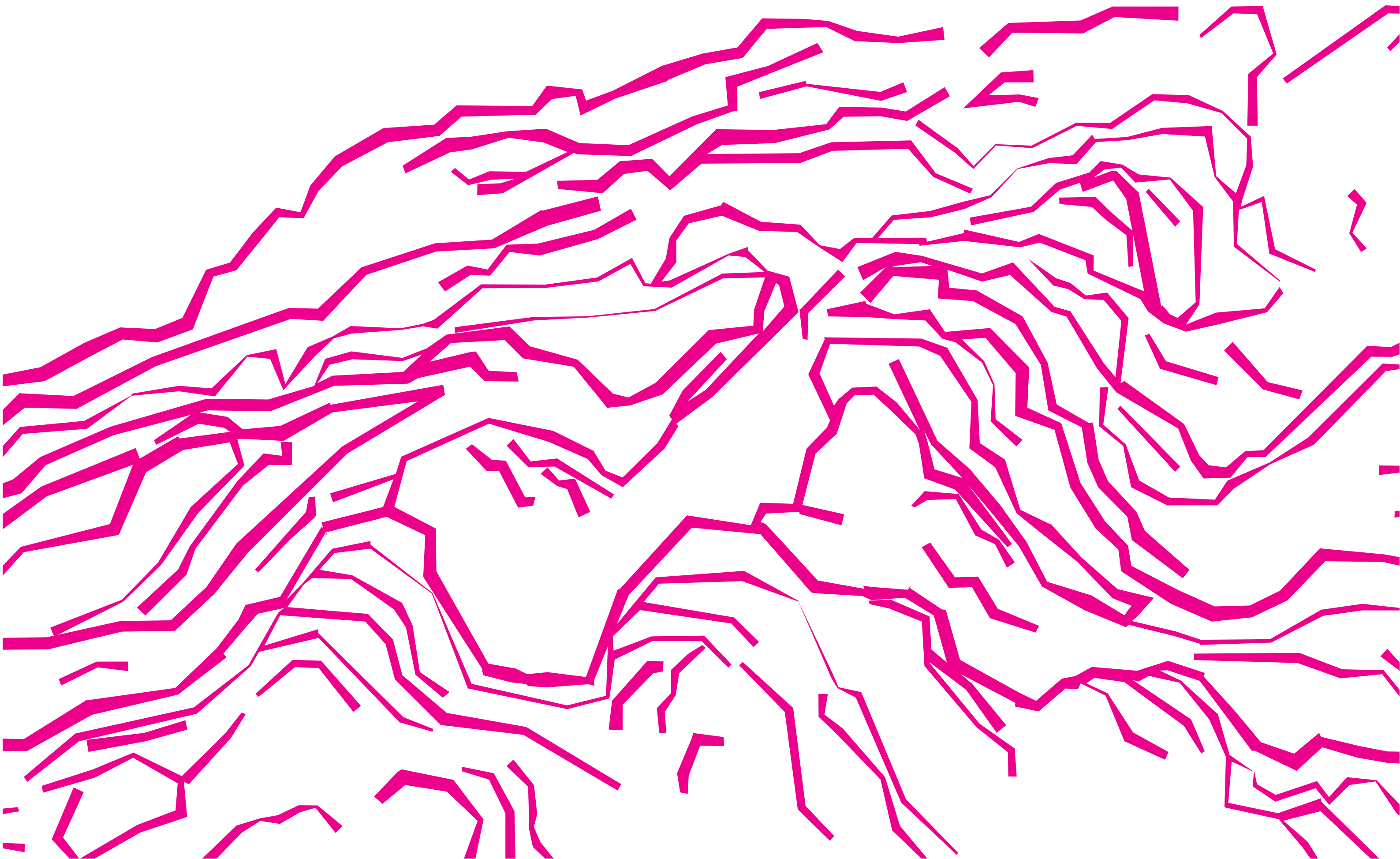
Invesco Perpetual Select Trust plc

HALF-YEARLY FINANCIAL REPORT

SIX MONTHS ENDED 30 NOVEMBER 2018



The Company in Brief

Nature of the Company

Invesco Perpetual Select Trust plc (the 'Company') is a public listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company is to invest shareholders' funds with the aim of spreading investment risk and generating returns for shareholders. The Company has an indefinite life and is intended as a long-term investment vehicle.

The Company provides shareholders with a choice of investment policies and objectives, each intended to generate attractive risk-adjusted returns from segregated portfolios.

The Company's share capital comprises the following four share classes, each of which has its own separate Portfolio of assets and liabilities:

• UK Equity	www.invesco.co.uk/selectuk
• Global Equity Income	www.invesco.co.uk/selectglobal
• Balanced Risk Allocation	www.invesco.co.uk/selectbr
• Managed Liquidity	www.invesco.co.uk/selectml

Investment Policy

The Company's Investment Policy, which includes the objectives, policies, risks and investment limits for the Company and the separate Portfolios, is disclosed in full on pages 30 to 33 of the 2018 annual financial report, which is available to view at or download from each of the above websites. Within this report, the investment objective of each Portfolio is shown at the start of the applicable Portfolio Manager's Report. Additionally, minor changes to the investment policies of the Balanced Risk Allocation Portfolio and the Managed Liquidity Portfolio are described in the Chairman's Statement on pages 4 and 5.

Share Class Conversion

The Company enables shareholders to alter their asset allocation to reflect their view of prevailing markets through the opportunity to convert between share classes every three months, on or around 1 February, 1 May, 1 August and 1 November each year.

Notice from a shareholder to convert any class of Share on any conversion date will be accepted up to ten days prior to the relevant conversion date. Forms for conversion are available on the web pages of all the share classes on the Manager's website (see above) and from the Company Secretary.

Conversion from one class of Shares into another will be on the basis of a ratio derived from the prevailing underlying net asset value of each class of relevant Share, calculated shortly before the date of conversion.

The Directors have been advised that conversion of one class of Share into another will not be treated as a disposal for the purposes of UK Capital Gains Tax.

The Company's four share classes are each eligible for investment in an ISA and qualify to be considered as mainstream investment products suitable for promotion to retail investors.

If you have any queries about Invesco Perpetual Select Trust plc
or any of the other specialist funds managed by Invesco,
you can contact the Invesco Client Services team on

☎ 0800 085 8677
www.invesco.co.uk/investmenttrusts

Front Cover: Close up of Mica Crystals

Contents

The Company is a member of

aic
The Association of Investment Companies

FINANCIAL PERFORMANCE

CUMULATIVE TOTAL RETURNS[1][2] TO 30 NOVEMBER 2018

UK Equity Portfolio

	SIX MONTHS	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	–12.0%	–8.7%	7.0%	34.2%
Share Price	–10.3%	–7.6%	7.1%	38.1%
FTSE All-Share Index	–7.7%	–1.5%	22.6%	29.2%

Global Equity Income Portfolio

	SIX MONTHS	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	–2.9%	–1.1%	38.6%	60.1%
Share Price	–2.0%	–1.4%	34.6%	58.5%
MSCI World Index (£)	2.6%	6.2%	50.7%	77.3%

Balanced Risk Allocation Portfolio

	SIX MONTHS	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	–7.4%	–5.0%	14.0%	17.4%
Share Price	–5.4%	–4.2%	12.8%	19.7%
Merrill Lynch 3 month LIBOR +5% pa	2.8%	5.6%	16.5%	27.6%

Managed Liquidity Portfolio

	SIX MONTHS	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	0.2%	0.4%	0.6%	0.5%
Share Price	-0.5%	–0.5%	–1.0%	0.7%

PERIOD END NET ASSET VALUE, SHARE PRICE AND DISCOUNT

SHARE CLASS	NET ASSET VALUE (PENCE)	SHARE PRICE (PENCE)	(PREMIUM)/ DISCOUNT
UK Equity	163.5	164.0	(0.3%)
Global Equity Income	198.4	195.0	1.7%
Balanced Risk Allocation	132.8	132.0	0.6%
Managed Liquidity	103.7	101.5	2.1%

(1) Defined in the Glossary of Terms and Alternative Performance Measure on pages 104 and 105 of the 2018 annual financial report.

(2) Source: Refinitiv (Thomson Reuters).

INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Investment Objective and Policy

The Company's investment objective is to provide shareholders with a choice of investment strategies and policies, each intended to generate attractive risk-adjusted returns.

The Company's share capital comprises four share classes: UK Equity Shares, Global Equity Income Shares, Balanced Risk Allocation Shares and Managed Liquidity Shares, each of which has its own separate portfolio of assets and attributable liabilities.

The Company enables shareholders to alter their asset allocation to reflect their view of prevailing market conditions. Shareholders have the opportunity, every three months, to convert between share classes, free of capital gains tax and free of charges.

Performance

In NAV terms, with dividends reinvested, the UK Equity Portfolio returned –12.0% over the six months to the end of November 2018 compared with its benchmark, the FTSE All-Share Index's total return of –7.7%. The share price total return was –10.3%.

The Global Equity Income Portfolio returned –2.9% in NAV terms, and –2.0% on the share price, compared with its benchmark, the MSCI World Index's total return over the period of 2.6%.

The Balanced Risk Allocation Portfolio returned –7.4% in NAV terms, and –5.4% on the share price. The Portfolio's benchmark, 3 month LIBOR plus 5% per annum, returned 2.8%.

The Managed Liquidity Shares had a return of 0.2% based on the NAV and –0.5% based on the share price.

Taken overall, this was clearly a difficult period for the Company and for most markets in risk assets. The market environment has felt distinctly bearish and the periods of falling prices have been more convincing than those in which prices rose, even though the overall result wasn't dramatic with the MSCI World Index actually rising in sterling terms, though falling slightly overall since the period end in much more volatile markets. Within our two equity portfolios the causes of weak performance are similar. An emphasis on undervalued UK domestically oriented companies has hurt, as has exposure to similarly cheap European and UK financials. The period ended with the divergence in valuation between these and higher-valued growth companies at very wide levels by historical standards.

Under the political froth, macro-economic evolution was quite conventional. The US has led a gentle process of monetary tightening worldwide as the economy strengthened and capacity began to be stretched. This has weakened demand for risk assets and also helped to strengthen the dollar, with consequential falls in commodity prices. These particularly affected the Balanced Risk Allocation portfolio which holds commodities to achieve the required diversification. As a result, correlation between asset classes was very high and performance suffered to an unusual extent.

Dividends

The Board has declared equal first, second and third quarterly dividends for the current year for each of the equity share classes. For both the UK Equity shares and the Global Equity Income shares each of these dividends was 1.5p, making 4.5p declared to date.

We continue to target annual dividends of at least 6.45p for the UK Equity shares and at least 6.7p for the Global Equity Income shares, these being the levels declared last year. Achieving these targets may require a contribution from capital, as was the case last year.

It continues to be the case that in order to maximise the capital return on the Balanced Risk Allocation Shares, the Directors only intend to declare dividends on the Balanced Risk Allocation Shares to the extent required, having taken into account the dividends paid on the other Share classes, to maintain the Company's status as an investment trust. None have been declared to date.

Although there has been some improvement, in consequence of the continuation of very low interest rates, the cumulative retained net revenue of the Managed Liquidity Portfolio continues to be minimal and the Directors have not declared any dividends on the Managed Liquidity Shares.

INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

continued

Discount, Share Buy Backs and Share Issues

The Company has continued to operate a discount control policy for all four share classes through the period and the discounts have remained within a tight range throughout.

During the period the Company bought back 810,000 UK Equity shares at an average price of 183.5p, 1,352,023 Global Equity Income shares at an average price of 204.7p and 248,000 Balanced Risk Allocation shares at an average price of 139.0p. No Managed Liquidity shares were bought back.

Outlook

From a market perspective it is comforting to note that equity valuations have now fallen back to levels from which medium to long term returns have generally been attractive. This has been accompanied by market sentiment indicators giving out "Extreme Fear" signals in December, compared with "Extreme Greed" a year ago, which gives a degree of technical support to current market levels.

