Invesco Perpetual Select Trust plc

Half-Yearly Financial Report
Six Months Ended 30 November 2019

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 Share Portfolio	www.invesco.co.uk/selectuk
• Global Equity Income Share Portfolio	www.invesco.co.uk/selectglobal
• Balanced Risk Allocation Share Portfolio	www.invesco.co.uk/selectbr
• Managed Liquidity Share Portfolio	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 29 to 32 of the 2019 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.

Share Class Conversion

The Company enables shareholders to alter their asset allocation to reflect their views 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

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The Company is a member of

aic

The Association of Investment Companies

FINANCIAL PERFORMANCE

CUMULATIVE TOTAL RETURNS[(1)(2)] TO 30 NOVEMBER 2019

UK Equity Shares

	SIX MONTHS	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	6.4%	15.0%	19.4%	35.5%
Share Price	4.4%	12.8%	19.1%	34.2%
FTSE All-Share Index	5.8%	11.0%	24.0%	37.0%

Global Equity Income Shares

	SIX MONTHS	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	9.1%	10.8%	27.7%	61.3%
Share Price	8.8%	11.0%	26.3%	61.1%
MSCI World Index (£)	10.1%	13.0%	37.0%	75.8%

Balanced Risk Allocation Shares

	SIX MONTHS	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	4.6%	9.9%	13.7%	20.9%
Share Price	4.0%	9.1%	12.9%	24.1%
Merrill Lynch 3 month LIBOR plus 5% per annum	2.9%	5.9%	16.8%	28.0%

Managed Liquidity Shares

	SIX MONTHS	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	1.1%	2.2%	2.8%	2.6%
Share Price	1.3%	1.3%	1.5%	1.2%

PERIOD END NET ASSET VALUE, SHARE PRICE AND DISCOUNT

SHARE CLASS	NET ASSET VALUE (PENCE)	SHARE PRICE (PENCE)	DISCOUNT
UK Equity	181.1	178.0	(1.7)%
Global Equity Income	212.4	209.0	(1.6)%
Balanced Risk Allocation	145.9	144.0	(1.3)%
Managed Liquidity	105.3	102.0	(3.1)%

(1) Alternative Performance Measures (APM) see pages 40 to 42 for the explanation and calculation of APMs. Further details are provided in the Glossary of Terms and Alternative Performance Measures in the 2019 annual financial report.

(2) Source: Refinitiv.

INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

This is my first statement since taking over the chairmanship of the Company and I would like to start by thanking my predecessor, Patrick Gifford, for his excellent chairmanship of the Company for much of its history. Patrick was chairman from 2008 until the Company's last AGM on 3 October 2019, when he retired and I took over. I shall endeavour to emulate his drive, innovation and concern for shareholders' interests during my tenure.

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 net asset value (NAV) terms, with dividends reinvested, the UK Equity Share Portfolio returned +6.4% over the six months to the end of November 2019, compared with its benchmark the FTSE All-Share Index total return of +5.8%. The share price total return was +4.4%.

The Global Equity Income Share Portfolio returned +9.1% in NAV terms, and +8.8% on the share price, compared with its benchmark, the MSCI World Index total return over the period of +10.1%.

The Balanced Risk Allocation Share Portfolio returned +4.6% in NAV terms, and +4.0% on the share price. The Portfolio's benchmark, Merrill Lynch 3 month LIBOR plus 5% per annum, returned +2.9%.

The Managed Liquidity Share Portfolio had a return of +1.1% based on NAV and +1.3% based on the share price.

This was a very good period for most markets in risk assets, and it is pleasing to report the continued improvement in the Company's relative performance. Both the UK Equity Share Portfolio and the Balanced Risk Allocation Share Portfolio outperformed their respective benchmarks, and although the Global Equity Income Share Portfolio continued to lag its benchmark the performance ranked second for the period amongst its peers in the AIC Equity Income sector. The Balanced Risk Allocation Share Portfolio benefitted from the rise in both equity and bond markets, although fears over global growth impacted the return from commodities. As was stated in the Annual Report, the UK Portfolio is somewhat contrarian, with an emphasis on stocks with low valuations and exposure to the UK economy. During the period the Portfolio benefitted from a degree of rotation in style towards value. This outperformance continued after the period end, with the Conservatives' election victory prompting a significant rise in the equity market and in some domestically orientated stocks in particular.

The Global Equity Income Portfolio also benefitted from the rotation in investment style, but it still underperformed the benchmark over the period. The portfolio was negatively impacted by the underweight position in the US market, which continued to outperform markets in the UK and Europe. Furthermore, the Portfolio was overweight in energy stocks, which lagged the market on investor concerns about potential oversupply of oil and gas.

Performance of the Managed Liquidity Portfolio, although modest, was encouraging, given the continued low interest rate environment. It should be noted that with the adjustment of the investment policy and change in principal investment in January 2019 the risk profile marginally increased. The Directors would like to remind shareholders that the Managed Liquidity Share Portfolio is not designed to replicate the returns or other characteristics of a bank or building society deposit or money market fund. Accordingly, the NAV of the shares can both increase and decrease, albeit the risk of a significant loss of value is considered to be quite small.

INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

continued

Global Equity Income Share Portfolio Management Arrangements

The Board announced on 8 January 2020 that Stephen Anness has taken over responsibility for the management for the Company's Global Equity Income Share Portfolio. Based in Henley, Stephen joined Invesco in 2002 to work in the UK equities team and moved on to manage global equity portfolios in 2012. Stephen now leads the dedicated Global Equity team, which takes responsibility for research, portfolio construction and communications. Additional idea generation and market insights are provided by regional equity market specialists in the Henley Investment Centre. There is no change to the investment objective and policy of the Portfolio.

As announced by Invesco in October, Nick Mustoe stepped down at the end of 2019 from his roles as Chief Investment Officer and lead manager of the global equity portfolios managed in Henley. The Directors wish to record their thanks to Nick for his support of the Company over the years.

Dividends

The Board has declared equal first, second and third quarterly dividends for the current year for each of the equity share classes. For the UK Equity shares each of these dividends was 1.5p, making 4.5p declared to date. For the Global Equity Income shares each of these dividends was 1.55p, making 4.65p declared to date.

We continue to target annual dividends of at least 6.6p for the UK Equity shares and at least 6.9p for the Global Equity Income shares, these being the levels declared last year. Achieving these targets may require a contribution from capital, as has been true in recent years.

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.

No dividends have been declared in respect of the current financial year on the Managed Liquidity Shares. With continued very low interest rates net revenue of the Managed Liquidity Portfolio has been minimal for some time, although it has seen improvement, and a dividend was paid in respect of the last financial year, the first since 2012. As stated in the last annual financial report it remains the Directors' intention to distribute substantially all net revenues earned by the Portfolio going forward. However, given the quantum involved, it is unlikely that such payments will be more frequent than annual and may indeed be less so.

Discount and Share Buy Backs

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 719,772 UK Equity shares at an average price of 172.9p, 1,411,136 Global Equity Income shares at an average price of 203.7p, 97,000 Balanced Risk Allocation shares at an average price of 141.0p and 763,893 Managed Liquidity shares at an average price of 101.1p.

Outlook

Since the period end, equity markets have continued to rise, with both the US S&P and NASDAQ indices reaching all-time highs. Confidence in equity markets was boosted by the announcement in December that the US and China had reached a phase one trade agreement, now signed. European markets, and the UK in particular, have rallied following the UK general election. Investors had been concerned by the radical economic policy proposed by the Labour Party, as well as by the prospect of prolonged political deadlock in the event of a hung parliament. The decisive Conservative victory has removed this uncertainty, and there are hopes that business and consumer confidence will recover.

There are good reasons why markets have risen over recent months, and although valuations are not stretched by historical standards relative to bond and cash yields, a period of consolidation seems likely. Geopolitical tensions remain high, with the US and China clashing over a number of issues including the situation in Hong Kong. Furthermore, at the time of writing the outbreak of the coronavirus has prompted a classic flight to safety, but it appears it is being well contained and, from a market perspective, will likely not have a long term impact and, conversely, may provide short term opportunities for investment. Attention will also shift to the US presidential election, and the outcome of any impeachment proceedings against President Trump. In the rest of the world economic growth remains subdued, most notably in Europe, where conventional monetary policy may have reached its limit. In the UK the political deadlock over leaving the EU has been removed, but considerable uncertainty remains over the exact nature of any future trade agreement with the EU. After a year, and a decade, of very positive returns from markets, a more cautious outlook seems appropriate. Against this background our portfolio managers continue to emphasise valuation, holding relatively cheap assets which mitigate some of the wider risks in the equity market.

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

Graham Kitchen
Chairman

4 February 2020

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 36 to 39 of the 2019 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.

MARKET AND ECONOMIC BACKGROUND

Global equity market sentiment swung from overly pessimistic to cautious optimism over the six months to 30 November 2019, as the prevailing economic outlook evolved.

The spring and summer of 2019 was characterised by a modest global economic slowdown, most especially in manufacturing sectors, and markets reacted with a move towards perceived 'safe-haven' assets such as gold and government bonds.

By July, a significant portion of the global government bond market was offering negative yields, reinforcing equity market investors' preference for stocks with earnings not strongly correlated to the economic cycle, sometimes seemingly regardless of valuation.

In the UK, having risen steadily through June and July, the equity market sold off sharply at the beginning of August, amid concerns about the inversion of the US and UK yield curves and the reignition of US-China trade tensions. Meanwhile domestic politics dominated headlines. Boris Johnson was confirmed as the UK's new Prime Minister and Parliament prorogued, further elevating fears of a 'no-deal Brexit'.

Sterling depreciated against international currencies throughout June and July and fell below US$1.21 during August. The Bank of England's Monetary Policy Committee voted to hold the base rate at 0.75% during its June and August meetings.

