	5.4
AstraZeneca	Pharmaceuticals and Biotechnology	52,437	4.8
NatWest	Banks	49,528	4.5
Tesco	Personal Care, Drug and Grocery Stores	48,132	4.4
Anglo American	Industrial Metals and Mining	42,886	3.9
Ashtead	Industrial Transportation	36,533	3.4
RS	Industrial Support Services	35,600	3.3
HSBC	Banks	32,404	3.0
<b>TEN TOP HOLDINGS</b>		<b>513,658</b>	<b>47.2</b>
Weir	Industrial Engineering	31,583	2.9
Standard Chartered	Banks	30,038	2.7
Centrica	Gas, Water and Multi-Utilities	29,476	2.7
Hays	Industrial Support Services	26,215	2.4
WPP	Media	25,017	2.3
Compass	Consumer Services	24,777	2.3
KPN - Dutch Listed	Telecommunications Service Providers	24,112	2.2
TotalEnergies - French Listed	Oil, Gas and Coal	23,310	2.1
Smith & Nephew	Medical Equipment and Services	22,684	2.1
Serco	Industrial Support Services	22,580	2.1
<b>TWENTY TOP HOLDINGS</b>		<b>773,450</b>	<b>71.0</b>
Mondi	General Industrials	21,454	2.0
GSK	Pharmaceuticals and Biotechnology	20,747	1.9
Dunelm	Retailers	20,628	1.9
Novartis - Swiss Listed	Pharmaceuticals and Biotechnology	20,447	1.9
Newmont - US Listed	Precious Metals and Mining	18,609	1.7
Greggs	Personal Care, Drug and Grocery Stores	17,005	1.6
ConvaTec	Medical Equipment and Services	16,911	1.5
Reckitt	Personal Care, Drug and Grocery Stores	15,900	1.5
Haleon	Pharmaceuticals and Biotechnology	13,315	1.2
Whitbread	Travel and Leisure	13,234	1.2
<b>THIRTY TOP HOLDINGS</b>		<b>951,700</b>	<b>87.4</b>
Thales - French Listed	Aerospace and Defence	13,061	1.2
Ascential	Software and Computer Services	12,349	1.1
CNH Industrial	Industrial Engineering	11,361	1.1
Admiral	Non-Life Insurance	11,196	1.0
Marks & Spencer	Retailers	10,798	1.0
Roche - Swiss Listed	Pharmaceuticals and Biotechnology	10,586	1.0
Redrow	Household Goods and Home Construction	10,267	1.0
QinetiQ	Aerospace and Defence	10,219	0.9
Bellway	Household Goods and Home Construction	10,087	0.9
Genuit	Construction and Materials	7,650	0.7
<b>FORTY TOP HOLDINGS</b>		<b>1,059,274</b>	<b>97.3</b>

## Investments in Order of Valuation / continued

Investment	Sector	Value £'000	% of Portfolio
Marshalls	Construction and Materials	6,867	0.6
easyJet	Travel and Leisure	6,761	0.6
Howden Joinery	Retailers	5,977	0.5
Dr. Martens	Personal Goods	5,297	0.5
Intel - US Listed	Technology Hardware and Equipment	5,029	0.5
Eurovestech <sup>UQ</sup>	Investment Banking and Brokerage Services	-	-
Raven Property <sup>UQ</sup> - Preference shares	Real Estate Investment and Services	-	-
<b>TOTAL HOLDINGS 47 (31 MARCH 2022: 50)</b>		<b>1,089,205</b>	<b>100.0</b>

# Governance





# Going Concern, Related Party Transactions and Statement of Directors' Responsibilities

in respect of the preparation of the half-yearly financial report

## GOING CONCERN

This half-yearly Financial Report has been prepared on a going concern basis. The Directors consider this is the appropriate basis as the Company has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of this report. In considering this, the Directors have reviewed the Company's investment objective and capital structure generally. The Directors considered the diversified portfolio of readily realisable securities which can be used to meet funding commitments, the recent arrangement of private loan notes and repayment of the 2022 debenture, and the ability of the Company to meet all its liabilities and ongoing expenses from its assets and revenue. The Directors also considered revenue forecasts for the forthcoming year and future dividend payments and accumulated revenue reserves in concluding that the going concern basis is appropriate.

