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abrdn Equity Income Trust plc
15 May 2025

abrdn Equity Income Trust plc

Half Yearly Report 31 March 2025

Equity income using an index-agnostic approach focusing on our best ideas from the full UK market cap spectrum

The Company

abrdn Equity Income Trust plc (the "Company") is a closed-end investment company and its shares are traded on the London Stock Exchange ("LSE").

The Company offers an actively managed portfolio of UK quoted companies. The investment approach is index-agnostic and focuses on our best ideas from the full UK market cap spectrum.

Investment Objective

The investment objective of the Company is to provide Shareholders with an above average income from their equity investment, while also providing real growth in capital and income.

Performance Highlights

Net asset value total return per Ordinary share[A]		Share price total return per Ordinary share[A]	
Six months ended 31 March 2025	+2.1%	Six months ended 31 March 2025	+4.9%
Year ended 30 September 2024	+13.3%	Year ended 30 September 2024	+10.4%

Revenue return per Ordinary share		Discount to net asset value[A]	
Six months ended 31 March 2025	10.17p	As at 31 March 2025	0.5%
Six months ended 31 March 2024	9.05p	As at 30 September 2024	3.0%

Dividend per Ordinary share		Ongoing charges ratio[A]	
Six months ended 31 March 2025	11.40p	Forecast for year ending 30 September 2025	0.84%
Six months ended 31 March 2024	11.40p	Year ended 30 September 2024	0.86%

[A] Considered to be an Alternative Performance Measure.

Investment Portfolio by Sector as at 31 March 2025

Investment Portfolio by Sector as at 31 March 2025	31 March 2025 %
Financials	40.0
Energy	15.3
Consumer Staples	9.6
Industrials	8.4
Basic Materials	7.2
Consumer Discretionary	6.7

Consumer Discretionary	6.7
Utilities	5.5
Real Energy	5.4
Technology	1.9

Financial Calendar, Dividends and Highlights

Expected payment dates of interim dividends for the remainder of the financial year to 30 September 2025	27 June 2025 26 September 2025 16 January 2026
Financial year end	30 September 2025
Expected announcement of results for year ending 30 September 2025	December 2025
Annual General Meeting (London)	February 2026

Financial Highlights

	31 March 2025	30 September 2024	% change
Capital			
Total assets[A] (m)	£178.7	£180.9	-1.2%
Equity Shareholders' funds (m)	£156.2	£158.4	-1.4%
Net asset value per Ordinary share	327.01p	331.54p	-1.4%
Market capitalisation (m)	£155.5	£153.6	+1.2%
Share price per Ordinary share	325.5p	321.5p	+1.2%
Discount of Ordinary share price to net asset value[B]	0.5%	3.0%	
FTSE All-Share Index capital return	4,623.62	4,511.00	+2.5%
Gearing			
Net gearing[B]	13.9%	13.0%	
Expenses			
Ongoing charges ratio[BC]	0.84%	0.86%	
Earnings and Dividends	31 March 2025	31 March 2024	
Revenue return per Ordinary share	10.17p	9.05p	+12.4%
Total dividends for the period	11.40p	11.40p	
Dividend yield	7.1%	7.1%	

[A] Defined as total assets per the Statement of Financial Position less current liabilities (before deduction of bank loans).
[B] Considered to be an Alternative Performance Measure
[C] The ongoing charges ratio for the current year includes a forecast of costs and net assets for the six months to 30 September 2025.

"…this puts the Company on a dividend yield of 7.1%, which is amongst the highest of any investment trust invested in equities."

Chair's Statement

Against an unusually turbulent backdrop, I am pleased to report that our portfolio has been resilient, the dividend income delivered by the portfolio has grown and the discount to NAV has narrowed. The most important UK event during the period was the UK Autumn Budget, presented by Chancellor Rachel Reeves on 30 October 2024. This was billed as delivering initiatives that would enhance economic stability and public services, but the decision to hike employer National Insurance contributions to raise tax revenues was widely regarded as counter-productive, causing bond markets to react badly, albeit not on the scale of the Truss budget of 2022. The Autumn budget paled into relative insignificance as Donald Trump won his second term as President of the United States. The pace of the policy changes emanating from the White House, following the inauguration of Donald Trump in January, has created a very uncertain environment for the world and the volatility of markets increased significantly as a result. Happily, for our portfolio, these events appear to have challenged the concept of "US exceptionalism", thereby shifting investors' attention away from US growth stocks and towards UK and European value stocks. Our manager believes that this has helped to create a far more favourable backdrop for our investment approach.

Performance

In the six months to 31 March 2025, the Company delivered a net asset value ("NAV") total return of 2.1% which underperformed the total return of the FTSE All-Share Index of 4.1%, while the share price total return was 4.9%. The first quarter of 2025 has been a challenging period for equities as an asset class with the looming threat of US tariffs affecting the confidence of investors. This obviously came to a head shortly after the end of the period under review. The Investment Manager's Review on pages 10 to 15 provides a more detailed explanation of the drivers of this performance.

Discount

The discount was generally on a narrowing trend throughout the period - the average discount in the last month of the period was 1.4%, as compared to the average for October 2024 of 4.1%. The discount ended the period at 0.5%.

It is encouraging to see that the Trust continues to trade at a narrower discount than many of its peers and that since the end of the period the shares have moved to trade at a slight premium to NAV.

Revenue

Revenue income in the six months to 31 March 2025 increased by 1.4% to £5.43 million, compared to £5.36 million for the same period last year. After interest costs and tax, net revenue earnings were up 12.4% at £4.86 million with the revenue per Ordinary share at 10.17 pence compared to 9.05 pence for the same period in 2024. The difference between the increase in revenue and the profit after tax is primarily because last year there was a withholding tax charge on overseas dividend income of £0.45 million which was not repeated this year. The Board monitors the revenue forecast closely and remains confident that the full year revenue earnings will be sufficient to cover the proposed dividend.

Dividends

The Board declared its plans for the dividend for the current financial year in last year's annual report and the proposed schedule is unchanged at this time. The Company currently intends to pay three interim dividends for the current year of 5.70 pence per Ordinary Share. The first interim dividend was paid to Shareholders on 28 March 2025, with the second and third payments expected in June and September.

The Board announces that the second interim dividend of 5.70 pence per Ordinary Share will be paid on 27 June 2025 to shareholders on the register on 30 May 2025 with an associated ex-dividend date of 29 May 2025. The fourth interim dividend will be determined towards the end of the year. The Board's current expectation remains for a fourth interim of at least 5.90 pence per Ordinary Share, making a total payment for the year of at least 23.0 pence per Ordinary Share, which will result in the Company extending its track record of dividend per share growth to 25 consecutive years.

Based on the share price at 31 March 2025, this puts the Company on a dividend yield of 7.1%, which is amongst the highest of any investment trust invested in equities.

