The Edinburgh Investment Trust plc

HALF-YEARLY FINANCIAL REPORT
SIX MONTHS TO 30 SEPTEMBER 2021

The Edinburgh Investment Trust plc

If you wish to contact members of the Edinburgh Investment Trust Board then please get in touch with the Company Secretary on +44 (0)20 7653 9690. If you have any enquiries for the Investment Manager, please contact them on +44 (0)20 8126 0088.

www.edinburghinvestmenttrust.com

The Company is a member of

aic
The Association of Investment Companies

£1,164m
Net assets

610.00p
Share price

(9.3)%
Discount*

7.7%
Gearing (net)*

* Alternative Performance Measures

Investment Objective

The Edinburgh Investment Trust plc (‘the Company’) is an investment trust whose investment objective is to invest primarily in UK securities with the long term objective of achieving:

1. an increase of the Net Asset Value per share in excess of the growth in the FTSE All-Share Index; and

2. growth in dividends per share in excess of the rate of UK inflation.

The Company will generally invest in companies quoted on a recognised stock exchange in the UK. The Company may also invest up to 20% of the portfolio in securities listed on stock exchanges outside the UK. The portfolio is selected on the basis of assessment of fundamental value of individual securities and is not structured on the basis of industry weightings.

Nature of the Company

The Company is a publicly listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders, according to a specified investment objective and policy (set out on page 14 of the Company’s 2021 annual financial report), with the aim of spreading investment risk and generating a return for shareholders.

The Company uses borrowing to enhance returns to shareholders. This increases the risk to shareholders should the value of investments fall.

The Company has contracted with an external investment manager, Majedie Asset Management Limited (the ‘Manager’), to manage its investments. Other administrative functions are contracted to other external service providers. The Company has a Board of non-executive Directors who oversee and monitor the activities of the Manager and other third-party service providers on behalf of shareholders and ensure that the investment objective and policy is adhered to. The Company has no employees.

The Company’s ordinary shares and debenture qualify to be considered as mainstream investment products suitable for promotion to retail investors. The Company’s ordinary shares are eligible for investment in an ISA.

Strategic Report

Financial Information and Performance Statistics

Total Return[(1)(2)(3)] (with dividends reinvested)	Six Months to 30 September 2021 % change
Net asset value (NAV) – debt at market value	+9.8
Share price	+4.4
FTSE All-Share Index	+8.0

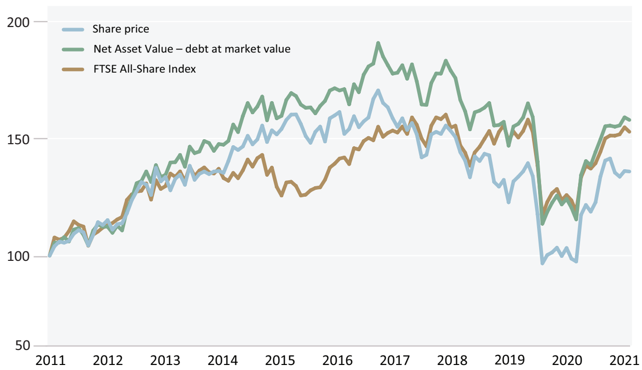
The Company's benchmark is the FTSE All-Share Index.

Capital Return		At 30 September 2021	At 31 March 2021	Change %
Net asset value – debt at market value[(2)]		672.71p	628.29p	+7.1
Share price[(1)(2)]		610.00p	600.00p	+1.7
FTSE All-Share Index[(1)]		4,058.96	3,831.05	+5.9
Discount[(2)(3)] – debt at market value		(9.3)%	(4.5)%	
Gearing (debt at market value)[(2)(3)]	– gross gearing	9.1%	10.1%	
	– net gearing	7.7%	7.1%	
Retail Price Index[(1)] – annual change		4.9%	1.5%	
Consumer Price Index[(1)] – annual change		3.1%	0.7%	

Six months to 30 September	2021	2020	Change %
Revenue Return and Dividend			
Revenue return per ordinary share	13.77p	9.89p	+39.2
First interim dividend[(4)]	6.00p	6.00p	nil

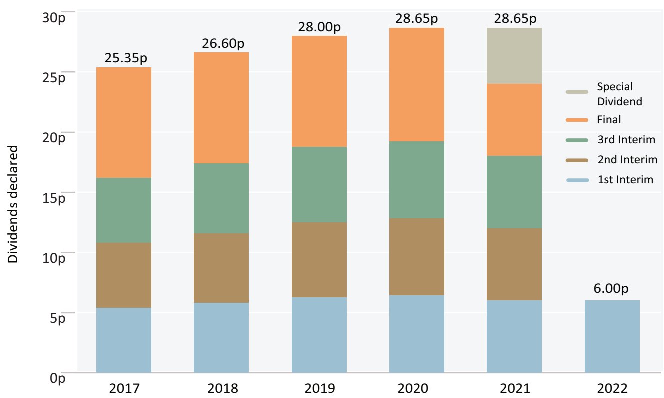
Capital Returns (excluding dividends paid) Over Ten Years

Rebased to 100 at 30 September 2011



Source: Refinitiv.

Recent Dividend History



Notes:

(1) Source: Refinitiv.

(2) These terms are defined in the Alternative Performance Measures, including reconciliations, on pages 23 to 25. NAV with debt at market value is widely used by the investment company sector for the reporting of performance, premium or discount and gearing. Further details are provided in the Alternative Performance Measures on pages 79 to 81 of the Company's 2021 annual financial report.

(3) Key Performance Indicator.

(4) Dividends declared in respect of the financial year.

Chairman's Statement

GLEN SUAREZ / CHAIRMAN

DEAR SHAREHOLDER

This has been a period of improving fortunes for the Company's portfolio.

