

Miton UK MicroCap Trust plc

Report and Accounts for the
half year ended 31 October 2021

Accessing the **inherent vibrancy** of the UK's **quoted microcaps** to generate **attractive potential returns**

The Trust's strategy is distinctive...



The Miton UK MicroCap Trust plc strategy selects companies that are anticipated to generate plentiful surplus cash, as prior capital investment matures.



Over the last six and half years since listing, the Trust's strategy has delivered a doubling of its NAV (total return).



Meanwhile, investment strategies focusing on stocks with rapid growth forecasts have also delivered attractive returns.



Companies that grow rapidly often need a constant supply of cash to fund their growth, so their success tends to be contingent on an absence of inflation.



In contrast, the best UK quoted microcaps have a long history of outperformance – even during periods of elevated inflation.



Hence, if inflationary pressures are rising, a wider range of investors may become interested in the Trust's strategy.

Contents

The Company

- 1 Performance, Strategy and Prospects
- 6 Results for the Half Year
- 7 Financial Performance Indicators
- 8 Chairman's Statement
- 10 Investment Manager's Report
- 14 Portfolio Information
- 16 Half-Year Management Report and Directors' Responsibility Statement

Company Accounts

- 17 Income Statement
- 18 Statement of Changes in Equity
- 19 Balance Sheet
- 20 Statement of Cash Flows
- 21 Notes to the Condensed Financial Statements

Shareholder Information

- 27 Investment Objective and Policy
- 28 Shareholder Information
- 30 Directors and Advisers
- 31 Financial Calendar
- 32 Glossary and Alternative Performance Measures (APMs)

...and will continue to be so

The 4 Key Performance Indicators



The Board uses four Key Performance Indicators (KPIs) to gauge the success or otherwise of the Company's strategy and its outcome to shareholders.

The Company's NAV total return – Over the half year, the NAV total return of the Trust was -7.8%, which compares to 6.4% for the Peer Group and 1.4% for the Numis 1000 Index. Since the Company's listing in April 2015, the NAV total return was 101.0%, which compares to 75.3% for the Peer Group and 75.6% for the Numis 1000 Index.

Plentiful stock market trading volumes – Most shareholders add to or reduce their shareholding in the Trust via stock market transactions. The Manager frequently updates shareholders (and potential investors) on the prospects for the Trust and produces a presentation for the AGM (which is available online), to help maximise the liquidity of the Trust's shares, and make daily transactions as frictionless as possible. Over the half year, on average 0.25% of the Company's shares were traded each day and, since issue, around 0.29% has been traded daily. Both figures are amongst the best in the Peer Group.

The Trust's valuation relative to its NAV – Prior to the Brexit referendum the Trust's share price normally traded close to, or at a premium to its daily NAV. When the uncertainties of Brexit appeared after the referendum, the Company's valuation moved to a discount to its underlying asset value, as did most others in the Peer Group. The Company's share price returned to a premium to its NAV at the start of the period, enabling the issue of 650,000 shares in response to market demand. This premium fell away in June, however, meaning that for the six months as a whole, the Trust's share price traded on an average of 6.1% below its daily NAV, which is out of line with its longer term trading history.

Keeping costs competitive – On page 33 of this report, the ongoing charges are set out at 1.42% of the NAV over the period, which represents a significant improvement when compared to the 1.60% reported at the end of the previous year to April 2021. The Board pays careful attention to overall costs, and believes that these are reasonable in the context of the Trust's specialist investment universe, and the strong returns it has delivered.

Contents

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- 8 Chairman's Statement
- 10 Investment Manager's Report
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- 20 Statement of Cash Flows
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- 31 Financial Calendar
- 32 Glossary and Alternative Performance Measures (APMs)

A summary of the nature of the Trust's portfolio

The Miton UK Microcap Trust aims to deliver strong returns for shareholders via a portfolio of stocks that are often well placed to generate surplus cash. This summary also highlights how downside risks can be moderated by diversifying stock specific and portfolio risk.

The Trust's capital is:

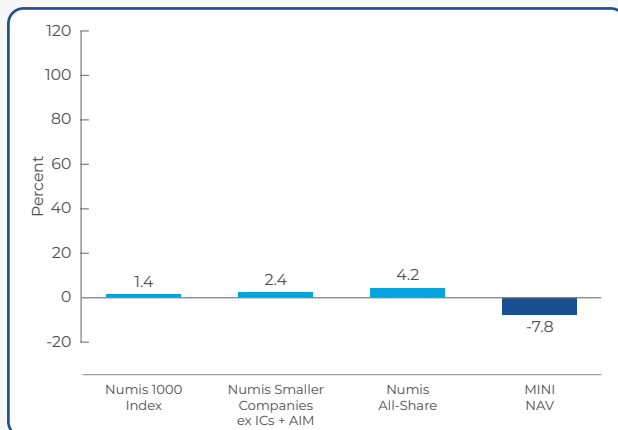
- **invested in companies whose prospects are frequently independent of the general growth of the economy...** By their nature, microcaps often have relatively modest market shares, or operate in immature markets, which means their growth is not reliant on the general growth of the economy, resulting in them having greater growth potential than some of their larger competitors.
- **diversified across a broad universe of stocks...** Most of the Trust's stocks are listed on the Alternative Investment Market (AIM), with a significant number listed on the London Stock Exchange, and a small minority listed on the Aquis Stock Exchange. The portfolio's Manager may occasionally invest in stocks listed on other exchanges, although this is normally a small percentage of the portfolio. This investment universe comprises a very large number of individual quoted stocks, operating across a very broad range of industry sectors.
- **invested in companies where cash surpluses are anticipated...** Sometimes, after a number of years of capital expenditure, the valuations of some quoted microcaps do not fully reflect the quantum of their forthcoming cash flow surpluses, as few professional investors, aside from your Manager, actively research them. As these companies announce major improvements to their cash flow, their share prices can often outperform.
- **invested with a preference for those companies with strong balance sheets, standing on overlooked valuations.** Academic reviews of UK stock market data since 1955 conclude that listed companies in the bottom two per cent by market capitalisation tend to deliver higher returns than those in all other size bands. Furthermore, if this factor is combined with companies that stand on overlooked valuations, then the returns can be even higher.

Miton UK MicroCap Trust plc half year report for the period ended 31 October 2021

The Miton UK MicroCap Trust plc is an investment trust quoted on the London Stock Exchange under the ticker code MINI. It is referred to as the Company, MINI or the Trust in the text of this report. The Board, which consists of five independent directors, appoints the Investment Manager and oversees all aspects of the Trust.

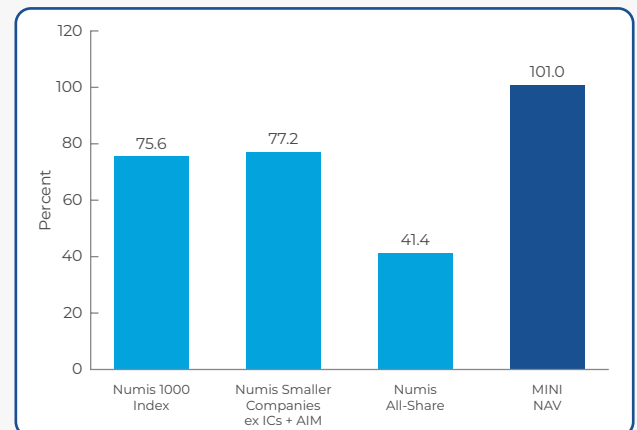
Following the Trust's listing in April 2015, its net asset value (NAV per Ordinary share) rose from 49.00p to a peak of 71.60p in June 2018. During March 2020, with the worst of the fears about the pandemic and the absence of a Brexit agreement, the Company's NAV fell to a nadir of 37.20p. Last year, the Company's NAV rose to 104.85p, however, with some profit taking of those companies which had strongly outperformed in the previous six months, that moderated to 96.67p at the end of October. There still appears to be plenty of scope for the portfolio to continue to deliver attractive returns in future.

Total Returns 6 months to October 2021



Source: Morningstar

Total Returns from launch to October 2021



Source: Morningstar

Note that, for cost reasons, the Board has opted to change to the Numis Indices as comparators. The above graphs use the Numis Indices as comparators for the first time.