Gearing

The Company has drawn £22.5 million of the £30 million facility provided by the Royal Bank of Scotland throughout the period and net gearing, allowing for cash held, amounted to 13.9% of net assets, compared to 13.0% in September 2024. The borrowing facility is in the form of a revolving credit facility which costs 6.1% per annum at the end of the period. Given the market volatility the Board carefully monitors the leverage.

Share Buybacks

There have been no changes to the Company's share capital structure during the 6 months under review.

The Board continues to monitor the discount and premium and will act if a material premium persists or if the discount is considered wide in absolute and relative terms.

Outlook

The reporting period ended two days before President Trump declared 2 April 2025 as "Liberation Day" and initiated a week of some of the most volatile markets we have seen in the last 15 years - the 5.0% fall in the FTSE 100 Index on Friday 4 April 2025 was the fourth largest daily drop in the market since the global financial crisis in 2008. Investors were clearly unnerved by the idea that "tariffs" might be anyone's favourite word. As is often the case the initial knee-jerk reaction to an exogenous event caused a sharp drop and then a time of reflection.

Investors adjusted to the new landscape and the UK's success in maintaining a favourable trading relationship with the US may have contributed to the outperformance of UK indices relative to international counterparts as investors looked to stocks with less exposure to the US. As a consequence, at the time of writing, we have seen the FTSE 250 Index deliver a total return of almost 17% since the markets bottomed on 9 April 2025, outperforming the FTSE 100 and FTSE All-Share indices. Encouragingly, the Company has performed better than all of them resulting in the NAV and the share price total returns now both being ahead of the Reference Index for the current financial year. It is early days, but the announcement of a US/UK trade deal on 8 May 2025 and a US/China trade agreement on 12 May 2025 suggests that tariffs will have a less pronounced barrier to international trade than had been forecast only one month ago.

President Trump's tariff policies continue to evolve, raising the risk of further equity market volatility throughout the next four years. Having said that, these are precisely the conditions in which active management can have a positive impact, cutting out the macro noise and instead focussing on the corporate fundamentals. Our Portfolio Manager's Focus on Change investment approach has the potential to benefit from market dislocations such as we saw in the wake of the tariff announcements in April approach has the potential to benefit from market dislocations such as we saw in the wake of the tariff announcements in April. Valuations can become temporarily depressed and this can provide a wide range of attractive stock-level investment opportunities. In the face of policy-induced uncertainty, we are encouraged to see the Portfolio Manager identifying companies that are adapting to the new normal, and in doing so delivering attractive returns to shareholders.

Sarika Patel
Chair
14 May 2025

Interim Management Report and Directors' Responsibility Statement

Principal Risks and Uncertainties

The Board has an ongoing process for identifying, evaluating and managing the principal and emerging risks and uncertainties of the Company and has carried out a robust review. The process is regularly reviewed by the Board. Most of the Company's principal risks and uncertainties are market related and are no different from those of other investment trusts that invest primarily in the UK listed market. These are set out on pages 19 to 21 within the Annual Report for the year ended 30 September 2024 (the "2024 Annual Report) and comprise the following risk categories:

· Strategy.
· Investment Performance.
· Discount / Premium to NAV
· Exogenous risks such as health, social, financial, economic and geopolitical.
· Operational Risk.
· Governance Risk.
· Financial obligations; and
· Legal and Regulatory Risks.

In addition to these risks, the Board is conscious of the impact of increasing exogenous risks which has also led to an increase in investment performance risk. Conflicts in Ukraine and the Middle East continue, as well as other growing geopolitical tensions across the globe. There has also been a breakdown of post war alliances, leading to the UK and other European countries reviewing their defence strategies and expenditure. President Trump's tariffs have created a lot of market turbulence and uncertainty, leading to both countries and companies assessing the impact and considering their options.

The Board is also very conscious of the risks emerging from shareholder activism in the investment trust sector and potential implications from the FCA's proposed Consumer Composite Investments ('CCI') regime. We are monitoring the situation on both of these emerging risks on a regular basis.

In all other respects, the Company's principal risks and uncertainties have not changed materially since the date of the 2024 Annual Report.

Going Concern

In accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short timescale. The Company has adequate resources to continue in operational existence for the foreseeable future and the ability to meet all its liabilities and ongoing expenses from its assets.

The Directors are mindful of the principal and emerging risks and uncertainties disclosed above, and review on a regular basis forecasts detailing revenue and liabilities and the Company's operational expenses. Having reviewed these matters, the Directors believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and for at least 12 months from the date of this Half Yearly Report. Accordingly, they continue to adopt the going concern basis in preparing the Half Yearly Report.

Related Party Transactions

There have been no material changes to the related party transactions described in the 2024 Annual Report.

Responsibility Statement of the Directors in respect of the Half-Yearly Financial Report

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

The Directors confirm that to the best of their knowledge:

· The condensed set of financial statements contained within the Half Yearly Financial Report has been prepared in accordance with FRS 104 Interim Financial Reporting and gives a true and fair view of the assets, liabilities, financial position and return of the Company for the period ended 31 March 2025.
· The Interim Management Report, together with the Chair's Statement and Investment Manager's Report, includes a fair review of the information
required by:

a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have

a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

The Half-Yearly Financial Report was approved by the Board and the above Directors' Responsibility Statement was signed on its behalf by the Chair.

For abrdn Equity Income Trust plc
Sarika Patel
Chair
14 May 2025

Our Strategy

Business Model
The Company is an investment trust with a premium listing on the London Stock Exchange.

Investment Objective
The Company's objective is to provide shareholders with an above average income from their equity investment, while also providing real growth in capital and income.

Investment Policy
The Directors set the investment policy, which is to invest in a diversified portfolio consisting mainly of quoted UK equities which will normally comprise between 50 and 70 individual equity holdings.

In order to reduce risk in the Company without compromising flexibility:

a) no holding within the portfolio should exceed 10% of total assets at the time of acquisition; and

b) the top ten holdings within the portfolio will not exceed 50% of net assets.

The Company may invest in convertible preference shares, convertible loan stocks, gilts and corporate bonds.

The Directors have set the gearing policy within which the portfolio is managed. The parameters are that the portfolio should operate between holding 5% net cash and 15% net gearing. The Directors have delegated responsibility to the Investment Manager for the operation of the gearing level within the above parameters.

Delivering the Investment Objective
The Board delegates investment management to Aberdeen Group plc ("Aberdeen"). The team within Aberdeen managing the Company's portfolio of investments has been headed up by Thomas Moore since 2011.

Our Strategy
The portfolio is invested on an index-agnostic basis. The process is based on a bottom-up stock-picking approach where sector allocations are a function of the sum of the stock selection decisions, constrained only by appropriate risk control parameters. The aim is to apply the "Focus on Change" process by evaluating changing corporate situations and identifying insights that are not fully recognised by the market.

Idea Generation and Research
The vast majority of the investment insights are generated from information and analysis from one-on-one company meetings. Collectively, more than 3,000 company meetings are conducted annually by Aberdeen. These meetings are used to ascertain the company's own views and expectations of its future prospects and the markets in which it operates. Through actively questioning the senior management and key decision makers of companies, the portfolio managers and analysts look to uncover the key changes affecting the business and the materiality of their impact on company fundamentals within the targeted investment time horizon.

