The Scottish Investment Trust PLC

Results for the six months to 30 April 2021

- **Share price +16.4%, NAV +14.4% total return to 30 April**
- **Comparator index +19.8% total return to 30 April**
- **Strong recent performance to 31 May**
- **Quarterly dividend up 1.8% year on year to 5.8p per share**
- **Review of investment management arrangements**

The Scottish Investment Trust PLC invests internationally and is independently managed. Its objective is to provide investors, over the longer term, with above-average returns through a diversified portfolio of international equities and to achieve dividend growth ahead of UK inflation. Today it announces its results for the six months to 30 April 2021. It is categorised as a global trust by the Association of Investment Companies.

Chairman's Statement

After a tumultuous 2020, the first half of our year, and in particular its second quarter, offered considerably more cause for optimism. Although economic activity remains severely disrupted, the advent of Covid vaccines transformed global economic prospects.

The period marked an important turning point for the world and, potentially, the brightening economic outlook and prospect of higher inflation have set the stage for a major turning point in the investment landscape.

Half-Year Performance

The net asset value per share (NAV) total return (with borrowings at market value) was +14.4% over the half-year period to 30 April 2021. The share price increased from 681p to 780p which, including dividends, meant that the share price total return was +16.4%.

The Company does not have a formal benchmark but, by way of comparison, the sterling total return of the international MSCI All Country World Index (ACWI) was +19.8%.

Central banks have put in place extraordinary levels of support during the pandemic and have indicated that this will remain in place for some time. In this environment, the investment team identified companies that it believes will both benefit from the economic recovery and have stronger long-term prospects than are currently appreciated.

The investment team's view is that we have transitioned to a new economic regime. Stimulus and lockdowns have, counterintuitively, left aggregate household finances in a more robust position. Their view is that vast intervention in the economy is here to stay and is likely to boost incomes but may also prove highly inflationary. The portfolio is positioned accordingly.

Review of Investment Management Arrangements

In 2015, the Company adopted a high conviction, global contrarian investment approach. The Board's view was that a period of at least five years would be required to evaluate the Company's returns under this mandate. The Company does not have a formal benchmark but, by way of comparison, the Company's NAV total return has underperformed the sterling total return of the ACWI over the five years ended 30 April 2021.

The Board therefore announced on 2 June 2021 that it was undertaking a review of the future investment management arrangements of the Company and had appointed Stanhope Consulting to assist it in the review. The Board has invited proposals from established fund management groups, with the experience of managing listed closed-ended funds, designed to deliver, over the longer term, above index returns through a diversified global portfolio of attractively valued companies with good earnings prospects and sustainable dividend growth. Any such proposals will be considered alongside the current management arrangements, which the Board notes have delivered strong recent short-term performance.

There is no certainty that any changes will result from the review. The Board will make further announcements in due course.

The review is focused on ensuring the best long-term outcome for shareholders.

Dividend

As I noted in my previous statement, income generation has been curtailed by the pandemic. Our substantial revenue reserve, built during more plentiful periods, allows us the freedom to invest where we see the best opportunities without interruption to our dividend growth.

The Board announces a second quarterly dividend of 5.8p. This is in line with the target to declare three quarterly interim dividends of 5.8p in the year to 31 October 2021 and to recommend a final dividend of at least 5.8p for approval by shareholders at the Annual General Meeting in 2022. The first 2021 quarterly dividend payment of 5.8p was made in May 2021.

Discount and share buybacks

The Company follows a policy that aims, in normal market conditions, to maintain the discount to NAV (with borrowings at market value) at or below 9%. The average discount over the first half of the year was 10.6%. During the period, 6.4m shares were purchased for cancellation at an average discount of 10.9% and a cost of £45.6m. In the same period last year 0.1m shares were purchased.

Gearing

At 30 April 2021, gearing was 7% (31 October 2020: 0%). We continually assess opportunities to utilise gearing for the long-term benefit of shareholders.

