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Schroder Income Growth Fund PLC
14 May 2025

Schroder Income Growth Fund plc

Half year report
For the six months ended 28 February 2025

Schroder Income Growth Fund plc (the "Company") hereby submits its half year report for the six months ended 28 February 2025 as required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 4.2.

Ewen Cameron Watt, Chairman of the Company, commented:

"The aim of your Company is to deliver excellent long-term performance to shareholders. In this respect, costs, the volatility of any discount to NAV, and the fact we can use leverage to raise returns and reserves to support dividend growth are all tools to boost shareholder outcomes."

Key highlights

- The Company has reduced its investment management services fee from 0.45% to 0.40% with effect from 1 September 2025. Furthermore, such fees will be charged on the lesser of market capitalisation or NAV of the Company. In addition, the separate fee for secretarial and administration services will be eliminated. The positive effect of these moves, all other things being equal, will be an annual cost reduction of over £300,000[1] (at an assumed prevailing 10% discount to NAV) or 0.4p per share.
- The Company has adopted an increasingly active attitude to managing the volatility and level of any discount of share price to NAV. The objective is to reduce the discount's volatility and look to maintain the discount to NAV within a single-digit range, in normal market conditions. The Board believes this best reflects the underlying strength of the portfolio and is in the shareholders' long-term interests.
- Matt Bennison has been promoted to Co-Manager of the Company, bringing his experience to work alongside Sue Noffke, Head of UK Equities, effective immediately. Matt began his investment career at Schroders in 2012 and has worked with Sue since 2015 as part of the Schroders' UK Prime team. For eight years, since 30 September 2017, he has supported the Company's portfolio and that same year expanded his role to include fund management responsibilities, becoming co-manager of the Prime UK Equity strategy. The appointment reflects our commitment to strengthening the Company's investment management team and ensuring continuity in our strategy to deliver long-term value for shareholders.
- The Company's NAV total return in the six months to 28 February 2025 was 2.9%. This compares to 5.2% for the FTSE All-Share Index.
- The Company has paid first and second interim dividends of 3.25 pence per share for the year ending 31 August 2025, up from 2.50 pence per share in 2024. The share of the total dividend linked to the first three interim dividends for FY 2025 is anticipated to be greater than in previous financial years, with the fourth interim dividend projected to be lower. This reflects the Board's commitment to providing shareholders with a more consistent dividend distribution in FY 2025 and beyond.

1: Based on the market cap and NAV of the Company as at 12 May 2025.

The Company's half year report is being published in hard copy format and an electronic copy of that document will shortly be available to download from the Company's web pages at: www.schroders.com/incomegrowth.

The Company's half year report will shortly be uploaded to the Financial Conduct Authority's National Storage Mechanism and will be available for inspection at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism

Enquiries:

Schroder Investment Management Limited

Kirsty Preston / Charlotte Banks (Press)	020 7658 6000
Natalia de Sousa (Company Secretary)	020 7658 6000

Chairman's Statement

I am pleased to present the half year results of your Company for the six months ended 28 February 2025.

Performance

After a strong financial year to 31 August 2024, it is disappointing that your Company underperformed the FTSE All-Share Index (the "Index") in the six month period to 28 February 2025, with a NAV total return of 2.9% compared with 5.2% for the Index. The share price total return of 1.8% was also lower than the NAV total return, with the discount to NAV increasing slightly from 10.4% to 11.6%, in line with a generally widening trend for investment trust discounts.

Underperformance reflects certain stock and sector positions, discussed in detail in your Investment Managers' review on the following pages. It also reflects an overweight position versus the Index in smaller and medium-sized companies during a period in which large-cap stocks outperformed. Longer-term, the track record remains above the Index since the current team took over in 2011 and mid-cap remains a fertile opportunity source.

Between 28 February 2025 to 12 May 2025, the NAV and share price have delivered total returns of -0.6% and 3.9% respectively, versus the return for the Index of -1.8%.

Revenue, dividends and a smoother distribution

Your Company has paid a first and second interim dividend for the year ending 31 August 2025 ("FY 2025") of 3.25 pence per share (2024: 2.50 pence per share). The increase in the first and second interim dividends from 2.50 pence per share in 2024 to 3.25 pence per share in FY 2025 demonstrates your Board's intention to provide shareholders with a more consistent dividend distribution in the 2025 financial year and beyond. As a result, the share of the total dividend linked to the first three interim dividends for FY 2025 is anticipated to be greater than in previous financial years, with the fourth interim dividend projected to be lower.

The income from investments received by your Company during the first half of the financial year fell by 3.9% compared to the same period last year. This is because of stock picking decisions made by your Investment Managers, which have led to the receipt of income being more heavily weighted to the second half of the financial year. There has also been a clear trend of companies now considering a wider range of strategies for returning surplus funds to shareholders, with an increased emphasis on share buybacks over dividends. This reflects the low absolute valuation of UK companies.

Your Company has revenue reserves of 7.8 pence per share (based on shares outstanding at the period end) after paying the first and second interim dividend; equivalent to 57% of the dividends paid last year. These reserves are available to support the level of dividend you receive, and this capability continues to be a significant benefit of our investment trust compared to other saving vehicles.

Your Board was pleased to deliver an increased dividend for the 29th consecutive year for the year ended 31 August 2024 and continues to aim to retain AIC "Dividend Hero" status. Your Board remains dedicated to delivering portfolio income supplemented, when necessary, by using revenue reserves to provide growing income for our shareholders.

