RNS Number : 5924X
Brown Advisory US Smaller Cos. PLC
19 February 2025

Brown Advisory US Smaller Companies PLC (the 'Company')

Legal Entity Identifier: 549300HKKL9K1NY4TW55

Half-yearly financial results for the six months ended 31 December 2024

Financial Highlights for the six months ended 31 December 2024

Ordinary Share Performance

	31 December 2024	30 June 2024	%change
Net asset value* (pence)	1,550.0	1,471.4	+5.3
Closing price (pence)	1,400.0	1,282.5	+9.2
Russell 2000 Total Return Index (Sterling-adjusted)	9,633.4	8,699.0	+10.7
Discount to net asset value* (%)	(9.7)	(12.8)	
Ongoing charges ratio* (%)	1.02	1.05	

* For definitions of the above alternative performance measures please refer to the glossary of terms in the Half-yearly Report.

Stephen White, Chairman, Brown Advisory US Smaller Companies, said:

"We are pleased to report a share price return of 9.2% for the Company during the period. It is encouraging to see a resurgence of interest in US smaller companies, which we believe remain undervalued and under-owned. While the Russell 2000 benchmark* rose by 10.7%, much of this was led by a narrow subgroup of more speculative or unprofitable stocks, many of which were driven by exuberance in the AI, quantum computing, and cryptocurrency sectors. Conversely, our Portfolio Managers continue to focus on strong quality businesses and long-term compounders, that they believe will deliver truly sustainable growth, but which lagged the rally.

"While US equity markets more broadly had another stand-out year in 2024, recent developments have caused us to remain optimistic for the prospects of our portfolio. The shift in monetary policy by the Fed in September and the first rate cuts since 2020, combined with Donald Trump's 'clean sweep' presidential win and a perceived more business-friendly administration, should be supportive for smaller companies with a more domestic bias. I am pleased to note that relative performance has picked up since the half year end.

"The Board was also pleased to recently introduce some important measures that will deliver additional value to shareholders. As announced on 11 February 2025, the Board agreed with Brown Advisory to introduce a reduced tiered management fee, based on the lower of the Company's market capitalisation and net asset value (NAV), rather than NAV as is currently the case. This will have an immediate beneficial impact on shareholders' costs. At the same time, the Board committed to offer shareholders an opportunity to tender some or all of their shares if the Company does not outperform its benchmark over the period to 30 June 2028, recognising the importance of liquidity to investors. We are confident in the ability of the Portfolio Manager to outperform in this timeframe and beyond, when, despite recent outperformance, US smaller companies we believe remain undervalued and provide access to some of the most exciting and entrepreneurial companies in the world's largest economy."

*Sterling-adjusted Russell 2000 Total Return Index

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Chairman's Statement

Dear Fellow Shareholder,

For the six months ended 31 December 2024, your Company's net asset value (NAV) per share rose from 1,471.4p to 1,550.0p, an increase of 5.3%. Over this period, US equity markets performed well, buoyed by the Federal Reserve (Fed) finally cutting interest rates, economic activity holding up and Donald Trump and the Republican party winning an unexpected 'clean sweep' in November's presidential and legislative elections.

Also, after a few years of US small caps lagging their larger peers, it was pleasing to see a renewal of interest in small-cap stocks, as reflected in the performance of our benchmark the Sterling-adjusted Russell 2000 Total Return index. This rose by 10.7% over the period, slightly ahead of the large-cap indices. The NAV's underperformance of the benchmark was at first sight disappointing, but due in large part to our Portfolio Manager's focus on quality and their policy of avoiding the more speculative situations which were the leaders in this small-cap rally. I am pleased to note that relative performance has picked up since the half-year end.

Over the six months, the Company's share price rose from 1,282.5p to 1,400.0p, up 9.2%. This resulted in a small narrowing of the discount from 12.8% to 9.7%.

Market Review

In the first couple of months of our financial half year, US equity markets made little headway, oscillating within a relatively narrow trading range. The political background was unsettled with, at home in the US, the assassination attempts on former president Trump and President Biden's withdrawal from the presidential race and, abroad, the growing tensions in the Middle East and lack of resolution to the war in Ukraine. Economic news was also less supportive, with softer jobs and unemployment data and the important technology sector, which had been leading the markets previously, hit a bout of profit taking as half year results proved somewhat mixed. On a more positive note, the softer economic data and lacklustre corporate news, coupled with better-than-expected inflation numbers, boosted expectations that September would finally see the Fed begin its much-awaited programme of interest rate cuts.