Recent Performance

The Company's recent short term performance has been strong with the Company's NAV total return (with borrowings at market value) ahead of ACWI by 8.8% and 6.9% respectively over the three and six month time periods to 31 May 2021. Within the AIC Global sector the Company's NAV total return was ranked first over three months and second over six months to 31 May 2021.

Outlook

We have arguably entered a period of sustained economic recovery. Key to this view is the fact that politicians around the world remain focused on boosting their economies.

We remain mindful that the world is in the midst of a pandemic and, accordingly, there remains the potential for further health concerns which would disrupt this recovery.

The investment team believes that the combination of an economic upswing, constrained supply and abundant monetary and fiscal easing may produce a period of above-average inflation. This could create an environment more favourable to the areas of the market that have been unloved in recent years. Despite the recent narrowing of the dispersion of valuations within the market, the gap between the most and least expensive stocks remains high.

James Will

Chairman

18 June 2021

Manager's Review

Although it has been well documented that the way we invest has been unfashionable in recent years, we believe we are well positioned for a sustained change in market leadership which may already be underway.

We have explicitly set out to invest in the unpopular areas of the market. Our view is that this is where we will find the best balance of risk and reward for our investments. Just as importantly, we aim to avoid the losses that accrue to investors who are late to join the party in the popular areas of the market.

Since the financial crisis of 2008/9 we have been in a prolonged period of very low interest rates, apparent low inflation and a seeming decline in real living standards for the majority. Meanwhile investment markets have been awash with liquidity provided through quantitative easing (a technical term for printing money) which has not, until very recently, trickled into the 'real' economy.

Covid was a terrible shock to the world but, from an economic point of view, it ushered in a new approach to fiscal and monetary policy. In essence, the concept of a universal basic income has been established and it is now accepted that the State does not have to commit to 'balance the books' on a through-the-cycle basis.

In the developed world, consumers were better protected during the pandemic than in any downturn in living memory. The build-up of household liquidity and the lack of opportunity to spend it means that the release of pent-up demand will be a powerful force. Additionally, the rapid roll-out of Covid vaccines provides investors with a credible roadmap for the normalisation of activity, albeit the last year has shown that even the best laid plans can be derailed.

We expect very loose fiscal and monetary policy combined with a resurgence in demand and constrained supply to lead to rising prices. Central banks are playing down the prospect of inflation as 'transitory'. But, to coin a phrase, 'they would say that, wouldn't they'. Inflation is a tax which will be used to pay for the current stimulatory measures and erode the value of the vast debt piles accumulated before and during the pandemic.

We have arguably shifted to an era of higher 'top line' growth for companies but fuelled, at least in part, by higher prices rather than greater activity. We could be set for the type of inflation not seen since the 1970s and the challenge will be to maintain the purchasing power of any investment.

While the positive change that we expect from our investments does not rely on any particular macro-economic environment, we believe that this changing market regime will provide a tailwind to our portfolio. The recovery and the scope for higher inflation are still deeply underestimated in our view.

Furthermore, the pandemic has been a trigger for companies to push ahead with change that might have been unpalatable in normal times. This is favourable for contrarians with a long-term outlook as it speeds up the pace of change.

Almost as soon as the pandemic began, we set about examining stocks that would be best suited for the eventual recovery. A number of such investments were added last year, and the process accelerated in this period.

Banks are able to increase the spread between their borrowing and lending rates when yields are rising. Meanwhile, with the credit outlook improving, the money set aside early in the crisis to cover anticipated bad debts is now more likely to be returned to shareholders. In the consumer areas, weaker competitors may not survive. This allows the stronger players, with financial flexibility and ambition to adapt, to gain market share. As industry and travel return, so will demand for energy production. These areas of the market have provided useful sources of new investments over the period.

Gold miners remain a key constituent of our portfolio. Gold is a tangible store of worth that holds its value even as money printing devalues the purchasing power of 'fiat' currencies. The miners are historically cheap, making exceptional strides to improve the quality of their businesses and have the potential to pay significantly higher dividends to shareholders over time.

