

Interim  
Financial Report

31 March 2024

# Keystone Positive Change Investment Trust plc

Managed by

**Baillie Gifford™**

Keystone Positive Change's objective is to generate long-term capital growth with the aim of the NAV total return exceeding that of the MSCI AC World Index in sterling terms by at least 2% per annum over rolling five-year periods; and contribute to a more sustainable and inclusive world by investing in companies whose products or services make a positive social or environmental impact.

### **Comparative index**

The principal index against which performance is measured is the MSCI All Country World Index (in sterling terms).

### **Principal risks and uncertainties**

The principal and emerging risks facing the Company are: the risk that the Company's strategy and business model are unsuccessful in achieving its investment objective; discount/premium risk; financial risk; gearing risk; operational risk; custody and depositary risk; climate and governance risk; political and associated economic risk; and regulatory risk. An explanation of these risks and how they are managed is set out on pages 41 to 45 of the Company's Annual Report and Financial Statements for the year to 30 September 2023 which is available on the Company's website: [keystonepositivechange.com](https://www.keystonepositivechange.com). The principal risks and uncertainties have not changed materially since the date of that report.

### **Responsibility statement**

We confirm that to the best of our knowledge:

- a. the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- b. the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c. the Interim Financial Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board  
Karen Brade  
Chair  
2 May 2024

# Summary of unaudited results\*

	At 31 March 2024	At 30 September 2023 (audited)	% change
Total assets (before deduction of borrowings)	£174.0m	£162.2m	
Borrowings (at book value)	(£15.3m)	(£15.5m)	
Shareholders' funds	£158.7m	£146.7m	
Net asset value per ordinary share (NAV)	262.3p	237.3p	10.5
Share price	231.0p	204.0p	13.2
Discount†	(11.9%)	(14.0%)	
Gross gearing	9.6%	10.6%	
Net gearing	8.6%	10.1%	
Active share†	97%	97%	

  

	Six months to 31 March 2024	Six months to 31 March 2023
Revenue earnings per ordinary share	0.41p	0.64p

  

<b>Total returns to 31 March 2024#†</b>	<b>Six months %</b>	<b>1 year %</b>	<b>3 years %</b>
Net asset value per ordinary share (NAV)	10.7	3.4	(9.1)
Share price	13.5	9.7	(16.0)
Index‡	16.3	21.2	35.5

  

	Six months to 31 March 2024		Year to 30 September 2023	
<b>Period's high and low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
Net asset value per ordinary share (NAV)	265.5p	218.8p	266.8p	218.1p
Share price	231.0p	183.3p	226.0p	187.0p
(Discount)/premium†	(10.8%)	(17.9%)	(10.2%)	(18.0%)

\* For a definition of terms, see Glossary of terms and Alternative Performance Measures on pages 21 to 23.

† Alternative performance measure. See Glossary of terms and Alternative Performance Measures on pages 21 to 23.

# Source: Baillie Gifford/LSEG and relevant underlying index providers. See disclaimer on page 20.

‡ The MSCI All Country World Index (in sterling terms) is the principal index against which performance is measured with effect from 11 February 2021.

Past performance is not a guide to future performance.

# Interim Management Report

Much has happened in the three years since we took on the management of Keystone Positive Change Investment Trust, including the outbreak of war in Ukraine and the Middle East; supply chain challenges as the world re-opened post-pandemic; the end of easy monetary policy and the sharpest rise in interest rates in four decades; and increasing evidence of the devastation caused by global warming.

Against this dynamic and complex back-drop we have remained resolutely committed to delivering on Keystone's dual objectives of generating attractive long-term investment returns and contributing towards a more sustainable and inclusive world. We continue to believe that capital owners and allocators can play a valuable role in addressing global challenges by channelling capital towards businesses that are intent on developing, scaling production of, and successfully selling products and services that will help create a more inclusive, healthier and more environmentally stable world.

## Performance

Following eleven consecutive interest rate increases in the US and fourteen in the UK, we seem to be in a period of greater calm on this front with no changes in recent months and an expectation that rates will remain stable or even fall from here. Performance in a rising interest rate environment has been more challenging for the Company which invests in 'long duration growth stocks', i.e., companies whose share prices are skewed towards cash flows generated in the future. The more stable interest rate environment is helpful for long-term growth investors. But what matters more is the strong operational progress being made by portfolio holdings as we believe it is fundamental progress in earnings that drives share prices over the long term.

Over the six months to 31 March 2024 the benchmark increased by 16.3%, the Company's share price rose by 13.5% and NAV grew by 10.7%.

