INVESTMENT WEEK
INVESTMENT COMPANY
OF THE YEAR AWARDS 2017
WINNER
UK INCOME

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WINNER
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Miton
Genuinely active investing

The Diverse Income Trust plc

Half-Yearly Report
For the period to 30 November 2018

...taking advantage of the potential outperformance of **UK income stocks** across the **full range of market capitalisations**

What impact is Brexit anticipated to have on the long-term returns of the Company?

- When the UK exits the EU, domestically-based operations may face short-term interruptions in their supplies or sales. Whilst this may affect certain holdings in the Diverse portfolio, many others have international operations that are not expected to be greatly affected. Even so, the UK Government anticipates that our economy may expand at a slower rate after Brexit, which could moderate longer-term returns.

- In this context, it is worth emphasising that The Diverse Income Trust plc (the "Company") was never set up on the basis that the UK economy was superior to others. Rather, it was set up in anticipation that quoted small and microcap stocks were entering a period when they would perennially outperform the mainstream indices. In the past, outperformance by the overlooked universe of small and microcap stocks was particularly evident from those with low starting valuations. The Company was set up with a multicap approach to allow the flexibility to take advantage of opportunities across the size spectrum.

- The frequent use of Quantitative Easing ("QE") may have kept equity markets, and especially growth stocks, buoyant over recent years. However, this has been at the expense of a stagnation of global productivity and wage growth. Political support for the status quo has therefore faded and different economic policies are now being proposed. Brexit may be part of this process.

- At times of change, small and microcap stocks as a group tend to come into their own. Specifically, their corporate agility is a great advantage at times of economic uncertainty – especially for quoted small and microcap stocks because they retain access to external capital when it is scarce. For example, during the 1970s and the first half of the 1980s, when the UK suffered two severe economic recessions, these stocks outperformed the rest of the market by a wide margin.

- Interestingly, following globalisation, the UK is one of the few remaining markets that still retains a diverse universe of listed small and microcap stocks. Thus, whilst Brexit may impede domestic growth over the coming years, we anticipate that an investment strategy with scope to participate heavily in mainstream majors, as well as quoted small and microcap stocks, has advantages. Overall, the Diverse strategy remains well placed to generate premium returns, all the more so should the latter group of stocks outperform by a greater quantum once again.

The Diverse Income Trust plc

The Diverse Income Trust plc is an investment trust with a premium listing on the London Stock Exchange ("LSE") with total net assets of £363m as at 30 November 2018. It is referred to as the Company or as Diverse in the text of this Report. The Company has a Board that is independent of the Manager.

This Report covers the six months between May and November 2018, a period when stock market returns were weak as the easy liquidity of QE came to an end and expectations for world growth slowed.

The Company has announced interim dividends of 0.80p and 0.85p related to the returns in the half year, up from 0.75p and 0.80p for the equivalent period last year.

Half year to 30 November 2018

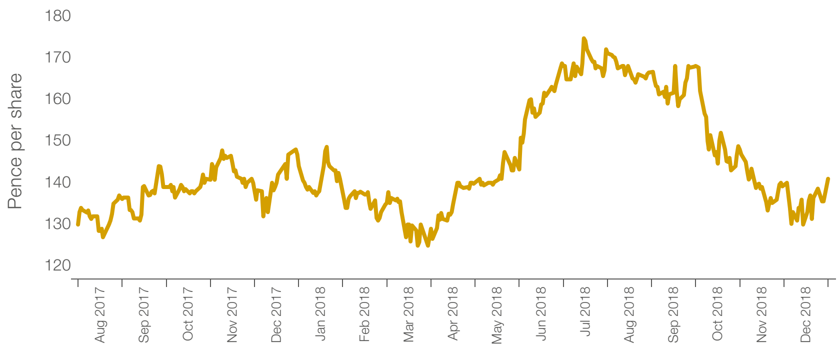
(9.9)%	+1.89p	+6.5%
NAV fall per share	Revenue return per share	Increase in interim dividends for half year

Our objective

The Company's primary objective is to pay shareholders a good and growing dividend income – principally derived from those paid by a portfolio of UK quoted companies. Our strategy is focused upon maximising the potential for dividend growth, as funds that generate the greatest long-term income growth are often those that also deliver the best capital returns.

Strix Group plc is an example of the type of company held in the Company's portfolio, although this is purely for illustrative purposes. It designs, manufactures and supplies kettle safety control switches. Following the company's flotation in August 2017, it plans to use its strengthened balance sheet to invest so it can widen its product range and market presence. Over time, this will drive additional sales growth, and as the cashflow payback on the investment comes through, we anticipate Strix will deliver an attractive level of dividend growth.

Strix Group plc – Share Price



Source: Bloomberg as at 31 December 2018.

Contents

Go to www.mitongroup.com/dit for more information

Use your phone's QR app to go to our website

Small and microcap trends

Plentiful market returns…

Three favourable trends have driven strong equity returns over the last three decades:

- The globalisation of trade has boosted corporate growth.
- In aggregate, profit margins have largely doubled since 1985, so profits have grown at an even faster rate than turnover.
- Meanwhile, the deflationary effect of cheaper imports has more than offset local inflationary pressures, and as interest rates and bond yields have progressively reduced, the valuations of nearly all assets have risen towards the top end of their ranges.

Overall, these factors have boosted equity market returns so that they have been unusually strong for the last thirty years.

…led to a narrowing of the investment universe…

Over the three decades of globalisation, it has not been enough for funds to generate an attractive return. Asset returns have been so good for so long that fund buyers increasingly selected funds that outperformed the mainstream indices. As popular funds have evolved to meet this commercial reality, they have become increasingly aligned with the mainstream market indices. Thus, an unintended side effect of globalisation has been that most popular funds are now almost solely invested within larger quoted companies. In the UK, the industry representation of the FTSE 100 Index is dominated by a narrow range of sectors including the Financials, Energy & Materials, Fast Moving Consumer Goods, Healthcare and the Defence industries. The mainstream indices of many other developed nations have similar distortions.

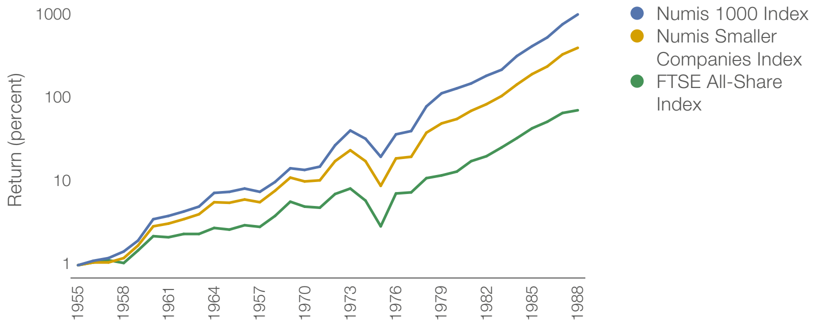
…but this pattern is now changing again

Whilst stock markets may have appreciated since the global financial crisis, productivity improvement has stagnated. In our view, this is one of the main reasons why wage growth has disappointed, which in turn has led to a hardening of electorate attitudes against the previous status quo. Increasingly, this is being reflected in the change in the political agenda and proposed economic policies. As this happens, we believe equity market trends are now ripe for substantive change.

Small and microcap stocks outperformed in the past…

The period prior to globalisation was marked by considerable corporate challenge. Yet the smallest 10% of quoted companies, shown in yellow below, performed strongly. Indeed, the Numis Smaller Companies Index outperformed the FTSE All-Share Index by about four percentage points per annum between 1955 and 1988. Although multinationals with large operations overseas did have an advantage when sterling declined, it appears that greater corporate agility and access to capital were even more important at times of challenge. We believe this explains why smaller quoted companies outperformed through these decades. Furthermore, the smallest 2% of the quoted companies universe, known as microcap stocks and shown in blue below, probably comprise many of the most agile businesses, and therefore outperformed by an even greater margin during these decades.

Performance of Numis Smaller Companies v Numis 1000 v FTSE All Share Indices 1955 – 1988



Source: Numis Smaller Companies Index Q3 Review 2012 (formerly Hoare Govett Smaller Companies Index).

…and the prior trend appears to be set to return

Globalisation, together with a long-term rise in productivity, generated plentiful growth over the two decades prior to 2008. However, since that time, there has been a stagnation in productivity improvement and wage growth because market prices have been distorted by the policy of QE. Eventually, this has led to a profound change in the political agenda and major change in economic policy. Going forward, we expect global growth to become more patchy. Thus, the greater growth potential within quoted small and microcap stocks will once again become a key driver of their outperformance, as it has done in the past.

A review of the Company's returns since issue

The Diverse Income Trust has four policies that have come together to deliver premium returns.

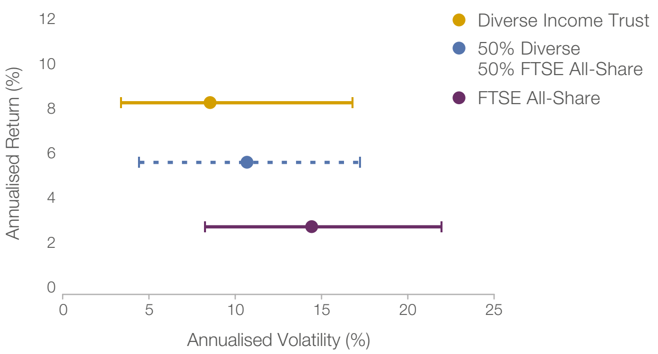
1 First, as outlined in the previous pages, it is expected that the policy of investing in listed stocks with a wide range of market capitalisations, including mainstream majors along with small and microcap stocks, will continue to generate premium returns.