The portfolio

It was a busier period for portfolio activity as we shifted further from the relatively defensive position that we had adopted at the outset of the pandemic to a firm recovery footing. Several new investments were added to the portfolio, taking advantage of depressed valuations to buy into stocks that can capitalise on the improving outlook, but also where we could see the prospect of positive change unrelated to any particular macro-economic outcome.

Among consumer discretionary investments, we added US restaurant group **Cheesecake Factory** (+£4.5m total return) which looks set to be a long-term winner in the casual dining segment. Another new addition is theme park operator **Six Flags Entertainment** (+£3.0m), where efforts to boost profitability provide additional leverage to the recovery as visitors return. Meanwhile, **Whitbread** (-£0.1m), the owner of leading UK hotel chain Premier Inn, is poised to deliver meaningful growth, capitalising on its financial flexibility, strong brand, and integrated model.

Several retail and consumer goods companies entered the portfolio. **Capri** (+£4.0m), owner of fashion houses Michael Kors, Versace and Jimmy Choo, is undergoing a turnaround to unlock the full potential of its strong brands. **Hennes & Mauritz** (+£0.8m), the Swedish fashion retailer better known as H&M, is enhancing its strong market position with an innovative online proposition. Meanwhile, UK-based DIY group **Kingfisher** (+£3.6m) has seen a surge in DIY interest during the pandemic, but also stands to benefit from improving trends long beyond lockdowns. We completely sold US retailer **Target** (+£1.5m), crystallising solid gains over our holding period as the successful transformation of its online and physical retail channels, a strategy that was particularly advantageous during lockdowns, became widely recognised.

Among our consumer staples investments, **Tesco** (+£2.6m) was sold having successfully restored their strong customer proposition and robust profitability. For our tobacco stocks, we believe that too little credit is given to the durability of cash flows and the transition to lower risk products. Our investment in the sector consists of **Altria** (+£2.2m) and **Philip Morris International** (+£0.8m) with **British American Tobacco** (+£0.7m), **KT&G** (-£0.2m) and **Japan Tobacco** (-£0.6m) being sold during the period.

Our largest gain came from **BT** (+£9.3m). Its turnaround had been obscured by the pandemic, but clarity on fibre regulation alongside the improving economic outlook supported a rebound. Elsewhere within telecoms, Dutch operator **KPN** (+£1.3m) has been the centre of takeover speculation, highlighting its strong market position and efforts to boost cash flow. We exited holdings in **Telstra** (+£2.4m), **Deutsche Telekom** (+£1.0m), **China Mobile** (-£0.9m) and **Verizon Communications** (-£1.2m) and added South African telecoms multinational **MTN** (+£1.7m), which is undergoing a revival and reshaping of its business after overcoming historic challenges.

The biggest source of disappointment was our gold miners which, following very strong performance in the prior year, lagged in this period. We believe that the building inflationary pressures are not yet fully recognised, and we foresee another leg higher for gold. **Barrick Gold** (-£11.4m), **Newmont** (-£3.9m), **Newcrest Mining** (-£2.3m), **AngloGold Ashanti** (-£2.3m) and **Gold Fields** (-£1.7m) all declined.

Our energy investments were lifted by the recovering demand for oil, including **Exxon Mobil** (+£4.8m), **BP** (+£4.4m), **Total** (+£3.8m), **Royal Dutch Shell** (+£2.2m) and **Halliburton** (+£1.5m). **Chevron** (+£2.2m) was sold and a new position was taken in US driller **Helmerich & Payne** (-£0.2m) which stands to benefit from its advantaged position versus competitors as well as the more favourable industry dynamics.

