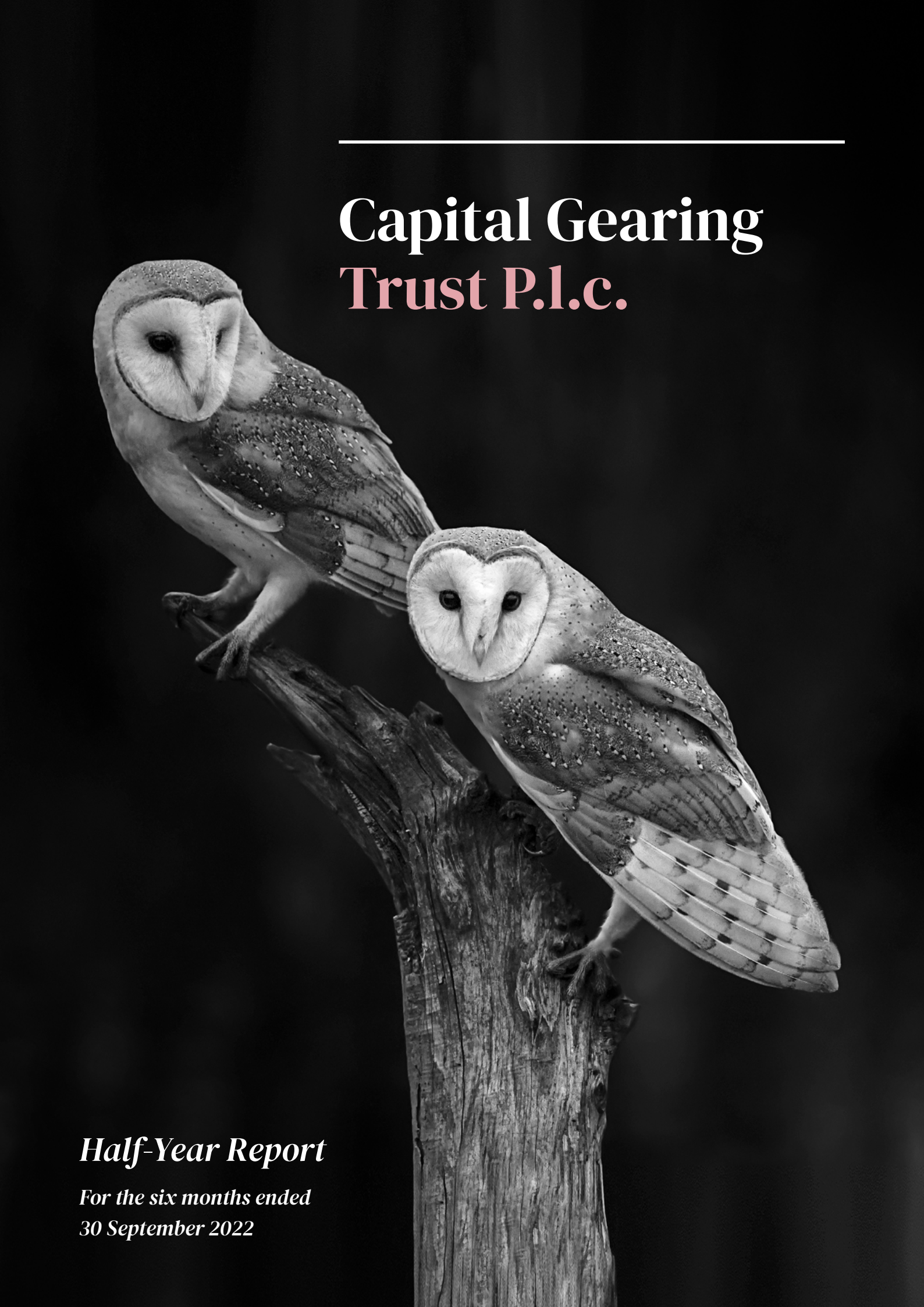
# Capital Gearing Trust P.l.c.



## *Half-Year Report*

*For the six months ended*
*30 September 2022*

# Company Summary

## The Company

Capital Gearing Trust P.l.c. ('the Company') is an investment trust with shares listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange.

## Investment Objective

The Company's objective is to preserve and over time to grow shareholders' real wealth.

## Capital Structure and Voting Rights

The share capital comprises Ordinary shares of 25 pence each. As at 30 September 2022, 25,682,435 shares were in issue. No Ordinary shares are held in treasury. Each Ordinary share has one vote.

## Discount/Premium Control Policy ('DCP')

The Company aims to purchase or issue shares to ensure, in normal market conditions, that the shares trade consistently close to their underlying Net Asset Value per share.

## Dividends

The Company pays an annual dividend but focuses on total return rather than any net income level.

## Management and Administration

Investment management is carried out by CG Asset Management ('CGAM') for an annual fee of 0.6% of net assets up to £120m, 0.45% on net assets above £120m up to £500m and 0.30% thereafter. Company secretarial and various administrative services are provided by Juniper Partners. Custodial and depositary services are carried out by The Northern Trust Company.

## ISA

The Company manages its affairs to be a fully qualifying investment trust under the individual savings account ('ISA') rules.

## Financial Calendar (guide)

| | |
|---|---|
| Annual Results | May |
| Annual General Meeting | July |
| Dividend Payment Date | July |
| Half-Year Report | November |

aic The Association of Investment Companies The Company is a member of the Association of Investment Companies.

