

# Schroders

## Schroder Income Growth Fund plc

Half Year Report and Accounts  
for the six months ended  
28 February 2023

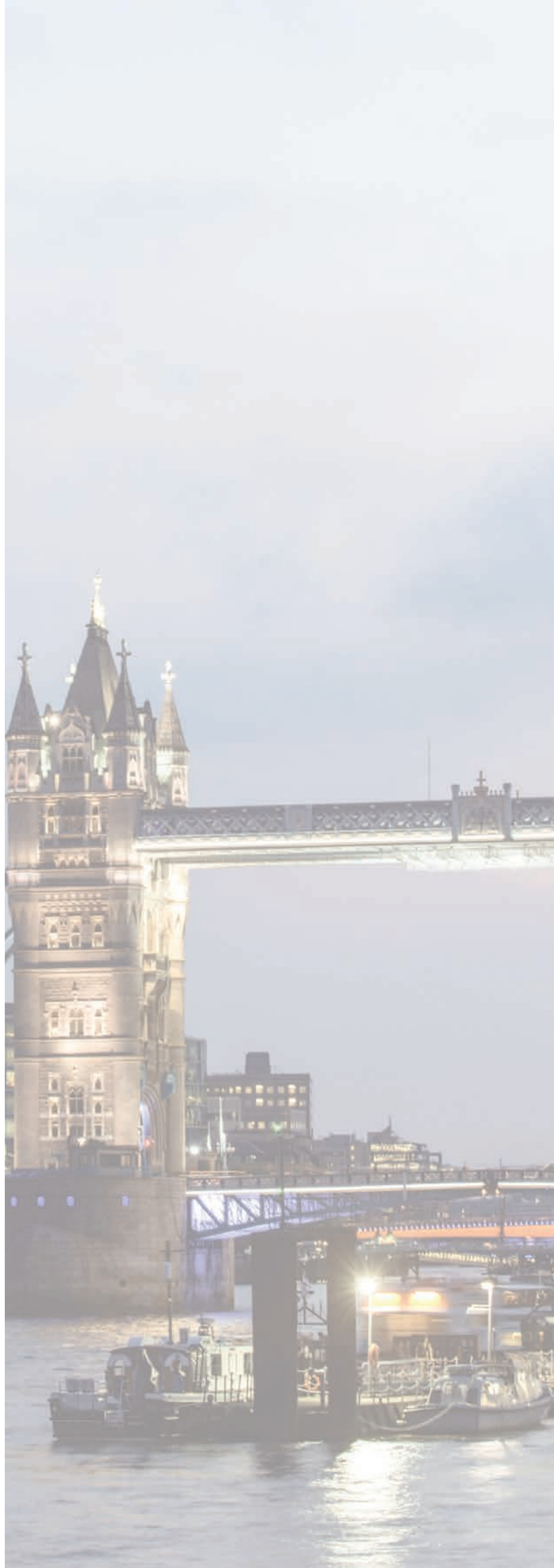


## Investment objectives

The Company's principal investment objectives are to provide real growth of income, being growth of income in excess of the rate of inflation, and capital growth as a consequence of the rising income.

## Investment policy

The investment policy of the Company is to invest primarily in UK equities but up to 20% of the portfolio may be invested in equities listed on recognised stock exchanges outside the UK. If considered appropriate, the Company may use equity related instruments such as convertible securities and up to 10% of the portfolio may be invested in bonds. In addition, up to 20% of total income may be generated by short-dated call options written on holdings in the portfolio. Put options comprising short-term exchange-traded instruments on major stock market indices of an amount up to the value of the Company's borrowings may also be utilised.





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# Financial Highlights

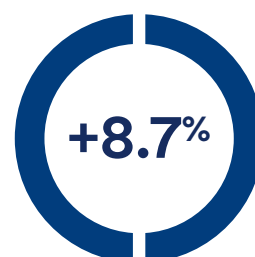
## Total returns for the six months ended 28 February 2023<sup>1</sup>



Net asset value  
("NAV") per share<sup>2</sup>



Share price<sup>2</sup>



FTSE All-Share Index<sup>3</sup>

<sup>1</sup>Total returns measure the combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares of the Company at the time the shares were quoted ex-dividend (to calculate the share price total return) or in the assets of the Company at its NAV per share (to calculate the NAV per share total return).

<sup>2</sup>Source: Morningstar.

<sup>3</sup>Source: Thomson Reuters.

## Other financial information

	28 February 2023	31 August 2022	% Change
Shareholders' funds (£'000)	220,396	205,100	+7.5
NAV per share (pence)	317.28	295.26	+7.5
NAV per share total return			+10.7
Share price (pence)	312.50	289.00	+8.1
Share price total return			+11.4
Share price discount to NAV per share (%)	1.5	2.1	
Gearing (%) <sup>1</sup>	12.3	13.5	
Yield (%) <sup>2</sup>	4.2	4.6	

<sup>1</sup>Borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

<sup>2</sup>Calculated as the sum of the last 4 quarterly dividends declared, expressed as a percentage of the current share price.

## Dividends

Dividends declared in respect of the six months ended 28 February 2023 amount to 5.0p (six months ended 28 February 2022: 5.0p and year ended 31 August 2022: 13.2p) per share.