In the event, the Fed went further than expected in September, cutting interest rates by 50 basis points, rather than the 25 generally forecast, in its first rate cut since March 2020. This more dovish move, coupled with generally steady economic commentary, left investors feeling relatively comfortable that monetary policy was not too restrictive, and that the Fed would act again to prevent further labour market weakness if necessary. Markets responded positively and pushed steadily ahead through the autumn to reach new all-time highs. They received a further boost towards the end of November as Donald Trump won a resounding victory in the presidential election and the Republican party won control in a 'clean sweep' of both the Senate and the House of Representatives. Investors responded positively to the decisive result given earlier fears of a drawn-out contested outcome and the likely future government pro-business/anti-regulatory policy agenda.

The shift in monetary policy by the Fed over the summer, the start of rate cuts in September and the expectation of more to come, coupled with the perceived return of a more pro-business administration in November prompted renewed buying of US equities. Domestic and international investors bought asset classes that had lagged. Especially sought after were small and mid-cap stocks given their notable earlier underperformance relative to large and mega-caps and the expectation that they would be the greater beneficiaries of the new administration's domestic policies. As a result, over the period under review small and mid-cap stocks performed better than their larger counterparts. Over the half year, the Russell 2000 in US dollar terms returned a gross 9.6%, compared to 8.4% from the S&P 500 and 9.3% from the Nasdaq. The pound weakened a little against the US dollar over the period, falling from 1.266 to 1.252, which added slightly to the return for Sterling-based investors.

Portfolio Manager Oversight

A more detailed coverage on the development of the US smaller company sector over the past six months and our activity and performance is included in the below Portfolio Manager's Review.

The Board continues to monitor closely investment performance and, in accordance with the Portfolio Management Agreement (PMA), carries out a detailed formal appraisal of the Portfolio Manager annually. An additional detailed review was carried out last year once the Portfolio Manager had been managing the portfolio for three years. Despite recent underperformance during a difficult period for small cap investors, we continue to have confidence in the Portfolio Manager's philosophy and process to identify successful, quality companies and in their ability to deliver positive results over the long term.

Conditional Tender Offer

As communicated to the market on 11 February 2025 the Board has decided that, should long-term performance not be satisfactory for shareholders, there should be a mechanism for them to realise up to 100% of the issued share capital in the Company at close to the prevailing NAV of the Company. Accordingly, should the NAV performance of the Company not outperform the Company's benchmark (Sterling-adjusted Russell 2000 Total Return Index) for the period 1 July 2023 to 30 June 2028 (i.e. a total period of five years with three and a half remaining), the Board intends to offer shareholders a one-off opportunity to tender some or all their shares at close to the prevailing NAV, less costs.

It should be noted that the Portfolio Manager outperformed the benchmark in the period from taking over as Portfolio Manager of the Company on 1 April 2021 to 30 June 2023 by 3.3%.

The Board believes that such a Conditional Tender Offer will allow the Company and its Portfolio Manager appropriate time to outperform against the Company's benchmark and, in the event it does not, to offer shareholders a liquidity event.

This redemption option will sit alongside the existing 3-year continuation vote, see below.

Continuation Vote

In accordance with the three-year cycle prescribed in the Company's Articles of Association, the next continuation vote will be held at our Annual General Meeting (AGM) in November 2026. At the last vote in November 2023 the resolution in favour of continuation was passed with 3,885,193 proxy votes or 90.5 percent in favour.

Management Fee

The Board reviews the total costs of the Company on a regular basis. The aim is to ensure that the costs continue to represent good value to shareholders, that they are competitive with similar investment products and consider the quality and experience of the teams involved.

As also communicated to the market on 11 February 2025, following recent engagement with Brown Advisory, I am pleased to report that they have agreed to a reduced tiered management fee replacing the current fee arrangements, effective from and backdated to 1 January 2025.

Details of the amendments to the management fee arrangements are set out below.

New fee arrangements:

- The management fee will be calculated based on the lower of the Company's market capitalisation and net asset value (NAV), rather than NAV as is currently the case; and
- The management fee on the first £200m will be reduced to 0.65%, from 0.7%, and will continue to be calculated on

a tiered basis.