A recent investment in UK support services group **Babcock International** (+£0.8m) got off to a good start, aided by the new CEO's efforts to reverse an extended period of poor operating performance. We also added Brazilian transport infrastructure operator **CCR** (-£0.1m) which has an opportunity to expand its portfolio of concessions across Latin America while participating in the recovery for travel. The rising likelihood of a return to travel also helped **East Japan Railway** (+£0.2m). **Royal Mail** (+£0.3m) gained as it capitalised on rising parcel volumes, while repaired industrial relations paved the way for operational improvements. Meanwhile, we established a position in US industrial equipment giant **General Electric** (+£0.9m), which is undergoing a significant turnaround under new leadership.

French healthcare giant **Sanofi** (+£1.2m) continues to reshape its business with a view to boosting growth. During the period, we added German healthcare and chemicals group **Bayer** (+£0.1m), where focus is returning to its strong operational outlook as past problems near a resolution.

We reduced our exposure to utilities in the period, including **United Utilities** (+£2.2m), **Duke Energy** (-£1.0m), **Dominion Energy** (-£0.2m), **National Grid** (-£0.3m), and **Severn Trent** (-£0.5m).

In fnancials, many of our investments benefited from the improving lending outlook. Our bank investments included gains from **Banco Santander** (+£4.9m), **First Horizon National** (+£2.8m), **Lloyds Banking** (+£2.0m), **HSBC** (+£1.6m), **Intesa Sanpaolo** (+£1.5m) and **Mitsubishi UFJ Financial** (+£1.2m)**.** A new position in US bank **Wells Fargo** (+£6.3m) made solid gains. Wells Fargo's efforts to overcome legacy issues and grow profitability are not reflected in the lowly valuation in our view. We also added Brazilian bank **Itaú Unibanco** (-£1.3m) which, despite declining in the period, is well placed to participate in the country's improving interest rate outlook. We completely sold **JPMorgan Chase** (+£2.8m), locking in profits as diminishing credit concerns drove a rapid recovery for the shares. US insurer **AIG** (+£0.2m) is another new purchase and we believe that hardening prices and self-help are not reflected in the discounted valuation. We also added **Aviva** (+£1.3m), the UK multinational insurer, which is streamlining its business by monetising lower return overseas operations to refocus its core UK business where it enjoys scale and brand strength. Meanwhile, Dutch life insurer **Aegon** (+£3.3m) made further good progress with its transformation strategy.

Outlook

We are on course for an impressive economic rebound. Of course, it cannot yet be said that the pandemic is over and indeed, we can foresee scenarios where the health situation gets worse before it gets better.

Government and central bank support looks set to remain in place for the foreseeable future. The ingredients for rising inflation are in position and, if this is correct, then most investors are unprepared.

The combination of these factors brings sales and earnings growth to a broader cohort of stocks than has been the case in recent years. We believe this will fuel the nascent rotation into the more lowly valued segments of the market which we favour. This is a positive environment for contrarian investors.

Alasdair McKinnon

Manager

18 June 2021

For further information, please contact: info@TheScottish.co.uk

Our Approach

To apply our approach, we divide the stocks in which we invest into three categories.

First, we have those that we describe as **ugly ducklings** – unloved shares that most investors shun. These companies have endured an extended period of poor operating performance and, for the majority, the near-term outlook continues to appear uninspiring. However, we see their out-of-favour status as an opportunity and can foresee the circumstances in which these investments will surprise on the upside.

The second category consists of companies where **change is afoot**. These companies have also endured a long period of poor operating performance but have recently demonstrated that their prospects have significantly improved. However, other investors continue to overlook this change for historical reasons.

In our third category, **more to come**, we have investments that are more generally recognised as good businesses with decent prospects. However, we see an opportunity as we believe there is scope for further improvement that is not yet fully recognised.