# Interim Management Report – Chairman’s Statement



## Directorate

This is my first report to you as Chairman, having taken over from Bridget Guerin in December 2022. I would like to take this opportunity of unreservedly thanking her for her service as a Director since 2012 and Chair from 2019 to 2022. Her wisdom and stamina have been great assets for your Company.

We were fortunate enough to recruit June Aitken to join the Board as a new Director from 1 January 2023. June has over 30 years of investment experience she brings to bear along with a highly successful career as a board member of a wide range of investment companies. Your Board has a diversity of experience and backgrounds, which it applies to representing your interests.

## Performance

I am pleased to report for the six-month period to 28 February 2023, the Company’s net asset value total return (“NAV”) was 10.7%, compared to 8.7% for the FTSE All-Share Index. Share price performance was slightly higher than NAV, returning 11.4% as a result of the discount narrowing from 2.1% to 1.5% over the period.

Details of the reasons for this strong performance are contained in the Portfolio Manager’s review.

Post 28 February 2023 to 25 April 2023 the NAV and share price have delivered total returns of -0.4% and -0.8% respectively, versus the return on the FTSE All-Share Index of +0.4%.

## Revenue and dividends

During the period, the Company declared two interim dividends for the year ending 31 August 2023, amounting to 5.00 pence per share (2022: 5.00 pence per share), drawing £1,450,000 from revenue reserves. This leaves £6,513,000 of revenue reserve to be carried forward, or 9.4 pence per share.

The income received by the Company during the first half of the year has fallen by 14% compared to the same period last year. This is as a result of deliberate stock picking decisions made by your Manager, which have led to the receipt of income being more heavily weighted to the second half of the financial year. Therefore, investors should not be unduly concerned with the decrease during the period given the greater prospects for income for the remainder of the financial year.

Your Company has revenue reserves of 9.4 pence per share after paying the second interim dividend,

(equivalent to 71% of the dividends paid last year). Such reserves are available to support the dividend considerations over time. This level of revenue reserves is extremely competitive when compared to comparable investment trusts in the peer group. The Board has considered its proportion of expenses allocated to income and capital and concluded that the expenses allocated to capital be increased given a greater proportion of the Company’s long-term investment returns are expected to derive from capital. Further details are provided in note 2(b) to the accounts.

We are pleased that we were able to deliver an increased dividend for the 27th consecutive year for the year ended 31 August 2022, ensuring our continuing AIC ‘Dividend Hero’ status. We remain committed to delivering portfolio income supported when necessary by the use of revenue reserves to provide growing income for our shareholders.

## Gearing

The Company has in place a £32.5 million revolving credit facility with SMBC Bank International plc (“SMBC”), expiring on 23 September 2023. Average gearing during the period was 12.3%. This made a positive contribution to your Company’s income. As at 25 April 2023, gearing was 10.9%.

## Outlook

Whilst it is pleasing that your Company delivered competitive investment returns for the period, in excess of the broader UK equity market, shareholders are naturally more interested in longer-term returns. Out-performance of an index will fluctuate during specific time periods, however, since the current portfolio management team took the helm on 1 July 2011, cumulative outperformance of the FTSE All Share Index has been 1.2% per annum. This impressive and competitive track record, spanning 11.8 years and accompanied by continuing growth in dividend per share, is clearly no flash in the pan. In general terms, short-term investment returns tell you nothing about persistence and may owe a lot to fashion and luck. Longer-term returns cannot rely on those passing and often fickle factors. As your Board, we are not complacent about future returns and engage in a continuing dialogue with your Manager to help protect your interests.

Returning to the reporting period, the positive performance of UK equities masked a volatile economic backdrop for UK corporates and households. Inflation remained elevated, peaking at 11.1% in October and ending the period slightly lower at 10.4% driven by stubbornly high energy and fuel prices, increased food costs and rising wages. The Bank of England continued to respond to this challenge with rate increases, with the official bank rate sitting at 4.25% following the latest hike in March 2023. This is the highest nominal level since the Global Financial Crisis. The era in which companies and individuals could borrow cheaply to invest or spend is

# Interim Management Report – Chairman’s Statement

now a distant memory. New realities pose very different challenges for investors. The LDI crisis of last September and more recent problems of poorly managed financial institutions in Europe and the United States are stark reminders of this fact. The longer-term challenges of record debt levels and an investment world addicted to unstinting monetary and fiscal support for asset values and depositor guarantees should not be forgotten. In this context it is worth noting that governments and Central Banks are acutely sensitive to financial stability risks, moving rapidly to support banks and depositors through regulatory and fiscal actions.

Despite the challenges, there seems to be a growing consensus that we may be approaching the peak of the UK rate cycle, with inflation expected to drop, albeit slowly. Global energy prices have declined as many countries have adapted their energy strategies to wean themselves off Russian imports.

It is with this backdrop that your Company seeks to continue to deliver its investment objective of growing dividends in real terms and delivering capital growth. While delivering real dividend growth year on year will be challenging in the near term, both your Manager and your Board are keenly focused on positioning the portfolio to optimise income. Your Manager has made significant changes to the portfolio in response to the changing environment and the ongoing oversight and experience of Sue Noffke, and her team, should give investors a degree of comfort.