Our objective

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

The Trust's clear sense of purpose...

After COP26, a radical change in the funding of businesses

Following COP26, most commercial banks will now have a preference to lend to businesses that are actively working towards the goal of restricting climate warming by up to 1.5% by 2050. This commitment could make it much more difficult for businesses in the cement, steel and carbon-based energy sectors to access debt in the future. Furthermore, those in the transport sector will also come under pressure to heavily scale back their greenhouse emissions. Whilst this might lead various term loans to expire, and many private companies to run short of cash, UK quoted microcaps with access to risk capital should retain the potential to continue investing to address the climate change agenda, whilst delivering attractive returns.

As the oil and gas supply from the North Sea has declined, for example, the UK has become more reliant on imported LPG which emits around 150kg of greenhouse gases for every barrel of oil equivalent manufactured. Over the last two years, one of the Trust's holdings, Independent Oil and Gas plc, raised capital to refurbish existing seabed pipelines and to bring new gas wells into production. As a result, its gas supply has greenhouse gas emissions of only 0.4kg per barrel equivalent supplied and has come on stream at a time when European gas itself is in short supply.

Socially useful

Another potential advantage of UK quoted microcaps is that many of these businesses are relatively young. When they invest, this often creates additional skilled roles, and productivity improvements, with wage growth that increases ahead of inflation. Furthermore, they usually have simple tax arrangements and pay the local exchequer. In conclusion, a portfolio of quoted microcaps, such as those held by this Trust, tends to be socially useful. They don't just have the

potential to deliver strong returns for shareholders, but additionally they provide favourable outcomes for society. Being socially useful tends to attract political support, which may be increasingly important at a time of greater populism.

Overall, in our opinion, the portfolio has the potential to deliver strong returns to shareholders, as well as delivering better outcomes in terms of climate change and social utility.

...reinforced by the COP26 agreement

...backed by four major advantages of the Trust's strategy

The prospects for microcap share prices appear more attractive than those for mainstream assets

Looking ahead, there are now reasons to expect rises in corporation tax or interest rates which will make earnings growth particularly challenging, whilst the elevated valuation of long-dated bonds implies that asset valuations generally are unlikely to rise much further, and could decline in time. Changeable economic conditions challenge all businesses of course but, at present, the upside potential for many mainstream stocks does appear to be limited.

Younger businesses often have the energy and vision of more hands-on management teams, which can be reflected in superior corporate drive and agility. This is a long-term advantage but tends to be more prominent when the returns on the mainstream stock markets are constrained.

Quoted microcaps can deliver transformational returns by acquiring businesses at distressed valuations

If bond yields do rise, and risk capital becomes scarcer, a public listing can be disproportionately advantageous because listed companies have ongoing access to risk capital.

During recessions, many over-indebted companies become insolvent for want of capital. At times like these, quoted companies can enhance their returns because they can fund low-cost acquisitions when others are more constrained.

The upside on acquisitions at distressed valuations is often limited for mainstream quoted companies because the capital involved in an acquisition is trivial compared to scale of the acquirer. In contrast, a quoted microcap undertaking a similar transaction may find it delivers transformational returns for its investors.



Successful listed microcaps can generate returns that are multiples of the initial investment through scaling up rapidly, using external capital

When a listed business identifies an opportunity to generate abundant cash returns, its access to capital means it can scale up its operations very rapidly.

Whilst larger companies can achieve these aims, there are numerous opportunities of significance for quoted microcaps. Investing aggressively for relatively rapid cash surpluses, which then funds even greater investment, can create a virtuous spiral for the share price of the quoted microcap. The impact of capex within a quoted microcap can often deliver significant returns given its relatively small market capitalisation, and hence deliver proportionately greater upside potential. This can sometimes be reflected in share prices delivering multiples of their original cost.

As the share prices of successful microcaps have the potential to rise considerably, the Trust may take profits and then recycle the capital into new overlooked microcaps

Gervais Williams and Martin Turner, who manage the portfolio, have many years' experience of investing in quoted microcaps. This position contrasts with the majority of professional investors who don't invest in individual UK quoted microcaps, as they are considered to be too insignificant in scale for most institutional portfolios. Since the share prices of successful microcaps can sometimes rise by a multiple of the original purchase price, this experience can be very valuable for the Trust.

In short, there is extensive potential for experienced, professional stock pickers to generate plentiful returns within the microcap investment universe over time. Since successful microcaps are often accompanied with excess market demand, the Trust's portfolio often takes substantial profits on these positions, and then reinvests the capital back into new microcap holdings with similar upside potential.

Results for the Half Year

to 31 October 2021

- Over the half year, the Ordinary share NAV **fell from 104.83p** on 30 April 2021 **to 96.67p** on 31 October 2021, **a fall of 7.8%** (including re-invested dividend).*
- The Ordinary share price moved **from 104.50p** at the end of April 2021 **to 89.10p** at the end of October 2021, **a decrease of 14.7%** (including re-invested dividend).*
- A profit of £84,000 in the half year to 31 October 2021 has been credited to the revenue reserves.
- During the half year the Company issued 650,000 Ordinary shares, raising £689,000.
- Redemption requests over 2.4% of the Company issued share capital were received and accepted, with the redeemed shares cancelled.

Summary of Results

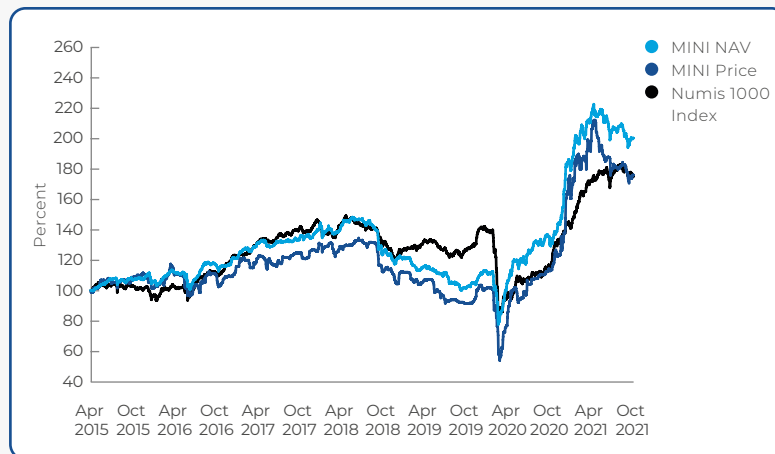
	Half year to 31 October 2021	Year ended 30 April 2021
Total net assets attributable to equity shareholders (£'000)	105,615	116,651
NAV per Ordinary share*	96.67p	104.83p
Share price (mid)	89.10p	104.50p
Discount to NAV*	(7.83)%	(0.31)%
Investment income	£0.5m	£0.7m
Revenue return per Ordinary share	0.08p	(0.14)p
Total return per Ordinary share*	(8.14)p	49.51p
Ongoing charges**	1.42%	1.60%
Ordinary shares in issue	109,253,560	111,274,758

* Alternative Performance Measure ('APM'). Details provided in the Glossary on pages 32 to 34.

The ongoing charges are calculated in accordance with AIC guidelines.

Financial Performance Indicators

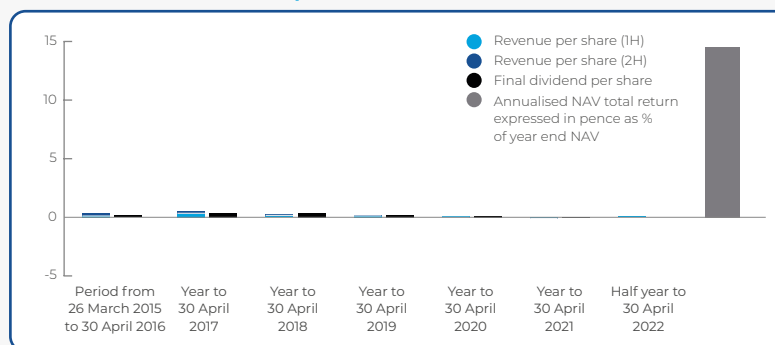
NAV v share price v Numis 1000 Index



Source: Morningstar 30 April 2015 to 31 October 2021.