2 Second, the prospects of stocks with attractive dividend yields tend to be under-estimated in comparison to those with more exciting growth plans. Income stocks generally outperform growth stocks over the long term, since growth stocks' entry valuations tend to over-anticipate their future expansion.

3 Third, a multicap investment universe extends across a much wider range of industry sectors than the mainstream indices alone, and hence its returns are not closely correlated with the daily and monthly movements of the mainstream indices. Investors with a holding in Diverse, along with other assets such as the mainstream indices, will tend to benefit from a degree of diversification.

4 Last, at a time when the easy liquidity of QE is being phased out and economic prospects may be more challenging, there are currently real advantages to favouring stocks with stronger balance sheets. Generally, at these times fewer of these companies tend to find themselves short of ready cash, or in need of emergency funding. In the past, quoted companies with large borrowings tended to be quicker to scale back their dividends or permanently dilute the long-term returns of their original investors with emergency rights issues.

Range of the annualised return and volatility of the NAV of The Diverse Income Trust, the FTSE All-Share Index and the aggregate of Diverse's NAV and the FTSE All-Share Index



The annualised return figure stated in the above chart does not include dividends reinvested.

On the chart alongside, the Company's capital return is shown in yellow on the left hand scale over the seven years and seven months since it was listed. The return on the FTSE All-Share Index is shown in purple over the same period.

The bottom axis details the annualised volatility, in percentage terms. Over the seven years and seven months since issue, market volatility has been relatively benign at times, with moments of elevated volatility at times, such as the Brexit referendum.

The range of annualised volatility for an investor holding both Diverse and a FTSE All-Share Index fund is shown as the blue dotted line. The conclusions of this data are outlined on the facing page.

Since the Company was listed on 28 April 2011, the initial 48.67p NAV has risen to 94.64p as at 30 November 2018. This capital return can also be expressed as an annualised return of 8.3% each year, as shown on the chart alongside. The capital return of the FTSE All-Share Index over the same period has been just 18.8%, which is equivalent to an annualised return of 2.9% as shown alongside. The main reason for the differential in return has been that the Company's strategy of investing across a wider opportunity set has been successful, the underlying dividend income from the portfolio has grown well over the period, and as such the overall return to shareholders, including dividends reinvested, has been somewhat higher.

During the latter four years of this period, growth stocks have outperformed income stocks, as they enjoy one of their episodic periods of performance catch up. However, since October, the share prices of growth stocks have tended to be more vulnerable than income stocks, as markets fell back. This may reflect a change of investor sentiment with regard to the risk they are willing to bear in the pursuit of an attractive return. Elevated annualised volatility is one method often used for assessing whether elevated risk has been used to generate a premium return on a range of strategies. In the chart alongside, the annualised volatility of the Company's NAV has been lower than that of the FTSE All-Share Index, which implies that market risk has been successfully moderated to some degree.

The annualised volatility range of holding equal investments in both the FTSE All-Share Index and Diverse is shown alongside in the dotted line. It is noteworthy that this line is just half way between its components, as this indicates that whilst the NAV returns of the Company do have a degree of correlation with that of the FTSE All-Share Index, they are not closely correlated. Therefore, investors who hold both enjoy the benefits of diversification.

Another measure of risk is that of the permanent loss of capital, such as when over-borrowed quoted companies are obliged to raise additional risk capital to avoid receivership. In recent years, few quoted companies have found themselves in this position, although both Carillion and Conviviality did enter receivership in 2018. We believe that Diverse's policy of selecting quoted companies with safer balance sheets will enhance future returns.

Results for the Half Year
to 30 November 2018

- **Revenue after costs** amounting to £7.2m in the half year to November 2018 has been credited to the revenue reserves. The Company normally pays four dividends each year, with the final subject to shareholders' approval at the Annual General Meeting. Whilst the underlying dividends from the Company's portfolio have increased over the period, there have been fewer one-off special dividends paid, and hence the Company's half-year revenue has reduced. In the Chairman's Statement on page 8, the Board has indicated that there may be less scope for a special dividend this year.

- **Increased dividends** A third interim dividend of 0.85p, a final dividend of 1.00p and a special dividend of 0.23p in respect of the year ended 31 May 2018 were paid to shareholders during the half year. A first interim dividend of 0.80p for the current year was declared in October 2018 and will be paid to shareholders in February 2019. A second interim dividend of 0.85p, payable in May 2019, has also been declared.

- **Revenue reserves of £15.9m** at 30 November 2018 are up from £15.2m at 30 November 2017. The revenue reserves are stated after dividends paid. The total dividends paid during the last financial year to 31 May 2018 amounted to £13.6m and therefore the revenue reserves at 30 November 2018 continue to represent more than one year's dividend payments for the Company.

- **Total return to shareholders of -8.1%** The NAV has fallen by 9.9%, offset to some degree by the dividends that went ex-dividend during the period. After dividend payments, the NAV per share fell from 105.09p to 94.64p. This reduction compares with a 7.7% reduction in the FTSE All-Share Index over the six months to 30 November 2018. However, the reduction compares favourably with that of the indices of UK quoted smaller companies over the period.

Summary of Results

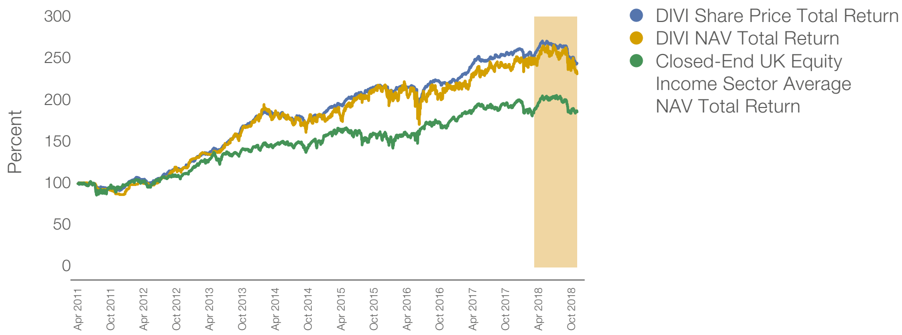
	At 30 November 2018	At 31 May 2018	Change %
NAV per ordinary share	**94.64p**	105.09p	(9.9)%
Ordinary share price (mid)	**93.40p**	107.00p	(12.7)%
(Discount)/premium to NAV	**(1.31)%**	1.82%	
Revenue return per ordinary share	**1.89p***	3.84p	
Ongoing charges	**1.17%****	1.13%	

* For six months ended 30 November 2018. Note: comparative figure is for the full year ended 31 May 2018.

** Estimated as at 30 November 2018. Ongoing charges are the Company's annualised revenue and capitalised 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.

Financial Performance Indicators

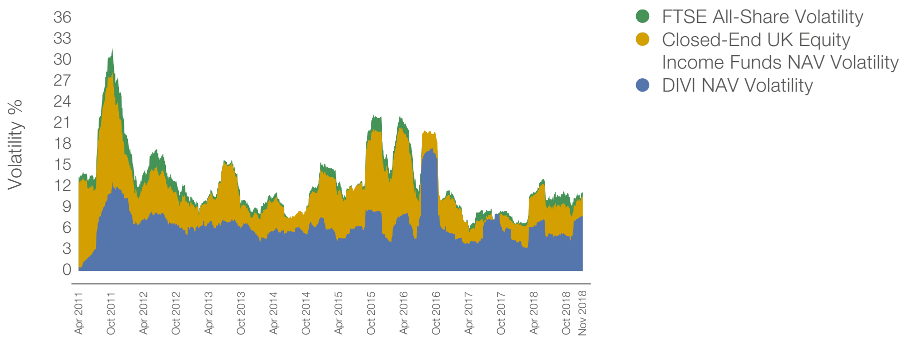
NAV v share price v UK Equity Income sector



Source: Morningstar as at 30 November 2018. Data rebased to 100.

The chart details the NAV and the daily closing share price of the Company compared with that of the UK Equity Income sector, which includes many of the other trusts with a policy of mainly investing in UK-quoted stocks with above average dividend yields.

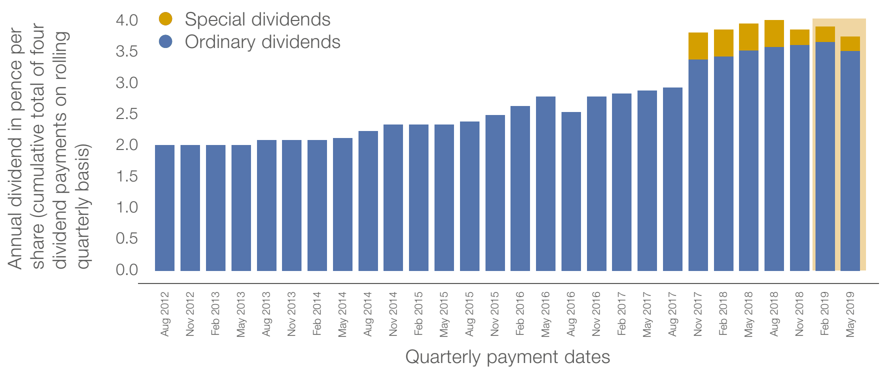
NAV volatility v FTSE All-Share Index v UK Equity Income sector



Source: Thomson Datastream, Cenkos Securities as at 30 November 2018.

