Premier Miton
INVESTORS

Miton UK MicroCap Trust plc

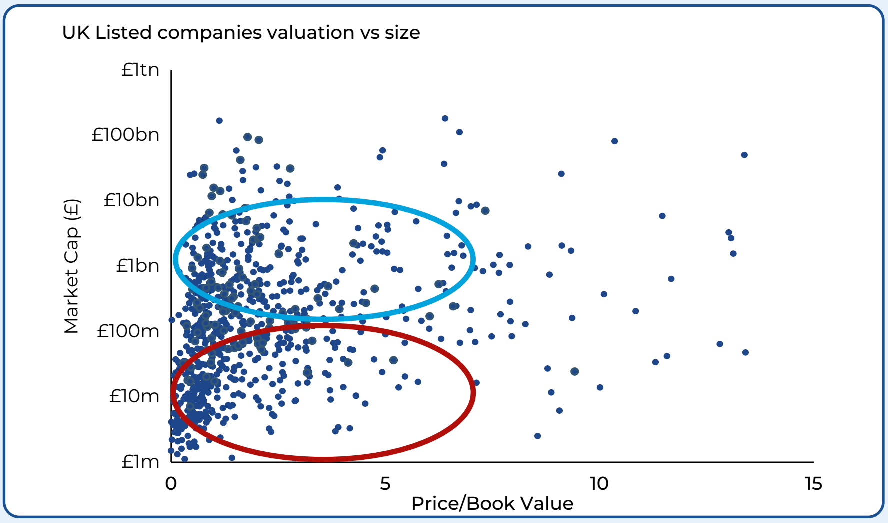
Report and Accounts for the half year ended 31 October 2023

A Trust accessing the inherent vibrancy of the UK's quoted microcaps

The Trust's strategy is intentionally different, so it has extra potential to deliver strong returns.

In the scatter chart below, the vertical axis depicts the market capitalisation of all UK-quoted companies (including those listed on the AIM exchange), using a logarithmic scale to emphasise how many microcaps the London stock market encompasses. The horizontal axis outlines the Price to Book ratio of each, a measure of investor expectation, with low numbers implying low expectations.

A scatter chart of the UK stock market detailing the range of market capitalisations versus a measure of investor expectation



During the globalisation decades of the 1990s and 2000s, it became customary for UK smallcap trusts to narrow their investment universe into stocks within the blue oval above. UK smallcaps at the top end of their market capitalisation range along with UK midcaps have delivered perfectly good returns and outperformed UK largecaps.

Microcap share prices typically deliver even stronger returns than other smallcaps or midcaps because they sometimes have option-like upside. However, when international stock markets, such as the US, are also delivering strong returns, investor interest in microcaps tends to diminish, as it has during globalisation.

However when the mainstream stock markets deliver poor returns over a number of years, microcaps often have the potential to continue outperforming. That is the reason why the Miton UK Microcap Trust was launched. Its investment universe contrasts with the UK smallcap peer group in its focus on the numerous UK microcaps that lie within the red oval above. If the favourable markets of the globalisation years are coming to an end, then investors may in future see greater benefits from owning trusts such as the Miton UK Microcap Trust.

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The Miton UK MicroCap Trust plc

Interim Report and Accounts for the six months to 31 October 2023

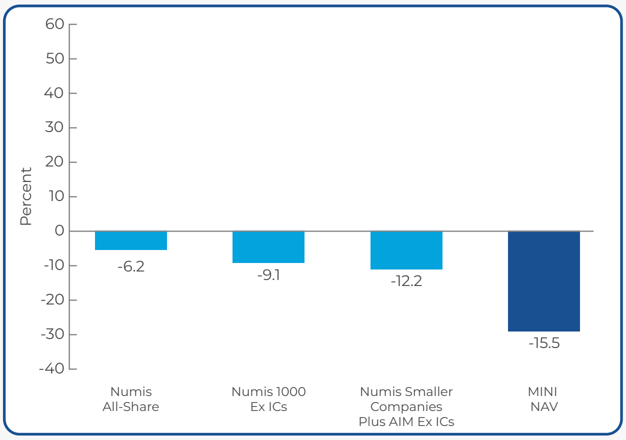
The Miton UK MicroCap Trust plc is an investment trust listed on the London Stock Exchange under the ticker code MINI. The Board, which consists of four independent directors, appoints the Investment Manager and oversees all aspects of the Trust.

The Board oversees the Trust's strategy to ensure it has the potential to deliver an attractive investment return for shareholders over the longer term. The Trust's portfolio is distinctive from others in that it principally invests in UK-quoted microcap companies, which are defined as those with market capitalisations of less than £150m.

The enthusiasm for passive indexation strategies has enhanced returns at the larger end of the market capitalisation range over recent years. In the bar charts below, the return of the Numis All-Share Index since April 2015 is ahead of the return from the Numis Smaller Companies plus AIM Index excluding Investment Companies, but the latter currently lags the Numis 1000 Index ex ICs. This index (which represents the aggregate return of the smallest 2% of the UK stock market) does not include AIM stocks. Alternative markets such as AIM have been particularly impacted by negative sentiment towards the UK and smaller companies.

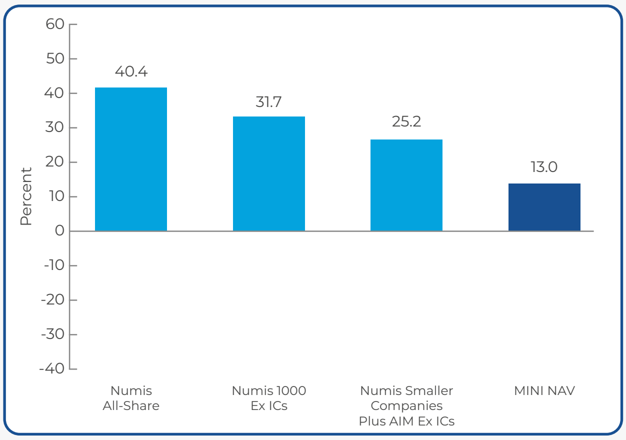
The longer-term pattern since 1955 is the exact opposite, and once this pattern returns, there is scope for the Trust to deliver unusually strong returns that greatly outpace all the comparative indices. However, over the past six months, the Trust's total return NAV (including dividend income) fell by 15.5% which compares with a negative total return on the Numis 1000 Index ex ICs of 9.1%.

Total Returns 6 months to 31 October 2023



Source: Morningstar

Total returns since launch 30 April 2015 to 31 October 2023



Source: Morningstar

Our objective

The Company invests principally in a portfolio of the smallest UK quoted companies, generally with market capitalisations of less than £150m. The primary objective is to generate capital growth, through selecting stocks that are anticipated to generate plentiful surplus cash in the short to the medium term. As this comes through and their share prices appreciate, the Trust's Manager tends to take profits. The capital is reinvested in other promising microcaps standing on overlooked valuations. It is anticipated that a major part of the Company's return will comprise capital appreciation, and the Trust's annual dividend (if any) will be a modest contributor to long-term returns.

Counterintuitively, the prospects for UK quoted microcaps often become stronger as recession bites...

Over recent years, the mainstream UK stock market has started outperforming international comparatives.

During globalisation, the best performing stocks were often those scaling up their rates of growth by drawing upon the abundance of cash.

When interest rates increase, however, this suppresses demand and ushers in a scarcity of risk capital. UK majors have a real advantage when risk capital is scarce because they typically generate surplus cash. After a long period of underperformance during globalisation, it is noteworthy that the UK stock market has started outperforming other mainstream global indices over recent years.

If the normal pattern of microcaps outperforming the UK major indices was to resume, as previously, then they may be set to outperform international stock markets in future.

Furthermore, when risk capital is scarce, the advantages of being quoted potentially become even more significant.

Daily transactions on the stock exchange provide insight. The live interface between willing buyers and sellers helps management teams to keep aware of their cost of capital. When they are contemplating transactions, they can use this metric to determine those equities with the greatest commercial upside in the context of the cost of any additional capital.

When market conditions are benign, the returns on corporate transactions are hampered by wide-ranging competition. But when capital is restricted, the ongoing access for quoted companies to international capital is particularly valuable. In short, quoted companies often get higher returns from acquisitions because most private companies are unable to participate for lack of risk capital.

When acquisition costs are low, the acquirer's prospects are enhanced, with amplified potential upside for microcaps.

During economic recessions, the prospects for quoted companies can sometimes be further improved by acquiring over-leveraged, but otherwise viable, businesses from the receiver, debt-free, at very low prices.

The scale of the improvement tends to be incremental when the acquiring business is large relative to the scale of the acquisition. If the acquirer is a quoted microcap, however, the same acquisition offers far greater upside potential, as the upside is attributable to a much smaller market capitalisation.

UK microcaps have a long history of delivering strong returns that can become valuable when the mainstream assets are not generating good returns.

Since 1955, UK-listed companies in the bottom two per cent by market capitalisation (typically known as microcaps) have generated much higher returns than those in all other size bands. If this factor is combined with a focus on those that stand on overlooked valuations – the Trust's strategy – then their returns have been even greater. When interest rates are elevated, the returns on mainstream indices may become limited for many years, and any strong returns generated by microcaps thus become even more valuable to investors.

In summary, counterintuitively the prospects for a strategy dedicated to UK quoted microcaps, such as that of the Miton UK Microcap Trust, are often enhanced when access to debt and risk capital becomes scarcer.

...when access to debt and risk capital becomes scarcer

Furthermore, when addressing the environmental, social and governance agenda...

Any organisation that knowingly operates contrary to the interests of the wider public, would, in time, find its social licence to operate revoked. Hence well managed investment portfolios need to invest in companies with an authentic sense of purpose, as well as those employing a successful commercial strategy.

Mainstream stocks have large numbers of shareholders, so their managers are only able to meet a small proportion of investors. These shareholders may offer a wide range of advice regarding a company's stance on environmental, social and governance issues. The bottom line is that institutional investors have little opportunity to gauge the authenticity of the management team's sense of purpose or to influence their corporate agenda significantly.

In contrast, there are fewer institutional microcap investors. So, most microcap management teams are keen to meet them, even if they are not shareholders. Microcap investors, therefore, have a much greater opportunity to gauge a company's culture prior to investing.

In addition, institutional holders typically account for a substantial proportion of a microcap's equity, so their views often have a meaningful impact on how management teams address environmental, social or governance issues.