The US Federal Reserve's (the Fed) cuts to interest rates in July and September were widely anticipated by markets and, together with more dovish commentary from both the Fed and the European Central Bank (ECB), provided a positive inflection in the tone for the latter half of the period under review. The US interest rate cuts were aimed at keeping the record-long US economic expansion going into 2020, helping to underpin confidence in continued global economic growth into the year ahead. Expectations of some detente in the ongoing China/US trade dispute further helped to improve investor confidence. The late summer/autumn period witnessed not only gains for global markets at an overall index level, but also a sharp intra-market rotation. Sentiment had started to shift towards previously unloved, and relatively cheap sectors such as financials and industrial companies, and away from hitherto favoured areas such as consumer staples, utilities and software companies.

In the UK, the equity market rose steadily throughout September to recover losses from a volatile August, but suffered sharp falls at the beginning of October, with the FTSE 100 Index posting its worst single day return in more than three years on very weak UK and EU manufacturing data and poor US jobs figures. This was compounded by a World Trade Organisation ruling that cleared the way for the US to impose tariffs on US$7.5 billion of EU imports.

Political factors continued to dominate in the UK. In mid-October the UK Government announced that it had negotiated a revised Withdrawal Agreement with the European Union. The UK equity market took comfort from the decreased likelihood of a no-deal exit on 31 October 2019 and there was an immediate rally in Sterling, which peaked at US$1.30. Towards the end of October the Government agreed an extension to Article 50 and succeeded in calling an early general election.

On the UK economic front, there was a surprise contraction in the UK Service Sector Purchasing Manager's Index data for September. Employment data was slightly softer, as the number of people in work fell in the third quarter. However, the UK economy avoided a technical recession following an increase in real GDP over the third quarter.

UK EQUITY SHARE PORTFOLIO
PERFORMANCE RECORD

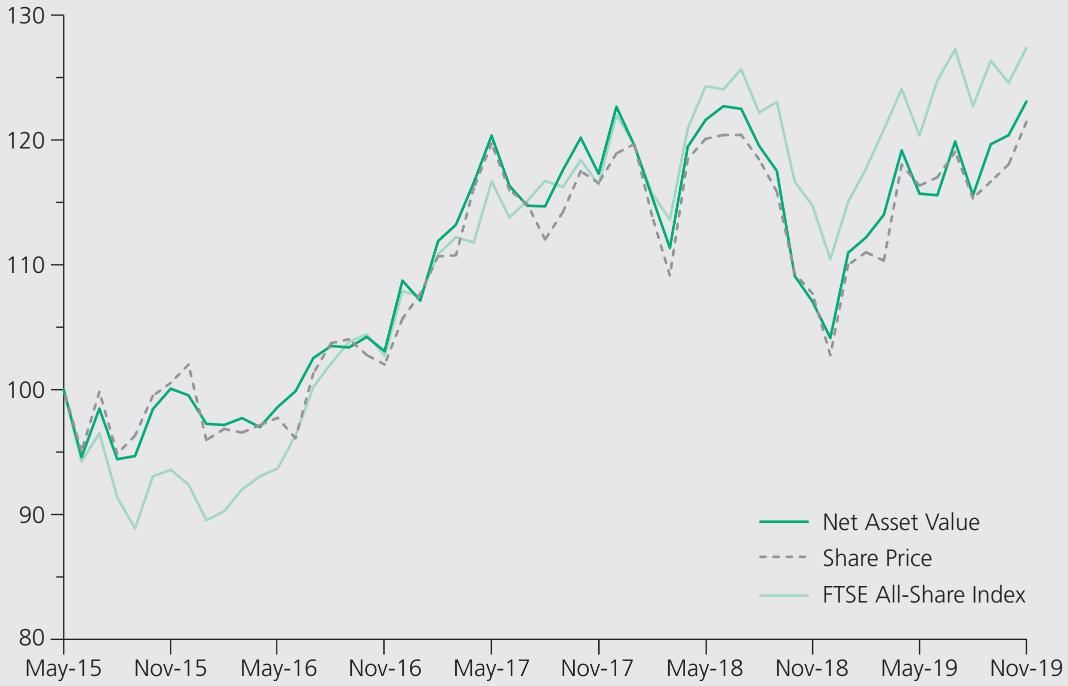
Total Return

	SIX MONTHS TO 30 NOV 2019	YEAR TO 31 MAY 2019	YEAR TO 31 MAY 2018	YEAR TO 31 MAY 2017	YEAR TO 31 MAY 2016
Net Asset Value	6.4%	–4.9%	1.1%	22.0%	–1.4%
Share Price	4.4%	–3.1%	0.3%	22.5%	–2.2%
FTSE All-Share Index	5.8%	–3.2%	6.5%	24.5%	–6.3%

Source: Refinitiv.

Revenue return per share	2.42p	5.73p	5.49p	5.38p	5.81p
Dividends paid	3.00p	6.60p	6.45p	6.25p	6.15p

Total Return Graph
Rebased to 100 at 31 May 2015



Source: Refinitiv.

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.

Portfolio Strategy and Review

The Portfolio's net asset value, including reinvested dividends, returned +6.4% over the six months to 30 November 2019 compared with a return of +5.8% by the FTSE All-Share Index. The positive performance over this review period was driven principally by the holdings in UK domestically focused companies such as Babcock International, CVS, JD Sports Fashion, easyJet, Barclays and Next. These stocks were the main beneficiaries as the market reappraised the outlook for domestic equities against a clearer political backdrop. The Portfolio's gold mining shares also performed well, led by Acacia Mining, which was acquired in September by Barrick Gold. Barrick Gold and Agnico Eagle Mines also performed very strongly, helped by a significant increase in the price of gold itself.

Babcock International was the single largest contributor to performance over the period. The company released results for the first half of the year that contained no real surprises, which, after a somewhat turbulent 12 months of trading, was reassuring. This allowed the market to focus on the strong order book and pipeline, which support the Group's future revenue prospects, and the shares re-rated.

Barclays released third-quarter results during the period and cited the "resilient delivery" on management targets year-to-date. Meanwhile JD Sports Fashion also benefitted from strong half-year results as significant improvements in performance were delivered by the recently acquired Finish Line business in the US.

Elsewhere in the Portfolio, Future continued to perform well. Over the period the company released a strong full-year trading update and announced the acquisition of TI Media. This acquisition is significantly earnings enhancing and was funded partly via an equity placing, in which the Portfolio participated.

EasyJet performed well on the back of continued reductions in capacity growth forecasts and improved management of ticket pricing. On the Beach also released a full-year trading update that confirmed management's previous trading guidance despite the challenge faced from pronounced weakness in Sterling and the disruption from the failure of Thomas Cook.

Having not previously held shares in Burford Capital, an investment was made following the large negative share price reaction to the publication of a short seller's report. The shares were trading below their net asset value, which seemed a significant overreaction to a company that I have followed for some time and know well. Once the company published their response to the points raised by the short seller, the shares recovered strongly, generating a positive return for the Portfolio.

Conversely, the Portfolio's holding in AJ Bell detracted from performance over the period, giving up some of the stellar gains made post the December 2018 IPO. The company's share price weakened on some selling activity during September and one analyst also downgraded the stock at the beginning of October. However, AJ Bell released an encouraging full year trading update later in October, which cited "the resilience of our business model". The business added an additional 34,000 customers over the year, an increase of 17%, and profits grew at twice that rate.

Certain of the Portfolio's holdings that have performed extremely well since purchase and have a strong investment case, detracted from performance over the period under review. These included Bushveld Minerals, Victoria, Coats and Sigma Capital. Specific issues impacted two of these companies, Bushveld Minerals, the vanadium mining company, has been under pressure as the price of vanadium has fallen over the last twelve months, and Victoria fell sharply at the end of 2018 following the release of an unexpected trading update, but has since seen performance stabilise.

UK EQUITY SHARE PORTFOLIO
MANAGER'S REPORT

continued

Outlook

Since the end of the period under review the UK has found itself in a much more stable position as a result of the significant Conservative majority gained in the General Election held on 12 December 2019. The result removes the threat of a far-left socialist government, but after two and a half years of parliamentary deadlock it also restores the Government's ability to pass legislation and set the policy agenda. It therefore holds out the prospect of strengthening the UK's negotiating position with the EU who can now rely on whatever may be negotiated passing through parliament. If the government are to avoid requesting an extension to the transition phase beyond January 2021, a trade deal will need to have been agreed by July and that timetable looks tight to say the least. Judging by the subdued performance of sterling since the election, this continued uncertainty appears to be weighing on international investors' minds.

Nevertheless, the very early signs from housing indices, PMI surveys and employment series are that the Conservative majority has had an immediate positive impact on businesses and consumers. It is still too early to be definitive, but if the sharp improvement in some of these soft datapoints is reflected in activity levels in the real economy, the recent comments from the Bank of England's Monetary Policy Committee will be seen as too dovish and interest rate and currency markets will have to readjust. Sterling has for some time looked very undervalued on a purchasing power parity basis against a basket of international currencies. If GDP and domestic corporate earnings are set to strengthen, this undervaluation should close, and this would have a significant impact on the equity market with the scope for a major rotation away from international earners towards domestic earners.

Further afield, China remains of significant concern. There is no sign of a much-needed boost to growth from the recent fiscal and monetary stimulus and the weakness in the exchange rate. With GDP and corporate profits stagnating, the foundations of China's rapidly assembled debt mountain look more unsustainable than ever and corporate defaults are rising. The recently announced phase one trade deal appears to lack a decisive solution to the critical issues of intellectual property and Huawei, and is therefore little more than a fig leaf in the long-running trade dispute with the US. Meanwhile violent protests in Hong Kong continue and the rhetoric from the mainland suggests that patience is almost exhausted. US politicians disagree on most things, but both sides seem united in their concern over Hong Kong and in the view that China poses a long-term threat to US interests that needs to be contained. The risk of a more serious US-China disagreement at some point is therefore high.

