

# Momentum Multi-Asset Value Trust plc

HALF-YEARLY FINANCIAL REPORT SIX MONTHS ENDED 31 OCTOBER 2021



**Refined Value** 

# About Momentum Multi-Asset Value Trust plc

#### Refined Value

Momentum Multi-Asset Value Trust plc ('MAVT' or your 'Company') is designed for investors who wish to combine the benefits of a quarterly income with long-term capital growth.

#### **OUR REFINED VALUE INVESTMENT APPROACH**

Value Investing is a process which is traditionally applied solely to equity investment. As a Multi-Asset investor we seek to apply this process across a much wider range of asset classes seeking the best investment opportunities wherever they can be found. We describe this investment process as Refined Value Investing.

We combine direct investment in equities with holdings in a range of funds managed by Value-oriented external managers.

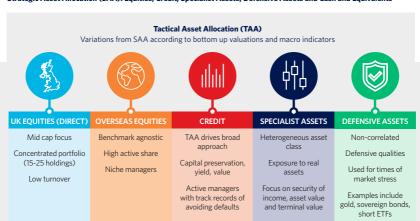
#### **OUR INVESTMENT OBJECTIVE**

Over a typical investment cycle, your Company seeks to achieve a total return of at least CPI plus 6% per annum after costs with low volatility and aims to increase the dividends paid to Shareholders at least in line with inflation, through the application of a Multi-Asset Investment Policy.

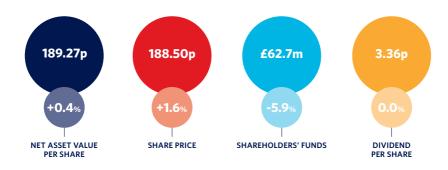
The Manager defines a typical investment cycle as one which spans five to ten years, and in which returns from the various asset classes are generally in line with their very long-term averages. Low volatility is defined as being lower volatility than that which would be typical of a pure equity portfolio.

#### **OUR INVESTMENT PROCESS**

Strategic Asset Allocation (SAA): Equities, Credit, Specialist Assets, Defensive Assets and Cash and Equivalents



# **Key Facts**



	31 October 2021	30 April 2021	Change
Total assets (£'000) <sup>1, 2</sup>	69,703	73,621	-5.3%
Shareholders' funds (net assets) (£'000)²	62,703	66,621	-5.9%
Net asset value per share (cum income) <sup>2</sup>	189.27p	188.53p	+0.4%
Share price (mid market) <sup>2</sup>	188.50p	185.50p	+1.6%
Discount	0.4%	1.6%	
Dividends per share	3.36р	3.36p	

Total returns against comparator indices for periods ended	periods ended Cumulative					
31 October 2021	6 months	1 Year	3 Years	5 Years		
MAVT net asset value	+2.1%	+36.6%	+31.6%	+44.0%		
MAVT share price	+3.4%	+38.8%	+31.8%	+43.8%		
Benchmark <sup>3</sup>	+6.2%	+10.1%	+24.5%	+38.2%		
AIC Flexible Investment Sector	+5.5%	-2.8%	+5.7%	+35.6%		
MSCI UK All Cap Index	+5.3%	+36.3%	+14.9%	+28.2%		

Source: MSCI/Morningstar/Momentum Global Investment Management.

Total assets less current liabilities (excluding bank debt).

<sup>&</sup>lt;sup>2</sup> Although the net asset value per share and the share price have increased over the Period, total assets and total Shareholders' funds have decreased due to the operation of the Discount Control Mechanism, through which 2.2m shares were bought back during the Period.

The Benchmark return is calculated using a blended return based on the Benchmark of CPI +6% from 7 July 2017 and previously of LIBOR GBP +3%.

# Performance





Source: MSCI/Momentum Global Investment Management

#### Company premium/(discount), % (based on cum income NAV)



#### Dividend growth vs CPI (rebased to 100 at 31 October 2016)

Source: Bloomberg



<sup>\*</sup> The Benchmark return is calculated using a blended return based on the Benchmark of CPI +6% from 7 July 2017 and previously of LIBOR GBP +3%.

### Chairman's Statement



#### OVERVIEW

After the spectacular recovery in stock markets (and your Company in particular) from November 2020, very largely due to the news of vaccine discoveries, it was perhaps to be expected that a period of relative calm would follow. There is an old saying in the investment world that "it is better to travel than to arrive". After the wonderful and lifesaving vaccine news, the practicalities of deployment and the realities of COVID-19's evolution have caused some worries, including very recently with the appearance of the Omicron variant. Its severity is still under investigation making it currently difficult to assess the trajectory of the pandemic. As concerns have ebbed and flowed, so have stock markets too. Overall, the corporate sector has dealt with the re-opening of economies very well, but supply chain bottlenecks and labour shortages in some sectors continue to prove problematic.



Total return represents the capital return plus the dividends paid in the Period, which are assumed to be reinvested at the time that the share price is quoted ex-dividend.

<sup>&</sup>lt;sup>2</sup> Source: MSCI/Morningstar/Momentum Global Investment Management.

### CHAIRMAN'S STATEMENT

All of us are experiencing these in one way or another, and the result is that the cost of living is rising. We have enjoyed such a long period of very low inflation (or even deflation in many areas) that dealing with resurgent inflation is a challenge for many. How high inflation gets and for how long it lasts are crucial questions without definitive answers at this stage.

#### PERFORMANCE

Against this backdrop, MAVT generated a net asset value ('NAV') total return per share for the six-month period (the 'Period') of +2.1%, compared with the Benchmark return of +6.2%. Your Board is primarily interested in performance over longer periods, in particular over a 'typical investment cycle' which we define as one that spans five to ten years. Over the last five years, your Company has generated a Share Price total return of +43.8% and a NAV total return per share of +44.0%, both comparing favourably with +38.2% from the Benchmark.