## RELATED PARTY TRANSACTIONS

Under UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law) and in accordance with the definition provided by Listing Rule 11.1.4, the Company has identified the Directors as related parties. No other related parties have been identified. No transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

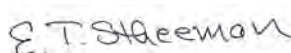
## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the half-yearly Financial Report using accounting policies consistent with applicable law and UK Accounting Standards.

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with the FRS 104 Interim Financial Reporting and
- the interim management report includes a fair review of the information required by Disclosure Guidance and Transparency Rules (DTR):
  - (a) 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
  - (b) 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.

The half-yearly Financial Report has not been audited or reviewed by the Company's auditor.



Signed on behalf of the Board of Directors

**ELISABETH THEEMAN** / CHAIR / 23 NOVEMBER 2022

# Financial Review



## Condensed Income Statement

	Six Months To 30 September 2022 (Unaudited)			Six Months To 30 September 2021 (Unaudited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value	–	(159,708)	(159,708)	–	82,797	82,797
Losses on foreign exchange	–	(223)	(223)	–	(48)	(48)
Income – note 2	28,071	–	28,071	26,447	–	26,447
	28,071	(159,931)	(131,860)	26,447	82,749	109,196
Investment management fee - note 3	(722)	(1,686)	(2,408)	(751)	(1,752)	(2,503)
Other expenses	(504)	(4)	(508)	(482)	(4)	(486)
<b>Net return before finance costs and taxation</b>	<b>26,845</b>	<b>(161,621)</b>	<b>(134,776)</b>	<b>25,214</b>	<b>80,993</b>	<b>106,207</b>
Finance costs - note 3	(1,285)	(3,002)	(4,287)	(1,211)	(2,826)	(4,037)
<b>Return on ordinary activities before taxation</b>	<b>25,560</b>	<b>(164,623)</b>	<b>(139,063)</b>	<b>24,003</b>	<b>78,167</b>	<b>102,170</b>
Taxation - note 4	(376)	–	(376)	(302)	–	(302)
<b>Return on ordinary activities after taxation for the financial period</b>	<b>25,184</b>	<b>(164,623)</b>	<b>(139,439)</b>	<b>23,701</b>	<b>78,167</b>	<b>101,868</b>
<b>Return per ordinary share:</b>						
Basic	14.77p	(96.56)p	(81.79)p	13.77p	45.39p	59.16p
<b>Weighted average number of ordinary shares in issue during the period</b>	<b>170,486,924</b>			<b>172,182,929</b>		

The 'Total' column of this statement represents the Company's income statement, prepared in accordance with UK Accounting Standards. The 'Return on ordinary activities after taxation for the financial period' is the total comprehensive income/(expense) and therefore no additional statement of other comprehensive income is presented. The supplementary 'Revenue' and 'Capital' columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the period.

## Condensed Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
<b>For the six months ended 30 September 2022 (Unaudited)</b>						
At 31 March 2022	48,917	10,394	24,676	1,041,086	50,764	1,175,837
Return on ordinary activities	–	–	–	(164,623)	25,184	(139,439)
Dividends paid - note 5	–	–	–	–	(21,859)	(21,859)
Shares bought back and held in treasury	–	–	–	(11,569)	–	(11,569)
<b>At 30 September 2022</b>	<b>48,917</b>	<b>10,394</b>	<b>24,676</b>	<b>864,894</b>	<b>54,089</b>	<b>1,002,970</b>
<b>For the six months ended 30 September 2021 (Unaudited)</b>						
At 31 March 2021	48,917	10,394	24,676	945,728	61,516	1,091,231
Return on ordinary activities	–	–	–	78,167	23,701	101,868
Dividends paid - note 5	–	–	–	–	(28,669)	(28,669)
<b>At 30 September 2021</b>	<b>48,917</b>	<b>10,394</b>	<b>24,676</b>	<b>1,023,895</b>	<b>56,548</b>	<b>1,164,430</b>