In my statement in the Annual Report I indicated that there might be more impact on markets from political events. It is becoming clear that the continued uncertainties about Brexit are hampering the UK economy with weakness in consumption, linked to a very low savings rate, and corporate investment. It is much less clear what will flow from the change of control of the US House of Representatives or negotiations on trade. Globally, 2019 is very likely to see slower economic expansion. The US economy is still performing well by conventional standards, though it isn't clear how it will deal with the deficit caused by the sugar rush of tax cuts in 2018. Europe has slowed down and earlier problems, such as the lack of Italian growth and economic disparities within the Eurozone have resurfaced. Meantime, China continues to face the problem of a slowdown in investment as the economy becomes more conventionally weighted towards consumption.

It is difficult to weigh up these different influences. The market indicators are quite positive, but it still seems early in economic development to believe the world economy is about to re-accelerate. Instead the macro economic outliers seem much more likely to be harmful than positive. In the meantime, our portfolio managers will continue to buy or hold cheap assets with good prospects whose characteristics can mitigate some of the risks that exist.

We remain convinced that the Company offers an attractive and unique mix of strategies and its structure, with quarterly opportunities to convert between share classes, makes it an ideal vehicle for DIY investors who want enhanced control of their investments.

Balanced Risk Allocation Investment Policy

Since its adoption in 2011, the Portfolio's investment policy has included a limitation on the size of individual asset weightings, specifying that these "*… may occasionally exceed twice the neutral weight*". However, as the strategy has matured the commodity portfolio has been diversified, with individual positions therefore becoming smaller and, as a result, this limit is no longer practical. The Board has consequently made a minor change to the investment policy in respect of this limitation so that it again reflects the original intent, being that the limit shall now apply not to individual commodity exposures, but instead to each commodity complex: Agriculture, Energy, Industrial Metals and Precious Metals. Accordingly, the investment policy has been amended to say that individual asset weightings "*… will not exceed twice the neutral weight*" and that "*For the purposes of the maximum weighting only, commodity exposures are aggregated and measured by commodity complex rather than by individual assets.*" This change has no effect on how the Portfolio is managed or its risk profile.

Managed Liquidity Investment Policy

The investment policy and investments of the Managed Liquidity Portfolio would have required it to be authorised as a money market fund under the new EU Money Fund Regulation. This would have imposed quite onerous requirements on the management and administration of the Portfolio and consequently the Board decided that it would be in investors' best interests if changes were made to avoid this outcome whilst maintaining characteristics in line with the original intent of the Portfolio. Accordingly, the Portfolio's Investment Policy has been amended. The Company's corporate broker, Canaccord Genuity, has confirmed that, in their view, these changes are not material and consequently do not require FCA or shareholder approval.

The full new investment policy, highlighting the changes, is set out below:

Investment Policy and Risk

The Managed Liquidity Portfolio invests *mainly* in a range of sterling-based or related *high quality debt securities and similar* ~~money market fund~~ assets (which may include transferable securities, money market instruments, warrants, collective investment schemes and deposits), either directly or indirectly through ~~money market~~ authorised funds *investing in such instruments*, including funds managed by Invesco.

The Managed Liquidity Portfolio generally invests in ~~money market~~ funds authorised as UCITS schemes (Undertakings for Collective Investments in Transferable Securities, being open ended retail investment funds in the EU), which are required under governing regulations to provide a prudent spread of risk.

In the event that the Managed Liquidity Portfolio is invested directly in securities and instruments, the Manager will observe investment restrictions and risk diversification policies that are consistent with UCITS regulations.

Investment Limits

The Board has prescribed limits on the investment policy of the Managed Liquidity Portfolio, which include the following:

– no more than 10% of the gross assets of the Managed Liquidity Portfolio may be held in a single investment, other than authorised ~~money market~~ funds or high quality sovereign debt securities; and

– no more than 5% of the gross assets of the Managed Liquidity Portfolio may be held in unquoted investments, other than authorised ~~money market~~ funds.

Investors should note that the Managed Liquidity Shares are not designed to replicate the returns or other characteristics of a bank or building society deposit or money market fund. *In particular, the Portfolio will typically contain some assets with a greater residual maturity, and as a whole will have greater weighted average maturity, than is prescribed by regulation governing money market funds.*

Further, the Portfolio's principal investment in the past has been the Invesco Money Fund (UK). This Fund is a money market fund under the new regulation and as such can no longer constitute a significant proportion of the Managed Liquidity portfolio. Instead, with effect from 18 January 2019, the Portfolio has invested principally in the PIMCO Sterling Short Maturity Source UCITS ETF, which is not subject to the regulation but has risk characteristics appropriate to the Portfolio. The ETF is managed by PIMCO and Invesco acts as co-promoter. In consequence of these changes Stuart Edwards has ceased to be the designated portfolio manager.

Managed Liquidity Fee Error Resolution

I referred in the last annual report to the historical error made in calculating management fees on the Managed Liquidity portfolio. Invesco had made a proposal to HMRC to pay an estimate of the tax due on the compensation amount, so that investors receiving compensation would have no further liability to taxation. I am pleased to report that this proposal was accepted and that payments have now been made by Invesco, net of deemed tax, to compensate those past and present shareholders who were disadvantaged by the error.

Marketing Committee

In December, the Board decided to establish a Marketing Committee under the chairmanship of Victoria Muir. It is intended that this Committee will oversee investor relations and efforts to refresh and expand the Company's shareholder base. The Committee's detailed terms of reference and membership will be posted on the website for each Share class in due course.

Patrick Gifford
Chairman

7 February 2019

INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

continued

Related Party Transactions

Under United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), the Company has identified the Directors as related parties. No other related parties have been identified during the period. No transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

Principal Risks and Uncertainties

Explanations of the Company's principal risks and uncertainties are set out on pages 37 to 39 of the 2018 annual financial report, which is available on the Manager's website.

These are summarised as follows:

- Investment Objectives – the investment policies may not achieve the published investment objectives;
- Market Movements and Portfolio Performance – falls in stock markets will affect the performance of the individual Portfolios and securities held within the Portfolios;
- Risks Applicable to the Company's shares – the prices of shares in the Company may not appreciate and the level of dividends may fluctuate;
- Viability and Compulsory Conversion of a Class of Share – lack of demand for one of the Company's share classes could result in the relevant portfolio becoming too small to be viable. If ownership of a class of shares becomes too concentrated the Directors may serve notice on holders of the affected class requiring them to convert to another class;
- Liability of a Portfolio for the Liabilities of Another Portfolio – in the event that any Portfolio was unable to meet its liabilities, the shortfall would become a liability of the other Portfolios;
- Gearing – borrowing will amplify the effect on shareholders' funds of gains and losses on the underlying securities;
- Hedging – where hedging is used there is a risk that the hedge will not be effective;
- Regulatory and Tax Related – whilst compliance with rules and regulations is closely monitored, breaches could affect returns to shareholders;
- Additional Risks Applicable to Balanced Risk Allocation Shares – the use of financial derivative instruments, in particular futures, forms part of the investment policy and strategy of the Balanced Risk Allocation Portfolio. The degree of leverage inherent in futures trading potentially means that a relatively small price movement in a futures contract may result in an immediate and substantial loss to the Portfolio; and
- Reliance on Third Party Service Providers – the Company has no employees, so is reliant upon the performance of third party service providers, particularly the Manager, for it to function.

In the view of the Board these principal risks and uncertainties are as equally applicable to the remaining six months of the financial year as they were to the six months under review.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this to be appropriate as the Company has adequate resources to continue in operational existence for the foreseeable future, being 12 months after approval of the financial statements. In reaching this conclusion, the Directors took into account the value of net assets; the Company's Investment Policy; its risk management policies; the diversified portfolio of readily realisable securities which can be used to meet funding commitments; the credit facility and the overdraft which can be used for short-term funding requirements; the liquidity of the investments which could be used to repay the credit facility in the event that the facility could not be renewed or replaced; its revenue; and the ability of the Company in the light of these factors to meet all its liabilities and ongoing expenses.

UK EQUITY SHARE PORTFOLIO
PERFORMANCE RECORD

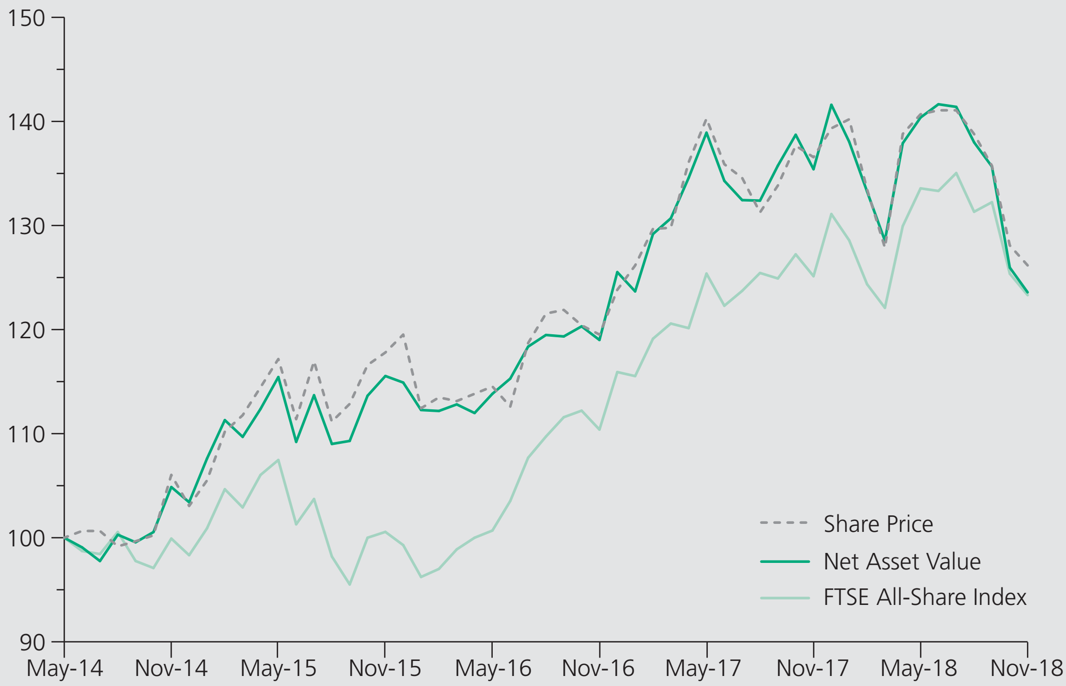
Total Return

	SIX MONTHS TO 30 NOV 2018	YEAR TO 31 MAY 2018	YEAR TO 31 MAY 2017	YEAR TO 31 MAY 2016	YEAR TO 31 MAY 2015
Net Asset Value	–12.0%	1.1%	22.0%	–1.4%	15.4%
Share Price	–10.3%	0.3%	22.5%	–2.2%	17.2%
FTSE All-Share Index	–7.7%	6.5%	24.5%	–6.3%	7.5%

Source: Refinitiv (Thomson Reuters).

Revenue return per share	2.79p	5.49p	5.38p	5.81p	6.38p
Dividends paid	3.00p	6.45p	6.25p	6.15p	6.15p

Total Return Graph
Rebased to 100 at 31 May 2014



UK EQUITY SHARE PORTFOLIO
MANAGER'S REPORT

Investment Objective

The investment objective of the UK Equity Portfolio is to provide shareholders with an attractive real long-term total return by investing primarily in UK quoted equities.

Market Review

During the six month period to 30 November 2018 the FTSE All-Share Index fell 7.7%. The UK market ground lower for most of the period, but suffered notable losses in October as part of a sell-off in global equity markets. Global trade tensions, geopolitical uncertainty and oil price volatility were the main drivers. In the first half of the period, threats and sanctions from the US against China, Iran, and its western allies put pressure on commodity prices. Meanwhile concerns around lower oil production from the Organisation for the Petroleum Exporting Countries and looming US sanctions on Iran, compounded by production shortfalls in Venezuela, saw the Brent Crude oil price rise to US$86 per barrel at the start of October. However, the oil price fell sharply to US$58 per barrel in the final two months of the period, as Saudi Arabia pledged to meet any production shortfalls.

Economic data released during the period showed that the UK economy grew at the fastest rate since 2016 during the third quarter of 2018, despite continued uncertainty around the outcome of Brexit. Meanwhile, unemployment fell to less than 4% during the period, the lowest level since 1975, whilst vacancies reached an all-time high. Nevertheless, Sterling continued to act as a barometer for the perceived progress in Brexit negotiations and the likelihood of the UK making a 'hard-exit' from the European Union. Prolonged uncertainty saw the pound fall to US$1.26 in August, the lowest point in more than a year.

