

**BlackRock**

# **BlackRock Energy and Resources Income Trust plc**

Half Yearly Financial Report 31 May 2023





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General enquiries about the Company should be directed to the Company Secretary at: [cosec@blackrock.com](mailto:cosec@blackrock.com).



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# Financial highlights

as at 31 May 2023

**111.60p<sup>1</sup>**

Ordinary share price

**-15.9%<sup>1,2</sup>**

**£166.5m**

Net assets

**122.79p**

Net asset value (NAV) per ordinary share

**-13.8%<sup>1,2</sup>**

**2.20p**

Interim dividends

**No change**

**2.37p**

Revenue earnings per ordinary share

**-2.1%**

**3.9%<sup>2</sup>**

Yield

The above financial highlights are as at 31 May 2023 and percentage comparisons are against 30 November 2022.

<sup>1</sup> Mid market share price and NAV performance are calculated in Sterling terms with dividends reinvested.

<sup>2</sup> Alternative Performance Measures, see Glossary on pages 44 to 48.



In many countries, the energy crisis has brought about a hardened resolve for an accelerated transition to a greater share of renewable energy. Legislation such as the Inflation Reduction Act in the USA is a demonstration of how willing governments are to incentivise private capital to be deployed in a large scale across multiple industries that need to transition to lower carbon footprints.

# Why BlackRock Energy and Resources Income Trust plc?

## Investment objective

The Company's objectives are to achieve an annual dividend target and, over the long term, capital growth by investing primarily in securities of companies operating in the mining and energy sectors.

## Reasons to invest

### ✓ Inflation sensitivity

A conviction-led approach to delivering an attractive income, with the potential to benefit from rising inflation from the best ideas in the mining, traditional energy and energy transition sectors. Unconstrained by market cap or region, the portfolio managers can invest in a wide range of opportunities.

### ✓ Yield

The Company offers an attractive 3.9% dividend yield as at 31 May 2023, as the managers focus on higher quality companies with strong cash flows that are good allocators of capital. The Company's global nature means that the large majority of its holdings generate earnings from businesses around the world.

### ✓ Flexibility

The Company's flexibility means that the portfolio will adapt as the demand for mining, traditional energy and energy transition related stocks changes. Over the long term, the team is able to change the portfolio makeup to select the best stocks to generate a sustainable income.

### ✓ Opportunities

Mining and energy companies lie at the heart of the global economy. Without them, countries cannot grow and develop. A number of mining companies provide everything from materials to build wind turbines to lithium for electric cars. These companies provide an important role in the long-term de-carbonisation of the global economy. Energy companies power our cars, our homes and drive economic development. On the sustainable energy side, the path to a lower carbon global economy is forecast to disrupt many industries and business models. However, this evolution is also expected to create remarkable opportunities. Investment in a specialist investment trust gives targeted exposure to these important companies, as it is positioned to capture such industry shifts and reap the benefits from this transition.

### ✓ Expertise

The Company's assets are managed by BlackRock's Natural Resources Team. The team have been running Mining funds since 1993, Traditional Energy funds since 1999 and Energy Transition funds since 2001. The team undertakes extensive, proprietary, on-the-ground research to get to know the management of the companies in which they invest.

### ✓ ESG Integration

Consideration of Environmental, Social and Corporate Governance (ESG) insights and data is integrated within the investment process. The team's philosophy is that whilst ESG is only one of many factors that should be considered when making an investment, there is a positive correlation between good ESG and investment performance. Portfolio asset allocation reflects this, with a significant allocation to companies active in the energy transition sector. More details in respect of BlackRock's approach to ESG integration can be found on pages 54 to 55 of the Annual Report for the year to 30 November 2022. Investors should note that no ESG focused investment strategy or exclusionary screens have been adopted by the Company. However, in active and advisory portfolios, BlackRock as Manager excludes companies that generate more than 25% of their revenues from thermal coal production.

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# Performance record

	As at 31 May 2023	As at 30 November 2022
Net assets (£'000) <sup>1</sup>	166,490	194,708
Net asset value per ordinary share (pence)	122.79	144.92
Ordinary share price (mid-market) (pence)	111.60	135.00
Discount to net asset value <sup>2</sup>	9.1%	6.8%

	For the six months ended 31 May 2023	For the year ended 30 November 2022
<b>Performance (with dividends reinvested)</b>		
Net asset value per share <sup>2</sup>	-13.8%	44.5%
Ordinary share price <sup>2</sup>	-15.9%	44.8%

	For the six months ended 31 May 2023	For the six months ended 31 May 2022	Change %
<b>Revenue</b>			
Net profit on ordinary activities after taxation (£'000)	3,209	2,965	8.2
Revenue earnings per ordinary share (pence) <sup>3</sup>	2.37	2.42	-2.1
<b>Interim dividends (pence)</b>			
1st interim	1.10	1.10	–
2nd interim <sup>4</sup>	1.10	1.10	–
<b>Total dividends paid/payable</b>	<b>2.20</b>	<b>2.20</b>	–

## Performance from 31 May 2018 to 31 May 2023



Sources: BlackRock and Datastream.

Performance figures are calculated on a mid-market basis in Sterling terms, with dividends reinvested.

Share price and NAV at 31 May 2018, rebased to 100.

<sup>1</sup> The change in net assets reflects portfolio movements, the issue and reissue of shares and dividends paid during the period.

<sup>2</sup> Alternative Performance Measures, see Glossary on pages 44 to 48.

<sup>3</sup> Further details are given in the Glossary on page 47.

<sup>4</sup> Paid on 14 July 2023.

# Chairman's Statement

# Dear Shareholder



**Adrian Brown**  
Chairman

While investors have continued to face some macro-economic uncertainties over the past 6 months, my fellow Board members and I believe that the Company remains well-positioned flexibly to take advantage of the transition to a more sustainable energy economy.

## Market overview

At the start of the Company's financial year on 1 December 2022 and through into the first half of 2023, markets as a whole were buoyed up by the Technology sector. However, the Traditional Energy sector fell during the six months to 31 May 2023, due primarily to a mild European winter, reducing European power prices. The MSCI World Energy Index was down by 12.9% over the six-month period to 31 May 2023 and the Metals and Mining sector also pulled back from previous gains with the MSCI ACWI Metals and Mining Index falling by 9.2% (all calculations in US Dollar terms with dividends reinvested). Your Company's portfolio is well positioned to weather these trends, as the portfolio managers decreased Traditional Energy exposure through 2022 and into 2023 to stand at 32.6% at the end of the period, and moved to a higher weighting in the Energy Transition sector (27.8% at 31 May 2023). While the Energy Transition sector has also suffered from supply chain concerns and a rotation from growth to value, the sector now offers opportunities on more reasonable valuations.

The energy and supply chain shock that resulted following the invasion of Ukraine has driven a surge in inflation in most developed economies, with the UK experiencing the highest levels of inflation amongst advanced economies this year, and rates reaching a 40 year high of 11.1% in October 2022. With central governments continuing to raise interest rates to control inflation, the outlook for equities remains volatile.

## Performance

During the six months ended 31 May 2023, the Company's net asset value (NAV) per share fell by 13.8% and its share price fell by 15.9% (both percentages in Sterling terms with dividends reinvested). Although the Company does not have a formal benchmark, to set this in the context of the market backdrop, the EMIX Global Mining (ex-Gold and Energy) Index fell by 14.9% and the MSCI World Energy Index fell by 16.3% over the same period (both percentages in Sterling terms with dividends reinvested). The Company had 27.8% of its portfolio invested in stocks with exposure to the Energy Transition sector and the decarbonisation of the energy supply chain as at 31 May 2023. There is no reference index that currently reflects the composition of the investment universe for this sector, but for

illustrative purposes, the S&P Global Clean Energy Index decreased by 16.3% and the Wilderhill Clean Energy Index decreased by 24.9% over the same period (both in Sterling terms with dividends reinvested).

The Board does not formally benchmark the Company's performance against Mining and Energy sector indices because meeting a specific dividend target is not within the scope of these indices and also because no index appropriately reflects the Company's blended exposure to the Energy (including the Energy Transition) and Mining sectors. For internal monitoring purposes, however, the Board compares the performance of the portfolio against a bespoke internal Mining and Energy composite index. The neutral sector weightings of this bespoke index are 40% Mining, 30% Traditional Energy and 30% Energy Transition.

Further information on investment performance is given in the Investment Managers' Report.

## Revenue return and dividends

The Company's revenue return per share for the six-month period was 2.37 pence per share, a decrease of 2.1% over the same period last year (the revenue return for the six months to 31 May 2022 was 2.42 pence per share). The Board's current target is to declare quarterly dividends of at least 1.10 pence per share in the year to 30 November 2023, making a total of at least 4.40 pence per share for the year as a whole. This target represents a yield of 3.9% based on the share price of 111.60 pence per share as at 31 May 2023, and 3.7% based on the share price of 119.80 pence per share at the close of business on 28 July 2023.

The first quarterly interim dividend of 1.10 pence per share was paid on 19 April 2023 and the second quarterly interim dividend of 1.10 pence per share was paid on 14 July 2023 (four quarterly interim dividends each of 1.10 pence per share were paid in the twelve months ended 30 November 2022).

The Company may also write options to generate revenue return, although the portfolio managers' focus is on investing the portfolio to generate an optimal level of total return without striving to meet an annual income target from option writing. Consequently, they will only enter into option transactions with the intention that the overall contribution is beneficial to total return.

## Gearing

The Company operates a flexible gearing policy which depends on prevailing market conditions. It is not intended that gearing will exceed 20% of the gross assets of the Company. The maximum gearing used during the period was 13.7%, and the level of gearing at 31 May 2023 was 5.5%. For calculations, see the Glossary on pages 44 and 45.

## Management of share rating

The Directors recognise the importance to investors that the Company's share price should not trade at a significant premium or discount to NAV, and therefore, in normal market conditions, may use the Company's share buyback, sale of shares from treasury and share issuance powers to ensure that the share price is broadly in line with the underlying NAV.

The Company's shares started the period under review trading at a discount of 6.8%; this fell to 3.4% in December 2022 and subsequently the shares moved to trade fairly consistently at a premium from January 2023 to mid-February 2023. To manage the premium, the Company issued new shares into market demand in January and February 2023. Over the period under review, the Company issued 1,230,000 shares for net proceeds of £1,789,000. At the Company's Annual General Meeting held on 13 March 2023, the Company was granted authority to allot up to 26,981,238 shares and/or sell the same amount of shares held in treasury on a non-pre-emptive basis (being equivalent to 20 per cent of share capital in issue at that time).

Since mid-February 2023 the Company's shares have been trading at a discount, which widened in line with many investment trusts. Since 31 May 2023 the discount has widened out again, and as at the date of this report, the Company has bought back 540,000 shares for costs of £621,000 and at an average discount of 9.9%. As at 28 July 2023 the Company's shares were trading at a discount of 8.7%.



## **Market outlook & portfolio positioning**

A higher interest rate environment to combat inflation has led to market concerns about the prospect of a global recession. In addition, with the continuation of the war in Ukraine and sanctions on Russia, commodity prices remain elevated putting pressure on inflation at the same time as tight labour markets are driving higher wages higher. Although more recently inflation appears to be slowing, all these factors are likely to result in central banks maintaining rates at higher levels relative to the last few years with risks of a global economic slowdown remaining.

Despite the current uncertainty, the ongoing drive by governments to address climate change and decarbonise the energy supply chain remains an important backdrop for the Company's three pillars, of Traditional Energy, Mining and Metals and Energy Transition. The Board considers that all three sectors have an important role to play as the energy system transitions to a lower carbon economy. Traditional energy is needed to support base load energy to continue to power economies during the transition. The Metals and Mining sector provides the material supply chain for low carbon technologies from steel for wind turbines to lithium for electric cars. The path to a lower carbon economy is also expected to disrupt many industries and business models with scope for the Company to invest directly in opportunities in the Energy Transition space. Against this backdrop, the flexibility of the Company's investment mandate with the ability to shift exposure between Traditional Energy, Energy Transition and Mining sectors, means that it is uniquely positioned to serve investors as these sectors evolve.

The Board is confident that the Company remains well-placed to benefit from these key investment trends over the long term.

**Adrian Brown**

Chairman

1 August 2023

# Investment Managers' Report



Tom Holl



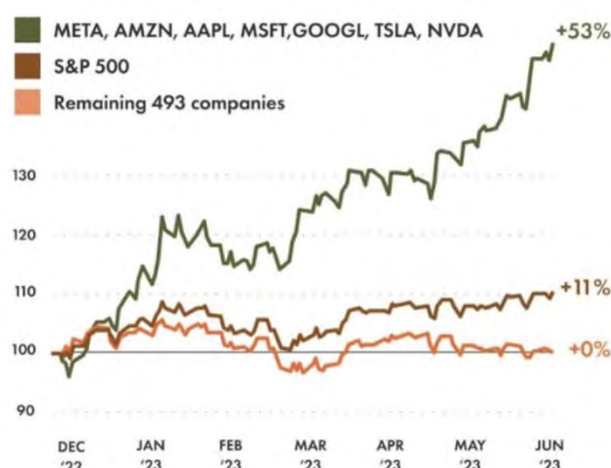
Mark Hume

## Market overview

The first half of 2023 provided welcome relief for investors in terms of broad equity index returns following a torrid year in 2022. Whilst the Company's return so far this year has lagged that of broader markets such as the S&P 500, it has performed well against the comparator sector indices, and it is important to remember just how significant the outperformance of the Company was against equities in general over the past 12 months.

One of the notable features of equity markets in the first half has been how concentrated the returns have been in a small number of stocks. The chart below (see Figure 1) neatly illustrates this in the context of the US equity market suggesting that there is little evidence of exuberance in the majority of the market.

**Figure 1: Big Tech's performance vs. the rest of the S&P 500 through 1 June 2023**



Sources: FactSet, Goldman Sachs Global Investment Research.

Sources: Pictet, Bloomberg © FT.

Although this might be reassuring for all the stocks/sectors away from this handful of big winners, the multi-asset context should also be considered. The second chart shows how non-equity investments such as corporate bonds and even cash are now competing with equities in terms of near-term yield. This broader environment has tempered our enthusiasm to add more aggressively to the energy transition holdings in the near term despite the strong policy tailwinds. However, we are patient investors and believe when the higher rate environment is better reflected in lower equity valuations we may have a plethora of exciting investment opportunities.

## Portfolio activity & investment performance

Despite a strong first few months of the year that saw the NAV per share reach a ten year high of over 145 pence per share, a weaker end to the period saw the Company's NAV decline 13.8% from 144.92 pence per share to 122.79 pence per share (percentage in Sterling terms with dividends reinvested).

There were no significant top-down portfolio changes made at a single point in time during the first half, but a number of more incremental changes were made as our views on certain sub-sectors and individual companies evolved during the period.