# Condensed Balance Sheet

	30 September 2022 (Unaudited) £'000	31 March 2022 (Audited) £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss – note 7	1,089,205	1,218,725
<b>Current assets</b>		
Amounts due from brokers	7,198	1,138
Tax recoverable	2,220	1,897
Prepayments and accrued income	4,747	7,789
Cash and cash equivalents	29,679	68,728
	43,844	79,552
<b>Creditors: amounts falling due within one year</b>		
Debenture Stock 7½% 30 September 2022	–	(99,874)
Amounts due to brokers	(8,645)	(1,316)
Share buybacks awaiting settlement	–	(448)
Accruals	(1,434)	(802)
	(10,079)	(102,440)
<b>Net current assets/(liabilities)</b>	<b>33,765</b>	<b>(22,888)</b>
<b>Total assets less current liabilities</b>	<b>1,122,970</b>	<b>1,195,837</b>
<b>Creditors: amounts falling due after more than one year</b>		
Unsecured Senior Loan Notes	(120,000)	(20,000)
<b>Net assets</b>	<b>1,002,970</b>	<b>1,175,837</b>
<b>Capital and reserves</b>		
Share capital – note 6	48,917	48,917
Share premium	10,394	10,394
Capital redemption reserve	24,676	24,676
Capital reserve	864,894	1,041,086
Revenue reserve	54,089	50,764
<b>Total Shareholders' funds</b>	<b>1,002,970</b>	<b>1,175,837</b>
Net asset value per ordinary share – note 8		
Basic – debt at par value	592.82p	687.24p
– debt at fair value	618.85p	686.69p
<b>Number of 25p ordinary shares in issue at the period end – note 6</b>	<b>169,187,037</b>	<b>171,078,129</b>

E. T. Steeman

ELISABETH STHEEMAN / CHAIR / 23 NOVEMBER 2022

# Condensed Cash Flow Statement

	SIX MONTHS TO 30 SEPTEMBER	
	2022 £'000	2021 £'000
<b>Cash flow from operating activities</b>		
Net return before finance costs and taxation	(134,776)	106,207
Tax on overseas income – note 4	(376)	(302)
Adjustments for:		
Purchase of investments	(141,998)	(174,387)
Sale of investments	113,079	168,219
	(28,919)	(6,168)
Losses/(gains) on investments held at fair value	159,708	(82,797)
Decrease/(increase) in debtors	2,719	(783)
Increase in creditors	359	395
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,285)</b>	<b>16,552</b>
<b>Cash flow from financing activities</b>		
Interest and commitment fees paid on bank facility	(14)	(49)
Interest paid on unsecured senior loan notes/debenture stocks	(3,874)	(3,874)
Issue of unsecured senior loan notes	100,000	–
Redemption of debenture loan stock	(100,000)	–
Shares bought back and held in treasury	(12,017)	–
Dividends paid – note 5	(21,859)	(28,669)
<b>Net cash outflow from financing activities</b>	<b>(37,764)</b>	<b>(32,592)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(39,049)</b>	<b>(16,040)</b>
Cash and cash equivalents at start of the period	68,728	32,570
<b>Cash and cash equivalents at the end of the period</b>	<b>29,679</b>	<b>16,530</b>
<b>Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:</b>		
Cash held at custodian	2,324	2,007
Goldman Sachs Liquidity Reserve International Fund	27,355	14,523
<b>Cash and cash equivalents</b>	<b>29,679</b>	<b>16,530</b>
<b>Cash flow from operating activities includes:</b>		
Dividends received	30,342	25,340

	At 1 April 2022 £'000	Cash flows £'000	Non-cash movement £'000	At 30 September 2022 £'000
<b>Reconciliation of net debt:</b>				
Cash and cash equivalents	68,728	(39,049)	–	29,679
Debenture Stock 7% 30 September 2022	(99,874)	100,000	(126)	–
Unsecured Senior Loan Notes	(20,000)	(100,000)	–	(120,000)
<b>Total</b>	<b>(51,146)</b>	<b>(39,049)</b>	<b>(126)</b>	<b>(90,321)</b>

# Notes to the Condensed Financial Statements

## 1. ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland, FRS 104 Interim Financial Reporting and the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in July 2022. The financial statements are issued on a going concern basis.

The accounting policies applied to these condensed financial statements are consistent with those applied in the financial statements for the year ended 31 March 2022.