The chart details the volatility of the Company's NAV and compares it with that of the FTSE All-Share Index and the UK Equity Income sector.

Rolling annual dividend paid by the Company



The chart outlines the cumulative dividend received by shareholders over a year, and how these have grown over time.

The bar chart is based on the rolling total of four annual dividends paid to shareholders. The figure of 2.02p for August 2012 represents 2.19p, which was the total of the four interim dividends actually paid for the initial 13 month period to 31 May 2012, recalculated proportionally as if the initial period had been 12 months.

Chairman's Statement

"The total return of the Company's portfolio since launch has been 143.9%"

Michael Wrobel | Chairman

This Half-Yearly Report covers the six months between 31 May and 30 November 2018, which was a period characterised by stock market weakness.

Returns

It is disappointing to report that the Company's NAV declined over the half year by 8.1% on a total return basis. The FTSE All-Share Index was down 7.7% in the same period. Following a period of outperformance, smaller company share prices also retreated, with the FTSE AIM All-Share Index down 13.5% and the FTSE SmallCap Index (excluding Investment Trusts) down 11.9% between May and November.

The Company's portfolio continued to generate underlying dividend growth, though this positive trend has been offset by the receipt of progressively fewer one-off special dividends. There may be less scope for a special dividend for shareholders this year, as the Company's overall revenue return per share over the half year was 1.89p per ordinary share, which compares with 1.90p per share last year. However, the quarterly dividends paid by the Company continue to reflect the underlying trend, with the first interim dividend, declared in October, up from 0.75p to 0.80p per ordinary share. The Board has also declared a second interim dividend of 0.85p per share, payable on 31 May 2019 to shareholders registered at the close of business on 29 March 2019. The ex-dividend date will be 28 March 2019. This compares to 0.80p per share last year.

Share redemptions

The share price of the Company reflects the balance of buyers and sellers on the stock exchange, and hence when there is an imbalance, the share price can diverge from the NAV. In order to help ensure imbalances are kept to a minimum, the Company offers shareholders the option to redeem their shares each year. In respect of the 31 May 2018 Redemption Point, the Company received redemption requests for 517,858 shares, representing 0.14% of the issued share capital at the time. All of these shares were matched with buyers in the market.

Board refreshment

As the Company approaches its eighth anniversary of listing, two new non-executive Directors have been appointed ahead of the retirement of some of those who have been on the board for over seven years. Andrew Bell and Caroline Kemsley-Pein joined the Board, and Lucinda Riches retired, with effect from 1 January 2019. Mr Bell has a depth of experience both as a non-executive director and chairman of investment trusts and Ms Kemsley-Pein is a qualified solicitor and has been advising corporate clients for a number of years. Ms Riches has been on the Board since the Company's IPO in 2011 and the Board would like to thank her for her contribution and commitment to the Company over seven years of service.

Strategy

The government suggests that the growth of the UK economy may moderate further as it comes out of the EU. However, the Diverse strategy was never set up on the basis that the UK economy was superior to others. Rather, our strategy is to invest across the full range of market capitalisations, accessing a wider number of stocks, with a focus on above-average dividend growth, which is a principal driver of premium returns over the long term. The UK corporate sector derives over half of its revenues globally and is one of the few territories that continues to have a vibrant universe of small and microcap stocks.

Diverse's portfolio has delivered considerable dividend growth since the Company was first listed. The total return on the Company's portfolio over the seven years and seven months since issue, in terms of both NAV appreciation and the dividends paid to shareholders, has been 143.9%. In comparison, the total return on the FTSE All-Share Index has been 59.5% since launch. Returns on smaller quoted companies have not been consistent, with the total return on the FTSE Smaller Companies Index (excluding Investment Trusts) reaching 105.6%, whereas that of the FTSE AIM All-Share Index is only 10.2% over the same period.

Prospects

International politics has become more nationalistic over recent years, which may lead to more unsettled markets. We believe this is a moment when a portfolio accessing a universe of small and microcap stocks, along with many well-established majors, may become of greater relevance to shareholders. Specifically:

1. At times of economic slowdown, an investment strategy investing in quoted companies may have the advantage. Sustained access to risk capital becomes commercially more valuable at times when finance is scarce, as competition for the best deals from debt-funded businesses falls back.

2. At times of change, corporate agility becomes more important. Frequently, this is found amongst the management teams of smaller quoted companies. Note that prior to globalisation, smaller quoted companies as a group had a long history of outperformance of the mainstream indices. Therefore, a strategy of investing across the full UK investment universe, including smaller companies, has scope to deliver better returns.

3. Mainstream equity indices comprise a relatively limited range of industry sectors, with duplication of these sectors in the mainstream indices overseas. Therefore, actively selecting for industry sectors that buck the broader trend is easier within a more wide-ranging investment strategy. Importantly, returns from a broader range of sectors tend to be less closely correlated with the daily or monthly moves of the mainstream indices, and hence Diverse's strategy has scope to deliver shareholders both diversification and outperformance.

4. Selecting for quoted companies with resilient balance sheets can be disproportionately advantageous at a time when those with the heaviest borrowing burden may be forced to prioritise the needs of their lenders over their commercial interests.

The UK stock exchange is one of the few where listed stocks extend over the full range of market capitalisations. Hence, whilst the UK economy may have specific challenges over the coming quarters, we continue to believe the distinctive nature of Diverse's multicap approach is well positioned for the future.

Michael Wrobel
Chairman
7 February 2019

Manager's Report

This Manager's Report covers the half year to 30 November 2018, which was a period when share prices fell back on worries about a slowdown in world growth.

Who is Miton?

The Company's AIFM is Miton Trust Managers Limited, a wholly-owned subsidiary of Miton Group plc. Miton Group plc is an independent fund management company listed on the AIM exchange.

The day-to-day management of the Company's portfolio is carried out by Gervais Williams and Martin Turner, who have decades of experience researching many of the smallest UK quoted companies.

Gervais Williams

Gervais joined Miton in March 2011 and is Senior Executive Director of the group. He has been an equity portfolio manager since 1985, including 17 years as Head of UK Smaller Companies & Irish Equities at Gartmore. He was Fund Manager of the Year 2014 according to What Investment? He is chairman of the Quoted Companies Alliance, a director of the Investment Association and also 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, and their complementary experience and skills led to their backing of a series of successful companies. Martin qualified as a Chartered Accountant with Arthur Anderson and has extensive experience at Rothschild, Merrill Lynch and Collins Stewart, where as Head of Small/Mid Cap Equities his role covered their research, sales and trading activities.

We are part of a close-knit team of four Miton fund managers researching UK quoted stocks, with each manager having a record of delivering premium returns. This is important at all times, but all the more so at the current time of changing political and economic dynamics.

How should the Company's progress be measured?

During globalisation, equity market returns have been so good for so long that it has become customary for funds to determine their success by reference to the performance of the mainstream indices, rather than just in absolute terms, or relative to inflation. One side effect of this has been that most popular UK equity portfolios are now typically dominated by the largest 350 stocks listed on the LSE.

However, with the changing political and economic agenda, we at Miton believe that it is in clients' interests to widen the opportunity set going forward. Therefore, although it is conventional for the success of the Company to be set in the context of the returns of comparative indices, we believe the ultimate source of sustained return will be the ability of the portfolio holdings to generate productivity improvements, and grow aggregate cashflow that will come through in the Company's dividend income.

How has the Company performed over the half year?

The half-year period was dominated by weak stock markets, with a broad setback in share prices especially during October and November. The FTSE All-Share Index fell 9.5% over the six months under review. After a period of outperformance, the share prices of smaller companies fell back a little more abruptly. Between May and November, the FTSE AIM All-Share Index was down 14.1% and the FTSE SmallCap Index (excluding Investment Trusts) fell 13.3%. The NAV of the Company was down 9.9% over the same period.

The best contributors to returns over the half year were IG Design (formerly known as International Greetings) and BioVentix. Both stocks were first purchased some years ago, and subsequently the returns on their capital expenditure has come through in strong cash payback terms. In both cases, this has funded a major rise in their dividend payments, and hence their share price appreciation. In spite of booking profits on the sale of part of these holdings, their ongoing appreciation, especially at a time when markets were suffering a setback, led to them contributing further.

Most share prices in the Company's portfolio fell back over the half year, reflecting markets overall. At times like this, the fact that many stocks appear overlooked can bring in more takeovers. esure, Harvey Nash, Sky and Communisis all agreed premium takeovers. The greatest detractor to returns in the period was Amino, which reported that some of its new contracts had been delayed. We are reassured to note that Amino's strong balance sheet means that it can continue to fund a further 10% increase in its dividend to shareholders this year. McColl's also announced disappointing trading, and the Company's holding has largely been sold.

Underlying dividend growth has remained a key feature of the Company's portfolio over recent quarters, but it has been offset by progressively fewer one-off special dividends. Therefore, the Company's revenue return over the half year was 1.89p per share, which is a little lower than the 1.90p per share from the equivalent period last year. The quarterly dividends continue to reflect the underlying trend, with the first interim dividend declared in October up from 0.75p to 0.80p per ordinary share. A second interim dividend of 0.85p per ordinary share has also been declared, an increase from 0.80p last year.