### Information disclaimer

This report is produced for members of the Company with the purpose of providing them with information relating to the Company and its financial results for the period under review. This report contains subjective opinion, analysis and forward looking statements which by their very nature involve uncertainty. Events beyond the control of the Directors and the Company may affect actual future results which may therefore differ from those indicated within this historical report. Market and currency fluctuations may occur which may in turn have an impact on the value of the Company's underlying investments in the future. Past performance is no guarantee of future performance. Investments are not guaranteed and you may not get back the amount you originally invested. Neither the Directors nor the Company take responsibility for matters outside of their control. The Board and its advisers, including CG Asset Management and Juniper Partners, have endeavoured to produce these accounts in good faith and in accordance with legislation, regulations, reporting standards and to be useful to stakeholders in the Company, including its shareholders.

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### Beware of Share Fraud

Shareholders may receive unsolicited phone calls or correspondence concerning investment matters that imply a connection to the Company. These are typically from overseas and target UK shareholders offering to sell them what often turn out to be worthless or high risk shares.

You can find more information about investment scams at the Financial Conduct Authority website: www.fca.org.uk/consumer/protect-yourself-scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

# Financial Summary

## Key Data

| | 30 September 2022 | 31 March 2022 |
|---|---|---|
| Share Price (pence) | 4,745.0 | 5,140.0 |
| NAV per Share (pence) | 4,798.4 | 5,025.1 |
| (Discount)/Premium to NAV (%)[1] | (1.1) | 2.3 |
| Market Capitalisation (£m) | 1,218.6 | 1,073.8 |
| Shareholders' Funds (£m) | 1,232.4 | 1,049.8 |
| Shares in issue | 25,682,435 | 20,891,975 |

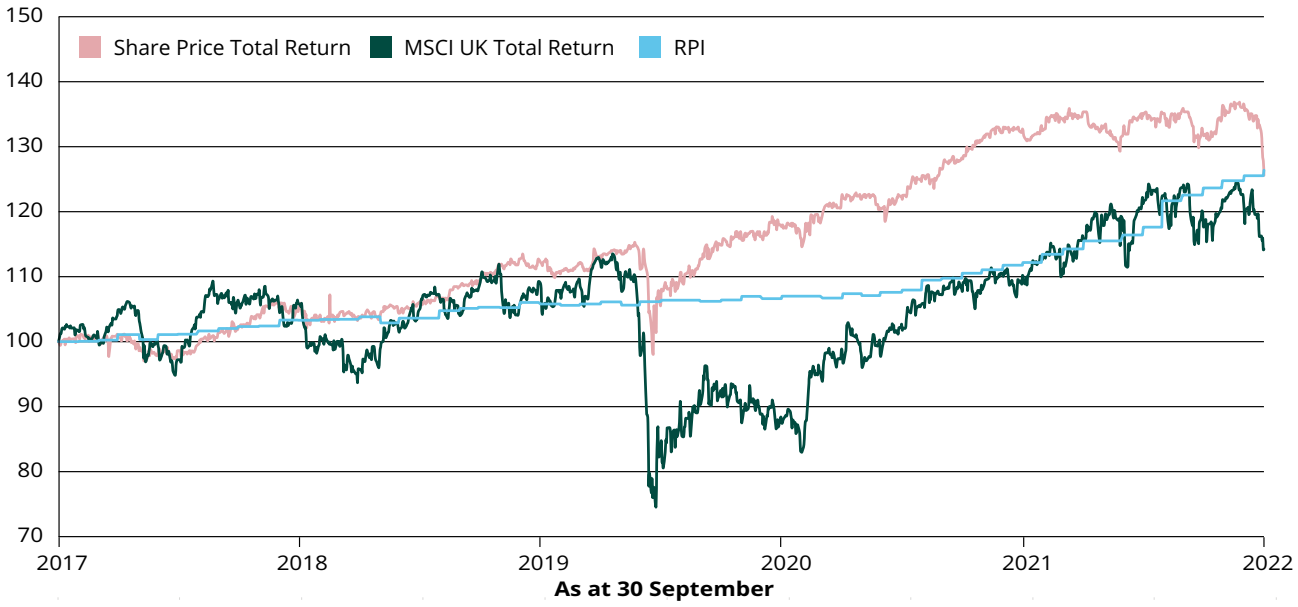
## Total Returns for periods to 30 September 2022*

| | 6 months (%) | 1 Year (%) | 3 Years (%) | 5 Years (%) | 10 Years (%) |
|---|---|---|---|---|---|
| Share Price[1] | -6.8 | -5.2 | 11.9 | 25.5 | 49.3 |
| NAV per Share[1] | -3.5 | -1.8 | 15.5 | 30.2 | 72.6 |
| MSCI UK Index | -5.8 | 3.8 | 4.8 | 14.2 | 75.1 |
| Inflation (Retail Price Index ('RPI')) | 7.4 | 12.6 | 19.5 | 26.4 | 42.3 |
| Share Price relative to MSCI UK | -1.1 | -8.7 | 6.8 | 9.9 | -14.7 |
| Share Price relative to RPI | -13.2 | -15.8 | -6.4 | -0.7 | 4.9 |

*Source: Refinitiv Datastream

## Share Price Total Return Performance 2017 to 2022

Based on mid-market prices, the graph below illustrates the total return to investors in the Company over the past five years, compared with the total return on the MSCI UK Index*. Each measure is rebased to 100 in 2017.




* Source: Refinitiv Datastream

[1] Alternative Performance Measure. Please refer to page 19 for a glossary of terms and definitions.

# Chairman's Statement

The last six months have witnessed significant headwinds for markets. A combination of rising inflation, geopolitical events, and global economic shifts, and all their associated consequences, have had a bearing on performance in both equity and bond markets. There has been considerable volatility in all asset classes, which the Manager has endeavoured to mitigate. It is no surprise that offsetting the effects of this entirely has proved impossible in the recent six-month period. The downside to the Company's share price and net asset value has been limited in relative terms, but is nevertheless disappointing given the outstanding record of the Company over most periods since its inception some 40 years ago.