AIM-quoted companies do issue formal reports covering non-financial metrics such as sustainability, although these are typically less comprehensive than the majors. Your Manager does not find this a major handicap as many microcaps operate across relatively specialist business areas. In addition, your Manager compares the content of these sustainability reports with the detail of the senior management's actions. When differences are identified, it can imply potential problems.

For example, your Manager meets many mining management teams who say they start every meeting with a safety briefing.

And yet, in far too many cases, their safety data is not covered by the first slide in their presentation, nor is safety the first matter of substance in their annual report.

Generally, microcap leadership teams are smaller, and often more agile than the majors. This is often reflected in a somewhat stronger sense of corporate purpose and motivation than in some larger companies.

Overall, when addressing the environmental, social and governance agenda, the Manager of a portfolio of microcaps stands at an advantage.

...a UK microcap portfolio has numerous advantages.

Results for the Half Year

to 31 October 2023

- Over the half year, the Ordinary share NAV **fell from 64.20p** on 30 April 2023 **to 54.10p** on 31 October 2023, **a fall of 15.5%** (including re-invested dividend).*
- The Ordinary share price moved **from 59.90p** at the end of April 2023 **to 47.50p** at the end of October 2023, **a decrease of 20.0%** (including re-invested dividend).*
- A profit of £47,000 in the half year to 31 October 2023 has been credited to revenue reserves.
- Redemption requests of 18.7% of the Company's issued share capital were received and accepted, with the redeemed shares cancelled after the period end on 2 November 2023.
- The annual redemption mechanism offers investors the chance to redeem part or all of their holding, addressing any imbalance between buyers and sellers of the Trust's shares, and helping to maintain a relatively tight share price discount.

Summary of Results

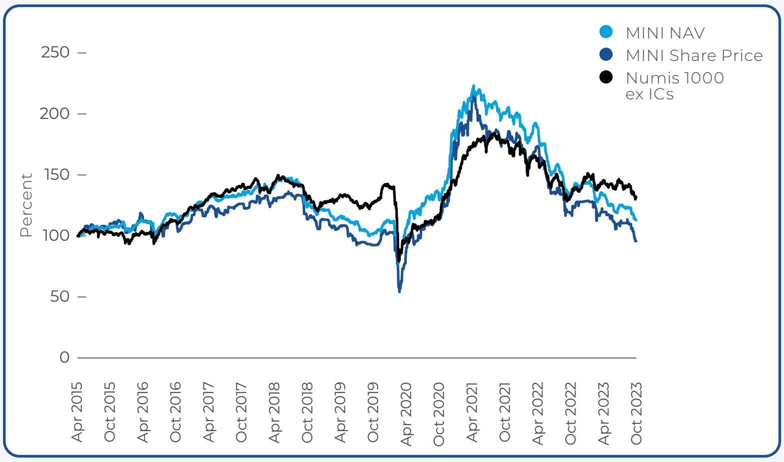
	Half year to 31 October 2023	Year ended 30 April 2023
Total net assets attributable to equity shareholders (£'000)	51,202	60,754
NAV per Ordinary share*	54.10p	64.20p
Share price (mid)	47.50p	59.90p
Discount to NAV*	(12.20)%	(7.32)%
Investment income	£0.3m	£0.8m
Revenue return per Ordinary share	0.05p	0.03p
Total return per Ordinary share*	(9.94)p	(28.93)p
Ongoing charges#*	2.00%	1.72%
Ordinary shares in issue	94,638,561	94,638,561

** Alternative Performance Measure ('APM'). Details provided in the Glossary on pages 34 to 36.*
 # The ongoing charges are calculated in accordance with AIC guidelines.

Financial Performance Indicators

Three charts that help set the half year returns in the context of the longer-term returns of the Trust.

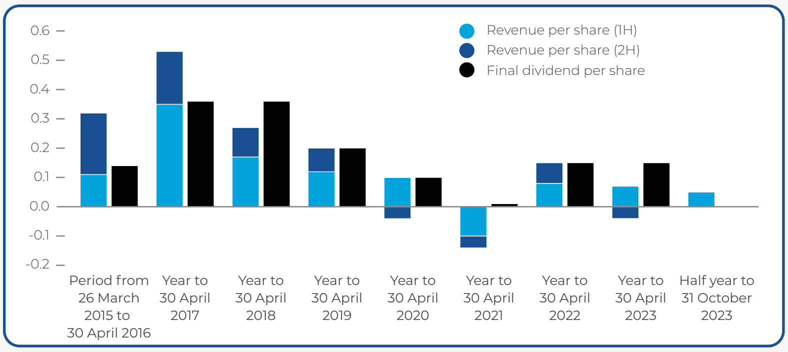
NAV v share price v Numis 1000 Index ex ICs (all shown in total return terms)



This chart details the NAV and the daily closing share price of the Company. Prior to the Brexit referendum, the share prices of microcaps generally appreciated well and the NAV of the Trust rose. After the Brexit referendum, many asset allocators scaled back their UK weightings given the uncertainties over the detail of the exit arrangements, and this led to fewer buyers of smallcap stocks. This trend has been more pronounced amongst microcap stocks, although the prospects for quoted microcaps are often less dependent on global growth than those of larger quoted companies.

Source: Morningstar

Revenue and dividend per share

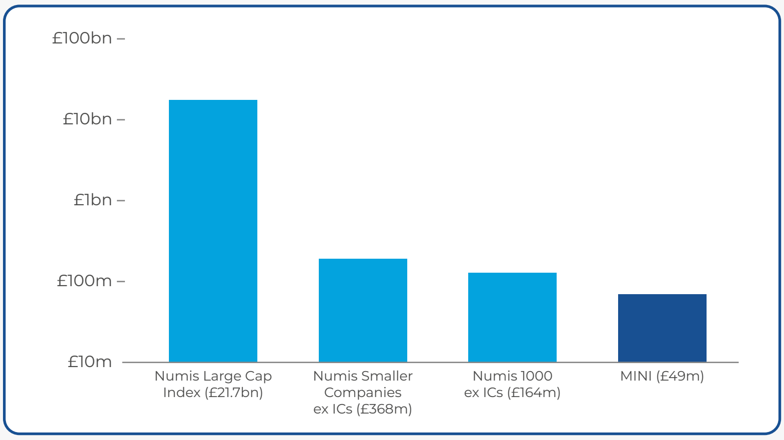


The revenue per share of the Trust was relatively strong in the early years due to some higher yielding holdings. After these companies were taken over and reflecting portfolio changes, the underlying dividend income of the portfolio has been at a lower level, and often similar to the revenue costs each year.

Overall, it has always been anticipated that the major part of the Trust's longer term returns would come via capital gain rather than dividend income.

Source: Company

Average unweighted market capitalisation comparison: MINI v Numis Large Cap Index, Numis 1000 Index ex ICs and Numis Smaller Companies Index ex ICs



The Trust pursues a clearly differentiated strategy, illustrated by the fact that the average unweighted market capitalisation of the holdings within its portfolio is £49m, which compares to an average of £21.7bn for the Numis Large Cap Index, £368m for the Numis Smaller Companies ex Investment Companies Index and £164m for the Numis 1000 Index ex Investment Companies. The Trust's portfolio is therefore likely to produce different returns from those of the mainstream stock market indices.

Source: Premier Miton, Numis, based on a logarithmic scale

Chairman's Statement

"When the mood music changes, the gains in the better companies will be explosive."

Ashe Windham
Chairman

I am starting this review by looking at a number of changes which have evolved in the UK equity market.

For several reasons, UK equities have been deeply out of favour with both domestic and international buyers, and especially since the Brexit vote in June 2016. The valuations prevailing in the US market have persuaded companies either to move there (for instance CRH and Wolseley) or to relist there (e.g. ARM Holdings). The UK currently represents only a 3.5% weighting in world indices compared to 10% in 2000. This is a precipitous decline, mirrored by the collapse in the number of UK listed equities overall. There were some 3,000 listed companies in 1997 as against just 1,213 today, a number that is being steadily eroded by an accelerating trend of takeovers, barely offset by a feeble number of Initial Public Offerings. In this calendar year to date, over 30 companies have already been acquired, mostly by foreign companies, or are in the final stages of being so. Unless swift government action is taken, the risk to London's position as the premier global financial centre is very real.

Domestic institutions, predominately pension funds and insurance companies, have been dramatically cutting their weightings in UK equities. They owned more than half the market in the 1990s. Now they own just 4%, as they have conformed to world index weightings. Contrarians should find valuations attractive with UK equities trading on around 11 times 2023 earnings per share, versus Continental Europe on 14 times and the US on 20 times. You might reasonably wonder how relevant this is to the performance of the Company. In short, the macro trends affecting UK equities have been felt most acutely at the lowest market capitalisation end of the market. The SmallCap index has lost around 5% of its constituents this year thus far, suffering a 20% reduction in its market capitalisation as a result. Thanks to the inexorable retreat from UK small cap equities, hastened by attractive 5%+ yields on short-dated gilts, the market has been 'offer' only, except in a rare few companies. Nowadays, market makers hold very little inventory and even sales of small quantities of stock are sufficient to trigger double digit percentage falls in prices. The flip side is that when the mood music changes, the gains in the better companies will be explosive. The foundations for big gains in the next small cap bull market are being laid now, for those brave enough to invest in quality stocks with solid balance sheets in the AIM sector. The Numis Alternative Markets index peaked on 6 September 2021 and, by the end of October this year had fallen 46.8% – that is some bear market!

Trust returns since issue in April 2015

Over the six months to 31 October 2023, your Manager struggled valiantly against the receding tide, making a small amount of relative headway. The Numis Alternative Markets index ex ICs, covering AIM listed stocks, was down 16.2%, while the Numis Smaller Companies Plus AIM Index ex ICs fell 12.2% (quoted in total return terms including dividend income). The Trust's portfolio includes relatively few stocks that pay dividends, so its Revenue per Share amounted to 0.05p over the half year. This is usual for this portfolio, and similar to the first half last year. It was always anticipated that nearly all the return of the Trust will be delivered from microcap stocks generating substantial cash surpluses as they mature, when their share prices generally appreciate substantially. During periods of sustained adverse stock market sentiment, however, microcap share prices can fall to what appear to be exceptionally low valuations. Over the half year, the market pattern was adverse, so the Trust's NAV total return fell 15.5%, slightly better than the Numis Alternative Markets index, but somewhat behind the Numis Smaller Companies Plus AIM Index ex ICs. The Revenue per Share above is included in this figure.