Two of the larger holdings in the portfolio, TSMC and ASML, were among the top positive contributors to performance over the period, despite 2023 being a challenging year for the semiconductor industry. ASML grew revenues by 30% and TSMC outperformed its competitors, testament to the technological leadership of these companies and their willingness to invest in both capacity expansion and R&D so they can remain at the vanguard of their industries. Both companies are cautiously optimistic that end-market demand has bottomed and will recover thanks not just to demand for advanced chips enabling AI and advanced computing, but also the growing need for chips in the energy transition, for electrification and for digitalisation. Nu Holdings, the Brazilian digital bank providing access to financial services to a hundred million people in Latin America, reported phenomenal results, outpacing our predictions when we took a position when it listed in 2021. In 2023 the company grew its customer base by 26% and its average revenue per customer by 23% while achieving positive net profits for the first time. Duolingo, the leading digital language learning app, beat expectations by growing revenues by 45% with its monthly active users increasing to 88m and the percentage of paying subscribers continuing on a positive trajectory.

Detractors to performance included WuXi and Remitly. WuXi, the global leader in outsourced research and development services to many of the world's biotech and pharma companies, has been subject to tension between the US and China. The emergence of draft bills related to the BioSecure Act in the US resulted in significant share price falls.

For a definition of terms, see Glossary of terms and Alternative Performance Measures on pages 21 to 23.

Total return information is sourced from Baillie Gifford/LSEG and relevant underlying index providers. See disclaimer on page 20.

Past performance is not a guide to future performance.

We have spoken with the CEO and some of WuXi's customers and understand the company has minimal reliance on projects at risk and that customers are not overly concerned. Geopolitical uncertainty is likely to persist with the pending US election, and we are closely monitoring the situation. However, we take comfort from steps WuXi has taken to establish its manufacturing footprint outside China to minimise geopolitical risk.

The mobile remittance provider, Remitly, was also a detractor to performance over the six-month period, despite it performing extremely well operationally, growing its customer base and revenues by over 40% in 2023 and improving profitability as its network scales and its data advantage grows. The market seems worried about Remitly's increased marketing spending, but we see it as a necessary investment for long-term growth, as long as the return from that marketing spend remains attractive. Remitly ended the year with just under 6m customers benefiting from its fast, secure and affordable means of sending money to their families and friends in low-and middle-income countries.

One of the attractive features of the Company is its ability to invest in private companies. At the end of March 2024, 5.3% of the portfolio was invested across five private companies that are developing exciting new technologies from quantum computing to carbon removal solutions. In terms of operational progress, Boston Metal, which is commercialising a novel technology to decarbonise steel production and recover high-value metal from mining waste, was selected by the US Department of Energy to enter into negotiations for \$50m of federal funding for a manufacturing plant in West Virginia; and in March 2024 it inaugurated its first facility in Brazil where it will start recovering high-value metal from mining waste at commercial scale.

Carbon removal company, Climeworks, continues to sign new carbon removal agreements with customers from a range of industries, from airlines to toy manufacturers, as it works towards the launch of its new plant in Iceland in early summer. Operational progress at Swedish battery developer and manufacturer, Northvolt, has been slower than expected in a higher cost environment and for the sheer scale of what the company is trying to achieve. On a more positive note, its progress in securing long-term contracts to the value of over \$55bn with esteemed partners is helping it secure financing to fund its expansion of Europe's first home-grown gigafactory and realise its plans for battery recycling.

Interest rates and geopolitical fragility dominate the headlines, often masking the 'secret silent miracle of human progress'<sup>1</sup>. We endeavour to find the companies contributing to human progress through products and services that address global challenges; we believe that these companies will thrive in the long term; and we believe that share prices follow fundamentals. With this in mind, it is worth highlighting the strong fundamentals of the portfolio: companies within the portfolio have delivered 10.9% annual earnings growth over the last five years compared to 8.0% for the index and are forecast to deliver 16.8% per annum<sup>2</sup> for the next three years compared to 9.4% for the index; portfolio companies have stronger balance sheets than the index with net debt/EBITDA of 1x compared to 1.6x for the index; and the portfolio holdings are investing in their future more than index constituents with capex and R&D spend equating to 19% of revenues compared to 10% for the benchmark. For these superior fundamental characteristics – faster growth, stronger balance sheets and more investment – the portfolio is on a one year forward PE of 27x, a premium of 55% to the benchmark<sup>3</sup>. This compares to a premium of 63% to the index three years ago.

<sup>1</sup> Hans Rosling, Swedish physician and academic.

<sup>2</sup> Third party analyst expectations.

<sup>3</sup> These statistics exclude private companies.

## Portfolio

We have made three complete sales and three new purchases for the Company over the past six months. The sale of Daikin, a leading player in the heating, ventilation and air conditioning industry, due to the emergence of new information related to its involvement in the production of white phosphorous smoke bombs used by the Japanese Ministry of Defence for training purposes, was addressed in the full year statement. Danish offshore wind operator Ørsted has faced operational challenges. Rising material costs, higher interest rates and changes to government support for projects in the US led to significant write-downs to projects there, undermining our confidence in the management team's ability to allocate capital: we have decided to move on. M3, a Japanese provider of digital services for the healthcare system, is growing in complexity as it acquires more and bigger businesses in different geographies. We think this comes with execution risk, so the position was sold. In both cases we sold at a lower price to when we purchased shares in February 2021; both companies were among the bigger detractors to performance since then.