Financial Summary

	30 April 2021	31 October 2020	Change %	Total return %
NAV with borrowings at market value	**851.6p**	755.5p	+12.7	+14.4
NAV with borrowings at amortised cost	**891.2p**	793.6p	+12.3	+13.9
Ex-income NAV with borrowings at market value	**845.3p**	750.9p	+12.6	
Ex-income NAV with borrowings at amortised cost	**884.9p**	789.0p	+12.2	
Share price	**780.0p**	681.0p	+14.5	+16.4
Discount to NAV with borrowings at market value	**8.4%**	9.9%		
MSCI ACWI			+19.0	+19.8
	£'000	**£'000**		
Equity investments	**634,256**	581,235		
Pension surplus	**1,161**	1,161		
Net current assets	**41,989**	80,542		
Total assets	**677,406**	662,938		
Long-term borrowings at amortised cost	**(84,059)**	(84,013)		
Pension scheme deferred tax on surplus	**(406)**	(406)		
Shareholders' funds	**592,941**	578,519		

	Six months to 30 April 2021	Six months to 30 April 2020	Change %
Earnings per share	**11.58p**	9.73p	19.0
Dividends per share	**11.60p**	11.40p	1.8
UK Consumer Prices Index – annual inflation			1.5

List of Investments

As at 30 April 2021

Listed equities

Holding	Country	Market value £'000	Cumulative weight %
Newmont	US	32,537	
Newcrest Mining	Australia	32,391	
Barrick Gold	Canada	29,316	
BT	UK	24,671	
Wells Fargo	US	23,265	
Cheesecake Factory	US	21,741	
Banco Santander	Spain	20,038	
Exxon Mobil	US	19,680	
East Japan Railway	Japan	18,681	
Total	France	16,359	37.6
Kingfisher	UK	16,196	
Royal Dutch Shell	UK	15,936	
Halliburton	US	15,928	
BP	UK	15,832	
Gilead Sciences	US	15,495	
AngloGold Ashanti	South Africa	15,215	
Six Flags Entertainment	US	15,108	
Sanofi	France	14,454	
Kirin	Japan	14,416	
Mitsubishi UFJ Financial	Japan	13,562	61.6
AIG	US	13,277	
United Utilities	UK	12,952	
Gold Fields	South Africa	12,397	
Itaú Unibanco	Brazil	10,957	
Carrefour	France	10,838	
Intesa Sanpaolo	Italy	10,586	
Ambev	Brazil	10,204	
Helmerich & Payne	US	9,090	
Pfizer	US	8,989	
Aegon	Netherlands	8,874	78.7
Lloyds Banking	UK	8,413	
MTN	South Africa	8,078	
Altria	US	8,000	
Babcock International	UK	7,941	
First Horizon	US	7,715	
Publicis	France	7,162	
Aviva	UK	7,162	
KPN	Netherlands	7,122	
General Electric	US	7,060	
Hennes & Mauritz	Sweden	7,060	90.6

Holding	Country	Market value £'000	Cumulative weight %
Capri	US	6,081	
Adecco	Switzerland	6,584	
Bristol-Myers Squibb	US	6,312	
Whitbread	UK	6,164	
AT&T	US	5,967	
Bayer	Germany	5,943	
HSBC	UK	4,260	
Tele2	Sweden	3,979	
Royal Mail	UK	3,581	
Philip Morris International	US	3,568	
CCR	Brazil	3,063	
PageGroup	UK	961	
Total listed equities		**631,881**	**99.6**

Unlisted

Holding	Country	Market value £'000	Cumulative weight %
Heritable property and subsidiary	UK	2,375	0.4
Total unlisted		**2,375**	**0.4**
Total investments		**634,256**	**100.0**

Distribution of Assets

Distribution of Total Assets

by Sector	30 April 2021 %	31 October 2020 %
Energy	13.7	4.9
Materials	18.0	22.9
Industrials	7.1	0.9
Consumer Discretionary	10.8	1.9
Consumer Staples	6.9	15.7
Health Care	7.5	14.5
Financials	19.3	5.0
Information Technology	-	-
Communication Services	8.4	13.0
Utilities	1.9	8.9
Real Estate	-	-
Pension surplus	0.2	0.2
Net current assets	6.2	12.1
Total assets	**100.0**	**100.0**

by Region	30 April 2021 %	31 October 2020 %
UK	18.6	15.6
Europe (ex UK)	17.5	13.5
North America	36.9	36.6
Latin America	3.6	0.4
Japan	6.9	7.9
Asia Pacific (ex Japan)	4.8	10.8
Middle East & Africa	5.3	2.9
Pension surplus	0.2	0.2
Net current assets	6.2	12.1
Total assets	**100.0**	**100.0**