Your Company has now paid an increased nominal dividend for the last 27 years, throughout multiple cycles. It has been able to do this through portfolio manager skill and by carefully managing its reserves. This prudent management has enabled it to deliver these annual increases in income regardless of the economic backdrop. While there may still be a degree of uncertainty in the economic outlook, your Company’s reserves remain healthy. Your Board will not hesitate to use these reserves if necessary to continue to deliver on your Company’s investment mandate of raising dividends, even if such increases are nominal rather than real for now, given elevated and volatile inflation.

**Ewen Cameron Watt**  
Chairman

27 April 2023

# Interim Management Report – Manager’s Review

The net asset value total return in the 6 months to 28 February 2023 was 10.7%. This compares to 8.7% from the FTSE All Share Total Return Index. The share price return was 11.4%.

Total income for the Company fell by 14.1% compared to the same period last year, when income rose by 49.5%. The most significant contribution to the Company's income fall was due to the Company's reduced exposure to the mining sector, the mix of holdings within this sector and changes to dividend payment dates. As a result, the Company's full year income has become more weighted than usual to the second half of the year. While disruption to companies' dividend payments from Covid has normalised, comparisons remain distorted by the year-on-year comparisons, particularly those in the leisure and property sectors.

In the prior period, mining holding BHP Billiton, paid both its final and interim dividends in the first half year period. Commodity prices, profits and cash flow were at peak levels and the company paid particularly high ordinary and special dividends – these accounted for one quarter of the Company's first half year income in 2022. Due to a combination of changes in the mining holdings in the portfolio and changes to the payment dates of BHP Billiton's interim dividend, the Company received no income from miners in its first half year period to February 2023. This more than accounts for all the decline in the Company's investment income in 2023. However, there were other factors weighing on income in the period. GlaxoSmithKline split into two businesses with GSK, the biopharma company, rebasing its dividend one third lower to free up funds for investment in research and development. A reduced holding in GSK, compared to the prior period, saw income half that of the prior period. Gambling company 888 did not pay a dividend in the period as the company prioritised balance sheet leverage resulting from the purchase of William Hill's UK assets. Additionally, movements in dividend dates impacted two of the other holdings which last year paid income in the first half year period – medical devices company Convatec where income falls this year in early March rather than late February, and student accommodation provider Empiric which has switched to quarterly payments but where the second interim has fallen into the Company's second half year period compared to a final dividend in the prior period.

On the positive side, there were a diverse set of holdings paying significantly increased dividends. Employment company SThree, digital payment company Paypoint, Asian banking group Standard Chartered and student property provider Unite all increased their underlying dividends by more than 50% as they caught up from Covid impacts. Meanwhile, luxury goods company Burberry, private assets companies Intermediate Capital and 3i, food retailer Tesco and integrated oil company Shell increased their dividends by 20% or more.

Renewable energy company SSE, infrastructure investor and construction business Balfour Beatty and financial services infrastructure provider TP ICAP all increased their dividends in double digits. Elsewhere, more stable companies, consumer goods company Unilever, distributor Bunzl, utility company National Grid, GP patient practice group business Assura, defence services business QinetiQ and retailer Pets at Home continued to increase their shareholder payments by mid-single digits. There was a welcome return to paying dividends by international leisure operator – Hollywood Bowl, which paid both an ordinary and a special dividend and budget hotel operator Whitbread – as these businesses emerged from the Covid lockdowns in stronger competitive positions.

Investment decisions over the past year have again led to a greater portion of total income being earned in the Company's second half of the year. Proceeds of the reduction in the mining exposure were mainly reinvested in banks where all constituents, except Standard Chartered, pay all their income in the Company's second half year period. Additionally changes of preference within the mining sector led to holding positions which are paying all their income in the Company's second half of the year. Gearing levels, the Manager's flexibility to borrow money to purchase investments, has been broadly consistent compared to the same period last year.

## Market background

Several economic and political events have influenced markets in the period. In September 2022 UK gilts suffered an especially sharp decline, along with sterling which led to stresses in the pensions and fixed income market (LDI) driven by the Truss/Kwarteng 'mini budget', which resulted in Bank of England intervention, criticism from outside authorities including the US government and the IMF, and another change in the UK's Prime Minister and Chancellor. Towards the end of 2022, UK equities rose, helped in part by greater calm in the UK bond and stock market. Many of the policies announced at the mini budget were subsequently reversed. Further afield, Beijing loosened its pandemic restrictions, with a boost to economic activity both in China and the rest of the world, with associated risks to maintaining inflationary pressures at higher levels. Central Banks around the world continued to raise interest rates in attempts to combat persistent inflation, although the pace of hikes has moderated more recently. Data indicates that the policy measures are acting to cool inflation and expectations rose that the hiking cycle is coming to an end.

UK equities rose over the period. The consumer discretionary sector outperformed. Many domestically focused areas of the UK equity market bounced back as it

# Interim Management Report – Manager’s Review

transpired the UK economy had proved more resilient than forecast.

## Portfolio performance

The NAV total return outperformed the FTSE All-Share Index, with stock selection the main driver of positive relative returns. The Company generated a total return of 10.7% over the 6-month period against 8.7% for the FTSE All-Share Index.