Against this backdrop the Bank of England's Monetary Policy Committee voted unanimously to raise interest rates by a further 0.25% to 0.75% at its August meeting. The increase delivered the step towards policy normalisation that had been widely anticipated in April, before unseasonably cold weather stayed the Committee's hand. It also affords the Committee greater flexibility to pare back interest rates if deemed necessary following the final deal negotiated for the UK's exit from the European Union.

Portfolio Performance Review

The portfolio's net asset value, including reinvested dividends, fell by 12.0% over the period under review, compared with a return of -7.7% by the FTSE All-Share Index. In the light of a significant de-rating in the wake of the EU referendum the portfolio had been moved to overweight shares in UK domestically focused companies, especially financials. Although earnings expectations have, on the whole, been met and although UK employment and real wage growth continue to surprise to the upside, the persistent uncertainty about the form Brexit will take has led to the underperformance of these shares.

Barclays remained the portfolio's largest holding and is a case in point. In July the bank reported higher-than-expected net operating income for the first half of 2018 and in October released third quarter results that were ahead of consensus estimates. Despite these encouraging signals, worries about rising impairments and declining net interest margins post-Brexit (as well as long-standing scepticism about the investment bank) pushed the shares lower. The portfolio's significant weighting reflects continued conviction that the return targets set by management are achievable, whilst that outcome is in no way reflected by the valuation of the shares.

Other detractors with a UK domestic bias included Next, Tesco and easyJet. In all cases I believe that these are long term structural winners with capital allocation policies that will create value for shareholders and are priced at extremely attractive levels as a result of widespread uncertainty around the form Brexit will take in March 2019.

Some of the underperformance in the period can also be attributed to industry and stock-specific issues.

The portfolio's holding in Babcock International was a significant source of underperformance. The shares started 2018 well, rallying almost 50% from their February low. The company then reduced its full year revenue growth guidance in July and the share price once again came under pressure. This persisted for the rest of the review period as an anonymous piece of research was published reigniting the debate on the sustainability of margins and recommending that investors sell the shares. However, the current levels of profitability and returns appear to be sustainable and, in light of the extreme reached in the valuation (less than six times estimated 2019 earnings per share), the position has been increased.

The share price of floorings manufacturer Victoria fell very sharply at the end of October following the release of an unexpected trading update. The company had sought to simplify and extend its debt finance arrangements, and in so doing was obliged to release commentary on trading and near-term strategy. The guidance for lower margins, but higher revenues, with the launch of some cheaper ranges in pursuit of market share gains, was taken badly by the market and the logic of the proposed bond issue was misunderstood. This left the shares exposed to heavy short-selling. Having met with the company's management in the days following the share price fall, conviction in the investment case was reaffirmed and the opportunity was taken to increase the position.

British American Tobacco (BAT) was another significant detractor to performance on concerns around the US regulatory environment. In August the Food & Drug Administration (FDA) talked about the regulation of next generation products and in November sought a ban on menthol cigarettes. Whilst any menthol ban would have the potential to severely impact profits, it is by no means certain that the FDA will meet the required evidential threshold and in any case a ban would take a number of years to implement. Furthermore, the impact is uncertain, as consumers may move to non-menthol tobacco alternatives. This implies that the halving in the BAT share price is an over-reaction. BAT's focus on pricing power, cash generation, product innovation and capital allocation should continue to provide a reliable source of income, underpinning longer term returns to shareholders.

The use of gearing, which magnifies the effect on net asset value per share of positive and negative portfolio performance, also weighed on relative performance in the falling market.

During this challenging period for UK equity markets, a number of positions made strong positive contributions to the portfolio's performance. Bushveld Minerals provided the standout return. Shares in this AIM-listed vanadium producer rose steadily through much of the period, before rallying very sharply in November. The shares were buoyed by rising vanadium prices and also by news that the company had struck a deal to consolidate its ownership of Strategic Minerals Corporation, the holding company of Vametco, Bushveld's South African vanadium asset.

Meanwhile, shares in Acacia Mining and Randgold Resources rose strongly from September following news of a proposed merger between Barrick Gold (which owns 64% of Acacia Mining) and Randgold Resources. The combination should unlock significant value and the holding has been maintained in the combined entity. Acacia Mining's shares reacted to the perception that under the leadership of Mark Bristow, who has a decades-long track record of successful operations in Africa, Barrick may now be more likely to resolve Acacia's long-running dispute with the Tanzanian authorities. The Acacia share price was given a further boost by the release of strong production results for the third quarter of 2018, which met the higher end of guidance.

The portfolio's holdings in BT and SafeStyle UK also provided positive contributions to returns. BT's shares rose strongly throughout the period, supported by better-than-expected results for the first half of the firm's financial year and a very depressed starting valuation. Meanwhile, SafeStyle's share price almost doubled at the end of October following news that the company had agreed a five year non-compete deal with its founder, who had launched a competitor that specifically targeted Safestyle's staff, customer base and brand. That business has since gone into administration, which should help to reverse the market share losses that Safestyle has suffered. More shares were acquired at the lower levels.

Other notable contributors to performance included Future, Whitbread, JD Sports Fashion, Gamma Communications, BCA Marketplace and HomeServe.

After the period end, the IPO of A J Bell was completed. Through that process 45% of the portfolio's holding was disposed at a premium to the carrying value and, subsequent to the float, the shares have performed very strongly. The portfolio retains significant exposure to what I believe will be a strong performer in a very attractive space.

UK EQUITY SHARE PORTFOLIO
MANAGER'S REPORT
continued

Strategy & Outlook

2018 finished on a very difficult note for markets globally, with the FTSE All-Share Index falling 11% in the fourth quarter and the S&P500 Index registering its biggest December decline since 1931. The sell-off was the result of two factors: firstly, market concerns that the Fed would press ahead with monetary tightening, just as it appeared that the US and global economy may be weakening, and; secondly, the ratcheting up of trade tensions between the US and China.

It remains to be seen whether recent dovish comments made by the Fed chairman, echoed in the minutes of January's meeting, will in fact be followed by a more dovish policy. Importantly, however, the dollar has responded and at the time of writing is down 3% from its December peak on a trade-weighted basis. Along with a friendlier tone to Sino-US trade discussions this has significantly soothed markets. Crucially, the latest US employment and wage data imply that the engine of the economy, the consumer, remains in good health. At the same time, whilst China credit remains a major concern in the long run, both monetary policy (Reserve Requirement Ratio cut) and fiscal policy in China (the government is planning for a 2.8% deficit in 2019) are also improving sentiment. If Chinese authorities and a weaker US dollar relieve pressure on emerging markets, if employment data remain strong and if trade issues are contained, we could be facing a much more constructive 2019 than had been feared.

This would be a good outcome for emerging markets, for commodity prices and therefore for the large international constituents of the UK market. Given their weight in the index, it would likely prove beneficial for the market as a whole (albeit the effect may be dampened by translation of those dollar profits into sterling). Whilst the portfolio is underweight these areas, the holdings within internationally exposed sectors such as oil & gas, mining and industrials, would stand to benefit. It will be vital to monitor macro-economic data carefully for any confirmation of a trend and to consider the appropriate allocation to these areas of the market accordingly.

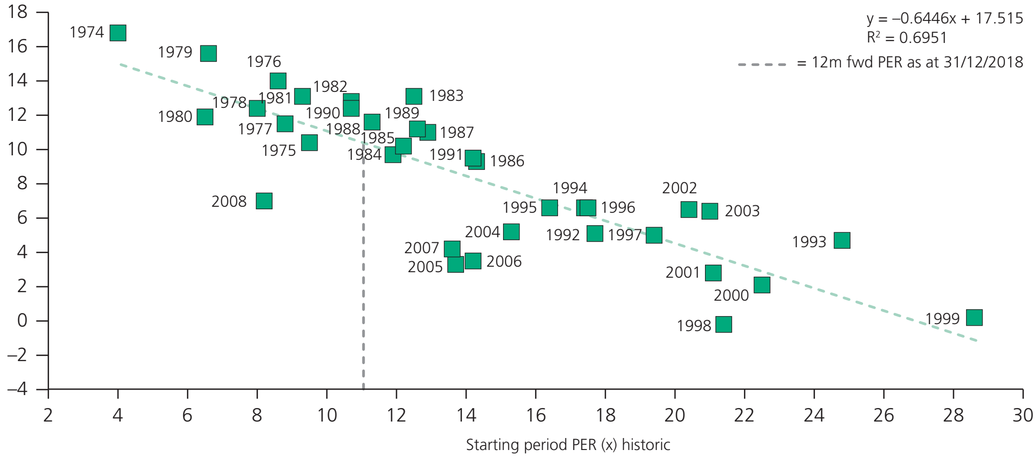
The portfolio remains overweight UK domestic cyclicals and, within that, very overweight Financials. The spectre of Brexit is still of sufficient concern to the market to leave valuations in these sectors at very modest levels in a historical context. At the time of writing, the risk of an "accidental" no deal appears to be receding. Parliament seems to be taking greater control of the situation and it has been clear for some time that there is no majority in parliament for a "hard Brexit". The other key risk to the UK economy and to UK domestically exposed companies, a Corbyn government, now also looks less likely than ever. The Labour party has failed to gain traction in opinion polls at a point in the electoral cycle and against the backdrop of a government in chaos that really ought to have seen them ahead.

The outlook for the UK therefore looks brighter and so owning shares in domestically orientated companies at, or close to, post-financial crisis valuation lows (Barclays, Royal Bank of Scotland, Tesco, Next, easyJet) still looks extremely attractive. In a number of cases I have taken the opportunity of share price weakness to add to positions (Amigo, Babcock International, CVS, Mears, Safestyle UK, Victoria, Whitbread).

That said, there are numerous sources of potential instability both at home and abroad and so to mitigate the risks the wider market and the portfolio face (a no-deal Brexit, US-China trade war, Chinese credit, Italy, Iran, US fiscal weakness, the risk to the US dollar's reserve currency status, to name but a few) I have increased the weighting in gold equities, specifically to companies with productive assets where their cash generative characteristics and the valuation of those cash flows merit inclusion.

Whilst my investment process is heavily skewed to bottom-up, stock specific considerations, my view is that after a year of Brexit-driven underperformance versus other global indices and the weakness seen globally in the fourth quarter of 2018, the valuation of the broad UK market now looks good. At eleven times one year forward earnings the FTSE All-Share Index is currently at a level that has historically been consistent with very attractive real returns over the following ten years, as can be seen in the following chart.

Average 10 year real total return (% per annum)



Source: Lazarus Partnership. Data as at 31 December 2018. Relates to FTSE All-Share Index.

I believe that the modest valuation of this diversified portfolio and the defensive characteristics of gold will produce a portfolio with compelling risk/reward characteristics in the forthcoming period.