US growth has likewise been damaged by the trade war, but there are also signs that the domestic engine is misfiring, with a flattening labour market and subdued housing demand. Whilst very recent leading indicators point to some tentative improvement, this is against the backdrop of a US fiscal position that looks unsustainable. Having conceded that interest rates have peaked, the US Federal Reserve (the Fed) have now embarked on another round of monetary easing. Ostensibly to deal with a severe liquidity issue that arose in mid-September in the critically important repo market, the Fed has so far committed to provide almost US$0.5 trillion of liquidity. Markets have not yet made a connection between the fiscal deficit and this recent change to monetary policy, but I believe this is the next step as the US continues to live beyond its means. China has reduced its treasury holdings further and domestic buyers now appear to be saturated too, so notwithstanding a recent increase in Japan's holding, the US government risks running out of buyers to fund this overspend. That would leave the Fed as buyer of last resort and threatens to take US monetary policy into a new realm with direct monetisation of government spending. This threatens the US dollar, both its value and also its status as the world's reserve currency.

Gold has responded well to recent events, but if a weaker US dollar and yet more unconventional monetary and fiscal policy do lie ahead, our holdings in gold shares should continue to offer protection and diversification to the Portfolio. Critically, an increase in the gold price is not required to justify holding the shares: all five of the companies held generate enough cash flow at spot gold prices for their valuations to be attractive. Any further upside in the price of the metal will make them more attractive still.

Whilst Brexit has dominated the headlines, the UK stock market has been affected in recent years by a far broader, global phenomenon that has seen 'Value' de-rated very sharply relative to all other styles and factors. Predictability of revenues and earnings has always merited a premium rating and a lack of visibility has always attracted a discount. However, the current climate has produced a divergence in valuations that is extreme, levels only seen twice in the last thirty years in the teeth of stock market crashes in 2001 and 2008/9. At the top-end I believe we are now at the limits of the re-rating that has driven share price performance in recent years. The reciprocal of these high multiples is such low earnings yields that even if growth expectations are met, investing in these companies is unlikely to deliver an attractive total return. At the bottom end, earnings yields are so high that they alone deliver a compelling total return. Should these companies grow earnings in the way I believe possible or ever be considered worthy of a re-rating by the market, the total return from this point will be significant. This is not what the market expects. It is an increasingly contrarian approach that has seen underperformance in recent periods. Regardless, now is not the time to compromise on my conviction that valuation does matter and in fact in recent weeks we have observed some evidence of a re-rating.

James Goldstone
Portfolio Manager

4 February 2020

UK EQUITY SHARE PORTFOLIO
LIST OF INVESTMENTS
AT 30 NOVEMBER 2019

Ordinary shares listed in the UK unless stated otherwise

COMPANY	SECTOR†	MARKET VALUE £'000	% OF PORTFOLIO
Barclays	Banks	3,118	5.3
BP	Oil & Gas Producers	2,886	4.9
British American Tobacco	Tobacco	2,378	4.0
JD Sports Fashion	General Retailers	2,100	3.6
Tesco	Food & Drug Retailers	2,091	3.5
Coats	General Industrials	1,954	3.3
Next	General Retailers	1,948	3.3
Barrick Gold – *Canadian Listed*	Mining	1,042	3.2
– *UK Listed*		847	
Babcock International	Aerospace & Defence	1,887	3.2
Royal Dutch Shell – *B shares*	Oil & Gas Producers	1,874	3.2
AJ Bell	Financial Services	1,554	2.6
Legal & General	Life Insurance	1,265	2.1
Johnson Service[AIM]	Support Services	1,232	2.1
Royal Bank of Scotland	Banks	1,179	2.0
easyJet	Travel & Leisure	1,143	1.9
Future	Media	1,128	1.9
Agnico Eagle Mines – *Canadian Listed*	Mining	1,046	1.8
Melrose Industries	Construction & Materials	1,011	1.7
Endeavour Mining – *Canadian Listed*	Mining	987	1.7
On the Beach	Travel & Leisure	977	1.7
Ultra Electronics	Aerospace & Defence	968	1.6
RELX	Media	966	1.6
CVS[AIM]	General Retailers	962	1.6
Hollywood Bowl	Travel & Leisure	957	1.6
Phoenix Spree Deutschland	Real Estate Investment & Services	952	1.6
Secure Trust Bank	Banks	945	1.6
International Airlines Group	Travel & Leisure	922	1.6
Ashtead	Support Services	906	1.5
Victoria[AIM]	Household Goods & Home Construction	892	1.5
XPS Pensions	Financial Services	875	1.5
MJ Gleeson	Household Goods & Home Construction	868	1.5
Sigma Capital[AIM]	Financial Services	799	1.4
PRS REIT	Real Estate Investment Trusts	799	1.4
Bushveld Minerals[AIM]	Mining	796	1.3
Newmont Goldcorp – *US Listed*	Mining	790	1.3
DS Smith	General Industrials	778	1.3
Chesnara	Life Insurance	742	1.3
Essentra	Support Services	732	1.2
IWG	Support Services	717	1.2
McBride	Household Goods & Home Construction	681	1.2
Harworth	Real Estate Investment & Services	661	1.1
Fevertree Drinks[AIM]	Beverages	658	1.1
Wheaton Precious Metals	Mining	648	1.1
HomeServe	Support Services	633	1.1
BT	Fixed Line Telecommunications	624	1.1
N Brown	General Retailers	549	0.9
Burford Capital[AIM]	Financial Services	502	0.8
Cairn Homes	Household Goods & Home Construction	456	0.8
Pearson	Media	443	0.7
Countryside	Household Goods & Home Construction	425	0.7
Sherborne Investors (Guernsey) C	Financial Services	418	0.7
Distribution Finance Capital[AIM]	Financial Services	333	0.6
Summit Properties[AIM]	Real Estate Investment & Services	332	0.6
Alfa Financial Software	Software & Computer Services	319	0.5
Zegona Communications	Non-Equity Investment Instruments	313	0.5
Hadrian's Wall Secured Investments	Equity Investment Instruments	300	0.5
Tungsten[AIM]	Financial Services	290	0.5
Safestyle UK[AIM]	General Retailers	262	0.4
Amigo	Financial Services	163	0.3
TruFin[AIM]	Financial Services	55	0.1
DFS Furniture	General Retailers	35	0.1
Rolls-Royce – *C shares*	Aerospace & Defence	4	–
Total Holdings (63)		59,117	100.0

†FTSE Industry Classification Benchmark.
AIM Investments quoted on AIM.

UK EQUITY SHARE PORTFOLIO
INCOME STATEMENT

	SIX MONTHS ENDED 30 NOVEMBER 2019			SIX MONTHS ENDED 30 NOVEMBER 2018		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains/(losses) on investments held at fair value	–	2,855	2,855	–	(8,630)	(8,630)
Income	959	48	1,007	1,169	5	1,174
Investment management fees – note 2	(47)	(110)	(157)	(50)	(116)	(166)
Other expenses	(102)	(2)	(104)	(100)	–	(100)
Net return before finance costs and taxation	810	2,791	3,601	1,019	(8,741)	(7,722)
Finance costs – note 2	(9)	(21)	(30)	(31)	(72)	(103)
Return before taxation	801	2,770	3,571	988	(8,813)	(7,825)
Tax – note 3	(7)	–	(7)	(6)	–	(6)
Return after taxation for the financial period	794	2,770	3,564	982	(8,813)	(7,831)
Basic return per ordinary share – note 4	2.42p	8.46p	10.88p	2.79p	(25.05)p	(22.26)p

SUMMARY OF NET ASSETS

	AT 30 NOVEMBER 2019 £'000	AT 31 MAY 2019 £'000
Fixed assets	59,117	61,250
Current assets	376	4,056
Creditors falling due within one year, excluding borrowings	(666)	(670)
Bank loan	(100)	(7,350)
Net assets	58,727	57,286
Net asset value per ordinary share – note 5	181.1p	173.1p
Gearing:		
– gross	0.2%	12.8%
– net	0.2%	12.0%

SUMMARY OF CHANGES IN NET ASSETS

	AT 30 NOVEMBER 2019 £'000	AT 31 MAY 2019 £'000
Net assets brought forward	57,286	68,008
Shares bought back and held in treasury	(1,253)	(4,056)
Share conversions	114	(1,062)
Return after taxation for the financial period/year	3,564	(3,325)
Dividends paid – note 9	(984)	(2,279)
Net assets	58,727	57,286

GLOBAL EQUITY INCOME SHARE PORTFOLIO
PERFORMANCE RECORD

Total Return

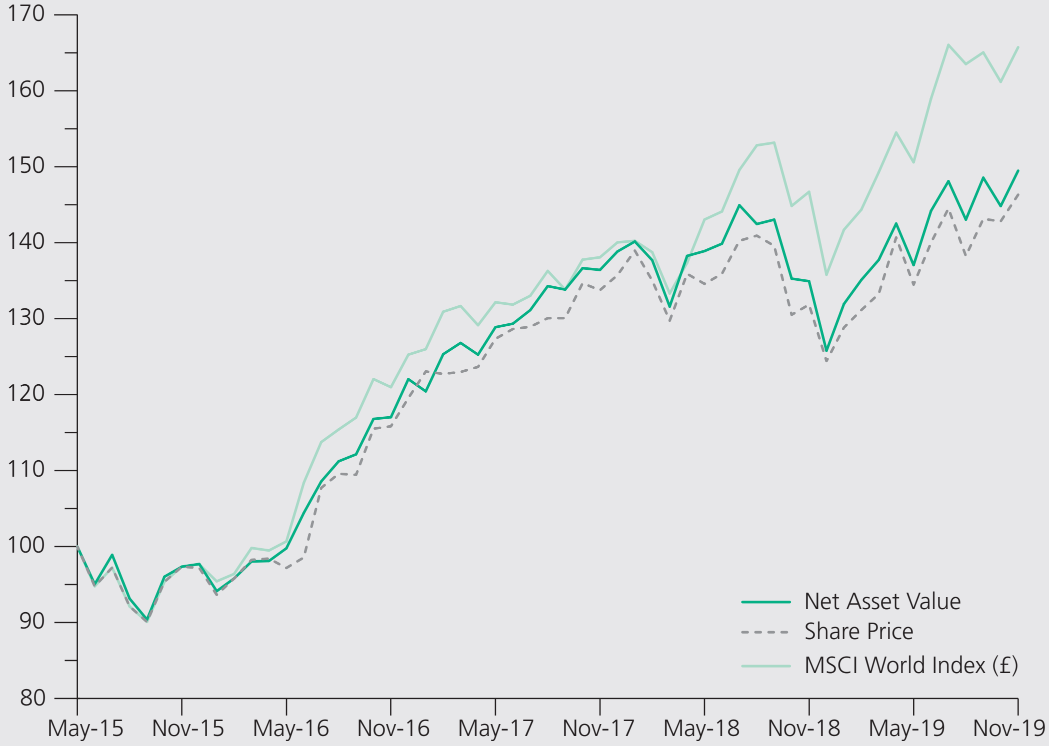
	SIX MONTHS TO 30 NOV 2019	YEAR TO 31 MAY 2019	YEAR TO 31 MAY 2018	YEAR TO 31 MAY 2017	YEAR TO 31 MAY 2016
Net Asset Value	9.1%	–1.3%	7.8%	29.2%	–0.2%
Share Price	8.8%	–0.1%	5.7%	31.1%	–2.8%
MSCI World Index (£)	10.1%	5.3%	8.2%	31.3%	0.7%

Source: Refinitiv.