Investment Process in Practice
The index-agnostic approach allows the weightings of holdings to reflect the conviction levels of the investment team, based on an assessment of the management team, the strategy, the prospects and the valuation metrics. The Focus on Change process recognises that some of the best investment opportunities come from under-researched parts of the market, where the breadth and depth of the analyst coverage that the Portfolio Manager can access provides the scope to identify a range of investment opportunities.

The consequence of this is that the Company's portfolio often looks very different from other investment vehicles which aim to provide their investors with access to UK equity income. This is because the process focuses on conviction levels rather than index weightings. This means that the Company may provide a complementary portfolio to the existing portfolios of investors who prefer to make their own decisions and manage their ISAs, SIPPs and personal dealing accounts themselves. At 31 March 2025 50.8% (30 September 2024: 48%) of the Company's portfolio is invested in companies outside the FTSE-100 Index.

The index-agnostic approach, and Focus on Change process, further differentiates the portfolio because it allows the Portfolio Manager to take a view at a thematic level, concentrate the portfolio's holdings in certain areas and avoid others completely. The effect of this approach is that the weightings of the portfolio can be expected to differ significantly from that of any index, and the returns generated by the portfolio may reflect this divergence, particularly in the short term.

Investment Manager's Review

Market Review

UK equities advanced over the six months to 31 March 2025 as investors came to see the asset class as a relative safe haven, rotating out of US markets due to uncertainty over the impact of President Trump's trade policies on growth and inflation.

The period started nervously as stubborn UK inflation doused hopes over the pace of interest rate cuts. Fears over the UK's fiscal situation grew as tax revenues weakened due to anaemic growth, while government debt servicing costs rose due to elevated bond yields. This put the Chancellor of the Exchequer, Rachel Reeves, in a challenging position as she announced her first Budget in October 2024. A combination of tax hikes and spending increases was badly received by the bond markets, driving up Gilt yields and leading to fears of a rising risk premium on UK assets. An unexpected increase in employer national insurance went down particularly badly, dampening business confidence and leading to many companies announcing job cuts. The Chancellor subsequently calmed nerves by indicating her preference for controlling the budget deficit via targeted spending cuts in areas such as welfare, rather than further tax hikes.

Sentiment towards UK equities improved in the early part of 2025 as the macro backdrop improved. Bond yields started to decline in mid-January, reversing the increase that had taken place in the wake of the Budget. The Bank of England cut base rates by a quarter point in February, taking the base rate to 4.5%; the third such cut since rates peaked. Sterling bottomed out against the US dollar in mid-January at around 1.22/£ before ending the period at 1.29/£. At the same time, the German government announced a huge infrastructure-spending programme, representing a major fiscal stimulus, thereby reviving European growth prospects.

At the same time as investors were warming to UK and European assets, the reverse was true of US assets as it became clear that the Trump administration was planning to impose wide-ranging tariffs on its major trading partners. This caused investors to start pricing in the adverse effects of tariffs on US growth and inflation. It also coincided with growing doubts over the outlook for US technology companies, as news of Chinese AI upstart DeepSeek, with its significantly lower development costs, highlighted the competitive risks to US dominance in technology. Overall, these events appeared to call into question the long period of "US exceptionalism".

Over the six months, the FTSE All-Share Index delivered a total return of 4.1%, outperforming US indices in local currency terms. This positive return was all thanks to the FTSE 100 which returned 5.9% led by large-cap sectors such as Banks, Energy and Aerospace & Defence. In contrast, the FTSE 250 and FTSE Small Cap indices struggled due to subdued consumer and business confidence constraining the earnings of domestically orientated companies. As a result, these indices suffered negative total return of -6.4% and -4.6% respectively.

Revenue Account

Total income generated by the portfolio in the period under review increased by 1.4% to £5.43 million.

The contribution from special dividends increased from 3.0% to 11.0% of the total cash dividend income as the holdings in Petershill and Ithaca distributed surplus capital. Across the wider market, special dividends have become quite rare by historical standards, while share buybacks have become the preferred method of distributing surplus capital. This partly reflects the view amongst management teams that unusually low valuations make these buybacks particularly accretive to earnings. We note that 27 of the portfolio's holdings, representing 50% of the portfolio, have undertaken a share buyback so far in the current financial year.

Net revenue earnings for the six-month period were almost £4.86 million, or 12.4% higher than last year's £4.32 million. This increase is not expected to be recurring because it resulted from prior year numbers being adversely affected by a £0.5 million withholding tax charge.

Our experience over the last 14 years is that the first half of the Company's financial year generates around 40% of the total dividend income that the portfolio will generate in the full year as many of the holdings declare their final dividend for their previous financial year after the period end. We remain confident that the second half of the year is currently on track to deliver sufficient income to cover the dividend that the Company is aiming to pay.

We calculate that the portfolio is expected to deliver a gross dividend yield, before costs, of around 7.1% based on the income expected to be generated by the portfolio over this financial year divided by the portfolio value at the period end. This represents a significant premium to the dividend yield of the reference index of 3.5% as at 31 March 2025. During the period, the Bank of England cut the base rate by 0.25% three times to 4.50%. Since the period end, there has been a further 0.25% rate cut. This has helped to restore some cushion between the rate the Company pays for the bank loan facility (used to finance the Company's gearing) and the dividend yield earned on the portfolio. This is helpful for the revenue account. We note that money markets are currently factoring in a further three rate cuts by the end of the Company's financial year.

The dividend outlook of the wider UK equity market will be a function of various factors, including the tendency of management teams to favour share buybacks over special dividends, UK and global economic growth trends, industry-level changes and the US /£ exchange rate. At a sector level, in the past year we have navigated a pronounced shift in dividend payments away from Mining shares towards Financial shares. We acted early to reduce the portfolio's weighting in the Mining sector, having observed a shift in capital allocation priorities towards acquisitions, while at the same time recognising the benefit of elevated interest rates on the net interest income of banks.

Against an uncertain macro backdrop, we have sought to build a diversified portfolio of companies offering dividend yield, dividend growth and capital growth potential. We are therefore encouraged to see the continued growth in portfolio income during this period, strengthening our confidence in our ability to extend the 24-year track record of dividend per share growth. We remain convinced that UK companies generating the cash flow to pay attractive dividends and buy back their own shares can also deliver good capital growth for shareholders. This supports our view that the income and capital aspects of the investment objective can be delivered hand in hand.

Portfolio Performance

The Company's net asset value ("NAV") total return was 2.1% for the period which underperformed the total return of 4.1% for the Company's reference index. The share price total return was 4.9%.

FTSE Index total returns

Total returns to 31 March 2025[A]	6 months %	1 year %	3 years %	5 years %

NAV	2.1	13.7	6.1	61.2
FTSE All-Share Index	4.1	10.5	23.3	76.5
Share price	4.9	26.1	9.4	74.8

[A] Considered to be an Alternative Performance Measure.