From 1 January 2025, the management fee is therefore calculated at an annual rate of:

- 0.65% on the first £200 million;
- 0.6% of the next £300 million; and
- 0.5% thereafter,

in each case of the lower of the Company's market capitalisation and the Company's NAV.

The new fee arrangements do not introduce any performance fee or performance-related elements.

The Board believes that the changes have the potential to reduce costs for shareholders in both the short and long term, and ensure stronger alignment between the Portfolio Manager and investors.

The Portfolio Management Agreement between the Company, FundRock Partners Limited (as the Company's AIFM) and the Portfolio Manager has been amended to reflect the new management fee. No other changes have been made to the agreement.

Share Price and Discount

The Board also remains committed to using share buybacks with the aim of reducing discount volatility and working to reduce any discount should it become significantly wider than those of similar investment trusts, rather than at a fixed discount level. In accordance with our share buyback policy as revised two years ago we bought in 115,262 shares over the half-year.

On 31 December 2024, the number of shares held in treasury was 6,476,516 and the total number in public hands was 11,746,897.

Gearing

With interest rates at still high levels and taking into consideration the views of the Portfolio Manager regarding investment opportunities in the smaller company sector the Board held back from gearing the portfolio. However, the situation with regards to gearing remains under regular review.

Shareholder Communications

The Board encourages shareholders to visit the Company's website (www.brownadvisory.com/basc) for the latest information, podcasts and monthly factsheets.

Outlook

US equity markets gave another blockbuster showing in 2024 as the economy remained healthy, inflation trended lower, the Fed cut interest rates, and an Artificial Intelligence (AI) rally powered the technology sector. Adding to the positive returns of the year before the US markets achieved their best consecutive years' performance since 1997 and 1998 during the lead-up to the bursting of the dot-com bubble.

With the economy holding up, US markets could well produce positive returns again in 2025. That said, there are a few factors which in the short term might limit the extent of any advance. First, interest rates may stay higher for longer than investors expect as the Fed take a more cautious view on the inflation outlook given the underlying strength of the economy, price rises still to come through the supply chain and several of the measures proposed by the new administration, such as widespread import tariffs, which would have inflationary consequences. Indeed, since the Fed has started cutting interest rates yields of longer dated paper have risen markedly, an unhelpful signal. Secondly, the rally of the past couple of years leaves much of the markets looking increasingly expensive. Stocks are trading at well above their long-term averages, even if flattered by the hefty presence of fast-growing tech stocks, with the greater risk therefore of disappointment. Finally, there is the risk that investors fall out of love with the tech sector itself as they become more cautious about AI and its returns on investment. All of this is without considering the very uncertain geopolitical background.

Given these potential headwinds, US markets may see some volatility in the short term. However, assuming the economy remains in good shape, the Fed continues to cut interest rates, even if less than originally hoped for, and corporate earnings hold up, the longer-term prospects remain favourable. We are hopeful that, coupled with a business-friendly administration in place, this may prove a favourable background for smaller companies with their more domestic bias. It may also persuade many investors to review their exposure to the US smaller company asset class.

Stephen White
Chairman
18 February 2025

Portfolio Manager's Review

Over the six months ended December 2024, the Company's portfolio advanced but did not keep pace with the benchmark. Standard attribution analysis shows we trailed due to: 1) an underweight in the financials sector and 2) stock selection in the industrials and consumer sectors. Since we believe the fundamentals of our portfolio holdings generally remain sound, we attribute the shortfall mostly to our conservative and prudent investment style amid a uniquely ebullient and narrow market, in which a small number of companies increased in value dramatically when compared to the vast majority of the rest of our investment universe.

Performance Overview
U.S. equities surged leading up to and after the US presidential election. According to analysis by Jefferies, in the small-cap range, the fastest-growing equities - those with lofty price-to-earnings ratios (or no earnings), the worst returns on equity, and the highest betas - drove most of the gains. Beta is a measure of a stock's volatility relative to the overall market; a higher beta indicates greater volatility. Thematically, sectors related to artificial intelligence (AI), quantum computing, and cryptocurrency skyrocketed. Financials rallied with rising rates and hopes of an economic upturn, while healthcare stocks remained stagnant. Quality compounders, which are companies showing attractive fundamental characteristics and consistent earnings growth, produced solid absolute returns but were not the focus of the majority of investors.

consistent earnings growth, produced solid absolute returns but were not the focus of the majority of investors.