Revenue return per share	2.56p	6.90p	6.50p	5.62p	5.51p
Dividends paid	3.10p	6.90p	6.70p	6.40p	6.00p

Total Return Graph

Rebased to 100 at 31 May 2015



Source: Refinitiv.

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.

Portfolio Strategy and Review

On a total return basis, the Portfolio's net asset value rose by 9.1% over the six months to the end of November 2019, compared to a rise of 10.1% in the MSCI World index (£, total return, net of withholding tax).

The Portfolio underperformed the reference index over the six months. Our investment process focusses on stocks that are attractively valued versus their history and the market, but which also pay attractive and growing dividends. Against a more supportive market and macro backdrop from September onwards, the Portfolio benefitted from style rotation away from 'defensive' parts of the market and into more 'cyclical' and economically-sensitive equities, including financial stocks that have underperformed the broader market in recent years. However, the Portfolio's smaller weighting of US and larger weighting of energy stocks than the benchmark index compromised the overall return.

Many financial stocks benefitted from stronger-than-expected company earnings growth amid signs of better cost management and lending discipline. As such, the Portfolio's financials exposure was particularly strong with Citigroup, JP Morgan Chase, Intesa Sanpaolo and BNP Paribas all among the strongest individual stocks. Positive performance also came from a range of consumer discretionary stocks. Next, the UK fashion retailer, continues to benefit from solid execution on its strategy and a modest valuation. Williams-Sonoma, the US homewares company, has gained more directly from hopes of resolution to US/China trade issues. The UK market was weak relative to other global markets overall, however, it had begun to recover in October and November on expectations of some resolution to the Brexit issue following the general election, which benefitted holdings such as BAE Systems and easyJet. The improvement in sentiment towards the global economy also boosted technology hardware companies, notably semiconductors. The uniquely strong position of Taiwan Semiconductor, both in terms of scale and its cutting-edge technology, meant it was a leading performer for the Portfolio over the period.

The energy sector remained the laggard, however, and our overweight relative to benchmark exposure was a negative. Energy stocks were adversely affected by continued concerns around the long-term risk of oversupply of both of oil and gas. Nonetheless, we continue to be positive on the energy sector where we see demand growth outpacing supply growth, depleting inventories, and companies with attractive valuations. We also remain encouraged with the speed and size of cuts in operating costs of the oil and gas companies in the Portfolio, which has positive implications for dividend growth and share buybacks.

Energy company valuations have rarely been lower, and we feel the sector is going through positive fundamental changes with a growing focus on returns and cash flows following years of capital destruction. We are confident that this thesis is playing out, but clearly it is taking longer than originally thought for these companies to rebuild investor trust and interest. When that happens equity returns could be significant. We continue to believe the sector offers an outstanding valuation opportunity as well as a high level of dividends. With regards to the broader environmental challenges posed by the sector we believe it appropriate for us to own and engage with these companies with the aim of shifting their emphasis over time to less carbon intensive energy exposures and to mitigate their carbon footprint today. As much as we may wish fossil fuels away, they will remain an important component of our economic well-being for some decades to come.

In terms of the Portfolio's regional exposure, its focus on attractive valuations and growing dividend streams has meant that we continued to be underweight the US market, where valuations remained most stretched, in our view, and dividends are relatively low. While our stock selection in the US was positive for performance, our underweight exposure overall detracted from returns given that the US was the strongest performing market over the six months. We were overweight markets such as Asia, the UK and Europe where we see companies which we believed to be more attractively valued.

GLOBAL EQUITY INCOME SHARE PORTFOLIO
MANAGER'S REPORT

Boris Johnson's announcement in mid-October of a new deal with the European Union to deliver on Brexit saw a sharp rise in the value of Sterling and a marked change in the composition of the stock and sector leadership within the UK equity market. This rotation from international towards more domestically exposed companies favoured the UK stocks held within the Portfolio.

The Asian stocks held within the Portfolio performed well despite the outbreak of civil unrest in Hong Kong since the summer and their greater exposure to US-China trade pressures. Asian equity markets, in general, are sensitive to global trade flows, with export growth and US dollar strength still having a significant impact on the outlook for overall corporate earnings growth.

Over the period we introduced three new positions: in Bristol-Myers Squibb, Nintendo, and Texas Instruments. Bristol-Myers Squibb is a US pharmaceutical company with leading market drugs, especially for cancer treatment. It has recently acquired Celgene, another large US pharmaceutical company. We are optimistic on the prospects of the combined entity, believing that the consensus underestimated the potential both to reduce costs but also the potential from new product launches, and we consider the stock to be attractively valued; Nintendo is a gaming company which we feel is less exposed to increased regulation as its games tend to be more family-orientated, its balance sheet is extremely strong with close to 20% of its market value being net cash on its balance sheet. It is paying a solid and growing dividend with scope for profit growth to accelerate due to changes in the structure of the gaming market; and Texas Instruments is the market leader in analogue and embedded chips. Analogue chips turn real world signals/data (e.g. temperature, airflow, light, sound) into digital signals, while embedded chips use that data to operate other functions. This is a long-term growth market as the number of applications and usage for such chips expands. We view Texas Instruments as a very high-quality business. It is highly cash generative, with most of the cash being returned to shareholders either as dividends or share buybacks.

Meanwhile, we sold our positions in Telefonica Brasil following strong share price performance; Pfizer and Legal & General as we saw much better value elsewhere; likewise, Kangwon Land, the Korean casino operator.

Nick Mustoe
Portfolio Manager (until 31 December 2019)

Stephen Anness took on responsibility for the management of the Company's Global Equity Income Portfolio from 1 January 2020, when Nick Mustoe stepped down from the role.

Outlook

Looking ahead our central case from a macroeconomic perspective is for a continuation of slow but steady economic growth, punctuated by periods of over optimism or pessimism. Inflation remains low, and central bank policy accommodative in most regions. Whilst valuations are high by historic standards, particularly in the US, this is justifiable with bond yields at record low levels. Absent a material decline in corporate earnings we would expect equity markets to move modestly higher this year. Whilst recognising the short term impact of the coronavirus, past outbreaks, such as SARS and bird flu, have proven to be transitory and, in hindsight, provided opportunities for investment.

As we enter 2020 some of the uncertainty and large dispersion in sector valuations that was present in equity markets through the early part of 2019 has been resolved. Many financial stocks and industrials have seen decent recovery in their share prices and no longer look 'standout' cheap. The extreme bifurcation of valuations within the market we witnessed has narrowed. Whilst we still see opportunities in a number of financials, especially in the US, and the energy sector, which has continued to be a disappointing performer, we believe it appropriate to reduce our significant overweight exposure to these hitherto unloved sectors. We continue to believe the market is paying too high a premium for 'stable earnings' stocks, such as utilities and consumer staple companies, and also many supposedly high growth companies where rapid growth is projected far into the future, rather than being faded as is normal in the real world.

Our preference is therefore toward focussing on individual stock positions rather than taking large valuation calls on sectors. We prefer those companies where we see some long term growth opportunity but where the consensus overly frets about the short term earnings fluctuations. If we are patient such companies can often be bought at a discount price.

In the short term, a certain amount of realignment has taken place since taking over the portfolio. Whilst a majority of the stocks in the Portfolio at 30 November 2019 continue to be held, the weightings have been changed, a number have been sold, and a number of new names have been introduced, including American Express, Analog Devices, Baker Hughes, Bayer, Colgate-Palmolive, Delta Airlines, Sony, Standard Chartered, Tencent, Unibanco and Volkswagen. This has resulted in a Portfolio with a higher, though still underweight, exposure to the US market than previously and less correlation to macro-economic events, such as changes in the oil price and interest rates.