Gearing

Your Company has in place a £30 million revolving credit facility with The Bank of Nova Scotia, London Branch, expiring in September 2025. The average gearing during the period was 12.3%. This made a contribution, net of financing costs, to your Company's income. As of 12 May 2025, gearing was 11.1%.

Discount management

I am acutely aware of the importance shareholders place on the discount of share price to NAV. Your Board has an active approach to this challenge and regularly reviews the level and volatility of discount and the effectiveness of your Company's discount control mechanisms. Your Board is prepared to act where appropriate, including share buybacks, to help manage the discount in the interests of shareholders.

Your Board believes that sustained investment performance, clear communication of the Company's strategy, and effective shareholder engagement are key to supporting a healthy rating over the long-term.

Your Company's discount to NAV at the period end amounted to 11.6%.

During the six months to 28 February 2025, your Company bought back 211,100 ordinary shares, equating to 0.3% of your Company's issued share capital (excluding treasury shares), for a sum of £611,204, to be held in treasury. The average price paid per share was £2.87.

Post period end, and as at 12 May 2025, your Company bought back a further 373,486 ordinary shares into treasury for a sum of £1,099,866. As at 12 May 2025, the discount to NAV was 7.4% compared to 11.6% at the end of the period.

Shareholder engagement

Your Board is aware of the increasing focus across the investment trust sector on issues such as discount management

Your Board is aware of the increasing focus across the investment trust sector on issues such as discount management, capital allocation, and governance, often driven by more active shareholder engagement. Your Board remains committed to maintaining high standards of governance and to acting in the best interests of all shareholders. We regularly review the Company's structure, performance, and shareholder alignment to ensure it continues to meet the evolving expectations of the market. In this context, shareholders are reminded that they will have the opportunity to vote on the continuation of the Company at the Annual General Meeting this year and every five years thereafter.

Enhancing shareholder returns

The aim of your Company is to deliver excellent long-term performance to shareholders. In this respect, costs, the volatility of any discount to NAV, and the fact we can use leverage to raise returns and reserves to support dividend growth are all tools to boost shareholder outcomes.

Therefore, I am pleased to announce a series of measures which we hope will enhance returns per share.

One of the largest elements of costs is the fee paid for investment management services provided by Schroders. I am pleased to announce that this will be reduced from 0.45% to 0.40% with effect from 1 September 2025. Furthermore, such fees will be charged on the lesser of market capitalisation or NAV of your Company. In addition, the separate fee for secretarial and administration services will be eliminated. The positive effect of these moves, all other things being equal, will be an annual cost reduction of over £300,000[1] (at an assumed prevailing 10% discount to NAV) or 0.4p per share.

Furthermore, your Board are adopting an increasingly active attitude to managing the volatility and level of any discount of share price to NAV. Our objective is to reduce the discount's volatility and look to maintain the discount to NAV within a single-digit range, in normal market conditions, that we believe reflects the underlying strength of the portfolio and is in the shareholders' long-term interests.

I am also pleased to announce the promotion of Matt Bennison to Co-Manager of your Company, bringing his experience to work alongside Sue Noffke, Head of UK Equities, effective immediately. Matt began his investment career at Schroders in 2012 and has worked with Sue since 2015 as part of the Schroders' UK Prime team. For eight years, since 30 September 2017, he has supported your Company's portfolio and that same year expanded his role to include fund management responsibilities, becoming co-manager of the Prime UK Equity strategy. The appointment reflects our commitment to strengthening your Company's investment management team and ensuring continuity in our strategy to deliver long-term value for shareholders.

I am very happy with the support we have received from Schroders in agreeing to our proposals. Such support allied to an investment team which has produced added value over index returns and dividend growth above the market average across many years should encourage shareholders to believe your interests are paramount in the running of your Company.

Outlook

The underperformance against the FTSE All-Share Index during the period under review was concentrated on stock selection in several sectors, most notably consumer discretionary, industrials and consumer staples. This more than offset positive positioning and stock selection in the financial sector, which was the largest contributor to relative performance. Mid- and small-cap exposure, which had contributed to your Company's outperformance in the last financial year, proved a drag against a backdrop of higher macroeconomic and geopolitical risk. However, the freedom to invest across the market capitalisation spectrum has been a key driver of your Investment Managers' longer-term total return outperformance of the Index and could also prove positive in the future if the new UK government can succeed in its mission to return the country to a stable path of economic growth.

Returning to the reporting period, the six months under review and in particular the period since the half year completed in February, have been nothing if not eventful on both the domestic and the geopolitical stage. The half year began on an optimistic note, with UK interest rates falling from post-Covid highs and businesses hopeful of a boost from the incoming government's growth agenda. However, reality failed to match up to expectation, and the employers' National Insurance increases announced in the October Budget, along with a rise in the National Minimum Wage, led to further weakness in the share prices of the UK market's domestic stocks. Additionally, this weighed on GDP growth forecasts and put upward pressure on inflation, leading to a likelihood of fewer and slower further cuts in interest rates.

President Trump's election in November for a second term initially boosted enthusiasm for larger UK-listed companies exposed to the US economy, although actions taken since his inauguration in January have unsettled global markets. At the time of writing, the imposition of tariffs on nations that trade with the US has caused a widespread loss of business and consumer confidence and material stock market volatility. Your Manager and Board continue to believe that sustainable business models backed by strong balance sheets represent the best long-term value for shareholders.

Ewen Cameron Watt

Chairman

13 May 2025

1: Based on the market cap and NAV of your Company as at 12 May 2025.