Allocation of Shareholders' Funds

	30 April 2021 %
Total equities	**107.0**
Pension surplus	0.2
Net current assets	7.1
Borrowings at amortised cost	(14.2)
Provisions for liabilities	(0.1)
Shareholders' funds	**100.0**

Income Statement

	Six months to 30 April 2021 (unaudited)			Six months to 30 April 2020 (unaudited)			Year to 31 October 2020 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains/(losses) on investments held at fair value through profit and loss	-	63,434	63,434	-	(45,119)	(45,119)	-	(78,698)	(78,698)
Net (losses)/gains on currencies	-	(1,017)	(1,017)	-	1,201	1,201	-	818	818
Income	11,179	-	11,179	10,005	-	10,005	21,737	-	21,737
Expenses	(1,175)	(665)	(1,840)	(1,128)	(583)	(1,711)	(2,346)	(1,069)	(3,415)
Net Return before Finance Costs and Taxation	10,004	61,752	71,756	8,877	(44,501)	(35,624)	19,391	(78,949)	(59,558)
Interest payable	(866)	(1,608)	(2,474)	(868)	(1,612)	(2,480)	(1,732)	(3,217)	(4,949)
Return on Ordinary Activities before Tax	9,138	60,144	69,282	8,009	(46,113)	(38,104)	17,659	(82,166)	(64,507)
Tax on ordinary activities	(1,039)	-	(1,039)	(822)	-	(822)	(1,673)	-	(1,673)
Return attributable to Shareholders	8,099	60,144	68,243	**7,187**	**(46,113)**	**(38,926)**	**15,986**	**(82,166)**	**(66,180)**
Return per share (basic and fully diluted)	11.58p	86.00p	97.58p	**9.73p**	**(62.45)p**	**(52.72)p**	**21.70p**	**(111.52)p**	**(89.82)p**
Weighted average number of shares in issue		69,931,830			**73,834,003**			**73,677,432**	
	£'000			£'000			£'000		
Dividends payable	7,725			8,411			16,924		
Income comprises:									
Dividends	11,176			9,795			21,521		
Interest	3			210			216		
	11,179			10,005			21,737		

Balance Sheet

	As at 30 April 2021 (unaudited) £'000	As at 31 October 2020 (audited) £'000	As at 30 April 2020 (unaudited) £'000
Fixed Assets			
Investments	634,256	581,235	589,697
Non-current Assets			
Pension Surplus	1,161	1,161	
Current Assets			
Debtors	5,928	7,188	1,780
Cash and cash equivalents	42,705	75,981	116,392
	48,633	83,169	118,172
Creditors: liabilities falling due within one year	(6,644)	(2,627)	(185)
Net Current Assets	41,989	**80,542**	**117,987**
Total Assets less Current Liabilities	677,406	**662,938**	**707,684**
Creditors: liabilities falling due after more than one year			
Long-term borrowings at amortised cost	(84,059)	(84,013)	(83,967)
Provisions for Liabilities			
Pension scheme deferred tax on surplus	(406)	(406)	
Pension liability	-	-	(1,279)
Net Assets	592,941	**578,519**	**622,438**
Capital and Reserves			
Called-up share capital	16,632	18,244	18,453
Share premium account	39,922	39,922	39,922
Capital redemption reserve	54,229	52,637	52,408
Capital reserve	437,945	423,402	467,194
Revenue reserve	44,213	44,334	44,461
Shareholders' Funds	592,941	**578,519**	**622,438**
Net Asset Value per share (basic and fully diluted) with borrowings at amortised cost	891.2p	**793.6p**	**843.3p**
Number of shares in issue at period end	66,529,521	**72,896,247**	**73,813,508**