## Five top/bottom relative performers

	Portfolio weight (%) <sup>1</sup>	Weight relative to index (%) <sup>1</sup>	Relative performance (%) <sup>2</sup>	Impact (%) <sup>3</sup>
Burberry	2.7	2.3	33.5	+0.7
Hollywood Bowl	2.1	2.0	38.8	+0.6
Diageo	0.0	-3.6	-15.0	+0.6
British American Tobacco	0.0	-3.2	-14.6	+0.5
Reckitt Benckiser	0.0	-3.2	-22.1	+0.4

	Portfolio weight (%) <sup>1</sup>	Weight relative to index (%) <sup>1</sup>	Relative performance (%) <sup>2</sup>	Impact (%) <sup>3</sup>
Assura	2.0	1.9	-28.0	-0.6
BP	0.2	-3.6	18.5	-0.6
Empiric Student Properties	2.5	2.5	-18.4	-0.5
BT	2.5	2.1	-14.4	-0.4
888	0.6	0.5	-51.5	-0.4

Source: Schroders, FactSet, for Schroder Income Growth investment portfolio, 6 months to end February 2023.

<sup>1</sup>Average weights over the period.

<sup>2</sup>Total return of the stock relative to the FTSE All-Share TR over the period.

<sup>3</sup>Contribution to performance relative to the FTSE All-Share TR. The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Burberry was the single largest contributor to performance over the period. It benefitted from being a significant US dollar earner as the dollar continued to strengthen, and from China moving away from zero Covid. China’s opening brightens the prospect for Burberry sales in the country and from Chinese tourists travelling to other countries and spending on such luxury items. Additionally, the company appointed a new chief creative officer who was well received by the market.

Hollywood Bowl was the second biggest contributor after reporting a strong recovery in sales and profits after Covid closures. The company provides customers with an attractive and affordable leisure treat in tough times, has

a strong balance sheet to finance avenues for growth in the UK and Canada, an excellent track record of operational delivery and a history of rewarding shareholders with both ordinary and special dividends.

Owning less than the index in the consumer staples sector was beneficial for relative performance. With risk appetite returning to equity markets, cyclical businesses performed more strongly than many consumer staples companies. The underweight positions in alcoholic beverage company Diageo, tobacco and nicotine business British American Tobacco and consumer goods company Reckitt Benckiser all contributed to relative performance.

Property companies suffered the ructions of bond markets in the autumn of 2022 as yields rose sharply in response to the UK’s unfunded government spending plans, which were subsequently curtailed. Specialist property companies Assura, which owns GP patient practices in the UK, and Empiric Student Property, which owns purpose-built student accommodation, suffered as bond yields rose and discounts to asset values widened as the market fretted about the likely higher costs of refinancing debt. Both Assura and Empiric have modest levels of gearing, reasonable debt maturity profiles and sufficient existing facilities. Assura has a strong balance sheet with no near-term refinancing requirements, a secure covenant, with the UK Government. Robust earnings growth underpins an attractive dividend pay-out and yield. The shares are trading close to NAV which is unusual since they have typically traded at a premium to book value. Empiric is seeing demand for its rooms accelerate after the pandemic together with attractive rental growth. Although the group has a pipeline of site acquisitions it has acknowledged that the market environment for disposals of its non-core properties has deteriorated. The shares trade on a discount to NAV in comparison to other student accommodation providers which trade at book value.

The Company’s exposure to energy and power has been mainly through a large holding in Shell as well as holdings in energy utilities SSE (a leading generator of renewable electricity) and Drax (sustainable biomass and developer of carbon removals technologies). The strength of commodity and power prices has boosted cash generation at all these companies and enabled BP, among others, to reward shareholders with dividend growth and share buy backs. This has led BP’s shares to outperform the market. Not owning oil major BP during much of the period detracted from returns.

BT Group was one of the largest detractors as the market focused on some shorter-term issues – competitors taking more lines than expected, partly impacted by strike action. However, BT’s fibre rollout is going well and the long-term returns from superfast broadband look attractive for them particularly as smaller, less well-financed competitors struggle to survive. The Manager believes the management team’s strategy will add value



# Interim Management Report – Manager’s Review

long-term and that the company’s valuation remains compelling.

The Manager’s decision to invest in betting and gaming group company 888 has proved costly. The shares fell as the cost of the debt associated with the group’s acquisition of William Hill’s UK assets climbed. In January they declined further as the company revealed that Know Your Client processes for VIP customers in the Middle East region had not been followed. The CEO left the company immediately following this announcement. The Manager is extremely disappointed in this outcome and has engaged with the company to understand both the scale of the compliance issues and the measures in place to prevent them repeating. The Manager continues to hold the shares as it believes the William Hill deal has strategic merit in diversifying the business while delivering significant cost savings. Dividends have been stopped while debt is brought down.

## Portfolio activity

Turnover in the Company’s portfolio has continued to be influenced by the Manager’s view of heightened risks associated with enduring inflation and the associated swift policy moves which it expects to weigh on economic activity globally, balanced by individual and market valuations which have reflected much of this negative near-term news. This has led the Manager to continue to review the Company’s portfolio for opportunities to add new investments for attractive medium term total returns, augment existing holdings at compelling levels, or exit some positions where share prices are relatively fully valued or where they do not fully discount the downside risks of weaker economic activity and a sustained period of higher inflation and interest rates.

The Manager continued to add to the Company’s position in the banking sector, believing the low valuations of the sector combined with robust capital positions is attractive in an environment of higher interest rates which more than outweighs the headwinds of slowing economic growth. The Manager added substantially to large, diversified banking business, HSBC, trimmed the position in Standard Chartered, which had been particularly strong, and topped up the position in domestic lender Lloyds.