We are excited to have taken three new holdings, all quite different in terms of their business model and how they are driving change. Katitas is a Japanese company that refurbishes vacant homes to sell to first-time buyers at affordable prices. It is poised to benefit from structural changes with new homes being unsustainable, expensive and in short supply, while younger generations are more open to second-hand purchases. Its scale and unique expertise mean it dominates the pre-owned market. We are excited about its ability to grow in this niche market while contributing to greater circularity.

Despite a weakening of demand for electric vehicles due to higher interest rates and weaker economies, we remain excited about investment opportunities associated with electrification of transportation. Rivian is a US company that makes electric SUVs, pick-up trucks and commercial vans. It is well poised to contribute to the electrification of the automotive sector with its strong brand, vertically integrated manufacturing business model and strong commitment to reducing carbon emissions.

Grab, South East Asia's leading platform for ride-hailing and food delivery services, is the third new holding. We expect demand for its services to grow as the region's economy expands and admire the competitive edge it has carved out through its network, scale and technology. We believe that its digital platform is playing a pivotal role in helping micro, small and medium sized enterprise (SME) owners scale their businesses, enhance their financial resilience and, importantly, improve their quality of life.

## Positive Conversations

We recently published **Positive Conversations**, an annual report that focuses on the business practices of portfolio holdings, including the carbon footprint, outlines progress towards Net Zero alignment, and provides a record of our engagements with portfolio holdings. Through our engagements we aim to grow our understanding, build relationships with management teams and seek to influence where we think engagement can be of value to companies and society. The report includes detail on positive conversations with Illumina on strategy, governance and remuneration; with Moderna on vaccine equality; and with Tesla on supply chains.

This report complements the Annual Impact Report which details how portfolio holdings are contributing towards a more sustainable and inclusive world across the four impact themes.

## Outlook

**'It's not what you look at that matters, it's what you see'<sup>4</sup>.**

We can all look at inflation figures and the US Federal Reserve's most recent meeting minutes; or at the horrendous footage of the conflicts in Ukraine and the Middle East; anyone can look at charts illustrating the rise in global temperatures or the exponential spread of viruses.

Looking around us we see a world facing significant environmental and social challenges; we see individuals and businesses innovating and developing new products and services or new business models that have the potential to address these global challenges. We see investment opportunities in businesses that are challenging the status quo. What we see is encapsulated in our dual objectives: to contribute towards a more sustainable, inclusive and healthier world while generating attractive investment returns for shareholders. To do this we endeavour to see what matters most, rather than being distracted by trying to predict short-term sentiment on interest rates or geopolitics.

It could be said that society is at a watershed moment in time, faced with the choice of continuing along the path we are on, or having the bravery, ambition and determined optimism needed to help steer us onto a more sustainable and inclusive trajectory.

This watershed moment is rich with investment opportunities for the brave and ambitious. Some interesting areas we are exploring include the electrification of mining equipment, new treatments for obesity, and companies helping improve access to medication.

Thank you for seeing what we see in our philosophy; thank you for believing that we see things that others don't, and for sharing our excitement in that.

Kate Fox and Lee Qian  
Portfolio Managers  
2 May 2024

<sup>4</sup> Henry David Thoreau – American naturalist, essayist, poet, and philosopher.

# List of investments

as at 31 March 2024

Name	Business	Impact theme*	Fair value £'000	% of total assets †
TSMC	Semiconductor manufacturer	Social	12,149	7.0
ASML	Supplier to semiconductor industry	Social	11,427	6.6
MercadoLibre	Ecommerce platform and fintech	Social	11,332	6.5
Dexcom	Continuous glucose monitoring	Healthcare	8,943	5.1
Moderna	Messenger RNA therapeutics	Healthcare	8,364	4.8
Bank Rakyat Indonesia	Bank	Base	8,360	4.8
Xylem	Innovative water solutions	Environment	8,238	4.7
Shopify	Online commerce platform	Social	7,930	4.6
Autodesk	Software products for architecture, engineering, construction, and manufacturing industries	Environment	7,349	4.2
Deere	Agricultural equipment	Environment	6,936	4.0
Nu Holdings	Digital banking company	Social	6,630	3.8
Remitly Global	Online money transfer payments for immigrants and their families	Base	5,992	3.4
Duolingo	Language learning website and mobile app	Social	5,691	3.3
Ecolab	Water, hygiene and infection prevention services	Environment	5,325	3.1
Illumina	Gene sequencing equipment	Healthcare	5,242	3.0
HDFC Bank	Mortgage provider	Social	5,215	3.0
Alnylam Pharmaceuticals	Biotechnology	Healthcare	5,036	2.9
Sartorius	Biopharmaceutical and laboratory tooling	Healthcare	4,385	2.5
Coursera	Online learning	Social	3,451	2.0
Tesla	Electric cars and renewable energy solutions	Environment	3,406	2.0
Grab#	Superapp in Southeast Asia, providing mobility, deliveries and digital financial services	Social	3,388	1.9
Northvolt AB <sup>Ⓜ</sup>	Battery developer and manufacturer, specialising in lithium-ion technology for electric vehicles	Environment	3,333	1.9
Umicore	Global materials technology and recycling	Environment	3,104	1.8
Katitas#	Refurbishes vacant homes in Japan and sells to first-time buyers on an affordable basis	Environment	3,056	1.8
Safaricom	Telecommunications and mobile payments	Base	2,415	1.4
10x Genomics	Life science technology	Healthcare	2,116	1.2

\* Abbreviated as follows: Healthcare – Healthcare and quality of life; Social – Social inclusion and education; Environment – Environment and resource needs; Base – Base of the pyramid.