INTRODUCTION

Over the six months since the end of March, the UK economy has moved from being in a fairly severe lockdown, to the current position of being relatively open, even though COVID may remain a challenge for some time to come. Our Manager, James de Uphaugh, believes, as described later in this report, that in addition to an improving economy there are several factors supporting UK equity values, including valuation and interest from private equity bidders. Indeed, the biggest positive contributor to performance over the period was the holding in food retail group Wm Morrison Supermarkets, the board of which agreed to sell to a US private equity buyer. James is of the view that there are other mispriced opportunities across the market and the Company's portfolio is positioned accordingly.

PERFORMANCE

In the last six months, the Company's Net Asset Value (NAV) in total return terms has risen by 9.8% (after deducting debt at market value). This compares with a rise in the FTSE All-Share Index of 8.0%. Since Majedie became day-to-day manager of the Company's portfolio at the end of March 2020, NAV total return has risen by 48.0% cumulatively, compared with 36.8% for the FTSE All-Share Index. It is encouraging to see the foundations of a strong long-term track record beginning to take shape.

Most of the outperformance over the first half of the year has come from stock selection. In addition to the positive contribution from Morrisons, stocks such as Ashtead (equipment hire) and Greggs (convenience food) also significantly outperformed. The positive absolute return of the portfolio was also helped by the Company's borrowings, which I describe in more detail below.

Cumulative Total Returns (with dividends reinvested) to 30 September 2021

	6 mths	1yr	2yr	3yr	5yr	10yr
NAV (debt at market value) (%)	9.8	37.3	11.1	2.8	13.8	135.3
Share Price (%)	4.4	44.7	14.6	4.8	5.4	107.2
FTSE All-Share Index (%)	8.0	27.9	6.7	9.5	29.8	119.2

Source: Refinitiv.

Cumulative Capital Returns (excluding dividends paid) to 30 September 2021

	6 mths	1yr	2yr	3yr	5yr	10yr
NAV (debt at market value) (%)	7.1	31.2	1.1	-10.2	-7.3	57.1
Share Price (%)	1.7	37.7	3.2	-9.8	-15.7	35.9
FTSE All-Share Index (%)	5.9	23.7	-0.1	-1.7	8.1	52.9

Source: Refinitiv.

Note: Majedie received the portfolio from the transition managers on 27 March 2020.

SHARE PRICE DISCOUNT TO NET ASSET VALUE (NAV)

While growth in NAV under the new Manager since March 2020 has been encouraging, over the last six months the discount widened from 4.5% to 9.3%. As a result, the share price total return over the period was less than that of the NAV, at a more modest 4.4%. While discounts for many investment trusts in the Equity Income sector also widened over this period, the Board is nonetheless alert to the level of the discount of your Company.

SHAREHOLDER DIVIDENDS

As we set out in the front of this document, the Company has two objectives. The first relates to NAV performance, and the second to growth in the dividend. For this financial year, we announced to the market on 27 October 2021 that the first interim dividend will be 6p per share. This will be paid, as usual, in November. Shareholders can reasonably assume that the following two interims (due to be paid in February and May) will be at a similar level. The Board will decide on the level of the final dividend later in the financial year.

The reason for rebasing the dividend last year was the structural reduction in the portfolio's underlying earnings: partly a function of dividend pauses and cuts caused by the pandemic and also because of the Manager's view that certain companies in the broader UK equity market were over distributing. As a Board we focus on the underlying dividend generation of portfolio: over time we would like to see this naturally supporting a growing dividend paid to our shareholders. The good news is that we remain on track for earnings to cover dividends in much the same timetable as we anticipated this time last year. As you will see from the summary at the front of this report, revenue per share over the last six months was 13.77p, compared with 9.89p over the equivalent period last year – an increase of 39.2%. In the interim, while dividends paid are not yet covered by revenues, the Company's revenue reserve position remains strong.

BORROWINGS

One of the advantages of a 'closed-ended' investment trust is its ability to borrow money which, if both sourced at an attractive cost and successfully invested, should enhance shareholder returns. As a Board we are therefore supportive of a modest degree of borrowings to enhance long-term returns.

For the last 24 years, the Company has had a £100m debenture in place. It has a high annual cost of 7.75%. However, the welcome news is that it matures in September 2022 and we have proactively prepared for its expiry by arranging three loan notes that will provide roll-over financing of another £100m at that time. These notes have maturity profiles of between 15 and 35 years from the point of issue next September.

At the same time that we refinanced the debenture, we took the view that with interest rates close to historic lows there was an opportunity to take on a modest additional borrowing. We did this by issuing a fourth loan note of £20m, the funds for which became available for investment in October 2021. This note matures in 2051.

The blended average cost of all four loan notes is 2.44% per annum. This is clearly much more efficiently priced debt, and we are optimistic that the portfolio's long-term returns should be enhanced.

At the end of September net gearing (borrowings less cash balances) was 7.7%. Had all cash balances been invested, gross gearing would have been 9.1%. The additional £20m of borrowings available since the half year end imply pro rata gross gearing of 10.9%.

SHAREHOLDER COMMUNICATIONS

Earlier in the summer we were able to hold the Company's Annual General Meeting in person in Edinburgh. This event was also livestreamed; shareholders unable to attend had the ability to ask questions at the meeting. This format was a success; we look forward to holding similar events in future, ideally giving the option of in-person attendance plus an online offering.

In addition to formal Company events, the Manager has also been speaking on the Company's behalf at various industry and investor platform events. We keep the Company's website up to date with this form of material, as well as other written and video pieces from the Manager. The website also offers shareholders the opportunity to register for automatic updates whenever new material is posted online.

As ever, my fellow directors and I welcome correspondence and dialogue with shareholders, whatever the format.