This chart details the NAV and the daily closing share price of the Company. Prior to the Brexit referendum, the share prices of microcaps generally appreciated well and the NAV of the Trust rose. After the Brexit referendum, many asset allocators scaled back their UK weightings given the uncertainties over the detail of the exit arrangements, and this has led to fewer buyers of smallcap stocks. This trend has been more acute amongst microcap stocks, despite many demonstrating resilience during the pandemic.

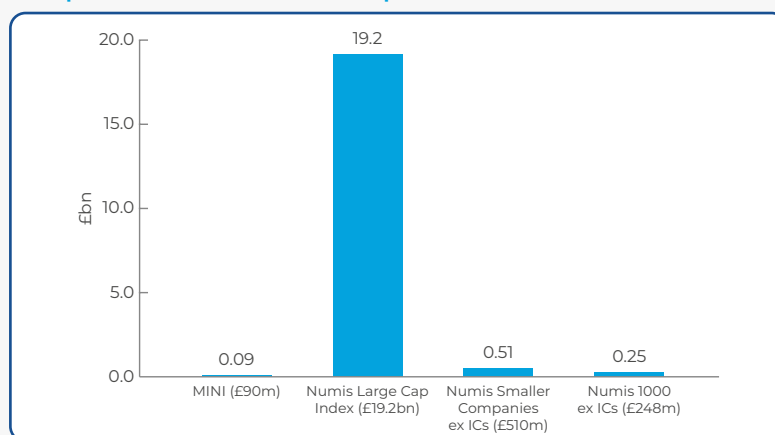
Revenue and dividend per share



Source: Company 30 April 2015 to 31 October 2021.

The revenue per share of the Trust was relatively strong in the early years, as two of the portfolio holdings were yielding 10% at purchase. After these were taken over, the underlying dividend income of the portfolio has been at a lower level, and often similar to the revenue costs each year. Overall, it has always been anticipated that the major part of the Trust's longer term returns would come via capital gain rather than dividend income. The chart alongside highlights that the Trust's return to date has indeed been dominated by capital appreciation.

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



Source: Premier Miton, Numis.

The Trust pursues a clearly differentiated strategy, illustrated by the fact that the average unweighted market capitalisation of the holdings within its portfolio is £90m, which compares to an average of £19.2bn for the Numis Large Cap index, £510m for the Numis Smaller Companies ex Investment Companies Index and £248m for the Numis 1000 Index ex Investment Companies. The Trust's portfolio may therefore produce different returns from those of the mainstream stock market indices. Please see glossary for further details of these indices.

Chairman's Statement



“Despite the current economic and stock market challenges, we believe the prospects for the Miton UK Microcap Trust remain attractive given the specific advantages of the strategy.”

Andy Pomfret

Chairman

This report covers the Trust's half year period between 1 May to 31 October 2021, which was a period of fluctuating asset returns with the global economy continuing to be affected by the COVID-19 pandemic. The rise of energy prices boosted oil and gas company share prices, whilst concerns that inflationary pressures may turn out to be more persistent than originally expected led to some profit taking in other areas.

Moving forward, for cost reasons, the Board has opted to change to the Numis Indices as comparators. This series of indices includes the Numis 1000 index that comprises the bottom 2% of the UK Stock Market.

Returns over the half year

The appreciation of the major oil stocks was the principal reason why the Numis All-Share rose 4.2% and outperformed the 2.4% delivered by the Numis Smaller Companies + AIM ex Investment Companies Index over the half year. There was a degree of profit taking amongst microcaps, and since many of the Trust's holdings have appreciated ahead of others after its NAV more than doubled last year, this was reflected in the Trust's NAV declining by 7.8% over the half year. This compares with a 1.4% rise by the Numis 1000 over the same period (all the data is total return terms).

A proportion of the Trust's annual running costs are set against the revenue, which is principally dividend income. In the past, both figures have been quite similar in magnitude, and therefore it has always been anticipated that capital appreciation would be the principal driver of the Trust's return. During the half year, the Trust's revenue was boosted by a one-off special dividend, and hence the revenue per share was 0.08p which compares with a deficit of 0.14p in the prior half year. These figures are included in the Trust's NAV total return set out above.

Returns since the Trust was first listed in April 2015

In the six and half years since the Trust listed, the UK stock market has been through a fairly turbulent period. From June 2016 onwards, the UK's decision to leave the EU initiated a long period of uncertainty, which was then further compounded by the challenges of the COVID-19 pandemic.

Over the same six and half year period, the Numis All-Share Index appreciated by only 10.8% in capital terms, although including dividend income its total return over the period was 41.4%. Quoted smallcaps outperformed over the period, with the Numis Smaller Companies + AIM ex Investment Companies Index reporting a total return of 77.2% and that of the Numis 1000 Index a total return of 75.6%. The Trust's NAV total return over the same period, including dividend income paid to shareholders, was 101.0%.

Addressing trading imbalances of the Trust's shares

Since the Trust's share price also reflects the balance of buyers and sellers, when there is an imbalance, the Trust's share price can diverge from its daily NAV. With worries about persistent inflation towards the end of the period, the Trust's share price stood at a 7.8% discount to the NAV (excluding current period revenue), although it had stood at a premium earlier in the half year.

To address these imbalances, the Trust operates a voluntary redemption facility through which shareholders can request the redemption of all or part of their shareholding on an annual basis, at a valuation at, or close to, the value of the underlying portfolio. Similarly, if there is demand for the Trust's shares at a 1% premium or more above its daily NAV, the Trust can issue new shares for cash. At the annual Redemption Point at the end of June, 2,671,198 shares were redeemed (representing 2.4% of the issued share capital at that time), whilst during the half year a total of 650,000 shares were issued to new investors.

Board refreshment

As previously announced, I will be standing down as Chairman at the end of this calendar year and will hand over to Ashe Windham. In the half year Bridget Guerin stepped down from the Board and we appointed Davina Walter as a non-executive director. Davina brings a wealth of experience of Investment Trusts and will be a strong addition to your Board.

Prospects

Over recent decades, share prices have steadily appreciated as ongoing global growth has combined with rising valuations for equities and as long-dated bond yields have declined. Recently, structural factors have led to the marked slowing of the Chinese economy, and if this trend were to persist, then the trajectory of global growth could become weaker. Furthermore, if the recent inflationary pressures turn out to be persistent, then long-dated bond yields will probably not decline any further and asset valuations could come under pressure. Both could represent major challenges to the ongoing appreciation of stock markets.

One of the advantages of the Miton UK MicroCap Trust strategy, is that its portfolio principally comprises holdings of young businesses. These businesses often operate in immature, fast growing industry sectors, where their prospects are less correlated with the fluctuations of global growth. Hence, when global growth was challenging in the past, UK quoted microcaps tended to outperform mainstream indices.

The Trust's portfolio holdings are also actively selected for those with the potential to generate substantial cash surpluses in the short to medium term. Hence, even when stock markets are weak, such as during the recent COVID-19 pandemic, these stocks still had the necessary capital to succeed. Furthermore, being microcaps, many stand on overlooked valuations, so they also have much greater upside potential.

Overall, despite the current economic and stock market challenges, we believe the prospects for the Miton UK MicroCap Trust remain attractive given the specific advantages of the strategy. A good example of the ultimate potential was evident in the year to April 2021, when the Trust's share price and NAV outperformed many others during the global recession, as its strategy gathered support from a wide range of investors.

Andy Pomfret

Chairman

13 December 2021

Investment Manager's Report

Who are the Fund Managers of the Trust?

Premier Miton Group plc is an independent, listed fund management company, formed from the merger of Premier Asset Management and Miton Group in November 2019, with a well-established reputation for successfully managing UK-quoted smaller company portfolios over the longer term. The Trust's Board appointed Premier Miton as Manager when it was listed in April 2015.

The day-to-day management of the Trust's portfolio continues to be carried out by Gervais Williams and Martin Turner, who came together as a team in April 2011.

Gervais Williams

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

Martin Turner

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

Why are the index comparatives used in this report different from those used previously?