The Russell 2000 index illustrates the wild exuberance in certain niches. For example, Rocket Lab, a money consuming space company, saw its share price increase by 431% in the second half of 2024. Upstart, an AI consumer-lending platform whose share price collapsed over 90% after peaking in 2021, jumped 161% in the period and Rigetti Computing stole the show with an increase of 1,326%. For context, not owning these benchmark securities contributed over one percentage point to the strategy's relative shortfall during the last six months. Meanwhile, some of our long-term portfolio compounders like Waste Connections (-2%) and EastGroup Properties (-4%) posted decent results given the tepid macroeconomy but saw their share prices stall as investors flocked to riskier assets.

We note that the strategy lagged in a similar manner for several weeks after Donald Trump's surprise victory in late 2016; it subsequently recovered from that painful but brief shortfall in the months that followed. Given the solid fundamental performance of our holdings and recently waning market momentum, we believe a similar dynamic could recur.

Sector Performance and Allocation

The portfolio's philosophy hinges on selecting a diverse array of "3G" companies (those that demonstrate durable Growth, sound Governance & scalable Go-to-market strategies). This focus tends to lead to sector allocations that are consistent, but significantly different than the benchmark.

Relative sector weights played a meaningful role in our performance comparison to the benchmark. First, we have historically maintained a small weight in financials. During the period, our average weight was roughly 5% compared to the Russell 2000 Index weight of nearly 18%. The financials sector rose over 20% during this period, negatively impacting our relative results by approximately one percentage point.

Second, healthcare constitutes a large weight in the portfolio, approximately 6% more than the index when including biotech stocks classified in non-healthcare sectors. We anticipated that small-company earnings would face challenges over the last couple of years, and typically, healthcare performs well in such environments. That concern proved correct - per-share earnings for the Russell 2000 Index constituents have fallen on average for two consecutive years. Nonetheless, relative healthcare sector performance has been quite lacklustre over the last few years, including the last six months, with sector gains of 2.2% compared to 10.7% total return for the Russell 2000 Index.

Finally, stock selection hindered our results in the industrial sector. However, we believe our portfolio holdings trailed the benchmark primarily due to their low cyclicality or growth profiles rather than any significant fundamental issues. For example, investors favoured industrials like Rocket Lab (+431%) and Aurora Innovation, a self-driving vehicle company (+127%). Some of our industrial holdings, such as Applied Industrial Technologies (+24%), nuclear leader Curtis-Wright (+31%), and Mueller Water Products (+26%), posted strong gains due to their cyclical or thematic exposure, but it was insufficient to offset price declines from non-cyclicals such as pest eliminator Rentokil (-14%), bankruptcy consultant FTI (-11%), and safety product maker MSA (-11%).

Market Dynamics and Strategy Adjustments

The equity market is currently characterized by intense concentration, with numerous examples of speculative behaviour in sectors such as artificial intelligence, quantum computing, and cryptocurrency. Additionally, small- cap stock prices have risen largely due to multiple expansions. This combination has posed a headwind for our relative results during brief but intense periods throughout the strategy's history, as seen in the last six months.

Overall, we remain focused on executing our investment philosophy and process, making the best bottom-up, fundamental, and long-term investment decisions possible. Our inability to keep pace with the benchmark in this narrow equity market has been frustrating, but we have experienced similar periods in the past and are confident in our team's ability to execute well in the upcoming quarters and years.

Additions and Disposals

During the six months to the end of December 2024, we made several strategic additions and disposals to better position the portfolio for future growth. Notable additions include Insmed Incorporated (INSM), which has a promising lead drug with blockbuster potential, and OpenLane (KAR), a leading wholesale auction marketplace with improved competitive environment. We also added KinderCare Learning (KLC), the largest provider of childcare centres in North America, and Mirion Technologies (MIR), a high recurring revenue business with growth tailwinds in cancer treatment and radiation measurement. Other additions include StandardAero (SARO), Simpson Manufacturing (SSD), Tandem Diabetes Care (TNDM), and ServiceTitan (TTAN), each offering unique growth opportunities in their respective sectors.