James Goldstone
Portfolio Manager

7 February 2019

UK EQUITY SHARE PORTFOLIO
LIST OF INVESTMENTS
AT 30 NOVEMBER 2018

Ordinary shares listed in the UK unless stated otherwise

COMPANY	SECTOR†	MARKET VALUE £'000	% OF PORTFOLIO
Barclays	Banks	3,099	4.6
BP	Oil & Gas Producers	3,005	4.4
Coats	General Industrials	2,305	3.4
Next	General Retailers	2,047	3.0
Royal Dutch Shell – *B Shares*	Oil & Gas Producers	1,988	2.9
Tesco	Food & Drug Retailers	1,885	2.8
Royal Bank of Scotland	Banks	1,592	2.3
British American Tobacco	Tobacco	1,473	2.2
A J Bell – *Unquoted*	Financial Services	1,408	2.1
JD Sports Fashion	General Retailers	1,405	2.1
RELX	Media	1,340	2.0
Babcock International	Support Services	1,326	2.0
Legal & General	Life Insurance	1,286	1.9
Imperial Brands	Tobacco	1,261	1.9
Bushveld Minerals	Mining	1,185	1.8
XPS Pensions	Financial Services	1,169	1.7
Melrose Industries	Construction & Materials	1,168	1.7
BCA Marketplace	Financial Services	1,165	1.7
Ashtead	Support Services	1,151	1.7
Rolls-Royce	Aerospace & Defence	1,108	1.6
– *C shares*		6	
McBride	Household Goods & Home Construction	1,113	1.6
Summit Germany	Real Estate Investment & Services	1,087	1.6
Amigo	Financial Services	1,068	1.6
Derwent London	Real Estate Investment Trusts	1,049	1.6
BT	Fixed Line Telecommunications	1,041	1.5
Sigma Capital	Financial Services	1,035	1.5
Phoenix Spree Deutschland	Real Estate Investment & Services	1,027	1.5
Plus500	Financial Services	957	1.4
Johnson Service	Support Services	955	1.4
PRS REIT	Real Estate Investment Trusts	953	1.4
easyJet	Travel & Leisure	922	1.4
Chesnara	Life Insurance	900	1.3
Acacia Mining	Mining	881	1.3
Aviva	Life Insurance	853	1.3
MJ Gleeson	Household Goods & Home Construction	792	1.2
Future	Media	789	1.2
Howden Joinery	Support Services	752	1.1
Hollywood Bowl	Travel & Leisure	743	1.1
TP ICAP	Financial Services	737	1.1
P2P Global Investments	Equity Investment Instruments	727	1.1
Harworth	Real Estate Investment & Services	703	1.0
Hibernia REIT – *Irish common stock*	Real Estate Investment Trusts	702	1.0
Victoria	Household Goods & Home Construction	697	1.0
Micro Focus	Software & Computer Services	689	1.0
Mears	Support Services	679	1.0
Endeavour Mining – *Canadian common stock*	Mining	675	1.0
Newmont Mining – *US common stock*	Mining	670	1.0
Randgold Resources	Mining	663	1.0
HomeServe	Support Services	620	0.9
N Brown	General Retailers	619	0.9
Agnico Eagle Mines – *Canadian common stock*	Mining	617	0.9
Ultra Electronics	Aerospace & Defence	617	0.9
Provident Financial	Financial Services	615	0.9
Secure Trust Bank	Banks	609	0.9
On the Beach	Travel & Leisure	607	0.9
Dairy Crest	Food Producers	589	0.9
Balfour Beatty	Construction & Materials	569	0.8
Hadrian's Wall Secured Investments	Equity Investment Instruments	552	0.8
CVS	General Retailers	551	0.8
Capita	Support Services	526	0.8
Sherborne Investors (Guernsey) C	Financial Services	515	0.8
Safestyle UK	General Retailers	514	0.8
Cairn Homes	Household Goods & Home Construction	509	0.7
Whitbread	Travel & Leisure	489	0.7
Standard Life Aberdeen	Financial Services	434	0.6
TruFin	Financial Services	431	0.6
DS Smith	General Industrials	423	0.6
Alfa Financial Software	Software & Computer Services	418	0.6
Zegona Communications	Non-equity Investment Instruments	367	0.5
Tungsten	Financial Services	238	0.4
Debenhams	General Retailers	101	0.1
Diurnal	Pharmaceuticals & Biotechnology	66	0.1
Barclays Bank – *Nuclear Power Notes 28 Feb 2019*	Electricity	57	0.1
HaloSource	Chemicals	1	–
– *Regulation S*		1	
Total investments (74)		67,886	100.0

†FTSE Industry Classification Benchmark.

UK EQUITY SHARE PORTFOLIO
INCOME STATEMENT

	SIX MONTHS ENDED 30 NOVEMBER 2018			SIX MONTHS ENDED 30 NOVEMBER 2017		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Losses on investments at fair value	–	(8,630)	(8,630)	–	(3,062)	(3,062)
Foreign exchange losses	–	–	–	–	(15)	(15)
Income	1,169	5	1,174	1,155	427	1,582
Management fee – note 2	(50)	(116)	(166)	(57)	(132)	(189)
Performance fee – note 2	–	–	–	–	4	4
Other expenses	(100)	–	(100)	(97)	–	(97)
Net return before finance costs and taxation	1,019	(8,741)	(7,722)	1,001	(2,778)	(1,777)
Finance costs	(31)	(72)	(103)	(21)	(48)	(69)
Return on ordinary activities before taxation	988	(8,813)	(7,825)	980	(2,826)	(1,846)
Tax on ordinary activities – note 3	(6)	–	(6)	(11)	–	(11)
Return on ordinary activities after taxation for the financial period	982	(8,813)	(7,831)	969	(2,826)	(1,857)
Basic return per ordinary share – note 4	2.79p	(25.05)p	(22.26)p	2.58p	(7.52)p	(4.94)p

SUMMARY OF NET ASSETS

	AT 30 NOVEMBER 2018 £'000	AT 31 MAY 2018 £'000
Fixed assets	67,886	81,655
Current assets	968	687
Creditors falling due within one year, excluding borrowings	(653)	(684)
Bank loan	(11,400)	(13,650)
Net assets	56,801	68,008
Net asset value per share – note 5	163.5p	189.0p
Gearing:		
– gross	20.1%	20.1%
– net	18.9%	19.6%

GLOBAL EQUITY INCOME SHARE PORTFOLIO
PERFORMANCE RECORD

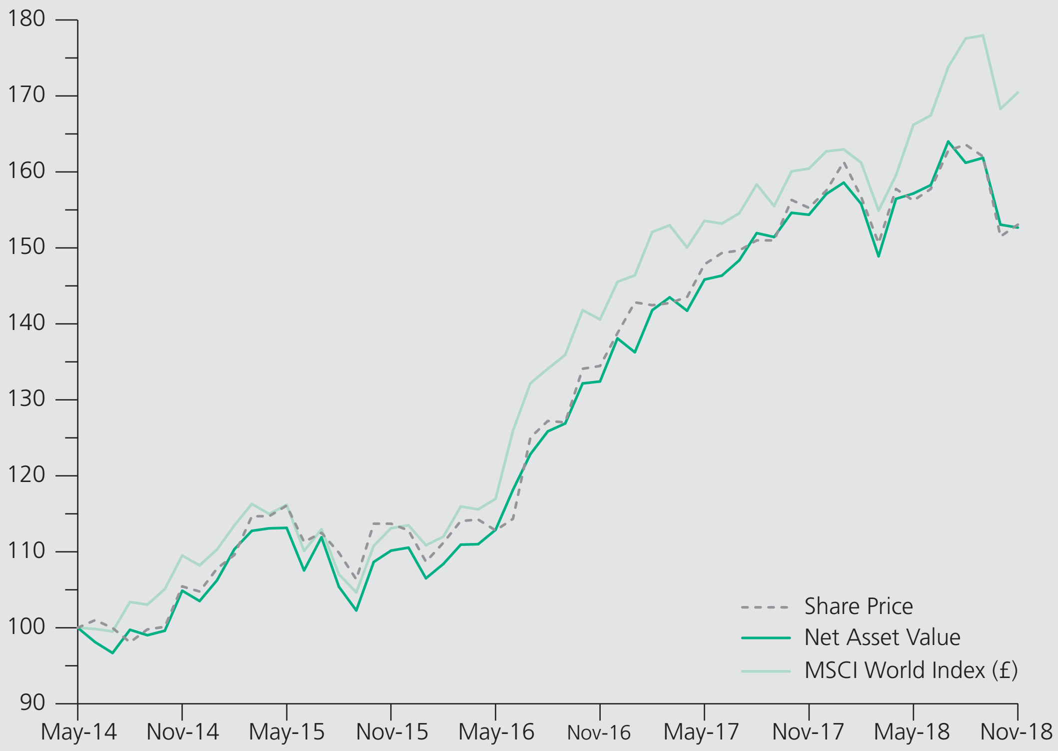
Total Return

	SIX MONTHS TO 30 NOV 2018	YEAR TO 31 MAY 2018	YEAR TO 31 MAY 2017	YEAR TO 31 MAY 2016	YEAR TO 31 MAY 2015
Net Asset Value	–2.9%	7.8%	29.2%	–0.2%	13.2%
Share Price	–2.0%	5.7%	31.1%	–2.8%	16.1%
MSCI World Index (£)	2.6%	8.2%	31.3%	0.7%	16.2%

Source: Refinitiv (Thomson Reuters).

Revenue return per share	2.38p	6.50p	5.62p	5.51p	4.68p
Dividends paid	3.00p	6.70p	6.40p	6.00p	4.60p

Total Return Graph
Rebased to 100 at 31 May 2014



GLOBAL EQUITY INCOME SHARE PORTFOLIO
MANAGER'S REPORT

Investment Objective

The investment objective of the Global Equity Income Share Portfolio is to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide.

Market and Economic Review

Global equity markets were weak throughout the review period, although sterling based investors were sheltered due to a fall in the value of sterling meaning that the MSCI World Index rose 2.6% in sterling terms over the six months. A key driver for this has been increased concern around whether the positive economic progression that began in 2009 would continue. Factors such as the flattening of the US government bond yield curve, reductions in liquidity arising from the normalisation of US and European monetary policy, and continued tensions on global trade, have made investors nervous. However, throughout the period most sectors of the market delivered profit growth in line with expectations. The US has continued to outperform other global regions. However, leadership within the US equity market has rotated away from previously favoured highly valued technology and e-commerce companies, towards companies and sectors with more predictable earnings streams such as pharmaceuticals and utilities.

In Europe, political risk continued to be a challenge as the Italian budgetary crisis and Brexit rumbled on. Economic data from the region also cast a cloud as evidence mounted of slower growth in the second half of 2018 and into 2019 compared to previous expectations.

Weakness in emerging equity markets was broad based. Emerging economies were challenged by a strong US dollar and a perceived reduction in US dollar liquidity arising from the normalisation of US monetary policy. Other issues included threats to global trade, Turkey's currency crisis, and political uncertainties and currency depreciation in Brazil.

Portfolio Strategy and Review

On a total return basis, the Portfolio's net asset value fell by 2.9% over the six months to the end of November 2018, compared to a rise of 2.6% in the MSCI World Index (£, total return, net of withholding tax).

Performance versus the benchmark index was affected by the portfolio's underweight position in the US and, conversely, its overweight position in the UK, Europe and, to a lesser degree, Asia. Our underweight allocation to the US market versus the reference index is due to a lack of stocks which in our view are attractively valued. The US equity market looks expensive relative to other regions and has done so for several years. However, we accept that US companies have delivered stronger earnings growth than companies in other regions. In 2018 much of this was driven by one-off benefits from tax cuts and companies re-leveraging their balance sheets to buy back stock.

Our focus on companies trading at low valuations with good long-term prospects has led us to be overweight the UK and Europe where we feel investors are over-discounting the long-term impact of negative shorter-term political issues. In terms of our UK exposure specifically, our portfolios are tilted towards domestic stocks and Brexit uncertainty continues to weigh on UK domestic equity valuations. The political uncertainty has been especially damaging and has resulted in a wide degree of polarisation within the market. Companies with substantial overseas revenues have benefitted from the devaluation of sterling and, by contrast, UK domestic-facing stocks have generally performed poorly and remain undervalued relative to the broader market. The extent of this relative cheapness is substantial and, although the overall market is not expensive at present, the most obvious opportunities, in our view, rest within domestic sectors. Many are valued at multi-year lows, both in absolute terms and relative to the wider market, and are being discounted on fears of a sharp deterioration in profits and a slowdown in the UK economy, both of which look overly pessimistic to us.

Our exposure to financials in Europe had a negative outcome in the period, in large part due to the Italian political situation, which now seems to be resolving. We would highlight the outstanding valuations we see in this sector and significant (and growing) dividend yields. Headlines around Italian politics, trade wars and immigration, as well as some softening in European macro data, also weighed heavily on performance. However, we expect steady if unspectacular economic growth into 2019. The outlook for domestic demand looks good as Europe recovers from the various crises of the last

GLOBAL EQUITY INCOME SHARE PORTFOLIO
MANAGER'S REPORT

decade. Corporates are regaining their appetite to invest again whilst falling unemployment and rising wages are supporting consumption. Our Asian stocks experienced some weakness over the six months amid concerns surrounding trade tensions and China's economic growth.

From a sector perspective, weaker performance came from industrials, consumer staples, and energy stocks. Industrials stocks were widely impacted by concerns over trade wars. Our consumer staples exposure was impacted by more stock-specific events. The share price gains from our European food retailers Carrefour and Koninklijke Ahold Delhaize were outweighed by weakness in British American Tobacco (BAT), which was a significant negative contributor. That company's shares fell following news reports that the US Food & Drug Administration (FDA) is seeking a ban on menthol cigarettes. Ultimately we remain of the view that BAT's focus on pricing power, cash conversion and product innovation should continue to provide a reliable source of income, underpinning longer-term returns to shareholders, while next generation 'reduced harm' products have the potential to deliver a significant new revenue stream.