When the Trust was first listed in April 2015, it was stated in the prospectus that the return would be shown by reference to various FTSE indices, as well as the Numis 1000 index. However, given the licensing terms available from London Stock Exchange (who own the FTSE Index data) and the fact that publication of the index would require a separate licence for the Trust (notwithstanding that Premier Miton, as Manager, already has a licence), the Trust

has decided that reference will only be made to the Numis indices going forward. This avoids the need for additional expense to the Trust in obtaining a separate FTSE licence, and the Board believes it provides a similar level of reporting on the return as in previous years.

Since the Trust was first listed in April 2015, the returns of both sets of indices happen to be broadly similar, although there are some divergences over shorter time periods. If anything, the returns on the Numis 1000 Index more closely represent the fluctuations of the Trust's universe of UK quoted microcaps, because it comprises the bottom two percent of both LSE and AIM listed stocks. Furthermore, the Numis 1000 Index returns aren't distorted by the major fluctuations of the largest AIM listed stocks that have occurred over the last six and half years.

What were the main contributors to the Trust's return over the half year?

After the substantial outperformance of quoted microcaps in the year to April 2021, the ongoing uncertainty regarding inflation led to many investors taking profits during the half year between April and October. Hence, whilst Avacta was one of the better performers in the prior period, over this half year it was the greatest detractor in the portfolio, as its share price fell due to an absence of news regarding commercial orders for its novel lateral flow test for COVID-19. Another disappointing holding was Helium One, where its share price had risen just ahead that at the start of the half year in anticipation of the results of its first helium wells. Whilst these confirmed the presence of helium during the half year, the geology has proved more complex than anticipated, so Helium One's share price was notably weak. A third example is Accrol, where unreliable deliveries of its toilet tissue led to its supermarket customers refusing to fund the additional manufacturing costs, at least initially. Where the prospects for imminent cash surpluses of portfolio holdings substantially diminishes, we tend to sell the

positions without delay. Interestingly, in all three of the holdings outlined above, our confidence in their imminent cash prospects haven't greatly altered. Therefore, all three of these positions remain in the portfolio, and may have even greater upside potential than previously.

Over the half year, we continued to meet numerous microcap management teams, and are always keen to bring in new holdings, most particularly where their prospects are not closely correlated with other existing portfolio holdings. The largest new holding over the half year was Saietta, which has a high efficiency electric motor that it is hoped will displace petrol moped engines in Indian cities. After its floatation in July, its share price has been buoyed by additional newsflow, and it was the best performing holding in the half year. The other principal new holdings over the half year were Braemar Shipping, Cyanconnode, Lamprell, Marwyn Value Investors and Independent Oil and Gas. Alongside, the Trust's portfolio also purchased a FTSE100 Put option during the half year, further details of which may be found in the Glossary.

Although there were good performances amongst some other portfolio holdings over the half year, such as Frontier IP, CentralNic and Kistos, the NAV of the Trust fell 7.8% in total return terms. This compares with a rise of 1.4% for the Numis 1000 Index over the same period.

What are the main factors that have driven the Trust's returns since it first listed in April 2015?

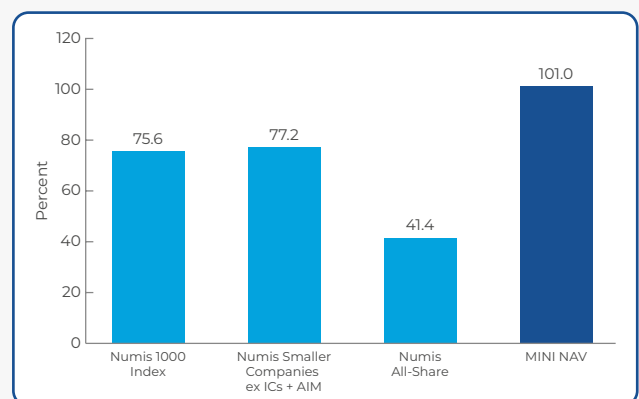
In the UK, academic analysis of stock market data from 1955 reveals that the best performing group of stocks has been quoted microcaps. This outperformance is even more marked when compared with microcaps that stand on low valuations. Whilst stocks with these characteristics may not have outperformed continuously, it has been a persistent trend through a variety of economic and stock market conditions. With this background in mind, the Trust seeks to invest in UK quoted microcaps that are standing on overlooked

valuations at the time of purchase. When these succeed, their share prices can rise by much greater percentages than most mainstream stocks.

Whilst the share prices of stocks that are forecast to grow rapidly can appreciate dramatically, they often subsequently suffer dramatic periods of underperformance as well. So, in spite of the favourable microcap trend, there are some years when other groups of stocks sometimes deliver better returns. Perhaps the most extreme example was the dot.com boom around the millennium.

Over the six and a half years since the Trust's listing, asset valuations have risen considerably, as long-dated bond yields have trended towards zero. For much of this period, stocks that were widely forecast to grow rapidly have outperformed, in a similar manner to the appreciation during the dot-com boom. Although many of the stocks in the Trust's portfolio on lower valuations have also appreciated well since March 2020, we believe that the true potential of the Miton UK MicroCap Trust strategy still hasn't been fully evident.

Total Return since launch



As outlined in the prospectus section below, we are excited about the potential for the Trust to deliver strong returns in the coming years.

Investment Manager's Report *continued*

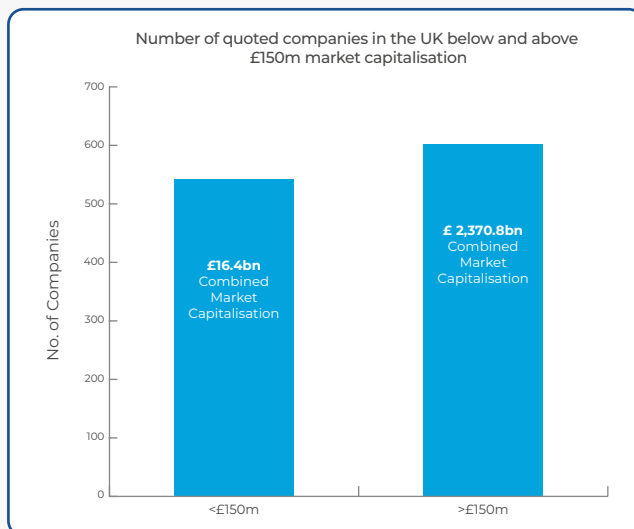
How unusual is the UK-quoted microcap investment universe in a global context?

Prior to a sustained period of globalisation, returns on mainstream stock markets were not very different from that of underlying inflation. At this time, institutions often included a capital allocation into UK-quoted small and microcaps because of the commercial pressures to access the premium returns they offered.

During the period of globalisation, asset returns of all kinds have been widespread, so institutional allocations into quoted small and microcap stocks have been crowded out by larger weightings in assets such as US technology. Indeed, over recent decades most quoted microcap stock markets around the world have been closed for lack of institutional interest.

In contrast to others, the UK government has sustained the support for a quoted small and microcap exchange via dedicated tax exemptions, as quoted microcaps often generate additional skilled employment and increased productivity, which ultimately contribute to additional tax take for the Exchequer.

Generally, we believe that the prospects for the UK economy may not differ much from other developed economies. The UK stock exchange however, differs from others in having retained a vibrant universe of UK quoted microcaps with all the advantages this has brought, particularly in the decades prior to globalisation. It is worth noting that, even now, the number of listed stocks with a market capitalisation of less than £150m is not dissimilar to the number of stocks with market capitalisations above this metric. If ultra-low yields on bonds and renewed inflation depress prospective returns on mainstream assets, then the strong returns on quoted microcaps can be expected to lead to renewed interest from institutional investors.



What are the prospects for the Trust?

The Miton UK MicroCap Trust strategy differs from most others, in that it has the potential to deliver an attractive return even at times when the mainstream stock market indices may not be steadily rising.

1. Specifically, the Manager principally invests in UK quoted microcap businesses. These companies tend to supply industry sectors, where demand is often growing on a structural basis, rather than due to the cyclical fluctuations of the global economy. There are indications that the Chinese economy, which has been the cornerstone of past global expansion, has reached a point where its growth may be sub-normal in future. If this is the case, then the Trust's quoted microcap investment universe may be very well placed. We note that historic data is reassuring, as when global growth was challenging in the past, UK quoted microcaps tended to outperform.