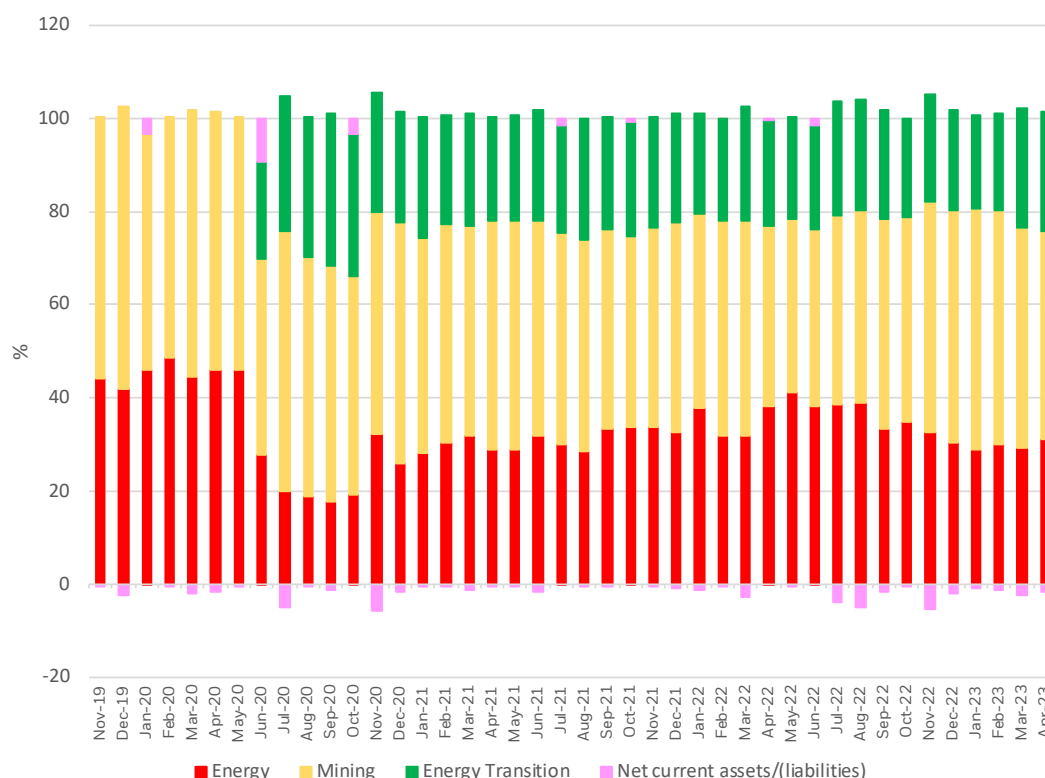
We ended the period with less of the Company's portfolio invested in mining companies than we had at the start of the year, with a reduction from almost 50% of the portfolio to circa 45% (see Figure 2). This was driven by a less optimistic view on China's commodity demand post the COVID-19 reopening and the ongoing cost inflation pressuring mining company margins. However in the medium term we remain excited by the demand growth driven by the energy transition for metals such as lithium and copper, so whilst we reduced the position size in a number of holdings given the near-term headwinds, we did not make dramatic changes.

On the traditional energy side, the biggest changes were the reintroduction of ExxonMobil into the portfolio driven by its attractive relative valuation, which was funded by selling the service company Patterson UTI and trimming some of the oil price sensitive exploration and production companies.

Gearing was also reduced during the first half of the year as we took a more cautious near-term view on the mining and traditional energy sectors, whilst wanting to keep some dry powder for any further valuation pullbacks on selected energy transition companies. We are also cognisant that the cost of borrowing for the Company has risen substantially over the last 12 months, and this certainly factors into our considerations of what level of gearing is appropriate for the Company.

In the energy transition space, valuation multiples have continued to come down from their highs of 12-18 months ago. This has brought a number of companies we view as long-term winners in this space to an attractive entry point, so we initiated a number of new positions in energy transition companies, and we increased the percentage of the Company's portfolio in the energy transition investments over the first half of the year. Although we added a couple of new companies, we think there will be more opportunities in the coming 6-12 months as higher interest rates do not appear to be fully reflected into most equity valuations yet. When this does happen – or if the nominal rate environment begins to ease again – then we have a long list of structural winners from the energy transition that we would be keen to build positions in for the portfolio.

**Figure 2: Portfolio positioning**



Source: BlackRock.

Commodity	31 May 2023	30 November 2022	% change	2023 on 2022 Average Price % Change <sup>1</sup>
<b>Base Metals (US\$/tonne)</b>				
Aluminium	2,287	2,448	-6.6	-23.2
Copper	8,070	8,227	-1.9	-11.7
Lead	2,012	2,182	-7.8	-6.7
Nickel	20,433	26,892	-24.0	-7.5
Tin	25,700	23,045	11.5	-37.9
Zinc	2,230	3,050	-26.9	-21.8
<b>Precious Metals (US\$/ounce)</b>				
Gold	1,971	1,752	12.5	2.2
Silver	23.5	21.7	8.7	-0.6
Platinum	1,003	1,025	-2.1	2.5
Palladium	1,390	1,908	-27.1	-27.5
<b>Energy</b>				
Oil (West Texas Intermediate (WTI)) (US\$/barrel)	68.1	80.5	-15.4	-19.4
Oil (Brent) (US\$/barrel)	73.4	85.6	-14.3	-18.2
Natural Gas (US\$/Metric Million British Thermal Unit (MMBTU))	2.1	7.0	-70.0	-44.1
<b>Bulk Commodities (US\$/tonne)</b>				
Iron ore	100.0	103.0	-2.9	-11.4
Coking coal	191.0	265.0	-27.9	-35.3
Thermal coal	135.0	398.5	-66.1	-7.2
<b>Equity Indices</b>				
MSCI ACWI Metals & Mining Index (US\$)	335.6	369.8	-9.2	n/a
MSCI ACWI Metals & Mining Index (£)	270.8	319.7	-15.3	n/a
MSCI <sup>3</sup> World Energy Index (US\$)	404.6	464.4	-12.9	n/a
MSCI <sup>3</sup> World Energy Index (£)	326.5	389.9	-16.3	n/a

Source: Datastream, June 2023.

<sup>1</sup> Average of 30/11/21-31/05/22 to 30/11/22-31/05/23.

## Income

Despite lower commodity prices for many companies (for example iron ore averaged over 10% lower for H1 2023 vs. H1 2022), the conservative balance sheet management across the sectors allowed for attractive dividend pay-outs to continue.

We have continued to reduce the fixed income holdings as a proportion of the Company's portfolio over the last 12 to 18 months. Given the strength of the balance sheets across the mining and traditional energy sectors, there has been a dearth of new issuance and when it has come, the yields / spreads have not been attractive relative to dividend yields in the respective equity or the Company's cost of gearing.

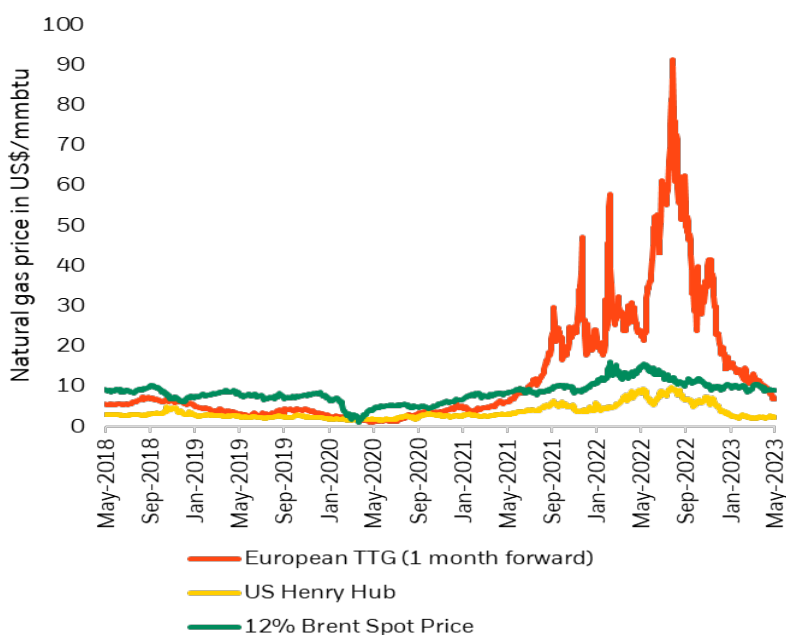
Whilst equity market volatility trended lower during the period (the CBOE Volatility Index started at 21 in the beginning of May and closed May 2023 under 16), there were some company specific events that offered some attractive call and put writing opportunities. There was a greater balance between calls and puts in the first half of this financial year than there was last year, when there was a skew towards put writing, and this reflected our cautious outlook on the market. Looking forward to the second half of the year, if we see continued strength in Sterling versus the US Dollar, this will be a headwind to Company earnings as the majority of dividend income received is in US Dollars.



## Energy

In the six-month period to end May 2023, the energy sector fell, lagging global equities. A mild European winter was a key factor in reducing the pressure on natural gas and oil prices and European power prices moved lower. Expectations of an energy crisis in Europe over winter did not materialise and the bloc exited the winter months with natural gas storage of circa 60%, well above the typical 30-40% storage levels of recent years, after continuing to purchase liquified natural gas (LNG) from the US and Middle East. This relatively benign outcome had the effect of removing a headwind to European equities. The removal of this risk was therefore positive for non-energy sectors. The US Henry Hub natural gas price fell -70.0% during the period to \$2.1/MMBTU (see Figure 3). Brent and West Texas Intermediate (WTI) oil prices fell -14.3% and -15.4%, ending the month at \$73.4/barrel and \$68.1/barrel respectively.

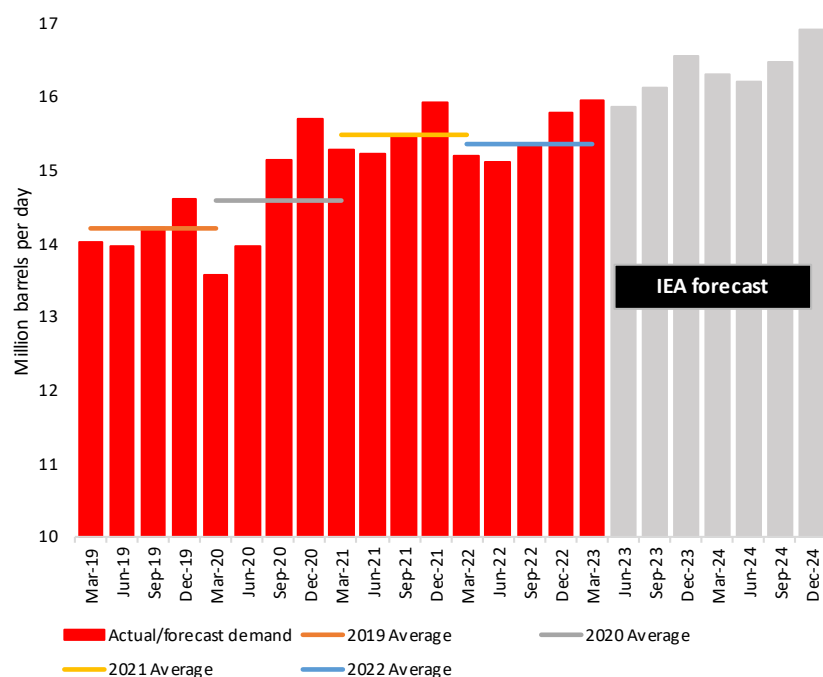
**Figure 3: The price impact on European natural gas prices following Europe's need to replace up to -155bcm of Russian gas**



Sources: BlackRock, LHS: Datastream, 31 May 2023. For illustrative purpose only. European Union imported ~155billion cubic metres of Russian gas in 2021.

On the supply side, we continue to observe tightness in energy markets, driven by a lack of investment in new oil production outside of US shale oil, but changing expectations for oil demand impacted on the oil price. China relaxed its zero COVID-19 policy towards the end of 2022 leading initially to expectations that China's economic growth and oil demand would rebound in 2023. Low apparent spare production capacity coupled with the prospect of a recovery in oil demand from China supported a constructive outlook for oil prices in 2023. Figure 4 on page 12 shows the upward trend in China's oil demand since 2019 and the impact of China's zero COVID-19 related lockdown restrictions in depressing oil demand through 2022. Within the refining sector, oil products are typically viewed as a leading indicator to demand for crude oil but developments on refining capacity have clouded the energy outlook in 2023. 2023 is set to be a year of refining capacity additions following significant mothballing of capacity during COVID-19. China has been retaining refined oil products, restricting their export, in order to ensure sufficient domestic supplies, which has contributed to volatile spread prices for oil products. Analysts therefore had to look more closely behind any moves in gasoline and diesel prices and refining spreads.

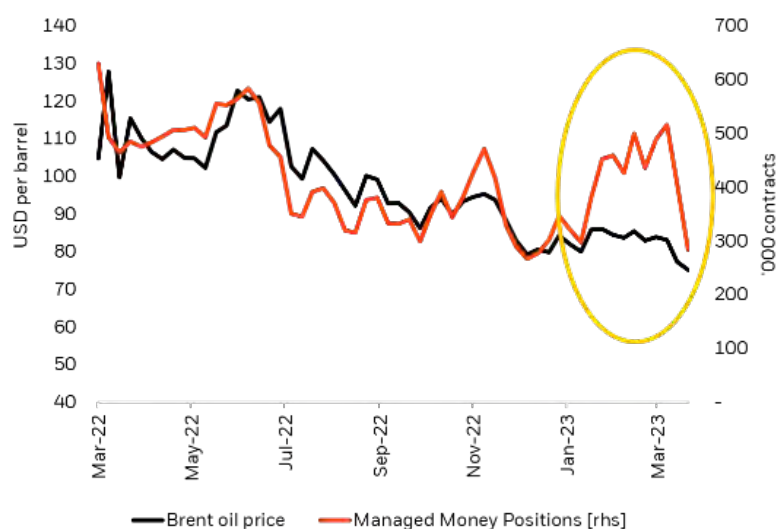
**Figure 4: Base case for China to re-open over 2023, mobility levels to revert and for commodity demand to rebound**



Sources: IEA. Bloomberg. BlackRock estimates, 31 May 2023. There is no guarantee that forecasts made will come to pass.

Investor sentiment towards energy has changed during the period following the collapse of Silicon Valley Bank (SVB) in the US and then the concerns around First Republic Bank and the potential for tighter financial conditions. The failure of SVB in the US in March 2023 had a notable impact on the oil price and large cap energy share price as this contributed to investor concerns around the potential for tighter lending conditions and lower economic growth, and expectations for lower demand for oil. In the days that followed this event, investors appeared to de-risk energy positions, which contributed to a fall in the oil price and in energy equities. The moves did not appear to be driven by fundamentals, but from changes in short-dated investor positioning in futures markets. Whilst there had been an increase in energy derivative positions through January and February 2023, there was a sharp reduction in the number of contracts following the collapse of SVB in March 2023 (see Figure 5).