At the half year to 30 September 2022, the net asset value per share was 4,798.4p, compared to 5,025.1p at 31 March 2022. This represents a total return of -3.5% over the past six months and -1.8% over the past 12 months, which, whilst disappointing in absolute terms, is a relatively satisfactory result when compared to overall market declines.

The Company does not have a formal benchmark, other than the general aim of beating RPI over the medium term and bearing comparison with the MSCI UK Index over the medium to longer term. Not surprisingly, the Company has not been able to beat the significant six month's rise in RPI of 7.4%. As a UK equity market return comparator, the performance of the Company's net asset value has been less than the fall of 5.8% in the MSCI UK Index over the past six months. The Company's returns over the last six months have been boosted by the weak performance of sterling against the dollar as 50% of the Company's assets are invested overseas, and of these, 25% are dollar denominated. Since 30 September, the net asset value has recovered to 4,859p as at 9 November 2022. With an all-time high in net asset value per share of 5,076p on 18 August 2022, it demonstrates how volatile markets have been in recent months.

The demand for the Company's shares has continued unabated, and net assets have grown to £1.232 billion at period end. Activity under the Discount Control Policy ('DCP') was all share issuance. The Company bought back no shares during the period but remains committed to do so if needs arise. Our DCP continues to work well and has provided liquidity in the market for both buyers, and potential sellers, of the Company's shares, as well as covering the costs of the DCP and contributing to capital performance. As the Company increases in size, the ongoing charges ratio ('OCR') has fallen to an annualised forecast 0.47% from 0.52% as at the year end.

## Investment Performance

Market weakness brings opportunities. Investment trust discounts have widened, bond yields have risen, and sterling has been noticeably weak. The Manager sold some ETFs and used the opportunity to increase exposure to investment trusts on wide discounts, not seen for a while. They have not increased their equity exposure but would consider doing so, but only if equities were to decline further. Over the six months, inflation-linked securities – both government bond and infrastructure asset classes – have performed relatively well, with the latter benefitting from higher power prices, albeit first half strength gave way to weakness towards the end of the period. Value is emerging in credit markets, and the Manager also added to conventional bonds. On the downside, the property holdings have been disappointing and the largest detractor from performance, but the Company did benefit from the takeover of one investee company. Exposure to this asset class has been slowly reduced.

The Manager continues to seek out value and there are opportunities in volatile markets to acquire oversold assets, which the Company has plenty of liquidity to do – when the time, pricing and opportunities are right.

# Chairman's Statement *(continued)*

## Corporate Update

The Company currently has four independent non-executive directors. In September 2022, the Board undertook an external evaluation, which rated the current composition and performance of the Board "very highly". We will shortly initiate a search, through an independent consultant, for a fifth member of the Board to address succession planning. We hope to find a candidate who will bring further experience and additional skills and diversity to the Board. As a FTSE 250 company, we are mindful of meeting corporate governance guidelines and regulatory requirements.

## Outlook

The very end of September 2022, coinciding with our reporting date, proved to be a particularly weak time in both bond and equity markets, but the long-term performance of the Company remains robust. In early April, the Company celebrated its 40th Anniversary under Peter Spiller and his team, with only one (marginally) down year in that period. Considering over that time, we had the 'dotcom boom and bust', the Global Financial Crisis, taper tantrums, emerging markets regression, a number of interruptions in UK equity markets, and other significant economic events that sent markets reeling, this is a very creditable achievement. But, it may be that this year proves to be another year when the Company will struggle to make a positive return. With UK inflation looking to be more embedded than perhaps the Bank of England anticipated, beating RPI represents a considerable challenge in the short-term.

At the present time, the Manager retains a cautious stance. It is our belief that markets will remain volatile for a while until the inflation outlook, and consequent interest rate rises, become clearer. Markets remain very febrile, and liquidity is poor. Central banks are constrained in what they can do, but they remain committed to curbing inflation, as well as shrinking their balance sheets, without tipping economies into recession. This is a difficult balancing act. Corporate profits are under pressure as limited growth slows and input costs rise.

We expect the rate of inflation to reduce in the near term, but we are unlikely to go back to a low inflation, low interest rate environment again in the near term. The current environment feels more like the 1970s, with protectionism rather than globalisation, persistent higher inflation, and fiscal ineptitude to the fore. However, even if near term prospects for the investment outlook give cause for concern, we believe that there are opportunities emerging in markets as valuations correct. We remain committed to outperforming RPI over a three-to-five year time horizon, and thereby protecting the real value of our shareholders' investment, as well as competing with UK equity returns over the longer term.

For and on behalf of the Board

**Jean Matterson**
*Chairman*

11 November 2022

# Investment Manager's Report

"I can't eat an iPad" heckled an audience member at the New York Federal Reserve Governor during a 2011 speech. Bill Dudley was trying to explain how rising food prices had been offset by the falling cost of technology. It is a great shame that, to paraphrase, "you can't eat relative performance". The six months to 30 September 2022 was a challenging period to navigate for a long only manager, with both the investment trust index and the sterling aggregate bond indices down -13.6% and -19.4% respectively. Judged against those comparators, the Company's NAV total return performance of -3.5% was creditable, although it is always disappointing to report a period of negative returns.

The strongest relative performance came from the bond portfolio, which delivered a small positive return despite the backdrop of surging global bond yields. Persistent inflation has turbocharged a new interest rate rising cycle and the UK has suffered particularly badly due to policy instability. The Company's government bond portfolio benefited from significant overseas holdings where foreign exchange gains offset the negative impact of rising yields. Where we were holding sterling bonds, they were all short duration and largely inflation linked, and thus avoided the worst of the recent gilt market implosion and benefited from high inflation accruals.