Investment Manager's Review

"The UK equity market has been long unloved. At current prices it trades at valuations which are at a 20% discount to both its own long run history and other international equity markets. It would not take much, for even a small move out of US equities were it to be redirected towards the UK equity market, to move the dial on valuations."

Introduction

The six months under review have been eventful including numerous elections notably in the US, a far-reaching budget in the UK, and heightened tensions surrounding Ukraine and the Middle East. Against an uncertain backdrop, your Investment Managers have continued to apply their rigorous and disciplined investment approach, aiming to take advantage of mispriced opportunities while delivering a sustainable stream of income alongside the potential for capital appreciation.

Your Company's NAV total return in the six months to 28 February 2025 was 2.9%. This compares to 5.2% for the FTSE All-Share Index. The share price total return was 1.8%, as the discount to NAV increased slightly from 10.4% to 11.6%, in line with a generally widening trend for investment trust discounts.

Revenue after tax decreased by 7.1% versus the same period last year. Investment income fell by 3.9% with higher average finance and other costs weighing on revenues. There were no special dividends received in the period - the first time in 10 years - as companies which previously may have chosen to return surplus capital to shareholders in the form of dividends did so instead via share buybacks. Excluding the impact of special dividends, ordinary dividend income generated in the period was flat. The environment for dividend growth remains relatively muted, reflecting a capital allocation preference for share buybacks amid low equity valuations, and in some cases pursuit of organic investment opportunities. It is important to note that your Company receives approximately one third of its income in the first half and around two thirds in your Company's second half. This is due to the heavy weight of final dividends concentrated in the March to August period; 11 holdings, representing 24.4% of assets, pay all their income in the Company's second half.

Compared to previous periods, a larger proportion of holdings either maintained their dividends (9.1%) or modestly increased them (31.3%), broadly keeping pace with inflation. This included companies within a broad set of sectors from property and financials to consumer and industrials. There was a small headwind from currency movements on dividends which are declared in US dollars and then converted to sterling. A handful of portfolio holdings increased their dividends strongly, by more than 10% - investment company 3i, pensions consulting business **XPS Pensions**, food manufacturing company **Cranswick**, and business services company **Bunzl**. A further five holdings increased their dividends between 5% and 10% including pharmaceutical company **AstraZeneca** together with mid-cap holdings in construction company **Balfour Beatty**, and defence services business **QinetiQ**. Luxury goods company, **Burberry**, did not pay a dividend in the period, to preserve strength of its balance sheet as it invests in its operational turnaround. Power utility company, **National Grid**, rebased its dividend lower as it pivots its capital allocation to incorporate a higher investment phase in growth projects - it also raised £6 billion through a rights issue, which we supported, to pursue these opportunities. Housebuilder **Taylor Wimpey** pays an attractive yield of around 9%. However, the dividend for the period was slightly lower than the amount declared for the same period in the previous year. This is due to the company calculating dividends as a return of 7.5% of its net assets per annum, which experienced a slight decrease. **Hollywood Bowl** paid a reduced final dividend in the period, although we note that its ordinary dividend for its full year increased modestly. The company opted to forgo paying a special dividend, as it has done in many prior years, in favour of a share buyback.

As your Investment Managers have previously noted, there is a continuing shift in the capital allocation policies of some UK companies, with a greater focus on total shareholder returns through the use of share repurchases as well as the payment of dividends. According to Computershare's Q1 2025 report, the pace of share buybacks accelerated in the second half of 2024. The annual total for 2024 of £63.2 billion was up almost 6% on levels seen in 2023. Total shareholder returns in 2024 - dividends plus share buybacks - was £153.4 billion, giving a shareholder yield of over 6%.

In the six months to 28 February 2025, a total of 24 holdings conducted share buybacks over the period, representing 60.7% of the portfolio by average weight. The UK market has been broadly out of favour with international investors for the best part of a decade, and when shares are trading below their intrinsic value, it is immediately accretive for companies to deploy capital in buying back and cancelling some of their shares. All else being equal, this also has the effect of increasing the dividends per share.

Market background

The first half of your Company's 2025 financial year began with a new Labour government, which promised to prioritise economic growth. There was a solid global economic backdrop, dominated by US exceptionalism, which featured vibrant economic growth and investment. However, in the lead up to October's main fiscal event, the new UK government highlighted the problems facing the nation and delivered one of the most far-reaching Budgets in many years, which included increases in national insurance for employers as well as National Minimum Wage increases. Consumer and business confidence took a hit and has led to sustained weakness in share prices of the UK market's domestic stocks, particularly in small and mid-sized companies.

In the US, Donald Trump's victory in the November election for a second term initially boosted market sentiment for larger UK-listed companies that were exposed to the US economy. The strength of the dollar provided a further tailwind to the performance of those companies with significant international earnings. However, since President Trump's inauguration in January, the new President has contributed to an increasingly uncertain geopolitical and business environment with a slew of executive orders which targeted government efficiency and tariffs on all countries exporting to the US and particularly China. In this more uncertain environment, small and mid-sized companies have struggled to perform, both in the UK and elsewhere in the world.

Your Investment Managers, who have the freedom to invest across the UK market wherever they see the best opportunities for income and capital growth, have maintained a significant overweight position in smaller and mid-sized companies, which has weighed on performance in the period under review. Valuations remain appealing, and it is your Investment Managers' view that there are many attractively valued small and mid-sized companies.