Statement of Comprehensive Income

	Six months to 30 April 2021 (unaudited) £'000	Six months to 30 April 2020 (unaudited) £'000	Year to 31 October 2020 (audited) £'000
Return attributable to shareholders	**68,243**	(38,926)	(66,180)
Actuarial losses relating to pension scheme	**-**	-	(1,176)
Pension scheme deferred tax on surplus	**-**	-	(406)
Total comprehensive income for the period	**68,243**	(38,926)	(67,762)
Total comprehensive income per share	**97.58p**	(52.72)p	(91.97)p

Statement of Changes in Equity

	Six months to 30 April 2021 (unaudited) £'000	Six months to 30 April 2020 (unaudited) £,'000	Year to 31 October 2020 (audited) £'000
Opening shareholders' funds	**578,519**	676,793	676,793
Total comprehensive income	**68,243**	(38,926)	(67,762)
Dividend payments	**(8,220)**	(14,806)	(23,178)
Share buybacks	**(45,601)**	(623)	(7,334)
Closing shareholders' funds	**592,941**	**622,438**	**578,519**

Cash Flow Statement

	Six months to 30 April 2021 (unaudited) £'000	Six months to 30 April 2020 (unaudited) £'000	Year to 31 October 2020 (audited) £'000
Operating activities			
Net revenue before finance costs and taxation	**10,004**	8,877	19,391
Expenses charged to capital	**(665)**	(583)	(1,069)
Decrease in accrued income	**19**	718	278
Increase/(Decrease) in other payables	**3,456**	(479)	(60)
Decrease in other receivables	**1**	158	158
Adjustment for pension funding	**-**	-	(3,616)
Tax on investment income	**(1,146)**	(1,019)	(1,637)
Cash flows from operating activities	**11,669**	**7,672**	**13,445**
Investing activities			
Purchases of investments	**(303,807)**	(146,286)	(178,725)
Disposals of investments	**314,412**	200,491	203,970
Cash flows from investing activities	**10,605**	**54,205**	**25,245**
Cash flows before financing activities	**22,274**	**61,877**	**38,690**
Financing activities			
Dividends paid	**(8,220)**	(14,806)	(23,178)
Share buybacks	**(44,902)**	(623)	(7,052)
Interest paid	**(2,428)**	(2,434)	(4,857)
Cash flows used in financing activities	**(55,550)**	**(17,863)**	**(35,087)**
Net movement in cash and cash equivalents	**(33,276)**	**44,014**	**3,603**
Cash and cash equivalents at the beginning of period	**75,981**	**72,378**	**72,378**
Cash and cash equivalents at the end of period*	**42,705**	**116,392**	**75,981**

* Cash and cash equivalents represent cash at bank and short-term money market deposits.

Notes

The condensed set of Financial Statements for the six months to 30 April 2021 has been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice and has not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The condensed set of Financial Statements for the six months to 30 April 2021 has been prepared on the basis of the same accounting policies as set out in the Company's Annual Report for the year ended 31 October 2020.

The Directors have considered the nature of the Company's principal risks and uncertainties, including the implications of the current Covid-19 pandemic. In addition, the Company has considered its investment objective and policy, assets and liabilities, as well as projections of both income and expenditure and its dividend policy. Of particular note, the assets of the Company comprise mainly equities, listed on recognised exchanges, which are readily realisable. It is the opinion of the Directors that the Company is expected to be able to continue in operational existence for the foreseeable future and, hence, the condensed set of Financial Statements have been prepared on a going concern basis.

The information contained in the Interim Report does not constitute statutory accounts as defined in sections 434-436 of the Companies Act 2006. Where applicable, the figures have been extracted from the Annual Report for the year ended 31 October 2020 which has been filed with the Registrar of Companies and which contains an unqualified report from the Auditor.