Our response to the gilt market implosion and the associated weakness in sterling has been to increase our gilt holdings and sterling exposure. In the weeks around the period end, we added 5% to our UK index linked bond holdings, investing at a range of durations from the 2027's through to the 2050's. It is exciting to invest in long duration UK index linked bonds again after many years of being 'priced out'. It is a natural asset for a conservative sterling investor to hold. However, our excitement is tinged with a sense of regret that recent government policy disruption will have long term negative consequences for the UK.

Ironically, the worst impact of the bond market meltdown did not occur in our bond portfolios but in our property holdings (14% of the portfolio). These "bond proxy" equities that we had decided to hold in place of UK and European government bonds, lost a painful 23% of their value in the period. These falls have left property at attractive valuations but, given the high correlation between property and long bonds, we have instead focused our initial additions on long UK index linked. We anticipate picking over the wreckage of the property market in the months to come. Excluding property, our risk assets performed well, benefiting from a high weighting to the power and energy sectors.

## Outlook

It is quite possible that we are close to a short-term peak in inflation, with many volatile components likely to pull headline inflation down over the coming months. These include food and energy, where costs remain high but have come down from their peaks earlier in the year. Many of the bottlenecks that had built up over the pandemic, such as in semiconductors and shipping, have eased or even gone into surplus. Interest rates are rising rapidly, causing demand to contract, and suggesting that the economic outlook is likely to be very weak.

All of this indicates that the headline CPI figure will soon turn downwards. Indeed, the peak may already have passed in the US, where the September annualised inflation level was 8.3%, almost 1% lower than in June. However, in the same month core CPI (which strips out food and energy) continued to rise, hitting 6.6%, which is its highest level in 40 years. Wage growth is well established, underpinned by industrial action calling for higher settlements. Given these trends, it seems quite likely in the coming months that headline inflation will drop well below core CPI, giving the initial impression that inflation is under control, even though the underlying inflationary pressures in the economy remain strong. The impression of weakening inflation combined with a recessionary economic backdrop may give central banks cover to cut interest rates again at some point next year. The backdrop of falling short rates and volatile inflation which cycles above a higher average than has been normal over the last decade should be a good backdrop for index linked bonds. Interest rate volatility combined with a likely recession could well prove a headwind for equities. Thus, the portfolio remains defensively positioned with a focus on inflation protected assets.

**Peter Spiller  Alastair Laing  Christopher Clothier**

11 November 2022

# Interim Management Report

A review of the half year and the outlook for the Company can be found in the Chairman's Statement and the Investment Manager's Report.

## Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company were explained in detail within the Annual Report issued in May 2022. There remain heightened uncertainties for the UK economy and financial markets, with higher levels of inflation and volatility in bond and equity markets and continued geopolitical risks, impacting on energy and global trade and economic activity. The Directors continue to work with the agents and advisers to the Company to manage the risks, including any emerging risks the best they can. The Directors are not aware of any new material risks or uncertainties for the Company and its investors other than those mentioned above and in the Chairman's Statement.

## Related Party Transactions

Details of related party transactions are contained in the Annual Report issued in May 2022. There have been no material changes to be reported.

## Going Concern

The Company's investment objective and business activities, together with the main trends and factors likely to affect its development and performance are monitored continuously by the Board. The Directors believe that the Company is well placed to manage its business risks and, having reassessed the principal risks, consider it appropriate to continue to adopt the going concern basis of accounting in preparing the interim financial information.

# Statement of Directors' Responsibilities

Each Director confirms that, to the best of their knowledge:

(i) the condensed set of financial statements has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting);

(ii) the Half-Year 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 of the financial year and description of principal risks and uncertainties for the remaining six months of the financial year) and 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); and

(iii) the Half-Year Report, taken as a whole, is fair balanced and understandable and provides information necessary for shareholders to access the Company's performance, position and strategy.