2. During periods of inflation and rising interest rates, or at times when the cost of labour is rising and corporate profit margins are under pressure, it is usual for numerous businesses to run out of cash. Over-indebted businesses, often find they are obliged to sell parts of their company, even at disappointing valuations, to repay debt. Others end up in insolvency. At these times, quoted companies have the advantage, as they can raise additional capital to acquire these operations at low entry valuations, with the prospect of rapid cash paybacks. Whilst such transactions can enhance the returns of large mainstream quoted companies, the same deal for a quoted microcap has greater enhancement. Hence, during challenging economic periods when mainstream stock market indices might be unsettled, quoted microcaps have the potential to step up their returns.

In short, an attractive asset market return hasn't been that distinctive over recent decades, when nearly all share prices have steadily appreciated as ongoing global growth has been compounded with rising valuations. But with the prospective returns on long-dated bonds currently close to zero, we believe the Miton UK MicroCap Trust strategy will be more distinctive in future. Furthermore, since the scale of the UK quoted microcap investment universe is by definition tiny, any change to the potential interest could become self-reinforcing.

We also hope to add value to the potential upside through active stock selection. Since few other professional investors research UK quoted microcaps, in contrast to us, those that are successful can sometimes deliver returns that are a multiple of the initial share price.

In summary, since the Miton UK MicroCap Trust was first listed, it has delivered excellent returns, although these haven't attracted much attention given that other strategies have also flourished. Given mainstream asset returns may be less attractive in the future, we are more upbeat about the distinctive nature of the Trust's strategy. If our confidence is justified, then we anticipate that the Trust could become relevant to a much wider range of investors in future.

Gervais Williams and Martin Turner

13 December 2021

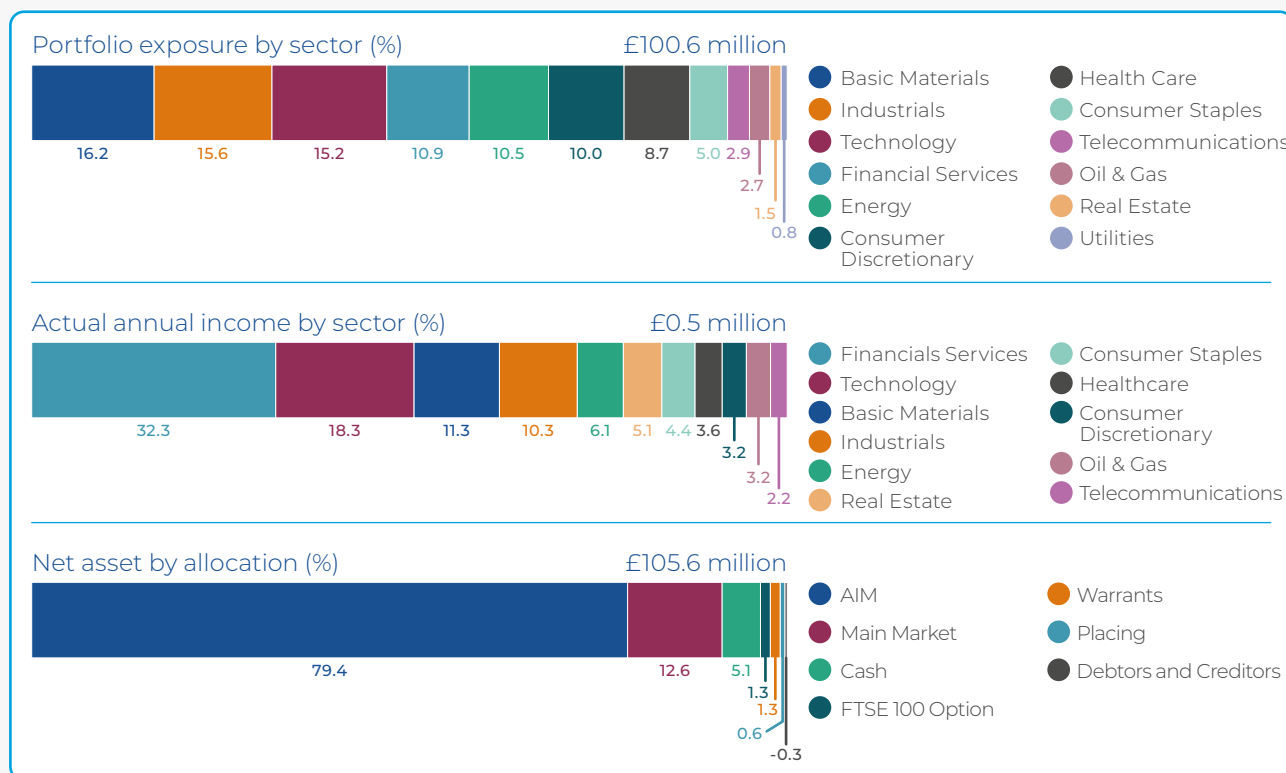
Portfolio Information

as at 31 October 2021

Rank	Company	Sector & main activity	Valuation £'000	% of net assets	Yield* %
1	MTI Wireless Edge	Technology	2,896	2.7	2.8
2	Frontier IP	Industrials	2,709	2.6	0.0
3	Saietta Group	Consumer Discretionary	2,403	2.3	0.0
4	Jubilee Metals	Basic Materials	1,945	1.8	0.0
5	Supreme	Consumer Staples	1,910	1.8	0.0
6	Corero Network Security	Technology	1,894	1.8	0.0
7	Centralnic Group	Technology	1,826	1.7	0.0
8	Aferian	Telecommunications	1,809	1.7	1.8
9	Accrol Group	Consumer Staples	1,703	1.6	0.0
10	Totally	Health Care	1,546	1.5	1.5
Top 10 investments			20,641	19.5	
11	Tirupati Graphite	Basic Materials	1,447	1.4	0.0
12	Virgin Wines UK	Consumer Discretionary	1,355	1.3	0.0
13	Afritin Mining	Basic Materials	1,345	1.3	0.0
14	TPXImpact Holdings	Technology	1,316	1.2	0.2
15	Quadrise Fuels International	Energy	1,314	1.2	0.0
16	Inspiration Healthcare Group	Health Care	1,300	1.2	0.5
17	Blackbird	Technology	1,287	1.2	0.0
18	Arena Events Group	Consumer Discretionary	1,285	1.2	0.0
19	Kinovo	Industrials	1,268	1.2	1.3
20	Pressure Technologies	Industrials	1,247	1.2	0.0
Top 20 investments			33,805	31.9	
21	Kistos	Energy	1,234	1.2	0.0
22	Van Elle Holdings	Industrials	1,191	1.2	0.0
23	Tissue Regenix Group	Health Care	1,186	1.2	0.0
24	Touchstone Exploration	Oil & Gas	1,164	1.1	0.0
25	Caledonia Mining	Basic Materials	1,108	1.0	4.7
26	Capital Limited	Basic Materials	1,095	1.0	2.2
27	Jadestone Energy	Energy	1,091	1.0	1.5
28	Jubilee Metals Group Warrants	Basic Materials	1,063	1.0	0.0
29	Avacta Group	Health Care	1,060	1.0	0.0
30	Trackwise Designs	Technology	1,049	1.0	0.0
Top 30 investments			45,046	42.6	
Balance held in equity investments			54,164	51.3	
Total equity investments			99,210	93.9	
Listed Put Option					
	FTSE 100 – P6200 December 2022		1,392	1.3	
Cash at bank and cash equivalents			5,349	5.1	
Current debtors and liabilities			(336)	(0.3)	
Net assets			105,615	100.0	

* Source: Thomson Reuters. Based on historic dividends and therefore not representative of future yield.

Portfolio as at 31 October 2021



Source: Thomson Reuters.

The tables above set out how the portfolio's capital is deployed as at 31 October 2021. The data is shown in terms of the classifications or the stock markets on which the holdings are listed. UK smaller quoted companies that are not listed on the Main Market of the London Stock Exchange are normally quoted on AIM. The AIM market is set up to meet the requirements of smaller listed companies providing the ability to raise funds. This also provides liquidity in acquisition and disposal of shares.

The cash position and the available revolving credit facility (which may be drawn upon demand) together provide the Company with £10m of cash resources. This enables the Company to take advantage of investments at opportune times.