Over the half-year period, the overall total return for shareholders, when the dividend payments are netted off against the reduction in NAV, was a fall of 8.1%. In comparison, the FTSE All-Share Index fell back 7.7% on a total return basis. Note that the FTSE SmallCap Index (excluding Investment Trusts) fell 11.9% and the FTSE AIM All-Share Index fell 13.5% over the six months.

How has the Company performed since issue seven years and seven months ago?

Since the Company's listing, market returns have been heavily influenced by the policy of QE, which was put in place to boost economic recovery following the Global Financial Crisis in 2008. A side effect of QE is easy stock market liquidity, and it is this feature that has boosted share price appreciation along the way. Over the last seven years and seven months, the FTSE All-Share Index is up by 21.2%. Interestingly, the FTSE SmallCap Index (excluding Investment Trusts) has appreciated by 65.6% over the same period. Yet, in contrast, returns of all AIM-listed stocks have been very modest at just 1.0%, despite great interest in larger growth stocks over recent years.

The Company's strategy may not have kept up with the excitement of growth strategies recently, but the focus on good and growing dividends tends to drive long-term returns. Importantly, the Company's revenue per share has grown from 2.32p in the initial 13-month period to 3.84p in the year ended 31 May 2018. This has funded quarterly dividends to shareholders of 2.02p on an annualised basis in the first period, which have grown to 3.40p in the year to May 2018, along with a special dividend of 0.23p. Over the first half of this year, the underlying trend has continued, with the first two quarterly dividends rising from 1.55p to 1.65p.

In total, the Company has paid special one-off dividends amounting to 0.63p since issue, with the surplus revenue per share accrued in distributable reserves. At the end of the current half year, total shareholders' funds amounted to £363.2m, of which £170.2m comprised of capital, revenue and special reserves. Overall, the Diverse strategy has delivered a NAV appreciation of 94.5% (excluding dividend income) since issue.

The ultimate measure of success for shareholders is total return. This includes both the capital appreciation and the receipt of dividends, which are assumed to be reinvested back into the Company. On this basis, the Company has appreciated by 143.9% over the period since issue. This compares with a total return of 59.5% on the FTSE All-Share Index, and 105.6% on the FTSE SmallCap Index (excluding Investment Trusts). The FTSE AIM All-Share Index has generated very modest total returns of 10.2% over the same period.

If stock markets were to become a lot more volatile, how could the Company use this to enhance shareholder return over the longer term?

The advantage of investing in stock markets is that they tend to generate some of the best long-term returns. The disadvantage is that share prices can fluctuate widely along the way – it goes with the territory. Therefore, a key question for investors is to what degree can an active strategy like that of Diverse enhance long-term returns were stock markets to become even more volatile?

There are two features of the Company's strategy that can enhance shareholders' long-term returns were markets to become highly volatile.

First, the Company has chosen to invest in a FTSE 100 Index Put. This acts a bit like portfolio insurance, since its value can rise substantially should the FTSE 100 Index fall back significantly below 6,500. However, like insurance, it only covers the risk of a market setback for a limited period and if the market remains stable then its worth tends to decay over time. In the case of the Company, the term of the Put extends to September 2019, which means that, were the FTSE 100 Index to suffer a further setback prior to September, then the Put valuation would increase. However, markets tend to suffer sizeable pull backs infrequently, so the Company has only purchased cover amounting to approximately 40% of the value of the portfolio. Therefore, the Put option will not offset much of the Company's NAV weakness if markets were to fall, but it does potentially bring in extra portfolio capital were this to occur prior to September 2019. That cash would then be used to purchase incrementally more income shares, and thereby enhance the Company's dividend growth after a market setback. Since the FTSE 100 Index did not fall below 6,500 during the half year, the value of the Put option did not increase significantly. At the end of May 2018, it was 1.1% of the Company's net assets and at the end of November 2018 it was 1.6% of net assets. Although its value increased as the FTSE 100 Index declined, this was offset in part by the reduction in time value. At the end of the period, its life was only 10 months compared with 16 months at the start of the period. We would expect the value to rise more significantly were the FTSE 100 Index to fall well below 6,500.

Manager's Report continued

Second, the Company has agreed a bank facility to access debt. In general, the debt is not drawn as, were there to be a market setback, it would worsen the vulnerability of the Company's NAV. However, after a market setback, the chances of strong recovery might be all the greater. At that time, access to debt can create a real advantage for a company like Diverse. The problem is that banks are often unwilling to agree new loan facilities at such a time, so it makes sense for the Company to agree a loan now and hold it in reserve should markets suffer a setback, so it is ready to use were markets ripe for a major recovery.

If economic conditions become more challenging, is it in the long-term interests of quoted companies to sustain dividends to external investors, rather than prioritising internal cashflow for long-term capital expenditure in their businesses?

It is consensual that superior long-term returns are generated when quoted companies invest heavily in their operations, because the rising cash payback on this investment funds a growing stream of dividends, which also drives long-term share price appreciation. However, when underlying cashflow dips during an economic setback, this throws up tensions within businesses. The returns on capital expenditure tend to be even better during economic setback, since competitors often get into financial difficulties or fail entirely. Should quoted corporates really sustain dividends to investors during economic setbacks, with the implication that the underlying corporate cashflow available for long-term capital expenditure is diminished?

In our view, the key to resolving this dilemma centres on an appreciation of the advantages of being listed. Clearly, at times of economic weakness, quoted companies that cut their dividends are in a position to allocate a greater proportion of their depleted cashflow towards long-term capital expenditure. However, the share prices of those that retain their dividends are unlikely to fall back as much as those that cut their dividends. Perversely, at a time of setback, listed companies that sustain dividends can often step up their long-term capital expenditure because they are in a better position to raise additional risk capital from their investors. This is the primary advantage of being quoted. Listed companies can often accelerate capital expenditure during times of economic setback, whereas unquoted business are typically more constrained.

Our role as Manager of the Company is to ensure that we allocate the Company's capital to those that can sustain dividend payments through market setbacks. The best stocks will often be those with surplus cash on their balance sheet since they can step up capital expenditure without raising any additional capital.

What are the prospects for the Company?

During globalisation, in the UK, companies operating in the Pharmaceutical, Fast Moving Consumer and Commodity sectors have become very substantial parts of the FTSE 100 Index. In addition, those operating in the Insurance, Banking and Property sectors have been huge beneficiaries of the major rise in asset prices and their weights are also substantial.

Unfortunately, globalisation has had a similar influence within the mainstream indices in most other developed economies. This explains why international market indices currently tend to move in sync with each other.

At a time when markets are rising, this issue is not of great concern. However, as stock markets across the world have become more unsettled during 2018, the correlation of stock market indices is now seen as a major disadvantage; investors are now becoming a lot more interested in assets that offer a degree of diversification. We believe that the current change in market dynamics is favourable for the Company's prospects.

One method for reducing correlation is to broaden the investment universe. Specifically, we expect this to lead to greater interest in smaller quoted companies, because they often operate in sectors outside those of the major indices. The Company's portfolio is well positioned for this dynamic, as around two-thirds of its portfolio is already invested in quoted companies outside the FTSE 350 Index.

Over recent years, some of the best share price rises have been within larger, technology-related stocks. During this period, there has been less interest in more mundane stocks, most especially smallcaps with premium dividend yields. Now that the share prices of many technology stocks have disappointed, we anticipate there will be renewed interest in smaller quoted income stocks, such as those within the Company's portfolio.

Lastly, over recent years asset allocators have naturally reduced their participation in UK listed stocks given the Brexit uncertainty. Thus, the valuations of UK-listed stocks have fallen back relative to, for example, those listed in the US. In time, we expect this differential to close, at least to some degree. When this occurs, it will enhance the Company's return compared with others investing in overseas listed companies.

Overall, in spite of a potential slowdown in world growth and a rise in market volatility, we are upbeat about the prospects for the Company over the coming years.

Research Costs

Regulations known as MiFiD II were introduced on 3 January 2018. One of the purposes of these regulations is to differentiate between the fees paid by funds for executing transactions within the portfolio over the year, from the fees paid for external research that helps the fund managers make well-informed investment decisions.

In the past, both of these fees were bundled together, with the transaction fees funding the access to market liquidity as well as the cost of stockbroker analysts and external economists. Since 3 January 2018, these fees have been unbundled, with execution fees remaining in place for each change in the portfolio and a separate and predetermined absolute fee agreed at the start of the period to cover external research costs.

In the past, fees for external research varied in line with the amount of transactions that were carried out over the year by the fund. In years when portfolio transactions were numerous, the fees paid for external research were higher compared to years when there were fewer portfolio transactions. The separating of the two fees will ensure the costs of each are determined independently. Given these advantages, The Diverse Income Trust moved to separate these two fees ahead of the formal date of the start of the regulations. Over 2016 and 2017, the fees paid for transactions and the fees paid for external research were determined separately and the fee paid for external research was limited to a predetermined sum.

In the case of Diverse, a very large part of the stock specific research is carried out by Miton. However, Miton do recognise that they have no monopoly of wisdom and therefore they do review the opinions of external researchers when making investment decisions for the Company. The fees paid for external research by Diverse amounted to around £40,700 over 2018. The Board has agreed a budget of around £41,200 for 2019. This is less than 0.02% of the Company's assets.