Over the period, the Manager added to, and changed its preferences within the mining sector. The Manager is attracted to Glencore’s asset mix of forward-facing minerals which are well positioned to benefit as the world moves to decarbonise energy and industry. The Manager has undertaken extensive research on the company particularly around ethics, governance, climate and social risks as well as its commitment to responsible stewardship of its declining coal business. Additionally, several engagements have been conducted this year in

order to better understand the business strategy and the firm’s commitment to cultural change associated with the settlement of bribery and corruption fines from the Department of Justice and Senior Fraud Office authorities. The Manager believes that there is sufficient evidence of culture change and commitment to further improvements which, taken together with a highly appealing valuation, justifies a position in the portfolio. The Manager also re-established a holding in iron ore producer BHP Billiton toward the end of the period. The Manager reduced its holding in fellow iron ore producer, Rio Tinto, as the latter company carries greater risks and costs associated with the development of a new iron ore facility in Simandou, Guinea. The position in diversified miner Anglo American was also partly reduced.

Within oils, the Manager took the decision to establish a holding in BP through a part reduction in the Company’s large position in fellow oil major Shell. At its 2022 results, BP signalled its ambition to grow its dividend, extend share buy backs whilst accelerating investments into both low carbon energy and fossil fuels, and reduce debt. The Manager believes there is scope for Shell to follow a similar strategy, likely to be announced at its summer Capital Markets Day, however the Manager wished to introduce diversity to the Company’s holdings.

The Manager exited its longstanding position in purpose-built student accommodation (PBSA) provider Unite Group in September, prior to the UK’s autumn statement and the significant rise in gilt yields. The Manager viewed the valuation of the shares as close to fair value and had a strong preference for peer, Empiric Student Property, which trades at a discount to NAV and has further operational improvements to deliver. Subsequently, the Manager topped up its holding in Assura later in the period based on valuation appeal. The Manager sold out of private assets investment manager Petershill, reinvesting the proceeds into increasing the longstanding position in peer, Intermediate Capital, which it believes is higher quality and attractively valued. The Manager also sold its allocation to consumer healthcare business Haleon following its split from GlaxoSmithKline as it was a small holding with a low dividend yield. The holding in National Express was exited on concerns over availability and cost inflation pressures of bus drivers, together with a stretched balance sheet. The Manager sold half of its position in Direct Line Insurance following a disappointing trading update prior to the company’s full year results, which detailed the impact of adverse weather and significant claims inflation, together with a hit to the company’s capital position from bond movements, which led the company to forgo paying a dividend.

Positions in well performing dollar earning stocks in the autumn, including pharmaceutical company AstraZeneca and education company Pearson were reduced. The Manager also trimmed positions in Tesco and leisure

# Interim Management Report – Manager’s Review

stock Hollywood Bowl. Proceeds of these sales were used in part to fund a new holding in media group ITV. The Manager saw potential upside from ITV’s strong cash generation and longer-term digital initiatives, the strength of its studio business, balance sheet and cash flow. The Manager added a new holding in Victrex, a world leader in high performance polymer solutions for a range of industrial and medical device applications. The company has strong pricing power, growth potential and balance sheet. The shares had de-rated in the prior 18 months giving an opportunity to establish a position in the portfolio.

## Outlook

The market seems optimistic that the global economy will transition to a recovery phase, however, the Manager is cognisant of risks to this outcome. Recent banking turmoil, firstly in the US and more recently hitting Credit Suisse, has added to market volatility and points to how finely balanced the risks may be. The ramifications of Silicon Valley Bank’s collapse, swiftly followed by Credit Suisse’s buyout by UBS, have yet to fully play out. At both companies there were specific issues, however, this does not stop the question of who else is vulnerable and the Manager recognises the contagion risk. After more than a decade of easy money there will undoubtedly be other unforeseen casualties. At the same time, the Manager believes that global banks’ balance sheets are much better protected today within a regulatory framework designed post the 2008 global financial crisis explicitly to protect against these kinds of issues. Indeed, within UK based banks there is no evidence of deposit flight so far. In the US, where several regional banks have come under pressure, the US Federal Reserve has acted quickly, putting back two thirds of the quantitative easing it had taken from the market since its peak point. As ever, the Manager remains focused on companies’ long-term fundamental prospects. The Manager looks for companies trading on attractive valuations with strong balance sheets to fund investment and provide protection should economic conditions deteriorate.

The Manager continues to re-assess the investment case for the Company’s holdings and if the long-term view remains sound it continues to hold. The Manager continues to be wary of some higher quality companies where valuations remain, in its view, too high. The Manager maintains focus on constructing a portfolio that is diversified and consists of the highest conviction stock picks for the long-term.

The risk appetite which emerged late last year, continued in the new year, bringing more optimism for recovery than fear of deep recession globally. However, a banking shock that started in California, has reminded the world that banks are businesses that critically depend on the confidence of depositors and investors and that

confidence loss can spread, whilst moves by OPEC+ to restrict oil supply is a reminder of both the importance of energy security and enduring inflationary risks.