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

The investment income above comprises the income from the portfolio as included in the Income Statement for the Half Year to 31 October 2021 attributable to the various sectors. The returns of the Company are from Capital and Revenue.

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

As the portfolio evolves, the Manager continuously reviews the portfolio's overall sector and index balance to ensure that it remains in line with the underlying conviction of the Investment Manager. The Investment Policy is set out on page 27, and details regarding risk factors and diversification and other policies are set out each year in the Annual Report.

Half-Year Management Report and Directors' Responsibility Statement

Half-Year Management Report

The important events that have occurred during the period under review, the key factors influencing the financial statements and any updates to the principal risks and uncertainties for the remaining six months of the financial year are set out in the Chairman's Statement on pages 8 and 9 and the Investment Manager's Report on pages 10 to 13.

The principal risks facing the Company are substantially unchanged since the date of the Annual Report and Accounts for the year ended 30 April 2021 and remain as set out in that report on pages 18 to 21.

The Board has, throughout the period, considered risks surrounding the impact of the COVID-19 pandemic. The risks related to market volatility and, in the worst case scenario, a decline in market prices, are continually monitored by Premier Miton and reviewed regularly by the Board.

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

Responsibility Statement

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

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard ("IAS") 34, as contained in UK-adopted IFRS; and gives a true and fair view of the assets, liabilities, financial position and profit of the Company as required by the Disclosure Guidance and Transparency Rules (DTR) 4.2.4R; and
- this Half Year Report (including the Chairman's Statement and the Investment Manager's Report) includes a fair review of the information required by:
 1. DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 2. DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half Year Report was approved by the Board of Directors on 13 December 2021 and the above responsibility statement was signed on its behalf by Andy Pomfret, Chairman.

Income Statement

for the half year to 31 October 2021

	Notes	Half year to 31 October 2021			Half year to 31 October 2020			Year ended 30 April 2021		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss		–	(7,997)	(7,997)	–	14,741	14,741	–	61,838	61,838
Losses on derivatives held at fair value through profit or loss		–	(677)	(677)	–	–	–	–	–	–
Income	2	508	–	508	255	–	255	699	6	705
Management fee	7	(118)	(353)	(471)	(75)	(228)	(303)	(183)	(549)	(732)
Other expenses		(306)	–	(306)	(276)	(419)	(695)	(635)	(859)	(1,494)
Return on ordinary activities before finance costs and taxation		84	(9,027)	(8,943)	(96)	14,094	13,998	(119)	60,436	60,317
Finance costs	8	–	(20)	(20)	–	(19)	(19)	–	(34)	(34)
Return/(loss) on ordinary activities before taxation		84	(9,047)	(8,963)	(96)	14,075	13,979	(119)	60,402	60,283
Taxation		–	–	–	(29)	–	(29)	(50)	–	(50)
Return/(loss) on ordinary activities after taxation		84	(9,047)	(8,963)	(125)	14,075	13,950	(169)	60,402	60,233
Return per Ordinary share – basic and diluted (pence)	3	0.08	(8.22)	(8.14)	(0.10)	11.72	11.62	(0.14)	49.65	49.51

The total column of this statement is the Income Statement of the Company prepared in accordance with international accounting standards in conformity with the Companies Act 2006. The supplementary revenue return and capital return columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

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

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

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

Statement of Changes in Equity

for the half year to 31 October 2021

	Notes	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 30 April 2021		162	61	-	64,283	52,061	84	116,651
Total comprehensive income:								
Return on ordinary activities after taxation		-	-	-	-	(9,047)	84	(8,963)
Transactions with shareholders recorded directly to equity:								
Redemption of Ordinary shares		-	-	-	(2,736)	-	-	(2,736)
Shares issued		1	-	673	-	-	-	674
Cancellation of shares	5	(3)	3	-	-	-	-	-
Equity dividends paid	4	-	-	-	-	-	(11)	(11)
As at 31 October 2021		160	64	673	61,547	43,014	157	105,615
As at 30 April 2020								
		189	34	-	79,251	(8,810)	347	71,011
Total comprehensive income:								
Return on ordinary activities after taxation		-	-	-	-	14,075	(125)	13,950
Transactions with shareholders recorded directly to equity:								
Redemption of Ordinary shares		-	-	-	(15,474)	-	-	(15,474)
Cancellation of shares	5	(28)	28	-	-	-	-	-
Equity dividends paid	4	-	-	-	-	-	(138)	(138)
As at 31 October 2020		161	62	-	63,777	5,265	84	69,349
As at 30 April 2020								
		189	34	-	79,251	(8,810)	347	71,011
Total comprehensive income:								
Return on ordinary activities after taxation		-	-	-	-	60,402	(169)	60,233
Transactions with shareholders recorded directly to equity:								
Redemption of Ordinary shares		-	-	-	(14,968)	469	44	(14,455)
Cancellation of shares	5	(27)	27	-	-	-	-	-
Equity dividends paid	4	-	-	-	-	-	(138)	(138)
As at 30 April 2021		162	61	-	64,283	52,061	84	116,651

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

Balance Sheet

as at 31 October 2021

	Notes	31 October 2021 £'000	31 October 2020 £'000	30 April 2021 £'000
Non-current assets:				
Investments held at fair value through profit or loss		99,210	67,129	108,506
Current assets:				
Derivative instruments		1,392	–	–
Trade and other receivables		714	341	2,796
Cash at bank and cash equivalents		5,349	3,186	6,272
		7,455	3,527	9,068
Liabilities:				
Trade and other payables		1,050	1,307	923
Net current assets		6,405	2,220	8,145
Net assets		105,615	69,349	116,651
Capital and reserves				
Share capital	5	160	161	162
Capital redemption reserve		64	62	61
Share premium account		673	–	–
Special reserve		61,547	63,777	64,283
Capital reserve		43,014	5,265	52,061
Revenue reserve		157	84	84
Shareholders' funds		105,615	69,349	116,651
		pence	pence	pence
Net asset value per Ordinary share – basic and diluted		96.67	62.32	104.83

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

Statement of Cash Flows

for the half year to 31 October 2021

	Half year to 31 October 2021 £'000	Half year to 31 October 2020 £'000	Year ended 30 April 2021 £'000
Operating activities:			
Net (loss)/return before taxation	(8,963)	13,979	60,283
Loss/(gain) on investments and derivatives held at fair value through profit or loss	8,674	(14,741)	(61,838)
Decrease/(increase) in trade and other receivables	10	(64)	(106)
(Decrease)/increase in trade and other payables	(35)	503	61
Exchange losses on capital items	–	(145)	–
Amortisation of finance costs	19	–	(9)
Withholding tax paid	–	(29)	(50)
Net cash outflow from operating activities	(295)	(497)	(1,659)
Investing activities:			
Purchase of investments	(15,838)	(17,608)	(42,901)
Sale of investments	17,284	32,555	61,583
Net cash inflow from investing activities	1,446	14,947	18,682
Financing activities:			
Proceeds of ordinary share issue	689	–	–
Redemption of ordinary shares	(2,736)	(14,961)	(14,455)
Equity dividends paid	(11)	(138)	(138)
Finance costs paid	(16)	(7)	–
Net cash outflow from financing activities	(2,074)	(15,106)	(14,593)
(Decrease)/increase in cash and cash equivalents	(923)	(656)	2,430
Reconciliation of net cash flow movement in funds:			
Cash and cash equivalents at the start of the period	6,272	3,842	3,842
Net cash (outflow)/inflow from cash and cash equivalents	(923)	(656)	2,430
Cash at the end of the period	5,349	3,186	6,272
	£'000	£'000	£'000
Cash received/(paid) during the period includes:			
– Dividends received	494	187	697

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

Notes to the Condensed Financial Statements

1. Significant Accounting Policies

Basis of preparation

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

The financial information contained in this Half Year Report does not constitute statutory accounts as defined in Section 435(1) of the Companies Act 2006. The financial information for the periods ended 31 October 2021 and 31 October 2020 have not been audited or reviewed by the Company's Auditor. The figures and financial information for the year ended 30 April 2021 are an extract from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the Auditor on those financial statements was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

In the current period, the Company has applied amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. The adoption of these has not had any material impact on these financial statements and the accounting policies used by the Company followed in these half-year financial statements are consistent with the most recent Annual Report for the year ended 30 April 2021.