OUTLOOK

The Manager continues to build on the encouraging start to his performance track record since March last year. As he describes in his report, the portfolio contains a diversified selection of attractive stocks for the long-term. The Manager is fully established in their role for your Company, and I am confident that their work will serve shareholders well in the years ahead.

GLEN SUAREZ / CHAIRMAN / 19 NOVEMBER 2021

Portfolio Manager's Report

For the period ended 30 September 2021

JAMES DE UPHAUGH /
PORTFOLIO MANAGER

CHRIS FIELD /
DEPUTY PORTFOLIO MANAGER

INTRODUCTION

We are delighted to introduce the second set of interim results since we became manager in 2020.

MARKET BACKDROP

The UK stock market chalked up a decent gain over the six-month period, with the FTSE All-Share Index rising 8.0% in total return terms. The comparable Net Asset Value (NAV) gain for your Company was 9.8%. As we describe in this report, there are several compelling reasons to think that the UK equity market can generate further attractive returns on a medium-term view. These gains were despite a combination of tempering growth rates here and abroad, ongoing supply bottlenecks, and rising energy prices igniting concerns towards the end of the period that the recovery was waning. Investors also fretted about inflation with bond markets weaker.

PORTFOLIO REVIEW

We manage the portfolio in a 'bottom-up' style, focusing on individual stock opportunities. Further information on our management style is in the annual report and on the Company's website – we recommend the short summary available via the homepage link titled 'How we manage the Company'. Our emphasis is primarily on stocks that should provide an attractive combination of income and capital growth: a total return approach. We are most excited by researching and identifying stock-specific opportunities, which is where we believe we have an edge.

The biggest positive contributor to performance over the six months relative to the index was Wm Morrison Supermarkets. The shares rose 66% over the period as two private equity groups fought for control of the business. Morrisons is an excellent example of the latent value that we observe in many UK-listed stocks. Other stocks that contributed to the NAV's return ahead of the index included some of the portfolio's long-standing contrarian positions, NatWest and Tesco, both of which have emerged strongly from periods of self-help and are returning capital to investors. Ashtead and Greggs also both performed well, as they continue their strong recoveries after the initial scares of the pandemic in early 2020. Detractors from relative performance included the engineering business Weir, which gave back some ground after a strong run over the previous twelve months, and the gold mining group Newmont, reflecting the modest weakness in the gold price and cost increases.

On the issue of shortages and supply bottlenecks we have been speaking to companies such as the shipping company A.P. Moller-Maersk, as well as a range of consumer-facing businesses. The key message has been that while headwinds have been at times fierce, many businesses have managed to insulate themselves relatively well, with revenues and profits expected to be robust for the rest of the year. Inventory management is a real issue, especially for businesses with seasonal products (to which the portfolio has very little exposure). Overall, bottlenecks are expected to continue well into Christmas and the Chinese New Year and beyond. However, management teams are being frank about the challenges posed by the current environment and the short-term uncertainties they create.

To provide some examples from the portfolio, Dunelm, which sources inventory from the Far East, has weathered the current environment better than its competitors due to the strength of its supplier network, the fact it has a 90-100 day inventory cycle (which is not seasonal), as well as its ability to pass on rising costs. Greggs, meanwhile, has reported a strong third quarter, in part due to its ability to buy well in advance, providing some certainty over costs, although it has cautioned about some labour shortages and potential cost pressures in coming months. Lastly, although Made.com announced excellent first-half results, the business flagged short-term difficulties in its supply chain, which are likely to pose a temporary headwind to its wider plans for reducing delivery times.

Other changes to the portfolio included adding to the holding in Ascential, and a new position in Whitbread. We think carefully about 'mega-trends' such as the changes in consumer spending habits: Ascential is a nice example of an opportunity in this field. It has a fast growing and attractive digital commerce division which helps brands understand consumer trends and optimise their e-commerce execution on marketplaces like Amazon through data and analytics. In July it acquired a complementary business, ASR, issuing new shares to help fund the purchase. We support the management's digital strategy and added to the position through buying some of the newly issued shares. The purchase of Whitbread underlines the opportunity in companies exposed to recovering consumer discretionary spending. As the owner and operator of strong brands such as Premier Inn and Beefeater, Whitbread is winning market share through careful price positioning. Its trading linked to leisure spend is currently strong and there is the potential for business-related spend to recover. In our view the shares are modestly valued for a vertically integrated business with freehold asset backing.

OUTLOOK

There is no question pricing pressures are more prevalent now than in other inflationary spikes over the last decade. There are multiple factors behind this. Labour shortages and a surge in demand for products post lockdowns is causing supply chain and freight issues, all of which are likely to be temporary as furlough payments end and nomadic workers resume travels to seek work as restrictions fall away. Meanwhile, oil demand has recovered quicker than expectations. Some OPEC members have struggled to match previous supply levels, however, and the cumulative underinvestment by a more capital disciplined oil industry is creating a tighter supply environment. This suggests sustained high energy prices for the foreseeable future. This will have a short-term impact on inflation, but more of a concern is the negative impact high oil prices have on economic growth. We also must not forget that fiscal policy is set to tighten next year which will also be a drag on growth.

Broadly, inflation is with us well into next year and economic growth is likely to slow due to energy costs, higher interest rates and taxes. In the short term, this is causing a rotation out of bond proxies and growth stocks, into inflation beneficiaries and energy stocks. In terms of the portfolio, we retain selective exposure to the energy sector (via Royal Dutch Shell and TotalEnergies) and take reassurance from the fact that the portfolio is dominated by companies that have pricing power and strategic strength that we believe will afford greater protection against cost inflation. Importantly, we also believe both these energy groups have credible plans to transition to greener energy.