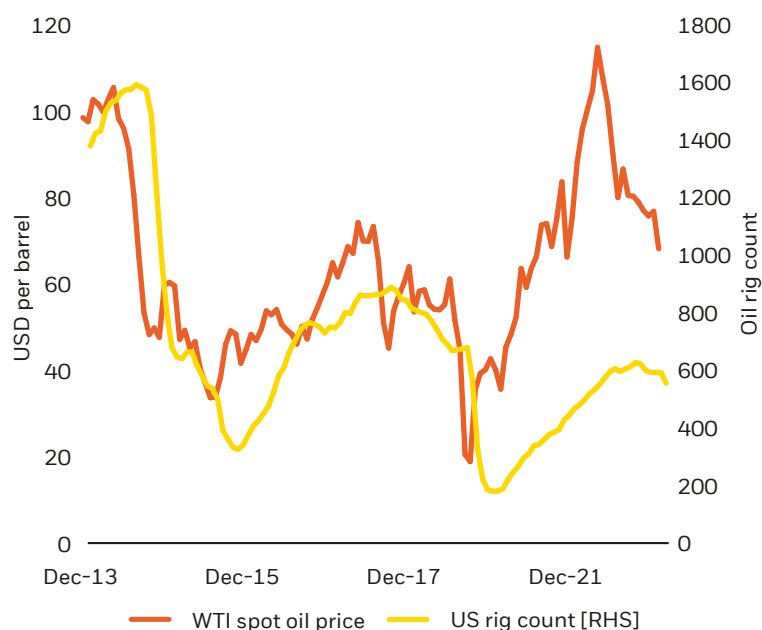
**Figure 5: Euro money managed positions**



Sources: BlackRock, Datastream 31 May 2023.

In response to lower oil prices, in April, OPEC announced a cut to production targets of 1 million barrels per day, which was a surprise to markets, but was in line with prior proactive action in October 2022 where OPEC cut target output to defend the oil price. We believe that OPEC no longer views US shale oil producers as likely to ramp-up oil production in response to a cut, undermining their control. In past reports we have commented on the capital discipline displayed by the energy companies, which has continued through this reporting period. For US shale oil producers, this has been evident with capital expenditure budgets fully funded by cash flow generation, whilst weakness in oil prices has seen companies cut the number of drilling rigs in operation (see Figure 6).

**Figure 6: Oil price vs. Oil rig count**



Sources: BlackRock, Datastream. Baker Hughes Rig Count, 31 May 2023. Monthly average rig count vs current month average oil price. For illustrative purpose only.

Energy companies have focused on reducing costs since the oil price fall in 2015 and have strengthened balance sheets as oil prices recovered through 2021 and 2022. This has enabled them to generate higher earnings for a given oil price. On the other hand, energy companies are not immune from the inflationary pressures in labour markets or in raw materials markets and many have therefore had to increase capital expenditure budgets as a result, even as they may have reduced production growth. Many energy companies are therefore strongly cash flow generative at the US\$70-US\$80 oil prices seen through this reporting period and the largest companies have reported strong earnings in their quarterly and annual results.

## Energy transition

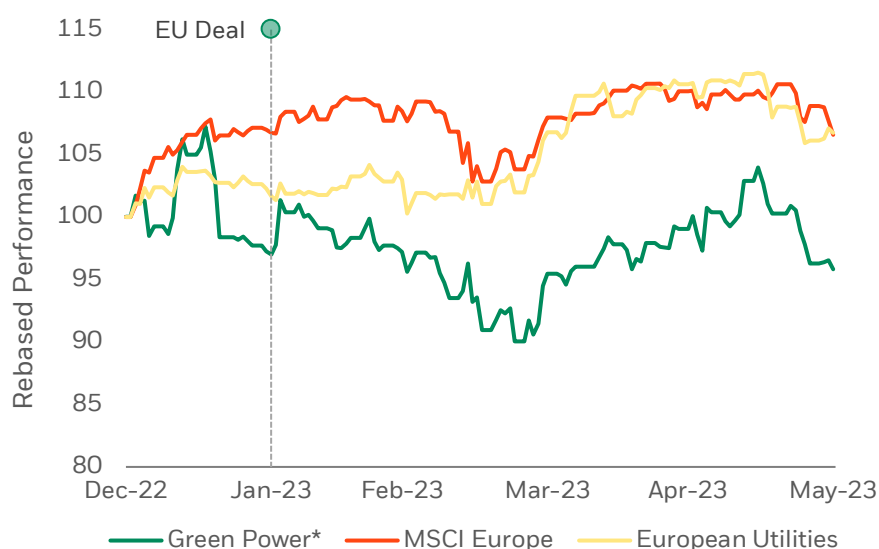
Last year's Ukraine invasion caused, at least temporarily, a sharp elevation in energy prices globally as Russian volumes sought to find new markets to combat developed market sanctions. Not surprisingly, this led to a greater focus on security of supply and set the tone for a more balanced debate around how to effect an orderly transition. Despite the pragmatism amongst policy makers, high energy prices did little to crystallise progress at COP27 late last year. The impasse on how to help low-income nations execute an effective and just transition remains a case of funding. For now, at least, commitments to limit warming to a global goal of 1.5 degrees Celsius continue to face challenges.

Compounded by the geopolitical rifts created by Russia's invasion of Ukraine, fragmentation is undoing much of the globalisation that took place over the last two decades. This underpins an important dynamic at play in the race to decarbonise with different countries adopting different policies and plotting different paths towards net zero. There is even some evidence that competition for 'green dollars' is rising with the EU announcing in February 2023 the European "Green Deal Net Zero Industry Act" aimed at incentivising local sustainable energy-related manufacturing. Specifically, the Act aims to:

1. Drive accelerated renewables permitting, to increase planning and investment certainty, with a view to stepping up the share of energy directly sourced from clean energy – by 2030, Europe is planning to achieve c. 70% of electricity from renewables;
2. Develop a supply chain to domestically source at least 40% of the clean tech equipment in solar, wind, electrolysis, batteries and heat pumps; and
3. Introduce incentives to stimulate investments.

Whilst the policy is welcome, it comes hot on the heels of the United States' Inflation Reduction Act announced in August last year and the lack of granularity on how industry can access these incentives was reflected in a limited response from stock prices in the clean power space (see Figure 7).

**Figure 7: Price performance of European power producers**



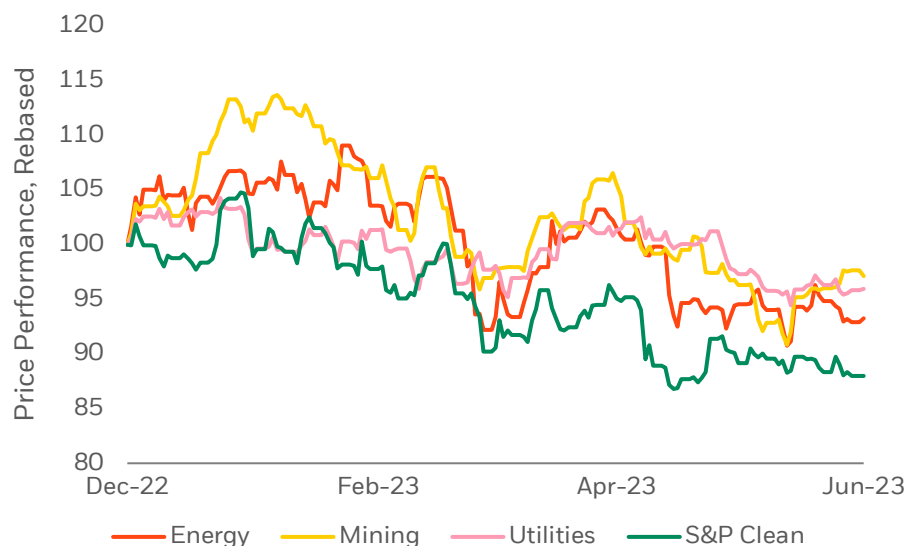
Sources: Bloomberg. Price performance in EUR/share rebased to 100. \*Clean Pwr:=EDP PI, EDPR PL, ENEL IM, ORSTED DC and RWE GR. European Utilities as represented by the Stoxx 600 Europe 600 Utilities Price index.

In stark contrast, on 12 May 2023 the US Department of Treasury published guidance on domestic content bonus credits (renewable energy tax credits) under the Inflation Reduction Act. Based on the guideline, 40% or more of total direct materials and direct labour costs needs to be produced/incurred in the United States. The threshold is set to increase to 55% for projects commencing construction after 2026. In effect, this established a 10% additional tax credit for domestic content on top of the 30% investment tax credit for renewables projects. This benefitted companies with already strong domestic supply chains such as US-based First Solar (an increase of +26% on 12 May 2023), one of the solar companies held in the portfolio.



Through the course of the six month period ended 31 May 2023, we have continued to maintain our exposure to Energy Transition companies at around 25% of the Company's NAV as many of the Energy Transition stocks have underperformed in the last 6 months (see Figure 8).

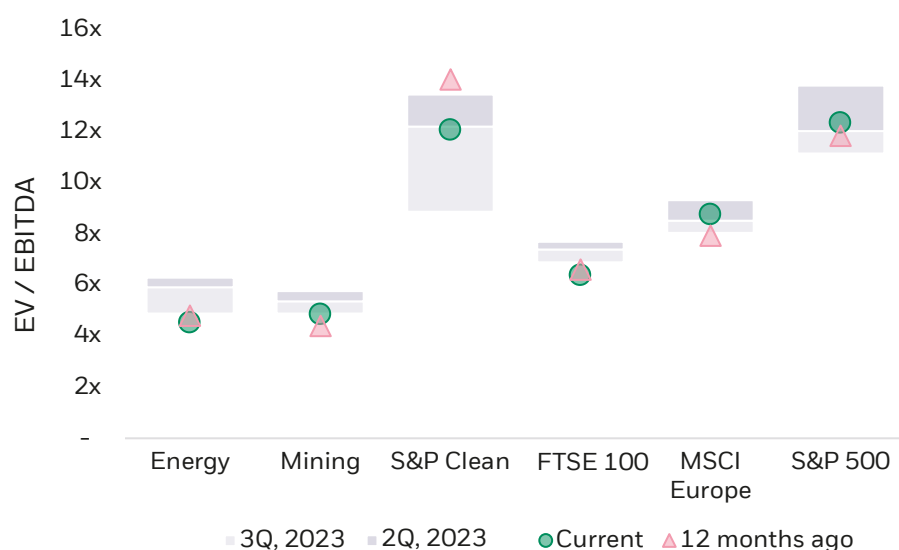
**Figure 8: Sector price performance**



Source: Bloomberg. Energy: MSCI ACWI/Energy; Mining: EMIX Global Mining Index; Utilities: MSCI ACWI/Utilities; S&P Clean: S&P Global Clean Index.

Whilst valuations remain elevated across much of the space (see Figure 9), they have markedly compressed from where they were this time last year, albeit they remain relatively more keenly priced than our other focus areas (e.g. Energy, Mining and Utilities). Nevertheless, as supply chain pressures ease and subsidies are clarified, it should start to pave the way for margin and earnings improvements across the Energy Transition space.

**Figure 9: Sectoral comparison of valuations**



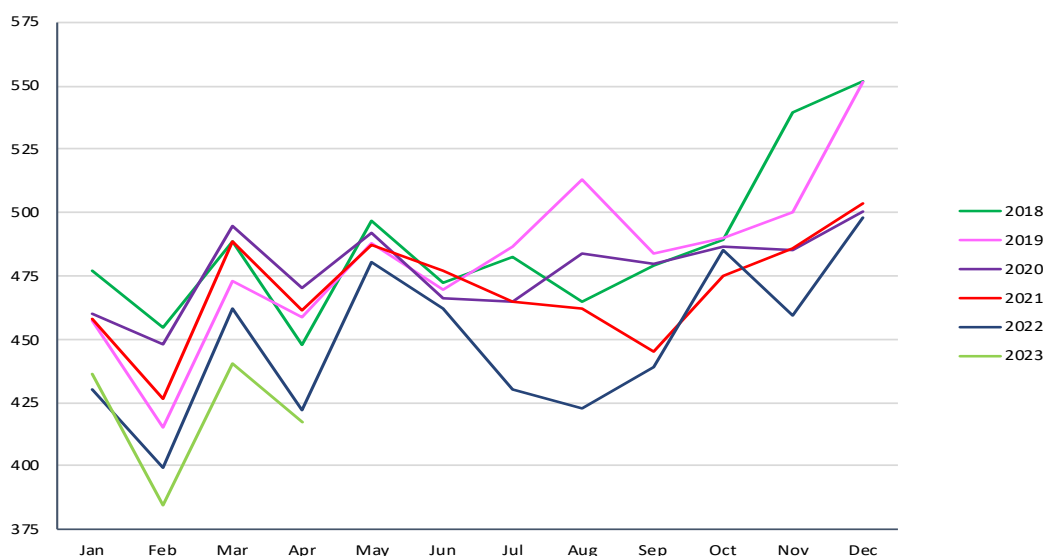
Source: Bloomberg. Rolling 1-year forward consensus EV/EBITDA.

## Mining

There was a strong positive sentiment at the start of the year in the mining sector as China's sharp reversal of zero-COVID-19 policies led to optimism about the strength of commodity demand from the economy reopening after several years of lockdowns and false dawns. This initially translated into strong commodity demand with mined metals prices performing well in the first quarter of the year. However we quite quickly saw the positive momentum stall in a number of leading indicators, so we pared back our mining equity holdings as we took the view that the best case near-term scenario was being priced into share prices but downside risks were rising. As the second quarter progressed, economic data from China disappointed with new loan growth coming in below consensus expectations and new property building projects also struggling to recover. This demand weakness more than offset the supply challenges – which are discussed in detail below – and so the half year ended with most mined commodity prices below where they had started the year. With little or no relief yet on the cost side, this pressured producer margins and as a result, the mining sector struggled in the second quarter and also ended the half below where it has started.

We have written a number of times about the supply-side constraints in mining and the risk of supply disruptions, and the latter came to the fore in the first half of 2023, especially in the copper market. There were widespread protests that affected the industry in Peru with blockades preventing access to mines, ports and roads that impacted production. Also, in Chile the underperformance of the State-owned producer Codelco continued, which was the main driver of a poor start to the year for copper output from the world's largest producer (see Figure 10).

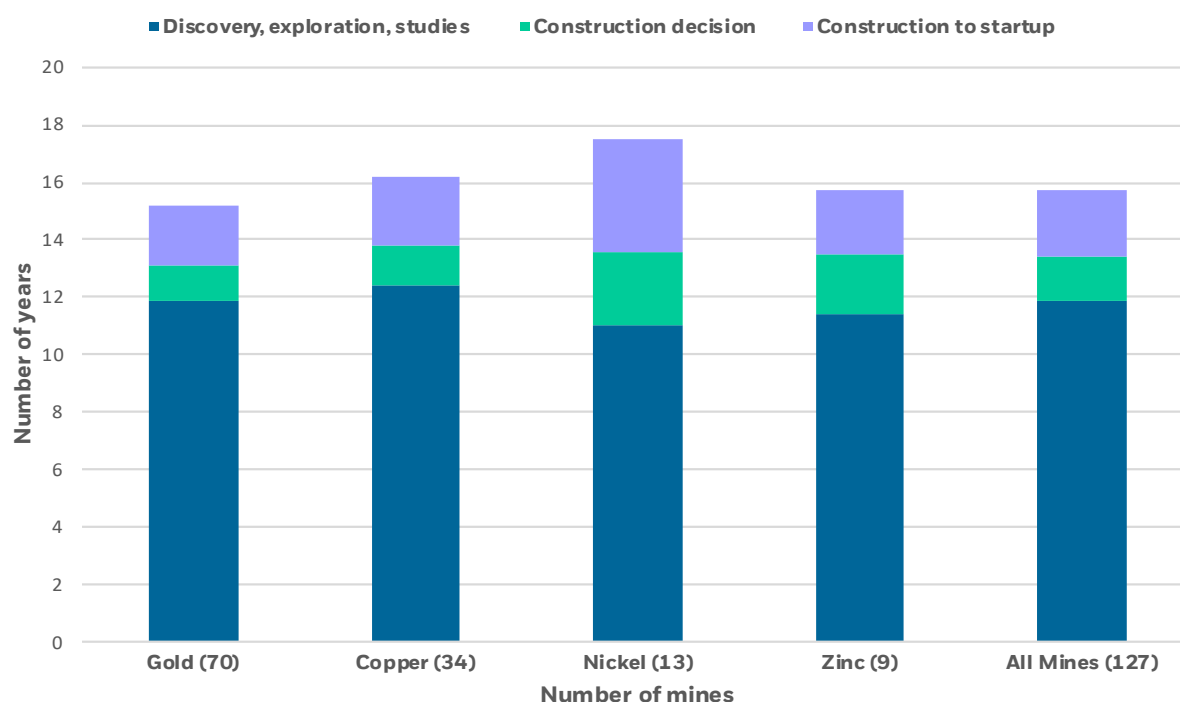
**Figure 10: Chart showing Chile's copper production**



Source: Trading Economics, 31 March 2023.