Since 1955, UK quoted microcaps have substantially outperformed all other parts of the UK stock market, although this does include lengthy periods when microcaps have underperformed. Since the Trust was launched in April 2015, UK microcaps have suffered two periods of weak sentiment and, therefore, weak returns. The first period started in July 2018, when Parliamentary gridlock held up negotiations with the EU about the UK's leaving terms. The adverse sentiment worsened further in early 2020 with the onset of the global pandemic. Between July 2018 and March 2020, the Trust's NAV total return fell by just under 42%. The second period of microcap weakness has been in place since October 2021, due to the marked shift towards indexation strategies that has favoured large and mega cap outperformance. Microcap sentiment has been persistently weak over this period, and as a result the Trust's NAV total return has fallen by 48.2% over the last two and a half years.

The predominant trend since 1955 has been of UK microcap outperformance. When microcaps are in favour, the Miton UK Microcap Trust strategy has shown that it can deliver very substantial NAV total returns. Between March 2020 and April 2021, for example, its NAV total return was over 150%. However, since launch, the two periods of weak sentiment towards microcaps have meant that the Trust's NAV total return since April 2015 has only been 13.0%. This appreciation compares with a rise of 31.7% of the Numis 1000 Index ex ICs and a flat return from the Numis Alternative Markets Index ex ICs. The first of these has been enhanced by some of the largest constituents outperforming the microcap end due to the indexation trend noted above. We look forward to a return of the long-term trend of microcap outperformance which has been in place since 1955.

Market valuation of the Trust and share redemptions

Investment trusts are, by some margin, the most suitable vehicle for investing in quoted microcaps because the returns from investing in an equivalent OEIC tend to be compromised by the flip-flop of daily subscriptions and redemptions. The underlying holdings are generally less liquid and forced selling can depress their share prices. It mystifies me as to why the regulators allow illiquid assets, such as commercial property, to be marketed to investors under the OEIC structure, given the numerous cases of such funds being suspended during periods of market turmoil and therefore investors' access to their cash frozen. The mismatch between ongoing buyers and sellers within an investment trust strategy, by contrast, is reflected in the trust's share price relative to its underlying NAV. When there are few buyers for a sustained period, investment trust share prices can trade 10%, 20% or even more below their underlying NAVs.

To minimise this risk, the Trust offers all investors a redemption opportunity once each year. This mechanism addresses the imbalance between buyers and sellers, with the result that MINI's share price discount normally remains modest compared with others in the peer group. The redeemed shares are sometimes placed with an institutional buyer at NAV. If there are insufficient buyers, then the redemption shares are either cancelled via portfolio cash or a similar percentage of the Trust's portfolio is transferred to a Redemption Pool and sold so that cash can be raised independently and distributed to the redeeming shareholders. During this period, we once more offered our shareholders the option to redeem their shares and I would not be honest if I did not say that we were disappointed that 18.7% of shareholders elected to avail themselves of this opportunity. By our calculations, some 9% of the shares in issue and being redeemed were held by arbitrageurs. Given the size of this redemption, your directors decided that it was in the best interests of all shareholders to place the redeemed shares into a separate Redemption Pool, to be carefully liquidated over a period of time after the 2 November Redemption date. We judged that it was in no one's interest precipitately to dispose of large holdings of relatively illiquid shares. Based on past experience, we hope to have completed this exercise by early 2024.

Shareholders may be aware that, from the inception of the Trust in April 2015, the directors placed a 2% cap on management charges, so the costs of running the Trust will not rise exponentially if the share price were to decline much further. Naturally, we hope that the faint signs of life which we are detecting at the smallest end of the UK equity market, will strengthen as we move into 2024.

MINI's share price has, on average, traded at 4.6% below its NAV since launch, a considerably better outcome than nearly all other trusts in our peer group. We believe that this outcome in part vindicates the existence of the Trust's redemption facility.

An additional advantage of the redemption facility is that it makes it easier for large investors to exit in size once a year. Overall, the Trust has issued almost £40 million of additional capital and returned nearly £60 million to redeeming shareholders since 2015. The recent redemption of c.17.7 million shares on 2 November 2023 is included in the £60 million figure.

Board Refreshment and Change of Service Providers

The Board has staggered the retirement of the original directors so that new directors join the board progressively, enabling subsequent succession planning to be undertaken in an orderly fashion. Currently the average term of the board directors is 5 years and 2 months. Louise Bonham, who joined the Board on 15 December 2022, will take over from Peter Dicks as Chair of the Audit Committee on 1 November 2024. Peter will retire from the Board on 31 December 2024.

Following a review of service providers, the Board has appointed subsidiaries of Northern Trust as company secretary, fund administrator and depositary with effect from 4 March 2024. These changes will result in a considerable saving for shareholders.

Prospects

Historically, UK quoted microcaps have delivered returns well above those of UK large caps, even through periods of unsettled economic conditions. During globalisation, although UK microcaps did outperform UK large caps, the extent of this was unremarkable, as companies with rapid growth prospects, such as US technology stocks, greatly outperformed during these decades. However, when international relationships fragment, companies generating a stream of good and growing dividends have an advantage and typically outperform. At the time of the Trust's launch in April 2015 your Manager anticipated that global market trends were set to go through this transition. Over the last three years, UK stock market sentiment has remained weak. But even so, as the globalisation trend has faded, it is noteworthy that UK large caps, typically capital-intensive businesses paying out a stream of good and growing dividends, have now started to outperform nearly all other comparators. Whilst UK large caps have now started to generate premium returns, the usual pattern of UK microcap outperformance has not been evident over the last three years. The key point is that market sentiment can change dramatically, as it did after March 2020 when UK quoted microcaps, and this Trust in particular, generated very strong returns. Against this background, UK microcaps appear overdue for a period of major performance catch-up. Furthermore, if UK mainstream equities continue to outperform international peers, and if the usual trend of UK microcap outperformance of UK large caps continues as it has since 1955, then the Trust has the prospect of delivering returns that outpace those of most international strategies. Your Managers, through extensive research, believe that they can add further upside to Trust's returns, and that a new market trend such as this will remain in favour for some decades.

Ashe Windham
Chairman

13 December 2023

Investment Manager's Report

Which fund managers have day-to-day responsibility for the Trust's portfolio?

Since the launch of the Trust in April 2015, the day-to-day management of the Trust's portfolio has consistently been carried out by Gervais Williams and Martin Turner.

Gervais Williams

Gervais joined Miton at March 2011 and is now Head of Equities in Premier Miton. He has been an equity fund manager since 1985, including 17 years at Gartmore. He was named Fund Manager of the Year by What Investment? in 2014. Gervais is also the President of the Quoted Companies Alliance and a member of the AIM Advisory Council.

Martin Turner

Martin joined Miton in May 2011. Martin and Gervais have had a close working relationship since 2004, with complementary expertise that led them to back a series of successful companies. Martin qualified as a Chartered Accountant with Arthur Anderson and had senior roles and extensive experience at Merrill Lynch and Collins Stewart.

What were the principal stock detractors and contributors to portfolio returns over the half year?

Although UK quoted microcap share prices have been weak over the two years to April 2023, their returns remained weak again over the half year under review. Specifically, the valuation of government bonds fell further due to persistent inflationary pressures. Even quoted companies, paying good and growing dividends, suffered a degree of share price weakness. In the last two years, investor sentiment regarding less mature stocks, such as small and microcaps, continued to be very poor.

The three biggest detractors to the Trust's return over the half year were Cyanconnode, Totally and MTI Wireless. Cyanconnode is one of the portfolio's largest holdings. We note that it is already one of the largest suppliers of smart utility meters to India, at a time when they are about to install very large numbers of meters. As yet, the Indian utility companies have not awarded many contracts, testing the patience of shareholders. We remain upbeat that substantial contracts will be announced in the coming quarters. Totally is a business that administers part of the 111 service for the NHS and provides other services. With some of its current contracts concluding, and few out to tender at present, profitability has dipped. We anticipate an increase in future contract activity, even if there is a change of government. In the case of MTI Wireless, this aerial and irrigation control business continues to generate ongoing growth in profits and dividends, but as it operates in Israel, its share price was weak in October due to worries about potential local economic disruption.

Importantly, in each case, the businesses themselves remain well financed with net cash balances, and in our view their prospects remain strong. In common with other quoted microcaps they have the potential for their share prices to appreciate by a multiple of their current valuation. But, as all three are significant portfolio weightings, their weak share prices over the half year have collectively detracted 3.6% from the Trust's returns.

Microcap share prices have been weak for some time. Over the half year to October the Numis 1000 Index ex ICs was down 9.1%, and indeed it has fallen by 23.9% over the last two and half years. The NAV return of the Trust has declined by 15.5% over the last six months, and 48.2% over the last two and half years. All these figures are quoted in total return terms, including the contribution from dividends.

Despite these bleak figures, as outlined elsewhere, we believe the upside potential for the Trust remains unusually strong. In the period up to March 2020 for example, the Trust's NAV total return also fell severely, but thereafter its NAV total return then rose dramatically, easily exceeding its previous highs. Very few of the Trust's holdings have generated these kinds of returns at a time when UK microcap sentiment is so poor. Yu Group is an exception, as its prospective net cash balances are increasing so fast that they would have been several multiples of its earlier market capitalisation if its share price had not also appreciated significantly.

This is the key to our confidence in the Trust's strategy. The share prices of UK microcaps such as Yu Group often have an option-like upside, so when they come right, an individual stock alone can deliver substantial upside for the Trust. In the six-month period, Yu Group has enhanced the Trust's return by 3.3%, almost matching the Trust's three worst detractors. In more favourable times, there is potential for a number of UK microcaps to rise by a multiple of their current share prices, and hopefully relatively few that will suffer severe share price setbacks.

Has the manager maintained or extended the PUT Option protection that was previously in place?

Towards the end of the period under review, we added to the trust's existing FTSE100 Put option with a term to December covering just over half of the portfolio, with an additional FTSE100 Put that extends to June 2024, as we felt that the cost of such Puts was very modest at the time of purchase. The combined effect is that the portfolio has around 95% insurance against stock market crashes up to mid-December, with just under half of the portfolio covered thereafter up to mid-June 2024.