Overall, the bottom-up picture in the UK continues to show signs of health, providing reasons for optimism. The latest business survey data from Lloyds Bank suggest confidence is back at levels last seen in 2017, with improved sentiment across services, manufacturing and construction. Firms are expecting higher staffing levels, higher wages and increased prices over the next twelve months. While these surveys are a few weeks old, they were taken at a time when bottlenecks and shortages were prevalent (albeit with less bite than in recent weeks) and show an encouraging level of optimism following several challenging years.

Moreover, as we've written in our recent newsletter (also available via the Company's website), there are several reasons to be optimistic about the outlook for investing in the UK more generally. Indeed, we'd go as far as the say that we believe this is one of the best periods for investing in this market that we have witnessed in our careers (which stretch back to the mid-1980s). The return of the "marginal buyer", which is shorthand for buyers willing to compete for UK assets, is a notable positive. This has been most obvious in the tug of war battles among private equity firms for British businesses – as Morrisons has illustrated. UK-listed companies have started to return capital via dividends with renewed vigour. A flurry of buyback announcements are further evidence of the market's mispricing, in our view. They also speak to the balance sheet strength of many incumbents, including the banks, resources companies and staples businesses like Unilever and Diageo, as well as lockdown winners like Domino's Pizza. Tesco's recently announced £500m buyback programme is a further example.

Set against this, we are alert to pressures in the domestic economy, particularly for consumers that face a combination of rising taxes and flat- or negative- real earnings growth over the next two or three years. To help manage this exposure, we monitor the proportion of the portfolio's underlying earnings that come from the domestic economy: with under half originating from within the UK, which we believe balances the opportunities and risks.

The UK is widely regarded as a great place to do business with strong companies. The return of overseas/marginal investors boosted by the growing appetite for takeovers from foreign companies or private equity funds, is a positive endorsement of the UK market. Furthermore, the valuation discounts relative to other equity markets highlight the opportunities in UK equities.

At the stock level, we believe the market is materially undervaluing multiple businesses, especially those re-investing cashflows into growth, including Hays, Serco and Ascential. The strategic value of companies such as Weir and easyJet is also being underestimated, in our view. Overall, we believe the market is taking a short-term view of the prospects for many businesses in the UK, which provides opportunities for investors willing to look through the current macroeconomic headwinds.

JAMES DE UPHAUGH / PORTFOLIO MANAGER

CHRIS FIELD / DEPUTY PORTFOLIO MANAGER

19 NOVEMBER 2021

Principal Risks and Uncertainties

A detailed explanation of the principal risks and uncertainties facing the Company can be found on pages 19 to 21 of the 2021 annual financial report, which is available on the Company's website at www.edinburghinvestmenttrust.com.

Since the publication of the 2021 annual financial report and as detailed above, the COVID-19 pandemic continues to be a serious threat to most parts of the global economy. The Board continues to monitor the situation closely and has been in regular contact with the Manager and the Company's other service providers in order to assess and mitigate the impact on the Company's investment objectives, investment portfolio and shareholders. Otherwise, in the view of the Board, these principal risks and uncertainties are substantially unchanged from the previous year end and are as much applicable to the remaining six months of the financial year, as they were to the six months under review.

The principal risk factors relating to the Company can be summarised as follows:

- **Market Risk** – a fall in the stock market as a whole will affect the performance of the portfolio, as well as the performance of individual portfolio investments; it also includes interest rate and currency risks; market risk may be impacted by increased volatility during the continuing period of uncertainty arising from Brexit;
- **Investment Performance Risk** – this is the stock specific risk that the stock selection process may not achieve the Company's published objectives;
- **Borrowing Risk** – in addition to the debenture in issue, the Company may also borrow money for investment purposes. If the investments fall in value, the gearing will have an adverse impact on performance. If the borrowing facility could not be renewed, the Company might have to sell investments to repay this;
- **Income/Dividend Risk** – investment income may fail to reach the level required to meet the Company's income objective;
- **Share Price Risk** – the Company's prospects and NAV may not be fully reflected in the share price;
- **Corporate Governance and Internal Controls Risk** – the Board has delegated to third-party service providers the management of the investment portfolio, depositary and custody services, registration services, accounting and company secretarial services and therefore relies on these service providers to manage the associated risks;
- **Reliance on Manager and other Third-Party Service Providers Risk** – the Company has no employees, so is reliant upon the performance of third-party service providers for it to function, particularly the Manager, administrator, depositary, custodian and registrar;
- **Emerging Risks** – the Company may be affected by risks such as climate change and pandemics such as the COVID-19 pandemic. Whilst these risks currently exist, the extent of them is yet to fully emerge. They are regularly assessed by the Manager and the Board;
- **Other Risks** – the Company may be affected by other risks such as business, cyber security, strategic, policy and political risks such as Brexit, as well as regulatory risks (such as an adverse change in the tax treatment of investment companies) and the perceived impact of the Manager ceasing to be involved with the Company.