The second quarterly interim dividend of 5.8p will be paid on 2 August 2021 to shareholders registered at 2 July 2021, with an ex dividend date of 1 July 2021. This dividend will amount to £3.8m.

The first quarterly interim dividend of £3.9m was paid on 10 May 2021.

Equity investments include the unlisted portfolio of £2.4m (31 October 2020: £2.4m).

The weighted average number of shares in issue during the half-year was 69,931,830 (2020: 73,834,003) and this figure has been used in calculating the return per share shown in the income statement. The net asset value per share at 30 April 2021 has been calculated using the number of shares in issue on that date which was 66,529,521
(31 October 2020: 72,896,247).

Analysis of Changes in Net Debt

	31 October 2020 £'000	Cash flows £'000	Non-cash Movements £'000	**30 April 2021 £'000**
Cash	25,981	1,724	-	**27,705**
Short-term deposits	50,000	(35,000)	-	**15,000**
Long-term borrowings at amortised cost	(84,013)	-	(46)	**(84,059)**
	(8,032)	(33,276)	(46)	**(41,354)**

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are considered under the following categories:

- Strategic
- Investment portfolio and performance
- Financial
- Operational
- Tax, legal and regulatory

Further information on the principal risks and uncertainties is listed on page 15 and detailed on pages 33 and 34 of the 2020 Annual Report; they are broadly unchanged from that year. An explanation of these risks and how they are managed is set out in Note 16 on pages 66 to 69 of the 2020 Annual Report.

These and other risks facing the Company are reviewed regularly by the Audit Committee and the Board, including the ongoing risks of the Covid-19 pandemic and the current review of investment management arrangements and their potential impact on the Company and its portfolio; we continue to monitor developments on a regular basis. Covid-19 also impacts our third party service providers, who have implemented business continuity plans and have been working almost entirely remotely and the Board is kept informed of any operational issues as they arise.

Responsibility statement

The Board of Directors confirms that to the best of its knowledge:

a) the condensed set of Financial Statements has been prepared on a going concern basis and in accordance with Financial Reporting Standard 104 and gives a true and fair view of the assets, liabilities, financial position and return of the Company;

b) the Interim Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the condensed set of Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and

c) the Interim Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein);

For and on behalf of the board,

James Will
Chairman

18 June 2021

Glossary

Borrowings at amortised cost is the nominal value of the Company's borrowings less any unamortised issue expenses.

Borrowings at market value is the Company's estimate of the 'fair value' of its borrowings. The current estimated fair value of the Company's borrowings is based on the redemption yield of the relevant existing reference gilt plus a margin derived from the spread of BBB UK corporate bond yields (15 years+) over UK gilt yields (15 years+). The reference gilt for the secured bonds is the 6% UK Treasury Stock 2028 and the reference gilt for the perpetual debenture stocks is the longest-dated UK Treasury stock listed in the Financial Times.

Discount is the difference between the market price of a share and the NAV, expressed as a percentage of the NAV.

Ex-income NAV is the NAV excluding current year revenue.

Gearing is the true geared position of the Company: long-term borrowings less net current assets expressed as a percentage of shareholders' funds.

Gross gearing is the geared position if all the borrowings were invested in equities: borrowings expressed as a percentage of shareholders' funds.

NAV is net asset value per share after deducting borrowings at amortised cost or market value, as stated.

NAV total return is the measure of how the Company's NAV has performed over a period of time, taking into account both capital returns and entitlement to dividends declared by the Company.

Ongoing charges figure is the measure of the regular, recurring costs of the Company expressed as a percentage of the average daily shareholders' funds with borrowings at market value.

Portfolio turnover rate is the average of investment purchases and sales expressed as a percentage of opening total assets.

Share price total return is the measure of how the Company's share price has performed over a period of time, taking into account both capital returns and entitlement to dividends declared by the Company.

Total assets means total assets less current liabilities.