Premier Miton
INVESTORS

THE DIVERSE INCOME TRUST PLC

HALF-YEARLY REPORT FOR THE PERIOD TO 30 NOVEMBER 2023

Seeking to deliver return via good and growing dividends.

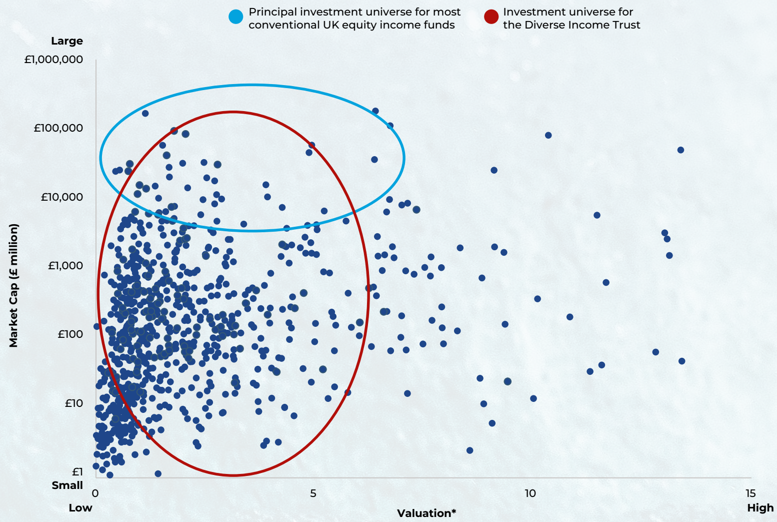
Company No: 07584303

DEPTH AND OPPORTUNITY

Contents

The chart below demonstrates how the Diverse Income Trust's investment universe (circled in red) is wide-ranging, including UK largecaps, midcaps and many less mature businesses listed on the AIM exchange. Many UK Equity Income Trusts focus only on the largest stocks (shown in the blue circle).

In the past, the wider investment universe has been instrumental in the Diverse Income Trust outperforming many others since its inception.



Source: Premier Miton

The chart above represents the UK's quoted markets. The vertical axis represents the company size and the horizontal axis represents company valuations which range from cheap to expensive.

In 2023, UK smaller companies were shunned by investors and became much cheaper than largecaps.

This made relative performance in 2023 difficult but the wider UK market is now extremely attractive and provides the Diverse Income Trust with an attractive universe for stock selection.

* *The valuation ratio referred to here is the Price to Book ratio, defined in the Glossary on page 34.*

Cover photograph:
Galliford Try, a major construction group, used with permission.

THE KEY PERFORMANCE INDICATORS

to 30 November 2023

The Board uses the following Key Performance Indicators (KPIs) to assess the success of the Trust's strategy and its outcome to shareholders

NAV total return*

(1.3%)

30 November 2022: **(11.8%)**

Peer Group**: **0.3%**

Since launch to 30 November 2023

NAV total return: **171.7%**

Peer Group**: **147.4%**

Average Discount*

(7.4%)

30 November 2022: **(4.5%)**

Over the twelve years and seven months since listing, the Company's share price has traded at an average discount of less than 1% to its NAV. The Trust's discount over the period reflects how unloved UK equities have become.

Growth of ordinary dividends to shareholders*

5.3%

Increased from **1.90p to 2.00p**

The Trust has maintained an unbroken good and growing dividend record without distributing capital.

Ongoing charges*

1.14% of NAV

30 November 2022: **1.08%** annualised

0.57% for the Peer Group**

The Board pays careful attention to expenses and believes that the Trust's overall costs are justifiable in the context of its wide investment universe and premium returns it has delivered since launch. The impact of the fixed element of the Trust's costs has led to a gradual increase in the Trust's ongoing charges in recent periods when average net assets have declined.

Further details of the ongoing charges are provided on page 33.

** Alternative performance measure. Details provided in the Glossary on pages 32 to 34.*

*** The Peer Group is also defined in the Glossary.*

THE DIVERSE INCOME TRUST STRATEGY

The Diverse Income Trust (the "Company/the "Trust"/"Diverse", or together with its subsidiary, DIT Income Services Limited, the "Group") seeks to generate a good and growing dividend income stream for shareholders, by actively selecting individual investments across a much broader range of UK quoted companies than most other equity income trusts.

A multicap approach

The Trust invests in many mainstream quoted companies, that are typically mature businesses, along with many AIM-listed stocks that are often less mature. In both cases stocks anticipated to generate significant surplus cash each year, that will be paid out in good and growing dividends, are selected for the portfolio. Those funds investing in larger companies alone typically have fewer portfolio holdings, meaning that their revenue tends to comprise fewer dividends that each make up a larger percentage of the total revenue. In contrast, as the number of potential investments using a multicap approach is much greater than that for those typically investing in larger UK-quoted companies alone, the Trust's revenue comprises numerous smaller dividends from each holding which diversifies risk.