Going concern

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

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date when these financial statements were approved. In making the assessment, the Directors have considered the likely impacts of the current COVID-19 pandemic on the Company, operations and the investment portfolio.

The Directors noted that the Company's current cash balance exceeds any short-term liabilities and holds a portfolio of listed investments, therefore the Company is able to meet its obligations as they fall due. The current cash balance plus available additional borrowing, through the revolving credit facility, enables the Company to meet any funding requirements and finance future additional investments. The Company is a closed-end fund, where assets are not required to be liquidated to meet day-to-day redemptions.

The Directors continuously monitor the impact of changes in market value and income with associated cash flows. In making this assessment, they have considered plausible downside scenarios. These tests were driven by the possible effects of continuation of the COVID-19 pandemic but, as an arithmetic exercise, apply equally to other circumstances in which asset value and income are significantly impaired. The conclusion was that in a plausible downside scenario, the Company could continue to meet its liabilities. Whilst the economic future is uncertain, and the Directors believe that it is possible the Company could experience further reductions in income and/or market value, the opinion of the Directors is that this should not be to a level which would threaten the Company's ability to continue as a going concern.

Notes to the Condensed Financial Statements *continued*

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

2. Income

	Half year to 31 October 2021 £'000	Half year to 31 October 2020 £'000	Year ended 30 April 2021 £'000
Income from investments:			
UK Dividends	371	145	426
Non-UK dividend income	130	97	247
UK REIT dividends	7	12	25
Bank Interest	-	-	1
Exchange gains on income	-	1	-
	508	255	699
Capital dividends	-	-	6
Total income	508	255	705

3. Return per Ordinary Share

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

Net profit (£'000)	Half year to 31 October 2021			Half year to 31 October 2020			Year ended 30 April 2021		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Continuation shareholders (£'000)	84	(9,047)	(8,963)	(125)	14,075	13,950	(125)	60,871	60,746
Redemption shareholders (£'000)	-	-	-	-	-	-	(44)	(469)	(513)
	-	-	-	-	-	-	(169)	60,402	60,233
Weighted average number of shares in issue		110,083,570			120,099,049			121,654,380	
Return per share (pence)	0.08	(8.22)	(8.14)	(0.10)	11.72	11.62	(0.14)	49.65	49.51

4. Dividends per Ordinary Share

	Half year to 31 October 2021		Half year to 31 October 2020		Year ended 30 April 2021	
	£'000	pence	£'000	pence	£'000	pence
Amounts recognised as distributions to equity holders in the period:						
Final dividend for the year ended 30 April 2020			138	0.10	138	0.10
Final dividend for the year ended 30 April 2021	11	0.01				
	11	0.01	138	0.10	138	0.10

5. Called-up Share Capital

	Half year to 31 October 2021		Half year to 31 October 2020		Year ended 30 April 2021	
	Number	£'000	Number	£'000	Number	£'000
Ordinary shares of £0.001 each						
Opening balance	111,274,758	112	138,335,915	139	138,335,915	139
Shares issued	650,000	1	–	–	–	–
Cancellation of shares	(2,671,198)	(3)	(27,061,157)	(28)	(27,061,157)	(27)
	109,253,560	110	111,274,758	111	111,274,758	112

	Half year to 31 October 2021		Half year to 31 October 2020		Year ended 30 April 2021	
	Number	£'000	Number	£'000	Number	£'000
Management shares of £1 each	50,000	50	50,000	50	50,000	50

The total number of Ordinary Shares in respect of which valid redemption requests were received for the 30 June 2021 Redemption Point was 2,671,198 Ordinary Shares (representing 2.40% of the issued share capital (the "Redemption")). The Board resolved that all of these shares would be settled for cash at a Redemption Price of 102.38 pence, being the net asset value at the close of business on 29 June 2021.

The redeemed shares have been cancelled by the Company.

During the half year 650,000 Ordinary Shares were issued for a net consideration of £689,000.

As at 31 October 2021, there were 109,253,560 Ordinary shares and 50,000 Management shares in issue.

6. Net Asset Value per Share

Ordinary shares

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

	NAV per Ordinary share 31 October 2021 pence	Net assets attributable 31 October 2021 £'000	NAV per Ordinary share 31 October 2020 pence	Net assets attributable 31 October 2020 £'000	NAV per Ordinary share 30 April 2021 pence	Net assets attributable 30 April 2021 £'000
Basic and diluted	96.67	105,615	62.32	69,349	104.83	116,651

NAV per Ordinary share is based on net assets at the period end and 109,253,560 Ordinary shares, being the number of Ordinary shares in issue at the period end (31 October 2020: 111,274,758 Ordinary shares; 30 April 2021: 111,274,758 Ordinary shares).

Notes to the Condensed Financial Statements continued

Management shares

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

7. Management Fee

	Half year to 31 October 2021			Half year to 31 October 2020			Year ended 30 April 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	118	353	471	75	228	303	183	549	732

At 31 October 2021, an amount of £74,000 (31 October 2020: £49,000; 30 April 2021: £79,000) was outstanding and due to Premier Portfolio Managers (“PPM”) in respect of management fees.

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

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

8. Finance Costs

	Half year to 31 October 2021			Half year to 31 October 2020			Year ended 30 April 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
£5m revolving loan facility arrangement fee	–	3	3	–	5	5	–	9	9
£5m revolving loan facility non-utilisation fee	–	17	17	–	14	14	–	25	25
	–	20	20	–	19	19	–	34	34

Revolving credit facility

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

The Company has not drawn down this facility during the period and no amounts have been drawn down at the date of signing this report.

The terms of the facility are set out below:

- Interest at 1.35% above SONIA on any drawn down balance.
- Commitment fee of 0.65% on any undrawn balance where less than 25% of the facility is drawn down or 0.55% on any undrawn balance where more than 25% of the facility is drawn down.
- The covenants require that borrowings will not at any time exceed 15% of the adjusted portfolio value, being the total portfolio value less the gross market value of each investment which is not a quoted equity freely traded on a recognised investment exchange, and that the net asset value shall at all times be greater than £50m.

9. Fair Value Hierarchy

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

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

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

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

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

Notes to the Condensed Financial Statements *continued*

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

Financial assets

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss at 31 October 2021				
Equity investments	97,365	1,781	64	99,210
Derivative contracts	–	1,392	–	1,392
	97,365	3,173	64	100,602

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss at 31 October 2020				
Equity investments	66,299	830	–	67,129
	66,299	830	–	67,129

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss at 30 April 2021				
Equity investments	107,286	1,156	64	108,506
	107,286	1,156	64	108,506

Reconciliation of level 3 movements – financial assets

	As at 31 October 2021 Level 3 £'000	As at 31 October 2020 Level 3 £'000	As at 30 April 2021 Level 3 £'000
Opening fair value investments	64	–	–
Transfer to level 3	–	–	64
Movement in investment holdings gains movement in unrealised	–	–	–
Closing fair value of investments	64	–	64

10. Transactions with the Investment Manager and Related Parties

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

Investment Objective and Policy

Investment Objective

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

Investment Policy

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

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

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

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

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

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

Borrowing

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

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

Shareholder Information

Capital Structure

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

As at 31 October 2021 and the date of this report, there are 109,253,560 Ordinary shares in issue, none of which are held in treasury, and 50,000 Management shares.

Redemption of Ordinary Shares

The Company has a voluntary redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary shares on an annual basis. The next Redemption Point for the Ordinary shares will be 30 June 2022. Redemption Request forms are available upon request from the Company's Registrar.

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

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

A redemption of Ordinary shares may be subject to either income tax or capital gains tax. In particular, private shareholders who sell their shares via the redemption mechanism could find they are subject to income tax on the gains made on the redeemed

shares rather than the more usual capital gains tax on the sale of their shares in the market. However, individual circumstances do vary, so shareholders who are in any doubt about the redemption or the action that should be taken, should consult their stockbroker, accountant, tax adviser or other independent financial adviser.