As to our energy exposure, the decline in the price of oil had a marked effect in the period. The price of oil peaked in October at around $85 and then started a rather rapid decline in November, ending the month down over 20%. The weakness was driven by concern over risks to the demand outlook as global growth concerns increased. Furthermore, investors fretted over increases in supply as shale oil production in the US continued to grow rapidly and OPEC seemed unwilling to cut production, which had a negative impact on a number of the energy stocks held within the portfolio. Our positive view of the sector, however, is not from the oil price being extremely strong, but rather from operating cost reductions and cuts to capital expenditure, which we believe are leading to extremely strong cash generation and will enable both rising dividends and some share buybacks over coming years.

Health care delivered positive performance for the portfolio during the six months as markets became more defensively positioned. The share prices of Pfizer, Novartis, Roche, Amgen and Gilead Sciences all benefitted as a result.

Portfolio changes

Over the period new positions were established in Rolls Royce, Carrefour, and CRH. In our view Rolls Royce is set to become a highly cash generative business and it has a good self-help story arising from increased operating efficiencies and new engine rollouts. The industry is highly regulated, with cutting-edge engineering giving it strong barriers to entry and making disruption hard. Carrefour is a well-known food retailer in France. We believe that it has a strong balance sheet and an impressive new management team, who we feel will be able to bring about change and improve margins in what remains a strong franchise. CRH supplies a broad range of products to the construction industry. We believe CRH to be a high quality business with a management team who are very returns focused.

We sold out of two positions, Union Pacific and Hiscox, after strong share price performance. We also sold our position in Airbus as we felt the share price now reflects the positive outlook for the company. Lastly, we disposed of Nielsen. The company reported a surprisingly weak set of results and delivered a very negative outlook. This would not necessarily have catalysed a sale of the position, but the lack of a credible strategy to improve and signs of structural shifts in one of its key businesses, as well as the departure of members of senior management, led us to the conclusion that the capital could be better deployed elsewhere.

Outlook

We remain cautiously optimistic regarding the outlook for 2019 and feel the market has too aggressively discounted a recession in recent months. Monetary and fiscal conditions in all regions remain conducive for growth, and inflation is subdued. We expect 2019 to deliver modest economic growth. However, the US will see a slowdown in earnings growth as the positive effects of President Trump's tax cuts are annualised and the rising interest rates begin to manifest in increased interest charges.

There remain of course significant risks to our outlook, arising from continued restrictions to global trade, further interest rises and monetary policy normalisation, for example. However, on balance we believe the rewards in equities outweigh the risks, particularly at the more attractive valuation levels we currently see in the market.

We continue to favour Europe, the UK and Asia over the US, although we acknowledge Europe and the UK will remain volatile until some conclusion is reached over Brexit. We find the valuation on offer in both markets to be outstanding at present.

Overall, our strategy remains consistent: to invest in high quality companies at attractive valuations. We view such companies as those that can sustain profit margins and deliver positive returns through the economic cycle. We see growing and sustainable dividends as clear evidence of these sorts of companies. In aggregate, therefore, we target companies that offer attractive yields, a growing dividend stream and capital upside.

Nick Mustoe
Portfolio Manager

7 February 2019

GLOBAL EQUITY INCOME SHARE PORTFOLIO
LIST OF INVESTMENTS
AT 30 NOVEMBER 2018

Ordinary shares unless stated otherwise

COMPANY	INDUSTRY GROUP†	COUNTRY	MARKET VALUE £'000	% OF PORTFOLIO
Orange	Telecommunication Services	France	2,264	3.3
Royal Dutch Shell – *A shares*	Energy	Netherlands	2,251	3.3
Chevron	Energy	US	2,213	3.2
Pfizer	Pharmaceuticals, Biotechnology & Life Sciences	US	2,171	3.2
Novartis	Pharmaceuticals, Biotechnology & Life Sciences	Switzerland	2,011	2.9
BP	Energy	UK	1,965	2.9
Total	Energy	France	1,928	2.8
Roche	Pharmaceuticals, Biotechnology & Life Sciences	Switzerland	1,867	2.7
Amgen	Pharmaceuticals, Biotechnology & Life Sciences	US	1,677	2.5
United Technologies	Capital Goods	US	1,670	2.4
Aon – *A shares*	Insurance	US	1,631	2.4
JPMorgan Chase	Banks	US	1,596	2.3
Wells Fargo	Banks	US	1,576	2.3
Caixabank	Banks	Spain	1,557	2.3
Taiwan Semiconductor Manufacturing	Semiconductors & Semiconductor Equipment	Taiwan	1,554	2.3
Citigroup	Banks	US	1,524	2.2
Nasdaq	Diversified Financials	US	1,496	2.2
Deutsche Post	Transportation	Germany	1,451	2.1
Gilead Sciences	Pharmaceuticals, Biotechnology & Life Sciences	US	1,437	2.1
Allianz	Insurance	Germany	1,437	2.1
Amcor	Materials	Australia	1,419	2.1
Toyota Motor	Automobiles & Components	Japan	1,402	2.1
Next	Retailing	UK	1,365	2.0
Carrefour	Food & Staples Retailing	France	1,363	2.0
ING	Banks	Netherlands	1,360	2.0
Rolls-Royce	Capital Goods	UK	1,319	1.9
– *C shares*			6	
Williams-Sonoma	Retailing	US	1,299	1.9
BASF	Materials	Germany	1,298	1.9
Intesa Sanpaolo	Banks	Italy	1,291	1.9
Las Vegas Sands	Consumer Services	US	1,282	1.9
Canadian Natural Resources	Energy	Canada	1,279	1.9
Equinor	Energy	Norway	1,233	1.8
Tesco	Food & Staples Retailing	UK	1,175	1.7
Koninklijke Ahold Delhaize	Food & Staples Retailing	Netherlands	1,124	1.6
BNP Paribas	Banks	France	1,122	1.6
Royal Bank of Scotland	Banks	UK	1,107	1.6
British American Tobacco	Food, Beverage & Tobacco	UK	1,084	1.6
China Mobile – R	Telecommunication Services	Hong Kong	1,079	1.6
Broadcom	Semiconductors & Semiconductor Equipment	US	1,077	1.6
Microsoft	Software & Services	US	1,074	1.6
TE Connectivity	Technology Hardware & Equipment	Switzerland	1,065	1.6
Sumitomo Mitsui Financial	Banks	Japan	1,043	1.5
easyJet	Transportation	UK	990	1.5
BAE Systems	Capital Goods	UK	920	1.3
Adecco	Commercial & Professional Services	Switzerland	872	1.3
CRH	Materials	Ireland	832	1.2
Telefonica Brasil	Telecommunication Services	Brazil	686	1.0
Legal & General	Insurance	UK	655	1.0
Kangwon Land	Consumer Services	South Korea	578	0.8
Hyundai Motor – *preference shares*	Automobiles & Components	South Korea	398	0.6
Zhejiang Expressway – H	Transportation	Hong Kong	260	0.4
Total Investments (51)			68,333	100.0

†MSCI and Standard & Poor's Global Industry Classification Standard.

H: H-Shares – shares issued by companies incorporated in the People's Republic of China (PRC) and listed on the Hong Kong Stock Exchange.

R: Red Chip Holdings – holdings in companies incorporated outside the PRC, listed on the Hong Kong Stock Exchange, and controlled by PRC entities by way of direct or indirect shareholding and/or representation on the board.

GLOBAL EQUITY INCOME SHARE PORTFOLIO
INCOME STATEMENT

	SIX MONTHS ENDED 30 NOVEMBER 2018			SIX MONTHS ENDED 30 NOVEMBER 2017		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
(Losses)/gains on investments at fair value	–	(2,538)	(2,538)	–	3,108	3,108
Foreign exchange losses	–	(4)	(4)	–	(1)	(1)
Income	1,054	–	1,054	1,083	–	1,083
Management fee – note 2	(55)	(128)	(183)	(56)	(131)	(187)
Other expenses	(106)	(1)	(107)	(90)	(1)	(91)
Net return before finance costs and taxation	893	(2,671)	(1,778)	937	2,975	3,912
Finance costs	(11)	(26)	(37)	(10)	(23)	(33)
Return on ordinary activities before taxation	882	(2,697)	(1,815)	927	2,952	3,879
Tax on ordinary activities – note 3	(106)	–	(106)	(93)	–	(93)
Return on ordinary activities after taxation for the financial period	776	(2,697)	(1,921)	834	2,952	3,786
Basic return per ordinary share – note 4	2.38p	(8.27)p	(5.89)p	2.54p	9.00p	11.54p

SUMMARY OF NET ASSETS

	AT 30 NOVEMBER 2018 £'000	AT 31 MAY 2018 £'000
Fixed assets	68,333	72,664
Current assets	701	569
Creditors falling due within one year, excluding borrowings	(149)	(336)
Bank overdraft	–	(1,140)
Bank loan	(4,200)	(2,700)
Net assets	64,685	69,057
Net asset value per share – note 5	198.4p	207.2p
Gearing:		
– gross	6.5%	5.6%
– net	6.0%	5.6%

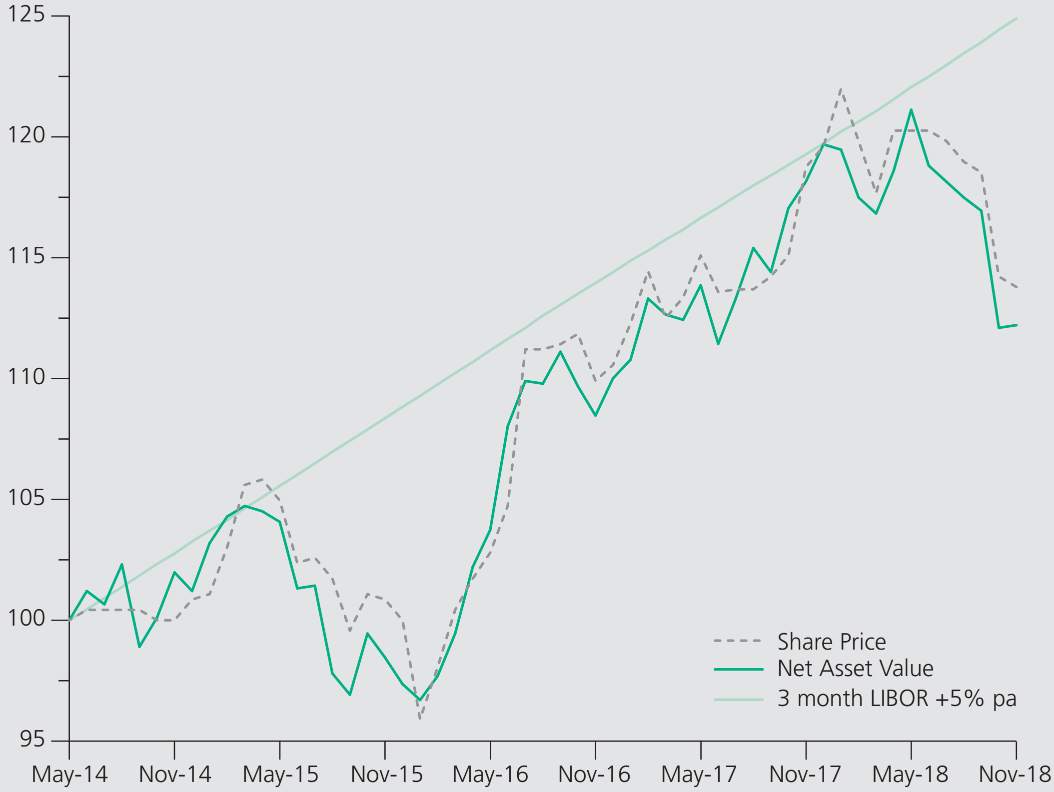
BALANCED RISK ALLOCATION SHARE PORTFOLIO
PERFORMANCE RECORD

Total Return

	SIX MONTHS TO 30 NOVEMBER 2018	YEAR TO 31 MAY 2018	YEAR TO 31 MAY 2017	YEAR TO 31 MAY 2016	YEAR TO 31 MAY 2015
Net Asset Value	–7.4%	6.4%	9.8%	–0.3%	4.1%
Share Price	–5.4%	4.5%	11.9%	–2.1%	5.0%
3 month LIBOR +5% per annum	2.8%	5.4%	5.5%	5.6%	5.6%

Source: Refinitiv (Thomson Reuters).