Although the issues above can be seen as temporary in nature, they appear to be occurring on a more frequent basis and if inventories of metals are low (like copper inventories were in H1 2023) then these disruptions risk pushing prices higher. However it is also important to look at the longer-term issues facing the supply of metals. The chart on page 17 (see Figure 11) shows just how long it now takes to bring a new mine into production – not only are assets becoming harder to discover in the first place but the permitting challenges, engineering complexity, financing hurdles and construction itself all significantly constrain the ability of supply-side companies to respond to any environment of higher prices.

**Figure 11: Gold mines go online quickest**



Numbers in parenthesis are the number of mines for each category.

One silver mine was included in the study but is not shown in this chart.

Column totals may not be exact due to rounding.

Source: S&P Global Market Intelligence. As at 4 April 2023.

One of the consequences of these supply challenges is that existing production is becoming more valuable – both from a financial standpoint but also strategically. Several automotive companies have recently signed offtake agreements<sup>1</sup> with miners (or soon to be miners) of nickel and lithium as they look to secure supply of raw materials. Mining companies have also recognised the value of de-risked producing assets compared to the risks of developing new assets – BHP recently completed the takeover of Australian copper miner OZ Minerals and there is an on-going acquisition saga between Glencore and Teck Resources, where the latter has just finished the US\$8bn construction of a new copper mine in Chile.

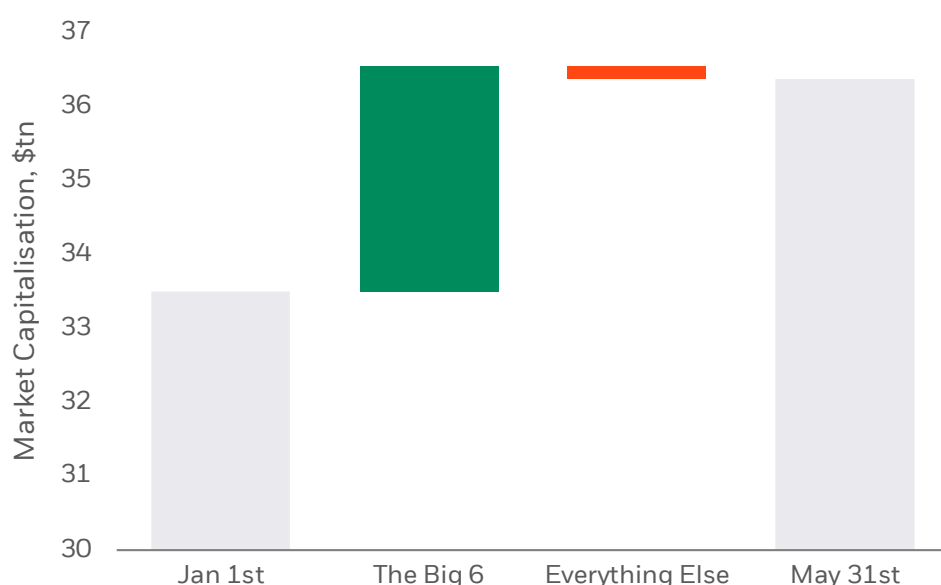
With the scarcity of both high-quality exploration discoveries and producing copper assets in the listed market, we have taken a barbell approach in the portfolio. We have continued to build our basket of earlier stage companies, such as Filo Mining, alongside large-scale producers such as First Quantum, which has successfully renegotiated their fiscal terms in Panama (a move that was positively received by the market, driving an increase in share price and removing selling pressure on the company's shares).

<sup>1</sup> An offtake agreement is an arrangement between a producer and a buyer to purchase or sell portions of the producer's upcoming goods. It is normally negotiated before the construction of a factory or facility to secure a market and revenue stream for its future output.

## Market outlook and portfolio positioning

Concerns over a global economic slowdown have percolated financial markets for much of this year as the US Federal Reserve continues to drive a hard line on Quantitative Tightening (QT) to help stave off rampant inflation. Yet, if one were to simply look at the S&P 500, which year-to-date is up 8.6% through to 31 May 2023, you might be forgiven for thinking that everything was back to normal. However, the dispersion in returns is notable as six US mega-cap stocks account for all of this year's gains. Amazon, Apple, Google, Microsoft, Nvidia and Tesla are up by 46% in aggregate since the start of the year. The remaining 494 stocks i.e. Everything Else is, on average, down (see Figure 12). This reflects a quite extreme crowding effect and one which more often than not portends trickier times ahead. Coupled with sticky inflation and a Chinese economy that thus far has underwhelmed our expectations in terms of the pace and breadth of its post-COVID-19 recovery, this leaves us somewhat cautious as we look ahead for the next six months.

**Figure 12: Market capitalisation changes for the S&P 500 from 1 January 2023 through 31 May 2023**



Source: Bloomberg.

On the positive side, there is scope for China to lean on stimulus measures to support its real estate sector, which would bode well for mined commodity and materials demand. This would be additive to mobility trends which continue to grind upwards as more people choose to travel post-COVID-19 restriction easing. On the negative side, higher-for-longer interest rates may well be required to properly blunt western economies that continue to 'run hot'. The effect on aggregate demand has yet to be fully felt, but the risks that rapid QT carries have already been evident in the US banking system with the collapse of Silicon Valley Bank and First Republic Bank. So, whilst we see an increasingly supportive policy backdrop for the energy transition over the next two decades, we consider that near-term caution is warranted, and the Company is positioned accordingly.

### Tom Holl and Mark Hume

BlackRock Investment Management (UK) Limited

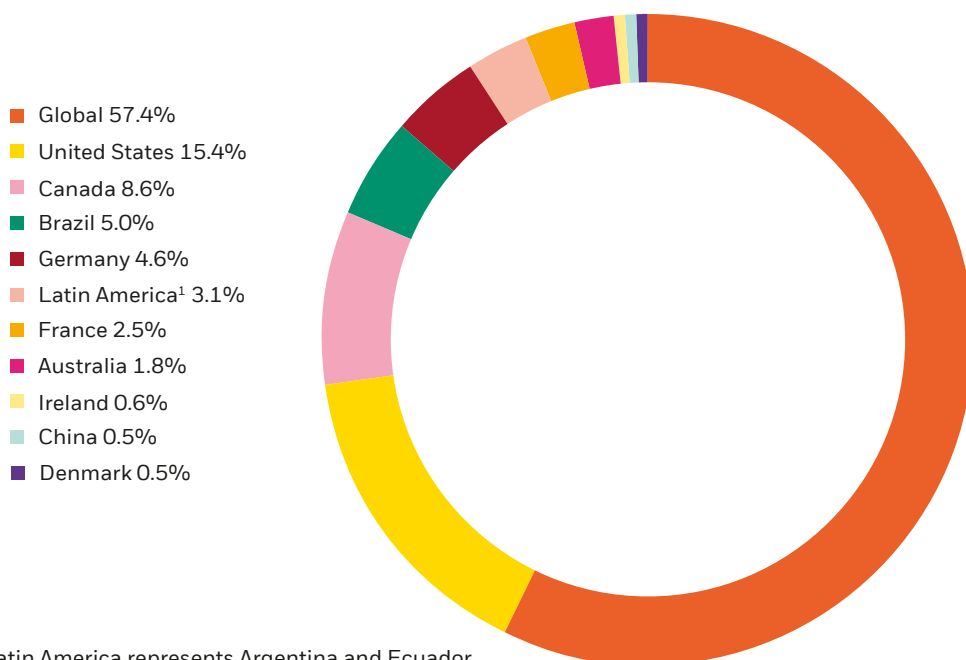
1 August 2023



# Distribution of investments

as at 31 May 2023

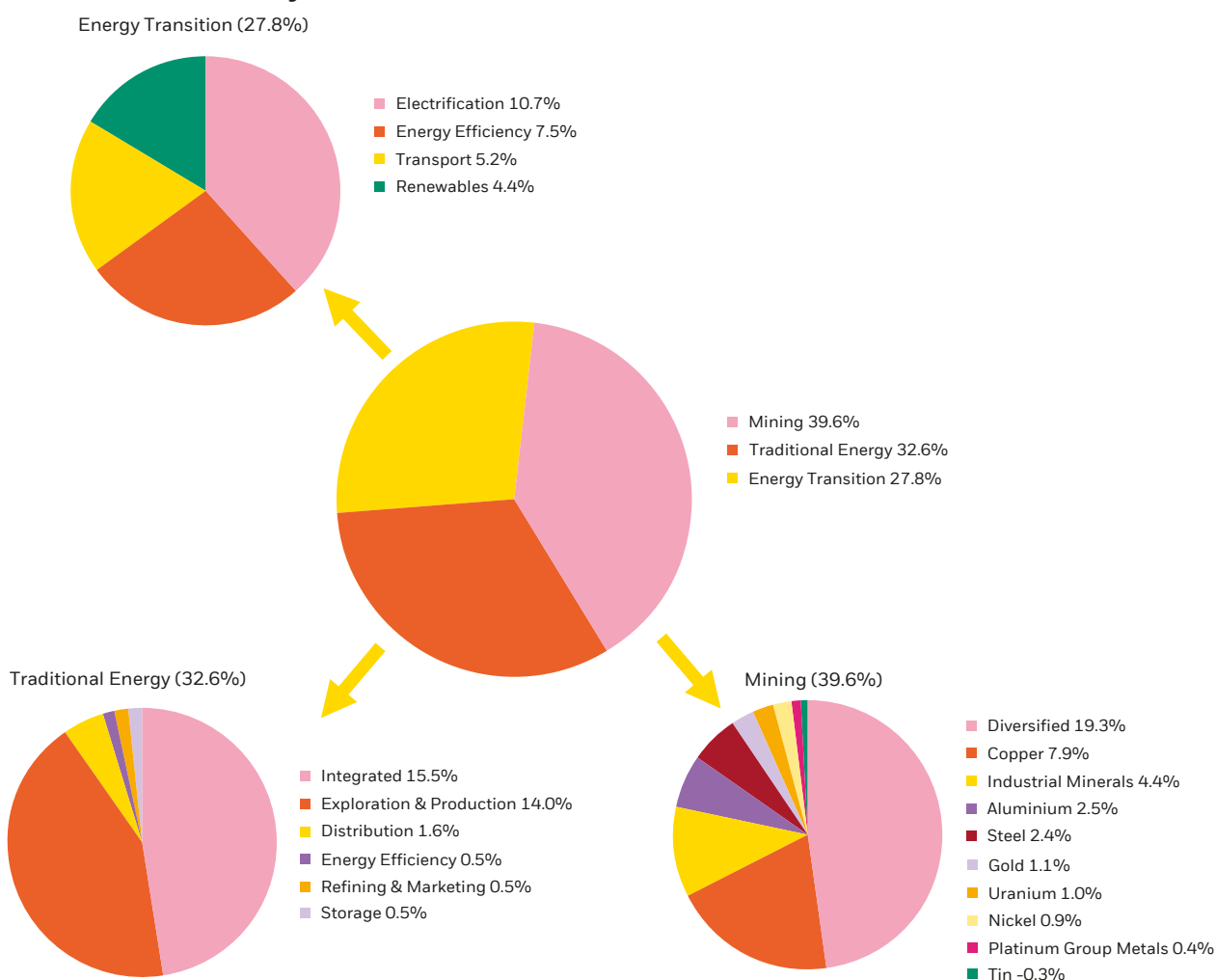
## Asset allocation – Geography



<sup>1</sup> Latin America represents Argentina and Ecuador.

Source: BlackRock.

## Asset allocation – Commodity



Source: BlackRock.

# Ten largest investments

## 1 ▲ ExxonMobil (2022: n/a)

### Integrated oil group

**Market value: £8,767,000**

**Share of net assets: 5.0%** (2022: n/a)

An American multinational oil and gas corporation. They continue to evolve to meet growing global demand for oil, natural gas and refined products and plans to play a leading role in the energy transition. The corporation has announced emission-reduction plans for 2030 with an aim to reduce greenhouse gas and methane intensity and around 40% of its investments will be directed towards reducing greenhouse gas emissions with an emphasis on carbon capture and storage, biofuels and hydrogen.

## 2 ► Vale (2022: 2nd)

### Diversified mining group

**Market value: £8,115,000**

**Share of net assets: 4.6%<sup>1</sup>** (2022: 4.4%)

One of the largest mining groups in the world, with operations in 30 countries. Vale is the world's largest producer of iron ore and iron ore pellets, and the world's largest producer of nickel. The group also produces manganese ore, ferroalloys, metallurgical and thermal coal, copper, platinum group metals, gold, silver, cobalt, potash, phosphates and other fertiliser nutrients.

## 3 ▼ Glencore (2022: 1st)

### Diversified mining group

**Market value: £7,725,000**

**Share of net assets: 4.4%** (2022: 7.3%)

One of the world's largest globally diversified natural resource groups. The group's operations include approximately 150 mining and metallurgical sites and oil production assets. Glencore's mined commodity exposure includes copper, cobalt, nickel, zinc, lead, ferroalloys, aluminium, iron ore, gold and silver.

## 4 ▼ BHP (2022: 3rd)

### Diversified mining group

**Market value: £7,428,000**

**Share of net assets: 4.2%** (2022: 4.2%)

The world's largest diversified mining group by market capitalisation. The group is an important global player in a number of commodities including iron ore, copper, thermal and metallurgical coal, manganese, nickel, silver and diamonds. BHP also has significant interests in oil, gas and liquefied natural gas.

## 5 ▼ Teck Resources (2022: 4th)

### Diversified mining group

**Market value: £7,287,000**

**Share of net assets: 4.2%** (2022: 3.6%)

A diversified mining group headquartered in Canada. Teck Resources is engaged in mining and mineral development with operations and projects in Canada, the US, Chile and Peru. The group has exposure to copper, zinc, steelmaking coal and energy.

**6 ▶ Shell** (2022: 6th)

**Integrated oil group**

**Market value: £6,093,000**

**Share of net assets: 3.5%** (2022: 3.2%)

A British publicly traded multinational oil and gas group headquartered in London. Shell is one of the world's largest independent energy companies, operating in more than 70 countries. Shell explores and produces energy products - fuels, oil, natural gas, lubricants, LPG, chemicals; including 100% renewable electricity by Shell Energy.