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

June 2022 Redemption Point

It is anticipated that the next redemption point for shareholders will be in June 2022. The Board retains the discretion to further amend this timetable.

The following are the expected dates for the June 2022 Redemption Point:

31 May 2022	Latest date for receipt of Redemption Requests and certificates for certificated shares
3 pm on 31 May 2022	Latest date and time for receipt of Redemption Requests and settled TTE (Transfer to Escrow) instructions for uncertificated shares via CREST
5 pm on 30 June 2022	Redemption Point
By 14 July 2022	Company to notify Redemption Price and dispatch redemption monies; or if the redemption is to be funded by way of a Redemption Pool, Company to notify the number of shares being redeemed. Notification of Redemption Price and dispatch of redemption monies to take place as soon as practicable thereafter.
By 28 July 2022	Balance certificates to be sent to shareholders

Share Dealing

Shares can be traded through your usual stockbroker.

Share Prices

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

Share Register Enquiries

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

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

By email – enquiries@linkgroup.co.uk.

By post – Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Ticker code

The Company's Ticker code is MINI

Investment Manager and AIFM: Premier Fund Managers Limited

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

Premier Miton had assets under management of £13.9bn (as at 30 September 2021).

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

Investor updates in the form of monthly factsheets are available from the Investment Manager's website, premiermiton.com.

Directors and Secretary

Directors (all non-executive)

Andy Pomfret, Chairman

Peter Dicks

Jan Etherden

Bridget Guerin (resigned 31 July 2021)

Davina Walter (appointed 10 August 2021)

Ashe Windham, CVO

Advisers

Secretary and Registered Office

Link Company Matters Limited

Beaufort House

51 New North Road

Exeter EX4 4EP

Telephone: 01392 477 500

Investment Manager and Alternative Investment Fund Manager

Premier Portfolio Managers Limited

Eastgate Court

High Street

Guildford

Surrey GU1 3DE

Company website

www.mitonukmicrocaptrust.com

Twitter

@PMTrusts_UK

Auditor

BDO LLP

55 Baker Street

London W1U 7EU

Company Administrator

Link Alternative Fund Administrators Limited

Beaufort House

51 New North Road

Exeter EX4 4EP

Depository and Custodian

The Bank of New York Mellon (International) Limited

One Canada Square

London E14 5AL

Registrar and Transfer Office

Link Group

10th Floor

Central Square

29 Wellington Street

Leeds LS1 4DL

Telephone: 0371 664 0300

(Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate)

Email: enquiries@linkgroup.co.uk

Website: www.linkassetsservices.com

Solicitor

Stephenson Harwood LLP

1 Finsbury Circus

London EC2M 7SH

Stockbroker

Peel Hunt LLP

100 Liverpool Street

London EC2M 2AT

Financial Calendar

Year end	30 April 2022
Redemption Point	30 June 2022
2022 full-year results announced	June 2022
Annual General Meeting	September 2022
Half-year end	31 October 2022
2022 half-year results announced	December 2022

An investment company as defined under Section 833 of the Companies Act 2006.

Registered in England No. 09511015.

A member of the Association of Investment Companies.

Glossary and Alternative Performance Measures (APMs)

Alternative Investment Market (“AIM”)

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

Alternative Performance Measure (“APM”)

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

Annual General Meeting (“AGM”)

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

Discount/Premium to NAV (“APM”)

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

	31 October 2021	30 April 2021	
Discount Calculation			
Closing NAV per share (p)	96.67	104.83	(a)
Closing share price (p)	89.10	104.50	(b)
Discount (c = ((a - b)/a))	7.83%	0.31%	(c)

Dividend Yield

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

Financial Conduct Authority (“FCA”)

This regulator oversees the fund management industry.

FTSE 100 Put Option

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

When the Trust's portfolio appreciates, along with the mainstream Stock Market, the value of Put option tends to become worthless over its term, (which in the case of the Trust currently extends to December 2022). The key advantage of investing in a FTSE 100 Put option is that at times of major market setbacks, the valuation of the Put option rises, which can then offset a part of the decline of other portfolio holdings. During the March 2020 setback for example, the Trust was able to take profits on its FTSE Puts after they had risen. It then bought more UK microcaps with the additional cash, at a time when their share prices were low. This process boosted the returns of the Trust through the market setback and the subsequent recovery.

Gearing

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

International Financial Reporting Standards

("IFRS") are standards issued by the International Accounting Standards Board ("IASB"), approved for implementation to provide a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. These were previously International Accounting Standards ("IAS") maintained by the IASB. The Company adopted IFRS with the accounting policies of the Company set out in the financial statements.

Key Performance Indicators ("KPIs")

KPIs are a short list of corporate attributes that are used to assess the general progress of the business and are outlined in this Report on page i.

Microcap stocks

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

Net Asset Value ("NAV") per Ordinary share

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

Numis Indices

The Numis Indices mentioned in this report comprise the following:

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

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

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

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

Ongoing Charges ("APM")

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

	31 October 2021 £'000	30 April 2021 £'000	
Ongoing Charges Calculation			
Management fee	471	732	
Other administrative expenses	306	635	
Less non-recurring items	–	(23)	
Total management fee and other administrative expenses (annualised)	1,554	1,344	(a)
Average net assets in the year	109,671	84,258	(b)
Ongoing charges (c = a/b)*	1.42%	1.60%	(c)

* Annualised.

Glossary and Alternative Performance Measures (APMs)

continued

Peer Group

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

SONIA (interest rate)

Sterling Overnight Index Average.

Total Assets

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

Total Return – NAV and Share Price Returns (“APM”)

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

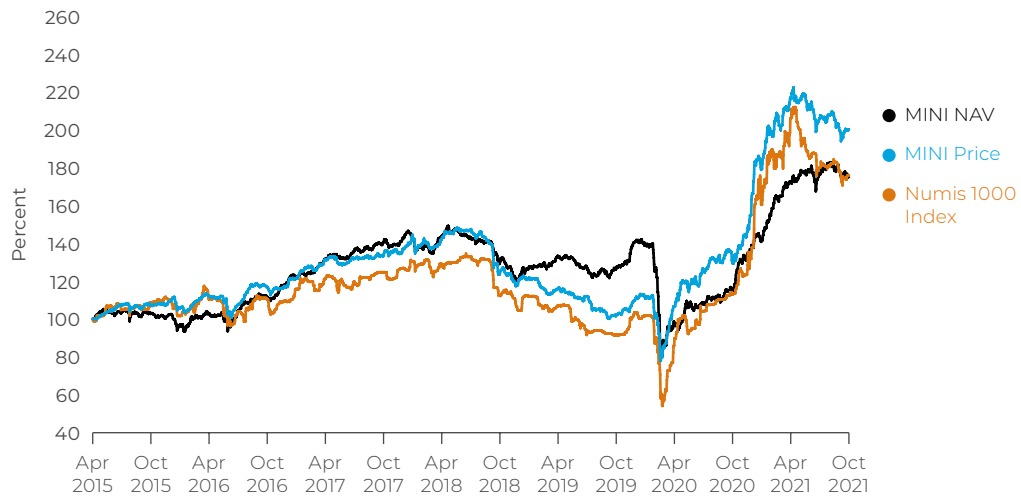
	31 October 2021	30 April 2021	
NAV Total Return			
Closing NAV per share (p)	96.67	104.83	
Add back final dividend for the year ended 30 April 2021 (2020) (p)	0.01	0.10	
Adjusted closing NAV (p)	96.68	104.93	(a)
Opening NAV per share (p)	104.83	51.33	(b)
NAV total return (c = ((a - b)/b)) (%)	(7.8)%	104.4%	(c)
Share Price Total Return			
Closing share price (p)	89.10	104.50	
Add back final dividend for the year ended 30 April 2021 (2020) (p)	0.01	0.10	
Adjusted closing share price (p)	89.11	104.60	(a)
Opening share price (p)	104.50	43.35	(b)
Share price total return unadjusted (c = ((a - b)/b)) (%)	(14.7)%	141.3%	(c)
Share price total return adjusted (%)	(14.7)%*	141.5%*	

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

Notes

Notes

Company performance since launch on 30 April 2015



Source: Morningstar 30 April 2015 to 31 October 2021.

Premier Miton
INVESTORS

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