The market uncertainties referred to above provide a reminder to investors of the benefits of MAVT's highly differentiated Refined Value approach whereby the Manager seeks to apply a Value lens to identify the most compelling investment opportunities across a diversified range of asset classes. In addition to allocations to UK and Overseas Equities, Credit and Defensive Assets, MAVT has significant investments in a range of Specialist Assets which include Property, Infrastructure, Private Equity and Specialist Financials. These holdings provide underlying exposure to 'real' assets and an additional level of diversification to MAVT. They can make a material contribution to long term capital and income returns which in some instances are linked directly to inflation. As well as benefiting from the performance contribution of its holdings in Specialist Assets, MAVT offers a convenient means through which to access such assets as part of a diversified portfolio.

The Manager's Review (pages 6 to 9) provides greater analysis and explanation of MAVT's performance for the Period

#### DIVIDENDS

Your Company paid two interim dividends of 1.68p per share for the Period, unchanged over the equivalent dividends last year. Based on this quarterly rate the shares yielded 3.6% on the share price of 188.5p at the Period end.

Last year your Board took the decision to maintain the dividend despite the extraordinary pressures on many investee companies and their ability to pay a dividend throughout the downturn caused by COVID-19. This reflected your Board's belief in the resilience, quality and diversification of the portfolio. Now is the time to look forward and your Board is very mindful that an aim of your Company is that dividends should rise by at least inflation over time, and five-year rolling periods seem a reasonable time frame over which to measure this. Your Board will therefore review the position when announcing the fourth interim dividend around mid-May 2022 and this will very likely mean an increase in this financial year's dividends. This can be achieved even if revenue cover isn't quite sufficient thanks to one of your Company's great strengths being the balance sheet structure of its reserves. Critically, the structure of your Company's reserves means that there is no need to make changes to the portfolio to generate income and your Company's current dividend policy does not conflict with the portfolio being managed to achieve the best possible total return. Your Manager is free to make portfolio changes that might reduce revenue, without that reduction impinging on your Company's ability to meet the aims of its dividend policy, if this is in the interests of achieving the best possible total return.

#### DISCOUNT CONTROL MECHANISM ('DCM')

During the Period MAVT bought back 2,207,500 shares costing £4.1m and issued no shares. Shares are bought back at a small discount to the NAV of your Company and, when issued, done so at a small premium. This provides a small enhancement to NAV but primarily the DCM operates to provide liquidity to Shareholders and to ensure the lack of any material discount of the share price to the underlying NAV. These features are of real value to Shareholders and your Board remains resolute in its application of the DCM to ensure these benefits are maintained.

#### **GEARING**

MAVT has a £10m revolving credit facility with The Royal Bank of Scotland International Ltd and, at the Period end, £7m was drawn down. During the Period the average net gearing level was 9.4%. A small amount of the drawn facility is held in cash to allow instant access to funds should the need arise. The undrawn element of the facility is in place largely to assist with the operation of the DCM, enabling gearing levels to be maintained when the DCM results in the issuance of new shares, and providing short-term working capital, if necessary, when shares are bought back.

#### ANNUAL GENERAL MEETING ('AGM')

At the AGM held in July, Shareholders approved all resolutions, each by a majority of over 98%, including those resolutions that help with the effective management of the DCM, specifically allowing the Company to issue shares equivalent to 30% of its equity and to buy back up to 14 99%

#### **OUR APPROACH TO RESPONSIBLE INVESTING**

Investor focus on responsible investing and consideration of Environmental, Social and Governance ('ESG') criteria continues to increase. Many academic studies highlight that adopting such an approach as part of the investment process and portfolio construction can both mitigate risk and enhance long-term returns.

Your Board and Manager believe that ESG considerations should assist in minimising the portfolio's exposure to non-financial risks as well as helping to identify compelling new investment opportunities in wellmanaged companies with strong Governance. MAVT's investment approach has long considered ESG criteria and your Manager has now taken steps to define the approach to Responsible Investing which informs their investment decisions. Further information is contained in the Responsible Investing section of your Manager's website (www.momentum.co.uk/responsible-investing).

#### OUTLOOK

The current issues of concern to investors are well known and referred to in my Overview. Will COVID-19's evolution cause economic recovery to stall or reverse, or will the virus be contained and managed by vaccines and improving therapies? Will inflation increase by more, and stay high for longer, than is manageable? History shows that equities generally do not perform particularly well when inflation rises. Not so much because of pressure on earnings but rather because multiples or valuations decline. But history also shows that Growth stocks are much more harshly treated than Value stocks in this kind of environment. Given the particularly elevated valuations currently 'enjoyed' by Growth stocks, the risk of reassessment by investors appears real. MAVT however seems well placed. The inherent value in MAVT's UK equity investments has been evident with takeover approaches for a number of portfolio companies. Also, not only are MAVT's direct and indirect equity investments of a Value style, but many of its Specialist Asset investments are in real assets with inflation-linked or protected revenue streams.

There will inevitably be bumps along the road, but your Board believes the journey MAVT is on with the Refined Value style of your Manager is attractive, and particularly so at the moment.

#### Richard Ramsay

Chairman

8 December 2021

# Manager's Review

#### **OVERVIEW**

MAVT delivered several months of strong performance earlier in 2021 and the portfolio has produced positive, albeit more muted, returns over the Period, with the NAV total return per share increasing by 2.1%. During the Period two key events have curbed market optimism.

Firstly, the Delta variant of COVID-19 emerged earlier this year and this development corresponded almost to the day when the "Value rally" reversed and Growth stocks again became the key driver of global equity markets. This investor behaviour was evident at the start of the pandemic in that Value stocks have a bias to cyclicality and Growth stocks have a strong skew to technology and healthcare which were clear winners during lockdown. If we look at the MSCI World Value and Growth Indices we see that global equity markets have oscillated between the two investment styles as investors weigh whether the effects of the pandemic are worsening or receding. Markets switched back to fear mode after the emergence of the Delta variant, with the result that the MSCI World Growth Index outperformed the MSCI World Value Index by 11%.

Secondly, global supply chain issues held back performance in the portfolio. Due to the complexity and the "just in time nature" of global trade operations, lockdowns caused severe disruption that has persisted well into the recovery phase. However, we manage MAVT with a long-term investment horizon. We are keeping a keen eye on how this disruption affects share prices, and will be quick to take advantage of any share price weaknesses we believe are down to the short sightedness that markets have exhibited throughout the pandemic.