Some fund managers have proposed to pay for the external research fees themselves from 3 January 2018, and hence relieve their clients of these costs. Miton, and some other fund managers, believe that making the cost of external research an in-house matter will put the determination of the scale of external research at the risk of commercial pressures. At times when fund management groups are suffering a reduction in profits, there may be implicit pressure on fund managers to do without certain external research. This may compromise the quality of fund manager decisions, with an outcome of worse investment returns for the funds. In order to avoid these risks, Miton proposes to continue the current process that has been in place since January 2016, with the absolute costs of external research being closely managed under the independent scrutiny of the Board.

Gervais Williams and Martin Turner
Miton Asset Management Limited
7 February 2019

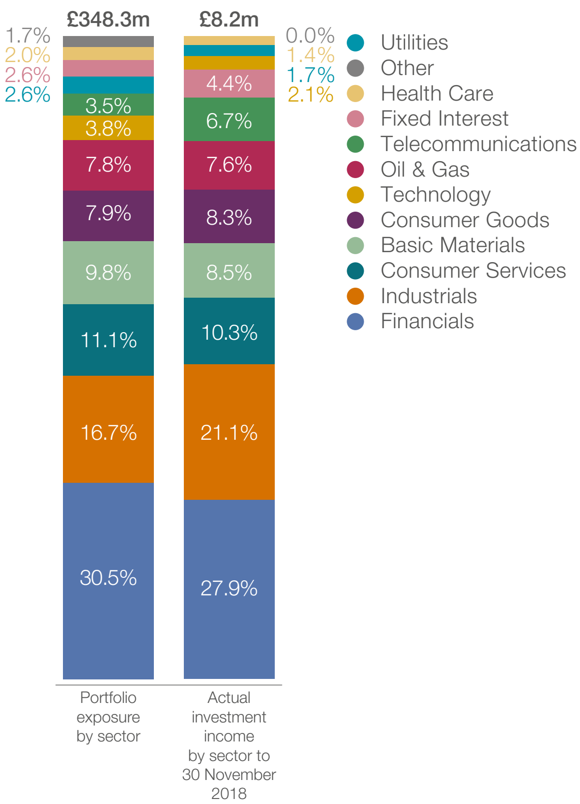
Portfolio Information

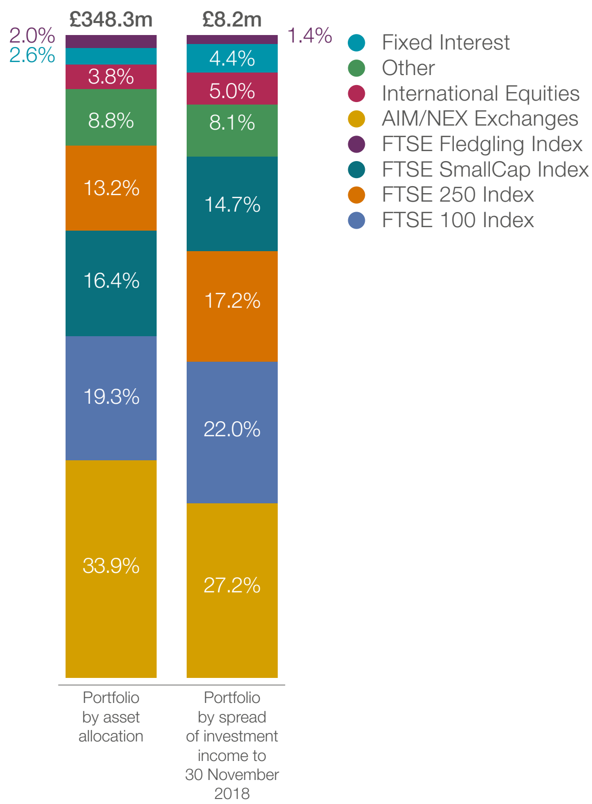
as at 30 November 2018

Rank	Company	Sector & main activity	Valuation £000	% of net assets	Yield[1] %
1	Zotefoams	Basic Materials	8,558	2.4	1.0
2	Stobart	Industrials	6,374	1.8	9.1
3	Diversified Gas & Oil[2]	Oil & Gas	6,259	1.7	6.0
4	Charles Taylor	Industrials	5,996	1.7	4.9
5	SafeCharge International[2]	Industrials	5,621	1.5	5.1
6	Randall & Quilter[2]	Financials	5,603	1.5	5.1
7	Mucklow (A&J)	Financials	5,318	1.5	4.4
8	IG Design[2]	Consumer Goods	5,197	1.4	1.1
9	Phoenix	Financials	4,801	1.3	7.5
10	K3 Capital[2]	Financials	4,663	1.3	4.0
	Top 10 investments		58,390	16.1	
11	Inspired Energy[2]	Industrials	4,370	1.2	2.9
12	Amigo	Financials	4,339	1.2	–
13	4Imprint	Consumer Services	4,329	1.1	3.3
14	Morses Club[2]	Financials	4,083	1.1	5.4
15	Sabre Insurance	Financials	4,061	1.1	2.5
16	Park[2]	Financials	3,976	1.1	3.9
17	Personal[2]	Financials	3,963	1.1	5.2
18	Legal & General	Financials	3,948	1.1	6.4
19	Hipgnosis Songs Fund	Financials	3,924	1.1	–
20	CML Microsystems	Technology	3,874	1.1	1.8
	Top 20 investments		99,257	27.3	
21	Sainsbury (J)	Consumer Services	3,862	1.1	3.3
22	Strix[2]	Industrials	3,766	1.1	3.0
23	Savannah Petroleum[2]	Oil & Gas	3,747	1.1	–
24	Centamin	Basic Materials	3,747	1.0	9.5
25	Hilton Food	Consumer Goods	3,745	1.0	2.2
26	Eddie Stobart Logistics[2]	Industrials	3,702	1.0	5.3
27	Highland Gold Mining[2]	Basic Materials	3,689	1.0	7.7
28	Direct Line Insurance	Financials	3,681	1.0	6.3
29	Total	Oil & Gas	3,675	1.0	5.1
30	Morrison (WM) Supermarkets	Consumer Services	3,672	1.0	5.2
	Top 30 investments		136,543	37.6	
31	Photo-Me international	Consumer Goods	3,628	1.0	7.7
32	Vodafone	Telecommunications	3,568	1.0	8.1
33	Centrica	Utilities	3,494	1.0	8.7
34	Norcros	Industrials	3,424	1.0	3.8
35	Admiral	Financials	3,394	0.9	5.7
36	Aviva	Financials	3,389	0.9	6.9
37	Smith (DS)	Industrials	3,358	0.9	4.3
38	Bioventix[2]	Health Care	3,337	0.9	1.9
39	Dairy Crest	Consumer Goods	3,332	0.9	4.9
40	BP	Oil & Gas	3,318	0.9	5.9
	Top 40 investments		170,785	47.0	
	Balance held in 97 equity investments		162,777	44.8	
	Total equity investments		333,562	91.8	
	Fixed interest and convertible securities				
	600 Group 8% Convertible Loan Notes 14/02/2020 (unlisted)		2,506	0.7	
	Intercede Group 8% Secured Convertible Loan Notes 29/12/2021 (unlisted)		1,550	0.4	
	Active Energy 8% Loan Notes 2022 (unlisted)		1,428	0.4	
	Hurricane Energy 7.5% Convertible SNR 24/07/2022 (USD)		1,310	0.4	
	Sirius Minerals Finance 8.5% Convertible Loan Notes 28/11/2023 (USD)		1,245	0.3	
	Aggregated Micro Power 8% Secured Convertible Loan Notes 30/03/2021 (unlisted)		664	0.2	
	Sigmaroc 6% Unsecured Convertible Loan Notes 04/01/2022 (unlisted)		321	0.1	
	Fixed interest and convertible investments		9,024	2.5	
	Total investments		342,586	94.3	
	Listed Put option				
	FTSE 100 – September 2019 6,500 Put		5,735	1.6	
	Traded options		5,735	1.6	
	Total investment portfolio		348,321	95.9	
	Other net assets		14,892	4.1	
	Net assets		363,213	100.0	

1 Source: Thomson Reuters. Based on historical yields and therefore not representative of future yields. Includes special dividends where known.
2 AIM/NEX listed.

Portfolio as at 30 November 2018





Source: Thomson Reuters.

The LSE assigns all UK quoted companies to an industrial sector and frequently to a stock market index. The LSE also assigns industrial sectors to many international quoted equities as well, and those that have not been classified by the LSE have been assigned as though they had. The portfolio as at 30 November 2018 is set out in some detail on page 14, in line with that included in the Balance Sheet. The investment income above comprises all of the income from the portfolio as included in the Income Statement for the six-month period. The AIM and NEX market are both UK exchanges specifically set up to meet the requirements of smaller listed companies.

The first two bars above determine the overall sector weightings of the Company's capital at the end of the half year, and with regard to the income received by the Company over the six-month period. The second pair of bars determines the LSE stock market index within which portfolio companies sit, and the indices that derive the income received by the Company over the half year.

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 Manager. The Investment Policy is set out on page 26, and details regarding risk diversification and other policies are set out each year in the Annual Report.

Interim Management Report and Directors' Responsibility Statement

Interim Management Report

The important events that have occurred during the period under review, the key factors influencing the financial statements and 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 Manager's Report on pages 10 to 13.

The principal risks facing the Group are substantially unchanged since the date of the Annual Report and Accounts for the year ended 31 May 2018 and continue to be as set out in that report on pages 21 to 23.