For and on behalf of the Board

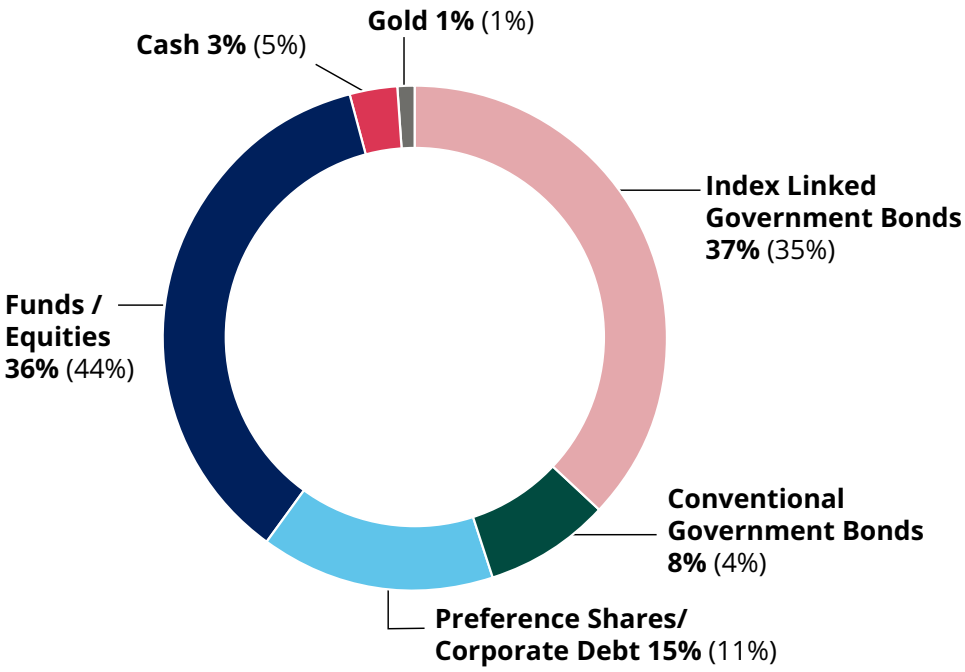
**Jean Matterson**
*Chairman*

11 November 2022

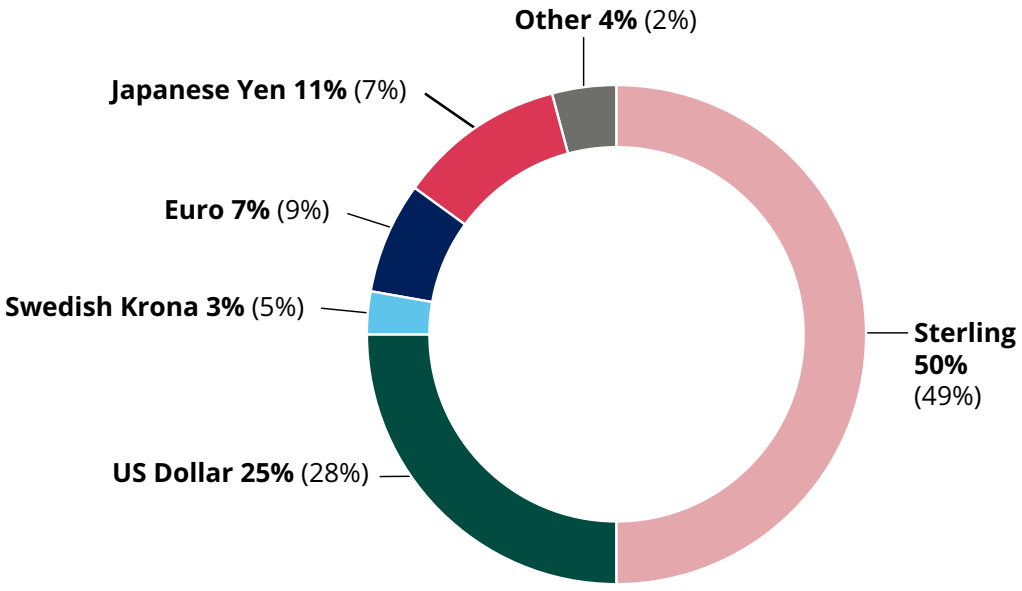
# Portfolio Analysis

*at 30 September 2022*

## Asset Allocation 2022 (31 March 2022)




## Currency Exposure 2022 (31 March 2022)



# Portfolio Investments

*at 30 September 2022*

**The top ten investments in each asset category are listed below. The full portfolio listing of the Company as at 30 September 2022 is published on the Company's website www.capitalgearingtrust.com.**

| | £'000 | % of assets |
|---|---|---|
| **Top 10 Index-Linked Government Bonds** | | |
| UK Treasury 0.125% 2024 | 111,898 | 8.9 |
| USA Treasury 0.75% 2045 | 24,696 | 2.0 |
| USA Treasury 1.375% 2044 | 19,998 | 1.6 |
| UK Treasury 2.5% 2024 | 18,270 | 1.5 |
| USA Treasury 0.625% 2043 | 16,842 | 1.3 |
| Japan Government 0.1% 2029 | 15,621 | 1.2 |
| USA Treasury 0.125% 2026 | 13,982 | 1.1 |
| USA Treasury 0.125% 2026 | 13,673 | 1.1 |
| UK Treasury 0.125% 2029 | 12,385 | 1.0 |
| Canada Government 2% 2041 | 11,629 | 0.9 |
| | **258,994** | **20.6** |
| **Top 10 Conventional Government Bonds** | | |
| UK Treasury 31/01/2024 | 10,978 | 0.9 |
| Japan Treasury 01/12/2022 | 10,528 | 0.8 |
| Sweden (Kingdom of) 13/11/2023 | 10,445 | 0.8 |
| UK Treasury 28/11/2022 | 9,956 | 0.8 |
| Japan Treasury 04/11/2022 | 9,287 | 0.7 |
| Japan Treasury 10/03/2023 | 6,197 | 0.5 |
| Japan Treasury 24/10/2022 | 6,191 | 0.5 |
| UK Treasury 31/10/2022 | 5,989 | 0.5 |
| UK Treasury 10/10/2022 | 4,997 | 0.4 |
| UK Treasury 24/10/2022 | 4,994 | 0.4 |
| | **79,562** | **6.3** |