Portfolio performance

After outperforming the FTSE All-Share Index return by 2% in NAV total returns in the year ended 31 August 2024, your Company faced a more challenging environment in the six months to 28 February 2025. This period saw underperformance, particularly affecting domestic businesses and those outside the large-cap FTSE 100 Index. Mid and small-sized companies experienced declines in share prices, with the FTSE 250 ex Investment Trusts and the FTSE SmallCap ex Investment Trusts indices falling by 4.2% and 7.3%, respectively. In contrast, the largest businesses in the FTSE 100 achieved a positive total return of 6.5% over the same period. This performance divergence by size impacted your Company's portfolio, which has greater exposure to small and mid-sized companies, +7.3% relative to benchmark and consequently a significant underweight position of -8.2% in larger companies.

As well as the impact of size, underperformance was a result of adverse stock selection in several sectors, most notably consumer discretionary, industrials and consumer staples. This more than offset positive positioning and stock selection in the financial sector, which was the largest contributor to relative performance.

Five top/bottom relative performers

	Portfolio weight[1] (%)	Weight relative to index[2] (%)	Relative performance[3] (%)	Impact (%)
Standard Chartered	3.6	+2.8	+57.7	+1.3
Burberry	1.5	+1.3	+57.5	+0.5
Pearson	2.7	+2.3	+23.8	+0.5
3i Group	3.6	+2.2	+20.5	+0.4
Lloyds Banking	3.1	+1.6	+19.6	+0.3

	Portfolio weight[1] (%)	Weight relative to index[2] (%)	Relative performance[3] (%)	Impact (%)
Rolls Royce	0.0	-2.0	+44.7	-0.8
QinetiQ	2.8	+2.7	-20.7	-0.6
Pets at Home	1.8	+1.7	-27.4	-0.6
Taylor Wimpey	1.5	+1.3	-32.6	-0.5
Barclays	0.0	-1.6	+33.6	-0.5

Source: Schroders, Aladdin, for Schroder Income Growth investment portfolio, six months to end February 2025.

[1]Average weights over the period.

[2]Total return of the stock relative to the FTSE All-Share TR over the period.

[3]Contribution to performance relative to the FTSE All-Share TR. The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

At a sector level, the main driver of negative relative returns was stock selection in the consumer discretionary area, where the portfolio is overweight compared to the Index. Two significant detractors in this sector were retail and veterinary business **Pets at Home** and housebuilder **Taylor Wimpey**, **Pets at Home**, has been affected by a long-running Competition & Markets Authority investigation into veterinary pricing, and recent increases in National Insurance contributions and the National Minimum Wage have added pressure on its share price. Taylor Wimpey must balance the countervailing factors of a more favourable planning backdrop and a higher-for-longer interest rate environment, which is putting pressure on mortgage affordability. Management have retained a policy of paying out a sum equivalent to 7.5% of net assets, and its dividend yield at the time of writing is nearly 9%.

Within industrials, stock selection in aerospace and defence businesses was detrimental. Rolls Royce, which your Company's portfolio does not own, has performed well throughout the past year, as order books strengthened with a strong post-Covid pandemic recovery in both civil and defence aerospace end markets. Defence services business **QinetiQ**, which is held, disappointed, despite enjoying some of the same tailwinds. The US election result brought uncertainty for the defence sector, weighing more on its share price.

An overweight exposure together with stock selection in the utilities sector also detracted from relative returns. Concerns regarding the UK fiscal position in the wake of the UK government's budget led to a rise in UK bond yields which weighed on sectors with 'bond proxy' like characteristics such as utilities. Your Company's holdings in this area are concentrated in electricity generation, distribution and supply, through holdings in **National Grid** and **SSE**. The main detractor was SSE. Despite this short-term weakness, both companies have strong medium to long-term growth outlooks given significant investment requirements in the UK electricity grid.

On the positive side, the biggest impact came from the overweight position in the financial sector. Banks have delivered strong dividend increases and share buybacks, boosting total shareholder return. **Standard Chartered**, whose core customer base is in Asia, was the top contributor. The more domestically focused **Lloyds Banking Group** and **NatWest** also performed well. Private equity investor **3i** added to returns, driven by strong performance from its main holding, European discount retailer Action, which is continuing to expand its store estate as muted consumer confidence sees shoppers embracing more budget-friendly options.

Your Company did have some positive positions within consumer discretionary with luxury goods group **Burberry** and education publisher **Pearson**. Burberry's share price has moved higher from its distressed levels in September 2024. Your Investment Managers engaged throughout 2024 due to the disappointing performance and had early access to the new CEO, and also met with the chair and non-executive directors. Management's clarity on their turnaround strategy, and your Investment Managers' scenario analysis work, resulted in adding to the portfolio's holding on this share price weakness. Although Burberry has yet to reinstate its dividend, its capital performance illustrates the benefit of owning non-yielding stocks. Meanwhile, education publisher **Pearson** has been a beneficiary of dollar strength given its international footprint, and has seen its operational and financial performance improve under its new chief executive. Pearson's advances in its use of digital technology, including embedding AI study tools in some of its products, lead your Investment Managers to be hopeful that the company can begin to emulate the success of RELX, which also has its roots in paper-based publishing but has transformed itself into a digital information business that is now the UK's fifth-largest listed company.

The use of gearing, a key benefit of your Company's investment trust structure, was also positive for performance in the period under review, even once costs were considered.

Portfolio activity

During the period, your Investment Managers sold out of five positions and added four new holdings.