The Manager maintains its focus on constructing a portfolio that is diversified and consists of the highest conviction stock picks for the long-term. The Manager cannot predict macro-economic events and outcomes, but it monitors the risks to the portfolio holdings using its experience gained over multiple economic cycles. The Manager is aware that banks may tighten their lending standards which will have transmission effects throughout economies. The UK equity market is dependent on global growth; however, the Manager believes that the UK market’s relative valuation provides a cushion to help absorb risk should the US economy hit a harder landing. Globally inflation is being tackled. Energy and commodity prices have dropped back from their highs offering the consumer and businesses some relief over the coming months. It is recognised that food prices will likely remain elevated.

The Manager continues to add to existing holdings on share price weakness where it has conviction in the investment case upside in line with its investment process. The Manager knows the portfolio companies well and monitors them closely, helping it to make timely decisions when market sentiment impacts their share prices. The Manager ensures the portfolio is diversified and consists of its highest conviction stock picks.

## Investment policy

Regardless of external conditions, the Manager’s investment approach remains constant: to construct a diversified portfolio of mispriced opportunities capable of delivering both real growth of income and attractive capital returns. The market volatility during the last six months has been yet another reminder of the importance of diversification when constructing portfolios. The Manager remains a bottom-up stock picker looking for idiosyncratic investment opportunities in individual companies. It continues to see an attractive opportunity set of mispriced assets in the UK equity market as the market has been, and continues to be, out of favour with international investors. Subsequently, the Manager will continue to utilise its ability to use gearing to potentially enhance returns.

# Investment Portfolio

## at 28 February 2023

Companies in bold represent the 20 largest investments, which by value account for 64.8% (28 February 2022: 69.9% and 31 August 2022: 68.3%) of total investments.

All companies are headquartered in the UK unless otherwise stated. All investments are equities, listed on a recognised stock exchange.

	£'000	%
<b>Financials</b>		
<b>HSBC</b>	<b>10,608</b>	<b>4.3</b>
<b>Lloyds Banking</b>	<b>8,459</b>	<b>3.4</b>
<b>Standard Chartered</b>	<b>6,882</b>	<b>2.8</b>
<b>Prudential</b>	<b>6,697</b>	<b>2.7</b>
<b>Empiric Student Property</b>	<b>5,477</b>	<b>2.2</b>
Legal & General	5,309	2.1
3i Group	4,626	1.9
Intermediate Capital	4,583	1.9
Natwest Group	3,877	1.6
TP ICAP	3,533	1.4
Assura	3,518	1.4
M&G	2,780	1.1
Direct Line Insurance	1,960	0.8
<b>Total Financials</b>	<b>68,309</b>	<b>27.6</b>
<b>Consumer Services</b>		
<b>RELX</b>	<b>9,445</b>	<b>3.8</b>
<b>Pets At Home</b>	<b>7,779</b>	<b>3.1</b>
<b>Pearson</b>	<b>6,844</b>	<b>2.8</b>
<b>Tesco</b>	<b>5,973</b>	<b>2.4</b>
<b>Whitbread</b>	<b>5,426</b>	<b>2.2</b>
Hollywood Bowl	4,469	1.8
ITV	3,384	1.4
888 (Gibraltar)	974	0.4
Cazoo	16	0.0
<b>Total Consumer Services</b>	<b>44,310</b>	<b>17.9</b>
<b>Healthcare</b>		
<b>Astrazeneca</b>	<b>15,886</b>	<b>6.4</b>
<b>GSK (GlaxoSmithKline)</b>	<b>8,637</b>	<b>3.5</b>
Convatec	4,107	1.7
<b>Total Healthcare</b>	<b>28,630</b>	<b>11.6</b>
<b>Basic Materials</b>		
<b>Anglo American</b>	<b>7,786</b>	<b>3.1</b>
<b>Johnson Matthey</b>	<b>5,516</b>	<b>2.2</b>
Rio Tinto	4,692	1.9
BHP	4,617	1.9
Glencore	3,882	1.6
Victrex	1,784	0.7
<b>Total Basic Materials</b>	<b>28,277</b>	<b>11.4</b>

	£'000	%
<b>Oil and Gas</b>		
<b>Shell</b>	<b>15,548</b>	<b>6.3</b>
BP	5,190	2.1
<b>Total Oil and Gas</b>	<b>20,738</b>	<b>8.4</b>
<b>Industrials</b>		
<b>Balfour Beatty</b>	<b>5,855</b>	<b>2.4</b>
QinetiQ	4,638	1.9
Bunzl	3,774	1.5
SThree	2,928	1.2
Paypoint	1,819	0.7
Spectris	1,465	0.6
<b>Total Industrials</b>	<b>20,479</b>	<b>8.3</b>
<b>Consumer Goods</b>		
<b>Unilever</b>	<b>8,303</b>	<b>3.4</b>
<b>Burberry</b>	<b>7,544</b>	<b>3.0</b>
<b>Total Consumer Goods</b>	<b>15,847</b>	<b>6.4</b>
<b>Utilities</b>		
<b>Drax</b>	<b>5,440</b>	<b>2.2</b>
National Grid	5,102	2.1
SSE	3,801	1.5
<b>Total Utilities</b>	<b>14,343</b>	<b>5.8</b>
<b>Telecommunications</b>		
<b>BT</b>	<b>6,487</b>	<b>2.6</b>
<b>Total Telecommunications</b>	<b>6,487</b>	<b>2.6</b>
<b>Total investments</b>	<b>247,420</b>	<b>100.0</b>

# Interim Management Report

## Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; market; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; service provider; and cyber. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 16 and 17 of the Company's published annual report and accounts for the year ended 31 August 2022.