**7 ▶ BP** (2022: 7th)

**Integrated oil group**

**Market value: £5,874,000**

**Share of net assets: 3.4%** (2022: 2.9%)

A British multinational oil and gas group headquartered in London. BP is one of the oil and gas "supermajors" and one of the world's largest companies measured by revenues and profits. It is a vertically integrated company operating in all areas of the oil and gas industry, including exploration and extraction, refining, distribution and marketing, power generation, and trading; including low carbon businesses.

**8 ▲ NextEra Energy** (2022: 9th)

**Electrification**

**Market value: £5,696,000**

**Share of net assets: 3.3%** (2022: 2.5%)

NextEra Energy is America's premier clean energy leader and the world's largest producer of wind and solar energy. The company has a dominant market share in a structurally growing renewables market.

**9 ▲ Canadian Natural Resources** (2022: 10th)

**Exploration & Production**

**Market value: £5,181,000**

**Share of net assets: 3.0%** (2022: 2.5%)

A senior Canadian oil and natural gas company. The company has a diversified portfolio of assets in North America, the UK North Sea and Offshore Africa.

**10 ▼ First Quantum Minerals** (2022: 5th)

**Copper producer**

**Market value: £4,841,000**

**Share of net assets: 2.7%**<sup>2</sup> (2022: 3.5%)

A Canadian-based mining and metals company whose principal activities include mineral exploration, development and mining. Its main product is copper.

<sup>1</sup> 1.1% relates to interests in Vale shareholder debentures.

<sup>2</sup> 1.5% relates to fixed interest holdings in First Quantum Minerals.

All percentages reflect the value of the holding as a percentage of total investments. For this purpose, where more than one class of securities is held, these have been aggregated. The percentages in brackets represent the value of the holding as at 30 November 2022.

Together, the ten largest investments represent 38.3% of total investments (ten largest investments as at 30 November 2022: 36.8%).

# Investments

as at 31 May 2023

	Main geographic exposure	Market value £'000	% of investments
<b>Mining</b>			
<b>Diversified</b>			
Vale	Brazil	6,098	} 4.6
Vale Debentures*	Brazil	2,017	
Glencore	Global	7,725	4.4
BHP	Global	7,428	4.2
Teck Resources	Global	7,287	4.2
Trident	Global	1,987	1.1
Rio Tinto	Global	704	0.4
Anglo American	Global	690	0.4
		<b>33,936</b>	<b>19.3</b>
<b>Copper</b>			
First Quantum Minerals	Global	2,127	} 2.7
First Quantum Minerals 6.875% 15/10/27	Global	1,607	
First Quantum Minerals 6.875% 01/03/26	Global	897	
First Quantum Minerals 7.5% 01/04/25	Global	210	
Filo Mining	Latin America	3,899	2.2
Ivanhoe Electric	United States	2,046	1.2
Solaris Resources	Latin America	1,505	0.9
Freeport-McMoRan	United States	1,084	0.6
Develop Global	Australia	578	0.3
		<b>13,953</b>	<b>7.9</b>
<b>Industrial Minerals</b>			
Albemarle	Global	4,422	2.5
Nutrien	United States	1,378	0.8
Lynas Corporation	Australia	1,036	0.6
Bunge	Global	939	0.5
CF Industries	United States	38	–
		<b>7,813</b>	<b>4.4</b>
<b>Aluminium</b>			
Norsk Hydro	Global	3,033	1.7
Alcoa Corp	Global	1,478	0.8
		<b>4,511</b>	<b>2.5</b>
<b>Steel</b>			
ArcelorMittal	Global	2,403	1.4
Steel Dynamics	United States	1,710	1.0
		<b>4,113</b>	<b>2.4</b>
<b>Gold</b>			
Wheaton Precious Metals	Global	1,897	1.1
		<b>1,897</b>	<b>1.1</b>
<b>Uranium</b>			
Cameco	Canada	1,795	1.0
		<b>1,795</b>	<b>1.0</b>
<b>Nickel</b>			
Nickel Mines	Australia	1,558	0.9
Lifezone Commitment	Global	–	–
		<b>1,558</b>	<b>0.9</b>
<b>Platinum Group Metals</b>			
Bravo Mining	Brazil	659	0.4
		<b>659</b>	<b>0.4</b>



	Main geographic exposure	Market value £'000	% of investments
<b>Tin</b>			
LME Tin Future Dec 23	Global	(559)	(0.3)
		<b>(559)</b>	<b>(0.3)</b>
<b>Total Mining</b>		<b>69,676</b>	<b>39.6</b>
<b>Traditional Energy</b>			
<b>Integrated</b>			
ExxonMobil	Global	8,767	5.0
Shell	Global	6,093	3.5
BP	Global	5,874	3.4
TotalEnergies	Global	4,228	2.4
Cenovus Energy	Canada	2,129	1.2
Gazprom**	Russian Federation	–	–
		<b>27,091</b>	<b>15.5</b>
<b>Exploration &amp; Production</b>			
Canadian Natural Resources	Canada	5,181	3.0
Hess	Global	4,701	2.7
ConocoPhillips	Global	4,140	2.4
Tourmaline Oil	Canada	3,188	1.8
Arc Resources	Canada	2,811	1.6
EOG Resources	United States	2,659	1.5
Orron Energy	Global	1,068	0.6
Kosmos Energy	United States	641	0.4
		<b>24,389</b>	<b>14.0</b>
<b>Distribution</b>			
Cheniere Energy	United States	2,741	1.6
		<b>2,741</b>	<b>1.6</b>
<b>Energy Efficiency</b>			
Nidec Corp	Global	830	0.5
		<b>830</b>	<b>0.5</b>
<b>Refining &amp; Marketing</b>			
Valero Energy	United States	807	0.5
		<b>807</b>	<b>0.5</b>
<b>Storage</b>			
Contemporary Amperex Technology	China	806	0.5
		<b>806</b>	<b>0.5</b>
<b>Total Traditional Energy</b>		<b>56,664</b>	<b>32.6</b>
<b>Energy Transition</b>			
<b>Electrification</b>			
NextEra Energy	United States	5,696	3.3
RWE	Germany	4,322	2.5
EDP Renováveis	Global	3,348	1.9
Sempra Energy	United States	2,566	1.5
Iberdrola	Global	1,819	1.0
EDP – Energias De Portugal	Global	818	0.5
		<b>18,569</b>	<b>10.7</b>

# Investments

continued

	Main geographic exposure	Market value £'000	% of investments
<b>Energy Efficiency</b>			
Schneider Electric	Global	3,408	1.9
Analog Devices	Global	2,664	1.5
Ingersoll-Rand	United States	2,624	1.5
Trane Technologies	United States	1,520	0.9
Kingspan Group	Ireland	1,067	0.6
Texas Instruments	Global	979	0.6
Soitec	France	863	0.5
		<b>13,125</b>	<b>7.5</b>
<b>Transport</b>			
Infineon Technologies	Germany	3,729	2.1
STMicroelectronics	France	3,544	2.0
Samsung SDI	Global	1,983	1.1
		<b>9,256</b>	<b>5.2</b>
<b>Renewables</b>			
Vestas Wind	Global	3,020	1.7
First Solar	Global	2,854	1.6
Sunnova Energy International	United States	1,024	0.6
Orsted	Denmark	880	0.5
		<b>7,778</b>	<b>4.4</b>
<b>Total Energy Transition</b>		<b>48,728</b>	<b>27.8</b>
<b>Total Portfolio</b>		<b>175,068</b>	<b>100.0</b>
<b>Comprising</b>			
Equity and debt investments		175,627	100.3
Derivative financial instruments – futures		(559)	(0.3)
		<b>175,068</b>	<b>100.0</b>

\* The investment in the Vale debentures is illiquid and has been valued using secondary market pricing information provided by the Brazilian Financial and Capital Markets Association (ANBIMA).

\*\* The investment in Gazprom has been valued at a nominal value of £0.01 as secondary listings of the depositary receipts on Russian companies have been suspended from trading.

All investments are ordinary shares unless otherwise stated. The total number of holdings (including options) at 31 May 2023 was 70 (30 November 2022: 68).

There were no open options as at 31 May 2023 (30 November 2022: one).

The equity and fixed income investment total of £175,627,000 (30 November 2022: £206,394,000) above before the deduction of the negative valuation of commodity futures contracts of £559,000 (30 November 2022: negative option valuation of £55,000) represents the Group's total investments held at fair value as reflected in the Consolidated Statement of Financial Position. The table above excludes cash and gearing; the level of the Group's gearing may be determined with reference to the bank overdraft of £9,364,000 (30 November 2022: £14,345,000) and cash and cash equivalents of £194,000 (30 November 2022: £6,214,000) that are also disclosed in the Consolidated Statement of Financial Position. Details of the AIC methodology for calculating gearing are given in the Glossary on pages 44 and 45.

As at 31 May 2023, the Company did not hold any equity interests comprising more than 3% of any company's share capital.

# Interim Management Report and Responsibility Statement

The Chairman's Statement on pages 5 to 7 and the Investment Managers' Report on pages 8 to 18 give details of the important events which have occurred during the period and their impact on the financial statements.

## Principal risks and uncertainties

The principal risks faced by the Company can be divided into various areas as follows:

- Investment performance;
- Income/dividend;
- Gearing;
- Legal and regulatory compliance;
- Operational;
- Market; and
- Financial.

The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Financial Statements for the year ended 30 November 2022. A detailed explanation can be found in the Strategic Report on pages 39 to 43 and in note 16 on pages 107 to 118 of the Annual Report and Financial Statements which are available on the Company's website at [www.blackrock.com/uk/beri](http://www.blackrock.com/uk/beri).

The Board and the Investment Manager continue to monitor investment performance in line with the Company's investment objectives, and the operations of the Company and the publication of net asset values are continuing.

In the view of the Board, there have not been any changes to the fundamental nature of the principal risks and uncertainties since the previous report and these are equally applicable to the remaining six months of the financial year as they were to the six months under review.

## Going concern

The Board is mindful of the risk that unforeseen or unprecedented events including (but not limited to) heightened geopolitical tensions such as the war in Ukraine, high inflation and the current cost of living crisis has had a significant impact on global markets. Notwithstanding this significant degree of uncertainty, the Directors, having considered the nature and liquidity of the portfolio, the Company's investment objective, the Company's projected income and expenditure and the Company's substantial distributable reserves, are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable period to 31 May 2025, being a period of at least twelve months from the date of approval of the financial statements and is financially sound.

The Company has a portfolio of investments which are considered to be readily realisable and is able to meet all of its liabilities from its assets and income generated from these assets. Borrowings under the overdraft facility shall be lower of £40.0 million or 20% of the Company's net assets (calculated at the time of draw down) and this covenant was complied with during the period. Ongoing charges (excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation, prior year expenses written back and certain non-recurring charges) have been capped by the Manager at 1.25% of average daily net assets with effect from 17 March 2020 and were 1.13% of net assets for the year ended 30 November 2022. Based on the above, the Board is satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

## Related party disclosure and transactions with the Investment Manager

BlackRock Fund Managers Limited (BFM) is the Company's Alternative Investment Fund Manager (AIFM) and has, with the Company's consent, delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited (BIM (UK)). Both BFM and BIM (UK) are regarded as related parties under the Listing Rules. Details of the management fee payable are set out in note 4 on page 33 and note 13 on page 40 of the financial statements. The related party transactions with the Directors are set out in note 12 on page 39 of the financial statements.

# Interim Management Report and Responsibility Statement continued

## **Directors' responsibility statement**

The Disclosure Guidance and Transparency Rules (DTR) of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the Half Yearly Financial Report has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting; and
- the Interim Management Report together with the Chairman's Statement and Investment Managers' Report include a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure Guidance and Transparency Rules.

This Half Yearly Financial Report has not been audited or reviewed by the Company's Auditor.

The Half Yearly Financial Report was approved by the Board on 1 August 2023 and the above responsibility statement was signed on its behalf by the Chairman.

**Adrian Brown**

For and on behalf of the Board

1 August 2023

# Consolidated Statement of Comprehensive Income

for the six months ended 31 May 2023

	Notes	Six months ended 31 May 2023 (unaudited)			Six months ended 31 May 2022 (unaudited)			Year ended 30 November 2022 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income from investments held at fair value through profit or loss	3	3,411	101	3,512	3,267	–	3,267	6,969	–	6,969
Other income	3	652	–	652	398	–	398	1,343	–	1,343
<b>Total revenue</b>		<b>4,063</b>	<b>101</b>	<b>4,164</b>	<b>3,665</b>	<b>–</b>	<b>3,665</b>	<b>8,312</b>	<b>–</b>	<b>8,312</b>
Net profit/(loss) on investments and options held at fair value through profit or loss		–	(29,497)	(29,497)	–	42,548	42,548	–	51,394	51,394
Net (loss)/profit on foreign exchange		–	(35)	(35)	–	9	9	–	4	4
<b>Total</b>		<b>4,063</b>	<b>(29,431)</b>	<b>(25,368)</b>	<b>3,665</b>	<b>42,557</b>	<b>46,222</b>	<b>8,312</b>	<b>51,398</b>	<b>59,710</b>
<b>Expenses</b>										
Investment management fee	4	(202)	(606)	(808)	(159)	(475)	(634)	(339)	(1,019)	(1,358)
Other operating expenses	5	(232)	(13)	(245)	(235)	(5)	(240)	(886)	(11)	(897)
<b>Total operating expenses</b>		<b>(434)</b>	<b>(619)</b>	<b>(1,053)</b>	<b>(394)</b>	<b>(480)</b>	<b>(874)</b>	<b>(1,225)</b>	<b>(1,030)</b>	<b>(2,255)</b>
<b>Net profit/(loss) on ordinary activities before finance costs and taxation</b>		<b>3,629</b>	<b>(30,050)</b>	<b>(26,421)</b>	<b>3,271</b>	<b>42,077</b>	<b>45,348</b>	<b>7,087</b>	<b>50,368</b>	<b>57,455</b>
Finance costs	6	(93)	(279)	(372)	(20)	(59)	(79)	(49)	(147)	(196)
<b>Net profit/(loss) on ordinary activities before taxation</b>		<b>3,536</b>	<b>(30,329)</b>	<b>(26,793)</b>	<b>3,251</b>	<b>42,018</b>	<b>45,269</b>	<b>7,038</b>	<b>50,221</b>	<b>57,259</b>
Taxation (expense)/credit		(327)	54	(273)	(286)	60	(226)	(644)	162	(482)
<b>Net profit/(loss) on ordinary activities after taxation</b>	<b>8</b>	<b>3,209</b>	<b>(30,275)</b>	<b>(27,066)</b>	<b>2,965</b>	<b>42,078</b>	<b>45,043</b>	<b>6,394</b>	<b>50,383</b>	<b>56,777</b>
<b>Earnings/(loss) per ordinary share (pence)</b>	<b>8</b>	<b>2.37</b>	<b>(22.40)</b>	<b>(20.03)</b>	<b>2.42</b>	<b>34.35</b>	<b>36.77</b>	<b>4.99</b>	<b>39.28</b>	<b>44.27</b>

The total columns of this statement represent the Group's Statement of Comprehensive Income, prepared in accordance with UK-adopted International Accounting Standards (IASs). The supplementary revenue and capital accounts are both prepared under guidance published by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period. All income is attributable to the equity holders of the Group.