The key advantage of investing in a FTSE 100 Put option is that at times of major market setbacks, the valuation of the Put option rises, which can then offset a part of the decline of other portfolio holdings. During the March 2020 setback for example, the Trust was able to take profits on its FTSE Puts after they had risen. It then bought more UK microcaps with the additional cash, at a time when their share prices were low. This process boosted the returns of the Trust through the market setback and the subsequent recovery.

In the light of the substantial decline in the Trust's NAV over the last two and half years, to what degree have the longer-term prospects of the portfolio holdings deteriorated?

Following the global pandemic, and the contemporaneous financial stimulus, many of the previous economic bottlenecks have now been resolved. Unfortunately, these factors have been replaced with new challenges that are also expected to become ongoing headwinds for forthcoming corporate profitability. These include:

1. With the rise of inflation, interest rates have been raised dramatically, and this is expected to suppress economic activity after a time lag. There have also been a number of geopolitical events that are expected to weigh on the potential for global growth, most notably the Russian invasion of Ukraine, and the Israeli/Hamas conflict. In addition, there are a growing number of tariffs being imposed on specific industry subsectors by one country importing or exporting to another.
2. With the phasing out of Quantitative Easing and the introduction of Quantitative Tightening, government issuance of bonds is now a substantial liquidity drain on asset markets. Additionally, many banks have suffered a drawdown in deposits, so they have often tightened lending criteria, and in many cases are reluctant to lend as much as they have in the past.

Whilst there have been some profit warnings to date, the UK economy has not yet fallen into recession. Even so, elevated interest rates are expected to bite in time.

The effect is that the advantages of being a well-financed company are more significant when financial conditions are more difficult. Specifically, if competitors fail, a well-financed business can expand into the vacated markets. Well-financed businesses can also acquire overindebted, but otherwise viable businesses, debt-free from the receiver, often for a nominal sum. The upside potential for quoted small caps of these deals tends to be greater than large caps, as the value-add of an acquisition typically has a larger impact when the acquirer is smaller.

In conclusion, the prospects for some portfolio companies have deteriorated, and these have been sold. Meanwhile, whilst a forthcoming recession might be a challenge for any business, the advantages for well-financed businesses can sometimes improve, especially if they are quoted microcaps. Hence, we remain enthused by the potential trajectory for the share prices of well-funded, quoted microcaps from here, especially when set in the context of share prices that at present are often standing at multi-year lows at present.

The Trust's NAV total return has only been 13% since launch in April 2015, and geopolitical risks are rising. Surely, these factors have reduced your confidence in the upside potential for the strategy?

Since the Trust was first launched in April 2015, UK microcaps have suffered two periods of weak sentiment that has held back their longer-term potential.

2. The first extended from July 2019 when Parliamentary gridlock hindered negotiations with the EU about the UK's leaving terms. UK microcap sentiment worsened further in early 2020 with the onset of the global pandemic. Overall, between July 2018 and March 2020, the Trust's NAV total return fell by just under 42%.

3. The second covers the last two and half years since April 2021, when the allocation crescendo toward indexation strategies favoured large and mega cap outperformance. Consequently, UK quoted microcap sentiment has been persistently weak with the Trust's NAV total return declining by 48.2% between April 2021 and October 2023.

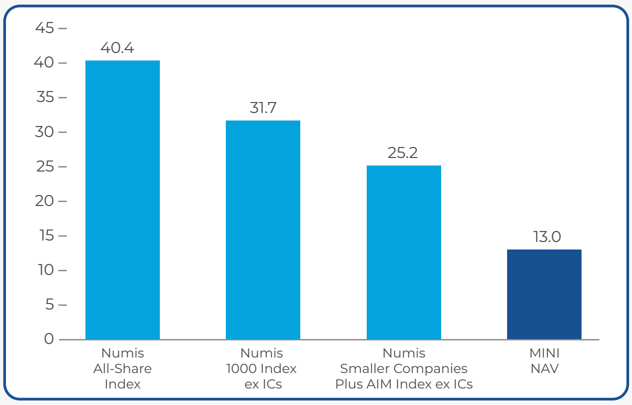
Despite these setbacks, the reason we initiated the launch of this Trust was because UK quoted microcaps have greatly outperformed all other parts of the UK stock market since 1955 (the date when detailed stock market data was first compiled). Whilst there are periods when microcaps do underperform, these are greatly outweighed by long periods of microcap outperformance. Over the past 68 years, the trend has been that the return on a UK quoted company has been inversely related to its market capitalisation. In aggregate, the smaller the listed company, the better its longer-term return.

Given this data, we find it noteworthy that the trend of UK microcap underperformance ended abruptly in 2020, when Covid-19 struck and the global economy suddenly entered a serious recession. Large caps are better positioned to dodge the bullets during recessions because they have such large market positions. Typically, their prospects are closely related to the fluctuations of the global economy.

Recessions are challenging, however, and the ongoing geopolitical risks a worry for all businesses including microcaps. But, interestingly, these conditions are an advantage for well-funded businesses that are immature and small. First, being small, they have a greater chance of replacing any sales lost to a recession by taking market share elsewhere. Second, when a competitor fails, or a microcap makes an acquisition from the receiver, the upside potential tends to be much greater than for a large cap. With a small market capitalisation, the scale of the potential added upside is often much more meaningful for the combined businesses. Given these factors, we were not surprised that the Miton UK Microcap Trust's NAV total return rose more than 150% between March 2020 and April 2021, despite the challenges of the pandemic and the global recession.

Clearly, we are disappointed that the Trust's total return NAV has only been 13% since launch in April 2015. Unfortunately, this period includes the two periods of weak microcap sentiment as explained above. The Trust's return has lagged a rise of 31.7% in the Numis 1000 Index ex ICs, although it is ahead of the flat return from the Numis Alternative Markets Index ex ICs since issue. To a degree some of the largest index constituents may have outperformed due to the impact of the indexation allocation trend noted above.

Total returns from launch to 31 October 2023



Source: Morningstar

We do highlight, however, that the 'nifty fifty' large cap stocks also conspicuously outperformed in the 1960s and early 1970s, a stock market pattern that is reminiscent of the present. Thereafter, as the trajectory of the global economy weakened due to the oil price crisis and geopolitical risks, UK microcaps went on to outperform large caps substantially for many decades.

In short, despite the recent adverse sentiment haunting UK quoted microcaps, we believe that the potential for the Trust’s strategy has not diminished. Indeed, we note that numerous UK quoted microcaps are currently standing on what appear to be low valuations that are completely unjustifiable, so their upside potential may be even greater than normal this time round.

Will the lesser liquidity of the UK quoted microcap investment universe remain a bar to institutional capital in future?

During the globalisation decades, most investors have gradually become accustomed to investing more internationally, and typically in strategies with elevated risks and greater upside potential.

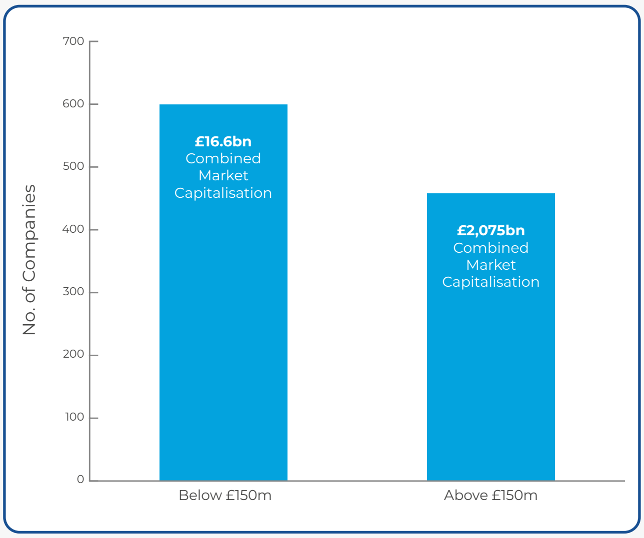
1. In stock market terms, this might have included US ‘unicorns’ (high growth stocks that have typically drawn down very substantial capital sums to build a market position that they hope eventually becomes very valuable).
2. In bond market terms, it has typically involved investing in long-dated bonds so that as bond yields fell, they had greater upside potential.
3. In borrowing terms, it has also included double or triple geared index ETFs or private equity funds with geared upside potential combined with the advantage of paying ever lower interest costs.

As a result over the past several decades, most investors have reduced their UK equity weightings and scaled up their capital participation in strategies with extra risk and upside.

In this context, we find it interesting that, with the problems of inflation and the decline in bond valuations, the FTSE100 Index has now moved to become amongst the best performing of all global stock markets over the last three years. This is remarkable, as most local investors have continued the trend of selling the UK to invest elsewhere, yet this has not stopped the UK stock market outperforming.

As it is, the Trust’s investment universe includes more than half of all UK quoted companies. For now, most professionally managed UK small cap strategies seldom research the potential of microcaps. However, if UK microcaps do outperform midcaps from here, then most small cap fund managers will need to become more accustomed to investing in UK quoted microcaps, or else suffer underperformance. Importantly, as there is lesser liquidity within microcaps, a portfolio shift like this will be self-reinforcing, potentially boosting microcap upside to an even greater degree.

Number of quoted companies in the UK below and above £150m market capitalisation



Source: Premier Miton

Furthermore, if the global economy is weak in future, and if quoted microcaps do outperform as significantly as they have in the past, then we anticipate that even institutional investors will become accustomed to allocating capital further down the UK market capitalisation range – even into UK microcaps. These institutions often already hold unquoted companies in their portfolios, so the liquidity of quoted microcaps in this context will be a considerable improvement.

What are the prospects for the Trust?

In the answers above, we have attempted to outline why we believe that the prospects for the Trust's strategy appear unusually strong at present. In this section, we have sought to cover why we believe the prospects for the Trust are so compelling on a medium- and longer-term basis.

Historically, UK quoted microcaps have delivered returns well above that of UK large caps, even during periods of unsettled economic conditions. During globalisation, UK microcaps continued to outperform UK large caps, but the outcome was of little interest to institutional investors, as international strategies investing in large caps with rapid growth prospects, such as US technology stocks, performed strongly.

But when economic conditions are more unsettled, companies generating a stream of good and growing dividends have the advantage and typically outperform. At the time of the Trust's launch in April 2015 the Manager anticipated that global market trends were set to go through this transition.