† For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 21 to 23.

# New purchase during the period. Complete sales during the period were: Ørsted, Daikin Industries, and M3. Chr Hansen merged with Novozymes to form Novonesis.

<sup>Ⓜ</sup> Denotes unlisted/private company holding.

Name	Business	Impact theme*	Fair value £'000	% of total assets †
Climeworks <sup>Ⓜ</sup>	Direct air carbon capture	Environment	1,725	1.0
Boston Electrometallurgical Corp <sup>Ⓜ</sup>	Novel technology for producing green steel	Environment	1,672	1.0
PsiQuantum <sup>Ⓜ</sup>	Silicon photonic quantum computing	Social	1,572	0.9
Discovery Holdings	Life and health insurance provider	Healthcare	1,556	0.9
Joby Aviation	Electric aircraft	Environment	1,459	0.8
AbCellera Biologics	Antibody drug discovery tools	Healthcare	1,445	0.8
WuXi Biologics	Contract research, development and manufacturing organisation focusing on biologics drugs	Healthcare	1,433	0.8
Novonosis	Biological solutions	Environment	1,166	0.7
Spiber <sup>Ⓜ</sup>	Novel protein biomaterials	Environment	901	0.5
Rivian Automotive#	Electric sports utility vehicles and pickup trucks	Environment	618	0.4
<b>Total investments</b>			<b>172,360</b>	<b>99.1</b>
Net liquid assets †			1,594	0.9
<b>Total assets †</b>			<b>173,954</b>	<b>100.0</b>

	Listed equities %	Unlisted securities ‡ %	Net liquid assets † %	Total assets † %
<b>31 March 2024</b>	<b>93.8</b>	<b>5.3</b>	<b>0.9</b>	<b>100.0</b>
30 September 2023	93.7	5.9	0.4	100.0

\* Abbreviated as follows: Healthcare – Healthcare and quality of life; Social – Social inclusion and education; Environment – Environment and resource needs; Base – Base of the pyramid.

† For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 21 to 23.

# New purchase during the period. Complete sales during the period were: Ørsted, Daikin Industries, and M3. Chr Hansen merged with Novozymes to form Novonosis.

‡ Includes holdings in ordinary shares, preference shares and promissory notes.

Ⓜ Denotes unlisted/private company holding.

# Portfolio companies split by impact theme

as at 31 March 2024

## Social inclusion and education

Building a more inclusive society and/or improving the quality and accessibility of education

Holding	Value £'000	%
TSMC	12,149	7.0
ASML	11,427	6.6
MercadoLibre	11,332	6.5
Shopify	7,930	4.6
Nu Holdings	6,630	3.8
Duolingo	5,691	3.3
HDFC Bank	5,215	3.0
Coursera	3,451	2.0
Grab	3,388	1.9
PsiQuantum <sup>①</sup>	1,572	0.9
	<b>68,785</b>	<b>39.6</b>

## Environment and resource needs

Improving our resource efficiency and reducing the environmental impact of our economic activities

Holding	Value £'000	%
Xylem	8,238	4.7
Autodesk	7,349	4.2
Deere	6,936	4.0
Ecolab	5,325	3.1
Tesla	3,406	2.0
Northvolt AB <sup>①</sup>	3,333	1.9
Umicore	3,104	1.8
Katitas	3,056	1.8
Climeworks <sup>①</sup>	1,725	1.0
Boston Electrometallurgical Corp <sup>①</sup>	1,672	1.0
Joby Aviation	1,459	0.8
Novonosis	1,166	0.7
Spiber <sup>①</sup>	901	0.5
Rivian Automotive	618	0.4
	<b>48,288</b>	<b>27.9</b>

\* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 21 to 23.

① Denotes unlisted/private company holding.

## Healthcare and quality of life

Actively improving the quality of life in developed and developing countries

Holding	Value £'000	%
Dexcom	8,943	5.1
Moderna	8,364	4.8
Illumina	5,242	3.0
Alnylam Pharmaceuticals	5,036	2.9
Sartorius	4,385	2.5
10x Genomics	2,116	1.2
Discovery Holdings	1,556	0.9
AbCellera Biologics	1,445	0.8
WuXi Biologics	1,433	0.8
	<b>38,520</b>	<b>22.0</b>

## Base of the pyramid

Addressing the basic aspirational needs of people at the bottom of the global income ladder

Holding	Value £'000	%
Bank Rakyat Indonesia	8,360	4.8
Remitly Global	5,992	3.4
Safaricom	2,415	1.4
	<b>16,767</b>	<b>9.6</b>
<b>Net liquid assets*</b>	<b>1,594</b>	<b>0.9</b>
<b>Total assets*</b>	<b>173,954</b>	<b>100.0</b>

\* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 21 to 23.