Exited and trimmed positions

As ever, your Investment Managers have closely monitored existing positions. Disruption to the automotive industry distribution channels from the export success of Chinese care manufacturers led to a re-evaluation of the investment thesis for **Inchcape**, and its disposal from the portfolio. A reassessment of the path for UK interest rates led to the disposal of **British Land**. Elsewhere, power company **Drax Group** was sold, and several holdings were trimmed following strong share price performance, including **XPS Pensions**, telecoms business **BT Group**, and **QinetiQ**. Although QinetiQ was a detractor for the period, it initially performed well along with the rest of the defence sector during the geopolitical uncertainty of early 2025; therefore, the position was trimmed into share price strength.

Drax Group has performed well but is reliant on government subsidy as one of the largest developers of BECCS ("Bioenergy with carbon capture and storage") in both the UK and US. BECCS is one of the key carbon capture technologies that will be needed to help the UK hit its Net Zero ambitions. However, to make the economics of biomass work, Drax needs to implement BECCS on a large scale, which requires government funding. With public finances stretched, your Investment Managers saw it was difficult to sanction large projects with unproven returns and this elevated the risk for the holding. US BECCS has been another growth angle. However, this option looked challenged by the Trump Administration's preference for traditional fossil fuel energy sources. As a result, following a strong run in the shares, the position was sold.

Global automotive distributor **Inchcape** (1.7% of the portfolio at the start of the period) was another complete exit. The traditional automotive sector is undergoing a period of notable change, as Chinese carmakers take significant market share globally, and companies like Tesla have direct-to-market strategies that bypass traditional distributors. This threatens the "status quo"' of the industry, creating uncertainty for the Inchcape business model, which relies upon distribution relationships primarily with more established "traditional" auto manufacturers. Your Investment Managers sold the holding.

The position in **British Land** (a new holding in the previous year, and 0.9% of the portfolio at the start of the period under review) was closed out as it became clear, following the October Budget, that interest rates would not be reducing at the pace or to the extent your Investment Managers had previously expected.

Small positions in gaming company **Evoke** (previously 888) and industrial polymer specialist **Victrex** (both 0.4% of the

Small positions in gaming company **Evoke** (previously 888) and industrial polymer specialist **Victrex** (both 0.4% of the portfolio at the start of the period) were also exited.

Within pharmaceuticals, your Investment Managers re-positioned the portfolio's holdings by reducing **GSK** in favour of AstraZeneca. While GSK settled most of the litigation claims in relation to its drug Zantac at a lower cost than many had expected, disappointment within the group's vaccine franchise for respiratory syncytial virus and shingles led to earnings downgrades, undermining the valuation appeal. In addition, there are fewer pipeline catalysts in 2025 compared with AstraZeneca to generate interest in the investment case.

New holdings and additions

The capital from these divestments has been recycled into opportunities your Investment Managers believe are more compelling. Additions to existing holdings where your Investment Managers have conviction for their long-term prospects include banks, notably **HSBC**, and other financials such as asset manager **ICG**, inter-dealer broker **TP-ICAP**, as well as consumer healthcare business **Haleon**, and luxury retailer **Burberry**.

Burberry was an example of your Investment Managers' active engagement process in action. The stock was a major detractor in the prior year, with poorly timed and executed strategic shifts as well as a profit warning and the cancellation of its dividend. The team engaged with the company on four separate occasions in 2024, helping to encourage changes such as the appointment of a new CEO, Josh Schulman, who has experience of steering corporate turnarounds in the luxury sector. After a detailed scenario analysis, modelling both downside risks and upside potential, your Investment Managers materially added to the position in September (having previously reduced it on the back of poor performance), a stance that was swiftly vindicated as the share price rallied by circa 90% between early September and the end of the period under review.

Housebuilder **Taylor Wimpey** was another significant addition after share price weakness following the Budget (with sustained higher interest rates putting pressure on mortgage affordability). Your Investment Managers believe it should be a beneficiary of the Government's pledge to increase the number of houses being built. Meanwhile, with the share price barely above the levels seen at the start of the Covid pandemic or the Truss/Kwarteng mini-Budget of 2022, the medium-term value opportunity looks compelling.

New to the portfolio is **International Airlines Group**, which is well-positioned within a robust airline industry. The impact of the Covid pandemic has led to reduced capacity, and ongoing supply chain challenges are limiting the availability of new aircraft. This supply constraint coincides with increasing demand for air travel, driven by rising consumer spending on holidays and a recovery in business travel, especially long-haul flights. As a result, airlines, including IAG, are enjoying strong pricing power. IAG also benefits from an appealing geographical footprint, a solid portfolio of brands, strong cash generation, and significant opportunities for improvement through technology upgrades. These factors should enable the company to deliver earnings growth earnings and free cash flow in the coming years.

Also, among the buys, global drinks giant **Diageo** was perhaps not so 'new' as a modest position was held in the portfolio during the previous year but then exited on fears that the destocking cycle would be more damaging than expected. Having reassessed the thesis in recent months, your Investment Managers bought back in to the company. This followed a rebasing of profits expectations for the near term, further underperformance of the shares (meaning they offered compelling value) and the appointment of an experienced and well-regarded chief financial officer who could drive efficiencies. With the destocking cycle now more advanced, sales could be close to a trough, pointing to the possibility of a recovery; meanwhile, Diageo has increased its dividend payments by more than 15% year-on-year in the past 12 months.

Your Investment Managers also initiated a holding in premium drinks mixer brand **Fevertree Drinks** (an AIM-listed mid-cap stock), which has teamed up with Molson Coors to undertake a capital-light distribution arrangement for the US that should underpin cash generation coming back to shareholders.