As the globalisation trend has faded over the last three years, it is noteworthy that UK large caps, which typically comprise capital intensive businesses paying out a stream of good and growing dividends, have now started to outperform nearly all international comparatives. If UK large caps are now set to deliver returns ahead of most other comparatives, to what degree should we be worried that the usual pattern of UK microcap outperformance has been absent over the last three years?

In our view, this is explainable. As yet, local investors have not changed their behaviour of prioritising capital allocation to overseas strategies rather than to the UK. The reason that UK large caps have outperformed over the last three years is related to the behaviour of international investors who have started to increase their weightings in low-beta equity income stocks, such as those within the UK's mainstream stock market index.

The key point here is that market sentiment can change dramatically, and when a favourable new trend is established, it can remain in place for a very long period. If UK mainstream equities do continue to outperform international comparatives, as we anticipate, and if the usual trend of UK microcap outperformance of UK large caps also returns, then the Trust has the potential to deliver returns that will outpace those of most international strategies.

This would represent a sea change in stock market trends, and in our view will justify local investors ceasing to allocate capital overseas and bringing it back to the UK, where the government is looking to help the stock market in various ways. And as local investors, they would not just allocate to UK large caps.

We therefore feel that UK quoted microcaps are at the start of a supercycle that has the potential to persist for decades. In short, Martin and I believe the prospects for the Trust's strategy are the best they have been for thirty years.

Gervais Williams and Martin Turner
13 December 2023

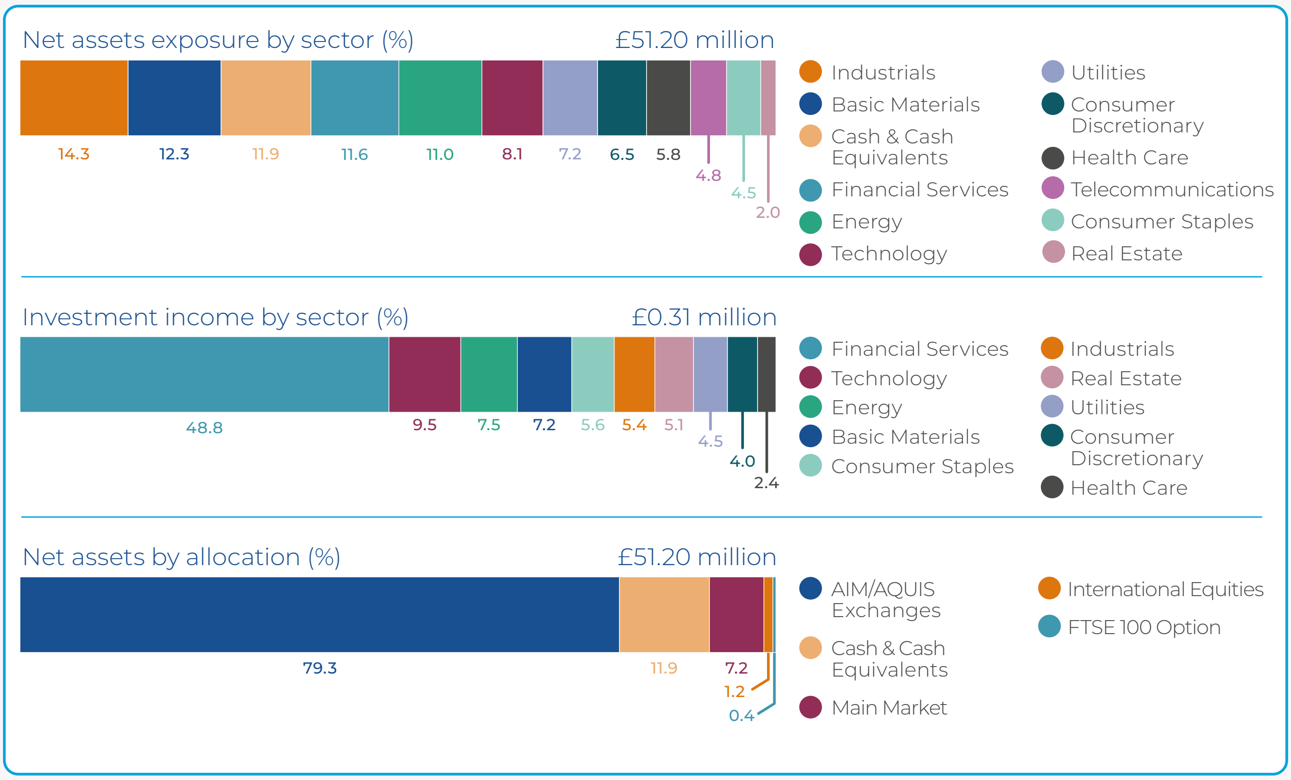
Portfolio Information

as at 31 October 2023

Rank	Company	Sector & main activity	Valuation £'000	% of net assets	Yield* %
1	Yu Group	Utilities	3,686	7.2	0.6
2	MTI Wireless Edge	Telecommunications	1,254	2.4	7.5
3	TruFin	Financials	1,231	2.4	–
4	Accrol Group	Consumer Staples	1,169	2.3	–
5	DX Group	Industrials	1,021	2.0	3.5
6	Cyanconnode Holdings	Telecommunications	978	1.9	–
7	Pantheon Resources	Energy	965	1.9	–
8	Zinc Media Group	Consumer Discretionary	953	1.9	–
9	Shield Therapeutics	Health Care	941	1.8	–
10	Frontier IP Group	Industrials	913	1.8	–
Top 10 investments			13,111	25.6	
11	Andrada Mining	Basic Materials	857	1.7	–
12	Journeo	Industrials	824	1.6	–
13	Ingenta	Technology	813	1.6	2.7
14	Braemar	Industrials	806	1.6	5.2
15	Supreme	Consumer Staples	804	1.6	2.9
16	STM Group	Financials	737	1.4	1.2
17	Van Elle Holdings	Industrials	695	1.4	3.2
18	Savannah Resources	Basic Materials	685	1.3	–
19	Serabi Gold	Basic Materials	678	1.3	–
20	Zephyr Energy	Energy	665	1.3	–
Top 20 investments			20,675	40.4	
21	Enteq Technologies	Energy	664	1.3	–
22	REACT Group	Industrials	617	1.2	–
23	Ultimate Products	Consumer Discretionary	617	1.2	6.0
24	Elemental Altus Royalties	Basic Materials	617	1.2	–
25	Avacta Group	Health Care	611	1.2	–
26	Marwyn Value Investors	Financials	604	1.2	11.8
27	Concurrent Technologies	Technology	588	1.2	–
28	CT Automotive Group	Consumer Discretionary	579	1.1	–
29	Tirupati Graphite	Basic Materials	572	1.1	–
30	Kistos	Energy	570	1.1	–
Top 30 investments			26,714	52.2	
Balance held in 92 equity investments			18,198	35.5	
Total equity investments			44,912	87.7	
Listed Put Option					
	UKX – December 2023 5,700 Put		16	–	
	UKX – June 2024 5,900 Put		185	0.4	
Total Put options			201	0.4	
Other net current assets			6,089	11.9	
Net assets			51,202	100.0	

** Source: Refinitiv. Based on historical yields and therefore not representative of future yields. Includes special dividends where known.*

Net assets as at 31 October 2023



Source: Thomson Reuters.

The table and charts above set out how the Company's capital was deployed as at 31 October 2023. The data is shown in terms of the classifications or the stock markets on which the holdings are listed. UK smaller quoted companies that are not listed on the Main Market of the London Stock Exchange are normally quoted on AIM. The AIM market was set up to meet the requirements of smaller listed companies, providing them with the ability to raise funds. This also provides liquidity for acquisitions and trading in the shares.

The Company as at 31 October 2023 held £5.9 million of cash. This enables the Company to take advantage of investments at opportune moments.

The warrants give the right, but not the obligation, to buy or sell a security at a certain price before expiration. The current value of the holdings in the tables above are at exercise price, where these are ‘in the money’.

The investment income shown above comprises income from the portfolio as included in the Income Statement for the Half Year to 31 October 2023, attributable to the various sectors. The returns of the Company are from Capital and Revenue.

Investments for the Company’s portfolio are principally selected on their individual merits.

The Investment Policy is set out on page 29, and details regarding risk factors, diversification and other policies are set out each year in the Annual Report.

Half-Year Management Report and Directors' Responsibility Statement

Half-Year Management Report

The important events that have occurred during the period under review, the key factors influencing the financial statements and any updates to the principal risks and uncertainties for the remaining six months of the financial year are set out in the Chairman's Statement on pages 8 and 10 and the Investment Manager's Report on pages 11 to 15.

The principal risks facing the Company are substantially unchanged since the date of the Annual Report and Accounts for the year ended 30 April 2023 and remain as set out in that report on pages 23 to 26.

The risks faced by the Company include, but are not limited to: the availability of suitable investments to execute its investment strategy; reliance on third-party service providers; reliance on key personnel/individuals employed by the Investment Manager; share price volatility and liquidity risk; operational costs which are unrelated to the size of the fund; adverse regulatory or law changes; cyber security risk; legal action by others and major market event, climate change or geo-political risk. The risks arising from the Company's financial instruments are market risk; liquidity risk; and credit and counterparty risk.

Responsibility Statement

The Directors acknowledge responsibility for the Half-Year Financial Report and confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard ("IAS") 34, as contained in UK-adopted IFRS; and gives a true and fair view of the assets, liabilities, financial position and profit of the Company as required by the Disclosure Guidance and Transparency Rules (DTR) 4.2.4R; and

- this Half Year Report (including the Chairman's Statement and the Investment Manager's Report) includes a fair review of the information required by:

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

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

This Half Year Report was approved by the Board of Directors on 13 December 2023 and the above responsibility statement was signed on its behalf by Ashe Windham, Chairman.