Source: abrdn plc/Morningstar/Factset

As we note in the Market Review section, the period under review saw an unusually wide gap in performance between the FTSE 100 Index and the rest of the market. The FTSE 100 Index returned 5.9% thanks to the strong performance of internationally orientated sectors. In contrast, the FTSE 250 and FTSE Small Cap indices suffered negative total returns of -6.4% and -4.6% respectively, as subdued consumer and business confidence constrained the earnings of domestically orientated companies. We construct the portfolio on an index-agnostic basis, meaning that we size our positions according to our conviction in the idea, rather than anchoring off index weightings. The result is that it is harder for the portfolio to outperform the index when the largest stocks in the index significantly outperform as they did in this six-month period. In the Outlook section, we explain how this has reversed since the period-end, to the benefit of the portfolio.

Turning to the sector and stock-specific drivers of performance, Financials were an important driver. We benefited from the overweight position in the sector but suffered some stock-specific issues. Conduit fell on news of larger than expected losses from the Californian wildfires. This damaged sentiment towards the stock, although management continues to guide to mid-teens through-the-cycle return on equity; an outcome that we do not believe is priced in at the current discount to net asset value. The holding in CMC Markets retraced some of the gains it had made during 2024 as investors reacted badly to a trading update that was in-line with expectations, but did not provide the upgrade that had been hoped for.

On the positive side, Petershill Partners (see the Case Study on Page 21) climbed in response to the announcement that it had sold a stake in one of its Private Markets businesses, General Catalyst, at a significant premium to its carrying value. This provided evidence of the gap between Petershill's valuation and the intrinsic value of its holdings in private markets partner firms. Consequently, Petershill has announced a special dividend; it's the third in the past year. The holdings in Barclays and NatWest benefited from their performance as the shares climbed in response to better-than-expected results, supported by a rising net interest margin and robust credit quality.

Among the portfolio's Consumer holdings, Imperial Brands (see the Case Study on Page 19) contributed strongly to performance as it delivered impressive results and guided the market to high single digit earnings per share growth over the 5 years to 2030, supported by an "evergreen" share buyback, alongside its attractive dividend. The Company's performance relative to the index was helped by not holding Diageo which fell sharply on weak spirits demand and tariff concerns. In contrast, Berkeley Group detracted from performance despite achieving results in line with consensus expectations, as it flagged some frustration over the sluggish macro backdrop and the slow pace of regulatory and planning reform.

Within the Energy sector, a backdrop of rising natural gas prices was helpful for the portfolio's holding in Diversified Energy, while Ithaca Energy helped performance as the shares rose sharply with better-than-expected production results and lower than expected costs, helped by the recent acquisition of ENI UK. These positives were partially offset by the underweight position in Shell which performed strongly on the announcement of enhanced shareholder distributions and upgraded returns through tighter cost and capital management.

Activity

During the period we found a range of new investment opportunities that we expect to help deliver on each aspect of the investment objective - dividend yield, dividend growth and valuation re-rating.

The largest purchases during the period can be categorised into the following groupings:

1. UK domestic companies whose low valuations do not capture their potential:
   - MONY: Price comparison platform MONY is pursuing a strategy of shifting its customer base from transactional users to active members by launching SuperSaveClub. This has increased customer loyalty and reduced customer acquisition costs by curbing the need for marketing, which has historically dragged on margins. We see the P/E ratio of 11x and dividend yield of 6% as excellent value for this market-leading platform business.
   - easyJet: Low-cost airline easyJet is making rapid progress towards its medium-term targets, aiming to double its profit per seat through a combination of easyJet holidays, fleet upgrades (increasing the size and efficiency of their aircraft) and route optimisation (pushing into more lucrative longer haul routes). The stock trades at a P/E ratio of 7x and also trades at a discount to the value of its fleet despite having a very strong balance sheet and strong growth prospects.

2. Change situations where structural improvement has been ignored:
   - Victrex: Speciality chemicals business Victrex appears to be approaching a trough in earnings, as demand shows signs of picking up, while inventory de-stocking is largely complete, and their capex programme has peaked. The key to their turnaround is their Medical division, which is the highest margin part of the business thanks to very high barriers to entry. We see potential for a meaningful re-rating once earnings trough.
   - Balfour Beatty: Construction business Balfour Beatty has strong earnings prospects, being exposed to growing infrastructure demand in the UK and US. This does not appear to be priced in, with the stock trading at just 10x earnings, with balance sheet support from its net cash position and its portfolio of infrastructure assets.
   - DCC: Distribution business DCC has conducted a strategic review, concluding that the group should break up, disposing of its Healthcare and Technology divisions, focusing on their Energy division which generates higher and less variable returns. With the shares trading at a P/E ratio of just 10x, we expect this action to drive a valuation re-rating.

3. Defensive shares whose low valuations fail to price in their resilience:
   - Endeavour Mining: In buying a new holding in Endeavour Mining, we re-established a weighting in the precious metals sector after the holding in Centamin was subject to a takeover by Anglogold in 2024. Endeavour operates in West Africa, an area of significant exploration potential, with rich and relatively undeveloped geology. The mines are high quality, with a low cost of production. On a macro level, gold is a defensive asset, being a hedge against geopolitical chaos. The stock offers consistent dividend payouts and share buybacks, underlining the cash generative nature of the business, while they continue to invest in new projects. This growth is not priced in at a P/E ratio of 10x.
   - Pennon: With the publication of the latest water industry regulatory framework (AMP 8), Pennon now has clarity on its returns outlook, allowing it to proceed with a rights issue. Trading at around 1x its regulatory asset base, the stock now looks attractively valued relative to the returns they are expected to make.

The largest sales during the period can be categorised into the following groupings:

The largest sales during the period can be categorised into the following groupings:

1. Reducing exposure to Mining and Industrial sectors:
    · BHP/Rio Tinto/Glencore: We reported in the FY24 report that we had reduced the portfolio's weighting in the Resources sector, and we continued this reduction in the last six months. We are conscious of the impact of a slower Chinese economy on commodity demand, and we also observe a general shift in capital allocation priorities towards M&A, away from distributions. The effect of this reduction has been to diversify the portfolio's sources of income.
    · Smurfit Westrock: We sold the holding in paper and packing business Smurfit Westrock in February 2025 following a period of strong performance since initial purchase in May 2024. The share price had responded positively to the successful delivery of merger synergies and excitement about its US exposure following the Presidential election.

2. Moderating large positions in Utilities:
    · National Grid: We reduced the holding in National Grid, using it as a source of funds for new investments, having become a very large holding following its rights issue.
    · SSE: We continued to trim SSE where we see some risks on the returns of their renewables business given the possibility of regional electricity pricing and delays in their capital expenditure programme.

3. Eliminating holdings that lack the catalysts necessary for a re-rating:
    · Crest Nicholson: We sold the holding in Crest Nicholson following the decision by Bellway to walk away from bid discussions. Despite its low valuation, we have a preference for other housebuilders with lower operational risk and more attractive dividends.