Total Return Graph
Rebased to 100 at 31 May 2014



BALANCED RISK ALLOCATION SHARE PORTFOLIO
MANAGER'S REPORT

Investment Objective

The investment objective of the Balanced Risk Allocation Portfolio is to provide shareholders with an attractive total return in differing economic and inflationary environments, and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities and commodities.

Market and Economic Review

Equities started the six month period with gains, but finished with negative performance. Equity markets ran into headwinds in August from the Trump Administration's trade war, made back some of those losses in September, but then experienced a sharp pullback in October.

Government bonds also started the period in positive territory as yields fell, but pulled back in the third quarter of 2018 as safe-haven demand fell and expectations for higher rates took hold. Bonds finished the period in slightly positive territory, with gains posted in October and November.

Commodities suffered during the period, having started off with mixed performance. Behaviour across commodity complexes varied widely in June, with energy commodity prices generally higher, while prices for agricultural (including livestock) and metals commodities suffered. Prices continued to suffer through the third quarter of 2018 as a strong US dollar and concerns over international trade caused most raw materials markets to decline. As measured by the Bloomberg Commodity Index, three of the four major sub-complexes made losses with only energy finishing the third quarter with gains. Commodities saw a reversal in fortune from prior months in October as energy commodities fell, while select agricultural commodities and gold prices rose. Industrial metals continued to suffer from slowing growth and tariff fears. Positive performance in October was not enough to outweigh losses in the other months of the period.

Portfolio Strategy and Review

The Balanced Risk Allocation Portfolio underperformed the benchmark. The Portfolio return for the six months was –7.4%, compared with the benchmark, 3 month LIBOR plus 5% per annum, return of 2.8%.

Strategic exposure to commodities was the top detractor for the period as all assets had negative or flat performance, with the exception of natural gas. Within commodities, agriculture had the most significant effect, primarily due to exposure to soft commodities including cotton and sugar, as well as exposure to the soy complex. The soy complex had been particularly affected by the trade negotiations between the US and China and also by expectations for a robust soybean harvest depressing prices. The prices of industrial metals declined, led by copper, despite some easing of trade concerns – US dollar strength and a softening Chinese economy were headwinds. Precious metals also declined. Losses in silver were larger than for gold as silver traded in sympathy with its crossover use as an industrial metal. Precious metals prices were negatively impacted by real interest rates and the dollar tracking higher as the US Federal Reserve (Fed) maintained its tightening course. Energy also became a major detractor after starting the period on a strong note. The complex was positive from June through to September, but experienced a sharp pullback in October and November. Energy prices weakened on fears of the impact on demand from slowing global growth and increasing stocks in the US. This was especially pronounced in crudes. Unleaded gasoline prices fell, with stocks for this time of year being high relative to history and with refinery run rates also expected to pick up. Other distillates also seemed to be well stocked and their prices also dropped. Natural gas was the only energy commodity to post gains, with inventory levels below average heading into the winter heating months. Tactical positioning in commodities contributed to results as underweights to agriculture proved timely.

Strategic exposure to equities detracted for the reporting period. Like commodities, equities posted positive results during the reporting period through to September. However, the long bull market ran into significant headwinds in October, with markets down 5% to 12% globally. While the immediate trigger for the sell-off is debatable, some combination of accumulating challenges to future growth almost certainly contributed to the decline, including increases in Treasury yields, evidence of slowing growth in several markets, trade conflicts, etc. Prices rebounded in November, but not enough to outweigh the significant losses from October. Tactical overweights to all six equity markets further detracted from results.

BALANCED RISK ALLOCATION SHARE PORTFOLIO
MANAGER'S REPORT

Strategic exposure to fixed income was slightly beneficial to performance over the reporting period as five of the six markets in which the strategy invests were positive. Australian bonds were the top contributor as weak performance out of China created safe-haven demand. German government bonds also contributed as the European Central Bank (ECB) held rates steady at 0%, as expected, and reaffirmed that rates would be on hold at least through the summer of 2019. Strategic exposure to US government bonds was the sole detractor in the asset class as the Fed maintained a tightening bias on strong economic data and tight labour markets. Negative performance from tactical positioning within bonds outweighed the gains from strategic positioning as underweights to UK and Canadian bonds did not prove timely.

Outlook

Risk assets have just completed one of the worst quarters (4th quarter 2018) in recent memory as slowing manufacturing and economic data have taken a toll on equity and economically sensitive commodity prices. The likely cause of the slowdown is the combination of the ongoing trade rhetoric between the US and China with the policy tightening by the Fed and quantitative tightening by the Fed and ECB. Investors will be intently focused on the direction these events take in 2019. Resolution of one or both of these issues could spark a powerful relief rally for risk assets, while negative developments will favour safe havens.

Scott Wolle
Portfolio Manager

7 February 2019

TARGET ANNUALISED RISK

The targeted annualised risk (volatility of monthly returns) for the portfolio as listed overleaf is analysed as follows:

ASSET CLASS	RISK	CONTRIBUTION
Bonds	4.0%	50.0%
Equities	2.3%	27.9%
Commodities	1.8%	22.1%
	8.1%	100.0%

Derivative instruments held in the Balanced Risk Allocation Share Portfolio are shown on the next page. At the period end all derivative instruments held in this Portfolio were exchange traded futures contracts. Holdings in futures contracts that are not exchange traded are permitted as explained in the investment policy which is disclosed in full on page 32 of the 2018 annual financial report.

BALANCED RISK ALLOCATION SHARE PORTFOLIO
LIST OF INVESTMENTS
AT 30 NOVEMBER 2018

	YIELD %	MARKET VALUE £'000	% OF PORTFOLIO
Short Term Investments			
UK Treasury Bill 18 Feb 2019	0.63	2,596	29.5
UK Treasury Bill 3 Dec 2018	0.53	1,600	18.2
UK Treasury Bill 7 May 2019	0.69	1,595	18.1
UK Treasury Bill 13 May 2019	0.70	1,495	17.0
Short-Term Investments Company (Global Series)	0.79	945	10.8
UK Treasury Bill 11 Mar 2019	0.72	549	6.2
Total Short Term Investments		8,780	99.8
Hedge Funds[1]			
Harbinger Class PE Holdings		15	0.2
Harbinger Class L Holdings		2	0.0
Total Hedge Funds		17	0.2
Total Fixed Asset Investments		8,797	100.0

[1] The hedge fund investments are residual holdings of the previous investment strategy, which are awaiting realisation of underlying investments.

LIST OF DERIVATIVE INSTRUMENTS
AT 30 NOVEMBER 2018

	NOTIONAL EXPOSURE £'000	NOTIONAL EXPOSURE AS % OF NET ASSETS
Government Bond Futures:		
Australia	1,858	23.8
Canada	1,492	19.1
Germany	1,003	12.9
UK	981	12.6
US	766	9.8
Japan	417	5.3
Total Bond Futures (6)	6,517	83.5
Equity Futures:		
Hong Kong	531	6.8
Japan	460	5.9
Germany	365	4.7
US small cap	359	4.6
UK	348	4.4
US large cap	322	4.1
Total Equity Futures (6)	2,385	30.5
Commodity Futures:		
Agriculture		
Soybean meal	195	2.5
Cotton	186	2.4
Soy bean	183	2.3
Sugar	179	2.3
Corn	46	0.6
Wheat	41	0.5
Soybean oil	40	0.5
Coffee	32	0.4
Energy		
Gasoline	141	1.8
Natural gas	116	1.5
Brent crude	94	1.2
New York Harbor ultra-low sulphur diesel	60	0.8
Gas-oil (diesel)	44	0.6
WTI crude	41	0.5
Industrial Metals		
Copper	243	3.1
Aluminium	114	1.5
Precious Metals		
Gold	192	2.5
Silver	111	1.4
Total Commodity Futures (18)	2,058	26.4
Total Derivative Instruments (30)	10,960	140.4

BALANCED RISK ALLOCATION SHARE PORTFOLIO
INCOME STATEMENT

	SIX MONTHS ENDED 30 NOVEMBER 2018			SIX MONTHS ENDED 30 NOVEMBER 2017		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
(Losses)/gains on investments at fair value	–	(3)	(3)	–	3	3
Gains/(losses) on derivative instruments	22	(670)	(648)	23	400	423
Foreign exchange gains/(losses)	–	18	18	–	(23)	(23)
Income	24	–	24	8	–	8
Management fee – note 2	(9)	(21)	(30)	(11)	(25)	(36)
Other expenses	(20)	–	(20)	(19)	–	(19)
Return on ordinary activities before taxation	17	(676)	(659)	1	355	356
Tax on ordinary activities	–	–	–	–	–	–
Return on ordinary activities after taxation for the financial period	17	(676)	(659)	1	355	356
Basic return per ordinary share – note 4	0.28p	(11.05)p	(10.77)p	0.01p	5.07p	5.08p

SUMMARY OF NET ASSETS

	AT 30 NOVEMBER 2018 £'000	AT 31 MAY 2018 £'000
Fixed assets	8,797	7,333
Derivative assets held at fair value through profit or loss	40	281
Current assets	805	1,868
Derivative liabilities held at fair value through profit or loss	(221)	(54)
Creditors falling due within one year, excluding borrowings	(1,616)	(55)
Bank overdraft	–	(86)
Net assets	7,805	9,287
Net asset value per share – note 5	132.8p	143.4p
Notional exposure of derivative instruments as % of net assets	140.4%	144.2%

MANAGED LIQUIDITY SHARE PORTFOLIO
PERFORMANCE RECORD

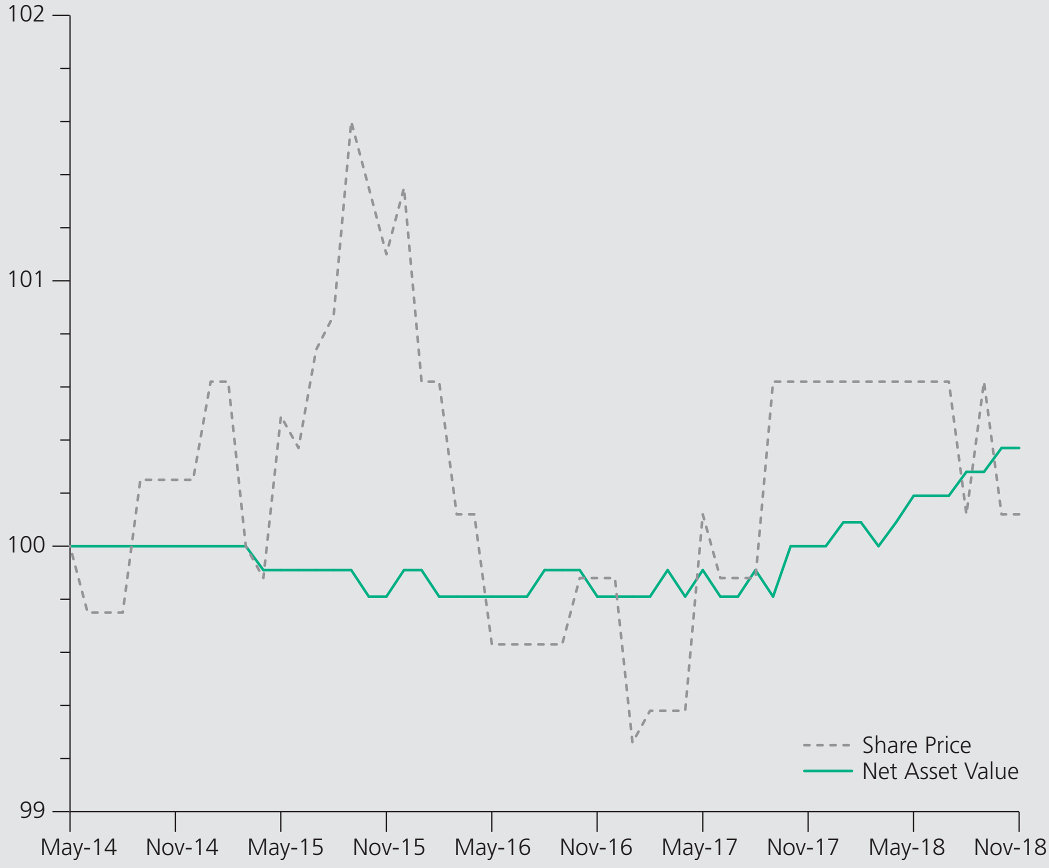
Total Return

	SIX MONTHS TO 30 NOV 2018	YEAR TO 31 MAY 2018	YEAR TO 31 MAY 2017	YEAR TO 31 MAY 2016	YEAR TO 31 MAY 2015
Net Asset Value	0.2%	0.3%	0.0%	–0.1%	–0.1%
Share Price	–0.5%	0.5%	0.5%	–0.9%	0.5%

Source: Refinitiv (Thomson Reuters).