Investments in Order of Valuation

As at 30 September 2021

UK LISTED ORDINARY SHARES UNLESS OTHERWISE STATED

Investment	Sector	Value £'000	% of Portfolio
Royal Dutch Shell – B shares	Oil, Gas and Coal	67,643	5.4
Ashtead	Industrial Transportation	58,518	4.7
AstraZeneca	Pharmaceuticals and Biotechnology	55,703	4.5
Tesco	Personal Care, Drug and Grocery Stores	51,999	4.2
Unilever	Personal Care, Drug and Grocery Stores	48,255	3.9
NatWest	Banks	45,863	3.7
Anglo American	Industrial Metals and Mining	44,173	3.6
BAE Systems	Aerospace and Defence	38,821	3.1
Weir	Industrial Engineering	38,463	3.1
Electrocomponents	Industrial Support Services	36,805	3.0
TEN TOP HOLDINGS		**486,243**	**39.2**
Ascential	Software and Computer Services	36,282	2.9
Hays	Industrial Support Services	36,041	2.9
Dunelm	Retailers	33,990	2.7
Mondi	General Industrials	33,653	2.7
Diageo	Beverages	32,983	2.7
Wm Morrison Supermarkets	Personal Care, Drug and Grocery Stores	32,391	2.6
Smith & Nephew	Medical Equipment and Services	26,714	2.2
HSBC	Banks	26,637	2.2
Koninklijke KPN – Dutch Listed	Telecommunications Service Providers	26,620	2.1
Greggs	Personal Care, Drug and Grocery Stores	25,296	2.0
TWENTY TOP HOLDINGS		**796,850**	**64.2**
WPP	Media	23,756	1.9
Reckitt Benckiser	Personal Care, Drug and Grocery Stores	22,232	1.8
Standard Chartered	Banks	22,029	1.8
Newmont – US Listed	Precious Metals and Mining	21,313	1.7
Legal & General	Life Insurance	20,924	1.7
TotalEnergies (formerly Total) – French Listed	Oil, Gas and Coal	20,727	1.6
Compass	Consumer Services	20,621	1.6
Direct Line Insurance	Non-Life Insurance	19,719	1.6
Daily Mail & General Trust	Media	18,905	1.5
Genuit (formerly Polypipe)	Construction and Materials	18,314	1.5
THIRTY TOP HOLDINGS		**1,005,390**	**80.9**
Bellway	Household Goods and Home Construction	17,210	1.4
Serco	Industrial Support Services	17,086	1.4
Marshalls	Construction and Materials	16,257	1.3
ConvaTec	Medical Equipment and Services	16,129	1.3
easyJet	Travel and Leisure	15,081	1.2
NXP Semiconductors – US Listed	Technology Hardware and Equipment	14,801	1.2
Barclays	Banks	14,632	1.2
Rio Tinto	Industrial Metals and Mining	14,428	1.2
Roche – Swiss Listed	Pharmaceuticals and Biotechnology	13,178	1.1
Centrica	Gas, Water and Multi-Utilities	12,895	1.0
FORTY TOP HOLDINGS		**1,157,087**	**93.2**

INVESTMENTS IN ORDER OF VALUATION (CONTINUED)

Investment	Sector	Value £'000	% of Portfolio
St James's Place	Investment Banking and Brokerage Services	12,826	1.0
QinetiQ	Aerospace and Defence	12,549	1.0
RELX	Media	12,508	1.0
Redrow	Household Goods and Home Construction	9,343	0.8
Whitbread	Travel and Leisure	8,390	0.7
Marks & Spencer	Retailers	7,999	0.6
Domino's Pizza	Travel and Leisure	7,997	0.6
Made.com	Household Goods and Home Construction	5,600	0.5
A.P. Moller-Maersk - Danish Listed	Industrial Transportation	5,032	0.4
Raven Property – Preference shares	Real Estate Investment and Services	2,749	0.2
FIFTY TOP HOLDINGS		**1,242,080**	**100.0**
Eurovestech[UQ]	Investment Banking and Brokerage Services	69	–
TOTAL HOLDINGS 51 (31 MARCH 2021: 50)		**1,242,149**	**100.0**

[UQ] Unquoted investment.

Governance

Going Concern, Related Party Transactions and Statement of Directors' Responsibilities

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

GOING CONCERN

These financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as the Company has adequate resources to continue in operational existence for the foreseeable future being at least 12 months after the date of approval of these half-yearly financial statements. In considering this, the Directors have reviewed the Company's investment objective and capital structure generally and also in light of the COVID-19 pandemic. The Directors took into account the diversified portfolio of readily realisable securities which can be used to meet funding commitments, the recent arrangement of private loan notes to be drawn in September 2022 when the £100m debenture matures, and the ability of the Company to meet all its liabilities and ongoing expenses from its assets and revenue. The Directors also considered the revenue forecasts for the forthcoming year and future dividend payments and accumulated revenue reserves in concluding that the going concern basis is appropriate.

RELATED PARTY TRANSACTIONS

Under UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law) and in accordance with the definition provided by Listing Rule 11.1.4, the Company has identified the Directors as related parties. No other related parties have been identified. No transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 has been prepared in accordance with the FRS 104 Interim Financial Reporting; and

– the interim management report includes a fair review of the information required by Disclosure Guidance and Transparency Rules (DTR):

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

(b) DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

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

Signed on behalf of the Board of Directors

GLEN SUAREZ / CHAIRMAN / 19 NOVEMBER 2021

Financial Review

Condensed Income Statement

	Six Months To 30 September 2021 (Unaudited)			Six Months To 30 September 2020 (Unaudited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value	–	82,797	82,797	–	49,309	49,309
Losses on foreign exchange	–	(48)	(48)	–	(58)	(58)
Income – note 2	26,447	–	26,447	19,547	–	19,547
	26,447	82,749	109,196	19,547	49,251	68,798
Investment management fee – note 3	(751)	(1,752)	(2,503)	(380)	(886)	(1,266)
Other expenses	(482)	(4)	(486)	(435)	(6)	(441)
Return before finance costs and taxation	**25,214**	**80,993**	**106,207**	**18,732**	**48,359**	**67,091**
Finance costs – note 3	(1,211)	(2,826)	(4,037)	(1,233)	(2,879)	(4,112)
Return on ordinary activities before taxation	**24,003**	**78,167**	**102,170**	**17,499**	**45,480**	**62,979**
Taxation – note 4	(302)	–	(302)	(260)	–	(260)
Return on ordinary activities after taxation for the financial period	**23,701**	**78,167**	**101,868**	**17,239**	**45,480**	**62,719**
Return per ordinary share: Basic	**13.77p**	**45.39p**	**59.16p**	**9.89p**	**26.10p**	**35.99p**
Weighted average number of ordinary shares in issue during the period			**172,182,929**			**174,247,673**

The total column of this statement represents the Company's income statement, prepared in accordance with UK Accounting Standards. The return on ordinary activities after taxation for the financial period 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.