# Portfolio Investments *(continued)*

*at 30 September 2022*

| | £'000 | % of assets |
|---|---|---|
| **Top 10 Preference Shares/Corporate Debt** | | |
| MPT Operating Partnership 2.55% 2023 *(corporate debt)* | 5,849 | 0.5 |
| National Grid 4.1875% 2022 *(corporate debt)* | 5,695 | 0.5 |
| Tesco 3.322% 2025 *(corporate debt)* | 5,272 | 0.4 |
| Unite (USAF) 3.374% 2028 *(corporate debt)* | 5,203 | 0.4 |
| Pacific National 5% 2023 *(corporate debt)* | 4,719 | 0.4 |
| Grainger 3.375% 2028 *(corporate debt)* | 4,719 | 0.4 |
| Burford Capital 5.0% 2026 *(corporate debt)* | 4,676 | 0.4 |
| JZ Capital Partners 2022 *(zero dividend preference shares)* | 4,368 | 0.3 |
| Western Power 3.625% 2023 *(corporate debt)* | 4,119 | 0.3 |
| Yorkshire Water 3.75% 2046 *(corporate debt)* | 3,901 | 0.3 |
| | **48,521** | **3.9** |
| **Top 10 Funds/Equities** | | |
| iShares MSCI Japan ESG Screened UCITS ETF | 45,034 | 3.6 |
| SPDR MSCI Europe Energy UCITS ETF | 39,136 | 3.1 |
| Grainger | 19,295 | 1.5 |
| Vonovia | 18,741 | 1.5 |
| Greencoat UK Wind | 17,553 | 1.4 |
| North Atlantic Smaller Companies Investment Trust | 14,351 | 1.1 |
| Lyxor STOXX Europe 600 Basic Resources UCITS ETF | 9,894 | 0.8 |
| Aker Asa | 9,800 | 0.8 |
| PRS REIT | 9,414 | 0.8 |
| Finsbury Growth & Income Trust | 9,351 | 0.8 |
| | **192,569** | **15.4** |
| **Gold** | | |
| Wisdomtree Physical Swiss Gold | **12,429** | **1.0** |
| **Other Investments** | **619,415** | **49.4** |
| **Cash** | **42,578** | **3.4** |
| **Total** | **1,254,068** | **100.0** |

# Income Statement (unaudited)

*for the six months ended 30 September 2022*

| | 6 months ended 30 September 2022 (unaudited) | | |
|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 |
| Net (losses)/gains on investments | – | (59,969) | (59,969) |
| Net currency gains | – | 131 | 131 |
| Investment income (note 2) | 12,711 | – | 12,711 |
| **Gross return** | 12,711 | (59,838) | (47,127) |
| Investment management fee | (2,247) | – | (2,247) |
| Other expenses | (482) | – | (482) |
| **Net return before tax** | 9,982 | (59,838) | (49,856) |
| Tax charge on net return | (656) | – | (656) |
| **Net return attributable to equity shareholders** | 9,326 | (59,838) | (50,512) |
| **Net return per Ordinary share (note 3)** | 39.75p | (255.07)p | (215.32)p |

The total column of this statement represents the Income Statement of the Company. The Revenue return and Capital return columns are supplementary to this and are prepared under guidance issued by the Association of Investment Companies.

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

There are no gains or losses other than those recognised in the Income Statement.

# Income Statement (unaudited) *(continued)*

| 6 months ended 5 October 2021 (unaudited) | | | Period ended 31 March 2022 (audited) | | |
|---|---|---|---|---|---|
| Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| – | 42,713 | 42,713 | – | 57,875 | 57,875 |
| – | 147 | 147 | – | 530 | 530 |
| 7,261 | – | 7,261 | 14,677 | – | 14,677 |
| 7,261 | 42,860 | 50,121 | 14,677 | 58,405 | 73,082 |
| (1,646) | – | (1,646) | (3,627) | – | (3,627) |
| (345) | – | (345) | (727) | – | (727) |
| 5,270 | 42,860 | 48,130 | 10,323 | 58,405 | 68,728 |
| (218) | – | (218) | (510) | – | (510) |
| 5,052 | 42,860 | 47,912 | 9,813 | 58,405 | 68,218 |
| 32.60p | 276.55p | 309.15p | 56.81p | 338.14p | 394.95p |

# Statement of Changes in Equity (unaudited)

*for the six months ended 30 September 2022*

| | Called-up Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve* £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Balance at 1 April 2022 | **5,223** | **816,009** | **16** | **216,783** | **11,804** | **1,049,835** |
| Net return attributable to equity shareholders and total comprehensive income for the period | **–** | **–** | **–** | **(59,838)** | **9,326** | **(50,512)** |
| New shares issued (note 6) | **1,198** | **242,390** | **–** | **–** | **–** | **243,588** |
| Dividends paid (note 4) | **–** | **–** | **–** | **–** | **(10,558)** | **(10,558)** |
| Total transactions with owners recognised directly in equity | **1,198** | **242,390** | **–** | **–** | **(10,558)** | **233,030** |
| Balance at 30 September 2022 | **6,421** | **1,058,399** | **16** | **156,945** | **10,572** | **1,232,353** |

*for the six months ended 5 October 2021*

| | Called-up Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve* £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Balance at 6 April 2021 | 3,453 | 463,437 | 16 | 158,378 | 8,762 | 634,046 |
| Net return attributable to equity shareholders and total comprehensive income for the period | – | – | – | 42,860 | 5,052 | 47,912 |
| New shares issued (note 6) | 848 | 166,142 | – | – | – | 166,990 |
| Dividends paid (note 4) | – | – | – | – | (6,771) | (6,771) |
| Total transactions with owners recognised directly in equity | 848 | 166,142 | – | – | (6,771) | 160,219 |
| Balance at 5 October 2021 | 4,301 | 629,579 | 16 | 201,238 | 7,043 | 842,177 |

* As at 30 September 2022, £172,617,000 (5 October 2021: £138,789,000 and 31 March 2022: £159,561,000) of the capital reserve, together with the revenue reserve, are regarded as being available for distribution. Unrealised capital gains are not available for distribution.