The Company's principal risks and uncertainties have not materially changed during the six months ended 28 February 2023.

## Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 18 of the published annual report and accounts for the year ended 31 August 2022, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

## Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 28 February 2023.

## Directors' responsibility statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in July 2022 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.



# Income Statement

	(Unaudited) For the six months ended 28 February 2023			(Unaudited) For the six months ended 28 February 2022			(Audited) For the year ended 31 August 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	-	19,626	19,626	-	(5,187)	(5,187)	-	(16,596)	(16,596)
Net foreign currency losses	-	-	-	-	(2)	(2)	-	(1)	(1)
Income from investments	2,743	-	2,743	3,193	1,707	4,900	10,954	1,707	12,661
Other interest receivable and similar income	-	-	-	-	-	-	8	-	8
<b>Gross return/(loss)</b>	<b>2,743</b>	<b>19,626</b>	<b>22,369</b>	<b>3,193</b>	<b>(3,482)</b>	<b>(289)</b>	<b>10,962</b>	<b>(14,890)</b>	<b>(3,928)</b>
Investment management fee	(214)	(322)	(536)	(258)	(258)	(516)	(527)	(527)	(1,054)
Administrative expenses	(281)	-	(281)	(251)	-	(251)	(523)	-	(523)
<b>Net return/(loss) before finance costs and taxation</b>	<b>2,248</b>	<b>19,304</b>	<b>21,552</b>	<b>2,684</b>	<b>(3,740)</b>	<b>(1,056)</b>	<b>9,912</b>	<b>(15,417)</b>	<b>(5,505)</b>
Finance costs	(224)	(336)	(560)	(67)	(67)	(134)	(202)	(202)	(404)
<b>Net return/(loss) before taxation</b>	<b>2,024</b>	<b>18,968</b>	<b>20,992</b>	<b>2,617</b>	<b>(3,807)</b>	<b>(1,190)</b>	<b>9,710</b>	<b>(15,619)</b>	<b>(5,909)</b>
Taxation (note 3)	-	-	-	-	-	-	(13)	-	(13)
<b>Net return/(loss) after taxation</b>	<b>2,024</b>	<b>18,968</b>	<b>20,992</b>	<b>2,617</b>	<b>(3,807)</b>	<b>(1,190)</b>	<b>9,697</b>	<b>(15,619)</b>	<b>(5,922)</b>
<b>Return/(loss) per share (note 4)</b>	<b>2.91p</b>	<b>27.31p</b>	<b>30.22p</b>	<b>3.77p</b>	<b>(5.48)p</b>	<b>(1.71)p</b>	<b>13.96p</b>	<b>(22.49)p</b>	<b>(8.53)p</b>

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return after taxation is also the total comprehensive income for the period.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

# Statement of Changes in Equity

## For the six months ended 28 February 2023 (unaudited)

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2022	6,946	9,449	2,011	1,596	34,936	138,240	11,922	205,100
Net return after taxation	-	-	-	-	-	18,968	2,024	20,992
Dividends paid in the period (note 5)	-	-	-	-	-	-	(5,696)	(5,696)
<b>At 28 February 2023</b>	<b>6,946</b>	<b>9,449</b>	<b>2,011</b>	<b>1,596</b>	<b>34,936</b>	<b>157,208</b>	<b>8,250</b>	<b>220,396</b>

## For the six months ended 28 February 2022 (unaudited)

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2021	6,946	9,449	2,011	1,596	34,936	153,859	11,118	219,915
Net (loss)/return after taxation	-	-	-	-	-	(3,807)	2,617	(1,190)
Dividends paid in the period (note 5)	-	-	-	-	-	-	(5,418)	(5,418)
<b>At 28 February 2022</b>	<b>6,946</b>	<b>9,449</b>	<b>2,011</b>	<b>1,596</b>	<b>34,936</b>	<b>150,052</b>	<b>8,317</b>	<b>213,307</b>

## For the year ended 31 August 2022 (audited)

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2021	6,946	9,449	2,011	1,596	34,936	153,859	11,118	219,915
Net (loss)/return after taxation	-	-	-	-	-	(15,619)	9,697	(5,922)
Dividends paid in the year (note 5)	-	-	-	-	-	-	(8,893)	(8,893)
<b>At 31 August 2022</b>	<b>6,946</b>	<b>9,449</b>	<b>2,011</b>	<b>1,596</b>	<b>34,936</b>	<b>138,240</b>	<b>11,922</b>	<b>205,100</b>

# Statement of Financial Position

	(Unaudited) 28 February 2023 £'000	(Unaudited) 28 February 2022 £'000	(Audited) 31 August 2022 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	247,420	239,260	230,497
<b>Current assets</b>			
Debtors	839	980	2,737
Cash at bank and in hand	2,830	3,431	2,305
	3,669	4,411	5,042
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	(30,693)	(30,364)	(30,439)
<b>Net current liabilities</b>	<b>(27,024)</b>	<b>(25,953)</b>	<b>(25,397)</b>
<b>Total assets less current liabilities</b>	<b>220,396</b>	<b>213,307</b>	<b>205,100</b>
<b>Net assets</b>	<b>220,396</b>	<b>213,307</b>	<b>205,100</b>
<b>Capital and reserves</b>			
Called-up share capital (note 6)	6,946	6,946	6,946
Share premium	9,449	9,449	9,449
Capital redemption reserve	2,011	2,011	2,011
Warrant exercise reserve	1,596	1,596	1,596
Share purchase reserve	34,936	34,936	34,936
Capital reserves	157,208	150,052	138,240
Revenue reserve	8,250	8,317	11,922
<b>Total equity shareholders' funds</b>	<b>220,396</b>	<b>213,307</b>	<b>205,100</b>
<b>Net asset value per share (note 7)</b>	<b>317.28p</b>	<b>307.08p</b>	<b>295.26p</b>

Registered in England and Wales as a public company limited by shares.