① Denotes unlisted/private company holding.

# Income statement (unaudited)

	Notes	For the six months ended 31 March 2024		
		Revenue £'000	Capital £'000	Total £'000
Gains on investments		-	15,470	15,470
Currency gains		-	219	219
Income from investments and interest receivable		915	-	915
Investment management fee	3	(118)	(354)	(472)
Other administrative expenses		(252)	-	(252)
<b>Net return before finance costs and taxation</b>		<b>545</b>	<b>15,335</b>	<b>15,880</b>
Finance costs of borrowings		(136)	(389)	(525)
<b>Net return on ordinary activities before taxation</b>		<b>409</b>	<b>14,946</b>	<b>15,355</b>
Tax on ordinary activities		(155)	7	(148)
<b>Net return on ordinary activities after taxation</b>		<b>254</b>	<b>14,953</b>	<b>15,207</b>
<b>Net return per ordinary share</b>	4	0.41p	24.39p	<b>24.80p</b>

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

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

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return on ordinary activities after taxation is both the profit and total comprehensive income for the period.

For the six months ended 31 March 2023			For the year ended 30 September 2023 (audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
-	19,505	<b>19,505</b>	-	9,884	<b>9,884</b>
-	722	<b>722</b>	-	589	<b>589</b>
1,021	-	<b>1,021</b>	1,618	-	<b>1,618</b>
(110)	(331)	<b>(441)</b>	(223)	(668)	<b>(891)</b>
(242)	-	<b>(242)</b>	(477)	-	<b>(477)</b>
<b>669</b>	<b>19,896</b>	<b>20,565</b>	<b>918</b>	<b>9,805</b>	<b>10,723</b>
(104)	(295)	<b>(399)</b>	(234)	(666)	(900)
<b>565</b>	<b>19,601</b>	<b>20,166</b>	<b>684</b>	<b>9,139</b>	<b>9,823</b>
(167)	(12)	<b>(179)</b>	(244)	(7)	<b>(251)</b>
<b>398</b>	<b>19,589</b>	<b>19,987</b>	<b>440</b>	<b>9,132</b>	<b>9,572</b>
0.64p	31.69p	<b>32.33p</b>	0.71p	14.77p	<b>15.48p</b>

# Balance sheet (unaudited)

	Notes	At 31 March 2024 £'000	At 30 September 2023 (audited) £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	6	172,360	161,497
<b>Current assets</b>			
Debtors		431	313
Cash at bank		1,608	728
		2,039	1,041
<b>Creditors</b>			
Amounts falling due within one year:			
Bank loan	7	(15,044)	(15,245)
Other creditors		(445)	(383)
		(15,489)	(15,628)
<b>Net current liabilities</b>		(13,450)	(14,587)
<b>Total assets less current liabilities</b>		<b>158,910</b>	<b>146,910</b>
<b>Creditors</b>			
Amounts falling due after more than one year:			
Cumulative preference shares	8	(250)	(250)
Provision for tax liability	9	-	(7)
<b>Net assets</b>		<b>158,660</b>	<b>146,653</b>
<b>Capital and reserves</b>			
Share capital	10	6,760	6,760
Share premium account		3,449	3,449
Capital redemption reserve		466	466
Capital reserve		147,425	135,396
Revenue reserve		560	582
<b>Shareholders' funds</b>		<b>158,660</b>	<b>146,653</b>
<b>Net asset value per ordinary share*</b>		<b>262.3p</b>	<b>237.3p</b>

\* For a definition of terms, see Glossary of terms and Alternative Performance Measures on pages 21 to 23.

# Statement of changes in equity (unaudited)

## For the six months ended 31 March 2024

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2023		6,760	3,449	466	135,396	582	<b>146,653</b>
Net return on ordinary activities after taxation		-	-	-	14,953	254	<b>15,207</b>
Ordinary shares bought into treasury		-	-	-	(2,924)	-	<b>(2,924)</b>
Dividends paid during the period	5	-	-	-	-	(276)	<b>(276)</b>
<b>Shareholders' funds at 31 March 2024</b>		<b>6,760</b>	<b>3,449</b>	<b>466</b>	<b>147,425</b>	<b>560</b>	<b>158,660</b>

## For the six months ended 31 March 2023

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2022		6,760	3,449	466	126,264	389	<b>137,328</b>
Net return on ordinary activities after taxation		-	-	-	19,589	398	<b>19,987</b>
Dividends paid during the period	5	-	-	-	-	(247)	<b>(247)</b>
<b>Shareholders' funds at 31 March 2023</b>		<b>6,760</b>	<b>3,449</b>	<b>466</b>	<b>145,853</b>	<b>540</b>	<b>157,068</b>

\* The Capital reserve balance at 31 March 2024 includes investment holding losses of £12,785,000 (31 March 2023 – losses of £41,834,000).