Outlook

The key event of the period under review was undoubtedly the US Presidential election and subsequent policy action. The direct impact of President Trump's trade policies is to drive concerns about US economic growth and inflation. The Federal Reserve's Beige Book highlighted that uncertainty over tariffs is causing business leaders to delay investment decisions. The second-round impact is on financial markets, causing investors to question their acceptance of "US exceptionalism", as demonstrated by a sudden decline in the US dollar and sell-off in US equity and bond markets. This period has coincided with growing doubts over the outlook for US growth shares as new competition emerges in rapidly changing technologies such as AI. Altogether these events provide the catalyst for an asset allocation rotation out of US equities into other asset classes, including UK equities. It could also drive a shift within equity markets out of growth shares into value shares, including higher yield UK shares, many of which offer dividend yields in excess of 6%, with buybacks on top. We therefore see this backdrop as increasingly favourable for the portfolio.

Valuations help provide an indication of the level of investor expectations over a company's growth prospects. High valuations can imply a burden of expectations that can become a problem if those expectations are not met. Given the earnings risks caused by tariffs and technological change, US shares appear at greater risk of a valuation de-rating than their UK peers. The S&P 500 index trades at a Price to Earnings ("P/E") ratio of around 20x, significantly more expensive than the FTSE All-Share index which trades at a P/E ratio of just 12x. Investor surveys indicate that asset allocators are recognising that they can mitigate this valuation risk by rotating out of expensive US shares into cheap UK and European shares.

Within the UK equity market, investors have for some time favoured the constituents of the FTSE 100 Index. As noted in the Market Review section, large-cap shares significantly outperformed small and mid-cap shares again during the period under review. The portfolio comprised 49.2% of FTSE 100 shares at the end of the financial period, with many of these large-cap holdings doing their job by acting as safe havens during a period of intense macro turbulence.

Looking ahead, we see a growing opportunity among small and mid-cap shares, with potential for a catch-up as investors broaden their allocations away from large-cap shares. One part of this opportunity is the valuation differential, as evidenced by the gap between the P/E ratio of the FTSE 100 Index (12x) and the P/E ratio of the FTSE 250 Index (11x). This may not appear to be a large difference, but the FTSE 100 Index has rarely traded at a premium to the FTSE 250 Index in the past 20 years, reflecting the view that the large multi-national companies that make up the FTSE 100 Index are more mature than their smaller and nimbler FTSE 250 peers. This argument turned on its head when investors became negative on the prospects for the UK economy. It therefore makes sense that as domestic economic conditions begin to improve, with UK bond yields reducing and UK economic data generally surprising positively, we have started to see some early signs of a revival in investor interest in small and mid-cap shares. Whilst only a short period of time, it is noteworthy that the FTSE 250 and FTSE Small Cap indices have outperformed the FTSE 100 Index since the end of March.

The scale of the valuation opportunity can be seen from the gap between the valuations of the portfolio's holdings and those of the wider market. At the time of writing, the portfolio has a median P/E ratio of 8.6x and a median Price/Book ratio of 1.2x which compares favourably with 11.6x and 1.5x respectively for the FTSE All-Share (ex-Investment Trusts) Index. Later in this report we provide two examples of our investment process in action, where we expect positive news flow to drive share price, as well as attractive dividends.

President Trump's tariff policies have acted as a reminder to European politicians of the need to resolve structural issues and drive-up economic growth. This is most evident in Germany, but it is also visible in the UK where defence spending is being prioritised over welfare spending, planning rules are being eased in an effort to lift housebuilding volumes and regulators are being tasked with removing red tape. All of these policies fit into the Government's agenda to make economic growth the number one priority.

The portfolio is a "go-anywhere" portfolio, taking an index-agnostic approach to selecting shares, rather than anchoring off index weightings. The result is that we are poised and ready to invest in the most attractive shares, right across the UK market, as conditions evolve. We see this index-agnostic approach as a key advantage, giving us the flexibility to pounce on winning ideas right across the market cap spectrum. This advantage is harder to perceive when market leadership is dominated by a handful of large-cap shares, but it becomes far clearer when market leadership broadens out, as now appears to be happening. Since the end of the period, the portfolio has outperformed the Reference Index meaningfully as many of our mid and small-cap holdings surge on fading tariff concerns, providing evidence that we are now being rewarded for sticking to the investment process that we set out.

We have carefully constructed the portfolio to deliver a combination of dividend yield, dividend growth and capital growth. We are encouraged by the growth in portfolio income we have achieved in this period, strengthening our confidence in our ability to cover the dividend, build reserves and deliver a 25th consecutive year of dividend per share growth. We have been consistent in our view that UK companies generating the cash flow to pay attractive dividends and buy back their own shares can also deliver good capital growth for shareholders.

Policy uncertainty from the Trump administration will remain a constant, creating bouts of volatility, but we see the current market environment as conducive to our investment process, generating an unusually large number of attractive income market environment as conducive to our investment process, generating an unusually large number of attractive income opportunities and contributing to the acceleration in performance that we are now seeing.

Thomas Moore
Portfolio Manager
14 May 2025

Ten Largest Investments

As at 31 March 2025

Imperial Brands

Imperial Brands is a global consumer goods company that manufactures, markets and distributes tobacco products across approximately 120 markets.

BP

BP is an oil and petrochemicals company. The Company explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates renewable energy, and manufactures and markets chemicals.

HSBC

HSBC is a banking and financial services company. The Company's segments include Wealth and Personal Banking, Commercial Banking and Global Banking and Markets.

British American Tobacco

British American Tobacco sells combustible tobacco products in more than 50 countries around the world, as well as a growing portfolio of non-combustible products such as vapour and tobacco heating products.

Petershill Partners

Petershill Partners is an investment company that owns stakes in around 20 private markets partner firms, providing UK investors with access to this fast-growing and profitable sector.

Barclays

Barclays is global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services.

Galliford Try

Galliford Try is a leading UK construction business focused on three areas - Building, Infrastructure and Specialist Services.

Berkeley Group

Berkeley Group is a UK homebuilder specialising in large-scale residential led brownfield redevelopment projects with a particular focus on the London, Birmingham, and south of England housing markets.

Legal & General

Legal & General is a leading UK financial services provider, offering life insurance, pensions, retirement and investment services.

TP ICAP

TP ICAP provides financial markets infrastructure and data solutions. Their platforms connect institutional buyers and sellers, providing liquidity and pricing data, supporting the effective functioning of efficient and liquid wholesale markets.