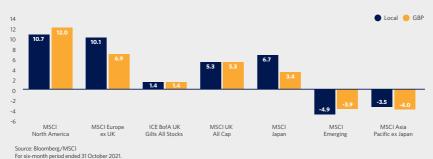
#### PERFORMANCE

The share price total return over the Period was +3.4%, with a NAV total return of +2.1%. This is a pleasing result given the reversal of the COVID-19 recovery trade, from a Value style back to a Growth style, making it a difficult period for our valuation-conscious investment philosophy. The key driver of performance has been our Specialist Assets holdings.

A significant driver of our UK Equities performance came from merger and acquisition activity. In recent months we have seen four approaches from private equity firms for companies in the portfolio. Furthermore, we noted several activist investors beginning to invest in some of the companies that we hold. This helped to generate significant increases in their share prices, demonstrating further validation of the potential returns available in the portfolio.

Over the Period, the largest detractor to performance was Purplebricks Group. However, the company's management team recently implemented significant positive changes, including moving their self-employed staff to full employment contracts and amending their pricing structure. These changes have caused some short-term disruption which also coincided with a period of low demand following the UK Government's withdrawal of stamp duty exemptions but we remain positive on the company's prospects. Three UK Equities were in the top five contributors, namely Kier Group, which had a rights issue which helped improve the quality of its balance sheet, and Senior Engineering and Ultra Electronics, which both received takeover approaches from private equity firms.

#### Major financial market total returns



#### ASSET ALLOCATION

We made significant asset allocation changes to the portfolio in 2020. As a result, during the Period we have been happy with our positioning and have not made major changes to asset class weightings. Most of the shifts in the chart on page 9 therefore are a result of valuation moves rather than changes to the portfolio.

#### **UK EQUITIES**

Your Company's exposure to UK Equities delivered the highest returns across our asset sectors in the previous six months. However, during the Period UK Equities posted a return of -2.4%, lagging the MSCI All Cap UK Index which returned +5.3%.

Our Value and income focus means that the portfolio is tilted more towards cyclical holdings than the companies which were the pandemic beneficiaries in the technology and healthcare sectors. However, it is pleasing to note the higher levels of disparity of returns between individual companies, suggesting that investors are now becoming more aware of valuation and stock specifics than in previous years. We believe this should prove helpful for the future returns of our holdings.

As noted previously, we continue to see merger and acquisition activity at elevated levels, including interest in several of our holdings from private equity firms which share our approach to valuation and have been in acquisitive mode. Over the Period we have witnessed approaches for Arrow Global, Marston's, Senior Engineering and Ultra Electronics. These bids have all proved positive for their share prices.

#### **OVERSEAS EQUITIES**

MAVT's Overseas Equity portfolio returned +3.0% for the Period. For comparison, the MSCI World Index returned +10.0% but, as mentioned earlier, this was during a period when investors expressed a strong preference for high growth companies. Technology stocks drove the global market with the FAANG stocks (Facebook/Meta, Amazon, Apple, Netflix, and Alphabet/Google) returning +15.0% on average. Under these market conditions we would expect our selected Value managers, and our low exposure to US managers and stocks, to result in this element of the portfolio lagging wider markets.

On a positive note, we saw strong performance from our holdings in Asia Pacific (excluding Japan), and our lower exposure to China proved positive over the Period.

We made only one change in this area over the Period, exiting HMG Global Emerging Markets Equity Fund as a result of capacity challenges and initiating a position in iShares Emerging Markets Dividend ETF.

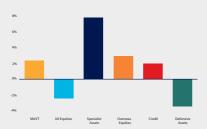
#### SPECIALIST ASSETS

The Specialist Assets component of the portfolio was the dominant driver over the Period with a +7.8% return.

The strongest performing stock was Chrysalis Investments (+27% return), a private equity company that focuses on disruptor businesses.

In addition to private equity, our property holdings also performed strongly. MAVT's property exposure comprises a mix of assets, including AEW UK REIT (+20.3% return), LondonMetric Property (+18.1% return), Ediston Property

#### Contribution analysis by asset class



Source: Momentum Global Investment Management/StatPro Revolution For six-month period ended 31 October 2021.

#### Contribution analysis by individual holdings

	Asset Class	Contribution
Contributors		
1. Kier Group	UK Equities	+0.70%
Senior Engineering	UK Equities	+0.68%
3. Ultra Electronics	UK Equities	+0.67%
4. Chrysalis Investments	Specialist Assets	+0.48%
5. AEW UK REIT	Specialist Assets	+0.34%
Detractors		
Purplebricks Group	UK Equities	-1.10%
Clinigen Group	UK Equities	-0.55%
3. Accrol Group	UK Equities	-0.40%
4. National Express Group	UK Equities	-0.31%
5. Origin Enterprises	UK Equities	-0.30%

### MANAGER'S REVIEW CONTINUED

Investment Company (+14.3% return), The PRS REIT (+7.8% return) and Home REIT (+6.1% return).

The music royalties funds Hipgnosis Songs Fund and Round Hill Music Royalty Fund both returned +4.6%. The lag in the collection of music royalties of up to a year means that the Period reflected the revenue generated during lockdowns in 2020. Revenue from live performances suffered a significant downturn but this was offset by the uplift from rising streaming subscribers. It is pleasing to report that your Company's two holdings in digital infrastructure investments which were initiated earlier in 2021, Cordiant Digital Infrastructure and Digital 9 Infrastructure, have got off to a very strong start and we expect these two holdings to provide strong and stable income flows over the coming years, in addition to the potential for further capital growth.

Syncona, a private equity vehicle, was the only holding that had a material negative impact on the portfolio over the Period. Syncona founds, builds and funds biotech companies, taking ideas from inception through product approval to market. COVID-19 has delayed the progress of some of its clinical trials which has weighed on its share price. We think this will be temporary and next year there should be a number of Syncona's companies reaching important development milestones.