Revenue return per share	0.19p	0.24p	(0.04)p	(0.14)p	(0.12)p
Dividend	nil	nil	nil	nil	nil

Total Return Graph
Rebased to 100 at 31 May 2014



MANAGED LIQUIDITY SHARE PORTFOLIO
MANAGER'S REPORT

Investment Objective

The investment objective of the Managed Liquidity Share Portfolio is to produce an appropriate level of income return combined with a high degree of security.

Market and Economic Review

The period began with a degree of uncertainty about the timing of any increase in UK interest rates. The market had effectively fully priced in a rise during April, only for the Bank of England (BoE) to revise expectations amid a weakening of economic data. The likelihood of a hike started to increase again following the June Monetary Policy Committee (MPC) meeting in which three of the nine members voted for a rise. Adding weight to expectations was the fact that one of those voting for an increase was Chief Economist, Andy Haldane, who had typically been viewed as one of the dovish members of the committee. Subsequent statements by the Bank helped to reinforce expectations, so by the end of July the market had fully priced in a hike and the unanimous decision by the MPC in early August to raise the rate was therefore taken by the market in its stride.

Since the August hike, short-term sterling interest rates have been relatively stable. There has been more volatility in bonds that have longer until maturity, with ongoing negotiations over the UK's future relationship with the European Union a key source of the uncertainty.

Portfolio Strategy and Review

Our investment strategy has been achieved by investing principally in the Invesco Money Fund (UK) ("Money Fund") and also in the Sterling Liquidity Portfolio of Short-Term Investments Company (Global Series) plc ("STIC"), each of which invests in a diversified portfolio of high quality sterling denominated short-term money market instruments.

The Money Fund has had positions in a number of government, quasi-government and corporate bonds. In order to limit the exposure to interest rate risk and credit risk (the likelihood of an issuer defaulting), these bonds have been both short dated and of high quality. The Fund has also held some floating rate notes, debt instruments whose interest rates are reset at regular intervals.

The Sterling Liquidity Portfolio of STIC invests in high quality sterling denominated money market instruments such as commercial paper, certificates of deposit, time deposits and floating rate notes. At 30 November 2018 the Sterling Liquidity Portfolio was rated AAAm by Standard and Poor's and AAAmmf by Fitch Ratings.

Change of Investment Policy

As explained in the Chairman's Statement on page 4, the Investment Policy has now changed and, with effect from 18 January 2019, the Portfolio's main investment is now the PIMCO Sterling Short Maturity Source UCITS ETF, instead of the Money Fund. This ETF, which is actively managed by PIMCO, seeks to maximise current income consistent with the preservation of capital and a high degree of liquidity but is not authorised as a money market fund. It invests in investment grade fixed income securities, including government bonds, corporate debt and mortgage or other asset-backed securities, denominated in sterling and other G7 currencies. It may use forward exchange contracts or other derivatives to achieve exposure.

Outlook

Looking ahead the macro-economic picture and therefore prospects for UK interest rates is mixed. On the one hand, the UK labour market is tight with unemployment at its lowest level since the 1970's. Economic growth is also positive with GDP slightly stronger in the 3rd quarter of 2018 than previously thought. In part, this upturn in growth reflected a reversion of the weakness earlier in the year. On the other hand, this relatively positive picture needs to be weighed against the ongoing uncertainty from Brexit. Against this uncertain backdrop our expectation is that the BoE will continue its very gradual path of increasing interest rates while ensuring that any change is communicated well in advance.

Stuart Edwards
Portfolio Manager

7 February 2019

MANAGED LIQUIDITY SHARE PORTFOLIO
LIST OF INVESTMENTS
AS AT 30 NOVEMBER 2018

	MARKET VALUE £'000	% OF PORTFOLIO
Invesco Money Fund (UK)†	4,711	95.2
Short-Term Investments Company (Global Series)	240	4.8
	4,951	100.0

†At the period end the Managed Liquidity Share Portfolio held 5.24% (May 2018: 4.69%) of the outstanding shares in the Invesco Money Fund (UK).

MANAGED LIQUIDITY SHARE PORTFOLIO
INCOME STATEMENT

	SIX MONTHS ENDED 30 NOVEMBER 2018			SIX MONTHS ENDED 30 NOVEMBER 2017		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Losses on investments at fair value	–	–	–	–	(2)	(2)
Income	19	–	19	13	–	13
Management fee – note 2	(3)	–	(3)	(3)	–	(3)
Other expenses	(7)	–	(7)	(6)	–	(6)
Return on ordinary activities before taxation	9	–	9	4	(2)	2
Tax on ordinary activities	–	–	–	–	–	–
Return on ordinary activities after taxation for the financial period	9	–	9	4	(2)	2
Basic return per ordinary share – note 4	0.19p	–	0.19p	0.08p	(0.04)p	0.04p

SUMMARY OF NET ASSETS

	AT 30 NOVEMBER 2018 £'000	AT 31 MAY 2018 £'000
Fixed assets	4,951	4,953
Current assets	53	54
Creditors falling due within one year, excluding borrowings	(142)	(143)
Net assets	4,862	4,864
Net asset value per share – note 5	103.7p	103.5p

CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 NOVEMBER

	2018 REVENUE £'000	2018 CAPITAL £'000	2018 TOTAL £'000	2017 REVENUE £'000	2017 CAPITAL £'000	2017 TOTAL £'000
(Losses)/gains on investments at fair value	–	(11,171)	(11,171)	–	47	47
Gains/(losses) on derivative instruments	22	(670)	(648)	23	400	423
Foreign exchange gains/(losses)	–	14	14	–	(39)	(39)
Income	2,266	5	2,271	2,259	427	2,686
Management fees – note 2	(117)	(265)	(382)	(127)	(288)	(415)
Performance fees – note 2	–	–	–	–	4	4
Other expenses	(233)	(1)	(234)	(212)	(1)	(213)
Net return before finance costs and taxation	1,938	(12,088)	(10,150)	1,943	550	2,493
Finance costs	(42)	(98)	(140)	(31)	(71)	(102)
Return on ordinary activities before taxation	1,896	(12,186)	(10,290)	1,912	479	2,391
Tax on ordinary activities – note 3	(112)	–	(112)	(104)	–	(104)
Return on ordinary activities after taxation for the financial period	1,784	(12,186)	(10,402)	1,808	479	2,287
Basic return per ordinary share – note 4						
UK Equity Share Portfolio	2.79p	(25.05)p	(22.26)p	2.58p	(7.52)p	(4.94)p
Global Equity Income Share Portfolio	2.38p	(8.27)p	(5.89)p	2.54p	9.00p	11.54p
Balanced Risk Allocation Share Portfolio	0.28p	(11.05)p	(10.77)p	0.01p	5.07p	5.08p
Managed Liquidity Share Portfolio	0.19p	–	0.19p	0.08p	(0.04)p	0.04p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. The return after taxation is the total comprehensive income and therefore no additional statement of comprehensive income is presented. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the period. Income Statements for the different Share classes are shown on pages 13, 19, 24 and 27 for the UK Equity, Global Equity Income, Balanced Risk Allocation and Managed Liquidity Share Portfolios respectively.

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 NOVEMBER

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	SPECIAL RESERVE £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
At 31 May 2018	1,057	1,290	76,594	351	71,624	300	151,216
Cancellation of deferred shares	–	–	(2)	2	–	–	–
Shares bought back and held in treasury	–	–	(4,629)	–	–	–	(4,629)
Share conversions	(2)	–	2	–	–	–	–
Net return on ordinary activities	–	–	–	–	(12,186)	1,784	(10,402)
Dividends paid – note 9	–	–	(72)	–	–	(1,960)	(2,032)
At 30 November 2018	1,055	1,290	71,893	353	59,438	124	134,153
At 31 May 2017	1,060	1,290	80,542	347	69,608	583	153,430
Cancellation of deferred shares	–	–	(2)	2	–	–	–
Shares bought back and held in treasury	–	–	(1,739)	–	–	–	(1,739)
Share conversions	(1)	–	1	–	–	–	–
Net return on ordinary activities	–	–	–	–	479	1,808	2,287
Dividends paid – note 9	–	–	–	–	–	(2,040)	(2,040)
At 30 November 2017	1,059	1,290	78,802	349	70,087	351	151,938

CONDENSED BALANCE SHEET

AS AT 30 NOVEMBER 2018

REGISTERED NUMBER 5916642

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK ALLOCATION £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
Fixed assets					
Investments held at fair value through profit or loss	67,886	68,333	8,797	4,951	149,967
Current assets					
Derivative assets held at fair value through profit or loss	–	–	40	–	40
Debtors	310	382	528	4	1,224
Cash and cash equivalents	658	319	277	49	1,303
	968	701	845	53	2,567
Creditors: amounts falling due within one year					
Derivative liabilities held at fair value through profit or loss	–	–	(221)	–	(221)
Other creditors	(653)	(149)	(1,616)	(142)	(2,560)
Bank loan	(11,400)	(4,200)	–	–	(15,600)
	(12,053)	(4,349)	(1,837)	(142)	(18,381)
Net current liabilities	(11,085)	(3,648)	(992)	(89)	(15,814)
Net assets	56,801	64,685	7,805	4,862	134,153
Capital and reserves					
Share capital	438	388	109	120	1,055
Share premium	–	–	1,290	–	1,290
Special reserve	31,570	32,551	3,467	4,305	71,893
Capital redemption reserve	74	78	26	175	353
Capital reserve	24,719	31,499	2,977	243	59,438
Revenue reserve	–	169	(64)	19	124
Shareholders' funds	56,801	64,685	7,805	4,862	134,153
Net asset value per ordinary share					
Basic – note 5	163.5p	198.4p	132.8p	103.7p	

CONDENSED BALANCE SHEET

AS AT 31 MAY 2018

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK ALLOCATION £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
Fixed assets					
Investments held at fair value through profit or loss	81,655	72,664	7,333	4,953	166,605
Current assets					
Derivative assets held at fair value through profit or loss	–	–	281	–	281
Debtors	379	569	268	4	1,220
Cash and cash equivalents	308	–	1,600	50	1,958
	687	569	2,149	54	3,459
Creditors: amounts falling due within one year					
Derivative liabilities held at fair value through profit or loss	–	–	(54)	–	(54)
Other creditors	(684)	(336)	(55)	(143)	(1,218)
Bank overdraft	–	(1,140)	(86)	–	(1,226)
Bank loan	(13,650)	(2,700)	–	–	(16,350)
	(14,334)	(4,176)	(195)	(143)	(18,848)
Net current (liabilities)/assets	(13,647)	(3,607)	1,954	(89)	(15,389)
Net assets	68,008	69,057	9,287	4,864	151,216
Capital and reserves					
Share capital	442	382	113	120	1,057
Share premium	–	–	1,290	–	1,290
Special reserve	33,960	34,030	4,287	4,317	76,594
Capital redemption reserve	74	78	25	174	351
Capital reserve	33,532	34,196	3,653	243	71,624
Revenue reserve	–	371	(81)	10	300
Shareholders' funds	68,008	69,057	9,287	4,864	151,216
Net asset value per ordinary share					
Basic – note 5	189.0p	207.2p	143.4p	103.5p	

CONDENSED CASH FLOW STATEMENT

	SIX MONTHS ENDED 30 NOVEMBER 2018 £'000	SIX MONTHS ENDED 30 NOVEMBER 2017 £'000
Cash flow from operating activities		
Net return before finance costs and taxation	(10,150)	2,493
Tax on overseas income	(114)	(104)
Adjustments for:		
Purchase of investments	(29,076)	(26,243)
Sale of investments	35,957	27,229
Sale of futures	(240)	296
	6,641	1,282
Scrip dividends	(30)	(73)
Losses/(gains) on investments	11,171	(47)
Losses/(gains) on derivatives	648	(423)
Decrease in debtors	26	24
Decrease in creditors and provision	(70)	(493)
Net cash inflow from operating activities	8,122	2,659
Cash flow from financing activities		
Interest paid on loan	(140)	(105)
(Decrease)/increase in bank borrowing	(750)	1,350
Share buy back costs	(4,629)	(1,739)
Equity dividends paid – note 9	(2,032)	(2,040)
Net cash outflow from financing activities	(7,551)	(2,534)
Net increase in cash and cash equivalents	571	125
Cash and cash equivalents at the start of the period	732	992
Cash and cash equivalents at the end of the period	1,303	1,117
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:		
Cash held at custodian	1,303	1,117
Cash flow from operating activities includes:		
Dividends received	2,351	2,673
Interest received	46	28
Changes in liabilities arising from financing activities:		
Opening bank loan as at 31 May	16,350	15,200
(Decrease)/increase in bank loan	(750)	1,350
Closing bank loan as at 30 November	15,600	16,550

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Accounting Policies

The condensed financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, FRS 104 *Interim Financial Reporting* and the Statement of Recommended Practice *Financial Statements of Investment Trust Companies and Venture Capital Trusts*, issued by the Association of Investment Companies in November 2014 and updated in February 2018. The financial statements are issued on a going concern basis.