## 2. INCOME

	SIX MONTHS TO 30 SEPTEMBER	
	2022 (Unaudited) £'000	2021 (Unaudited) £'000
<b>Income from investments:</b>		
UK dividends – ordinary	19,076	18,770
– special	5,693	4,954
UK zero coupon bond income	41	–
Overseas dividends	3,116	2,686
UK unfranked investment income	145	–
	<b>28,071</b>	<b>26,410</b>
<b>Other income:</b>		
Underwriting commission	–	37
<b>Total income</b>	<b>28,071</b>	<b>26,447</b>

## 3. MANAGEMENT FEE AND FINANCE COSTS

The management fee arrangements are as reported in the Company's 2022 annual financial report, being 0.04000% on the first £500 million and 0.03875% on the remainder of the market capitalisation of the Company's ordinary shares at each month end and paid monthly in arrears (equivalent to an annualised fee of 0.480% on the first £500m and 0.465% on the remainder). The management fee and finance costs are allocated 30% to revenue and 70% to capital.

## 4. TAXATION

Owing to the Company's status as an investment company, no tax liability arises on capital gains. The tax charge represents withholding tax suffered on overseas income. A deferred tax asset is not recognised in respect of surplus management expenses since the Directors believe that there will be no taxable profits in the future against which these can be offset.

## Notes to the Condensed Financial Statements / continued

## 5. DIVIDENDS PAID ON ORDINARY SHARES

	SIX MONTHS TO 30 SEPTEMBER			
	2022 (Unaudited)		2021 (Unaudited)	
	pence	£'000	pence	£'000
Third interim	6.40	10,934	6.00	10,331
Final	6.40	10,925	6.00	10,331
Total (excluding special dividends)	12.80	21,859	12.00	20,662
Special dividend in respect of previous period	—	—	4.65	8,007
<b>Total paid</b>	<b>12.80</b>	<b>21,859</b>	<b>16.65</b>	<b>28,669</b>

The first interim dividend of 6.40p per ordinary share for the year ended 31 March 2023 (2022: 6.00p) will be paid on 25 November 2022 to shareholders on the register on 4 November 2022.

## 6. SHARE CAPITAL, INCLUDING MOVEMENTS

Share capital represents the total number of shares in issue, including treasury shares.

Share capital	SIX MONTHS TO 30 SEPTEMBER 2022 (Unaudited) £'000	YEAR TO 31 MARCH 2022 (Audited) £'000
Ordinary shares of 25p each	42,297	42,770
Treasury shares of 25p each	6,620	6,147
	<b>48,917</b>	<b>48,917</b>

Share capital	SIX MONTHS TO 30 SEPTEMBER 2022 (Unaudited)	YEAR TO 31 MARCH 2022 (Audited)
<b>Number of ordinary shares in issue:</b>		
Brought forward	171,078,129	172,182,929
Shares bought back into treasury	(1,891,092)	(1,104,800)
<b>Carried forward</b>	<b>169,187,037</b>	<b>171,078,129</b>
<b>Number of shares held in treasury:</b>		
Brought forward	24,588,605	23,483,805
Shares bought back into treasury	1,891,092	1,104,800
<b>Carried forward</b>	<b>26,479,697</b>	<b>24,588,605</b>
<b>Total ordinary shares</b>	<b>195,666,734</b>	<b>195,666,734</b>

Subsequent to the period end 809,000 ordinary shares were bought back at an average price of 580p.



## 7. CLASSIFICATION UNDER FAIR VALUE HIERARCHY

All except two of the Company's portfolio of investments are in the Level 1 category as defined in FRS 102 as amended for fair value hierarchy disclosures (March 16). The three levels set out in this follow.

- Level 1- The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2- Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3- Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The fair value hierarchy analysis for investments and related forward currency contracts held at fair value at the period end is as follows:

	30 SEPTEMBER 2022 (Unaudited) £'000	31 MARCH 2022 (Audited) £'000
<b>Financial assets designated at fair value through profit or loss:</b>		
Level 1	1,089,205	1,218,419
Level 3	–	306
<b>Total for financial assets</b>	<b>1,089,205</b>	<b>1,218,725</b>

There were two investments in Level 3 at the period end (31 March 2022: two investments) totalling £nil (31 March 2022: £306,000).