Condensed Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
For the six months ended 30 September 2021 (Unaudited)						
At 31 March 2021	48,917	10,394	24,676	945,728	61,516	1,091,231
Return on ordinary activities	–	–	–	78,167	23,701	101,868
Dividends paid – note 5	–	–	–	–	(28,669)	(28,669)
At 30 September 2021	**48,917**	**10,394**	**24,676**	**1,023,895**	**56,548**	**1,164,430**
For the six months ended 30 September 2020 (Unaudited)						
At 31 March 2020	48,917	10,394	24,676	706,726	81,771	872,484
Return on ordinary activities	–	–	–	45,480	17,239	62,719
Dividends paid – note 5	–	–	–	–	(27,672)	(27,672)
Shares bought back and held in treasury	–	–	–	(8,431)	–	(8,431)
At 30 September 2020	**48,917**	**10,394**	**24,676**	**743,775**	**71,338**	**899,100**

Condensed Balance Sheet

	At 30 September 2021 (Unaudited) £'000	At 31 March 2021 (Audited) £'000
Fixed assets		
Investments held at fair value through profit or loss – note 7	1,242,149	1,151,008
Current assets		
Amounts due from brokers	11,991	1,489
Tax recoverable	1,780	1,592
Prepayments and accrued income	5,488	4,893
Cash and cash equivalents	16,530	32,570
	35,789	40,544
Creditors: amounts falling due within one year		
7.75% Debenture Stock 30 Sep 2022	(99,749)	–
Amounts due to brokers	(12,680)	–
Accruals	(1,079)	(698)
	(113,508)	(698)
Net current (liabilities)/assets	**(77,719)**	**39,846**
Total assets less current liabilities	**1,164,430**	**1,190,854**
Creditors: amounts falling due after more than one year		
7.75% Debenture Stock 30 Sep 2022	–	(99,623)
Net assets	**1,164,430**	**1,091,231**
Capital and reserves		
Share capital – note 6	48,917	48,917
Share premium	10,394	10,394
Capital redemption reserve	24,676	24,676
Capital reserve	1,023,895	945,728
Revenue reserve	56,548	61,516
Total Shareholders' funds	**1,164,430**	**1,091,231**
Net asset value per ordinary share – note 8		
Basic – debt at par value	676.13p	633.54p
– debt at market value	672.71p	628.29p
Number of 25p ordinary shares in issue at the period end – note 6	**172,182,929**	**172,182,929**

Condensed Cash Flow Statement

	SIX MONTHS TO 30 SEPTEMBER 2021 £'000	SIX MONTHS TO 30 SEPTEMBER 2020 £'000
Cash flow from operating activities		
Return before finance costs and taxation	106,207	67,091
Tax on overseas income – note 4	(302)	(260)
Adjustments for:		
Purchase of investments	(174,387)	(208,065)
Sale of investments	168,219	188,049
	(6,168)	(20,016)
Gains on investments held at fair value	(82,797)	(49,309)
(Increase)/decrease in debtors	(783)	467
Increase/(decrease) in creditors	395	(155)
Net cash inflow/(outflow) from operating activities	**16,552**	**(2,182)**
Cash flow from financing activities		
Interest and commitment fees paid on bank facility	(49)	(131)
Interest paid on debenture stocks	(3,874)	(3,875)
Shares bought back and held in treasury	–	(8,064)
Dividends paid – note 5	(28,669)	(27,672)
Net cash outflow from financing activities	**(32,592)**	**(39,742)**
Net decrease in cash and cash equivalents	(16,040)	(41,924)
Cash and cash equivalents at start of the period	32,570	43,958
Cash and cash equivalents at the end of the period	**16,530**	**2,034**
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:		
Cash held at custodian	2,007	2,001
Goldman Sachs Liquidity Reserve International Fund	14,523	33
Cash and cash equivalents	**16,530**	**2,034**
Cash flow from operating activities includes:		
Dividends received	25,340	19,706
Interest received	–	1

	2021 £'000	2020 £'000
Changes in liabilities arising from financing activities:		
Opening balance as at 31 March	99,623	99,372
Increase due to amortisation of discount and issue expenses on debenture stock in the period	126	134
Closing balance as at 30 September	**99,749**	**99,506**

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 April 2021. 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 March 2021. We have included a condensed cash flow statement in this report for the first time.

2. INCOME

		SIX MONTHS TO 30 SEPTEMBER	
		2021 (Unaudited) £'000	2020 (Unaudited) £'000
Income from investments:			
UK dividends	– ordinary	18,770	15,378
	– special	4,954	1,717
Overseas dividends		2,686	2,438
Income from money market funds		–	11
		26,410	**19,544**
Other income:			
Deposit interest		–	3
Underwriting commission		37	–
Total income		**26,447**	**19,547**

3. MANAGEMENT FEE AND FINANCE COSTS

The management fee arrangements are as reported in the Company's 2021 annual financial report. The fee is 0.480% per annum on the first £500m of market capitalisation and 0.465% per annum on the remainder. This is billed monthly in arrears. The management fee and finance costs are allocated 30% to revenue and 70% to capital. The Manager waived its fee for the first three months of its appointment which forms part of the comparative period.

4. TAX

Owing to the Company's status as an investment company no tax liability arises on capital gains. The tax charge represents withholding tax suffered on overseas income. A deferred tax asset is not recognised in respect of surplus management expenses since the Directors believe that there will be no taxable profits in the future against which these can be offset.