On the disposal side, we eliminated Accolade (ACCD) due to concerns regarding its ability to scale profitably and Ascendis Pharma (ASND) on worries that the management team is making the same pricing mistake on its second marketed drug that hindered the adoption of its first. We also sold Clearwater Analytics (CWAN) after a significant run-up in valuation and Envestnet (ENV) following its acquisition by Bain Capital. Other disposals included Haemonetics (HAE), Immunome (IMNM), and the SPDR S&P Biotech ETF (XBI), as we reallocated capital to higher conviction ideas.

Conclusion

Investing is a journey, and the lessons learned from a difficult year like 2024 are invaluable. We remain committed to our disciplined, bottom-up investment approach and believe that our focus on quality, valuation discipline, and long-term growth will continue to serve our investors well. As we move into 2025, we are confident that our strategy is well-positioned to navigate the evolving market landscape and capitalize on opportunities for growth.

Brown Advisory LLC
Portfolio Manager

18 February 2025

Statement of Directors' Responsibilities

Each of the Directors confirms to the best of their knowledge that:

a) the condensed set of financial statements, prepared in accordance with the applicable set of accounting standards

a) the condensed set of financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company at, or, as applicable, for the period ended 31 December 2024.
b) in their opinion the Chairman's statement, the Portfolio Manager's review and the interim management report include a fair review of the development and performance of the Company, together with a description of the principal risks and uncertainties that the Company faces; and
c) the interim management report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R on related party transactions.

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

By order of the Board

Stephen White
Chairman

18 February 2025

Income Statement

for the six months ended 31 December 2024 (unaudited)

	Six months to 31 December 2024			Six months to 31 December 2023		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Gains from investments held at fair value through profit or loss (Note 2)	-	9,604	9,604	-	3,715	3,715
Currency exchange loss	-	(32)	(32)	-	(120)	(120)
Investment income	533	-	533	613	-	613
Total income	**533**	**9,572**	**10,105**	**613**	**3,595**	**4,208**
Management fee	(628)	-	(628)	(603)	-	(603)
Other expenses	(283)	(1)	(284)	(263)	(1)	(264)
(Loss)/return before taxation	**(378)**	**9,571**	**9,193**	**(253)**	**3,594**	**3,341**
Taxation	(70)	-	(70)	(80)	-	(80)
Net (loss)/ return after taxation	**(448)**	**9,571**	**9,123**	**(333)**	**3,594**	**3,261**
Net (loss)/return per Ordinary share (Note 3)	**(3.79)p**	**80.95p**	**77.16p**	**(2.78)p**	**30.07p**	**27.29p**

The 'Total' column of this statement is the profit and loss account of the Company.

The 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other comprehensive income, and therefore the net return after taxation is also the total comprehensive income for the year.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The financial information does not constitute 'accounts' as defined in section 434 of the Companies Act 2006.

The Notes below form part of these accounts.

Statement of Financial Position

as at 31 December 2024 (unaudited)

	31 December 2024 (unaudited) £'000	30 June 2024 (audited) £'000
Fixed assets		
Investments at fair value through profit or loss	174,943	165,925
Current assets		
Debtors	104	79
Cash at bank and in hand	7,509	9,722
	7,613	**9,801**
Creditors: amounts falling due within one year	(477)	(1,182)
Net current assets	**7,136**	**8,619**
Total assets less current liabilities	**182,079**	**174,544**
Capital and reserves		
Called up share capital	4,555	4,555
Share premium account	19,550	19,550
Non-distributable reserve	841	841

Capital redemption reserve	9,628	9,628
Retained earnings - capital reserve	157,956	149,973
Retained earnings - revenue reserve	(10,451)	(10,003)
Total shareholders' funds	**182,079**	**174,544**
Net asset value per Ordinary share (Note 6)	**1,550.0p**	**1,471.4p**

The financial statements were approved by the Board of Directors and signed on its behalf on 18 February 2025.

Stephen White
Chairman

Company Registration Number 02781968

The Notes below form part of these accounts.