The position size for neither holding changed during the reporting period, although the estimated fair value of both was reduced; for Eurovestech to £nil (31 March 2022: £69,000) and for Raven Russia to £nil (31 March 2022: £237,000).

## 8. NET ASSET VALUE (NAV) PER ORDINARY SHARE

Refer to Alternative Performance Measures for definitions of NAV – debt at par and NAV – debt at fair value.

### (a) NAV – debt at par

The shareholders funds in the balance sheet are accounted for in accordance with accounting standards. Prior to the redemption of the £100m debenture stock on 30 September 2022 this did not reflect the rights of shareholders on a return of assets under the Articles of Association. Those rights were reflected in the net assets with debt at par and the corresponding NAV per share. A reconciliation between the two sets of figures follows. As the £120m Unsecured Senior Loan Notes were issued at and being recorded at par, a reconciliation is not required.

	30 SEPTEMBER 2022 (Unaudited) Pence per share	31 MARCH 2022 (Audited) Pence per share
Shareholders' funds	592.82	687.31
Less: unamortised discount and expenses arising from debenture issue	–	(0.07)
<b>NAV – debt at par</b>	<b>592.82</b>	<b>687.24</b>
<b>NAV – debt at par £'000</b>	<b>1,002,970</b>	<b>1,175,711</b>

## Notes to the Condensed Financial Statements / continued

**(b) NAV – debt at fair value**

The fair value of each tranche of the £120m Unsecured Senior Loan Notes is ascertained by the administrator by aggregating the discounted value of future cashflows, being the contractual interest payments and the repayment of capital at maturity as each falls due. The discount factor used for each tranche is based on the market yield of UK Treasuries with similar maturity dates adjusted to incorporate a credit spread. The £100m debenture stock was redeemed in full on 30 September 2022. Prior to its redemption, its fair value was determined by reference to the daily closing price.

	30 SEPTEMBER 2022 (Unaudited) Pence per share	31 MARCH 2022 (Audited) Pence per share
NAV – debt at par	592.82	687.24
Debenture Stock – debt at par	–	58.45
Unsecured senior loan notes – debt at par	70.92	11.69
– debt at fair value	(44.89)	(70.69)
<b>NAV – debt at fair value</b>	<b>618.85</b>	<b>686.69</b>
<b>NAV – debt at fair value £'000</b>	<b>1,047,022</b>	<b>1,174,773</b>
<b>Debenture Stock at fair value £'000</b>	<b>–</b>	<b>102,734</b>
<b>Unsecured senior loan notes at fair value £'000</b>	<b>75,948</b>	<b>18,204</b>

**9. INVESTMENT TRUST STATUS**

It is the intention of the Directors to conduct the affairs of the Company in order that they satisfy the conditions for approval as an investment trust company within the meaning of section 1159 of the Corporation Tax Act 2010.

**10. STATUS OF HALF-YEARLY FINANCIAL REPORT**

The financial information contained within the financial statements in this half-yearly financial report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the half years ended 30 September 2022 and 30 September 2021 has not been audited or reviewed by the Company's auditors. The figures and financial information for the year ended 31 March 2022 are extracted and abridged from the latest audited accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

By order of the Board

**SANNE FUND SERVICES (UK) LIMITED**

Company Secretary

23 November 2022

# Other Information for Shareholders



# Directors, Advisors and Principal Service Providers

## DIRECTORS

Elisabeth Stheeman, Chair  
Victoria Hastings, Senior Independent Director  
Steve Baldwin, Audit Committee Chairman  
Patrick Edwardson  
Aidan Lisser (Appointed 27 May 2022)  
Glen Suarez (Resigned 21 July 2022)

## REGISTERED OFFICE

Quartermile One  
15 Lauriston Place  
Edinburgh  
EH3 9EP

## COMPANY NUMBER

Registered in Scotland.  
Number: SC1836

## ALTERNATIVE INVESTMENT FUND MANAGER (MANAGER)

Liontrust Fund Partners LLP  
2 Savoy Court  
London  
WC2R 0EZ  
☎ 020 7412 1700

## COMPANY SECRETARY

Sanne Fund Services (UK) Limited  
6th Floor, 125 London Wall  
London  
EC2Y 5AS  
☎ 020 3327 9720

## INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT

## DEPOSITARY AND CUSTODIAN

The Bank of New York Mellon (International) Limited  
160 Queen Victoria Street  
London  
EC4V 4LA

## BANKER

The Bank of New York Mellon  
160 Queen Victoria Street  
London  
EC4V 4LA

## CORPORATE BROKER

Investec Bank plc  
30 Gresham Street  
London  
EC2V 7QP

## LAWYER

Dentons UK and Middle East LLP  
Quartermile One  
15 Lauriston Place  
Edinburgh  
EH3 9EP

## THE ASSOCIATION OF INVESTMENT COMPANIES

The Company is a member of the Association of Investment Companies. Contact details are as follows:

☎ 020 7282 5555  
Email: [enquiries@theaic.co.uk](mailto:enquiries@theaic.co.uk)  
Website: [www.theaic.co.uk](http://www.theaic.co.uk)

## REGISTRAR

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds, LS1 4DL

If you hold your shares direct and not through a Savings Scheme or ISA and have queries relating to your shareholding, you should contact the Registrars on:

☎ 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider.

From outside the UK: +44 371 664 0300. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00am to 5.30pm, Monday to Friday (excluding UK Public Holidays).

Shareholders can also access their holding details via Link's website:

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

Link Group provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at [www.linksharedeal.com](http://www.linksharedeal.com) or

☎ 0371 664 0445

Calls are charged at the standard geographic rate and will vary by provider.

From outside the UK: +44 371 664 0445. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open from 8.00am to 5.30pm, Monday to Friday (excluding UK Public Holidays).

Link Group is the business name of Link Market Services Limited.

# Alternative Performance Measures

## ALTERNATIVE PERFORMANCE MEASURE (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The calculations shown in the corresponding tables are for the interim period ended 30 September 2022 and the year ended 31 March 2022. The APMs listed here are widely used in reporting within the investment company sector and consequently aid comparability, providing useful additional information.

## BENCHMARK (OR BENCHMARK INDEX)

A standard against which performance can be measured, usually an index that averages the performance of companies in a stock market or a segment of the market. The benchmark most often referred to in this interim financial report is the FTSE All-Share Index.

## BENCHMARK RETURN

Total return on the benchmark is on a mid-market value basis, assuming all dividends received were reinvested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend.

## DISCOUNT OR PREMIUM (APM)

Discount is a measure of the amount by which the mid-market price of an investment company share is lower than the underlying net asset value of that share. Conversely, Premium is a measure of the amount by which the mid-market price of an investment company share is higher than the underlying net asset value of that share. In this interim financial report, the discount is expressed as a percentage of the NAV per share with debt at fair value (see reconciliation of NAV per share with debt at fair value in note 8 on page 22) and is calculated according to the formula set out below. If the shares are trading at a premium the result of the below calculation will be positive and if they are trading at a discount, it will be negative.

	PAGE		30 SEPTEMBER 2022	31 MARCH 2022
Share price	3	a	553.00p	634.00p
Net asset value per share – debt at fair value (note 8)	3	b	618.85p	686.69p
<b>Discount</b>		$c = (a-b)/b$	(10.6)%	(7.7)%

## GEARING

The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which net assets, or shareholders' funds, would move if the value of a company's investments were to rise or fall. A positive percentage indicates the extent to which net assets are geared; a nil gearing percentage, or 'nil', shows a company is ungeared. A negative percentage indicates that a company is not fully invested and is holding net cash as described below.

There are several methods of calculating gearing and the following has been used in this report:

## GROSS GEARING (APM)

This reflects the amount of gross borrowings in use by a company and takes no account of any cash balances. It is based on gross borrowings as a percentage of net assets.

	PAGE		30 SEPTEMBER 2022 £'000	31 MARCH 2022 £'000
Unsecured Senior Loan Notes – debt at fair value (note 8)	22		75,948	18,204
Debenture stock – debt at fair value (note 8)	22		–	102,734
Gross borrowings		a	75,948	120,938
Net asset value – debt at fair value (note 8)	22	b	1,047,022	1,174,773
<b>Gross gearing</b>		$c = a/b$	7.3%	10.3%

## Alternative Performance Measures / continued

### NET GEARING OR NET CASH (APM)

Net gearing reflects the amount of net borrowings invested, i.e. borrowings less cash and cash equivalents (incl. investments in money market funds). It is based on net borrowings as a percentage of net assets. Net cash reflects the net exposure to cash and cash equivalents, as a percentage of net assets, after any offset against total borrowings.