Stocks where abnormal cash surpluses are likely to be generated

At times, an individual quoted company reaches the point where a long period of investment concludes and it will start generating substantial surplus cashflow. Whilst the dividend yield on such holdings may be negligible at the time of purchase, the abnormally large cash surplus subsequently generated, may fund major dividend payments in the future. Many investors overlook these potential opportunities for future surplus cash generation.

Sales of holdings on elevated valuations, reinvesting into others standing on more overlooked valuations

A process of taking profits on the holdings with modest yields to reinvest in others that are standing on more overlooked valuations, and higher prospective dividend yields enhances the potential for the portfolio to deliver good and growing income dividend to shareholders.

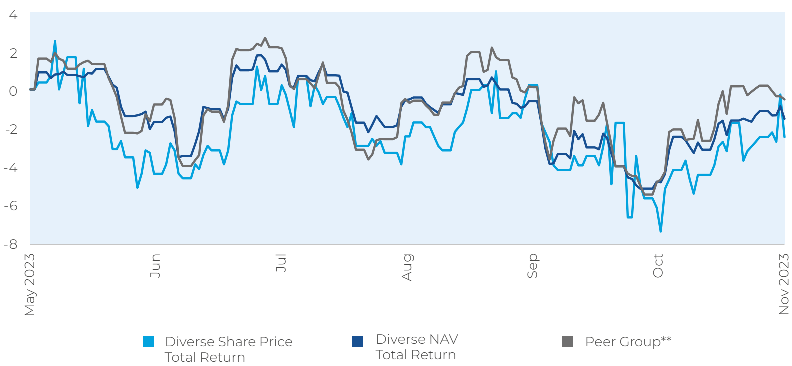
HALF YEARLY REPORT FOR THE SIX MONTHS TO 30 NOVEMBER 2023

The Diverse Income Trust plc is an investment trust quoted on the London Stock Exchange under the ticker code DIVI. The Board sets the Trust's objective and appoints the manager, Premier Portfolio Managers Limited ('PPM' or 'the Manager'). The Board is independent of the Manager.

The Company's 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. It seeks to achieve this by investing principally in UK-listed companies that have the potential to generate above-average dividend growth. If the Trust's strategy succeeds, it is anticipated that its return will outpace others in the Peer Group, as well as the mainstream stock market indices over the longer term.

NAV and share price total returns of the Trust vs the Investment Trust UK Equity Income sector



Source: Morningstar including dividend income reinvested.

*** Alternative performance measure. Details provided in the Glossary on pages 32 to 34.*

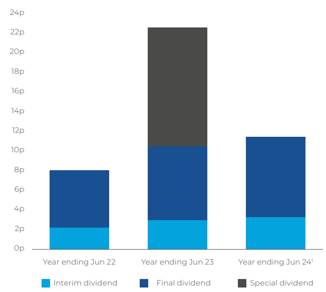
The line chart above outlines the total return of the Trust over the half year to November 2023, a period during which the Trust's NAV total return declined by 1.3%. This is in contrast to a rise in the Deutsche Numis All-Share Index of 1.6% (its returns are dominated by the largest stocks), and a smaller rise of 0.3% in the Peer Group.

Galliford Try – an example of a stock in the Trust's portfolio

One of the UK's major construction groups, operating as Galliford Try in England and Wales and Morrison Construction in Scotland, with a network of regional offices enabling them to deliver high levels of customer service locally. Many of their contracts operate in the public or in regulated sectors and extend over a number of years, offering the company a degree of resilience through the economic cycle.

In November 2023 the company management announced a further acquisition and in January stated that they anticipate revenues for 2024 will be around 5% above market expectations. The strength of their business continues to be reflected both in their balance sheet and in the growing stream of dividends, as shown in the chart. Analysts' forecasts for dividends for the year to June 2024 equate to a yield of 5.2% (excluding special dividend) as at 30 November 2023.

Galliford Try – last 3 years' dividends



[1] 2024 final dividend: analysts' estimate.
Source: Bloomberg

CHAIRMAN'S STATEMENT

This report covers the half year to November 2023, a period of tightening monetary policy, when inflationary pressures began to wane and investors started to look forward to the end (or a part reversal) of the monetary tightening cycle in 2024.