# Condensed cash flow statement (unaudited)

	Six months to 31 March 2024 £'000	Six months to 31 March 2023 £'000
<b>Cash flows from operating activities</b>		
Net return before finance costs and taxation	15,880	20,565
Net gains on investments	(15,470)	(19,505)
Currency gains	(258)	(718)
Overseas tax incurred	(142)	(94)
Changes in debtors and creditors	(123)	(474)
Net cash inflow from investing activities	4,607	732
<b>Net cash inflow from operating activities*</b>	<b>4,494</b>	<b>506</b>
<b>Cash flows from financing activities</b>		
Net cash inflow from drawdown of bank loans	60	225
Interest and cumulative preference share dividends paid	(522)	(379)
Ordinary shares bought back	(2,873)	-
Dividends paid	(276)	(247)
<b>Net cash outflow from financing activities</b>	<b>(3,611)</b>	<b>(401)</b>
<b>Increase in cash at bank</b>	<b>883</b>	<b>105</b>
Exchange movements	(3)	(36)
Cash at bank at start of period	728	962
<b>Cash at bank at end of period</b>	<b>1,608</b>	<b>1,031</b>

\* Cash from operating activities includes dividends received of £798,000 (31 March 2023 – £588,000) and interest received of £6,000 (31 March 2023 – £10,000).

# Notes to the condensed financial statements (unaudited)

## 01 Basis of accounting

The condensed Financial Statements for the six months to 31 March 2024 comprise the statements set out on pages 10 to 14 together with the related notes on pages 15 to 17. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in July 2022. They have not been audited or reviewed by the auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The condensed Financial Statements for the six months to 31 March 2024 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 30 September 2023.

### Going Concern

The Directors have considered the Company's principal risks and uncertainties, as set out on the inside front cover, together with the Company's current position, investment objective and policy, the level of demand for the Company's shares, the nature of its assets, its liabilities and projected income and expenditure. The Board has, in particular, considered the ongoing impact of geopolitical and macroeconomic challenges. The Company's assets, the majority of which are investments in listed securities which are readily realisable, exceed its liabilities significantly. The Board approves borrowing and gearing limits and reviews regularly the amounts of any borrowing and the level of gearing as well as compliance with borrowing covenants. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these condensed Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these condensed Financial Statements.

## 02 Financial information

The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 September 2023 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditors' Report on those accounts was not qualified, did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

## 03 Investment management fee

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager and Company Secretary. Baillie Gifford & Co Limited has delegated the investment management services to Baillie Gifford & Co. The Management Agreement can be terminated on three months' notice. The annual management fee is 0.70% on the first £100 million of market capitalisation, 0.65% on the next £150 million of market capitalisation and 0.55% on the remaining market capitalisation. Management fees are calculated and payable on a quarterly basis. Market capitalisation is calculated using middle market quotations derived from the Stock Exchange Daily Official List and the weighted average number of shares in issue during the quarter.

## 04 Net return per ordinary share

	Six months to 31 March 2024 £'000	Six months to 31 March 2023 £'000	Year to 30 September 2023 (audited) £'000
Revenue return on ordinary activities after taxation	254	398	440
Capital return on ordinary activities after taxation	14,953	19,589	9,132
<b>Total net return</b>	<b>15,207</b>	<b>19,987</b>	<b>9,572</b>
<b>Weighted average number of ordinary shares in issue</b>	<b>61,299,161</b>	<b>61,815,632</b>	<b>61,815,632</b>

The net return per ordinary share figures are based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue (excluding treasury shares) during each period.

There are no dilutive or potentially dilutive shares in issue.

## 05 Dividends

	Six months to 31 March 2024 £'000	Six months to 31 March 2023 £'000	Year to 30 September 2023 (audited) £'000
<b>Amounts recognised as distributions in the period:</b>			
Previous year's final dividend of 0.45p (2023 – 0.40p) paid 8 February 2024	276	247	247
<b>Amounts paid and payable in respect of the period:</b>			
Final dividend (2023 – 0.45p)	–	–	276

## 06 Fair value hierarchy

The Company's investments are financial assets held at fair value through profit or loss. The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through profit or loss are measured is described below. The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

An analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown below.

### Investments held at fair value through profit or loss

As at 31 March 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	163,157	–	–	163,157
Unlisted securities	–	–	9,203	9,203
<b>Total financial asset investments</b>	<b>163,157</b>	<b>–</b>	<b>9,203</b>	<b>172,360</b>
As at 30 September 2023 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	151,847	–	–	151,847
Unlisted securities	–	–	9,650	9,650
<b>Total financial asset investments</b>	<b>151,847</b>	<b>–</b>	<b>9,650</b>	<b>161,497</b>

## 06 Fair value hierarchy (continued)

The fair value of listed security investments is bid price or, in the case of FTSE 100 constituents and holdings on certain recognised overseas exchanges, last traded price. Listed Investments are categorised as Level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and as Level 2 if they do not meet all these criteria but are, nonetheless, valued using market data. Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ('IPEV'). These methodologies can be categorised as follows: (a) market approach (multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The Company's holdings in unlisted investments are categorised as Level 3 as unobservable data is a significant input to their fair value measurements.