The Group does not have any other comprehensive income/(loss) (31 May 2022: £nil; 30 November 2022: £nil). The net profit/(loss) for the period disclosed above represents the Group's total comprehensive income/(loss).

The notes on pages 31 to 40 form part of these financial statements.

# Consolidated Statement of Changes in Equity

for the six months ended 31 May 2023

	Notes	Called up share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>For the six months ended 31 May 2022 (unaudited)</b>							
At 30 November 2022		1,344	68,203	70,937	47,803	6,421	194,708
Total comprehensive (loss)/income:							
Net (loss)/profit for the period		–	–	–	(30,275)	3,209	(27,066)
Transactions with owners, recorded directly to equity:							
Ordinary share issues	9	12	1,781	–	–	–	1,793
Share issue costs		–	(4)	–	–	–	(4)
Share reissue costs written back		–	–	–	28	–	28
Dividends paid <sup>1</sup>	7	–	–	–	–	(2,969)	(2,969)
<b>At 31 May 2023</b>		<b>1,356</b>	<b>69,980</b>	<b>70,937</b>	<b>17,556</b>	<b>6,661</b>	<b>166,490</b>
<b>For the six months ended 31 May 2022 (unaudited)</b>							
At 30 November 2021		1,190	47,727	68,852	(2,548)	5,607	120,828
Total comprehensive income:							
Net profit for the period		–	–	–	42,078	2,965	45,043
Transactions with owners, recorded directly to equity:							
Ordinary share issues		105	13,171	–	–	–	13,276
Ordinary shares reissued from treasury		–	1,023	2,091	–	–	3,114
Share issue costs		–	(59)	(6)	–	–	(65)
Dividends paid <sup>2</sup>	7	–	–	–	–	(2,654)	(2,654)
<b>At 31 May 2022</b>		<b>1,295</b>	<b>61,862</b>	<b>70,937</b>	<b>39,530</b>	<b>5,918</b>	<b>179,542</b>
<b>For the year ended 30 November 2022 (audited)</b>							
At 30 November 2021		1,190	47,727	68,852	(2,548)	5,607	120,828
Total comprehensive income:							
Net profit for the year		–	–	–	50,383	6,394	56,777
Transactions with owners, recorded directly to equity:							
Ordinary share issues		154	19,563	–	–	–	19,717
Share issue costs		–	(110)	–	–	–	(110)
Ordinary shares reissued from treasury		–	1,023	2,091	–	–	3,114
Share reissue costs		–	–	(6)	(32)	–	(38)
Dividends paid <sup>3</sup>	7	–	–	–	–	(5,580)	(5,580)
<b>At 30 November 2022</b>		<b>1,344</b>	<b>68,203</b>	<b>70,937</b>	<b>47,803</b>	<b>6,421</b>	<b>194,708</b>

<sup>1</sup> 4th interim dividend of 1.10p per share for the year ended 30 November 2022, declared on 7 December 2022 and paid on 13 January 2023 and 1st interim dividend of 1.10p per share for the year ending 30 November 2023, declared on 13 March 2023 and paid on 19 April 2023.

<sup>2</sup> 4th interim dividend of 1.10p per share for the year ended 30 November 2021, declared on 8 December 2021 and paid on 14 January 2022 and 1st interim dividend of 1.10p per share for the year ended 30 November 2022, declared on 15 March 2022 and paid on 21 April 2022.

<sup>3</sup> 4th interim dividend of 1.10p per share for the year ended 30 November 2021, declared on 8 December 2021 and paid on 14 January 2022; 1st interim dividend of 1.10p per share for the year ended 30 November 2022, declared on 15 March 2022 and paid on 21 April 2022; 2nd interim dividend of 1.10p per share for the year ended 30 November 2022, declared on 7 June 2022 and paid on 15 July 2022; and 3rd interim dividend of 1.10p per share for the year ended 30 November 2022, declared on 12 September 2022 and paid on 20 October 2022.

For information on the Company's distributable reserves, please refer to note 10 on page 37.

The notes on pages 31 to 40 form part of these financial statements.



# Consolidated Statement of Financial Position

as at 31 May 2023

	Notes	31 May 2023 (unaudited) £'000	31 May 2022 (unaudited) £'000	30 November 2022 (audited) £'000
<b>Non current assets</b>				
Investments held at fair value through profit or loss	11	175,627	194,755	206,394
<b>Current assets</b>				
Other receivables		835	639	1,980
Current tax asset		134	74	103
Cash collateral held with brokers		1,086	–	285
Cash and cash equivalents		194	6,567	6,214
<b>Total current assets</b>		<b>2,249</b>	<b>7,280</b>	<b>8,582</b>
<b>Total assets</b>		<b>177,876</b>	<b>202,035</b>	<b>214,976</b>
<b>Current liabilities</b>				
Other payables		(1,463)	(1,113)	(5,868)
Derivative financial liabilities held at fair value through profit or loss	11	(559)	(18)	(55)
Bank overdraft		(9,364)	(21,362)	(14,345)
<b>Total current liabilities</b>		<b>(11,386)</b>	<b>(22,493)</b>	<b>(20,268)</b>
<b>Net assets</b>		<b>166,490</b>	<b>179,542</b>	<b>194,708</b>
<b>Equity attributable to equity holders</b>				
Called up share capital	9	1,356	1,295	1,344
Share premium account		69,980	61,862	68,203
Special reserve		70,937	70,937	70,937
Capital reserves		17,556	39,530	47,803
Revenue reserve		6,661	5,918	6,421
<b>Total equity</b>		<b>166,490</b>	<b>179,542</b>	<b>194,708</b>
<b>Net asset value per ordinary share (pence)</b>	<b>8</b>	<b>122.79</b>	<b>138.60</b>	<b>144.92</b>

The financial statements on pages 27 to 40 were approved and authorised for issue by the Board of Directors on 1 August 2023 and signed on its behalf by Adrian Brown, Chairman.

BlackRock Energy and Resources Income Trust plc  
Registered in England, No. 5612963

The notes on pages 31 to 40 form part of these financial statements.

# Consolidated Cash Flow Statement

for the six months ended 31 May 2023

	Six months ended 31 May 2023 (unaudited) £'000	Six months ended 31 May 2022 (unaudited) £'000	Year ended 30 November 2022 (audited) £'000
<b>Operating activities:</b>			
Net (loss)/profit on ordinary activities before taxation	(26,793)	45,269	57,259
Add back finance costs	372	79	196
Net loss/(profit) on investments and options held at fair value through profit or loss (including transaction costs)	29,497	(42,548)	(51,394)
Net amount for capital special dividends received	(86)	–	–
Net loss/(profit) on foreign exchange	35	(9)	(4)
Sales of investments held at fair value through profit or loss	53,133	58,162	126,788
Purchases of investments held at fair value through profit or loss	(51,272)	(82,567)	(153,949)
Decrease/(increase) in other receivables	44	(124)	(18)
Increase in other payables	515	363	230
Decrease in amounts due from brokers	1,100	4,363	2,916
(Decrease)/increase in amounts due to brokers	(4,838)	(4,798)	40
Net movement in cash collateral held with brokers	(801)	–	(285)
<b>Net cash inflow/(outflow) from operating activities before taxation</b>	<b>906</b>	<b>(21,810)</b>	<b>(18,221)</b>
Taxation on investment income included within gross income	(304)	(243)	(528)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>602</b>	<b>(22,053)</b>	<b>(18,749)</b>
<b>Financing activities</b>			
Interest paid	(372)	(79)	(196)
Receipts from share issues	1,793	13,276	19,717
Share issue costs paid	(58)	(33)	(60)
Proceeds from shares reissued from treasury	–	3,114	3,108
Dividends paid	(2,969)	(2,654)	(5,580)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(1,606)</b>	<b>13,624</b>	<b>16,989</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,004)</b>	<b>(8,429)</b>	<b>(1,760)</b>
Effect of foreign exchange rate changes	(35)	9	4
<b>Change in cash and cash equivalents</b>	<b>(1,039)</b>	<b>(8,420)</b>	<b>(1,756)</b>
Cash and cash equivalents at start of period	(8,131)	(6,375)	(6,375)
<b>Cash and cash equivalents at end of period</b>	<b>(9,170)</b>	<b>(14,795)</b>	<b>(8,131)</b>
<b>Comprised of:</b>			
Cash at bank	194	6,567	6,214
Bank overdraft	(9,364)	(21,362)	(14,345)
	<b>(9,170)</b>	<b>(14,795)</b>	<b>(8,131)</b>

The notes on pages 31 to 40 form part of these financial statements.

# Notes to the financial statements

for the six months ended 31 May 2023

## 1. Principal activity

The principal activity of the Company is that of an investment trust company within the meaning of Section 1158 of the Corporation Tax Act 2010.

The principal activity of the subsidiary, BlackRock Energy and Resources Securities Income Company Limited, is investment dealing and options writing.

## 2. Basis of preparation

The Half Yearly Financial Statements for the period ended 31 May 2023 have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority and with the UK-adopted International Accounting Standard 34 (IAS 34) Interim Financial Reporting. The Half Yearly Financial Statements should be read in conjunction with the Group's Annual Report and Financial Statements for the year ended 30 November 2022, which have been prepared in accordance with UK-adopted International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006.

Insofar as the Statement of Recommended Practice (SORP) for investment trust companies and venture capital trusts, issued by the Association of Investment Companies (AIC) in October 2019 and updated in July 2022, is compatible with UK-adopted IASs, the financial statements have been prepared in accordance with guidance set out in the SORP.

### Relevant International Accounting Standards that have yet to be adopted:

**IFRS 17 – Insurance contracts** (effective 1 January 2023). This standard replaces IFRS 4 which currently permits a wide range of accounting practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

This standard is unlikely to have any impact on the Group as it does not issue insurance contracts.

**IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction** (effective 1 January 2023). The International Accounting Standards Board (IASB) has amended IAS 12 Income Taxes to require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences. These amendments might have a significant impact on the preparation of financial statements by companies that have substantial balances of right-of-use assets, lease liabilities, decommissioning, restoration and similar liabilities. The impact for those affected would be the recognition of additional deferred tax assets and liabilities.

The amendment of this standard is unlikely to have any significant impact on the Group.

None of the standards that have been issued but are not yet effective are expected to have a material impact on the Group.

# Notes to the financial statements

continued

## 3. Income

	Six months ended 31 May 2023 (unaudited) £'000	Six months ended 31 May 2022 (unaudited) £'000	Year ended 30 November 2022 (audited) £'000
<b>Investment income:</b>			
UK dividends	329	320	613
UK special dividends	–	67	67
Overseas dividends	2,055	2,204	4,604
Overseas special dividends	800	309	1,060
Fixed income	227	367	625
<b>Total investment income</b>	<b>3,411</b>	<b>3,267</b>	<b>6,969</b>
<b>Other income:</b>			
Option premium income	652	398	1,342
Bank interest	–	–	1
	<b>652</b>	<b>398</b>	<b>1,343</b>
<b>Total income</b>	<b>4,063</b>	<b>3,665</b>	<b>8,312</b>

During the period, the Group received option premium income in cash totalling £652,000 (six months ended 31 May 2022: £432,000; year ended 30 November 2022: £1,342,000) for writing covered call and put options for the purposes of revenue generation.

Option premium income is amortised evenly over the life of the option contract and accordingly, during the period, option premiums of £652,000 (six months ended 31 May 2022: £398,000; year ended 30 November 2022: £1,342,000) were amortised to revenue.

At 31 May 2023, there was no open positions (31 May 2022: one; 30 November 2022: one) with an associated liability of £nil (31 May 2022: £18,000; 30 November 2022: £55,000).

Dividends and interest received in cash during the period amounted to £2,837,000 and £178,000 (six months ended 31 May 2022: £2,799,000 and £153,000; year ended 30 November 2022: £5,609,000 and £437,000).

Special dividends of £101,000 have been recognised in capital for the six months ended 31 May 2023 (six months ended 31 May 2022: £nil; year ended 30 November 2022: £nil).

#### 4. Investment management fee

	Six months ended 31 May 2023 (unaudited)			Six months ended 31 May 2022 (unaudited)			Year ended 30 November 2022 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	202	606	808	159	475	634	339	1,019	1,358
<b>Total</b>	<b>202</b>	<b>606</b>	<b>808</b>	<b>159</b>	<b>475</b>	<b>634</b>	<b>339</b>	<b>1,019</b>	<b>1,358</b>

The investment management fee is levied at 0.80% of gross assets per annum. Gross assets for the purposes of calculating the management fee equate to the value of the portfolio's gross assets held on the relevant date as valued on the basis of applicable accounting policies, less the value of any investments in in-house funds.

The fee is allocated 25% to the revenue account and 75% to the capital account of the Consolidated Statement of Comprehensive Income. There is no additional fee for company secretarial and administration services.

The Company is entitled to a rebate from the investment management fee charged by the Manager in the event the Company's ongoing charges exceed the cap of 1.25% per annum of average daily net assets. The amount of rebate accrued for the six months ended 31 May 2023 amounted to £nil (six months ended 31 May 2022: £nil; year ended 30 November 2022: £nil). The rebate, if any, is offset against management fees and is allocated between revenue and capital in the ratio of total ongoing charges (as defined on pages 136 and 137 of the Annual Report and Financial Statements) allocated between revenue and capital during the period.

# Notes to the financial statements

continued

## 5. Other operating expenses

	Six months ended 31 May 2023 (unaudited) £'000	Six months ended 31 May 2022 (unaudited) £'000	Year ended 30 November 2022 (audited) £'000
<b>Allocated to revenue:</b>			
Custody fee	5	3	8
Auditor's remuneration – audit services <sup>1</sup>	24	22	46
Registrar's fee	18	15	31
Directors' emoluments	66	72	139
Broker fees	12	13	25
Depository fees	9	7	15
Marketing fees	21	12	45
Printing and postage fees	19	19	42
Legal and professional fees	13	8	20
Directors' search fees	6	9	18
Bank charges	7	4	12
Stock exchange listings fees <sup>2</sup>	9	24	53
Other administration costs	42	27	52
Provision for doubtful debts <sup>3</sup>	–	–	380
Write back of prior year expenses <sup>4</sup>	(19)	–	–
	<b>232</b>	<b>235</b>	<b>886</b>
<b>Allocated to capital:</b>			
Custody transaction charges <sup>5</sup>	13	5	11
	<b>245</b>	<b>240</b>	<b>897</b>

<sup>1</sup> No non-audit services were provided by the Company's auditors in the six months ended 31 May 2023 (six months ended 31 May 2022: none; year ended 30 November 2022: none).

<sup>2</sup> For the year ended 30 November 2022, this included one-off block listing fees of £49,000.

<sup>3</sup> Provision for doubtful debts relate to dividend income from Gazprom ADR which has not been received due to measures imposed by the Russian authorities in response to the sanctions that have been imposed on Russia as a result of the invasion of Ukraine.

<sup>4</sup> Relates to miscellaneous fees, directors search fees, legal and professional fees written back during the period (six months ended 31 May 2022: none; year ended 30 November 2022: none).