Income Statement

for the half year to 31 October 2023

	Notes	Half year to 31 October 2023 Revenue return £'000	Half year to 31 October 2023 Capital return £'000	Half year to 31 October 2023 Total £'000	Half year to 31 October 2022 Revenue return £'000	Half year to 31 October 2022 Capital return £'000	Half year to 31 October 2022 Total £'000	Year ended 30 April 2023 Revenue return £'000	Year ended 30 April 2023 Capital return £'000	Year ended 30 April 2023 Total £'000
Losses on investments held at fair value through profit or loss		–	(9,096)	(9,096)	–	(27,124)	(27,124)	–	(26,765)	(26,765)
Losses on derivatives held at fair value through profit or loss		–	(163)	(163)	–	(407)	(407)	–	(852)	(852)
Income	2	422	–	422	484	–	484	875	–	875
Management fee	7	(59)	(177)	(236)	(84)	(251)	(335)	(149)	(448)	(597)
Other expenses		(320)	–	(320)	(333)	–	(333)	(676)	–	(676)
Return/(loss) on ordinary activities before finance costs and taxation		43	(9,436)	(9,393)	67	(27,782)	(27,715)	50	(28,065)	(28,015)
Finance costs	8	–	(21)	(21)	–	(19)	(19)	–	(39)	(39)
Return/(loss) on ordinary activities before taxation		43	(9,457)	(9,414)	67	(27,801)	(27,734)	50	(28,104)	(28,054)
Taxation		4	–	4	–	–	–	(18)	–	(18)
Return/(loss) on ordinary activities after taxation	3	47	(9,457)	(9,410)	67	(27,801)	(27,734)	32	(28,104)	(28,072)
Return per Ordinary share – basic and diluted (pence)	3	0.05	(9.99)	(9.94)	0.07	(27.97)	(27.90)	0.03	(28.96)	(28.93)

The total column of this statement is the Income Statement of the Company prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of UK IFRS. The supplementary revenue return and capital return columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

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

There is no other comprehensive income, and therefore the return/(loss) for the six months is also the comprehensive income.

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

for the half year to 31 October 2023

	Notes	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 30 April 2023		**145**	**79**	**672**	**51,039**	**8,697**	**122**	**60,754**
Total comprehensive income:								
Return on ordinary activities after taxation		–	–	–	–	(9,457)	47	(9,410)
Transactions with shareholders recorded directly to equity:								
Equity dividends paid	4	–	–	–	(20)	–	(122)	(142)
As at 31 October 2023		**145**	**79**	**672**	**51,019**	**(760)**	**47**	**51,202**
As at 30 April 2022		160	64	672	61,546	36,801	232	99,475
Total comprehensive income:								
Return on ordinary activities after taxation		–	–	–	–	(27,801)	67	(27,734)
Transactions with shareholders recorded directly to equity:								
Redemption of Ordinary shares		–	–	–	(10,507)	–	–	(10,507)
Cancellation of shares	5	(15)	15	–	–	–	–	–
Equity dividends paid	4	–	–	–	–	–	(142)	(142)
As at 31 October 2022		145	79	672	51,039	9,000	157	61,092
As at 30 April 2022		160	64	672	61,546	36,801	232	99,475
Total comprehensive income:								
Return on ordinary activities after taxation		–	–	–	–	(28,104)	32	(28,072)
Transactions with shareholders recorded directly to equity:								
Redemption of Ordinary shares		–	–	–	(10,507)	–	–	(10,507)
Cancellation of shares	5	(15)	15	–	–	–	–	–
Equity dividends paid	4	–	–	–	–	–	(142)	(142)
As at 30 April 2023		145	79	672	51,039	8,697	122	60,754

The accompanying notes are an integral part of these financial statements.

Balance Sheet

as at 31 October 2023

	Notes	31 October 2023 £'000	31 October 2022 £'000	30 April 2023 £'000
Non-current assets:				
Investments held at fair value through profit or loss		44,912	56,318	56,068
Current assets:				
Derivative instruments		201	615	169
Trade and other receivables		304	116	217
Cash at bank and cash equivalents		5,945	4,931	4,590
		6,450	5,662	4,976
Liabilities:				
Trade and other payables		(160)	(888)	(290)
Net current assets		6,290	4,774	4,686
Net assets		51,202	61,092	60,754
Capital and reserves				
Share capital	5	145	145	145
Capital redemption reserve		79	79	79
Share premium account		672	672	672
Special reserve		51,019	51,039	51,039
Capital reserve		(760)	9,000	8,697
Revenue reserve		47	157	122
Shareholders' funds		51,202	61,092	60,754
		pence	pence	pence
Net asset value per Ordinary share – basic and diluted		54.10	64.55	64.20

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

for the half year to 31 October 2023

	Half year to 31 October 2023 £'000	Half year to 31 October 2022 £'000	Year ended 30 April 2023 £'000
Operating activities:			
Net loss before taxation	(9,414)	(27,734)	(28,054)
Loss on investments and derivatives held at fair value through profit or loss	9,259	27,531	27,617
Amortisation of finance costs	21	19	33
Decrease in trade and other receivables	11	23	39
Decrease in trade and other payables	(2)	(37)	(13)
Withholding tax received/(paid)	4	–	(18)
Net cash outflow from operating activities	(121)	(198)	(396)
Investing activities:			
Purchase of investments	(6,990)	(6,988)	(15,404)
Sale of investments	8,824	17,832	27,498
Purchase of derivative instruments	(195)	(911)	(911)
Sale of derivative instruments	–	2,070	691
Net cash inflow from investing activities	1,639	12,003	11,874
Financing activities:			
Redemption of ordinary shares	–	(10,507)	(10,507)
Equity dividends paid	(142)	(142)	(142)
Finance costs paid	(21)	(19)	(33)
Net cash outflow from financing activities	(163)	(10,668)	(10,682)
Increase in cash and cash equivalents	1,355	1,137	796
Reconciliation of net cash flow movement in funds:			
Cash and cash equivalents at the start of the period	4,590	3,794	3,794
Net cash inflow from cash and cash equivalents	1,355	1,137	796
Cash at the end of the period	5,945	4,931	4,590
Cash and cash equivalents			
Comprise the following:			
Cash at bank	5,945	4,931	4,590
	5,945	4,931	4,590

The accompanying notes are an integral part of these financial statements.

Notes to the Condensed Financial Statements

1. Significant Accounting Policies

Basis of preparation

The condensed financial statements of the Company have been prepared in accordance with UK adopted International Accounting Standards ("IAS") 34 – Interim Financial Reporting.

The financial information contained in this Half Year Report does not constitute statutory accounts as defined in Section 435(1) of the Companies Act 2006. The financial information for the periods ended 31 October 2023 and 31 October 2022 have not been audited or reviewed by the Company's Auditor. The figures and financial information for the year ended 30 April 2023 are an extract from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the Auditor on those financial statements was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

In the current period, the Company has applied amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. The adoption of these has not had any material impact on these financial statements and the accounting policies used by the Company followed in these half-year financial statements are consistent with the most recent Annual Report for the year ended 30 April 2023.

Going concern

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date when these financial statements were approved.

In making the assessment, the Directors of the Company have considered the likely impacts of international and economic uncertainties on the Company, operations and the investment portfolio. These include, but are not limited to, geopolitical events, the war in Ukraine, the ongoing Israel/Palestine conflict, political and economic instability in the UK, supply shortages and inflationary pressures.

The cash balance as at 31 October 2023 of £5.9 million enables the Company to meet any funding requirements and finance future additional investments.

The Directors have assessed the impact of changes in market value and income with associated cash flows. In making this assessment, they have considered plausible downside scenarios including the impact of inflation and simulated a 50% reduction in NAV. The conclusion was that in a plausible downside scenario the Company could continue to meet its liabilities. The economic future remains uncertain, and while the Directors believe that it is possible the Company could experience further reductions in income and/or market value, that in their opinion this should not be to a level which would threaten the Company's ability to continue as a going concern.

The Directors are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

Notes to the Condensed Financial Statements continued

2. Income

	Half year to 31 October 2023 £'000	Half year to 31 October 2022 £'000	Year ended 30 April 2023 £'000
Income from investments:			
UK dividends	222	317	490
UK REIT dividend income	16	17	33
Non UK dividends	73	124	281
	311	458	804
Other income:			
Bank deposit interest	111	21	66
Exchange gains	–	2	2
Other income	–	3	3
Total income	422	484	875

3. Return per Ordinary Share

Returns per share are based on the weighted average number of shares in issue during the period. Normal and diluted return per share are the same as there are no dilutive elements on share capital.

	Half year to 31 October 2023			Half year to 31 October 2022			Year ended 30 April 2023		
Net profit (£'000)	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Net profit/(loss) (£'000)	47	(9,457)	(9,410)	67*	(27,801)*	(27,734)*	32*	(28,104)*	(28,072)*
Weighted average number of shares in issue			94,638,561			99,404,322			97,041,026
Return per Ordinary share (pence)	0.05	(9.99)	(9.94)	0.07*	(27.97)*	(27.90)*	0.03*	(28.96)*	(28.93)*

** Return of the Company – Continuation Pool and the Redemption Pool.*

The 50,000 Management shares do not participate in the returns of the Company.

4. Dividends per Ordinary Share

	Half year to 31 October 2023		Half year to 31 October 2022		Year ended 30 April 2023	
	£'000	pence	£'000	pence	£'000	pence
Amounts recognised as distributions to equity holders in the period:						
Final dividend for the year ended 30 April 2022	–	–	142	0.15	142	0.15
Final dividend for the year ended 30 April 2023	142	0.15	–	–	–	–
	142	0.15	142	0.15	142	0.15

5. Called-up Share Capital

	Half year to 31 October 2023 Number	Half year to 31 October 2023 £'000	Half year to 31 October 2022 Number	Half year to 31 October 2022 £'000	Year ended 30 April 2023 Number	Year ended 30 April 2023 £'000
Ordinary shares of £0.001 each						
Opening balance	94,638,561	95	109,253,560	110	109,253,560	110
Cancellation of shares	–	–	(14,614,999)	(15)	(14,614,999)	(15)
	94,638,561	95	94,638,561	95	94,638,561	95

	Half year to 31 October 2023 Number	Half year to 31 October 2023 £'000	Half year to 31 October 2022 Number	Half year to 31 October 2022 £'000	Year ended 30 April 2023 Number	Year ended 30 April 2023 £'000
Management shares of £1 each	50,000	50	50,000	50	50,000	50

Redemption of Ordinary Shares

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. As set out in the Articles of Association, the Board may, at its absolute discretion, elect not to operate the annual redemption facility in whole or in part. Accordingly, the Ordinary Shares have been classified as equity.

2023 Redemption

The total number of Ordinary Shares in respect of which valid redemption requests were received for the 2 November 2023 Redemption Point was 17,714,958 Ordinary Shares (representing 18.7% of the issued share capital at the Redemption Point). The Directors elected to operate a redemption pool and cancel the redeemed shares.