5. DIVIDENDS PAID ON ORDINARY SHARES

	SIX MONTHS TO 30 SEPTEMBER			
	2021 (Unaudited)		2020 (Unaudited)	
	pence	£'000	pence	£'000
Third interim	6.00	10,331	6.40	11,180
Final	6.00	10,331	9.45	16,492
Total (excluding special dividends)	12.00	20,662	15.85	27,672
Special dividend in respect of previous period	4.65	8,007	–	–
Total paid	**16.65**	**28,669**	**15.85**	**27,672**

The first interim dividend of 6.00p per ordinary share for the year ended 31 March 2022 (2021: 6.00p) will be paid on 26 November 2021 to shareholders on the register on 5 November 2021.

6. SHARE CAPITAL, INCLUDING MOVEMENTS

Share capital represents the total number of shares in issue, including treasury shares.

Share capital:	SIX MONTHS TO 30 SEPTEMBER 2021 (Unaudited) £'000	YEAR TO 31 MARCH 2021 (Audited) £'000
Ordinary shares of 25p each	43,046	43,046
Treasury shares of 25p each	5,871	5,871
	48,917	**48,917**

	SIX MONTHS TO 30 SEPTEMBER 2021 (Unaudited)	YEAR TO 31 MARCH 2021 (Audited)
Number of ordinary shares in issue:		
Brought forward	172,182,929	174,682,929
Shares bought back into treasury	–	(2,500,000)
Carried forward	**172,182,929**	**172,182,929**
Number of treasury shares held:		
Brought forward	23,483,805	20,983,805
Shares bought back into treasury	–	2,500,000
Carried forward	**23,483,805**	**23,483,805**
Total ordinary shares	**195,666,734**	**195,666,734**

Subsequent to the period end no ordinary shares were bought back or issued.

Notes to the Condensed Financial Statements / continued

7. CLASSIFICATION UNDER FAIR VALUE HIERARCHY

All except one of the Company's portfolio of investments are in the Level 1 category as defined in FRS 102. The three levels are set out as follows:

Level 1- The unadjusted quoted price in an active market for identical assets 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:

	30 SEPTEMBER 2021 (Unaudited) £'000	31 MARCH 2021 (Audited) £'000
Financial assets designated at fair value through profit or loss:		
Level 1	1,242,080	1,150,903
Level 3	69	105
Total for financial assets	**1,242,149**	**1,151,008**

The level 3 investment consists of one holding in Eurovestech with a fair value of £69,000 (31 March 2021: £105,000). The holding in Eurovestech did not change during the reporting period.

8. NET ASSET VALUE (NAV) PER ORDINARY SHARE

(a) NAV - debt at par

The shareholders' funds in the balance sheet are accounted for in accordance with accounting standards, however; this does not reflect the rights of shareholders on a return of assets under the Articles of Association. These rights are reflected in the net assets with debt at par and the corresponding NAV per share.

	30 SEPTEMBER 2021 (Unaudited) Pence per share	31 MARCH 2021 (Audited) Pence per share
Shareholders' funds	676.27	633.76
Less: unamortised discount and expenses arising from debenture issue	(0.14)	(0.22)
NAV – debt at par	**676.13**	**633.54**
NAV – debt at par £'000	**1,164,179**	**1,090,854**

(b) NAV - debt at market value

The market value of the debenture stock is determined by reference to the daily closing price, and is subject to review against various data providers to ensure consistency between data providers and against the reference gilt.

	30 SEPTEMBER 2021 (Unaudited) Pence per share	31 MARCH 2021 (Audited) Pence per share
NAV – debt at par	676.13	633.54
Debenture stock – debt at par	58.08	58.08
– debt at market value	(61.50)	(63.33)
NAV – debt at market value	**672.71**	**628.29**
NAV – debt at market value £'000	**1,158,284**	**1,081,813**
Debenture Stock at market value £'000	**105,895**	**109,041**

9. POST BALANCE SHEET EVENT

The Board of the Company announces that it has agreed to issue £120m of long-term, fixed rate, senior, unsecured privately placed notes ("the Notes") as follows:

- £35m 2.26% Notes maturing in 2037 settling on 29 September 2022
- £35m 2.49% Notes maturing in 2047 settling on 29 September 2022
- £20m 2.53% Notes maturing in 2051 settling on 7 October 2021
- £30m 2.53% Notes maturing in 2057 settling on 29 September 2022

Three tranches, totalling £100m, will settle on 29th September 2022. The proceeds of these Notes will be used to repay the Company's £100m 7.75% debenture, which matures in a year's time on 30 September 2022. A fourth tranche of £20m is new debt and will settle on 7 October 2021. The weighted average cost of the Notes from 1 October 2022 will be 2.44%. The Company also has a £25m bank revolving credit facility which is currently undrawn.

There is no change to the Company's gearing policy. The Company is committed to the strategic use of borrowings with the aim of enhancing long-term returns to shareholders over time.

10. INVESTMENT TRUST STATUS

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 within the meaning of section 1159 of the Corporation Tax Act 2010.