# Statement of Financial Position (unaudited)

*at 30 September 2022*

| | (unaudited) 30 September 2022 £'000 | (unaudited) 5 October 2021 £'000 | (audited) 31 March 2022 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments held at fair value through profit or loss | **1,211,490** | 821,995 | 991,893 |
| **Current assets** | | | |
| Debtors | **8,045** | 4,523 | 15,386 |
| Cash at bank and in hand | **42,578** | 18,904 | 50,611 |
| | **50,623** | 23,427 | 65,997 |
| **Creditors: amounts falling due within one year** | **(29,760)** | (3,245) | (8,055) |
| **Net current assets** | **20,863** | 20,182 | 57,942 |
| **Total assets less current liabilities** | **1,232,353** | 842,177 | 1,049,835 |
| **Capital and reserves** | | | |
| Called-up share capital | **6,421** | 4,301 | 5,223 |
| Share premium account | **1,058,399** | 629,579 | 816,009 |
| Capital redemption reserve | **16** | 16 | 16 |
| Capital reserve | **156,945** | 201,238 | 216,783 |
| Revenue reserve | **10,572** | 7,043 | 11,804 |
| **Total equity shareholders' funds** | **1,232,353** | 842,177 | 1,049,835 |
| **Net asset value per Ordinary share** | **4,798.4p** | 4,894.6p | 5,025.1p |

The Half-Year Financial Report for the six months ended 30 September 2022 was approved by the Board of Directors on 11 November 2022 and signed on its behalf by:

**Jean Matterson**
*Chairman*

11 November 2022

# Cash Flow Statement (unaudited)

*for the six months ended 30 September 2022*

| | (unaudited) 6 months ended 30 September 2022 £'000 | (unaudited) 6 months ended 5 October 2021 £'000 | (audited) Period ended 31 March 2022 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities (note 5)** | **7,767** | 5,212 | 9,759 |
| Payments to acquire investments | **(522,583)** | (413,107) | (833,682) |
| Receipts from sale of investments | **264,802** | 230,037 | 496,426 |
| **Net cash outflow from investing activities** | **(257,781)** | (183,070) | (337,256) |
| Equity dividends paid | **(10,558)** | (6,771) | (6,771) |
| Proceeds from the issue of Ordinary shares | **253,075** | 166,518 | 348,313 |
| Cost of share issues | **(536)** | (227) | (676) |
| **Net cash inflow from financing activities** | **241,981** | 159,520 | 340,866 |
| **(Decrease)/increase in cash and cash equivalents** | **(8,033)** | (18,338) | 13,369 |
| Cash and cash equivalents at start of period | **50,611** | 37,242 | 37,242 |
| **Cash and cash equivalents at end of period** | **42,578** | 18,904 | 50,611 |

# Notes to the Financial Statements

## 1. Basis of preparation

The condensed Financial Statements for the six months to 30 September 2022 comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position and the Cash Flow Statement, together with the notes set out below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting', the AIC's Statement of Recommended Practice issued in July 2022 ("SORP"), UK Generally Accepted Accounting Principles ("UK GAAP") and using the same accounting policies as set out in the Company's Annual Report and Accounts at 31 March 2022.

## 2. Investment income

| | (unaudited) 6 months ended 30 September 2022 £'000 | (unaudited) 6 months ended 5 October 2021 £'000 | (audited) Period ended 31 March 2022 £'000 |
|---|---|---|---|
| **Income from investments** | | | |
| Interest from UK bonds | **2,570** | 900 | 1,584 |
| Income from UK equity and non-equity investments | **6,375** | 3,138 | 8,163 |
| Interest from overseas bonds | **1,505** | 1,055 | 2,083 |
| Income from overseas equity and non-equity investments | **2,261** | 2,168 | 2,847 |
| Total income | **12,711** | 7,261 | 14,677 |

## 3. Net return per Ordinary share

The calculation of return per Ordinary share is based on results after tax divided by the weighted average number of shares in issue during the period of 23,459,021 (5 October 2021: 15,497,952, 31 March 2022: 17,272,426).

The revenue, capital and total return per Ordinary share is shown in the Income Statement.

## 4. Dividends paid

| | (unaudited) 6 months ended 30 September 2022 £'000 | (unaudited) 6 months ended 5 October 2021 £'000 | (audited) Period ended 31 March 2022 £'000 |
|---|---|---|---|
| 2021 Dividend paid 16 July 2021 (45.0p per share) | **–** | 6,771 | 6,771 |
| 2022 Dividend paid 15 July 2022 (46.0p per share) | **10,558** | – | – |

# Notes to the Financial Statements *(continued)*

## 5. Reconciliation of net return before tax to net cash inflow from operating activities

| | (unaudited) 6 months ended 30 September 2022 £'000 | (unaudited) 6 months ended 5 October 2021 £'000 | (audited) Period ended 31 March 2022 £'000 |
|---|---|---|---|
| Net return before tax | **(49,856)** | 48,130 | 68,728 |
| Less capital loss/(gain) before tax | **59,838** | (42,860) | (58,405) |
| Decrease/(increase) in prepayments | **28** | 7 | (32) |
| Increase in accruals and deferred income | **102** | 106 | 349 |
| Overseas withholding tax paid | **(59)** | (25) | (44) |
| Increase in recoverable paid tax | **(10)** | – | (3) |
| UK Corporation tax paid | **(243)** | – | (596) |
| Increase in dividends receivable | **(307)** | (138) | (228) |
| Increase in accrued interest | **(1,857)** | (155) | (540) |
| Realised gains on foreign currency transactions | **131** | 147 | 530 |
| Net cash inflow from operating activities | **7,767** | 5,212 | 9,759 |

## 6. Ordinary shares

During the period the Company issued 4,790,460 new Ordinary shares of 25p each for proceeds totalling £243,588,000 and no Ordinary shares were issued from treasury (six months to 5 October 2021: 3,393,039 new Ordinary shares of 25p each issued for proceeds totalling £166,990,000 and no Ordinary shares were issued from treasury, period to 31 March 2022: 7,078,862 new Ordinary shares of 25p each issued for proceeds totalling £354,342,000 and no Ordinary shares were issued from treasury).