The accounting policies applied to these condensed financial statements are consistent with those applied in the financial statements for the year ended 31 May 2018.

2. Management Fees and Finance Costs

Basic management fees and finance costs are charged to the applicable Portfolio as follows, in accordance with the Board's expected split of long-term income and capital returns:

PORTFOLIO	REVENUE RESERVE	CAPITAL RESERVE
UK Equity	30%	70%
Global Equity Income	30%	70%
Balanced Risk Allocation	30%	70%
Managed Liquidity	100%	–

Any entitlement to the investment performance fee which is attributable to the UK Equity and/or the Global Equity Income Portfolio is allocated 100% to capital as it is directly attributable to the capital performance of the investments in those Portfolios.

The Manager is entitled to a basic fee which is calculated and payable quarterly. The fee is based on the net assets of each Portfolio, at the following percentages:

- 0.55% per annum in the case of the UK Equity and Global Equity Income Portfolios;
- 0.75% per annum for the Balanced Risk Allocation Portfolio; and
- 0.12% per annum for the Managed Liquidity Portfolio.

The Manager is also entitled to receive performance fees in respect of the UK Equity and Global Equity Income Portfolios of 12.5% of the increase in net assets per relevant Share in excess of a hurdle of the relevant benchmark plus 1% per annum. From 1 June 2018, the amount of the performance fee that can be earned in any one year is limited to 0.55% of the net assets of the relevant Portfolio and payment is subject to a high water mark. Any underperformance of the benchmark, or performance above the cap, is carried forward to subsequent periods and any underperformance must be offset by future overperformance before any performance fee can be paid.

No performance fee was earned by the UK Equity Portfolio during the six months (30 November 2017: £nil). The performance fee accrued for past periods is £531,000 and, as it cannot be reduced by future underperformance, remains an obligation of the Company. No performance fee was earned for the Global Equity Portfolio during the six months (30 November 2017: £27,000).

Underperformance movements in the six months to 30 November 2018 are shown below:

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000
Underperformance brought forward	(540)	(893)
Underperformance in the period	(459)	(520)
Underperformance carried forward	(999)	(1,413)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

3. Investment Trust Status and Tax

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust company. Any company so approved is not liable for taxation on capital gains.

The tax charge represents withholding tax suffered on overseas income for the period.

4. Basic Return per Ordinary Share

Basic revenue, capital and total return per ordinary share is based on each of the returns on ordinary activities after taxation as shown by the income statement for the applicable Share class and on the following number of shares being the weighted average number of shares in issue throughout the period for each applicable Share class:

	WEIGHTED AVERAGE NUMBER OF SHARES	
SHARE	SIX MONTHS ENDED 30 NOVEMBER 2018	SIX MONTHS ENDED 30 NOVEMBER 2017
UK Equity	35,172,933	37,588,931
Global Equity Income	32,601,022	32,797,113
Balanced Risk Allocation	6,117,689	7,006,541
Managed Liquidity	4,703,864	5,136,972

5. Net Asset Values per Ordinary Share

The net asset values per ordinary share were based on the following Shareholders' funds and shares (excluding treasury shares) in issue at the period end:

PORTFOLIO SHAREHOLDERS' FUNDS	AT 30 NOVEMBER 2018 £'000	AT 31 MAY 2018 £'000
UK Equity	56,801	68,008
Global Equity Income	64,685	69,057
Balanced Risk Allocation	7,805	9,287
Managed Liquidity	4,862	4,864

	NUMBER OF SHARES	
PORTFOLIO SHARES IN ISSUE	AT 30 NOVEMBER 2018	AT 31 MAY 2018
UK Equity	34,732,059	35,986,971
Global Equity Income	32,604,620	33,322,219
Balanced Risk Allocation	5,877,867	6,477,892
Managed Liquidity	4,688,722	4,700,708

6. Classification Under Fair Value Hierarchy

FRS 102 as amended for fair value hierarchy disclosures (March 2016) sets out three fair value levels. These are:

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK ALLOCATION £'000	MANAGED LIQUIDITY £'000
AT 30 NOVEMBER 2018				
Financial assets designated at fair value through profit or loss:				
Level 1	66,478	68,333	8,780	–
Level 2	–	–	40	4,951
Level 3	1,408	–	17	–
Total for financial assets	67,886	68,333	8,837	4,951
Financial liabilities:				
Level 2 – Derivative instruments	–	–	221	–
AT 31 MAY 2018				
Financial assets designated at fair value through profit or loss:				
Level 1	80,244	72,664	5,040	–
Level 2	3	–	2,554	4,953
Level 3	1,408	–	20	–
Total financial assets	81,655	72,664	7,614	4,953
Financial liabilities:				
Level 2 – Derivative instruments	–	–	54	–

Level 1 This is the majority of the Company's investments and comprises all quoted investments and Treasury bills.

Level 2 This comprises liquidity funds held in the Balanced Risk Allocation and Managed Liquidity Portfolios, and any derivative instruments. For the UK Equity Portfolio, Barclays Bank – Nuclear Power Notes 28 Feb 2019, was transferred to Level 1 (May 2018: Level 2) during the period following increased market activity in this holding.

Level 3 This includes the UK Equity Portfolio's holding of an unquoted stock, A J Bell, and the remaining hedge fund investments of the Balanced Risk Allocation Portfolio. Subsequent to the period end, A J Bell underwent an initial public offering (IPO) and became quoted with effect from 7 December 2018.

7. Movements in Share Capital and Share Class Conversions

IN THE SIX MONTHS ENDED 30 NOVEMBER 2018

	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK ALLOCATION	MANAGED LIQUIDITY
Ordinary 1p shares (number)				
At 31 May 2018	35,986,971	33,322,219	6,477,892	4,700,708
Shares bought back into treasury	(810,000)	(1,352,023)	(248,000)	–
Arising on share conversion:				
– August 2018	(419,528)	440,471	(114,918)	9,109
– November 2018	(25,384)	193,953	(237,107)	(21,095)
At 30 November 2018	34,732,059	32,604,620	5,877,867	4,688,722

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

7. Movements in Share Capital and Share Class Conversions *continued*

	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK ALLOCATION	MANAGED LIQUIDITY
Treasury Shares (number)				
At 31 May 2018	8,203,540	4,879,000	4,781,000	7,333,785
Shares bought back into treasury	810,000	1,352,023	248,000	–
At 30 November 2018	9,013,540	6,231,023	5,029,000	7,333,785
Total shares in issue at 30 November 2018	43,745,599	38,835,643	10,906,867	12,022,507
Average buy back price	183.5p	204.7p	139.0p	0.0p

As part of the conversion process, 152,953 deferred shares of 1p each were created. All deferred shares are cancelled before the period end and so no deferred shares are in issue at the start or end of the period.

8. Share Prices

PERIOD END	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK ALLOCATION	MANAGED LIQUIDITY
30 November 2017	184.0p	204.5p	137.8p	102.0p
31 May 2018	186.0p	202.0p	139.5p	102.0p
30 November 2018	164.0p	195.0p	132.0p	101.5p

9. Dividends on Ordinary Shares

The first and second interim dividends were paid on 17 August 2018 and 16 November 2018 respectively:

PORTFOLIO	NUMBER OF SHARES	DIVIDEND RATE	TOTAL £'000
UK Equity			
First interim	35,536,971	1.50p	533
Second interim	34,757,443	1.50p	521
		3.00p	1,054
Global Equity Income			
First interim	32,756,219	1.50p	492
Second interim	32,410,667	1.50p	486
		3.00p	978

Dividends paid for the six months to 30 November 2018 totalled £2,032,000 (six months to 30 November 2017: £2,040,000).

10. The financial information contained in this half-yearly financial report, which has not been reviewed or audited by the independent auditor, does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the half years ended 30 November 2018 and 30 November 2017 has not been audited. The figures and financial information for the year ended 31 May 2018 are extracted and abridged from the latest audited accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include the Independent Auditor's Report, which was unqualified and did not include a statement under section 498 of the Companies Act 2006.

By order of the Board
Invesco Asset Management Limited
Company Secretary

7 February 2019

STATEMENT OF DIRECTORS' RESPONSIBILITY

in respect of the preparation of the half-yearly financial report

The Directors are responsible for preparing the half-yearly financial report using accounting policies consistent with applicable law and UK Accounting Standards.

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 the FRC's FRS 104 *Interim Financial Reporting*;

– the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the FCA's Disclosure Guidance and Transparency Rules; and

– the interim management report includes a fair review of the information required on related party transactions.

The half-yearly financial report has not been audited or reviewed by the Company's auditor.

Signed on behalf of the Board of Directors.

Patrick Gifford
Chairman

7 February 2019

DIRECTORS, MANAGER AND ADMINISTRATION

Directors

Patrick Gifford (Chairman of the Board and Nomination Committee)
Craig Cleland (Chairman of the Audit Committee)
Alan Clifton (Chairman of the Management Engagement Committee and Senior Independent Director)
Victoria Muir (Chairman of the Marketing Committee)
Graham Kitchen

All the Directors are, in the opinion of the Board, independent of the management company and all Directors are members of the Audit, Management Engagement and Nomination Committees.

Registered Office and Company Number

Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH

Registered in England and Wales No. 5916642

Alternative Investment Fund Manager (Manager)

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial contact: Paul Griggs

Correspondence Address

43-45 Portman Square
London W1H 6LY
☎ 020 3753 1000

Depositary, Custodian and Banker

The Bank of New York Mellon (International) Limited
1 Canada Square
London E14 5AL

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

If you hold shares directly and in your own name and have a query, you should contact the Registrars on: ☎ 0371 664 0300.

Calls cost 12p per minute plus your phone company's access charge.

From outside the UK: +44 371 664 0300. Calls from outside the UK will be charged at the applicable international rate. Lines are open from 9am to 5.30pm, Monday to Friday (excluding Bank Holidays).

Shareholders can also access their holding details via Link's website www.signalshares.com.

Link Asset Services provides on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at www.linksharedeal.com or ☎ 0371 664 0445. Calls cost 12p per minute plus your phone company's access charge. From outside the UK: +44 371 664 0445. Calls from outside the UK will be charged at the applicable international rate. Lines are open 8am to 4.30pm, Monday to Friday (excluding Bank Holidays).

Link Asset Services is the business name of Link Market Services Limited.

Invesco Client Services

The Invesco Client Services Team is available from 8.30am to 6pm Monday to Friday (excluding Bank Holidays) on: ☎ 0800 085 8677.
www.invesco.co.uk/investmenttrusts
No investment advice can be given.

The contents of websites referred to in this document or accessible from links within those websites, are not incorporated into, nor do they form part of, this document.

General Data Protection Regulation

The Company's privacy notice can be found at the web addresses of each of the Company's four share classes, as listed on the inside of the front cover.

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Invesco

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