Stephen Anness
Portfolio Manager

4 February 2020

GLOBAL EQUITY INCOME SHARE PORTFOLIO
LIST OF INVESTMENTS
AT 30 NOVEMBER 2019

Ordinary shares unless stated otherwise

COMPANY	INDUSTRY GROUP†	COUNTRY	MARKET VALUE £'000	% OF PORTFOLIO
Chevron	Energy	United States	2,155	3.1
Bristol-Myers Squibb	Pharmaceuticals, Biotechnology & Life Sciences	United States	2,015	2.9
Taiwan Semiconductor Manufacturing	Semiconductors & Semiconductor Equipment	Taiwan	1,962	2.8
Sanofi	Pharmaceuticals, Biotechnology & Life Sciences	France	1,959	2.8
Royal Dutch Shell – *A shares*	Energy	Netherlands	1,888	2.7
Orange	Telecommunication Services	France	1,877	2.7
Aon – *A shares*	Insurance	United States	1,862	2.7
Citigroup	Banks	United States	1,822	2.6
BP	Energy	United Kingdom	1,815	2.6
Nasdaq	Diversified Financials	United States	1,802	2.6
Total	Energy	France	1,795	2.6
Roche	Pharmaceuticals, Biotechnology & Life Sciences	Switzerland	1,758	2.6
Next	Retailing	United Kingdom	1,639	2.4
Toyota Motor	Automobiles & Components	Japan	1,612	2.3
Verizon Communications	Telecommunication Services	United States	1,553	2.3
Las Vegas Sands	Consumer Services	United States	1,515	2.2
JPMorgan Chase	Banks	United States	1,490	2.2
Microsoft	Software & Services	United States	1,459	2.1
Novartis	Pharmaceuticals, Biotechnology & Life Sciences	Switzerland	1,411	2.0
Broadcom	Semiconductors & Semiconductor Equipment	United States	1,384	2.0
ING	Banks	Netherlands	1,379	2.0
Amcor	Materials	Australia	1,379	2.0
Texas Instruments	Semiconductors & Semiconductor Equipment	United States	1,374	2.0
Tesco	Food & Staples Retailing	United Kingdom	1,365	2.0
TE Connectivity	Technology Hardware & Equipment	Switzerland	1,358	2.0
Nintendo	Media & Entertainment	Japan	1,345	2.0
Gilead Sciences	Pharmaceuticals, Biotechnology & Life Sciences	United States	1,333	1.9
Deutsche Post	Transportation	Germany	1,329	1.9
Allianz	Insurance	Germany	1,310	1.9
Rolls-Royce	Capital Goods	United Kingdom	1,279	1.9
– *C shares*			7	
Carrefour	Food & Staples Retailing	France	1,271	1.8
BNP Paribas	Banks	France	1,195	1.7
United Technologies	Capital Goods	United States	1,192	1.7
Samsung Electronics – *preference shares*	Technology Hardware & Equipment	South Korea	1,179	1.7
Wells Fargo	Banks	United States	1,160	1.7
Koninklijke Ahold Delhaize	Food & Staples Retailing	Netherlands	1,125	1.6
Adecco	Commercial & Professional Services	Switzerland	1,112	1.6
easyJet	Transportation	United Kingdom	1,106	1.6
CRH	Materials	Ireland	1,087	1.6
Intesa Sanpaolo	Banks	Italy	1,078	1.6
BAE Systems	Capital Goods	United Kingdom	1,074	1.6
Williams-Sonoma	Retailing	United States	1,052	1.5
Sumitomo Mitsui Financial	Banks	Japan	1,019	1.5
Royal Bank of Scotland	Banks	United Kingdom	1,018	1.5
British American Tobacco	Food, Beverage & Tobacco	United Kingdom	1,005	1.5
BASF	Materials	Germany	1,004	1.5
Equinor	Energy	Norway	857	1.3
Caixabank	Banks	Spain	835	1.2
Canadian Natural Resources	Energy	Canada	741	1.1
Hyundai Motor – *preference shares*	Automobiles & Components	South Korea	584	0.9
Total Holdings (50)			68,925	100.0

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

GLOBAL EQUITY INCOME SHARE PORTFOLIO
INCOME STATEMENT

	SIX MONTHS ENDED 30 NOVEMBER 2019			SIX MONTHS ENDED 30 NOVEMBER 2018		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains/(losses) on investments held at fair value	–	4,869	4,869	–	(2,538)	(2,538)
Losses on foreign exchange	–	(6)	(6)	–	(4)	(4)
Income	1,079	32	1,111	1,054	–	1,054
Investment management fees – note 2	(53)	(123)	(176)	(55)	(128)	(183)
Other expenses	(113)	(2)	(115)	(106)	(1)	(107)
Net return before finance costs and taxation	913	4,770	5,683	893	(2,671)	(1,778)
Finance costs – note 2	(10)	(22)	(32)	(11)	(26)	(37)
Return before taxation	903	4,748	5,651	882	(2,697)	(1,815)
Tax – note 3	(105)	–	(105)	(106)	–	(106)
Return after taxation for the financial period	798	4,748	5,546	776	(2,697)	(1,921)
Basic return per ordinary share – note 4	2.56p	15.21p	17.77p	2.38p	(8.27)p	(5.89)p

SUMMARY OF NET ASSETS

	AT 30 NOVEMBER 2019 £'000	AT 31 MAY 2019 £'000
Fixed assets	68,925	67,040
Current assets	555	763
Creditors falling due within one year, excluding borrowings	(159)	(334)
Bank loan	(5,180)	(4,880)
Net assets	64,141	62,589
Net asset value per ordinary share – note 5	212.4p	197.6p
Gearing:		
– gross	8.1%	7.8%
– net	7.9%	7.4%

SUMMARY OF CHANGES IN NET ASSETS

	AT 30 NOVEMBER 2019 £'000	AT 31 MAY 2019 £'000
Net assets brought forward	62,589	69,057
Shares bought back and held in treasury	(2,895)	(4,865)
Share conversions	(128)	1,576
Return after taxation for the financial period/year	5,546	(947)
Dividends paid – note 9	(971)	(2,232)
Net assets	64,141	62,589

BALANCED RISK ALLOCATION SHARE PORTFOLIO
PERFORMANCE RECORD

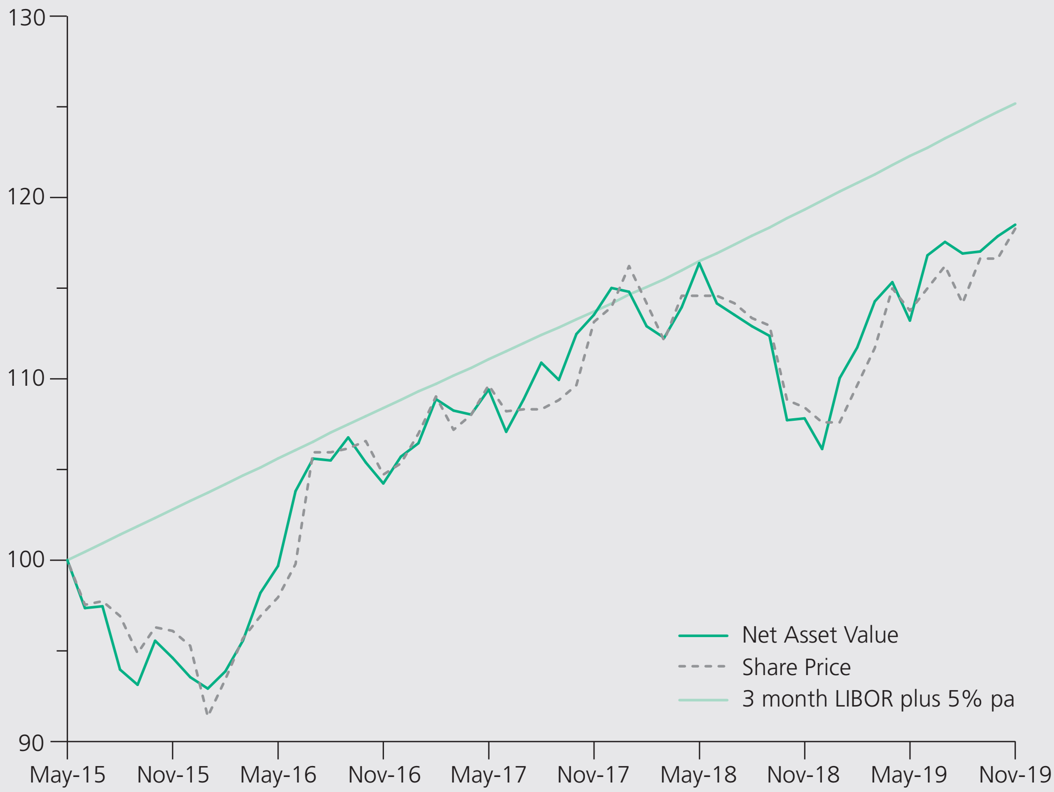
Total Return

	SIX MONTHS TO 30 NOVEMBER 2019	YEAR TO 31 MAY 2019	YEAR TO 31 MAY 2018	YEAR TO 31 MAY 2017	YEAR TO 31 MAY 2016
Net Asset Value	4.6%	–2.7%	6.4%	9.8%	–0.3%
Share Price	4.0%	–0.7%	4.5%	11.9%	–2.1%
3 month LIBOR plus 5% per annum	2.9%	5.8%	5.4%	5.5%	5.6%

Source: Refinitiv.

Total Return Graph

Rebased to 100 at 31 May 2015



Source: Refinitiv.

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.

Portfolio Strategy and Review

For the half year to 30 November 2019 the Balanced Risk Allocation Portfolio posted a return of +4.6%. All three asset classes in which the Portfolio invests generated positive results, with equities outpacing bonds and commodities, where performance was mixed.

Strategic exposure to equities was the top contributor for the period as five of the six markets in which the Portfolio invests saw index levels rise. Japanese equities provided the greatest contribution to results as investors cheered the Bank of Japan (BOJ) policy announcement suggesting future rate cuts were possible to support growth. European equities also had a meaningful contribution to results, rising in response to the European Central Bank (ECB) restarting quantitative easing (QE) in the form of €20 billion in bond purchases per month. US large and small-cap equities also rose as the US Federal Reserve (the Fed) cut rates three times (August, September and October) and as US-China trade negotiations showed progress. The sole detractor from results for the period came from Hong Kong, which continued to deal with civil unrest.

Strategic exposure to government bonds bolstered results as yields fell across most markets in which the Portfolio was invested. A combination of accommodative central bank policy in light of uncertainty about global economic activity, geopolitical events and potential for a hard Brexit left investors nervous about risk assets and fuelled demand for safe haven assets. Results in the asset class were led by Australia, followed by the US and the UK. Germany and Japan were absent from the Portfolio during the period due to a combination of negative yields and impaired credit quality.

Strategic exposure to commodities delivered more muted positive performance for the period due to mixed results across the four sub-complexes in which the Portfolio was invested. Precious metals were the top contributor as both gold and silver prices rose amid accommodative actions from central banks and increased safe haven demand. Energy prices also rose in aggregate on geopolitical risk and signs of reduced output in the US and OPEC. Agriculture and industrial metals both struggled amid signs of slowing global growth and ongoing US-China trade tensions.

Tactical positioning delivered further gains as overweights to equities and underweights to select commodities (e.g. natural gas, aluminium, sugar, cotton, soybean meal) proved timely.