## 07 Bank loans

The Company has a 3 year £25 million multicurrency unsecured floating rate facility with The Royal Bank of Scotland International Limited which expires on 31 August 2024. At 31 March 2024 drawings were as follows: US\$9.5 million at an interest rate of 1.25% over SOFR and £7.5 million at an interest rate of 1.25% over SONIA, both maturing in June 2024 (30 September 2023 – US\$9.5 million and £7.5 million maturing in December 2023).

## 08 Cumulative preference shares

Long term creditors include 250,000 5% cumulative preference shares of £1 each. The preference shares dividend is paid bi-annually, in March and September.

## 09 Provision for tax liability

The tax liability provision at 31 March 2024 of nil (30 September 2023 – £7,000) relates to a potential tax liability for Indian capital gains tax that may arise on the Company's Indian investments should they be sold in the future, based on the net unrealised taxable gain at the period end and on enacted Indian tax rates. The amount of any future tax amounts payable may differ from this provision, depending on the value and timing of any future sales of such investments and future Indian tax rates.

## 10 Share capital: allotted, called up and fully paid

	At 31 March 2024		At 30 September 2023 (audited)	
	Number	£'000	Number	£'000
Ordinary shares of 10p each in issue	60,491,865	6,049	61,815,632	6,182
Ordinary shares of 10p each held in treasury	7,102,130	711	5,778,363	578
	<b>67,593,995</b>	<b>6,760</b>	<b>67,593,995</b>	<b>6,760</b>

In the six months to 31 March 2024, the Company bought back 1,323,767 ordinary shares into treasury at a total cost of £2,924,000 and issued no new shares (six months to 31 March 2023 – no shares bought back, none issued).

At 31 March 2024 the Company had authority remaining to buy back 8,711,985 ordinary shares on an ad hoc basis as well as a general authority to issue shares and an authority to issue shares or sell shares from treasury on a non pre-emptive basis up to an aggregate nominal amount of £618,156. In accordance with authorities granted at the last Annual General Meeting in February 2024, buy-backs will only be made at a discount to net asset value and the Board has authorised use of the issuance authorities to issue new shares or sell shares from treasury at a premium to net asset value, in both cases in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares.

## 11 Related party transactions

There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Financial Statements that could have had such an effect on the Company during that period.

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

# Baillie Gifford's approach to valuing private companies

We aim to hold our private company investments at 'fair value', i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations group at Baillie Gifford, which takes advice from an independent third party (S&P Global). The valuations group is independent from the investment team, with all voting members being from different operational areas of the firm, and the investment managers only receive final notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. During stable market conditions, and assuming all else is equal, each investment would be valued twice in a six month period. For investment trusts, the prices are also reviewed twice per year, at the interim and financial year end, by the respective investment trust boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations team also monitors the portfolio for certain 'trigger events'. These may include: changes in fundamentals; a takeover approach; an intention to carry out an Initial Public Offering ('IPO'); company news which is identified by the valuation team or by the portfolio managers, or significant changes to the valuation of comparable public companies. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value. There is no delay.

The valuations team also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer's (S&P Global) most recent valuation report where appropriate.

# Further shareholder information

## How to invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker or by asking a professional adviser to do so. If you are interested in investing directly in Keystone Positive Change you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting [keystonepositivechange.com](http://keystonepositivechange.com)

## Client relations team contact details

You can contact the Baillie Gifford Client Relations Team by telephone (your call may be recorded for training or monitoring purposes), email or post. See contact details on page 24.

## Share register enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact Computershare on 0370 703 6269. You can also check your holding on their website at [investorcentre.co.uk](http://investorcentre.co.uk)

## Automatic exchange of information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, Keystone Positive Change Investment Trust plc is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, Keystone Positive Change Investment Trust plc will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders [gov.uk/government/publications/exchange-of-information-account-holders](http://gov.uk/government/publications/exchange-of-information-account-holders)

# Third party data provider disclaimer

## Third party data provider disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data.

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## MSCI Index data

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# Glossary of terms and alternative performance measures ('APM')

## Total assets

This is the Company's definition of Adjusted Total Assets, being the total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

## Net Asset Value

When a Company's borrowings are all short-term, flexible facilities, Net Asset Value (NAV) equates to shareholders' funds, being the value of all assets held less all liabilities (including borrowings). Per share amounts are calculated by dividing the relevant figure by the number of ordinary shares in issue (excluding shares held in treasury). For the current period, the difference between borrowings at book value, borrowings at par and borrowings at market value is negligible and no reconciliation between NAV at book/par value and NAV at fair value is provided, as the NAV per share is the same on both bases. For the year to 30 September 2023, a reconciliation is provided below, as the NAV per share differs by 0.1p owing to roundings.