Following the period end, on 2 November 2023, the 17,714,958 Ordinary Shares over which valid redemption requests were received were cancelled at the Redemption Point. The current issued share capital as at signing of this report is 76,923,603 Ordinary Shares and 50,000 Management Shares.

6. Net Asset Value per Share

Ordinary shares

The NAV per Ordinary share and the NAV attributable at the period end were as follows:

	NAV per Ordinary share 31 October 2023 pence	Net assets attributable 31 October 2023 £'000	NAV per Ordinary share 31 October 2022 pence	Net assets attributable 31 October 2022 £'000	NAV per Ordinary share 30 April 2023 pence	Net assets attributable 30 April 2023 £'000
Basic and diluted	54.10	51,202	64.55	61,092	64.20	60,754

NAV per Ordinary share is based on net assets at the period end and 94,638,561 Ordinary shares, being the number of Ordinary shares in issue at the period end (31 October 2022: 94,638,561 Ordinary shares; 30 April 2023: 94,638,561 Ordinary shares).

Management shares

Net assets of £1.00 per Management share is based on net assets at the period end of £50,000 and attributable to 50,000 Management shares at the period end. The holders of Management shares have no right to any surplus capital or assets of the Company.

Notes to the Condensed Financial Statements continued

7. Management Fee

	Half year to 31 October 2023			Half year to 31 October 2022			Year ended 30 April 2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	59	177	236	84	251	355	149	448	597

At 31 October 2023, an amount of £75,000 (31 October 2022: £43,000; 30 April 2023: £41,000) was outstanding and due to Premier Portfolio Managers ("PPM") in respect of management fees.

The basic management fee payable to the AIFM is calculated at the rate of one-twelfth of 0.9% of the average market capitalisation of the Company up to £100m, 0.8% per annum on the average market capitalisation above £100m, on the last business day of each calendar month. The basic management fee accrues daily and is payable in arrears in respect of each calendar month. For the purpose of calculating the basic fee, the 'adjusted market capitalisation' of the Company is defined as the average daily midmarket price for an Ordinary share (and C share when in issue), multiplied by the number of relevant shares in issue, excluding those held by the Company in treasury, on the last business day of the relevant month. In addition to the basic management fee, and when a Redemption Pool is in existence, the AIFM is entitled to receive from the Company a fee calculated at the rate of 0.9% of the net asset value of the Redemption Pool on the last Business Day of the relevant calendar month.

The AIFM has agreed that, for so long as it remains the Company's Investment Manager, it will not charge such part of any management fee payable to it so that the Company can maintain an ongoing charges ratio of 2% or lower. In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year 75% of the management fee payable is expected to be charged to capital and the remaining 25% to income.

8. Finance Costs

	Half year to 31 October 2023			Half year to 31 October 2022			Year ended 30 April 2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
£5m revolving loan facility arrangement fee	–	5	5	–	3	3	–	6	6
£5m revolving loan facility non-utilisation fee	–	16	16	–	16	16	–	33	33
	–	21	21	–	19	19	–	39	39

Revolving credit facility

The Company entered into a revolving credit facility (the "facility") on 25 February 2021 for £5m for three years arranged by NatWest Markets Plc (previously known as The Royal Bank of Scotland plc), and the lender The Royal Bank of Scotland International Limited, London branch.

The Company cancelled the facility on 23 October 2023 without penalty. No amounts had been drawn on the facility. A commitment fee of 0.65% on undrawn balances was chargeable.

9. Fair Value Hierarchy

The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements. The fair value is the amount at which the asset could be sold in an ordinary transaction between market participants, at the measurement date, other than a forced or liquidation sale.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – Valued using quoted prices, unadjusted in active markets.

Level 2 – Valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in level 1.

Level 3 – Valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The tables below set out fair value measurement of financial assets and financial liabilities in accordance with the fair value hierarchy into which the fair value measurement is categorised.

Financial assets

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss at 31 October 2023				
Equity investments	43,694	1,218	–	44,912
Derivative contracts	–	201	–	201
	43,694	1,419	–	45,113

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss at 31 October 2022				
Equity investments	55,081	1,070	167	56,318
Derivative contracts	–	615	–	615
	55,081	1,685	167	56,933

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss at 30 April 2023				
Equity investments	55,801	128	139	56,068
Derivative contracts	–	169	–	169
	55,801	297	139	56,237

Notes to the Condensed Financial Statements continued

Reconciliation of level 3 movements – financial assets

	As at 31 October 2022 Level 3 £'000	As at 31 October 2022 Level 3 £'000	As at 30 April 2023 Level 3 £'000
Opening fair value investments	139	479	479
Transfer from Level 1 to Level 3	–	225	58
Transfer from Level 2 to Level 3	–	86	86
Transfer from Level 3 to Level 1	(139)	(340)	(557)
Movement in investment holdings gains movement in unrealised	–	(283)	73
Closing fair value of investments	–	167	139

Investments classified within Level 3 consist of equities, warrants and options. As observable prices are not available for these investments, the Manager has used valuation techniques to derive the fair value. The Level 3 valuations are reviewed on a regular basis by the Manager. The Manager considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard. In selecting the most appropriate valuation model the Manager performs back testing and considers which model's results have historically aligned most closely to actual market transactions. The fair value of level 3 investments are based on discounted anticipated future cash returns, taking account of available information, the consideration of liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

The transfers between Level 3 and Level 1 consist of equities that have been suspended and/or readmitted after suspension on the relevant stock exchange. Where the stock is readmitted, it is fair valued using quoted prices, unadjusted in an active market and transferred to Level 1. Where it is suspended, it is transferred to Level 3 with the appropriate valuation technique applied with consideration of the rationale for suspension and other relevant information.

10. Transactions with the Investment Manager and Related Parties

The amounts paid and payable to the Investment Manager pursuant to the management agreement are disclosed in note 7. There were no other identifiable related parties at the half year end.

11. Post balance sheet events

The total number of Ordinary Shares in respect of which valid redemption requests were received for the 2 November 2023 Redemption Point was 17,714,958 Ordinary Shares (representing 18.7% of the issued share capital (the "Redemption")). The Board accepted all valid redemption requests and resolved to effect the Redemption using the redemption pool method set out in the Company's Articles, pursuant to which the Company notionally divided its assets and liabilities into two pools, the Redemption Pool and the Continuing Pool, with the returns attributable to the respective Redemption and Continuing shareholders. The 17,714,958 Ordinary Shares over which redemption requests were made have been cancelled and 18.7% of net assets equivalent to £9.6m transferred to the Redemption Pool at the Redemption Point. The assets of the Redemption Pool will be liquidated and the Redemption Price per redeemed Ordinary Share will equal the aggregate cash received by the Company upon the realisation of the Redemption Pool after costs.

Investment Objective and Policy

Investment Objective

The investment objective of the Company is to provide shareholders with capital growth over the long term.

Investment Policy

The Company invests primarily in the smallest companies, measured by their market capitalisation, quoted or traded on an exchange in the UK at the time of investment. It is likely that the majority of the microcap companies held in the Company's portfolio will be quoted on AIM and will typically have a market capitalisation of less than £150m at the time of investment. The Company may also invest in debt, warrants or convertible instruments issued by such companies and may invest in, or underwrite, future equity issues by such companies.

The Company may utilise derivative instruments including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes. Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described below. The Company will not enter into uncovered short positions.

If companies in the portfolio achieve organic growth or grow through corporate activity such as acquisitions, and consequently have a market capitalisation that would place them outside the investable universe, the Investment Manager will not be obliged to sell those holdings, but the proportion of the portfolio in such companies will be carefully monitored by the Investment Manager and the Board so that the overall investment policy to invest in the smallest quoted or traded companies is not materially altered.

The Company's portfolio is expected to be diversified by industry and market of activity. No single holding will represent more than 15% of gross assets at the time of investment and, when fully invested, the portfolio is expected to have around 120 holdings although there is no guarantee that will be the case and it may contain a lesser number of holdings at any time.

The Company will have the flexibility to invest up to 10% of its gross assets at the time of investment in unquoted or untraded companies, or in any one unquoted or untraded company.

The Company will invest no more than 10% of gross assets at the time of investment in other investment funds.

Borrowing

The Company may deploy borrowing to enhance long-term capital growth. Gearing will be deployed flexibly up to 15% of the NAV, at the time of borrowing. In the event this limit is breached as a result of market movements, and the Board considers that borrowing should be reduced, the Investment Manager shall be permitted to realise investments in an orderly manner so as not to prejudice shareholders.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

Shareholder Information

Capital Structure

The Company's share capital consists of Ordinary shares of £0.001 each ("Ordinary shares") with one vote per share and non-voting Management shares of £1 each ("Management shares"). The Ordinary shares shall be redeemable in accordance with the Articles of Association of the Company. From time to time, the Company may issue C ordinary shares of £0.01 each ("C shares") with one vote per share.

As at 31 October 2023 there were 94,638,561 Ordinary Shares in issue, and at the date of this report, following the redemption, there are 76,923,603 Ordinary Shares in issue, none of which are held in treasury, and 50,000 Management Shares.

Redemption of Ordinary Shares

The Company has a voluntary redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary shares on an annual basis. The next Redemption Point for the Ordinary shares will be 5 November 2024. Redemption Request forms are available upon request from the Company's Registrar.

Shareholders submitting valid requests for the redemption of Ordinary shares will have their shares redeemed at the Redemption Price. The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any redemption point by reference to the Dealing Value per Ordinary share or by reference to a separate Redemption Pool.

The Board may, at its absolute discretion, elect not to operate the annual redemption facility on any given Redemption Point, or to decline in whole or part any redemption request, although the Board does not generally expect to exercise this discretion, save in the interests of shareholders as a whole.

A redemption of Ordinary shares may be subject to either income tax or capital gains tax. In particular, private shareholders who sell their shares via the redemption mechanism could find they are subject to income tax on the gains made on the redeemed shares rather than the more usual capital gains tax on the sale of their shares in the market. However, individual circumstances do vary, so shareholders who are in any doubt about the redemption or the action that should be taken, should consult their stockbroker, accountant, tax adviser or other independent financial adviser.

Full details of the redemption facility are set out in the Company's Articles of Association or are available from the Secretary.

November 2024 Redemption Point

It is anticipated that the next redemption point for shareholders will be in November 2024. The Board retains the discretion to further amend this timetable.