Investment Portfolio

At 31 March 2025

Company	Sector	Market value £'000	Market value %
Imperial Brands	Tobacco	9,533	5.4
BP	Oil, Gas and Coal	9,047	5.1
HSBC	Banks	7,502	4.2
British American Tobacco	Tobacco	7,346	4.2
Petershill Partners	Investment Banking and Brokerage Services	5,824	3.3
Barclays	Banks	5,780	3.3
Galliford Try	Construction and Materials	5,395	3.1
Berkeley Group	Household Goods and Home Construction	5,167	2.9
Legal & General	Life Insurance	5,085	2.9
TP ICAP	Investment Banking and Brokerage Services	4,937	2.8

TP ICAP	Investment Banking and Brokerage Services	4,957	2.8
Top ten investments		65,616	37.2
M&G	Investment Banking and Brokerage Services	4,809	2.7
Ithaca Energy	Oil, Gas and Coal	4,339	2.4
OSB Group	Finance and Credit Services	4,178	2.4
NatWest Group	Banks	4,035	2.3
Shell	Oil, Gas and Coal	3,928	2.2
Chesnara	Life Insurance	3,742	2.1
Conduit Holdings	Non-life Insurance	3,707	2.1
Rio Tinto	Industrial Metals and Mining	3,672	2.1
Diversified Energy	Oil, Gas and Coal	3,460	2.0
Mony	Software and Computer Services	3,330	1.9
Top twenty investments		104,816	59.4
Quilter	Investment Banking and Brokerage Services	3,263	1.9
Assura	Real Estate Investment Trusts	3,181	1.8
CMC Markets	Investment Banking and Brokerage Services	3,046	1.7
Balfour Beatty	Construction and Materials	3,030	1.7
National Grid	Gas, Water and Multi-utilities	2,967	1.7
Victrex	Chemicals	2,959	1.7
International Personal Finance	Finance and Credit Services	2,872	1.6
Endeavour Mining	Precious Metals and Mining	2,743	1.6
Drax	Electricity	2,710	1.5
Sabre Insurance	Non-life Insurance	2,600	1.5
Top thirty investments		134,187	76.1
DFS Furniture	Retailers	2,326	1.3
Energean	Oil, Gas and Coal	2,298	1.3
Pennon Group	Gas, Water and Multi-utilities	2,242	1.3
EasyJet	Travel and Leisure	2,236	1.3
Real Estate Investors	Real Estate Investment Trusts	2,169	1.2
Barratt Redrow	Household Goods and Home Construction	2,103	1.2
Thungela Resources	Oil, Gas and Coal	2,036	1.2
Standard Chartered	Banks	1,985	1.1
Harbour Energy	Oil, Gas and Coal	1,942	1.1
Johnson Matthey	Chemicals	1,924	1.1
Top forty investments		155,448	88.2
DCC	Industrial Support Services	1,909	1.1
BAE Systems	Aerospace and Defence	1,883	1.1
SSE	Electricity	1,841	1.0
Phoenix	Life Insurance	1,742	1.0
Man Group	Investment Banking and Brokerage Services	1,724	1.0
LondonMetric	Real Estate Investment Trusts	1,692	1.0
Close Brothers	Banks	1,654	0.9
Sirius Real Estate	Real Estate Investment Trusts	1,420	0.8
Inchcape	Industrial Support Services	1,401	0.8
BHP	Industrial Metals and Mining	1,296	0.7
Top fifty investments		172,010	97.6
Speedy Hire	Industrial Transportation	1,254	0.7
Litigation Capital	Investment Banking and Brokerage Services	1,063	0.6
CLS Holdings	Real Estate Investment and Services	1,050	0.6
Ashmore	Investment Banking and Brokerage Services	958	0.5
Total portfolio		176,335	100.0

Investment Case Studies

Imperial Brands

Imperial Brands is the largest holding in the portfolio and the fourth largest tobacco company in the world. Having languished under its previous management team, Imperial Brands has defied its sceptics by emerging as one of the most reliable consumer staples stocks in the UK market. The turnaround can be attributed to the strategy adopted by the new management team, namely increased focus on their largest markets and brands, in order to drive sustained delivery of cash flows and capital returns. Our holding in Imperial Brands dates back to December 2018, but we only made it a meaningful-sized holding in 2022 when we became convinced in the turnaround strategy being laid out by the newly appointed CEO, Stefan Bomhard.

The Portfolio Manager attended a Capital Markets Day hosted by the company in March 2025. At this event the CEO outlined new targets which reinforced the Portfolio Manager's conviction in the Company's determination to deliver consistent cash flows and shareholder distributions. The core message was "more of the same" as Bomhard aims to build on the firm foundations he has laid in his first five years in charge. For an industry that is widely regarded to be in decline, the financial performance being achieved by Imperial Brands is impressive. This strong performance is justifiably converting an increasing number of investors who had hitherto viewed the stock with scepticism. This revival comes at a time when other consumer stocks, including Beverages and Luxury Goods stocks, have struggled due to the realisation that demand patterns are far more cyclical than investors had anticipated.

Let's start by looking back at Imperial Brands' accelerating financial performance since Bomhard took the reins. Under the previous management team, in 2017-2020 the Company had achieved revenue growth averaging +0.7%, but earnings per share declined by an average of -1.1% during this period due to a lack of control over costs. In the past few years, the Company's increased focus has helped them to deliver an acceleration in revenue growth (+4.6% in 2024). Coupled with firmer cost control and a large share buyback, this has translated into a sharp acceleration in earnings per share growth (+10.9% in 2024). Looking ahead, the Company is guiding to high-single-digit earnings per share growth. The traditional Combustibles business remains an attractive cash cow, guided for low-single-digit revenue growth, while the Next Generation Products business provides some growth optionality with guidance of double-digit revenue growth. The maths behind the investment case remains compelling with £2.2 billion to £3.0 billion of cash flow annually representing circa 9-12% Free Cash Flow yield. These strong cash flows give management the confidence to guide to progressive DPS growth and an "evergreen" buyback, with £1.25 billion being forecast for 2025. The 5.5% dividend yield + 5% share buyback are proving to be a winning formula for shareholders.

The next phase of the strategy will involve applying the consumer-led approach that has worked for Imperial Brands in its traditional Combustibles business to build scale in Next Generation Products. The strategy is to get closer to their consumers and build differentiated brands by investing in their people, technology and data. They use data to identify growth potential in priority markets and categories. They aim to use this data to become faster and more agile in their decision making. At the same time, they are building a performance-based culture, with more rigorous performance management through monthly business reviews. This is key to helping them drive market share gains. Imperial Brands describe their vision as "to build a strong challenger business powered by responsibility, focus and choice".

Their Next Generation Products include Vapour, Heated Tobacco and Modern Oral. Demand for each of these products varies across markets, with significant country differences in terms of product preferences, affordability, tax and regulation, requiring them to use data to take rational decisions according to local conditions. Rather than risking shareholder returns by taking large bets across all these new products, the CEO is choosing to be highly selective, prioritising markets where they see an established category presence and an existing route to market. They also see their ESG priorities, including Consumer Health, as aligned with their commercial goals, citing +64% growth in potentially reduced-harm Next Generation Products since 2021. We are conscious that all tobacco companies need to navigate a complex regulatory and litigation landscape, but we expect established companies like Imperial Brands to become seen as part of the solution as governments around the world take action to reduce the influx of unregulated Chinese vape products.