Risks faced by the Group include, but are not limited to, investment and strategy, smaller companies, sectoral diversification, dividends, share price volatility and liquidity/marketability risk, gearing, key man risk, engagement of third party service providers, market risk and credit and counterparty risk.

Responsibility Statement

The Directors 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, Interim Financial Reporting, as adopted by the European Union; and gives a true and fair view of the assets, liabilities and financial position of the Group; and

- this Half-Yearly Financial Report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, 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

b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, 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 Group during that period; and any changes in the related party transactions that could do so.

This Half-Yearly Financial Report was approved by the Board of Directors on 7 February 2019 and the above responsibility statement was signed on its behalf by Michael Wrobel, Chairman.

Condensed Consolidated Income Statement (unaudited)

for the half year to 30 November 2018

		Half year to 30 November 2018			Half year to 30 November 2017			Year ended 31 May 2018*		
	Notes	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		–	(39,284)	(39,284)	–	3,550	3,550	–	14,122	14,122
Gains/(losses) on derivative contracts		–	1,357	1,357	–	(1,619)	(1,619)	–	(5,983)	(5,983)
Foreign exchange (losses)/gains		–	(12)	(12)	–	25	25	–	19	19
Income	2	8,239	–	8,239	8,169	–	8,169	16,510	–	16,510
Management fee		(471)	(1,413)	(1,884)	(462)	(1,385)	(1,847)	(930)	(2,788)	(3,718)
Other expenses		(393)	–	(393)	(364)	–	(364)	(723)	–	(723)
Return on ordinary activities before finance costs and taxation		7,375	(39,352)	(31,977)	7,343	571	7,914	14,857	5,370	20,227
Finance costs		(15)	(45)	(60)	(15)	(45)	(60)	(30)	(91)	(121)
Return on ordinary activities before taxation		7,360	(39,397)	(32,037)	7,328	526	7,854	14,827	5,279	20,106
Taxation – irrecoverable withholding tax		(103)	–	(103)	(26)	–	(26)	(110)	–	(110)
Return on ordinary activities after taxation		7,257	(39,397)	(32,140)	7,302	526	7,828	14,717	5,279	19,996
		pence	pence	pence	pence	pence	pence	pence	pence	pence
Basic and diluted return:										
Per ordinary share	3	1.89	(10.27)	(8.38)	1.90	0.14	2.04	3.84	1.38	5.22

* Extract from audited financial statements.

The total column of this statement is the Income Statement of the Group prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union. The supplementary revenue and capital 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 year.

There is no other comprehensive income and therefore the return on ordinary activities after tax is also the total comprehensive income.

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

Condensed Consolidated Statement of Changes in Equity (unaudited)

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve £000	Retained earnings £000	Total £000
As at 1 June 2018*		**434**	**192,244**	**45,775**	**147,923**	**16,639**	**403,015**
Total comprehensive income:							
Net return for the period		**–**	**–**	**–**	**(39,397)**	**7,257**	**(32,140)**
Transactions with shareholders recorded directly to equity:							
New issue of shares	5	**–**	**318**	**–**	**–**	**–**	**318**
Equity dividends paid	4	**–**	**–**	**–**	**–**	**(7,980)**	**(7,980)**
As at 30 November 2018		**434**	**192,562**	**45,775**	**108,526**	**15,916**	**363,213**
As at 1 June 2017*		434	192,244	45,775	142,644	15,536	396,633
Total comprehensive income:							
Net return for the period		–	–	–	526	7,302	7,828
Transactions with shareholders recorded directly to equity:							
Equity dividends paid	4	–	–	–	–	(7,670)	(7,670)
As at 30 November 2017		434	192,244	45,775	143,170	15,168	396,791
As at 1 June 2017*		434	192,244	45,775	142,644	15,536	396,633
Total comprehensive income:							
Net return for the year		–	–	–	5,279	14,717	19,996
Transactions with shareholders recorded directly to equity:							
Equity dividends paid	4	–	–	–	–	(13,614)	(13,614)
As at 31 May 2018*		434	192,244	45,775	147,923	16,639	403,015

* Extract from audited financial statements.

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

Condensed Consolidated Balance Sheet (unaudited)

as at 30 November 2018

	Notes	30 November 2018 £000	30 November 2017 £000	31 May 2018* £000
Non-current assets:				
Investments held at fair value through profit or loss		342,586	386,774	382,667
Current assets:				
Derivative instruments		5,735	5,719	4,378
Trade and other receivables		2,583	1,441	2,331
Cash at bank and cash equivalents		15,355	4,961	16,708
		23,673	12,121	23,417
Current liabilities:				
Derivative contracts		–	(526)	–
Trade and other payables		(3,046)	(1,578)	(3,069)
		(3,046)	(2,104)	(3,069)
Net current assets		20,627	10,017	20,348
Total net assets		363,213	396,791	403,015
Capital and reserves:				
Share capital – ordinary shares	5	384	384	384
Share capital – management shares	5	50	50	50
Share premium account		192,562	192,244	192,244
Special reserve		45,775	45,775	45,775
Capital reserve		108,526	143,170	147,923
Revenue reserve		15,916	15,168	16,639
Shareholders' funds		363,213	396,791	403,015
		pence	pence	pence
Net asset value per ordinary share	6	94.64	103.47	105.09

* Extract from audited financial statements.

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

Condensed Consolidated Cash Flow Statement (unaudited)

	Half year to 30 November 2018 £000	Half year to 30 November 2017 £000	Year ended 31 May 2018* £000
Operating activities:			
Net return before taxation	**(32,037)**	7,854	20,106
Losses/(gains) on investments and derivatives held at fair value through profit or loss	**37,927**	(1,931)	(8,139)
Non operating activities to financing activities	**25**	40	89
(Increase)/decrease in trade and other receivables	**(252)**	1,896	1,006
(Decrease)/increase in trade and other payables	**(23)**	1,151	2,642
Withholding tax paid	**(103)**	(26)	(110)
Net cash inflow from operating activities	**5,537**	8,984	15,594
Investing activities:			
Purchase of investments	**(59,065)**	(64,963)	(103,583)
Sale of investments	**59,862**	66,449	119,748
Purchase of derivative instruments	**–**	(8,902)	(16,450)
Sale of derivative instruments	**–**	3,475	7,474
Net cash inflow/(outflow) from financing activities	**797**	(3,941)	7,189
Financing activities:			
Ordinary shares issued	**318**	–	–
RBS revolving credit facility non-utilisation fee paid	**(25)**	(40)	(89)
Equity dividends paid	**(7,980)**	(7,670)	(13,614)
Net cash outflow from financing	**(7,687)**	(7,710)	(13,703)
(Decrease)/increase in cash and cash equivalents	**(1,353)**	(2,667)	9,080
Reconciliation of net cash flow movements in funds:			
Cash and cash equivalents at the start of the period	**16,708**	7,628	7,628
Net cash (outflow)/inflow from cash and cash equivalents	**(1,353)**	(2,667)	9,080
Cash at bank and cash equivalents at the end of the period	**15,355**	4,961	16,708

* Extract from audited financial statements.

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

Notes to the Condensed Consolidated Financial Statements (unaudited)

1. General Information

The consolidated financial statements, which comprise the unaudited results of the Company and its wholly-owned subsidiary, DIT Income Services Limited (together referred to as the "Group"), for the period ended 30 November 2018 have been prepared in accordance with IFRS, as adopted by the European Union, and with the AIC SORP, where the AIC SORP is consistent with the requirements of IFRS. The comparatives cover the period from 1 June 2017 to 30 November 2017 and for the year from 1 June 2017 to 31 May 2018.

The financial statements have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31 May 2018.

The financial information contained in this Report does not constitute full statutory accounts as defined in the Companies Act 2006. The financial statements for the periods to 30 November 2018 and 30 November 2017 have not been either audited or reviewed by the Company's Auditor. The information for the year ended 31 May 2018 has been extracted from the latest published Annual Report and Accounts, which have been filed with the Registrar of Companies. The Report of the Auditor on those financial statements contained no qualification or statement under Section 498(2) or (3) of the Companies Act 2006.

The Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements. Cash flow projections have been reviewed and show that the Group has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of the dividend policy. After making enquiries, and bearing in mind the nature of the Group's business and assets, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date that these financial statements were approved. In arriving at this conclusion, the Directors have considered the liquidity of the portfolio and the Group's ability to meet obligations as they fall due.

2. Income

	Half year to 30 November 2018 £000	Half year to 30 November 2017 £000	Year ended 31 May 2018 £000
Income from investments:			
UK dividends	5,542	5,928	11,133
UK REIT dividend income	188	104	270
Unfranked dividend income	2,076	1,699	4,202
UK fixed interest	356	355	706
	8,162	8,086	16,311
Other income:			
Bank deposit interest	3	–	17
Underwriting income	40	11	33
Exchange (losses)/gains	(2)	72	13
Net dealing profit of subsidiary	36	–	136
Total income	8,239	8,169	16,510

Notes to the Condensed Consolidated Financial Statements (unaudited) continued

3. Return per Ordinary Share

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

	Half year to 30 November 2018		Half year to 30 November 2017		Year ended 31 May 2018	
	£000	pence	£000	pence	£000	pence
Revenue return	**7,257**	**1.89**	7,302	1.90	14,717	3.84
Capital return	**(39,397)**	**(10.27)**	526	0.14	5,279	1.38
Total return	**(32,140)**	**(8.38)**	7,828	2.04	19,996	5.22
Weighted average number of ordinary shares		**383,677,403**		383,487,239		383,487,239

4. Dividends per Ordinary Share

Amounts recognised as distributions to equity holders in the period.