## Net Asset Value per share (APM)

		At 31 March 2024	At 30 September 2023
Shareholders' funds (net assets)	a	£158,660,000	£146,653,000
Ordinary shares in issue (excluding treasury shares)	b	60,491,865	61,815,632
<b>Net asset value per share ('NAV')</b>	<b>(a ÷ b x 100)</b>	<b>262.3p</b>	<b>237.2p</b>

		At 30 September 2023
Shareholders' funds (net assets)		£146,653,000
Add back: debt at book/par		£15,495,000
Less: debt at market value		(£15,484,000)
Net asset value with debt at market value	a	£146,664,000
Ordinary shares in issue (excluding treasury shares)	b	61,815,632
<b>Net asset value per share ('NAV') with debt at market value</b>	<b>(a ÷ b x 100)</b>	<b>237.3p</b>

## Discount/premium (APM)

An investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the NAV per share from the share price 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.

		31 March 2024	30 September 2023
Net asset value per ordinary share	a	262.3p	237.3p
Share price	b	231.0p	204.0p
<b>(Discount)/premium</b>	<b>(b - a) ÷ a expressed as a percentage</b>	<b>(11.9%)</b>	<b>(14.0%)</b>

## Net liquid assets

Net liquid assets comprises current assets less current liabilities excluding borrowings.

## Total return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend. In periods where no dividend is paid, the total return equates to the capital return.

		31 March 2024 NAV	31 March 2024 Share price	30 September 2023 NAV	30 September 2023 Share price
Closing NAV/price per share	a	262.3p	231.0p	237.3p	204.0p
Dividend adjustment factor*	b	1.001775	1.00203	1.00166	1.00194
Adjusted closing NAV/price per share	c = a x b	262.8p	231.5p	237.7p	204.4p
Opening NAV/price per share	d	237.3p	204.0p	222.2p	192.8p
<b>Total return</b>	<b>(c ÷ d) - 1</b>	<b>10.7%</b>	<b>13.5%</b>	<b>7.0%</b>	<b>6.0%</b>

\* The dividend adjustment factor is calculated on the assumption that the dividends paid by the Company during the period were reinvested into shares of the Company at the cum income NAV/share price at the relevant ex-dividend date.

## Active share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

## Treasury shares

The Company has the authority to make market purchases of its ordinary shares for retention as treasury shares for future reissue, resale, transfer, or for cancellation. Treasury shares do not receive distributions and the Company is not entitled to exercise the voting rights attaching to them.

## Private (unlisted) company

A private or unlisted company means a company whose shares are not available to the general public for trading and are not listed on a stock exchange.

## Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But 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.

Gross gearing, also referred to as potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds ( $a \div c$  in the table below).

Net gearing, also referred to as invested gearing is borrowings at book value less cash and cash equivalents (any certificates of deposit are not deducted) and brokers' balances expressed as a percentage of shareholders' funds ( $b \div c$  in the table below).

		31 March 2024	30 September 2023
Borrowings (at book cost)	a	£15,294,000	£15,495,000
Less: cash and cash equivalents		(£1,608,000)	(£728,000)
Less: sales for subsequent settlement		-	-
Add: purchases for subsequent settlement		50	-
Adjusted borrowings	b	£13,736,000	£14,767,000
Shareholders' funds	c	£158,660,000	£146,653,000
<b>Gross gearing</b>	<b>a ÷ c</b>	<b>9.6%</b>	<b>10.6%</b>
<b>Net gearing</b>	<b>b ÷ c</b>	<b>8.6%</b>	<b>10.1%</b>

# Company information

## Directors

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Karen Brade – Chair  
Ian Armfield – Audit Committee Chair  
Andrew Fleming  
Katrina Hart – Senior Independent Director  
William Kendall

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## Registrar

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Computershare Investor Services PLC

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Bridgwater Road  
Bristol BS99 6ZZ

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T: +44 (0)370 703 6269

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## Independent auditor

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Johnston Carmichael LLP

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7–11 Melville Street  
Edinburgh EH3 7PE

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## Registered office

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Grimaldi House  
28 St James's Square  
London SW1Y 4JH

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## Depositary

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The Bank of New York Mellon (International) Limited

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160 Queen Victoria Street  
London EC4V 4LA

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## Further information

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Client Relations Team

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Calton Square  
1 Greenside Row  
Edinburgh EH1 3AN

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[trusenquiries@bailliegifford.com](mailto:trusenquiries@bailliegifford.com)

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## Alternative Investment Fund Managers and Secretaries

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Baillie Gifford & Co Limited

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Calton Square  
1 Greenside Row  
Edinburgh EH1 3AN

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[bailliegifford.com](http://bailliegifford.com)

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## Company broker

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Deutsche Numis

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45 Gresham Street  
London EC2V 7BF

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## Company details

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[keystonepositivechange.com](http://keystonepositivechange.com)

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Company Registration No. 538179

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ISIN: GB00BK96BB68

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Sedol: BK96BB6

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Ticker: KPC

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Legal Entity Identifier:  
5493002H3JXLXIGC563

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