Outlook

We see several challenges to getting global growth on track such as a stagnant economy in Europe and uncertainty surrounding the outcome of trade negotiations between the US and China. Having said that, some bright spots are developing which may give rise to optimism. One of these areas is the November reading for global Purchasing Managers' Index (PMI) manufacturing data, which indicates that industrial activity strengthened across most regions and that the worst of the slowdown may be behind us. Additionally, while rates have most likely hit the low in the US for this cycle, other central banks clearly stand willing to make use of unconventional monetary policy in an effort to try to spur growth. Signs that growth is returning could help to extend the record performance of equities and could cause a powerful rebound in economically sensitive commodity prices. However, the markets are not without risk, and adverse outcomes on the trade front or signs that exceptional policy is not having the intended impact could spur a new bout of risk-off behaviour. Given the wide range of potential outcomes, we continue to argue for a balanced risk approach.

Scott Wolle
Portfolio Manager

4 February 2020

BALANCED RISK ALLOCATION SHARE PORTFOLIO
MANAGER'S REPORT

TARGET ANNUALISED RISK

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

ASSET CLASS	RISK	CONTRIBUTION
Equities	4.6%	49.9%
Bonds	2.4%	26.3%
Commodities	2.2%	23.8%
	9.2%	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 31 of the 2019 annual financial report.

BALANCED RISK ALLOCATION SHARE PORTFOLIO
LIST OF INVESTMENTS
AT 30 NOVEMBER 2019

	YIELD %	MARKET VALUE £'000	% OF PORTFOLIO
Short Term Investments			
Short-Term Investments Company (Global Series) plc	0.79	1,805	24.2
UK Treasury Bill 17 Feb 2020	0.72	1,388	18.6
UK Treasury Bill 3 Feb 2020	0.70	949	12.8
UK Treasury Bill 4 May 2020	0.76	797	10.7
UK Treasury Bill 11 May 2020	0.73	747	10.0
UK Treasury Bill 18 May 2020	0.75	598	8.0
UK Treasury Bill 9 Mar 2020	0.72	549	7.4
UK Treasury Bill 6 Jan 2020	0.69	450	6.1
UK Treasury Bill 27 Apr 2020	0.74	149	2.0
Total Short Term Investments		7,432	99.8
Hedge Funds[1]			
Harbinger Class PE Holdings		14	0.2
Harbinger Class L Holdings		2	–
Total Hedge Funds		16	0.2
Total Fixed Asset Investments		7,448	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 2019

	NOTIONAL EXPOSURE £'000	NOTIONAL EXPOSURE AS % OF NET ASSETS
Government Bond Futures:		
Australia	1,921	23.8
Canada	1,789	22.2
US	738	9.1
UK	265	3.3
Total Bond Futures (4)	**4,713**	**58.4**
Equity Futures:		
Japan	839	10.4
UK	661	8.2
Europe	598	7.4
US small cap	568	7.0
Hong Kong	520	6.4
US large cap	486	6.0
Total Equity Futures (6)	**3,672**	**45.4**
Commodity Futures:		
Agriculture		
Sugar	191	2.4
Soybean	178	2.2
Cotton	176	2.2
Soybean meal	159	2.0
Coffee	69	0.9
Wheat	63	0.8
Corn	45	0.6
Soybean oil	43	0.6
Live cattle	39	0.5
Energy		
Gasoline	209	2.6
Brent crude	186	2.3
Low sulphur gasoil	88	1.1
WTI crude	84	1.0
New York Harbor ultra-low sulphur diesel	60	0.7
Natural gas	20	0.3
Industrial Metals		
Copper	343	4.2
Aluminium	202	2.5
Precious Metals		
Gold	341	4.2
Silver	198	2.5
Total Commodity Futures (19)	**2,694**	**33.6**
Total Derivative Instruments (29)	**11,079**	**137.4**

BALANCED RISK ALLOCATION SHARE PORTFOLIO
INCOME STATEMENT

	SIX MONTHS ENDED 30 NOVEMBER 2019			SIX MONTHS ENDED 30 NOVEMBER 2018		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Losses on investments held at fair value	–	(7)	(7)	–	(3)	(3)
Gains/(losses) on derivative instruments	(3)	400	397	22	(670)	(648)
(Losses)/gains on foreign exchange	–	(11)	(11)	–	18	18
Income	30	–	30	24	–	24
Investment management fees - note 2	(9)	(21)	(30)	(9)	(21)	(30)
Other expenses	(21)	–	(21)	(20)	–	(20)
Return before taxation	(3)	361	358	17	(676)	(659)
Tax	–	–	–	–	–	–
Return after taxation for the financial period	(3)	361	358	17	(676)	(659)
Basic return per ordinary share – note 4	(0.05)p	6.47p	6.42p	0.28p	(11.05)p	(10.77)p

SUMMARY OF NET ASSETS

	AT 30 NOVEMBER 2019 £'000	AT 31 MAY 2019 £'000
Fixed assets	7,448	7,385
Derivative assets held at fair value through profit or loss	188	175
Current assets	512	565
Derivative liabilities held at fair value through profit or loss	(57)	(223)
Creditors falling due within one year, excluding borrowings	(26)	(65)
Net assets	8,065	7,837
Net asset value per ordinary share – note 5	145.9p	139.5p
Notional exposure of derivative instruments as % of net assets	137.4%	158.2%

SUMMARY OF CHANGES IN NET ASSETS

	AT 30 NOVEMBER 2019 £'000	AT 31 MAY 2019 £'000
Net assets brought forward	7,837	9,287
Shares bought back and held in treasury	(138)	(522)
Share conversions	8	(663)
Return after taxation for the financial period/year	358	(265)
Net assets	8,065	7,837

MANAGED LIQUIDITY SHARE PORTFOLIO
PERFORMANCE RECORD

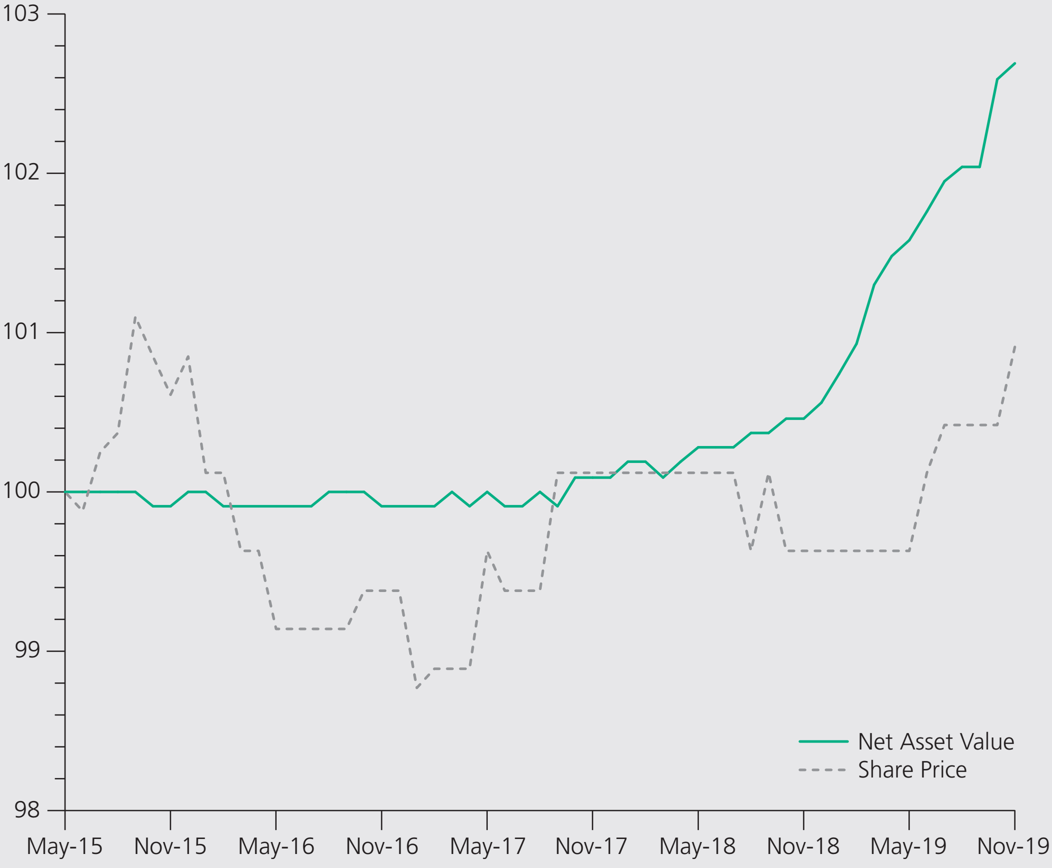
Total Return

	SIX MONTHS TO 30 NOV 2019	YEAR TO 31 MAY 2019	YEAR TO 31 MAY 2018	YEAR TO 31 MAY 2017	YEAR TO 31 MAY 2016
Net Asset Value	1.1%	1.3%	0.3%	0.0%	–0.1%
Share Price	1.3%	–0.5%	0.5%	0.5%	–0.9%

Source: Refinitiv.

Revenue return per share	0.36p	0.59p	0.24p	(0.04)p	(0.14)p
Dividend	nil	0.80p	nil	nil	nil

Total Return Graph
Rebased to 100 at 31 May 2015



Source: Refinitiv.

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.

Portfolio Strategy and Review

From 18 January 2019 the investment strategy followed for this Portfolio has been to invest principally in the PIMCO Sterling Short Maturity Source UCITS ETF, which is managed by PIMCO with Invesco acting as co-promoter, and also in the Sterling Liquidity Portfolio of Short-Term Investments Company (Global Series) plc, which is a money market fund managed by Invesco. Shareholders should note that, with the change of the principal investment of the Portfolio at the beginning of 2019, the risk profile also changed, albeit marginally, and consequently the Shares carry a slightly higher risk than previously that their net asset value could fall, as well as rise.