There were no new investments or complete sales from Specialist Assets.

#### CREDIT

At a current weighting of 7.8% MAVT's Credit allocation remains low. The persistence of high bond valuations means we are likely to retain this stance for now. We have not changed the holdings over the Period and we continue to see the best value in managers that invest outside the typical benchmark companies or government bonds.

#### **OUR PHILOSOPHY AND OUTLOOK**

We are firm believers that valuation is the key driver of long-term returns. As such, we look to buy and hold assets that are trading significantly lower than both their peers and their own historical valuation ranges. This mindset ensures that we rarely follow the herd and we often take a contrarian stance for large portions of an economic cycle. It also means that we do not try to predict the future or make informed guesses on the millions of variables that effect financial markets every day. We seek to identify assets we believe have the most potential for higher future returns based on their current valuation. Dispersion in markets, particularly between Value and Growth valuations, remains

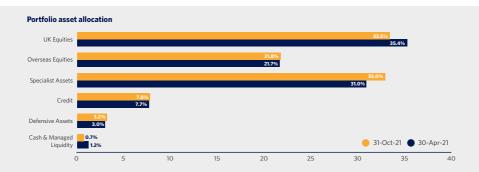
at extreme levels. While the market is putting an increasing premium on popular technology-based investments, for example Tesla and Bitcoin, we seek out the companies that most investors appear to have forgotten. Many of today's winners are "priced for perfection" and will have to spend the next few decades living up to the growth rates that their share prices imply. We think the greater opportunity for future returns lies with some of the more mundane companies that you see in MAVT's portfolio - those where investors can purchase future cash flows at a discount to the rest of the market.

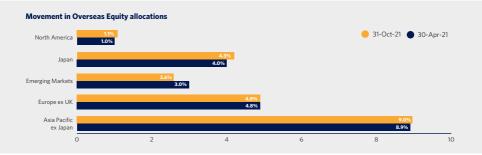
At the time of writing we have seen short term heightened volatility in global markets as investors anxiously await news on the characteristics of the Omicron variant of COVID-19 and the likely next turn in the path of the pandemic. However, we believe market valuations look set to normalise as the pandemic eventually eases.

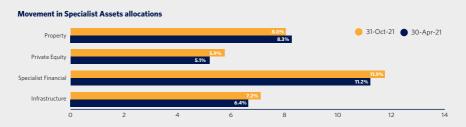
In conclusion, there are many opportunities that have been overlooked by investors. This results in MAVT being able to purchase companies with strong and sustainable cash flows, with the potential for growth at very attractive multiples. This should provide your Company with an attractive income profile and the potential for capital growth over the longer-term.

#### Momentum Global Investment Management

8 December 2021







Source: Momentum Global Investment Management. All figures are expressed as a percentage of investments plus cash.

# **Investment Portfolio**

#### AS AT 31 OCTOBER 2021

me Sector Asset class		Valuation £'000	%	
Morant Wright Fuji Yield Fund <sup>1</sup>	Unit Trusts & OEICs	Overseas Equities	2,936	4.3
CIM Dividend Income Fund <sup>1</sup>	Unit Trusts & OEICs	Overseas Equities	2,345	3.4
Samarang Asian Prosperity Fund <sup>1</sup>	Unit Trusts & OEICs	Overseas Equities	2,261	3.3
Absalon Emerging Markets Corporate Debt Fund <sup>1</sup>	Unit Trusts & OEICs	■ Credit	1,714	2.5
Ediston Property Investment Company	UK REITs	■ Specialist Assets	1,696	2.5
Fair Oaks Income	Investment Companies	■ Specialist Assets	1,678	2.4
JP Morgan European Investment Trust	Investment Companies	Overseas Equities	1,676	2.4
TwentyFour Select Monthly Income Fund	Investment Companies	Credit	1,635	2.3
Ninety-one Global Gold Fund <sup>1</sup>	Unit Trusts & OEICs	■ Defensive Assets	1,596	2.3
Diversified Gas and Oil	Oil & Gas Producers	■ UK Equities	1,579	2.3
Top ten investments			19,116	27.7
Babcock International	Support Services	UK Equities	1,571	2.3
Prusik Asian Equity Income Fund <sup>1</sup>	Unit Trusts & OEICs	Overseas Equities	1,570	2.3
Schroder UK Public Private Trust	Investment Companies	Specialist Assets	1,560	2.3
RM Secured Direct Lending	Investment Companies	Specialist Assets	1,440	2.1
iShares Emerging Market Dividend ETF	Exchange Traded Fund	Overseas Equities	1,420	2.1
UK Mortgages	Investment Companies	Specialist Assets	1,419	2.0
Syncona	Investment Companies	Specialist Assets	1,320	1.9
Kier Group	Construction & Materials	■ UK Equities	1,300	1.9
Legal & General	Life Insurance	■ UK Equities	1,270	1.8
OneSavings Bank	General Financial	UK Equities	1,263	1.8
Top twenty investments			33,249	48.2
Marks & Spencer	General Retailers	■ UK Equities	1,183	1.7
Royal London Sterling Extra Yield Bond Fund <sup>1</sup>	Unit Trusts & OEICs	■ Credit	1,182	1.7
Clinigen Group	Support Services	■ UK Equities	1,171	1.7
Origin Enterprises	Food Producers	■ UK Equities	1,157	1.7
Chrysalis Investments	Investment Companies	■ Specialist Assets	1,155	1.7
Round Hill Music Royalty Fund	Investment Companies	■ Specialist Assets	1,144	1.7
Invesco Perpetual European Equity Income Fund <sup>1</sup>	Unit Trusts & OEICs	Overseas Equities	1,138	1.6
Sequoia Economic Infrastructure Income Fund	Investment Companies	■ Specialist Assets	1,099	1.6
AEW UK REIT	UK REITs	■ Specialist Assets	1,094	1.6
Senior Engineering	Aerospace & Defence	■ UK Equities	1,049	1.5
Top thirty investments			44,621	64.7