Your Investment Managers commenced buying a position in **Telecom Plus,** which operates as a Utility Warehouse, a provider of bundled home services including energy, broadband, mobile and insurance into one monthly bill. Customers save money through deals that the company is able to strike with its suppliers.

Outlook

US exceptionalism, riding high at the turn of the calendar year, has been replaced by policy uncertainty of unprecedented levels. President Trump 2.0 has sought to change the world order on both trade, and security and defence. There are truths at the heart of both these issues - that the US has borne more than its fair share of costs but also benefitted from buying goods cheaply from the rest of world, whilst the rest of the world funded the US government through purchases of US Treasury bonds and US dollars. President Trump's so called "reciprocal tariffs" were larger and more wide ranging than had been anticipated. This resulted in significant volatility in global equity markets and the US bond market during April, together with weakness in the US dollar.

The impact of President Trump's approach to defence spending, and attempts to resolve the ongoing conflict between Russia and Ukraine, has succeeded in spurring European countries to commit to future increased spend on defence, in absolute terms and as a proportion of their GDP. The newly elected German government has released its fiscal debt brake absolute terms and as a proportion of their GDP. The newly elected German government has released its fiscal debt brake and looks set to spend significant sums on defence and infrastructure projects which could, all other things being equal, provide a boost to the German and European economy.

Bond markets tested the US administration's resolve. Sharply rising yields provoked a U-turn from Trump when on 9 April he announced a 90 day pause on tariffs for all but China. This, together with moves to carve out specific sectors with targeted tariffs, such as consumer electronics and autos, may be sufficient to have cut the tail risks of a major recession, however many possible outcomes, and risks remain. At the time of writing, there are signs of a thaw in US - China relations, as well a proposed deal between the US and Ukraine on minerals.

President Trump's "Liberation Day" was followed by a blizzard of announcements, U-turns, 90 day reprieves, and escalation of tariffs against China. The situation is fluid and ongoing, we anticipate there could be several more twists and turns and that de-escalation is likely. There will likely be much debate over the path of the US and thus global economy. In the shorter-term, inflation expectations have increased, consumer and business sentiment has declined and slower growth is expected. The rest of world could see a slowdown in the rate of inflation - from falling energy costs, exchange rate movements, and as goods previously destined for the US get redirected to other countries. Interest rates outside of the US could fall further and faster than previously anticipated. Your Investment Managers anticipate that central banks around the world stand ready to respond with accelerated rate cuts, as necessary. The markets are currently pricing between three and four cuts, of one quarter of a percent, in Europe, the UK, and the USA. The US Federal Reserve will likely tread more carefully until the US economic situation becomes clearer.

It is too early to know whether the events of the past few weeks of President Trump's presidency will lead to a reassessment of asset allocation on the part of investment managers seeking to diversify from their portfolio concentration in US assets.

Meanwhile flows out of UK equities have continued at pace over the first quarter of 2025. These outflows have continued to weigh on valuations, particularly at the small and mid-cap end of the market spectrum. This has spurred a wide range of companies to use their surplus cash to commence or extend buying their own shares for cancellation. As stated in previous reports, your Investment Managers view UK equity market valuations as having more cushion to absorb disappointment than the more highly valued US equity market - where downside risk is neither priced into market earnings expectations nor valuation multiples. By contrast, the UK equity market has been long unloved. At current prices it trades at valuations which are a 20% discount to both its own long run history and other international equity markets. It would not take much, for even a small move out of US equities were it to be redirected towards the UK market, to move the dial on valuations.

The UK economic backdrop has remained one of sluggish growth and moderating inflation. Increased employment costs, including the National Minimum Wage and National Insurance costs from April 2025, are an inflationary pressure. However, sterling's strength against the US dollar, together with falls in oil prices and energy costs, and an element of redirected goods no longer destined for the large US consumer market, if sustained, could provide an offset. Corporate and consumer balance sheets are in good health with household savings rates of 12% at 25-year highs, except for the Covid period. According to Computershare, UK dividend prospects for 2025 are "relatively muted" with lower special dividends but median growth at the company per share level expected to continue around 4%. Exchange rate movements, if sustained, would moderate that growth from the market. Your Investment Managers continue to see attractive long-term opportunities in under owned and under researched areas of the UK equity market - particularly in domestic and smaller sized companies where share price performance has lagged that of larger sized companies and other equity markets.

While there are many uncertainties to consider, in such circumstances your Investment Managers draw on past experiences of market dislocations and economic uncertainty (Covid pandemic, LDI/Truss Crisis, Brexit, Global Financial Crisis), and tread carefully. Your Investment Managers use their tried and tested investment process that shape their investment decisions. The focus is on the fundamentals of the portfolio companies and taking a longer-term view. Your Investment Managers evaluate upside as well as downside risks, as well as seek out potential opportunities. It is vital to avoid reacting to short-term share price pressures and back portfolio holdings where your Investment Managers believe the investment thesis is intact. Sticking with portfolio holdings where your Investment Managers believe the fundamentals offer longer-term shareholder value is how they have achieved consistency in their long-term track record. Your Investment Managers see the longer-term outlook for your portfolio holdings as very encouraging but accept that the near term is especially uncertain.

Your Investment Managers' activity across the portfolio since the end of February has been to balance the twin objectives of your Company. Firstly, a focus on generating dividend income from the portfolio over the key period for holdings paying their large final dividends and secondly, a focus on capital returns for shareholders over the longer-term.