Statement of Changes in Equity
for the six months ended 31 December 2024 (unaudited)

For the six months to 31 December 2024	Called up Share Capital £'000	Share Premium £'000	Non-distributable Reserve £'000	Capital Redemption Reserve £'000	Capital Reserve† £'000	Revenue reserve*† £'000	Total £'000
Balance at 1 July 2024	**4,555**	**19,550**	**841**	**9,628**	**149,973**	**(10,003)**	**174,544**
Net return for the period	-	-	-	-	9,571	(448)	9,123
Repurchase of Ordinary shares to be held in treasury	-	-	-	-	(1,588)	-	(1,588)
Balance at 31 December 2024	**4,555**	**19,550**	**841**	**9,628**	**157,956**	**(10,451)**	**182,079**

For the six months to 31 December 2023	Called up Share Capital £'000	Share Premium £'000	Non-distributable Reserve £'000	Capital Redemption Reserve £'000	Capital reserve† £'000	Revenue reserve*† £'000	Total £'000
Balance at 1 July 2023	**4,555**	**19,550**	**841**	**9,628**	**146,090**	**(9,517)**	**171,147**
Net return for the period	-	-	-	-	3,594	(333)	3,261
Balance at 31 December 2023	**4,555**	**19,550**	**841**	**9,628**	**149,684**	**(9,850)**	**174,408**

For the year ended 30 June 2024 (audited)	Called up Share Capital £'000	Share Premium £'000	Non-distributable Reserve £'000	Capital Redemption Reserve £'000	Capital reserve† £'000	Revenue reserve*† £'000	Total £'000
Balance at 1 July 2023	**4,555**	**19,550**	**841**	**9,628**	**145,848**	**(9,275)**	**171,147**
Repurchase of Ordinary shares to be held in treasury	-	-	-	-	(1,199)	-	(1,199)
Net return for the year	-	-	-	-	5,324	(728)	4,596
Balance at 30 June 2024	**4,555**	**19,550**	**841**	**9,628**	**149,973**	**(10,003)**	**174,544**

† Retained earnings comprise the total of Capital reserve and Revenue reserve.

* Under the Company's Articles of Association any dividends may be distributed only from the revenue reserve element of retained earnings and, as at 31 December 2024, there were no available earnings of this type.

The Notes below form part of these accounts.

Statement of Cash Flows
for the six months ended 31 December 2024

	Six months ended 31 December 2024 (unaudited) £'000	Six months ended 31 December 2023 (unaudited) £'000
Cash flows from operating activities		
Investment income received (gross)	444	517
Deposit interest received	68	88
Investment management fee paid	(609)	(591)
Other cash expenses	(317)	(291)
Net cash outflow from operating activities before taxation and interest	**(414)**	**(277)**
Taxation	(70)	(80)
Net cash outflow from operating activities	**(484)**	**(357)**
Cash flows from investing activities		
Purchases of investments	(31,399)	(18,975)
Sales of investments	31,290	20,385

Net cash (outflow)/inflow from investing activities	**(109)**	**1,410**
Cash flows from financing activities		
Repurchase of ordinary shares into Treasury	(1,588)	-
Net cash outflow from financing activities	**(1,588)**	**-**
(Decrease)/increase in cash	**(2,181)**	**1,053**
Cash and cash equivalents at the start of the period	9,722	12,444
Realised loss on foreign currency	(32)	(120)
Cash and cash equivalents at end of the period	**7,509**	**13,377**

The Notes below form part of these accounts.

Notes to the Financial Statements for the six months to 31 December 2024

1. Accounting policies

Accounting policies

The accounting policies applied for the condensed financial statements are as set out in the Company's Annual Report & Accounts for the year ended 30 June 2024. They have been applied consistently during the period ended 31 December 2024.

FRS 104, 'Interim Financial Reporting', issued by the FRC in March 2015 has been applied in preparing the financial statements included in this half yearly report.

Basis of accounting
The accounts of the Company are prepared on a going concern basis under the historical cost convention, modified to include fixed asset investments at fair value through profit or loss and in accordance with the Companies Act 2006, UK GAAP and with the Statement of Recommended Practice ('SORP') for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies ('AIC') in November 2014 and updated in April 2021.

The functional and reporting currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

In accordance with the SORP, the Income Statement has been analysed between a revenue account (dealing with items of a revenue nature) and a capital account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income, operating expenses and tax. Net revenue returns are allocated via the revenue account to the retained earnings, out of which dividend payments may be made. Capital returns include, but are not limited to, profits and losses on the disposal and revaluation of fixed asset investments and currency profits and losses on cash and borrowings. Net capital returns may not be distributed by way of dividend and are allocated via the capital account to the retained earnings.