<sup>5</sup> For the six months ended 31 May 2023, expenses of £13,000 (six months ended 31 May 2022: £5,000; year ended 30 November 2022: £11,000) were charged to the capital account of the Statement of Comprehensive Income.

The transaction costs incurred on the acquisition of investments amounted to £32,000 for the six months ended 31 May 2023 (six months ended 31 May 2022: £92,000; year ended 30 November 2022: £155,000). Costs relating to the disposal of investments amounted to £19,000 for the six months ended 31 May 2023 (six months ended 31 May 2022: £14,000; year ended 30 November 2022: £33,000). All transaction costs have been included within the capital reserves.



## 6. Finance costs

	Six months ended 31 May 2023 (unaudited)			Six months ended 31 May 2022 (unaudited)			Year ended 30 November 2022 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable – bank overdraft	93	279	372	20	59	79	49	147	196
<b>Total</b>	<b>93</b>	<b>279</b>	<b>372</b>	<b>20</b>	<b>59</b>	<b>79</b>	<b>49</b>	<b>147</b>	<b>196</b>

Finance costs for the Company are charged 25% to the revenue account and 75% to the capital account of the Consolidated Statement of Comprehensive Income. Subsidiary finance costs are charged 100% to the revenue account of the Consolidated Statement of Comprehensive Income.

At 31 May 2023, the Group had an overdraft facility of the lower of £40 million (six months ended 31 May 2022: £35 million; year ended 30 November 2022: £35 million) or 20% of the Group's net assets.

## 7. Dividends

The Board's current dividend target is to declare quarterly dividends of 1.10 pence per share in the year to 30 November 2023, making a total of at least 4.40 pence per share for the year as a whole.

A first interim dividend for the year ending 30 November 2023 of £1,491,000 (1.10 pence per share) was paid on 19 April 2023 to shareholders on the register on 24 March 2023.

The Directors have declared a second interim dividend for the year ending 30 November 2023 of 1.10 pence per share. The total cost of the dividend was £1,491,000 and was paid on 14 July 2023 to shareholders on the Company's register on 15 June 2023. This dividend has not been accrued in the financial statements for the six months ended 31 May 2023, as under IAS, interim dividends are not recognised until paid. Dividends are debited directly to reserves.

The third and fourth interim dividends will be declared in September 2023 and December 2023 respectively.

Dividends on equity shares paid during the period were:

	Six months ended 31 May 2023 (unaudited)	Six months ended 31 May 2022 (unaudited)	Year ended 30 November 2022 (audited)
Second interim dividend for the year ended 30 November 2022 of 1.10p (2021: 1.00p)	–	–	1,448
Third interim dividend for the year ended 30 November 2022 of 1.10p (2021: 1.00p)	–	–	1,478
Fourth interim dividend for the year ended 30 November 2022 of 1.10p (2021: 1.10p)	1,478	1,278	1,278
First interim dividend for the year ending 30 November 2023 of 1.10p (2022: 1.10p)	1,491	1,376	1,376
	<b>2,969</b>	<b>2,654</b>	<b>5,580</b>

# Notes to the financial statements

continued

## 8. Consolidated earnings and net asset value per ordinary share

Total revenue, capital (loss)/earnings and net asset value per ordinary share are shown below and have been calculated using the following:

	Six months ended 31 May 2023 (unaudited)	Six months ended 31 May 2022 (unaudited)	Year ended 30 November 2022 (audited)
Net revenue profit attributable to ordinary shareholders (£'000)	3,209	2,965	6,394
Net capital (loss)/profit attributable to ordinary shareholders (£'000)	(30,275)	42,078	50,383
<b>Total (loss)/profit attributable to ordinary shareholders (£'000)</b>	<b>(27,066)</b>	<b>45,043</b>	<b>56,777</b>
<b>Equity shareholders' funds (£'000)</b>	<b>166,490</b>	<b>179,542</b>	<b>194,708</b>
The weighted average number of ordinary shares in issue during each period on which the earnings per ordinary share was calculated was:	135,151,964	122,487,667	128,248,137
The actual number of ordinary shares in issue at the period end on which the net asset value per ordinary share was calculated was:	135,586,194	129,540,391	134,356,194
<b>Earnings per share</b>			
Revenue earnings per share (pence) - basic and diluted	2.37	2.42	4.99
Capital (loss)/earnings per share (pence) - basic and diluted	(22.40)	34.35	39.28
<b>Total (loss)/earnings per share (pence) - basic and diluted</b>	<b>(20.03)</b>	<b>36.77</b>	<b>44.27</b>
	<b>As at 31 May 2023 (unaudited)</b>	<b>As at 31 May 2022 (unaudited)</b>	<b>As at 30 November 2022 (audited)</b>
Net asset value per ordinary share (pence)	122.79	138.60	144.92
Ordinary share price (pence)	111.60	142.00	135.00

There were no dilutive securities at the period end (six months ended 31 May 2022: nil; year ended 30 November 2022: nil).

## 9. Called up share capital

	Ordinary shares number	Treasury shares number	Total shares number	Nominal value £'000
<b>Allotted, called up and fully paid share capital comprised:</b>				
<b>Ordinary shares of 1 pence each:</b>				
At 30 November 2022	134,356,194	–	134,356,194	1,344
Share issues	1,230,000	–	1,230,000	12
Shares reissued from treasury	–	–	–	–
<b>At 31 May 2023</b>	<b>135,586,194</b>	<b>–</b>	<b>135,586,194</b>	<b>1,356</b>

During the period ended 31 May 2023, no shares were reissued from treasury (six months ended 31 May 2022: 2,747,643; year ended 30 November 2022: 2,747,643 shares were reissued from treasury) for a net consideration after costs of £nil (six months ended 31 May 2022: £3,108,000; year ended 30 November 2022: £3,108,000).

During the period ended 31 May 2023, the Company issued 1,230,000 (six months ended 31 May 2022: 10,574,391; year ended 30 November 2022: 15,390,194) shares for a net consideration after costs of £1,789,000 (six months ended 31 May 2022: £13,249,000; year ended 30 November 2022: £19,677,000).

Since 31 May 2023, no shares have been issued.

Since 31 May 2023 and as at the date of this report, the Company has bought back 540,000 shares for costs of £621,000.

## 10. Reserves

The share premium account and capital redemption reserve are not distributable reserves under the Companies Act 2006. In accordance with ICAEW Technical Release 02/17BL on Guidance on Realised and Distributable Profits under the Companies Act 2006, the special reserve and capital reserve of the Parent Company may be used as distributable reserves for all purposes and, in particular, the repurchase by the Parent Company of its ordinary shares and for payments such as dividends. In accordance with the Company's Articles of Association, the special reserve, capital reserve and revenue reserve may be distributed by way of dividend. The Parent Company's gain/loss on the capital reserve arising on the revaluation of investments of £13,039,000 (31 May 2022: gain of £51,306,000; year ended 30 November 2022: gain of £49,150,000) is subject to fair value movements and may not be readily realisable at short notice, as such it may not be entirely distributable. The reserves of the subsidiary company are not distributable until distributed as a dividend to the Parent Company. The investments are subject to financial risks, as such capital reserves (arising on investments sold) and the revenue reserve may not be entirely distributable if a loss occurred during the realisation of these investments.

## 11. Financial risks and valuation of financial instruments

The Company's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The risks are substantially consistent with those disclosed in the previous annual financial statements with the exception of those outlined below.

### Market risk arising from price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, climate change or other events could have a significant impact on the Group and its investments.

The current environment of heightened geopolitical risk given the war in Ukraine has undermined investor confidence and market direction. In addition to the tragic and devastating events in Ukraine, the war has constricted supplies of key commodities, pushing prices up and creating a level of market uncertainty and volatility which is likely to persist for some time.

### Valuation of financial instruments

Financial assets and financial liabilities are either carried in the Consolidated Statement of Financial Position at their fair value (investments and derivatives) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). IFRS 13 requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Group are explained in the accounting policies note 2(h) as set out on page 97 of the Group's Annual Report and Financial Statements for the year ended 30 November 2022.

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.

The fair value hierarchy has the following levels:

#### Level 1 – Quoted market price for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group does not adjust the quoted price for these instruments.

#### Level 2 – Valuation techniques using observable inputs

This category includes instruments valued using quoted prices for similar instruments in markets that are considered less active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

Over-the-counter derivative option contracts have been classified as Level 2 investments as their valuation has been based on market observable inputs represented by the underlying quoted securities to which these contracts expose the Group.

# Notes to the financial statements

continued

## 11. Financial risks and valuation of financial instruments continued

### Level 3 – Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation technique includes inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the Level 3 asset or liability including an assessment of the relevant risks including but not limited to credit risk, market risk, liquidity risk, business risk and sustainability risk. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager and these risks are adequately captured in the assumptions and inputs used in measurement of Level 3 assets or liabilities.

### Fair values of financial assets and financial liabilities

For exchange listed equity investments the quoted price is the bid price. Substantially all investments are valued based on unadjusted quoted market prices. Where such quoted prices are readily available in an active market, such prices are not required to be assessed or adjusted for any business related risks, including climate risk, in accordance with the fair value related requirements of the Company's financial reporting framework.

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy.

Financial assets/(liabilities) at fair value through profit or loss at 31 May 2023 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets:</b>				
Equity investments	170,896	–	–	170,896
Fixed income investments	2,714	2,017	–	4,731
<b>Liabilities:</b>				
Derivative financial instruments – commodity futures	(559)	–	–	(559)
	<b>173,051</b>	<b>2,017</b>	<b>–</b>	<b>175,068</b>

Financial assets/(liabilities) at fair value through profit or loss at 31 May 2022 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets:</b>				
Equity investments	187,630	–	–	187,630
Fixed income investments	4,133	2,992	–	7,125
<b>Liabilities:</b>				
Derivative financial instruments – written options	–	(18)	–	(18)
	<b>191,763</b>	<b>2,974</b>	<b>–</b>	<b>194,737</b>

Financial assets/(liabilities) at fair value through profit or loss at 30 November 2022 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets:</b>				
Equity investments	198,500	–	–	198,500
Fixed income investments	5,629	2,265	–	7,894
<b>Liabilities:</b>				
Derivative financial instruments – written options	(55)	–	–	(55)
	<b>204,074</b>	<b>2,265</b>	<b>–</b>	<b>206,339</b>

As at 31 May 2023, the investment in Gazprom has been valued at a nominal value of RUB0.01 due to lack of access to the Moscow Stock Exchange as a result of sanctions against Russia following the invasion of Ukraine. Following the suspension of the secondary listings of depositary receipts of Russian companies, the investment in Gazprom ADRs was transferred from Level 1 to Level 3. Towards the previous year end, the ADRs in Gazprom were converted into equity shares of Gazprom. As at the period-end, this investment is considered a Level 3 financial asset.

As at 31 May 2023, the Company had one commodity future position. This has been treated as a Level 1 investment.

For exchange listed equity investments, the quoted price is the bid price. Substantially, all investments are valued based on unadjusted quoted market prices. Where such quoted prices are readily available in an active market, such prices are not required to be assessed or adjusted for any business risks, including climate change risk, in accordance with the fair value related requirements of the Company's financial reporting framework.

## 12. Related party disclosure

### Directors' emoluments

The Board consists of four non-executive Directors, all of whom are considered to be independent of the Manager by the Board. None of the Directors has a service contract with the Company. The Chairman receives an annual fee of £40,000, the Chairman of the Audit and Management Engagement Committee receives an annual fee of £34,000, the Senior Independent Director receives an annual fee of £30,000 and each of the other Directors receives an annual fee of £29,000.

As at 31 May 2023, an amount of £11,000 (31 May 2022: £11,000; 30 November 2022: £11,000) was outstanding in respect of Directors' fees.

At the period end, interests of the Directors in the ordinary shares of the Company are as set out below:

	31 May 2023	31 May 2022	30 November 2022
Mr Adrian Brown (Chairman)	35,000	25,000	35,000
Mrs Carole Ferguson <sup>1</sup>	10,000	–	–
Dr Carol Bell	44,000	44,000	44,000
Mr Andrew Robson	35,000	24,000	35,000

<sup>1</sup> Mrs Ferguson joined the Board with effect from 22 December 2021 and held no shares as at that date.

Since the period end and up to the date of this report there have been no changes in Directors' holdings.

### Significant Holdings

The following investors are:

- funds managed by the BlackRock Group or are affiliates of BlackRock, Inc. (Related BlackRock Funds); or
- investors (other than those listed in (a) above) who held more than 20% of the voting shares in issue in the Company and are as a result, considered to be related parties to the Company (Significant Investors).

As at 31 May 2023

Total % of shares held by Related BlackRock Funds	Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.	Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.
0.95	n/a	n/a

As at 31 May 2022

Total % of shares held by Related BlackRock Funds	Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.	Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.
Nil	n/a	n/a

# Notes to the financial statements

continued

## 13. Transactions with the Investment Manager and AIFM

BlackRock Fund Managers Limited (BFM) provides management and administration services to the Group under a contract which is terminable on six months' notice. BFM has (with the Group's consent) delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited (BIM (UK)). Further details of the investment management contract are disclosed on page 57 of the Directors' Report in the Company's Annual Report and Financial Statements for the year ended 30 November 2022.

The investment management fee due for the six months ended 31 May 2023 amounted to £808,000 (six months ended 31 May 2022: £634,000; year ended 30 November 2022: £1,358,000). At the period end £1,187,000 was outstanding in respect of these fees (six months ended 31 May 2022: £882,000; year ended 30 November 2022: £728,000).

The Company is entitled to a rebate from the investment management fee charged by the Manager in the event the Company's ongoing charges exceed the cap of 1.25% per annum of average daily net assets. The amount of rebate accrued to 31 May 2023 amounted to £nil (six months ended 31 May 2022: £nil; year ended 30 November 2022: £nil). Any final rebate for the full year ending 30 November 2023 will not crystallise and fall due until the calculation date of 30 November 2023.

In addition to the above services, BIM (UK) has provided the Group with marketing services. The total fees paid or payable for these services for the period ended 31 May 2023 amounted to £21,000 excluding VAT (six months ended 31 May 2022: £12,000; year ended 30 November 2022: £45,000). Marketing fees of £43,000 (31 May 2022: £34,000; 30 November 2022: £22,000) were outstanding at 31 May 2023.

The ultimate holding company of the Manager and the Investment Manager is BlackRock, Inc., a company incorporated in Delaware, USA.

## 14. Capital commitments and contingent liabilities

The Group had one capital commitment at 31 May 2023 (31 May 2022: none; year ended 30 November 2022: none) in relation to the SPAC PIPE commitment for investment in Lifezone SPAC. There were no contingent liabilities at 31 May 2023 (31 May 2022: none; 30 November 2022: none).

## 15. Publication of non-statutory accounts

The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The financial information for the six months ended 31 May 2023 and 31 May 2022 has not been reviewed or audited by the auditor.

The information for the year ended 30 November 2022 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies unless otherwise stated. The report of the Auditors on those accounts contained no qualification or statement under Sections 498(2) or 498(3) of the Companies Act 2006.

## 16. Annual results

The Board expects to announce the annual results for the year ending 30 November 2023 in January 2024.

Copies of the annual results announcement can be obtained from the Secretary on 020 7743 3000 or at [cosec@blackrock.com](mailto:cosec@blackrock.com). The Annual Report and Financial Statements should be available at the beginning of February 2024, with the Annual General Meeting being held in March 2024.