11. STATUS OF HALF-YEARLY FINANCIAL REPORT

The financial information contained within the financial statements in this half-yearly financial report 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 September 2021 and 30 September 2020 has not been audited or reviewed. The figures and financial information for the year ended 31 March 2021 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 included the Independent Auditor's Report which was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

By order of the Board

PRAXISIFM FUND SERVICES (UK) LIMITED

Company Secretary

19 November 2021

Other Information for Shareholders

Directors, Advisors and Principal Service Providers

DIRECTORS
Glen Suarez, Chairman
Victoria Hastings, Senior Independent Director
Steve Baldwin, Audit Committee Chairman
Elisabeth Stheeman
Patrick Edwardson (Appointed 11 February 2021)
Gordon McQueen (Resigned 22 July 2021)
Maxwell Ward (Resigned 22 July 2021)

REGISTERED OFFICE
Quartermile One
15 Lauriston Place
Edinburgh
EH3 9EP

COMPANY NUMBER
Registered in Scotland.
Number: SC1836

ALTERNATIVE INVESTMENT FUND MANAGER (MANAGER)
Majedie Asset Management Limited
10 Old Bailey
London EC4M 7NG
☎ 020 8126 0088

COMPANY SECRETARY
PraxisIFM Fund Services (UK) Limited
Company Secretarial Contact: David Rice
Correspondence Address:
1st Floor, Senator House
85 Queen Victoria Street
London
EC4V 4AB
☎ 020 4513 9260

INDEPENDENT AUDITOR
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

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

BANKER
The Bank of New York Mellon
160 Queen Victoria Street
London
EC4V 4LA

CORPORATE BROKER
Investec Bank plc
30 Gresham Street
London
EC2V 7QP

THE ASSOCIATION OF INVESTMENT COMPANIES
The Company is a member of the Association of Investment Companies. Contact details are as follows:
☎ 020 7282 5555
Email: enquiries@theaic.co.uk
Website: www.theaic.co.uk

LAWYER
Dentons UK and Middle East LLP
Quartermile One
15 Lauriston Place
Edinburgh
EH3 9EP

REGISTRAR
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds, LS1 4DL

If you hold your shares direct and not through a Savings Scheme or ISA 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 United Kingdom will be charged at the applicable international rate. Lines are open from 9.00am to 5.30pm, Monday to Friday (excluding UK Public Holidays).

Shareholders can also access their holding details via Link's website:

www.signalshares.com

Link Group provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at
www.linksharedeal.com or

☎ 0371 664 0445

Calls 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 from 8.00am to 5.30pm, Monday to Friday (excluding UK Public Holidays).

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

Alternative Performance Measures

ALTERNATIVE PERFORMANCE MEASURE (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. The calculations shown in the corresponding tables are for the interim period ended 30 September 2021 and the year ended 31 March 2021. The APMs listed here are widely used in reporting within the investment company sector and consequently aid comparability, providing useful additional information.

BENCHMARK (OR BENCHMARK INDEX)

A standard against which performance can be measured, usually an index that averages the performance of companies in a stock market or a segment of the market. The benchmark most often referred to in this interim financial report is the FTSE All-Share Index.

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 interim financial report the discount is expressed as a percentage of the NAV per share with debt at market value (see reconciliation of NAV per share with debt at market value in note 8 on page 19) 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 SEPTEMBER 2021	31 MARCH 2021
Share price	a	610.00p	600.00p
Net asset value per share – debt at market value (note 8)	b	672.71p	628.29p
Discount	c = (a-b)/b	(9.3)%	(4.5)%

GEARING

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 the value of 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 and is holding net cash as described below.

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

GROSS GEARING (APM)

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 SEPTEMBER 2021 £'000	31 MARCH 2021 £'000
Debenture stock – debt at market value (note 8)		105,895	109,041
Gross borrowings	a	105,895	109,041
Net asset value – debt at market value (note 8)	b	1,158,284	1,081,813
Gross gearing	c = a/b	9.1%	10.1%

Alternative Performance Measures / continued

NET GEARING OR NET CASH (APM)

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 SEPTEMBER 2021 £'000	31 MARCH 2021 £'000
Debenture stock – debt at market value (note 8)		105,895	109,041
Less: cash and cash equivalents		(16,530)	(32,570)
Net borrowings	a	89,365	76,471
Net asset value – debt at market value (note 8)	b	1,158,284	1,081,813
Net gearing	c = a/b	7.7%	7.1%

NET ASSET VALUE (NAV)

Also described as shareholders' funds, the NAV is the value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The NAV per share is calculated by dividing the net asset value by the number of ordinary shares in issue (excluding shares held in treasury). For accounting purposes assets are valued at fair (usually market) value and liabilities are valued at amortised cost (their repayment – often nominal – value). An alternative, NAV with debt at market value, values long term liabilities at their market (fair) value and is shown in note 8 on page 19.

RETURN

The return generated in a period from the investments.

CAPITAL RETURN

Reflects the return on NAV, but excluding any dividends reinvested.

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-yearly financial report these return figures have been sourced from Refinitiv who calculate returns on an industry comparative basis.

Alternative Performance Measures / continued

NET ASSET VALUE TOTAL RETURN (APM)

Total return on net asset value per share, with debt at market value, 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.

SHARE PRICE TOTAL RETURN (APM)

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

SIX MONTHS ENDED 30 SEPTEMBER 2021		NET ASSET VALUE	SHARE PRICE
As at 30 September 2021		672.71p	610.00p
As at 31 March 2021		628.29p	600.00p
Change in period	a	7.1%	1.7%
Impact of dividend reinvestments[1]	b	2.7%	2.7%
Total return for the period	c = a+b	9.8%	4.4%

YEAR ENDED 31 MARCH 2021		NET ASSET VALUE	SHARE PRICE
As at 31 March 2021		628.29p	600.00p
As at 31 March 2020		490.40p	434.00p
Change in year	a	28.1%	38.2%
Impact of dividend reinvestments[1]	b	6.7%	8.2%
Total return for the year	c = a+b	34.8%	46.4%

[1] Total dividends paid during the period of 16.65p (31 March 2021: 27.85p) reinvested at the NAV or share price on the ex-dividend date. NAV or share price falls subsequent to the reinvestment date consequently further reduce the returns, or vice versa if the 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.

Designed and produced by Perivan

The Edinburgh
Investment Trust plc

Quartermile One
15 Lauriston Place
Edinburgh
EH3 9EP

www.edinburghinvestmenttrust.com