The PIMCO Sterling Short Maturity Source UCITS ETF seeks to maximise current income consistent with the preservation of capital and a high degree of liquidity. The ETF is actively managed by PIMCO and invests in a diversified portfolio of government, corporate and asset-backed bonds, denominated in, or hedged back to, Sterling. To limit the exposure to interest rate risk and credit risk (the likelihood of an issuer defaulting), these bonds are both short dated and of high quality. At 30 November 2019, 85% of the ETF's portfolio was rated A or above (S&P, Moody's or Fitch, source: PIMCO). The portfolio manager at PIMCO is Andrew Bosomworth.

The Sterling Liquidity Portfolio of the Short-Term Investments Company (Global Series) plc is managed by Invesco in a laddered maturity structure, investing in repurchase agreements, time deposits, commercial paper, certificates of deposit, medium-term notes and floating rate notes rated A–1/P–1 or better. At 30 November 2019, the Sterling Liquidity Portfolio was rated AAAm by Standard and Poor's and AAAmmf by Fitch Ratings.

Outlook

The PIMCO Sterling Short Maturity Source UCITS ETF is actively managed by PIMCO, with the flexibility to navigate changes in the macroeconomic outlook. PIMCO's baseline outlook is for a window of weakness in the global economy as trade tensions and political uncertainty act as a drag on global trade. For the UK, the conclusive election result has reduced, but not eliminated, uncertainty around Brexit. While PIMCO see the probability of the UK ending the transition period with no deal as low, there will be limited upside for UK growth in the near term. Updates around the trade negotiations are likely to cause some volatility in financial markets which will create relative value opportunities in UK risk assets.

Invesco

4 February 2020

MANAGED LIQUIDITY SHARE PORTFOLIO
LIST OF INVESTMENTS
AS AT 30 NOVEMBER 2019

	MARKET VALUE £'000	% OF PORTFOLIO
PIMCO Sterling Short Maturity Source UCITS ETF	3,752	100.0
	3,752	100.0

As of 30 November 2019, there was no holding in the Short-Term Investments Company (Global Series) plc.

MANAGED LIQUIDITY SHARE PORTFOLIO
INCOME STATEMENT

	SIX MONTHS ENDED 30 NOVEMBER 2019			SIX MONTHS ENDED 30 NOVEMBER 2018		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains on investments held at fair value	–	11	11	–	–	–
Income	23	–	23	19	–	19
Investment management fees - note 2	(2)	–	(2)	(3)	–	(3)
Other expenses	(6)	–	(6)	(7)	–	(7)
Return before taxation	15	11	26	9	–	9
Tax	–	–	–	–	–	–
Return after taxation for the financial period	15	11	26	9	–	9
Basic return per ordinary share – note 4	0.36p	0.26p	0.62p	0.19p	–	0.19p

SUMMARY OF NET ASSETS

	AT 30 NOVEMBER 2019 £'000	AT 31 MAY 2019 £'000
Fixed assets	3,752	4,710
Current assets	195	16
Creditors falling due within one year, excluding borrowings	(144)	(143)
Net assets	3,803	4,583
Net asset value per ordinary share – note 5	105.3p	104.9p

SUMMARY OF CHANGES IN NET ASSETS

	AT 30 NOVEMBER 2019 £'000	AT 31 MAY 2019 £'000
Net assets brought forward	4,583	4,864
Shares bought back and held in treasury	(777)	(482)
Share conversions	6	149
Return after taxation for the financial period/year	26	52
Dividend paid – note 9	(35)	–
Net assets	3,803	4,583

CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 NOVEMBER

	2019			2018		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains/(losses) on investments held at fair value	–	7,728	7,728	–	(11,171)	(11,171)
Gains/(losses) on derivative instruments	(3)	400	397	22	(670)	(648)
(Losses)/gains on foreign exchange	–	(17)	(17)	–	14	14
Income	2,091	80	2,171	2,266	5	2,271
Investment management fees – note 2	(111)	(254)	(365)	(117)	(265)	(382)
Other expenses	(242)	(4)	(246)	(233)	(1)	(234)
Net return before finance costs and taxation	1,735	7,933	9,668	1,938	(12,088)	(10,150)
Finance costs – note 2	(19)	(43)	(62)	(42)	(98)	(140)
Return before taxation	1,716	7,890	9,606	1,896	(12,186)	(10,290)
Tax – note 3	(112)	–	(112)	(112)	–	(112)
Return after taxation for the financial period	1,604	7,890	9,494	1,784	(12,186)	(10,402)
Basic return per ordinary share – note 4						
UK Equity Share Portfolio	2.42p	8.46p	10.88p	2.79p	(25.05)p	(22.26)p
Global Equity Income Share Portfolio	2.56p	15.21p	17.77p	2.38p	(8.27)p	(5.89)p
Balanced Risk Allocation Share Portfolio	(0.05)p	6.47p	6.42p	0.28p	(11.05)p	(10.77)p
Managed Liquidity Share Portfolio	0.36p	0.26p	0.62p	0.19p	–	0.19p

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 other 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 2019	1,055	1,290	66,372	353	62,871	354	132,295
Shares bought back and held in treasury	–	–	(5,063)	–	–	–	(5,063)
Return after taxation	–	–	–	–	7,890	1,604	9,494
Dividends paid - note 9	–	–	(190)	–	–	(1,800)	(1,990)
At 30 November 2019	1,055	1,290	61,119	353	70,761	158	134,736
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	–	–	–	–
Return after taxation	–	–	–	–	(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

CONDENSED BALANCE SHEET

AS AT 30 NOVEMBER 2019

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	59,117	68,925	7,448	3,752	139,242
Current assets					
Derivative assets held at fair value through profit or loss	–	–	188	–	188
Debtors	366	418	209	10	1,003
Cash and cash equivalents	10	137	303	185	635
	376	555	700	195	1,826
Creditors: amounts falling due within one year					
Derivative liabilities held at fair value through profit or loss	–	–	(57)	–	(57)
Other creditors	(666)	(159)	(26)	(144)	(995)
Bank loan	(100)	(5,180)	–	–	(5,280)
	(766)	(5,339)	(83)	(144)	(6,332)
Net current (liabilities)/assets	(390)	(4,784)	617	51	(4,506)
Net assets	58,727	64,141	8,065	3,803	134,736
Capital and reserves					
Share capital	437	388	108	122	1,055
Share premium	–	–	1,290	–	1,290
Special reserve	27,221	27,712	2,976	3,210	61,119
Capital redemption reserve	74	78	26	175	353
Capital reserve	30,995	35,763	3,724	279	70,761
Revenue reserve	–	200	(59)	17	158
Shareholders' funds	58,727	64,141	8,065	3,803	134,736
Net asset value per ordinary share					
Basic – note 5	181.1p	212.4p	145.9p	105.3p	

CONDENSED BALANCE SHEET

AS AT 31 MAY 2019

	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	61,250	67,040	7,385	4,710	140,385
Current assets					
Derivative assets held at fair value through profit or loss	–	–	175	–	175
Debtors	3,580	518	412	6	4,516
Cash and cash equivalents	476	245	153	10	884
	4,056	763	740	16	5,575
Creditors: amounts falling due within one year					
Derivative liabilities held at fair value through profit or loss	–	–	(223)	–	(223)
Other creditors	(670)	(334)	(65)	(143)	(1,212)
Bank loan	(7,350)	(4,880)	–	–	(12,230)
	(8,020)	(5,214)	(288)	(143)	(13,665)
Net current (liabilities)/assets	(3,964)	(4,451)	452	(127)	(8,090)
Net assets	57,286	62,589	7,837	4,583	132,295
Capital and reserves					
Share capital	436	389	108	122	1,055
Share premium	–	–	1,290	–	1,290
Special reserve	28,551	30,734	3,106	3,981	66,372
Capital redemption reserve	74	78	26	175	353
Capital reserve	28,225	31,015	3,363	268	62,871
Revenue reserve	–	373	(56)	37	354
Shareholders' funds	57,286	62,589	7,837	4,583	132,295
Net asset value per ordinary share					
Basic – note 5	173.1p	197.6p	139.5p	104.9p	

CONDENSED CASH FLOW STATEMENT

	SIX MONTHS ENDED 30 NOVEMBER 2019 £'000	SIX MONTHS ENDED 30 NOVEMBER 2018 £'000
Cash flow from operating activities		
Net return before finance costs and taxation	9,668	(10,150)
Tax on overseas income	(112)	(114)
Adjustments for:		
Purchase of investments	(21,408)	(29,076)
Sale of investments	33,393	35,957
Sale of futures	208	(240)
	12,193	6,641
Scrip dividends	(26)	(30)
(Gains)/losses on investments	(7,728)	11,171
(Gains)/losses on derivatives	(397)	648
Decrease in debtors	443	26
Decrease in creditors	(59)	(70)
Net cash inflow from operating activities	13,982	8,122
Cash flow from financing activities		
Interest paid on bank borrowings	(63)	(140)
Decrease in bank loan	(6,950)	(750)
Share buy back costs	(5,228)	(4,629)
Equity dividends paid – note 9	(1,990)	(2,032)
Net cash outflow from financing activities	(14,231)	(7,551)
Net (decrease)/increase in cash and cash equivalents	(249)	571
Cash and cash equivalents at the start of the period	884	732
Cash and cash equivalents at the end of the period	635	1,303
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:		
Cash held at custodian	635	1,303
Cash flow from operating activities includes:		
Dividends received	2,220	2,351
Interest received	23	46
Changes in liabilities arising from financing activities:		
Opening bank loan as at 31 May	12,230	16,350
Decrease in bank loan	(6,950)	(750)
Closing bank loan as at 30 November	5,280	15,600

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 October 2019. 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 2019.

2. Management Fees and Finance Costs

Investment 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 principally attributable to the capital performance of the investments in that Portfolio.

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. The amount of the performance fee that can be paid in any one year has been capped at 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 2018: £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 2018: £nil).