<sup>1</sup> Open-ended

Hame	Sector	Asset class	2 000	70
Purplebricks Group	Support Services	■ UK Equities	1,035	1.5
Hipgnosis Songs Fund	Investment Companies	■ Specialist Assets	1,034	1.5
Essentra	Support Services	UK Equities	1,005	1.5
Strix Group	Electronic & Electrical Equipment	■ UK Equities	998	1.4
BT Group	Fixed Line Telecoms	■ UK Equities	986	1.4
National Express	Travel & Leisure	UK Equities	983	1.4
Gore Street Energy Storage Fund	Investment Companies	■ Specialist Assets	981	1.4
Marston's	Travel & Leisure	■ UK Equities	952	1.4
Bovis Homes	Household Goods	■ UK Equities	948	1.4
Royal London Short Duration Global High Yield Bond <sup>1</sup>	Unit Trusts & OEICs	■ Credit	926	1.3
Top forty investments			54,469	78.9
Conduit Holdings	General Financial	UK Equities	876	1.3
Accrol Group	Household Goods	UK Equities	859	1.2
Doric Nimrod Air Two	Investment Companies	■ Specialist Assets	825	1.2
M&G	General Financial	■ UK Equities	799	1.2
The PRS REIT	UK REITs	■ Specialist Assets	789	1.1
International Public Partnerships	Investment Companies	■ Specialist Assets	777	1.1
Lyrical US Value Equity Fund <sup>1</sup>	Unit Trusts & OEICs	Overseas Equities	769	1.1
Morgan Advanced Materials	Electronic & Electrical Equipment	■ UK Equities	760	1.1
Cordiant Digital Infrastructure	Investment Companies	■ Specialist Assets	760	1.1
Home REIT	UK REITs	■ Specialist Assets	733	1.1
Top fifty investments			62,416	90.4
LXI REIT	UK REITs	■ Specialist Assets	711	1.0
Digital 9 Infrastructure	Investment Companies	■ Specialist Assets	671	1.0
Invesco Physical Gold ETC	Exchange Traded Fund	■ Defensive Assets	589	0.9
Halfords Group	General Retailers	UK Equities	587	0.8
LondonMetric Property	UK REITs	■ Specialist Assets	556	0.8
Doric Nimrod Air Three	Investment Companies	■ Specialist Assets	554	0.8
European Assets Trust	Investment Companies	Overseas Equities	523	0.8
Britvic	Beverages	■ UK Equities	456	0.7
Greencoat UK Wind	Investment Companies	■ Specialist Assets	364	0.5
Ultra Electronics	Electronic & Electrical Equipment	■ UK Equities	357	0.5
Top sixty investments			67,784	98.2
Goodhart Partners Horizon Fund HMG Global Emerging Markets Equity Fund <sup>1</sup>	Unit Trusts & OEICs	Overseas Equities	330	0.5
JLEN Environmental Assets Group	Investment Companies	■ Specialist Assets	317	0.5
Blue Capital Global Reinsurance Fund <sup>2</sup>	Investment Companies	■ Specialist Assets	39	0.1
DP Aircraft I	Investment Companies	■ Specialist Assets	20	0.0
Total investments			68,490	99.3
Cash			509	0.7
Total investments plus cash			68,999	100.

Sector

Name

Valuation £'000

%

Asset class

Open-ended <sup>2</sup> In liquidation

# Income Statement

		Six mont			
Note	es	Revenue £'000	Capital £'000	Total <i>£</i> '000	
Gains on investments		-	457	457	
Currency losses		-	(12)	(12)	
Income	2	1,540	-	1,540	
Investment management fee		(81)	(187)	(268)	
Administrative expenses		(267)	-	(267)	
Profit before finance costs and taxation		1,192	258	1,450	
Finance costs		(19)	(36)	(55)	
Profit before taxation		1,173	222	1,395	
Taxation		(12)	-	(12)	
Profit for year/total comprehensive income		1,161	222	1,383	
Return per share (pence)	3	3.42	0.65	4.07	

The total column of this statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

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

	Six months ended 31 October 2020 (unaudited)		Year ended 30 Apr (audited)		
Revenue £'000	Capital £'000	Total <i>£</i> ′000	Revenue £'000	Capital €′000	Total £'000
-	5,625	5,625	-	22,842	22,842
-	(20)	(20)	-	(46)	(46)
1,421	-	1,421	2,974	-	2,974
(73)	(178)	(251)	(153)	(363)	(516)
(281)	-	(281)	(520)	-	(520)
1,067	5,427	6,494	2,301	22,433	24,734
(27)	(55)	(82)	(43)	(92)	(135)
1,040	5,372	6,412	2,258	22,341	24,599
-	-	-	(23)	-	(23)
1,040	5,372	6,412	2,235	22,341	24,576
2.36	12.21	14.57	5.48	54.75	60.23
	Revenue £'000  - 1,421 (73) (281) 1,067 (27) 1,040 - 1,040	Revenue £'000         Capital £'000           -         5,625           -         (20)           1,421         -           (73)         (178)           (281)         -           1,067         5,427           (27)         (55)           1,040         5,372           -         -           1,040         5,372	(unaudited)           Revenue £'000         Capital £'000         Total £'000           -         5,625         5,625           -         (20)         (20)           1,421         -         1,421           (73)         (178)         (251)           (281)         -         (281)           1,067         5,427         6,494           (27)         (55)         (82)           1,040         5,372         6,412           -         -         -           1,040         5,372         6,412	(unaudited)           Revenue £'000         Capital £'000         Total £'000         Revenue £'000           -         5,625         -           -         5,625         -           -         (20)         (20)         -           1,421         -         1,421         2,974           (73)         (178)         (251)         (153)           (281)         -         (281)         (520)           1,067         5,427         6,494         2,301           (27)         (55)         (82)         (43)           1,040         5,372         6,412         2,258           -         -         -         (23)           1,040         5,372         6,412         2,235	Revenue £'000         Capital £'000         Total £'000         Revenue £'000         Capital £'000           -         5,625         5,625         -         22,842           -         5,625         5,625         -         22,842           -         (20)         (20)         -         (46)           1,421         -         1,421         2,974         -           (73)         (178)         (251)         (153)         (363)           (281)         -         (281)         (520)         -           1,067         5,427         6,494         2,301         22,433           (27)         (55)         (82)         (43)         (92)           1,040         5,372         6,412         2,258         22,341           -         -         -         (23)         -           1,040         5,372         6,412         2,235         2,231