Company registration number: 03008494

# Notes to the Accounts

## 1. Financial Statements

The information contained within the accounts in this half year report has not been audited or reviewed by the Company's auditor.

The figures and financial information for the year ended 31 August 2022 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditor which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

### (a) Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in July 2022.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 August 2022.

### (b) Accounting estimates

It remains the Board's determination that the capital return should reflect the indirect costs of earning capital returns. With effect from 1 September 2022 the Company allocates 60% of the management fee and finance costs to capital and the remaining 40% to revenue. It had previously allocated 50% of the management fee and finance costs to capital and 50% to revenue. The Board monitors the assumptions that underpin the basis of allocation. It concluded from its most recent review that a greater proportion of the Company's long-term investment returns are expected to come from capital. The effect of this change is to increase the net revenue return after taxation by £110,000 and to reduce the net capital return by the same amount. Total net return after taxation is unaffected by the change. The comparative figures have not been restated.

## 3. Taxation

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. Taxation on ordinary activities comprises irrecoverable overseas withholding tax.

## 4. Return/(loss) per share

	(Unaudited) Six months ended 28 February 2023 £'000	(Unaudited) Six months ended 28 February 2022 £'000	(Audited) Year ended 31 August 2022 £'000
Revenue return	2,024	2,617	9,697
Capital return/(loss)	18,968	(3,807)	(15,619)
<b>Total return/(loss)</b>	<b>20,992</b>	<b>(1,190)</b>	<b>(5,922)</b>
Weighted average number of shares in issue during the period	69,463,343	69,463,343	69,463,343
Revenue return per share	2.91p	3.77p	13.96p
Capital return/(loss) per share	27.31p	(5.48)p	(22.49)p
<b>Total return/(loss) per share</b>	<b>30.22p</b>	<b>(1.71)p</b>	<b>(8.53)p</b>



# Notes to the accounts continued

## 5. Dividends paid

	(Unaudited) Six months ended 28 February 2023 £'000	(Unaudited) Six months ended 28 February 2022 £'000	(Audited) Year ended 31 August 2022 £'000
2022 fourth interim dividend of 5.7p (2021: 5.3p)	3,959	3,682	3,682
First interim dividend of 2.5p (2022: 2.5p)	1,737	1,736	1,737
Second interim dividend of 2.5p	-	-	1,737
Third interim dividend of 2.5p	-	-	1,737
	<b>5,696</b>	5,418	8,893

A second interim dividend of 2.5p (2022: 2.5p) per share, amounting to £1,737,000 (2022: £1,737,000) has been declared payable in respect of the year ending 31 August 2023.

## 6. Called-up share capital

	(Unaudited) Six months ended 28 February 2023 £'000	(Unaudited) Six months ended 28 February 2022 £'000	(Audited) Year ended 31 August 2022 £'000
69,463,343 ordinary shares of 10p each	6,946	6,946	6,946

There were no changes to called up share capital during the period (period ended 28 February 2022 and year ended 31 August 2022: nil).

## 7. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 28 February 2023 of 69,463,343 (28 February 2022 and 31 August 2022: same).

## 8. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 28 February 2023, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (28 February 2022 and 31 August 2022: same).

## 9. Events after the interim period that have not been reflected in the financial statements for the interim period

The Directors have evaluated the period since the interim date and have not noted any other events which have not been reflected in the financial statements.

# Notes

# Notes

## Directors

Ewen Cameron Watt (Chairman)  
June Aitken  
Fraser McIntyre  
Victoria Muir

## Advisers

### Alternative investment fund manager (the “Manager”)

Schroder Unit Trusts Limited  
1 London Wall Place  
London EC2Y 5AU

### Investment Manager and Company Secretary

Schroder Investment Management Limited  
1 London Wall Place  
London EC2Y 5AU  
Telephone: 020 7658 6000

### Registered office

1 London Wall Place  
London EC2Y 5AU

### Depository and custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

### Bank

SMBC Bank International plc  
99 Queen Victoria Street  
London EC4V 4EH

### Corporate broker

Peel Hunt LLP  
Moor House  
120 London Wall  
London EC2Y 5ET

## Independent auditor

Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

## Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Shareholder Helpline: 0800 032 0641\*  
Website: [www.shareview.co.uk](http://www.shareview.co.uk)

\*Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the above address.

## Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's registered office.

## Dealing codes

ISIN: GB0007915860  
SEDOL: 0791586  
Ticker: SCF

## Global intermediary identification number (GIIN)

T34UKV.99999.SL.826

## Legal entity identifier (LEI)

549300X1RTYYP7S3YE39

The Company's privacy notice is  
available on its webpages.