2. Gains on investments held at fair value through profit or loss

	Six months to 31 December 2024 £'000	Six months to 31 December 2023 £'000
Investment Income		
Net losses realised on sale of investments	(1,209)	(3,382)
Movement in investment holdings gains	10,813	7,097
Gains on investments held at fair value through profit or loss	**9,604**	**3,715**

3. Return per Ordinary share

	Six months to 31 December 2024 £'000	Six months to 31 December 2023 £'000
Net revenue loss	(448)	(333)
Net capital return	9,571	3,594
Net total return	**9,123**	**3,261**
Weighted average number of Ordinary shares in issue during the year	11,823,200	11,952,159
Revenue loss per Ordinary share	(3.8)p	(2.8)p
Capital return per Ordinary share	81.0p	30.1p
Total return per Ordinary share	**77.2p**	**27.3p**

4. Transaction Costs

During the period, expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

	Six months to 31 December 2024 £'000	Six months to 31 December 2023 £'000
Purchases	24	20

Sales	19	18
Total	**43**	**38**

5. Comparative information

The financial information contained in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the six months to 31 December 2024 and 31 December 2023 has not been audited.

The information for the year ended 30 June 2024 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 30 June 2024 have been filed with Companies House. The report of the auditors on those accounts contained no qualification or statement under section 498(2) or (3) of the Companies Act 2006.

6. Net asset value per Ordinary share

The net asset value per Ordinary share as at 31 December 2024, calculated in accordance with the Articles of Association, was as follows:

	31 December 2024		**30 June 2024**	
	Net asset value per share attributable (p)	**Net assets attributable £'000**	**Net asset value per share attributable (p)**	**Net assets attributable £'000**
Ordinary shares	1,550.0	182,079	1,471.4	174,544

Net asset value per Ordinary share on the balance sheet is based on net assets of £182,079,000 (30 June 2024: £174,544,000) and on 11,746,897 (30 June 2024: 11,862,159) Ordinary shares, being the number of Ordinary shares in issue at the end of the period.

7. Fair valuation of investments

The fair value hierarchy analysis for investments held at fair value at the period end is as follows:

	31 December 2024				**30 June 2024**			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments	174,943	-	-	174,943	165,925	-	-	165,925

Financial instruments include fixed asset investments, derivative assets and liabilities.

Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

Level 1: Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange.

Level 2: Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been recently suspended, forward exchange contracts and certain other derivative instruments.

Level 3: External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instruments. Included within this category are unquoted investments

8. Related parties and transactions with the manager

FundRock Partners Limited (FundRock) has been appointed as AIFM to the Company pursuant to an Alternative Investment Fund Management Agreement between FundRock and the Company. FundRock has also been appointed to provide company secretarial services to the Company.

Brown Advisory has been appointed to provide portfolio management services pursuant to a Portfolio Management Agreement between the Company, FundRock and Brown Advisory.

The management fee has been calculated at an annual rate of 0.7% on the first £200 million; 0.6% of the next £300 million; and 0.5% thereafter of the Company's adjusted net assets.

The management fee is payable by the Company to FundRock, who shall deduct from the management fee the amounts due to it as AIFM and for company secretarial services and shall pay the balance to Brown Advisory.

The management fee is calculated and payable on a quarterly basis.

The investment management fee payable to FundRock for the period 1 July 2024 to 31 December 2024 was £628,000. For the period 1 July 2023 to 31 December 2023 the fee payable was £603,000.

The appointment of Brown Advisory and FundRock may be terminated by not less than six months' notice.

There are no transactions with the directors other than the remuneration paid to the directors as disclosed in the Directors' Remuneration Report on pages 59 to 62 of the 2024 Annual Report & Accounts and as set out in Note 5 to the Accounts on page 85 and the beneficial interests of the directors in the ordinary shares of the Company as disclosed on page 62 of the 2024 Annual Report & Accounts.

Effective 1 January 2025, new management fee arrangements have been agreed with Brown Advisory as set out in the

Effective 1 January 2025, new management fee arrangements have been agreed with Brown Advisory as set out in the Chairman's statement above.

9. Other information

A copy of the Half-yearly financial results for the six months ended 31 December 2024 will shortly be submitted to the National Storage Mechanism and will be available for inspection at:
https://data.fca.org.uk/#/nsm/nationalstoragemechanism

The Half-yearly financial results for the six months ended 31 December 2024 will also be available to download from the Company's website www.brownadvisory.com/basc

Enquiries:

FundRock Partners Limited, Company Secretary
ukfundscosec@apexgroup.com

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on this announcement (or any other website) is incorporated into, or forms part of, this announcement.

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