# **Balance Sheet**

Notes	As at 31 October 2021 (unaudited) £'000	As at 31 October 2020 (unaudited) £'000	As at 30 April 2021 (audited) £'000
Fixed assets			
Investments at fair value through profit or loss 7	68,490	63,787	72,995
Current assets			
Debtors and prepayments	869	163	726
Cash	509	700	876
	1,378	863	1,602
Creditors: amounts falling due within one year			
Bank loan	(7,000)	(7,000)	(7,000)
Other creditors	(165)	(354)	(976)
	(7,165)	(7,354)	(7,976)
Net current liabilities	(5,787)	(6,491)	(6,374)
Net assets	62,703	57,296	66,621
Capital and reserves			
Called-up share capital	12,400	12,400	12,400
Share premium account	16,029	16,078	16,044
Special reserve	16,508	28,182	20,651
Capital redemption reserve	2,099	2,099	2,099
Capital reserve – unrealised	(6,228)	(21,435)	(5,498)
Capital reserve - realised	19,795	18,428	18,843
Revenue reserve	2,100	1,544	2,082
Equity Shareholders' funds	62,703	57,296	66,621
Net asset value per share (pence)	189.27	143.96	188.53

# Statement of Changes in Equity

Six months ended 31 October 2021 (unaudited)	Notes	Share capital £'000	Share premium account £'000	Specia reserve £'000		reserve - unrealised	Capital reserve - realised £'000	Revenue reserve £'000	Total <i>£</i> ′000
Balance at 30 April 2021		12,400	16,044	20,651	2,099	(5,498)	18,843	2,082	66,621
Total comprehensive income		-	-	-	-	(730)	952	1,161	1,383
Dividends paid	4	-	-	-	-	-	-	(1,143)	(1,143)
DCM costs		-	(15)	-	-	-	-	-	(15)
Shares bought back into treasury	6	-	-	(4,143)	-	-	-	-	(4,143)
Balance at 31 October 2021		12,400	16,029	16,508	2,099	(6,228)	19,795	2,100	62,703
Six months ended 31 October 2020 (unaudited)	Notes	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve - unrealised £'000	Capital reserve - realised £'000	Revenue reserve	Total £'000
Balance at 30 April 2020		12,400	16,104	39,287	2,099	(27,008)	18,629	2,005	63,516
Total comprehensive income		-	-	-	-	5,573	(201)	1,040	6,412
Dividends paid	4	-	-	-	-	-	-	(1,501)	(1,501)
DCM costs		-	(26)	-	-	-	-	-	(26)
Shares bought back into treasury	6	-	-	(11,105)	-	-	-	-	(11,105)
Balance at 31 October 2020		12,400	16,078	28,182	2,099	(21,435)	18,428	1,544	57,296
Year ended 30 April 2021 (audited)	Notes	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve - unrealised £'000	Capital reserve - realised £'000	Revenue reserve	Total £'000
Balance at 30 April 2020		12,400	16,104	39,287	2,099	(27,008)	18,629	2,005	63,516
Total comprehensive income		-	-	-	-	21,510	831	2,235	24,576
Dividends paid	4	-	-	-	-	-	(617)	(2,158)	(2,775)
DCM costs		-	(60)	-	-	-	-	-	(60)
Shares bought back into treasury	6	-	-	(18,636)	-	_	-	-	(18,636)
Balance at 30 April 2021		12,400	16,044	20,651	2,099	(5,498)	18,843	2,082	66,621

# Cash Flow Statement

	Six months ended 31 October 2021 (unaudited) £'000	Six months ended 31 October 2020 (unaudited) £'000	Year ended 30 April 2021 (audited) £'000
Net return before finance costs and taxation	1,450	6,494	24,734
Adjustments for:			
Gains on investments	(457)	(5,625)	(22,842)
Exchange movements	12	20	46
Loan interest paid	(49)	(82)	(149)
Tax paid	(12)	-	(23)
Decrease in dividends receivable	188	335	66
(Increase)/decrease in other debtors	(23)	(31)	23
Decrease in other creditors	(64)	(55)	(12)
Net cash inflow from operating activities	1,045	1,056	1,843
Investing activities			
Purchases of investments	(5,148)	(8,339)	(17,464)
Sales of investments	9,238	20,316	37,515
Net cash inflow from investing activities	4,090	11,977	20,051
Financing activities			
Cost of share buy-backs	(4,347)	(11,336)	(18,721)
Equity dividends paid	(1,143)	(1,501)	(2,775)
Net cash outflow from financing activities	(5,490)	(12,837)	(21,496)
(Decrease)/increase in cash	(355)	196	398
Exchange movements	(12)	(20)	(46)
Opening balance	876	524	524
Closing balance	509	700	876

### Notes to the Financial Statements

#### 1 ACCOUNTING POLICIES

#### **Basis of accounting**

The half-yearly financial statements have been prepared in accordance with FRS 104 'Interim Financial Reporting', UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in April 2021). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The half-yearly financial statements have been prepared on a going concern basis and have been prepared using the same accounting policies as the preceding annual financial statements

#### 2 INCOME

	Six months ended 31 October 2021 £'000	Six months ended 31 October 2020 £'000	Year ended 30 April 2021 £'000
Income from investments			
UK franked income	587	702	1,355
UK unfranked dividend income	202	297	413
Overseas dividends	751	422	1,206
Total income	1,540	1,421	2,974

#### 3 RETURN PER ORDINARY SHARE

The revenue return of 3.42p (31 October 2020 - 2.36p; 30 April 2021 - 5.48p) per Ordinary share is calculated on net revenue on ordinary activities after taxation for the Period of £1,161,000 (31 October 2020 - £1,040,000; 30 April 2021 -£2,235,000) and on 33,926,022 (31 October 2020 - 43,998,927; 30 April 2021 - 40,804,188) Ordinary shares, being the weighted average number of Ordinary shares in issue during the Period.