	PAGE		30 SEPTEMBER 2022 £'000	31 MARCH 2022 £'000
Unsecured Senior Loan Notes – debt at fair value (note 8)			75,948	18,204
Debenture stock – debt at fair value (note 8)	22		–	102,734
Less: cash and cash equivalents	17		(29,679)	(68,728)
Net borrowings		a	46,269	52,210
Net asset value – debt at fair value (note 8)	22	b	1,047,022	1,174,773
Net gearing		c = a/b	4.4%	4.4%

### NET ASSET VALUE (NAV)

Also described as shareholders funds, the NAV is the aggregate value of all assets less all liabilities. Liabilities for this purpose include debt, deducted at either par value or fair value as described in more detail below. The NAV per share is calculated by dividing the net asset value by the number of ordinary shares in issue (excluding shares held in treasury).

### NET ASSET VALUE (NAV) – DEBT AT PAR

The NAV with debt at par recognises the value of the debt liability as the nominal amount that will be repaid at maturity. For the £120m Unsecured Senior Loan Notes, this recognises a liability of £120m. This is the basis used in the preparation of the Condensed Balance Sheet on page 17.

### NET ASSET VALUE (NAV) – DEBT AT FAIR VALUE

As set out above, NAV with debt at par is the basis for preparation of the Condensed Balance Sheet. An alternative, NAV with debt at fair value, is widely used within the investment company sector for the reporting of performance, premium or discount and gearing, thereby aiding the comparability of similar investment companies. NAV with debt at fair value estimates the current value of the debt liability rather than the amount to be repaid at maturity. This estimates the amount that a willing lender and willing borrower may be expected to agree on an arms length basis as the value of debt of the same amount, contracted interest rate and repayment schedule as that borrowed by the Company. Further detail of the valuation mechanism is set out in Note 8(b) on page 22.

### RETURN

The return generated in a period from the investments.

### CAPITAL RETURN

Reflects the return on NAV, but excluding any dividends reinvested.

### TOTAL RETURN

Total return is the theoretical return to shareholders that measures the combined effect of any dividends paid together with the rise or fall in the share price or NAV. In this half-yearly financial report these return figures have been sourced from Refinitiv who calculate returns on an industry comparative basis.

**NET ASSET VALUE TOTAL RETURN (APM)**

Total return on net asset value per share, with debt at fair value, assuming dividends paid by the Company were reinvested into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

**SHARE PRICE TOTAL RETURN (APM)**

Total return to shareholders, on a mid-market price basis, assuming all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

SIX MONTHS ENDED 30 SEPTEMBER 2022	PAGE	NET ASSET VALUE	SHARE PRICE
As at 30 September 2022	3	618.85p	553.00p
As at 31 March 2022	3	686.69p	634.00p
Change in period	a	-9.9%	-12.8%
Impact of dividend reinvestments <sup>(1)</sup>	b	1.7%	1.8%
Total return for the period	c = a+b	-8.2%	-11.0%

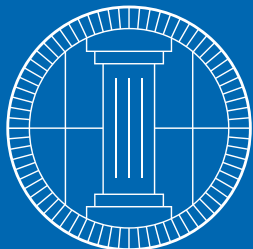
YEAR ENDED 31 MARCH 2022	PAGE	NET ASSET VALUE	SHARE PRICE
As at 31 March 2022	3	686.69p	634.00p
As at 31 March 2021		628.29p	600.00p
Change in year	a	9.3%	5.7%
Impact of dividend reinvestments <sup>(1)</sup>	b	4.8%	4.9%
Total return for the year	c = a+b	14.1%	10.6%

<sup>(1)</sup> Total dividends paid during the period of 12.80p (31 March 2022: 28.65p) reinvested at the NAV or share price on the ex-dividend date. NAV or share price falls subsequent to the reinvestment date consequently further reduce the returns, vice versa if the NAV or share price rises.









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