The following are the expected dates for the November 2024 Redemption Point:

1 October 2024	Latest date for receipt of Redemption Requests and certificates for certificated shares
3 pm on 1 October 2024	Latest date and time for receipt of Redemption Requests and settled TTE (Transfer to Escrow) instructions for uncertificated shares via CREST
5pm on 5 November 2024	Redemption Point
By 19 November 2024	Company to notify Redemption Price and dispatch redemption monies; or if the redemption is to be funded by way of a Redemption Pool, Company to notify the number of shares being redeemed. In the case of a large redemption request it may take around three months or longer for the Redemption Pool to be fully liquidated and all redemption monies to be despatched
3 December 2024	Balance certificate to be sent to shareholders

Share Dealing

Shares can be traded through your usual stockbroker.

Share Prices

The Company's Ordinary shares are listed on the Official List of the FCA and traded on the London Stock Exchange.

Share Register Enquiries

The register for the Ordinary Shares is maintained by Link Group. In the event of queries regarding your holding, please contact the Registrar.

By phone – UK – 0371 664 0300 Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

By email – shareholderenquiries@linkgroup.co.uk

By post – Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Ticker code

The Company's Ticker code is MINI

Investment Manager

The Company's Investment Manager is Premier Fund Managers Limited, a wholly-owned subsidiary of Premier Miton Group plc. Premier Miton Group is a leading multi-asset and equity fund management specialist listed on the AIM market for smaller and growing companies.

AIFM

Premier Portfolio Managers, also a wholly owned subsidiary of Premier Miton Group plc, has been appointed as the Company's Alternative Investment Fund Manager under the Alternative Investment Fund Managers' Directive.

Members of the fund management team invest in their own funds and are significant shareholders in Miton UK MicroCap Trust plc and Premier Miton Group plc.

Investor updates in the form of monthly factsheets and other information about the trust, including videos and podcasts, are available from the investment manager's website, premiermiton.com, as well as from the trust's own website, mitonukmicrocaptrust.com.

Directors and Secretary

Directors (all non-executive)

Ashe Windham, Chairman
Louise Bonham
Peter Dicks
Davina Walter

Advisers

Secretary and Registered Office

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Telephone: +44 (0) 333 300 1950

Alternative Investment Manager ("AIFM")

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Telephone: 01483 396 090
Website: premiermiton.com

Investment Manager

Premier Fund Managers Ltd
Eastgate Court
High Street
Guildford
Surrey GU1 3DE
Telephone: 01483 396 090
Website: premiermiton.com

Authorised and regulated by the
Financial Conduct Authority

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Company Administrator

Link Alternative Fund Administrators Limited
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Southernhay West
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Depositary and Custodian

The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London EC4V 4LA

Registrar and Transfer Office

Link Group
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Telephone: 0371 664 0300
(Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate)

Email: shareholderenquiries@linkgroup.co.uk
Website: www.linkgroup.eu

Solicitor

Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Stockbroker

Peel Hunt LLP
100 Liverpool Street
London EC2M 2AT

Financial Calendar

Year end	30 April 2024
2024 full-year results announced	July 2024
Annual General Meeting	September 2024
2024 Half-year end	31 October 2024
Redemption Point	5 November 2024
2024 half-year results announced	December 2024

An investment company as defined under Section 833 of the Companies Act 2006.
Registered in England No. 09511015.
A member of the Association of Investment Companies.

Glossary and Alternative Performance Measures (APMs)

Alternative Investment Market ("AIM")
MINI's shares are traded on the London Stock Exchange, although most of the stocks held in the Company's portfolio are quoted on AIM. AIM is owned by the London Stock Exchange and was principally set up to meet the funding needs of smaller, growing companies.

Alternative Performance Measure ("APM")
An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework.

Annual General Meeting ("AGM")
All public companies have an AGM every year, and this is the opportunity for the shareholders to confirm their approval of the annual accounts, the annual dividend and the appointment of the directors and auditors. It is also a good time for shareholders to meet the non-executive directors.

Discount/Premium to NAV – an APM
If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

Discount Calculation	31 October 2023	30 April 2023	
Closing NAV per share (p)	54.10	64.20	(a)
Closing share price (p)	47.50	59.50	(b)
Discount (c = ((a - b)/a))	(12.20%)	(7.32%)	(c)

Dividend Yield
The annual dividend expressed as a percentage of the mid-market share price.

Financial Conduct Authority ("FCA")
This regulator oversees the fund management industry.

FTSE 100 Put Option
A FTSE 100 Put Option is a type of derivative contract in which the underlying value is based on the level of the FTSE 100 index.

Gearing
Gearing refers to the ratio of the Company's debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. If the Company's assets grow, the shareholders' assets grow proportionately because the debt remains the same. If the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Key Performance Indicators ("KPIs")

KPIs are a short list of corporate attributes that are used to assess the general progress of the business.

MicroCap stocks

The smallest companies in the investment universe, as measured by market capitalisation, which is the total value of the shares of a company. These are typically less than £150m by value at the time of investment.

Net Asset Value ("NAV") per Ordinary share

The NAV is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all of the Company's assets, at their current market value, having deducted all liabilities and prior charges at their par value, or at their asset value as appropriate. The NAV per share is calculated by dividing the shareholders' funds by the number of Ordinary shares in issue excluding treasury shares

Numis Indices

The Numis Indices mentioned in this report comprise the following:

Numis All-Share Index comprises all fully listed companies on the main UK equity market.

Numis Large Cap Index contains all the stocks that make up the largest 80% by market value of the UK fully listed equity market.

Numis Smaller Companies + AIM ex Investment Companies Index covers the smallest 10% by market value of the UK fully listed equity market, plus AIM stocks that meet this size limit. It excludes investment companies.

Numis 1000 Index ex ICs contains all the stocks that make up the smallest 2% by value of the UK fully listed equity market. It excludes investment companies.

Ongoing Charges – an APM

As recommended by the AIC in its guidance, ongoing charges are the Company's annualised revenue and capital expenses (excluding finance costs and certain non-recurring items) expressed as a percentage of the average monthly net assets of the Company during the year.

Ongoing Charges Calculation	31 October* 2023 £'000	30 April 2023 £'000	
Management fee	469	597	
Other administrative expenses	637	676	
Less non-recurring items	(2)	(86)	
Total management fee and other administrative expenses (annualised)	1,104	1,187	(a)
Average net assets in the year	55,240	69,083	(b)
Ongoing charges (c = a/b)*	2.00%	1.72%	(c)

** Annualised.*

The AIFM has agreed that, for so long as it remains the Company's Investment Manager, it will not charge such part of any management fee payable to it so that the Company can maintain an ongoing charges ratio of 2% or lower.

Glossary and Alternative Performance Measures (APMs)

continued

Peer Group
The Association of Investment Companies ("the AIC") has defined a series of categories in which investment companies sit, in order to provide meaningful peer groups for comparative purposes. MINI sits within the AIC's UK Smaller Companies sector, alongside other investment companies, the majority of whose investments are in medium to microcap companies.

SONIA (interest rate)
Sterling Overnight Index Average.

Total Assets
Total assets include investments, cash, current assets and all other assets. An asset is an economic resource, being anything tangible or intangible that can be owned or controlled to provide a return and thereby to produce positive economic value. Assets represent the value of ownership that can be converted into cash. The total assets less all liabilities will be equivalent to total shareholders' funds.

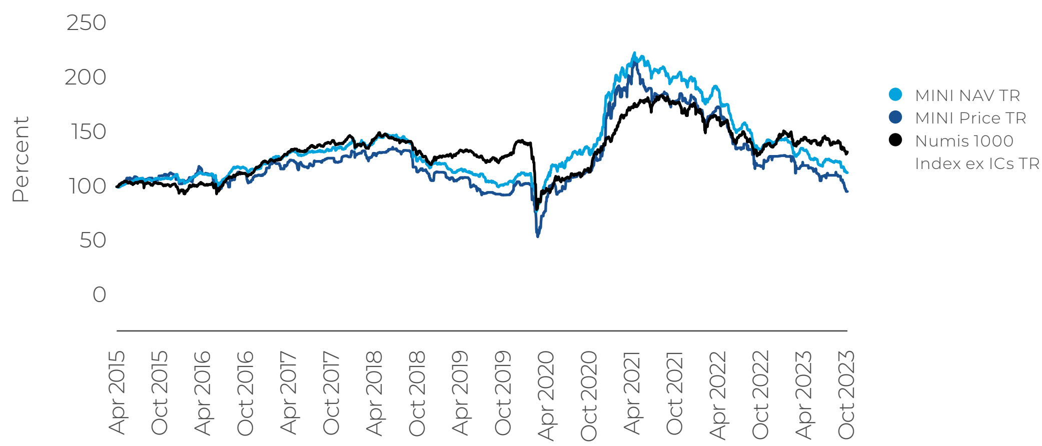
Total Return – NAV and Share Price Returns – an APM
Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The Total Return measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. This is calculated by the movement in the share price or NAV plus the dividends paid by the Company assuming these are re-invested in the Company at the prevailing NAV.

NAV Total Return	31 October 2023	30 April 2023	
Closing NAV per share (p)	54.10	64.20	
Add back final dividend for the year ended 30 April 2023 (2022) (p)	0.15	0.15	
Adjusted closing NAV (p)	54.25	64.35	(a)
Opening NAV per share (p)	64.20	91.05	(b)
NAV total return unadjusted (%) c = ((a-b)÷b)x100	(15.5)%	(29.3)%	(c)
NAV total return adjusted (%)*	(15.5)%	(29.3)%	

Share Price Total Return	31 October 2023	30 April 2023	
Closing share price (p)	47.50	59.50	
Add back final dividend for the year ended 30 April 2023 (2022) (p)	0.15	0.15	
Adjusted closing share price (p)	47.65	59.65	(a)
Opening share price (p)	59.50	86.50	(b)
Share price total return unadjusted (%) c = ((a-b)÷b)x100	(19.9)%	(31.0)%	(c)
Share price total return adjusted (%)*	(20.0)%	(31.1)%	

** Based on NAV/share price movements and dividends being reinvested at the relevant cum dividend NAV/share price during the period. Where the dividend is invested and the NAV/share price falls, this will further reduce the return or, if it rises, any increase will be greater. The source is Morningstar who have calculated the return on an industry comparative basis.*

Company performance since launch on 30 April 2015



Source: Morningstar 30 April 2015 to 31 October 2023.

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