	Half year to 30 November 2018		Half year to 30 November 2017		Year ended 31 May 2018	
	£000	pence	£000	pence	£000	pence
In respect of the previous period:						
Third interim dividend	**3,259**	**0.85**	3,068	0.80	3,068	0.80
Final dividend	**3,838**	**1.00**	3,068	0.80	3,068	0.80
Special dividend	**883**	**0.23**	1,534	0.40	1,534	0.40
In respect of the period under review:						
First interim dividend	**–**	**–**	–	–	2,876	0.75
Second interim dividend	**–**	**–**	–	–	3,068	0.80
	7,980	**2.08**	7,670	2.00	13,614	3.55

The Board has declared a first interim dividend of 0.80p per ordinary share, payable on 28 February 2019 to shareholders registered at the close of business on 28 December 2018. The ex-dividend date was 27 December 2018. The Board has also declared a second interim dividend of 0.85p per ordinary share, payable on 31 May 2019 to shareholders registered at the close of business on 29 March 2019. The ex-dividend date will be 28 March 2019. In accordance with IFRS, these dividends have not been included as a liability in these financial statements.

5. Called-up Share Capital

The Company, which is a closed-ended investment company with an unlimited life, has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of ordinary shares annually on 31 May in each year. The Board may, at its absolute discretion, elect not to operate the annual redemption facility in whole or in part. In respect of the 31 May 2018 Redemption Point, the Company received redemption requests for 517,858 ordinary shares. All of these shares were matched with buyers at a calculated Redemption Price of 105.41p per share.

On 7 August 2018, the Company allotted 300,000 ordinary shares pursuant to its block listing facility at a price of 106p per ordinary share.

The issued share capital consisted of 383,787,239 ordinary shares and 50,000 management shares as at 30 November 2018.

6. Net Asset Value

Ordinary Shares
The NAV per ordinary share and the net assets attributable at the period end were as follows:

	30 November 2018		30 November 2017		31 May 2018	
	NAV per share pence	Net assets attributable £'000	NAV per share pence	Net assets attributable £'000	NAV per share pence	Net assets attributable £'000
Ordinary shares:						
Basic and diluted	94.64	363,213	103.47	396,791	105.09	403,015

NAV per ordinary share is based on net assets at the period end and 383,787,239 ordinary shares, being the number of ordinary shares in issue at the period end (30 November 2017: 383,487,239 and 31 May 2018: 383,487,239 ordinary shares).

Management Shares
The NAV of £1 (30 November 2017: £1 and 31 May 2018: £1) per management share is based on net assets at the period end of £50,000 (30 November 2017: £50,000 and 31 May 2018: £50,000) and 50,000 (30 November 2017: 50,000 and 31 May 2018: 50,000) management shares. The shareholders have no right to any surplus or capital or assets of the Company.

7. Transaction Costs

During the period, expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

	Half year to 30 November 2018 £000	Half year to 30 November 2017 £000	Year ended 31 May 2018 £000
Costs on acquisitions	203	151	254
Costs on disposals	73	90	157
	276	241	411

These transaction costs are dealing commissions paid to stockbrokers and stamp duty, a government tax paid on transactions (which is zero when dealing on the AIM/NEX exchanges). A breakdown of these costs is set out below:

	Half year to 30 November 2018 £000	% of average monthly net assets	Half year to 30 November 2017 £000	% of average monthly net assets	Year to 31 May 2018 £000	% of average monthly net assets
Costs paid in dealing commissions	112	0.03	134	0.03	229	0.06
Costs of stamp duty	164	0.04	107	0.03	182	0.05
	276	0.07	241	0.06	411	0.11

The average monthly net assets for the six months to 30 November 2018 was £388,396,000 (30 November 2017: £391,445,000 and 31 May 2018: £392,925,000).

Notes to the Condensed Consolidated Financial Statements (unaudited) continued

8. Management Fee

The management fee is calculated at the rate of one-twelfth of 1.0% per calendar month on the average market capitalisation of the Company's shares up to £300m and one-twelfth of 0.8% per calendar month on the average market capitalisation above £300m, payable monthly in arrears. In addition to the basic management fee, and for so long as a Redemption Pool is in existence, the Manager is entitled to receive from the Company a fee calculated at the rate of one-twelfth of 1.0% per calendar month of the NAV of the Redemption Pool on the last business day of the relevant calendar month.

At 30 November 2018, an amount of £294,000 was outstanding and due to Miton Trust Managers Limited in respect of management fees (30 November 2017: £302,000 and 31 May 2018: £329,000).

9. Fair Value Hierarchy

The Group is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used. The fair value hierarchy has the following levels:

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

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

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

The valuation techniques used by the Group are explained in the Annual Report and Accounts for the year ended 31 May 2018.

The tables below set out the fair value measurements of financial assets in accordance with the fair value hierarchy into which the fair value measurements are categorised.

Financial Assets

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss at 30 November 2018				
Equity investments	**331,912**	**1,650**	**–**	**333,562**
Derivative contracts	**5,735**	**–**	**–**	**5,735**
Fixed interest bearing securities	**2,555**	**664**	**5,805**	**9,024**
	340,202	**2,314**	**5,805**	**348,321**

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss at 30 November 2017				
Equity investments	376,887	360	–	377,247
Derivative contracts	5,719	–	–	5,719
Fixed interest bearing securities	3,157	–	6,370	9,527
	385,763	360	6,370	392,493

9. Fair Value Hierarchy continued

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss at 31 May 2018				
Equity investments	372,077	127	27	372,231
Derivative contracts	4,378	–	–	4,378
Fixed interest bearing securities	3,749	2,310	4,377	10,436
	380,204	2,437	4,404	387,045

Financial Liabilities

	Level 1 £000	Level 2 period	Level 3 £000	Total period
Financial liabilities at fair value through profit or loss at 30 November 2018				
Derivative contracts	–	–	–	–

	Level 1 £000	Level 2 period	Level 3 £000	Total period
Financial liabilities at fair value through profit or loss at 30 November 2017				
Derivative contracts	526	–	–	526

	Level 1 £000	Level 2 period	Level 3 £000	Total period
Financial liabilities at fair value through profit or loss at 31 May 2018				
Derivative contracts	–	–	–	–

Subsidiary

The value of the subsidiary held at fair value is £1 (30 November 2017: £1 and 31 May 2018: £1) and is classified as a Level 3 investment.

The Company's subsidiary completes trading transactions. The value of the investments held for trading in the subsidiary at 30 November 2018 are £nil (30 November 2017: £nil and 31 May 2018: £nil). The difference between the sale and purchase of assets is trading income recognised in the Income Statement.

Reconciliation of Level 3 Investments

The following table summarises the Company's Level 3 investments that were accounted for at fair value:

	As at 30 November 2018 Level 3 £000	As at 30 November 2017 Level 3 £000	As at 31 May 2018 Level 3 £000
Opening fair value investments	4,404	6,416	6,416
Purchase at cost	–	–	27
Sale proceeds	(27)	–	–
Transfer from Level 3 to Level 2	–	–	(2,039)
Transfer from Level 2 to Level 3	1,428	–	–
Movement in investment holding gains:			
Movement in unrealised	–	(46)	–
Closing fair value of investments	5,805	6,370	4,404

10. Transactions with the Manager and Related Parties

The amounts paid and payable to the Manager pursuant to the management agreement are disclosed in note 8. Fees paid to the Directors in the half year to 30 November 2018 amounted to £71,000 (half year to 30 November 2017: £68,000; year ended 31 May 2018: £135,000).

There were no other identifiable related parties at the half-year end.

Investment Objective and Policy

Investment Objective

The Company's investment objective is to provide shareholders with an attractive and growing level of dividends coupled with capital growth over the long term.

Investment Policy

The Company invests primarily in UK quoted or traded companies with a wide range of market capitalisations, but a long-term bias toward small and mid cap equities. The Company may also invest in large cap companies, including FTSE 100 constituents, where it is believed that this may increase shareholder value.

The Manager adopts a stock specific approach in managing the Company's portfolio and therefore sector weightings are of secondary consideration. As a result of this approach, the Company's portfolio does not track any benchmark index.

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.

Risk Diversification

Portfolio risk is mitigated by investing in a diversified spread of investments. Investments in any one company shall not, at the time of acquisition, exceed 15% of the value of the Company's investment portfolio. Typically it is expected that the Company will hold a portfolio of between 100 and 180 securities, predominantly most of which will represent no more than 1.5% of the value of the Company's investment portfolio as at the time of acquisition.

The Company will not invest more than 10% of its gross assets, at the time of acquisition, in other listed closed-ended investment funds, whether managed by the Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds. In addition to this restriction, the Directors have further determined that no more than 15% of the Company's gross assets will, at the time of acquisition, be invested in other listed closed-ended investment funds (including investment trusts) notwithstanding whether or not such funds have stated policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds.

Unquoted Investments

The Company may invest in unquoted companies from time to time subject to prior Board approval. Investments in unquoted companies in aggregate will not exceed 5% of the value of the Company's investment portfolio as at the time of investment.

Borrowing and Gearing Policy

The Board considers that long-term capital growth can be enhanced by the use of gearing which may be through bank borrowings and the use of derivative instruments such as contracts for differences. The Company may borrow (through bank facilities and derivative instruments) up to 15% of NAV (calculated at the time of borrowing).