The capital return of 0.65p (31 October 2020 - 12.21p; 30 April 2021 - 54.75p) per Ordinary share is calculated on a net capital return for the Period of £222,000 (31 October 2020 - £5,372,000; 30 April 2021 - £22,341,000) and on 33,926,022 (31 October 2020 - 43,998,927; 30 April 2021 - 40,804,188) Ordinary shares, being the weighted average number of Ordinary shares in issue during the Period.

The total return of 4.07p (31 October 2020 - 14.57p; 30 April 2021 - 60.23p) per Ordinary share is calculated on the total return for the Period of £1,383,000 (31 October 2020 - £6,412,000; 30 April 2021 - £24,576,000) and on 33,926,022 (31October 2020 - 43,998,927; 30 April 2021 - 40,804,188) Ordinary shares, being the weighted average number of Ordinary shares in issue during the Period.

#### **4 DIVIDENDS**

Ordinary dividends on equity shares deducted from reserves are analysed below:

	Six months ended 31 October 2021 £'000	Six months ended 31 October 2020 £'000	Year ended 30 April 2021 £'000
Fourth interim dividend for 2020: 1.68p	-	786	786
First interim dividend for 2021: 1.68p	-	715	715
Second interim dividend for 2021: 1.68p	-	-	657
Third interim dividend for 2021: 1.68p	-	-	617
Fourth interim dividend for 2021: 1.68p	578	-	-
First interim dividend for 2022: 1.68p	565	-	-
	1,143	1,501	2,775

The Company has declared a second interim dividend in respect of the year ending 30 April 2022 of 1.68p (2021-1.68p) per Ordinary share which will be paid on 17 December 2021 to Ordinary Shareholders on the register on 26 November 2021.

The third interim dividend for 2021 was paid out of the Company's realised capital reserve.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

#### **5 NET ASSET VALUE PER SHARE**

	As at 31 October 2021	As at 31 October 2020	As at 30 April 2021
Net assets	£62,703,000	£57,296,000	£66,621,000
Number of Ordinary shares in issue	33,128,848	39,800,348	35,336,348
Net asset value per Ordinary share	189.27p	143.96p	188.53p

#### **6 CALLED-UP SHARE CAPITAL**

During the Period, the Company repurchased 2,207,500 Ordinary shares at a cost of £4,143,000 which were placed in Treasury (31 October 2020 – 7,918,740 Ordinary shares at a cost of £11,105,000 which were placed in Treasury; 30 April 2021 – 12,382,740 Ordinary shares at a cost of £18,636,000 which were placed in Treasury).

During the Period there were no Ordinary shares re-issued from Treasury (31 October 2020 - nil; 30 April 2021 - nil).

At 31 October 2021 there were 16,472,240 Ordinary shares held in Treasury (31 October 2020 - 9,800,740 Ordinary shares held in Treasury; 30 April 2021 - 14,264,740 Ordinary shares held in Treasury).

During the Period there were no new Ordinary shares issued by the Company (31 October 2020 - nil: 30 April 2021 - nil).

At 31 October 2021, excluding Treasury shares, there were 33,128,848 Ordinary shares in issue (31 October 2020 – 39,800,348; 30 April 2021–35,336,348).

The costs of the operation of the DCM of £15,000 have been charged against the premium on shares issued.

Treasury shares are Ordinary shares that have been repurchased by the Company but not yet cancelled. These shares are held in a Treasury account and remain part of the Company's share capital but do not carry any rights to receive dividends or vote at General Meetings.

#### **7 FAIR VALUE HIERARCHY**

Financial Reporting Standard 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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; and
- Level 3: inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The financial assets measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at 31 October 2021 as follows:

Financial assets at fair value through profit or loss	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equities (a)	51,684	-	-	51,684
Unit trusts and OEICs (a)	16,767	-	-	16,767
Delisted equities (b)	-	-	39	39
Net fair value	68,451	-	39	68,490

#### (a) Quoted Investments

Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges and the fair value of these investments have been determined by reference to their quoted bid prices at the reporting date. The fair value for OEICs included in Level 1 has been determined based on prices published by the relevant fund manager. Those OEICs included within Level 1 are quoted in an active market.

#### (b) Delisted Investments

Blue Capital Global Reinsurance Fund is in liquidation. The fair value is based on the current value of the fund, as provided by the relevant fund manager, with the appropriate liquidation discount.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

#### **8 HALF-YEARLY FINANCIAL REPORT**

The results for the six months ended 31 October 2021 and six months ended 31 October 2020, which have not been reviewed by the Company's auditors pursuant to the Auditing Practices Board guidance on "Review of Interim Financial Information", constitute non-statutory accounts as defined in sections 434 - 436 of the Companies Act 2006. The financial information for the year ended 30 April 2021 has been extracted from the latest published audited financial statements which have been filled with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 498 (2),(3) or (4) of the Companies Act 2006.

This Half-Yearly Report was approved by the Board on 8 December 2021.

#### 9 PRINCIPAL RISKS AND UNCERTAINTIES

Risks are inherent in the investment process, but it is important that their nature and magnitude are understood so that risks, particularly those which the Company does not wish to take, can be identified and either avoided or controlled. The Board has carried out a robust assessment of the principal and emerging risks facing the Company, including those that threaten its business model, future performance, solvency or liquidity. The Board has established a detailed framework of the key risks that the business is exposed to, with associated policies and processes devised to mitigate or manage those risks.

The COVID-19 pandemic continues to increase the risks faced by the Company in both the investment and operational side of the business. Specific mitigation actions in relation to the impact of COVID-19 are addressed in each relevant risk category below.