# Directors, management and other service providers

## Directors

Adrian Brown (Chairman)  
Andrew Robson (Chairman of the Audit and Management Engagement Committee)  
Dr Carol Bell (Senior Independent Director)  
Carole Ferguson

## Registered office

(Registered in England, No. 5612963)  
12 Throgmorton Avenue  
London EC2N 2DL

## Alternative Investment Fund Manager<sup>1</sup>

BlackRock Fund Managers Limited<sup>2</sup>  
12 Throgmorton Avenue  
London EC2N 2DL  
Telephone: 020 7743 3000

## Investment Manager and Company Secretary

BlackRock Investment Management (UK) Limited<sup>2</sup>  
12 Throgmorton Avenue  
London EC2N 2DL

## Banker, Custodian and Depositary

The Bank of New York Mellon (International) Limited<sup>2</sup>  
160 Queen Victoria Street  
London EC4V 4LA

## Registrar

Computershare Investor Services PLC<sup>2</sup>  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
Telephone: 0370 707 1476

## Auditor

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

## Stockbroker

Winterflood Securities Limited<sup>2</sup>  
The Atrium Building  
25 Dowgate Hill  
London EC4R 2GA

## Solicitor

Gowling WLG (UK) LLP  
4 More London Riverside  
London SE1 2AU

<sup>1</sup> BlackRock Fund Managers Limited (BFM) was appointed as the Alternative Investment Fund Manager on 2 July 2014. BlackRock Investment Management (UK) Limited continues to act as the Investment Manager under a delegation agreement with BFM.

<sup>2</sup> Authorised and regulated by the Financial Conduct Authority.

# Shareholder information

## Contact information

General enquiries about the Company should be directed to:

The Company Secretary  
BlackRock Energy and Resources Income Trust plc,  
12 Throgmorton Avenue,  
London EC2N 2DL  
Telephone: 020 7743 3000

Email: [cosec@blackrock.com](mailto:cosec@blackrock.com)

## Website

[www.blackrock.com/uk/beri](http://www.blackrock.com/uk/beri)

## Shareholder enquiries

The Company's registrar is Computershare Investor Services PLC. Certain details relating to your holding can be checked through the Computershare Investor Centre website. As a security check, specific information will be required to gain access to your account, including your shareholder reference number available from your most recent dividend counterfoil or other communication received from the registrar. Computershare's website address is [www.investorcentre.co.uk](http://www.investorcentre.co.uk). Alternatively, please contact the registrar on 0370 707 1476.

Changes of name or address must be notified in writing either through Computershare's website or sent to:

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

## Results

Full year announced in late January/early February

Half year announced in July/early August

## Annual General Meeting

March

## Quarterly Dividends

Dividends are paid quarterly as follows:

Period ending	Ex-date	Payment date
28 February	March	April
31 May	June	July
31 August	September	October
30 November	December	January

### **Dividend tax allowance**

The annual tax-free allowance on dividend income across an individual's entire share portfolio reduced to £1,000 from 6 April 2023 and will reduce again to £500 from 6 April 2024. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances.

The Company will continue to provide registered shareholders with a confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

If you have any tax queries, please contact a Financial Advisor.

### **Dividend reinvestment scheme (DRIP)**

Shareholders may request that their dividends be used to purchase further shares in the Company. Dividend reinvestment forms may be obtained from Computershare Investor Services PLC on 0370 707 1476 or through their secure website: [www.investorcentre.co.uk](http://www.investorcentre.co.uk). Shareholders who have already opted to have their dividends reinvested do not need to reapply.

# Glossary

## Alternative Performance Measures (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 Group's APMs are set out below and are cross-referenced where relevant to the financial inputs used to derive them as contained in other sections of the Half Yearly Financial Report.

## Closed-end company

An investment trust works along the same lines as a unit trust, in that it pools money from investors which is then managed on a collective basis. The main difference is that an investment trust is a company listed on the Stock Exchange and, in most cases, trading takes place in shares which have already been issued, rather than through the creation or redemption of units. As the number of shares which can be issued or cancelled at any one time is limited, and requires the approval of existing shareholders, investment trusts are known as closed-end funds or companies. This means that investment trusts are not subject to the same liquidity constraints as open-ended funds and can therefore invest in less liquid investments.

## Discount and premium\*

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV.

As at 31 May 2023, the share price was 111.60p (31 May 2022: 142.00p; 30 November 2022: 135.00p) and the NAV was 122.79p (31 May 2022: 138.60p; 30 November 2022: 144.92p); therefore, discount was 9.1% (31 May 2022: premium of 2.5%; 30 November 2022: discount of 6.8%) (please see note 8 of the financial statements for the inputs to the calculations).

A premium occurs when the share price (based on the mid-market share price) is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price was 370p and the NAV was 365p, the premium would be 1.4%.

Discounts and premia are mainly the consequence of supply and demand for the shares on the stock market.

## Gearing and borrowings\*

Investment companies can borrow to purchase additional investments. This is called 'gearing'. It allows investment companies to take advantage of a long-term view on a sector or to take advantage of a favourable situation or a particularly attractive stock without having to sell existing investments.

Gearing works by magnifying a company's performance. If a company 'gears up' and then markets rise and returns on the investments outstrip the costs of borrowing, the overall returns to investors will be even greater. But if markets fall and the performance of the assets in the portfolio is poor, then losses suffered by the investor will also be magnified.

The Group may achieve gearing through borrowings or the effect of gearing through an appropriate balance of equity capital, investment in derivatives and structured financial instruments, and borrowings. Gearing through the use of derivatives is limited to a maximum of 30% of the Group's assets for the purposes of efficient portfolio management and to enhance portfolio returns. Gearing through borrowings is limited to 40% of the Group's gross assets; however borrowings are not envisaged to exceed 20% of the Group's gross assets at the date of drawdown.

\* Alternative Performance Measures.

Net gearing calculation	Page	31 May 2023 £'000 (unaudited)	31 May 2022 £'000 (unaudited)	30 November 2022 £'000 (audited)	
Net assets	29	166,490	179,542	194,708	(a)
Borrowings	29	9,364	21,362	14,345	(b)
<b>Total assets (a + b)</b>		<b>175,854</b>	<b>200,904</b>	<b>209,053</b>	<b>(c)</b>
Current assets <sup>1</sup>	29	2,249	7,280	8,582	(d)
Current liabilities (excluding borrowings)	29	(2,022)	(1,131)	(5,923)	(e)
Net current assets (d + e)		227	6,149	2,659	(f)
<b>Net gearing figure (g=(c-f-a)/a) (%)</b>		<b>5.5</b>	<b>8.5</b>	<b>6.0</b>	<b>(g)</b>

<sup>1</sup> Includes cash at bank.

## Gross assets

Gross assets is defined as the total of the Group's net assets and borrowings.

## Leverage

Leverage is defined in the AIFM Directive as "any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means".

Leverage is measured in terms of 'exposure' and is expressed as a ratio of net asset value:

$$\text{Leverage ratio} = \frac{\text{Exposure}}{\text{Net assets}}$$

The Directive sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The treatment of cash and cash equivalent balances in terms of calculating what constitutes an "exposure" under AIFMD differs for these two methods. The definitions for calculating the Gross Method exposures require that "the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond" should be excluded from exposure calculations.

## NAV and share price return (with dividends reinvested)\*

Performance statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The performance 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 Group assuming these are reinvested in the Group at the prevailing NAV/share price (please see note 8 of the financial statements for the inputs to the calculations).

NAV total return	Page	Six months to 31 May 2023 (unaudited)	Six months to 31 May 2022 (unaudited)	Year to 30 November 2022 (audited)	
Closing NAV per share (pence)	36	122.79	138.60	144.92	
Add back interim and final dividends (pence)	28	2.20	2.20	4.40	
Effect of dividend reinvestment (pence)		(0.12)	0.46	0.96	
Adjusted closing NAV (pence)		124.87	141.26	150.28	(a)
Opening NAV per share (pence)	36	144.92	103.97	103.97	(b)
<b>NAV total return (c = ((a - b)/b)) (%)</b>		<b>(13.8)</b>	<b>35.9</b>	<b>44.5</b>	<b>(c)</b>

\* Alternative Performance Measures.

# Glossary

continued

Share price total return	Page	Six months to 31 May 2023 (unaudited)	Six months to 31 May 2022 (unaudited)	Year to 30 November 2022 (audited)	
Closing share price (pence)	36	111.60	142.00	135.00	
Add back interim and final dividends (pence)	28	2.20	2.20	4.40	
Effect of dividend reinvestment (pence)		(0.29)	0.58	0.65	
Adjusted closing share price (pence)		113.51	144.78	140.05	(a)
Opening share price (pence)	36	135.00	96.70	96.70	(b)
<b>Share price total return (c = ((a - b)/b)) (%)</b>		<b>(15.9)</b>	<b>49.7</b>	<b>44.8</b>	<b>(c)</b>

## Net asset value per share (Cum income NAV)

This is the value of the Group's assets attributable to one ordinary share. It is calculated by dividing 'equity shareholders' funds' by the total number of ordinary shares in issue (excluding treasury shares). For example, as at 31 May 2023, equity shareholders' funds were worth £166,490,000 (31 May 2022: £179,542,000; 30 November 2022: £194,708,000) and there were 135,586,194 (31 May 2022: 129,540,391; 30 November 2022: 134,356,194) ordinary shares in issue (excluding treasury shares); the undiluted NAV was therefore 122.79p per ordinary share (31 May 2022: 138.60p; 30 November 2022: 144.92p) (please see note 8 of the financial statements for the inputs to the calculations).

Equity shareholders' funds are calculated by deducting from the Group's total assets, its current and long-term liabilities and any provision for liabilities and charges.

## Net asset value per share (capital only NAV)\*

The capital only NAV is a popular point of reference when comparing a range of investment trusts. This NAV focuses on the value of the Group's assets disregarding the current period revenue income, on the basis that most trusts will distribute substantially all of their income in any financial period. It is calculated by dividing 'equity shareholders' funds' (excluding current period revenue) by the total number of ordinary shares in issue.

As at 31 May 2023, equity shareholders' funds less the current year net revenue return (after interim dividends) amounted to £164,772,000 (31 May 2022: £177,953,000; 30 November 2022: £192,616,000) and there were 135,586,194 (31 May 2022: 129,540,391; 30 November 2022: 134,356,194) ordinary shares in issue (excluding treasury shares); therefore the capital only NAV was 121.53p (31 May 2022: 137.37p; 30 November 2022: 143.36p).

Equity shareholders' funds (excluding current period revenue) of £164,772,000 (31 May 2022: £177,953,000; 30 November 2022: £192,616,000) are calculated by deducting from the Group's net assets £166,490,000 (31 May 2022: £179,542,000; 30 November 2022: £194,708,000) its current period revenue £3,209,000 (31 May 2022: £2,965,000; 30 November 2022: £6,394,000) and adding back the interim dividends paid from revenue £1,491,000 (31 May 2022: £1,376,000; 30 November 2022: £4,302,000).

## Ongoing charges ratio\*

$$\text{Ongoing charges (\%)} = \frac{\text{Annualised ongoing charges}}{\text{Average undiluted net asset value in the period}}$$

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management charge.

As recommended by the AIC in its guidance, ongoing charges are calculated using the Group's annualised recurring revenue and capital expenses (excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation, prior year expenses written back and certain non-recurring items) expressed as a percentage of the average daily net assets of the Group during the year.

\* Alternative Performance Measures.



The inputs that have been used to calculate the ongoing charges percentage are set out in the following table.

Ongoing charges calculation	Page	30 November 2022 £'000 (audited)	30 November 2021 £'000 (audited)	
Management fee	33	1,358	940	
Other operating expenses <sup>1</sup>	34	457	419	
Total management fee and other operating expenses		1,815	1,359	(a)
Average daily net assets in the year		160,532	112,098	(b)
<b>Ongoing charges (c = a/b) (%)</b>		<b>1.13</b>	<b>1.21</b>	<b>(c)</b>

<sup>1</sup> Excluding non-recurring expenses relating to stock exchange listing fees of £49,000 incurred during the year ended 30 November 2022 (30 November 2021: £nil) and provision for doubtful debts of £380,000 (30 November 2021: £nil).

The Company's ongoing charges (including the investment management fee), will be capped at 1.25% per annum of average daily net assets.

## Options and options overwriting strategy

An option is a contract that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date) for a fee (the premium). The sale of call or put options on stocks that are believed to be overpriced or underpriced, based on the assumption that the options will not be exercised, is referred to as an 'options overwriting' strategy.

The seller of the option collects a premium but, if the option subsequently expires without being exercised, there will be no down side for the seller. However, if the stock rises above the exercise price the holder of the option is likely to exercise the option and this strategy can reduce returns in a rising market.

The Group employs an options overwriting strategy but seeks to mitigate risk by utilising predominantly covered call options (meaning that call options are only written in respect of stocks already owned within the Group's portfolio such that, if the options are exercised, the Group does not need to purchase stock externally at fluctuating market prices to meet its obligations under the options contract). Any use of derivatives for efficient portfolio management and options for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Group's direct investments.

## Quoted securities and unquoted securities

Securities that trade on an exchange for which there is a publicly quoted price. Unquoted securities are financial securities that do not trade on an exchange and for which there is not a publicly quoted price.

## Revenue profit and revenue reserves

Revenue profit is the net revenue income earned after deduction of fees and expenses allocated to the revenue account and taxation suffered by the Group. Revenue reserves is the undistributed income that the Group keeps as reserves. Investment trusts do not have to distribute all the income they generate, after expenses. They may retain up to 15% of revenue generated which will be held in a revenue reserve. This reserve can be used at a later date to supplement dividend payments to shareholders.

## Treasury shares

Treasury shares are shares that a company keeps in its own treasury which are not currently issued to the public. These shares do not pay dividends, have no voting rights and are not included in a company's total issued share capital amount for calculating percentage ownership. Treasury stock may have come from a repurchase or buy back from shareholders, or it may never have been issued to the public in the first place. Treasury shares may be reissued from treasury to the public to meet demand for a company's shares in certain circumstances.

\* Alternative Performance Measures.

# Glossary

continued

## Yield\*

The yield is the amount of cash (in percentage terms) that is returned to the owners of the security, in the form of interest or dividends received from it. Normally, it does not include the price variations, distinguishing it from the total return.

Yield	Page	31 May 2023 (unaudited)	31 May 2022 (unaudited)	30 November 2022 (audited)	
Interim dividends paid/payable (pence) <sup>1</sup>	28	4.40	4.30	4.40	(a)
Ordinary share price (pence)	36	111.60	142.00	135.00	(b)
<b>Yield (c = a/b) (%)</b>		<b>3.9</b>	<b>3.0</b>	<b>3.3</b>	<b>(c)</b>

<sup>1</sup> Comprising dividends declared/paid for the twelve months to 31 May and 30 November.

\* Alternative Performance Measures.

# Share fraud warning

Be ScamSmart



Investment scams are designed to look like genuine investments



## Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

## Avoid investment fraud

### 1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

### 2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

### 3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

## Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at [www.fca.org.uk/consumers](http://www.fca.org.uk/consumers). You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

Find out more at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

**Remember: if it sounds too good to be true, it probably is!**

SGN001



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