Mining exposures have been switched (**Glencore** to **Rio Tinto**) and then reduced (**Rio Tinto** exited) following dividend payments being secured. Industrials exposures, already underweight, have been moderated further (we exited **Bunzl** and **Johnson Matthey** and reduced **QinetiQ**). Within the broad industrial sector group, your Investment Managers have used the market volatility to add higher quality names where share prices offered attractive entry points for investors with longer-term horizons; (testing and assurance company, **Intertek** and defence contractor, **BAE Systems**). Within financials, holdings have been broadened with new positions taken in higher yielding companies - speciality insurance provider, **Lancashire Holdings** and Italian bank **Intesa Sanpaolo**, after exiting investment group M&G following payment of its dividends. Your

Investment Managers further increased their overweight position in the UK utilities sector with additions to **National Grid** and **SSE**.

Sales of various higher yielding holdings, post their dividend payments, has increased cash in the portfolio and moderated the level of gearing. Investments are focused on strongly positioned and financed companies, trading at attractive valuations, and offering in aggregate, attractive levels of dividend yield with the prospects of growth in that income stream over the longer-term.

Schroder Investment Management Limited

13 May 2025

Interim Management Statement

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; economic and market; custody; gearing; accounting, legal and regulatory; service provider; cyber; and ESG and climate change. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 24 to 26 of the Company's published annual report and financial statements for the year ended 31 August 2024.

The Company's principal risks and uncertainties have not materially changed during the six months ended 28 February 2025.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 27 of the published annual report and financial statements for the year ended 31 August 2024, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 28 February 2025.

Directors' responsibility statement

In respect of the half year report for the six months ended 28 February 2025, the Directors confirm that, to the best of their knowledge:

- the condensed set of Financial Statements contained within have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in July 2022 and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company as at 28 February 2025, as required by the Disclosure Guidance and Transparency Rule 4.2.4R; and
- the half year report includes a fair review of the information as required by the Disclosure Guidance and Transparency Rules 4.2.7R and 4.2.8R.

The half year report has not been audited or reviewed by the Company's Auditor.

Ewen Cameron Watt
Chair
For and on behalf of the Board

13 May 2025

Statement of Comprehensive Income

for the six months ended 28 February 2025 (unaudited)

		(Unaudited) For the six months ended 28 February 2025			(Unaudited) For the six months ended 29 February 2024			(Audited) For the year ended 31 August 2024		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss		-	5,098	5,098	-	2,500	2,500	-	30,756	30,756
Net foreign currency gains		-	-	-	-	23	23	-	23	23
Income from investments		2,878	-	2,878	2,995	-	2,995	9,742	275	10,017

Other interest receivable and similar income		-	-	-	-	-	-	142	-	142
Gross return		**2,878**	**5,098**	**7,976**	**2,995**	**2,523**	**5,518**	**9,884**	**31,054**	**40,938**
Management fee		(227)	(341)	(568)	(205)	(307)	(512)	(436)	(654)	(1,090)
Administrative expenses		(329)	-	(329)	(282)	-	(282)	(585)	-	(585)
Net return before finance costs and taxation		**2,322**	**4,757**	**7,079**	**2,508**	**2,216**	**4,724**	**8,863**	**30,400**	**39,263**
Finance costs		(350)	(524)	(874)	(385)	(578)	(963)	(779)	(1,168)	(1,947)
Net return before taxation		**1,972**	**4,233**	**6,205**	**2,123**	**1,638**	**3,761**	**8,084**	**29,232**	**37,316**
Taxation	3	-	-	-	-	-	-	-	-	-
Net return after taxation		**1,972**	**4,233**	**6,205**	**2,123**	**1,638**	**3,761**	**8,084**	**29,232**	**37,316**
Return per share (pence)	**4**	**2.84**	**6.10**	**8.94**	**3.06**	**2.36**	**5.42**	**11.64**	**42.09**	**53.73**

The "Total" columns 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 items of other comprehensive income, and therefore the net return after taxation is also the total comprehensive income for the period.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

Statement of Changes in Equity

for the six months ended 28 February 2025 (unaudited)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2024		6,946	9,449	2,011	1,596	34,834	166,344	10,381	231,561
Repurchase of ordinary shares into treasury		-	-	-	-	(615)	-	-	(615)
Net return after taxation		-	-	-	-	-	4,233	1,972	6,205
Dividends paid in the period	5	-	-	-	-	-	-	(6,907)	(6,907)
At 28 February 2025		**6,946**	**9,449**	**2,011**	**1,596**	**34,219**	**170,577**	**5,446**	**230,244**

for the six months ended 29 February 2024 (unaudited)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2023		6,946	9,449	2,011	1,596	34,936	137,112	11,882	203,932
Net return after taxation		-	-	-	-	-	1,638	2,123	3,761
Dividends paid in the period	5	-	-	-	-	-	-	(6,113)	(6,113)
At 29 February 2024		**6,946**	**9,449**	**2,011**	**1,596**	**34,936**	**138,750**	**7,892**	**201,580**

for the year ended 31 August 2024 (audited)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2023		6,946	9,449	2,011	1,596	34,936	137,112	11,882	203,932
Repurchase of ordinary shares into treasury		-	-	-	-	(102)	-	-	(102)
Net return after taxation		-	-	-	-	-	29,232	8,084	37,316
Dividends paid in the year	5	-	-	-	-	-	-	(9,585)	(9,585)

At 31 August 2024	**6,946**	**9,449**	**2,011**	**1,596**	**34,834**	**166,344**	**10,381**	**231,561**

Statement of Financial Position

as at 28 February 2025 (unaudited)