During the period the Company did not repurchase any Ordinary shares (six months to 5 October 2021 and period to 31 March 2022: nil). At 30 September 2022 no Ordinary shares were held in treasury (5 October 2021 and 31 March 2022: nil).

At 30 September 2022, there were 25,682,435 Ordinary shares in issue (5 October 2021: 17,206,152, 31 March 2022: 20,891,975).

# Notes to the Financial Statements *(continued)*

## 7. Fair value of financial assets and liabilities

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

Level 1: valued using unadjusted quoted prices in active markets for identical assets;

Level 2: valued using observable inputs other than quoted prices included within Level 1; and

Level 3: valued using inputs that are unobservable and are valued by the Directors using International Private Equity and Venture Capital Valuation ('IPEV') guidelines, such as earnings multiples, recent transactions and net assets, which equate to their fair values.

The financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy at 30 September 2022 as follows:

| Financial assets at fair value through profit or loss | Level 1 £000 | Level 2 £000 | Level 3 £000 | 2022 Total £000 |
|---|---|---|---|---|
| Quoted securities | **1,204,525** | **6,190** | **–** | **1,210,715** |
| Delisted equities | **–** | **–** | **775** | **775** |
| Net fair value | **1,204,525** | **6,190** | **775** | **1,211,490** |

## 8. General information

The financial information contained in this Half-Year Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half-years ended 5 October 2021 and 30 September 2022 have not been audited. The abridged financial information for the period ended 31 March 2022 has been extracted from the Company's statutory accounts for that period, which have been filed with the Registrar of Companies. The report of the Auditors on those accounts was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

# Shareholder Information

**Financial Reporting**

Copies of the Company's Annual and Half-Year Reports may be obtained from the Company Secretary and electronic copies can be accessed on the Company's website www.capitalgearingtrust.com. See page 20 for contact details.

**Ongoing Charges**

The Company publishes its ongoing charges ('ongoing cost ratio' or 'OCR') every year on two bases, the first excluding and the second including fees of collective funds invested in by the Company:

| | OCR (excluding costs of underlying funds) | OCR (including costs of underlying funds) |
|---|---|---|
| Period ended 31 March 2022 | 0.52% | 0.78% |
| Period ended 5 April 2021 | 0.58% | 0.90% |

**Frequency of NAV Publication**

Daily

**How to Invest**

Via your bank, stockbroker or other financial adviser.

**Share Price**

The Company's share price can be found on the London Stock Exchange website by using the Company's TIDM code 'CGT' within the price search facility. The share price is also available on the Company's website.

**Share Identification Codes**

| | |
|---|---|
| SEDOL: | 0173861 |
| ISIN: | GB0001738615 |
| BLOOMBERG: | CGT:LN |
| TIDM: | CGT |
| FT: | CGT:LSE |

**Substantial Shareholdings**

The Disclosure Guidance and Transparency Rules require shareholders of the Company to simultaneously inform the Company and the Financial Conduct Authority (the 'FCA') of changes to major holdings in the Company's shares within two trading days of the change.

For further information, please visit the FCA's website: https://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/shareholding-notification-disclosure.

**Contacting the Board**

Any shareholders wishing to communicate directly with the Board should do so via the Company Secretary. See page 20 for contact details.

# Glossary of Terms and Definitions

**Alternative Performance Measure**

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes UK GAAP, including FRS 102, and the AIC SORP. The Company's alternative performance measures are NAV total return, share price total return, premium/discount to NAV and ongoing charges ratio ('OCR'). Further information is provided below. These numerical measures are used by the Board to assess the Company's performance against a range of criteria and are viewed as particularly relevant for an investment company.

**Drawdown**

A maximum drawdown is the maximum observed negative period of return from a peak to a trough, as measured at month end NAV. Maximum drawdown is an indicator of downside risk that can be used to assess the relative riskiness of one portfolio relative to another.

**Earnings per share**

Earnings per share ('EPS') is calculated by dividing the net return attributable to equity shareholders by the weighted average number of shares in issue.

**Net Asset Value or NAV**

The value of total assets less liabilities. To calculate the net asset value per share the net asset value is divided by the number of shares in issue.

**Ongoing Charges**

The Company publishes its ongoing charges ('ongoing charges ratio' or 'OCR') on two bases, the first excluding and the second including fees of collective funds invested in by the Company. The management fee and all other administrative expenses are expressed as a percentage of the average daily net assets during the year.

**Discount/Premium to NAV**

The amount by which the share price is lower/higher than the net asset value per share, expressed as a percentage of the net asset value per share.

| | | | 30 September 2022 | 31 March 2022 |
|---|---|---|---|---|
| NAV per share | a | | **4,798.4p** | 5,025.1p |
| Share price | b | | **4,745.0p** | 5,140.0p |
| (Discount)/Premium | c | c=(b-a)/a | **(1.1)%** | 2.3% |

**Total Return**

Net asset value/share price total return measures the increase or decrease in net asset value per share/share price plus the dividends paid in the period, which are assumed to be reinvested at the time that the share price is quoted ex-dividend.

# Corporate Information

## Directors

Jean Matterson, Chairman
Robin Archibald
Wendy Colquhoun
Paul Yates

## Company Secretary and Administrator

Juniper Partners Limited
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E-mail:
company.secretary@capitalgearingtrust.com
Telephone:
0131 378 0500

## Registered Office

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## Registered Number

NI005574

## Company Website

www.capitalgearingtrust.com

## AIC

Association of Investment Companies
www.theaic.co.uk

## Investment Manager

CG Asset Management Limited
20 King Street
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## Registrar

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## Corporate Stockbroker

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