#### Investment and strategy risk

An inappropriate strategy, including asset class, country and sector allocation, stock selection and use of gearing, could lead to underperformance against the Company's Benchmark and peer group, and have an adverse effect on Shareholders' returns

Mitigation: The Company's strategy is formally reviewed by the Board at least annually, considering investment performance, Shareholder views, developments in the marketplace and the structure of the Company. The strategy has been kept under regular review in the light of the COVID-19 pandemic. The Board requires the Manager to provide an explanation of significant stock selection decisions and the rationale for the composition of the investment portfolio at each Board meeting, when gearing levels are also reviewed. The Board monitors the spread of investments to ensure that it is adequate to minimise the risk associated with particular asset classes, countries or factors specific to particular sectors. The Board monitors the investment performance at each Board meeting.

#### Portfolio and market risk

External factors such as market, economic, political and legislative change, as well as Environmental, Social and Governance matters, could cause increased market volatility. This could lead to a fall in the market value of the Company's portfolio which would have an adverse effect on Shareholders' funds.

Mitigation: The Board monitors the implementation and results of the investment process, including gearing strategy, with the Manager on an ongoing basis and at each Board meeting through reviews of the portfolio composition, investment activity and performance.

#### Financial risk

Exposure to inappropriate levels of market price risk, foreign currency risk, interest rate risk and liquidity and credit risk could result in volatility of Shareholders' funds.

**Mitigation:** The Company has a diversified portfolio of mainly readily realisable securities, mitigating the Company's exposure to liquidity risk. The risk of a counterparty failing is minimised through regular review and due diligence.

#### Earnings and dividend risk

Fluctuations in earnings resulting from changes in the underlying portfolio, or factors impacting the dividend paying ability of investee companies, could result in the Company being unable to meet its income objective.

Mitigation: The Board reviews detailed income forecasts prepared by the Manager and the Company Secretary at each Board meeting and when the quarterly dividends are declared. The Board and the Manager have kept the dividend paying ability of the investee companies under regular review during the COVID-19 pandemic. The Company's ability to pay dividends out of distributable capital reserves provides flexibility in times of market stress.

### NOTES TO THE FINANCIAL STATEMENTS CONTINUED

#### Operational and cyber risk

Disruption to, or failure of, systems and controls, including cyber-attacks at the Manager and the Company's third-party service providers, in particular the Administrator and Custodian, could result in financial and reputational damage to the Company.

Mitigation: The operational systems and controls of the Manager and third-party service providers are regularly tested and monitored and are reported on at each Board meeting. An internal control report, which includes an assessment of risks, together with the procedures to mitigate such risks, is prepared by the Company Secretary and reviewed by the Audit Committee at least once a year. The Custodian, J.P. Morgan Chase Bank N.A., produces an internal control report every six months which is reviewed by its auditor and gives assurance regarding the effective operation of controls. A summary of this report is reviewed by the Audit Committee. The operational requirements of the Company, including from the Manager and its service providers, have been subject to rigorous testing as to their application during the COVID-19 pandemic, where increased use of out of office working and online communication has been required. To date the operational arrangements have proven robust.

#### Regulatory risk

Breach of regulatory rules could lead to suspension of the Company's stock exchange listing or financial penalties. Breach of sections 1158 to 1159 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on chargeable gains.

Mitigation: The Company Secretary monitors the Company's compliance with the rules of the FCA and sections 1158 to 1159 of the Corporation Tax Act 2010. Compliance with the principal rules is reviewed by the Directors at each Board meeting.

#### Key man risk

Loss of key personnel and lack of succession planning at the Manager or Company Secretary could lead to disruption for the Company.

Mitigation: In order to reduce key man risk, the Manager operates a team approach to fund management, with each member of the four strong highly experienced investment team contributing to the performance of the Company through their research specialisations. Juniper Partners has experienced company secretarial and administration teams in place, with appropriate levels of cover. The Board receives regular updates from the Manager and Juniper Partners on business and succession plans.

#### Directors' Statement of Responsibilities in Respect of the Half-Yearly Financial Report

In accordance with Chapter 4 of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) on a going concern basis, and gives a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the half-yearly report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the financial statements:
- the Directors' Statement of Principal Risks and Uncertainties shown on pages 19 and 20 is a fair review of the principal risks and uncertainties for the remainder of the financial year;
- the half-yearly report includes a fair review of the related party transactions that have taken place in the first six months
  of the financial year; and
- in light of the controls and monitoring processes that are in place, the Company has adequate resources and
  arrangements to continue operating within its stated objective and policy for the foreseeable future. Accordingly, the
  accounts continue to be drawn up on the basis that the Company is a going concern.

#### Richard Ramsay

Chairman

8 December 2021

# Corporate Information

#### Directors

Richard A M Ramsay, Chairman James R McCulloch Susan P Inglis Anne S Gilding

#### **Registered Office**

Level 13 Broadgate Tower 20 Primrose Street London EC2A 2EW

Company Registration Number: 03173591

#### **Investment Manager or Manager**

#### **Momentum Global Investment Management Limited**

#### London Office:

The Rex Building 62 Queen Street London EC4R 1EB

#### **Liverpool Office:**

Tenth Floor Horton House Exchange Flags Liverpool L2 3YL

#### Alternative Investment Fund Manager, Company Secretary and Administrator Juniper Partners Limited

(previously named PATAC Limited)
28 Walker Street

#### Auditor

**BDO LLP** 

55 Baker Street London W1U 7EU

Edinburgh EH3 7HR

#### Registrar

Equiniti

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West Sussex BN99 6DA

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Website www.momentum.co.uk

#### Bankers

#### The Royal Bank of Scotland International Limited

1 Princes Street London EC2R 8BP

#### **Custodian Bankers**

#### J.P. Morgan Chase Bank N.A.

25 Bank Street Canary Wharf London E14 5JP

#### Depositary

#### J.P. Morgan Europe Limited

25 Bank Street Canary Wharf London E14 5JP

#### Solicitors

#### Dickson Minto WS

16 Charlotte Square Edinburgh EH2 4DF

#### Data Protection

The Company is committed to ensuring the privacy of any personal data provided to it. Details of the privacy policy can be found on the website www.momentum.co.uk

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