Overall, the Portfolio Manager believes that Imperial Brands has earned its position as the largest holding in the portfolio, demonstrating real resilience during turbulent conditions for the global economy and markets. The Portfolio Manager's focus on stocks generating attractive cash flows has helped us to identify an under-appreciated FTSE 100 business with a clear plan for ongoing success.

Petershill Partners

Petershill Partners is the fifth largest holding in the portfolio. It is an investment company that owns stakes in around 20 private markets partner firms, providing UK investors with access to this fast-growing and profitable sector. We took part in their IPO in 2021 and added to the existing holding in the portfolio on weakness in 2023 and 2024. The Company is operated by Goldman Sachs Asset Management, with an independent board chaired by former CEO of JP Morgan Cazenove, Naguib Kheraj.

The growth rate of this FTSE 250 firm is impressive, with their Assets Under Management (AUM) having grown at a compound annual growth rate of +22% since 2018, outpacing the wider industry. Management is guiding for another 20 billion to 25 billion of fundraising in 2025, continuing their strong growth track record. Since their IPO in 2021, Petershill's partner firms have raised 118.6 billion. This is built on both sector trends and company-specific attributes.

Starting with the sector trends, private markets is expected to play a significant role in the asset gathering of the asset management industry as institutional investors such as pension funds and sovereign wealth funds increase allocations to the sector. This is supported by a deepening of private markets as younger companies choose to stay private for longer, while some public companies de-list and become private companies. The growth in private equity AUM means that companies can raise larger amounts of capital in private markets than was previously possible and it also means that private equity firms can deploy larger pools of capital.

In terms of company-specific attributes, Petershill has a particular focus on investing in mid-market firms which is an under-served segment within the private markets sector. In addition, Petershill benefits from its access the Goldman Sachs platform, providing it with the ability to source attractive acquisition opportunities.

Petershill has been active since its IPO, acquiring 1.2 billion of mid-market private markets firms and divesting of 1.3 billion at a 40% uplift to carrying value. As a provider of strategic capital to alternative asset managers, Petershill can acquire stakes in partner firms at a lower entry multiple than listed peers would need to pay when acquiring control or a similar business. This is especially true when a partner firm sees Petershill as a platform that can accelerate their growth and development via access to Petershill's growth capital and expertise. Petershill is also proving to be successful at divesting stakes in partners firms at significant uplifts to carrying value, with significant activity in the past 18 months allowing the payment of 3 special dividends to shareholders. The total amount of capital returned since IPO is 1.2 billion via a combination of ordinary dividends, special dividends, tender offer and buybacks.

The share price fell sharply after the IPO due to fears of the impact of rising interest rates on the fund-raising activity of Petershill's partner firms. At one point in 2023 the stock was trading at a 60% discount to its book value despite ongoing fund-raising success. Rather than giving up and crystallising losses, the Portfolio Manager intensified research efforts and raising success. Rather than giving up and crystallising losses, the Portfolio Manager intensified research efforts and concluded to add to the existing holding. Since that decision, the stock has gone on to deliver some strong performance for the portfolio. The Portfolio Manager believes Petershill Partners exemplifies the bargains that can become available among under-researched mid and small-cap stocks.

Condensed Statement of Comprehensive Income (unaudited)

		Six months ended 31 March 2025			Six months ended 31 March 2024		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net losses on investments at fair value		-	(717)	(717)	-	(1,264)	(1,264)
Currency losses		-	(1)	(1)	-	(4)	(4)
Income	2	5,433	-	5,433	5,360	-	5,360
Investment management fee		(129)	(301)	(430)	(122)	(285)	(407)
Administrative expenses		(224)	-	(224)	(245)	-	(245)
Net return before finance costs and taxation		5,080	(1,019)	4,061	4,993	(1,553)	3,440
Finance costs		(220)	(512)	(732)	(224)	(522)	(746)
Return before taxation		4,860	(1,531)	3,329	4,769	(2,075)	2,694
Taxation	3	-	-	-	(447)	-	(447)
Return after taxation		4,860	(1,531)	3,329	4,322	(2,075)	2,247
Return per Ordinary share (pence)	4	10.17	(3.20)	6.97	9.05	(4.35)	4.70

The "Total" column of this statement represents the profit and loss account of the Company.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Condensed Statement of Comprehensive Income.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Financial Position (unaudited)

	Notes	As at 31 March 2025 £'000	As at 30 September 2024 £'000
Fixed assets			
Investments at fair value through profit or loss		176,335	177,978
Current assets			
Debtors		2,945	1,411
Money-market funds		779	1,311
Cash and short-term deposits		-	591
		3,724	3,313
Creditors: amounts falling due within one year			
Overdraft		(20)	-
Bank loan		(22,473)	(22,462)
Other creditors		(1,317)	(414)
		(23,810)	(22,876)
Net current liabilities		(20,086)	(19,563)
Net assets		156,249	158,415

Net assets		156,249	158,415
Capital and reserves			
Called-up share capital	6	12,295	12,295
Share premium account		52,043	52,043
Capital redemption reserve		12,616	12,616
Capital reserve	7	69,630	71,161
Revenue reserve		9,665	10,300
Equity Shareholders' funds		156,249	158,415
Net asset value per Ordinary share (pence)	8	327.01	331.54

The financial statements on pages 23 to 30 were approved by the Board of Directors and authorised for issue on 14 May 2025 and were signed on its behalf by:

Sarika Patel
Chair

Statement of Changes in Equity (unaudited)

Six months ended 31 March 2025

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2024		12,295	52,043	12,616	71,161	10,300	158,415
Return after taxation		-	-	-	(1,531)	4,860	3,329
Dividends paid	5	-	-	-	-	(5,495)	(5,495)
Balance at 31 March 2025		12,295	52,043	12,616	69,630	9,665	156,249

Six months ended 31 March 2024

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2023		12,295	52,043	12,616	62,735	10,184	149,873
Return after taxation		-	-	-	(2,075)	4,322	2,247
Issue of own shares from treasury	6	-	-	-	402	-	402
Dividends paid	5	-	-	-	-	(5,447)	(5,447)
Balance at 31 March 2024		12,295	52,043	12,616	61,062	9,059	147,075

Notes to the Financial Statements

For the year ended 31 March 2025

1. Accounting policies

Basis of accounting. The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the Statement of Recommended Practice (SORP) for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued in July 2022 (The AIC SORP). They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The interim financial statements have been prepared using the same accounting policies as the preceding annual financial statements.

2. Income

	Six months ended 31 March 2025 £'000	Six months ended 31 March 2024 £'000
Income from investments		
UK investment income		
Ordinary dividends	3,975	4,070
Special dividends	595	158
	4,570	4,228
Overseas and Property Income Distribution investment income		
Ordinary dividends	829	979
	829	979
Total income from investments	5,399	5,207
Other income		
Money-market interest	34	67
Stock dividends	-	82
Bank interest	-	4
Total other income	34	153
Total income	5,433	5,360

3. Taxation

The taxation charge for the period, and the comparative period, represents withholding tax suffered on overseas dividend income.