Underperformance movements in the six months to 30 November 2019 are shown below:

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000
Underperformance brought forward	(768)	(1,491)
Underperformance in the period	(34)	(137)
Underperformance carried forward	(802)	(1,628)

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

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 2019	SIX MONTHS ENDED 30 NOVEMBER 2018
UK Equity	32,758,348	35,172,933
Global Equity Income	31,216,223	32,601,022
Balanced Risk Allocation	5,580,509	6,117,689
Managed Liquidity	4,189,561	4,703,864

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:

	AT 30 NOVEMBER 2019 £'000	AT 31 MAY 2019 £'000
PORTFOLIO SHAREHOLDERS' FUNDS		
UK Equity	58,727	57,286
Global Equity Income	64,141	62,589
Balanced Risk Allocation	8,065	7,837
Managed Liquidity	3,803	4,583

	NUMBER OF SHARES	
	AT 30 NOVEMBER 2019	AT 31 MAY 2019
PORTFOLIO SHARES IN ISSUE		
UK Equity	32,432,465	33,088,595
Global Equity Income	30,195,843	31,668,234
Balanced Risk Allocation	5,526,917	5,618,428
Managed Liquidity	3,612,466	4,370,361

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 2019				
Financial assets at fair value through profit or loss:				
Level 1	59,117	68,925	7,432	3,752
Level 2	–	–	188	–
Level 3	–	–	16	–
Total financial assets	59,117	68,925	7,636	3,752
Financial liabilities:				
Level 2 – Derivative instruments	–	–	57	–
AT 31 MAY 2019				
Financial assets at fair value through profit or loss:				
Level 1	61,250	67,040	5,635	4,490
Level 2	–	–	1,910	220
Level 3	–	–	15	–
Total financial assets	61,250	67,040	7,560	4,710
Financial liabilities:				
Level 2 – Derivative instruments	–	–	223	–

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

Level 2 This includes liquidity funds held in the Balanced Risk Allocation and Managed Liquidity Portfolios, and any derivative instruments.

Level 3 This includes hedge fund investments of the Balanced Risk Allocation Portfolio.

7. Movements in Share Capital and Share Class Conversions

IN THE SIX MONTHS ENDED 30 NOVEMBER 2019

	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK ALLOCATION	MANAGED LIQUIDITY
Ordinary 1p shares (number)				
At 31 May 2019	33,088,595	31,668,234	5,618,428	4,370,361
Shares bought back into treasury	(719,772)	(1,411,136)	(97,000)	(763,893)
Arising on share conversion:				
– August 2019	886	(234)	(578)	(240)
– November 2019	62,756	(61,021)	6,067	6,238
At 30 November 2019	32,432,465	30,195,843	5,526,917	3,612,466

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 2019	10,517,040	7,301,023	5,157,218	7,805,785
Shares bought back into treasury	719,772	1,411,136	97,000	763,893
At 30 November 2019	11,236,812	8,712,159	5,254,218	8,569,678
Total shares in issue at 30 November 2019	43,669,277	38,908,002	10,781,135	12,182,144
Average buy back price	172.9p	203.7p	141.0p	101.1p

As part of the conversion process, 16,109 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 2018	164.0p	195.0p	132.0p	101.5p
31 May 2019	173.5p	195.0p	138.5p	101.5p
30 November 2019	178.0p	209.0p	144.0p	102.0p

9. Dividends on Ordinary Shares

First interim dividends for UK Equity and Global Equity Income together with a prior year dividend for Managed Liquidity were paid on 16 August 2019. Second interim dividends for UK Equity and Global Equity Income were paid on 15 November 2019:

PORTFOLIO	NUMBER OF SHARES	DIVIDEND RATE	TOTAL £'000
UK Equity			
First interim	33,048,823	1.50p	496
Second interim	32,549,709	1.50p	488
		3.00p	984
Global Equity Income			
First interim	31,466,468	1.55p	488
Second interim	31,189,234	1.55p	483
		3.10p	971
Managed Liquidity			
Prior year dividend	4,370,361	0.80p	35
		0.80p	35

Dividends paid for the six months to 30 November 2019 totalled £1,955,000 (six months to 30 November 2018: £2,032,000). In addition, a dividend of £35,000 was paid in the period to the holders of Managed Liquidity shares in respect of the year ended 31 May 2019, (six months to 30 November 2018: £nil).

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 2019 and 30 November 2018 has not been audited. The figures and financial information for the year ended 31 May 2019 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

4 February 2020

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.

Graham Kitchen
Chairman

4 February 2020

DIRECTORS, MANAGER AND ADMINISTRATION

Directors

Graham Kitchen (Chairman of the Board and Nomination Committee from 3 October 2019)
Craig Cleland (Chairman of the Audit Committee)
Alan Clifton (Chairman of the Management Engagement Committee and Senior Independent Director)
Victoria Muir (Chair of the Marketing Committee)
Patrick Gifford (Retired on 3 October 2019)

All the Directors are, in the opinion of the Board, independent of the management company.

All Directors are members of the Management Engagement and Nomination Committees.

All Directors, except the Chairman, are members of the Audit and Marketing 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

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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 have queries relating to your shareholding, you should contact the Registrars on ☎ 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider.

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 services to existing shareholders who are not seeking advice on buying or selling. These services are available at www.linksharedeal.com or ☎ 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. 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 UK Bank Holidays).

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

Invesco Client Services

Invesco has a Client Services Team, available to assist you from 8.30am to 6pm Monday to Friday (excluding UK Bank Holidays). Please note no investment advice can be given. ☎ 0800 085 8677.
www.invesco.co.uk/investmenttrusts

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.

ALTERNATIVE PERFORMANCE MEASURES (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. APMs used by the Company are fully disclosed in the annual financial report, and those that are used in this half year financial report are shown below.

Discount or Premium (APM)

Discount is a measure of the amount by which the mid-market price of an investment company share is lower than the underlying net asset value of that share. Conversely, premium is a measure of the amount by which the mid-market price of an investment company share is higher than the underlying net asset value of that share. In this half year financial report the discount is expressed as a percentage of the net asset value per share and is calculated according to the formula set out below. If the shares are trading at a premium the result of the below calculation will be positive and if they are trading at a discount it will be negative.

30 NOVEMBER 2019	PAGE		UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK ALLOCATION	MANAGED LIQUIDITY
Share price	2	a	178.0p	209.0p	144.0p	102.0p
Net asset value per share	2	b	181.1p	212.4p	145.9p	105.3p
Discount		c = (a-b)/b	(1.7)%	(1.6)%	(1.3)%	(3.1)%

Gearing (APM)

The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which net assets or shareholders' funds would move if a company's investments were to rise or fall. A positive percentage indicates the extent to which net assets are geared; a nil gearing percentage, or 'nil', shows a company is ungeared. A negative percentage indicates that a company is not fully invested.

There are several methods of calculating gearing and the following have been used in this report:

Gross Gearing

This reflects the amount of gross borrowings in use by a company and takes no account of any cash balances. It is based on gross borrowings as a percentage of net assets.

30 NOVEMBER 2019	PAGE		UK EQUITY £'000	GLOBAL EQUITY INCOME £'000
Bank loan	30		100	5,180
Gross borrowings		a	100	5,180
Net asset value	30	b	58,727	64,141
Gross gearing		c = a/b	0.2%	8.1%
31 MAY 2019	**PAGE**			
Bank loan	31		7,350	4,880
Gross borrowings		a	7,350	4,880
Net asset value	31	b	57,286	62,589
Gross gearing		c = a/b	12.8%	7.8%

Net Gearing or Net Cash

Net gearing reflects the amount of net borrowings invested, i.e. borrowings less cash and cash equivalents (incl. investments in money market funds). It is based on net borrowings as a percentage of net assets. Net cash reflects the net exposure to cash and cash equivalents, as a percentage of net assets, after any offset against total borrowings.

30 NOVEMBER 2019	PAGE		UK EQUITY £'000	GLOBAL EQUITY INCOME £'000
Bank loan	30		100	5,180
Less cash and cash equivalents	30		(10)	(137)
Net borrowings		a	90	5,043
Net asset value	30	b	58,727	64,141
Net gearing		c = a/b	0.2%	7.9%
31 MAY 2019	**PAGE**			
Bank loan	31		7,350	4,880
Less cash and cash equivalents	31		(476)	(245)
Net borrowings		a	6,874	4,635
Net asset value	31	b	57,286	62,589
Net gearing		c = a/b	12.0%	7.4%

Total Return

Total return is the theoretical return to shareholders that measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. In this half year financial report these return figures have been sourced from Refinitiv who calculate returns on an industry comparative basis.

Net Asset Value Total Return (APM)

Total return on net asset value per share, assuming dividends paid by the Company were reinvested into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

30 NOVEMBER 2019	PAGE		UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK ALLOCATION	MANAGED LIQUIDITY
Net asset value as at 30 November 2019	30		181.1p	212.4p	145.9p	105.3p
Net asset value as at 31 May 2019	31		173.1p	197.6p	139.5p	104.9p
Change in period		a	4.6%	7.5%	4.6%	0.4%
Impact of dividend reinvestments[1]		b	1.8%	1.6%	–	0.7%
Net asset value total return for the period		c = a+b	6.4%	9.1%	4.6%	1.1%

ALTERNATIVE PERFORMANCE MEASURES (APM)

continued

Share Price Total Return (APM)

Total return to shareholders, on a mid-market price basis, assuming all dividends received were re-invested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

30 NOVEMBER 2019	PAGE		UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK ALLOCATION	MANAGED LIQUIDITY
Share price as at 30 November 2019	2		178.0p	209.0p	144.0p	102.0p
Share price as at 31 May 2019	36	(Note 8)	173.5p	195.0p	138.5p	101.5p
Change in period		a	2.6%	7.2%	4.0%	0.5%
Impact of dividend reinvestments[1]		b	1.8%	1.6%	–	0.8%
Share price total return for the period		c = a+b	4.4%	8.8%	4.0%	1.3%

(1) Total dividends paid during the period for the UK Equity Share Portfolio of 3.00p, Global Equity Share Income Portfolio of 3.10p and Managed Liquidity 0.80p, reinvested at the NAV or share price on the ex-dividend date. A fall in the NAV or Share price, subsequent to the reinvestment date, consequently further reduces the returns and vice versa if NAV or Share price rises.

Benchmark

Total return on the benchmark is on a mid-market value basis, assuming all dividends received were reinvested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend.

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