	Note	(Unaudited) 28 February 2025 £'000	(Unaudited) 29 February 2024 £'000	(Audited) 31 August 2024 £'000
Fixed assets				
Investments held at fair value through profit or loss		258,324	229,062	258,409
Current assets				
Debtors		633	755	1,909
Cash and cash equivalents		1,773	2,492	1,692
		2,406	**3,247**	**3,601**
Current liabilities				
Creditors: amounts falling due within one year	6	(30,486)	(30,729)	(30,449)
Net current liabilities		**(28,080)**	**(27,482)**	**(26,848)**
Total assets less current liabilities		**230,244**	**201,580**	**231,561**
Net assets		**230,244**	**201,580**	**231,561**
Capital and reserves				
Called-up share capital	7	6,946	6,946	6,946
Share premium		9,449	9,449	9,449
Capital redemption reserve		2,011	2,011	2,011
Warrant exercise reserve		1,596	1,596	1,596
Share purchase reserve		34,219	34,936	34,834
Capital reserves		170,577	138,750	166,344
Revenue reserve		5,446	7,892	10,381
Total equity shareholders' funds		**230,244**	**201,580**	**231,561**
Net asset value per share (pence)	**8**	**332.65**	**290.20**	**333.54**

Registered in England and Wales as a public company limited by shares.

Company registration number: 03008494

Notes to the Financial Statements

1. Financial Statements

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's auditor.

The figures and financial information for the year ended 31 August 2024 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies and included the report of the auditor which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in July 2022.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these financial statements are consistent with those applied in the financial statements for the year ended 31 August 2024.

3. Taxation

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. Taxation on ordinary activities comprises irrecoverable overseas withholding tax.

4. Return per share

	(Unaudited) For the six months ended 28 February 2025 £'000	(Unaudited) For the six months ended 29 February 2024 £'000	(Audited) For the year ended 31 August 2024 £'000
Revenue return	1,972	2,123	8,084
Capital return	4,233	1,638	29,232
Total return	**6,205**	**3,761**	**37,316**
Weighted average number of ordinary shares in issue during the	69,396,551	69,463,343	69,449,119

Weighted average number of ordinary shares in issue during the period	[illegible]	[illegible]	[illegible]
Revenue return per share (pence)	2.84	3.06	11.64
Capital return per share (pence)	6.10	2.36	42.09
Total return per share (pence)	**8.94**	**5.42**	**53.73**

5. Dividends paid

	(Unaudited) For the six months ended 28 February 2025 £'000	(Unaudited) For the six months ended 29 February 2024 £'000	(Audited) For the year ended 31 August 2024 £'000
2024 fourth interim dividend of 6.7p (2023: 6.3p)	4,651	4,376	4,376
First interim dividend of 3.25p (2024: 2.5p)	2,256	1,737	1,737
Second interim dividend of 2.5p	-	-	1,737
Third interim dividend of 2.5p	-	-	1,735
	6,907	**6,113**	**9,585**

A second interim dividend of 3.25p (2024: 2.5p) per share, amounting to £2,237,325 (2024: £1,737,000) has been declared payable in respect of the year ending 31 August 2025.

6. Creditors: amounts falling due within one year

	(Unaudited) At 28 February 2025 £'000	(Unaudited) At 29 February 2024 £'000	(Audited) At 31 August 2024 £'000
Other creditors and accruals	486	729	449
Bank loan	30,000	30,000	30,000
	30,486	**30,729**	**30,449**

The bank loan comprises £30.0 million drawn down on the Company's secured revolving credit facility with The Bank of Nova Scotia, London Branch.

Prior to the start of the new loan agreement with The Bank of Nova Scotia, London Branch, effective 20 September 2024, the Company had an unsecured revolving credit facility with SMBC Bank International plc (29 February 2024 and 31 August 2024: £30.0 million).

7. Called-up share capital

	(Unaudited) For the Six months ended 28 February 2025 £'000	(Unaudited) For the six months ended 29 February 2024 £'000	(Audited) For the year ended 31 August 2024 £'000
Opening balance of ordinary shares of 10p each, excluding shares held in treasury	6,942	6,946	6,946
Repurchase of shares held in treasury	(21)	-	(4)
Subtotal of shares in issue, excluding shares held in treasury	6,921	6,946	6,942
Shares held in treasury	25	-	4
Closing balance of shares in issue of 10p each	**6,946**	**6,946**	**6,946**

Changes to called up share capital during the period/year were as follows:

	(Unaudited) For the six months ended 28 February 2025 £'000	(Unaudited) For the six months ended 29 February 2024 £'000	(Audited) For the year ended 31 August 2024 £'000
Ordinary shares of 10p each, allotted, called-up and fully paid:			
Opening balance of shares in issue, excluding shares held in treasury	69,425,343	694,463,343	69,463,343
Repurchase of shares held in treasury	(211,100)	-	(38,000)
Closing balance of shares in issue, excluding shares held in treasury	69,214,243	694,463,343	69,425,343
Shares held in treasury	249,100	-	38,000
Closing balance of shares in issue	**69,463,343**	**694,463,343**	**69,463,343**

8. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 28 February 2025 of 69,214,243 (29 February 2024: 69,463,343 and 31 August 2024: 69,425,343).

9. Financial instruments measured at fair value

9. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 28 February 2025, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (29 February 2024 and 31 August 2024: all valued using unadjusted quoted prices in active markets for identical assets).

10. Events after the interim period that have not been reflected in the financial statements for the interim period

The Directors have evaluated the period since the interim date and have not noted any other events which have not been reflected in the financial statements.

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