4. Return per Ordinary share

	Six months ended 31 March 2025 p	Six months ended 31 March 2024 p
Revenue return	10.17	9.05
Capital return	(3.20)	(4.35)
Total return	6.97	4.70

The figures above are based on the following figures:

	Six months ended 31 March 2025 £'000	Six months ended 31 March 2024 £'000
Revenue return	4,860	4,322
Capital return	(1,531)	(2,075)
Total return	3,329	2,247
Weighted average number of Ordinary shares in issue[A]	47,781,522	47,751,741

[A] Calculated excluding shares in treasury.

5. Dividends

	Six months ended 31 March 2025 £'000	Six months ended 31 March 2024 £'000
Ordinary dividends on equity shares deducted from reserves:		
Final dividend for 2024 of 5.80p per share (2023: 5.70p)	2,771	2,724
First interim dividend for 2025 of 5.70p per share (2024: 5.70p)	2,724	2,723
	5,495	5,447

6. Called-up share capital

	As at 31 March 2025 £'000	As at 30 September 2024 £'000
Issued and fully paid:		

Ordinary shares 25p each		
Opening balance of 47,781,522 (2024: 47,646,522) Ordinary shares	11,946	11,912
Issue of nil (2024: 135,000) Ordinary shares	-	34
Closing balance of 47,781,522 (2024: 47,781,522) Ordinary shares	11,946	11,946

Treasury shares		
Opening balance of 1,397,245 (2024: 1,532,245) Ordinary shares	349	383
Issue of nil (2024: 135,000) Ordinary shares from Treasury	-	(34)
Closing balance of 1,397,245 (2024: 1,397,245) Ordinary shares	349	349
	12,295	12,295

During the period, no Ordinary shares (2024:135,000) were issued from Treasury for a consideration of £nil (2024: £403,000). The total shares held in Treasury is 1,397,245 (2024: 1,397,245).

7. Capital reserve

The capital reserve figure reflected in the Condensed Statement of Financial Position includes investment holdings losses at 31 March 2025 of £10,092,000 (30 September 2024: losses of £7,062,000) which relate to the revaluation of investments held on that date and realised gains as at 31 March 2025 of £79,722,000 (30 September 2024: £78,223,000).

8. Net asset value per Ordinary share

	As at 31 March 2025	As at 30 September 2024
Attributable net assets (£'000)	156,249	158,415
Number of ordinary shares in issue[A]	47,781,522	47,781,522
NAV per ordinary share (p)	327.01	331.54

[A] Excludes shares in issue held in treasury.

9. 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 Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 March 2025 £'000	Six months ended 31 March 2024 £'000
Purchases	180	149
Sales	16	17
	196	166

10. Loans

On 23 June 2023, the Company agreed a three-year £30 million revolving credit facility with the Royal Bank of Scotland International Limited, which expires on 23 June 2026.

At 31 March 2025, £22,500,000 had been drawn down (30 September 2024: £22,500,000) at a SONIA rate of 6.044% (30 September 2024: a SONIA rate of 6.45%).

The loan is shown in the Condensed Statement of Financial Position net of amortised expenses of £27,000 (30 September 2024: £38,000).

11. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following classifications:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (ie as prices) or indirectly (ie derived from prices); and

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

All of the Company's investments are in quoted equities (30 September 2024 :same) that are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments has therefore been deemed as Level 1 (30 September 2024: same).

12. Half Yearly Report

The financial information contained in this Half Yearly Report does not constitute statutory accounts as defined in Sections 434-436 of the Companies Act 2006. The financial information for the six months ended 31 March 2025 and 31 March 2024 have not been audited.

The information for the year ended 30 September 2024 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

This Half Yearly Report was approved by the Board on 14 May 2025.

Alternative Performance Measures

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP.

The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies. Where the calculation of an APM is not detailed within the financial statements, an explanation of the methodology employed is provided below:

Dividend yield

Dividend yield measures the dividend per share as a percentage of the share price per share.

	31 March 2025	30 September 2024
Share price	325.50p	321.50p
Dividend per share	23.00p	22.90p
Dividend yield	7.1%	7.1%

Discount & premium

A discount is the percentage by which the market price of an investment trust is lower than the Net Asset Value ("NAV") per share. A premium is the percentage by which the market price per share of an investment trust exceeds the NAV per share.

	31 March 2025	30 September 2024
Share price	325.50p	321.50p
Net asset value per share	327.01p	331.54p
Discount	0.5%	3.0%

Net gearing

Net gearing measures the total borrowings less cash and cash equivalents divided by Shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes amounts due from and to brokers at the period end as well as cash and short-term deposits.

		31 March 2025 £'000	30 September 2024 £'000
Total borrowings	a	22,493	22,462
Cash and short-term deposits		-	591
Investments in AAA-rated money-market funds		779	1,311
Amounts due from brokers		947	-
Amounts payable to brokers		(899)	-
Total cash and cash equivalents	b	827	1,902
Gearing (borrowings less cash & cash equivalents)	c=(a-b)	21,666	20,560
Shareholders' funds	d	156,249	158,415
Net gearing	e=(c/d)	13.9%	13.0%

Ongoing charges ratio

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC which is defined as the total of

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC, which is defined as the total of investment management fees and recurring administrative expenses and expressed as a percentage of the average net assets throughout the period. The ratio reported for 31 March 2025 is based on forecast ongoing charges for the year ending 30 September 2024.

		31 March 2025 £'000	30 September 2024 £'000
Investment management fees		871	840
Administrative expenses		454	459
Less: non-recurring charges[A]		-	(1)
Ongoing charges	a	1,325	1,298
Average net assets	b	158,323	150,930
Ongoing charges ratio (excluding look-through costs)	c=(a/b)	0.84%	0.86%
Look-through costs[B]	d	0.00%	0.00%
Ongoing charges ratio (including look-through costs)	e=c+d	0.84%	0.86%

[A] Comprises professional fees not expected to recur.
[B] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis.

Total return

NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. Share price and NAV total returns are monitored against open-ended and closed-ended competitors, and the Reference Index, respectively.

Six months ended 31 March 2025		NAV	Share Price
Opening at 1 October 2024	a	331.50p	321.50p
Closing at 31 March 2025	b	327.01p	325.50p
Price movements	c=(b/a)-1	(1.4%)	1.2%
Dividend reinvestment[A]	d	3.5%	3.7%
Total return	c+d	+2.1%	+4.9%

Year ended 30 September 2024		NAV	Share Price
Opening at 1 October 2023	a	314.60p	314.00p
Closing at 30 September 2024	b	331.50p	321.50p
Price movements	c=(b/a)-1	5.4%	2.4%
Dividend reinvestment[A]	d	7.9%	8.0%
Total return	c+d	+13.3%	+10.4%

[A] NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

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