The Board oversees the level of gearing in the Company, and reviews the position with the Manager on a regular basis.

In the event of a breach of the investment policy set out above and the investment and gearing restrictions set out therein, the Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to the LSE.

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 redeemable ordinary shares of 0.1p each ("ordinary shares") with one vote per share and non-voting management shares of £1 each ("management shares"). From time to time, the Company may issue C ordinary shares of 1p each ("C shares") with one vote per share.

As at 30 November 2018 and the date of this Report, there are 383,787,239 ordinary shares in issue, none of which are held in treasury, and 50,000 management shares.

Redemption of Ordinary Shares

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of ordinary shares on 31 May each year. 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 or the Company may arrange for such shares to be sold in the market at the NAV (including current period revenue) (the "Dealing Value") prevailing at the end of May (subject to the Directors' discretion). The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any redemption point by reference to a separate Redemption Pool, when the Redemption Price will be calculated by reference to the amount generated upon the realisation of the 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 and/or capital gains tax. In particular, private shareholders that 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.

The relevant dates for the May 2019 Redemption Point are:

1 May 2019	Latest date for receipt of Redemption Requests and certificates for certificated shares
3.00 pm on 1 May 2019	Latest date and time for receipt of Redemption Requests and TTE (transfer to escrow) instructions for uncertificated shares via CREST
5.00 pm on 31 May 2019	The Redemption Point
On or before 14 June 2019	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
On or before 28 June 2019	Balance certificates to be sent to shareholders

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

Shareholder Information continued

Historic Dividend Record

Period/year ended 31 May:

	2012 pence	2013 pence	2014 pence	2015 pence	2016 pence	2017 pence	2018 pence	**2019 pence**
First interim dividend	0.30	0.30	0.30	0.40	0.65	0.70	0.75	**0.80**
Second interim dividend	0.50	0.50	0.50	0.50	0.65	0.70	0.80	**0.85**
Third interim dividend	0.46	0.46	0.50	0.50	0.75	0.80	0.85	
Fourth interim dividend	0.76*	0.84	0.95	1.00	–	–	–	
Final dividend	–	–	–	0.50	0.75	0.80	1.00	
Special dividend	–	–	–	–	–	0.40†	0.23†	
	2.02	2.10	2.25	2.90**	2.80	3.40	3.63	**1.65**

* The fourth interim dividend for the period ended 31 May 2012 was 0.93p but this included the benefit of the initial 13-month period. As shown above, on an annualised basis, the fourth interim dividend would have been 0.76p.

** In order to allow shareholders to vote on the dividend, a final dividend was introduced in the year ended 31 May 2015, resulting in the payment of five dividends for that year. Since then, the Company has paid three interim dividends and a final dividend in respect of each year. There has been no interruption in the dividend payment timetable as a result of this change.

† A special dividend was paid for the years ended 31 May 2017 and 31 May 2018, reflecting years when many special dividends were also paid by the companies in the portfolio.

Share Dealing

Shares can be traded through your usual stockbroker.

Share Prices

The Company's ordinary shares are listed on the LSE. The mid-market prices are quoted daily in the Financial Times under 'Investment Companies'.

Share Register Enquiries

The register for the ordinary shares is maintained by Link Asset Services. In the event of queries regarding your holding, please contact the Registrar on 0871 664 0300 or on +44 (0)371 664 0300 from outside the UK (calls cost 12p per minute plus your phone company's access charge; calls outside the UK will be charged at the applicable international rate). Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. You can also email enquiries@linkgroup.co.uk.

Changes of name and/or address must be notified in writing to the Registrar: Link Asset Services, Shareholder Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Electronic Communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's annual report, half-yearly report and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company.

If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar using the details shown on page 31. Please have your investor code to hand.

Manager: Miton Trust Managers Limited

The Company's Manager is Miton Trust Managers Limited, a wholly-owned subsidiary of Miton Group plc. Miton Group is listed on the AIM market for smaller and growing companies.

As at 31 December 2018, the Miton Group had £4.38 billion of assets under management.

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

Investor updates in the form of monthly factsheets are available from the Company's website, www.mitongroup.com/dit.

Glossary of Terms

AIM
The Alternative Investment Market is a sub-market of the London Stock Exchange. It allows smaller companies to float shares with a more flexible regulatory system than applicable to the main market.

Discount/Premium
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.

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, including the operation of the Company.

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.

Growth Stock
A stock where the earnings are expected to grow at an above average rate, leading to a faster than average growing share price. Growth stocks do not usually pay a significant dividend.

Net Asset Value per Ordinary Share ("NAV")
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 total NAV per share is calculated by dividing the NAV by the number of ordinary shares in issue excluding treasury shares.

Glossary of Terms continued

Ongoing Charges
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.

Put Option
Put options are most commonly used in the stock market to protect against the decline of the price of a stock below a specified price likened to purchasing a form of financial insurance. An owner of a Put option can collect a financial benefit after an adverse event, with the scale of the benefit proportionate to the setback in the market and the remaining term of the cover. The Company Put option will become more valuable should the market decline.

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
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 dividend income reinvested by the Company at the prevailing NAV.

Volatility
The term volatility relates to how much and how quickly the share price or net asset value of an investment has tended to change in the past. Those with the greatest movement in their share prices are known as having high volatility, whereas those with a narrow range of change are known as having low volatility.

Yield Stock
Yield stocks pay above-average dividends to shareholders. If the dividend grows, and the yield on the share remains constant, the share price will increase. Companies which grow their dividends faster than average are capable of delivering faster share price growth.

Financial Calendar

Announcement of half-yearly results	January/February 2019
Payment of first interim dividend	February 2019
Year end Payment of second interim dividend Redemption Point	May 2019
Announcement of annual results Payment of third interim dividend	August 2019
Annual General Meeting	October 2019
Half-year end Payment of final dividend	November 2019

Advisers

Alternative Investment Fund Manager or Manager
Miton Trust Managers Limited
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Investment Manager
Miton Asset Management Limited
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London EC4M 8AB

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Web: www.mitongroup.com

Company website
www.mitongroup.com/dit

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Banker
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One Piccadilly Gardens
Manchester M1 1RN

Depositary and Custodian
The Bank of New York Mellon (International) Limited
One Canada Square
London E14 5AL

Registrar and Transfer Office
Link Asset Services
Shareholder Services Department
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: 0871 664 0300
(+44 (0)371 664 0300 from outside the UK)
(calls will cost 12p per minute plus phone company's access charge; calls from outside the UK will be charged at the applicable international rate).

Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Email: enquiries@linkgroup.co.uk
Web: www.linkassetservices.com

Solicitor
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London EC2M 7SH

Stockbroker
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6.7.8 Tokenhouse Yard
London EC2R 7AS

Directors and Secretary

Directors (all non-executive)
Michael Wrobel Chairman
Andrew Bell
Paul Craig
Caroline Kemsley-Pein
Calum Thomson
Jane Tufnell

Secretary and Registered Office
Link Alternative Fund Administrators Limited
(trading as Link Asset Services)
Beaufort House
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Tel: 01392 477500

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

Registered in England No. 7584303.

A member of the Association of Investment Companies.

Notes

Shareholder warning

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These calls typically come from fraudsters operating in 'boiler rooms' offering investors shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. While high profits are promised, those who buy or sell shares in this way usually lose their money. These fraudsters can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

It is very unlikely that either the Company or the Company's Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you have been contacted by an unauthorised firm regarding your shares, you can report this using the FCA helpline on 0800 111 6768 or by using the share fraud reporting form at www.fca.org.uk/consumers/scams.

Total return for the half year to 30 November 2018

The Diverse Income Trust NAV Total Return[1]	-8.1%
FTSE All-Share Total Return	-7.7%

Source: Morningstar including dividend income reinvested.

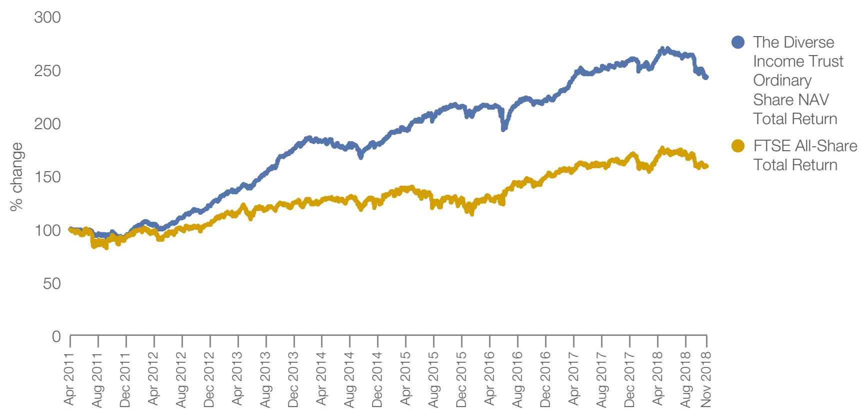
[1] Including the movement in NAV plus the third interim, final and special dividends for 2018.

Total return since launch on 28 April 2011

The Diverse Income Trust NAV Total Return	+143.9%
FTSE All-Share Total Return	+59.5%

Source: Morningstar including dividend income reinvested.

Company performance since launch on 28 April 2011



Source: Morningstar including dividend income reinvested.

Miton

Genuinely active investing

www.mitongroup.com

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Use the QR app on your phone to go to The Diverse Income Trust plc website.