Half-year returns

The Trust's NAV total return was down 1.3% over the half year, in contrast with the total return of the Deutsche Numis All-Share Index (dominated by returns on the largest stocks) which rose by 1.6%, and that of the Peer Group which rose 0.3%. The share price total return was -2.2%, owing to a slight widening of the discount, from 6.2% at the end of May to 7.3% at the period end.

The share prices of smaller companies and AIM stocks remained under pressure owing to concerns about the risk of recession but also to the persistent selling of UK equities by domestic investors. The Deutsche Numis Smaller Companies + AIM index ex ICs total return was -3.7%, well behind that of the UK market as a whole.

The Trust's revenue earnings per share over the half year to November 2023 rose 6.7% to 2.38p, which compares with 2.23p last year. The Board has already declared a first interim dividend of 1p per share for the current year which, together with the second interim dividend of 1p declared with these results represents a rise from 1.90p to 2.00p in respect of the period. It is anticipated that, in combination, the four dividends for the current year will at least match those paid in the previous year.

Returns since the Trust was first listed in April 2011

Whilst recent returns have been disappointing, they are atypical of shareholders' experience since the Company listed in 2011. Over the twelve years and seven-month period since issue, the Trust's NAV total return was 171.7%, and its share price total return 144.0%, which compares to 147.4% for the peer group and 92.5% for the Deutsche Numis All-Share Index.

Share Issuance and Redemptions

There are often fewer buyers of investment trusts when markets decline, in addition to which regulatory and other factors have led to selling of investment companies by some institutional investors in 2023. As a result, the sector's average discount to NAV widened from close to zero in 2022 to over 15% for much of autumn 2023, a level not seen (other than for a few days at the start of the pandemic) since the depths of the banking crisis in early 2009. Your Company's shares continued to trade at a relatively steady discount, which averaged 7.4% across the half year. As the Trust's NAV started to recover late in the half year (and beyond), its share price discount narrowed slightly, to 7.3% at the end of November. Since launch, the trust has traded close to its NAV, at an average discount of 1%.

As the Trust's daily share price reflects the balance of buyers and sellers, when there is an imbalance the Trust's share price can diverge from its NAV. In order to address any persistent imbalances between buyers and sellers, each year the Trust offers shareholders a voluntary option to redeem their shares. At the end of May 2023, 37.3m shares (10.5% of the issued share capital) were redeemed at NAV. A further opportunity will be offered in May 2024.

Prospects

There is a well-known pictorial illusion which, depending upon the viewer's perspective, can look like a duck or a rabbit (Google "duck or rabbit" to see). For much of the second half of 2023 this was what faced investors. Inflation rates were falling sharply, and interest rates had reached a plateau, but was the reason that higher rates were leading economies towards a recession (the hard landing fear) or that inflation had been more transitory than was diagnosed in 2022 so that its elimination did not require a recession and economies could rebound as it fell?

Either way, expectations have grown that interest rates have peaked in most major economies and will begin to decline in 2024. At the time of writing, it remains unclear whether this will occur to revive depressed economies or to reward declines in inflation in economies experiencing modest or weak growth. One scenario would argue for defensively hunkering down, the other in favour of looking forward to better times. Our strategy is adaptable to either. Diverse Income's manager aims to invest in well-managed, soundly financed companies which prosper in normal times but are able to use their cash flows and access to capital markets to gain strength in tougher conditions.

Partly as a consequence of the long-term structural factors that have contributed to the derating of the UK market, one particular feature of the past year has been the opposite directions taken by the large-capitalisation companies and the rest of the market, continuing the trend seen in 2022. In late October 2023 the large caps were little changed, while the mid and smaller capitalisation stocks were down 5-10% and AIM stocks down almost 20%. When a market sustains a prolonged period of disengagement by investors, almost inevitably the less liquid parts suffer the most, a particular headwind for our manager's investment approach, which by design invests across the size spectrum. The consequence of recent shifts within the market is that the valuation gap in favour of smaller companies is as significant as it has been for many years.

More encouragingly, since late October, when there were tangible signs of the UK's inflation performance improving (alleviating fears of a further series of interest rate rises), the ensuing market recovery has been led by smaller and mid-sized companies. If this trend continues, the Company's exposure to smaller companies can be expected to become a tailwind and see better rewards in the coming year, on the back of improved earnings performance (as the cost and demand hurdles abate) and a greater willingness of investors to give credit for the fundamental performance of smaller companies.

Andrew Bell
Chairman
13 February 2024

A SUMMARY OF RESULTS FOR THE HALF YEAR

Results in summary

to 30 November 2023

NAV per ordinary share[1]

85.61p

31 May 2023: **88.87p**
change: **(3.7%)**
30 November 2022: **95.45p**

Ordinary share price

79.40p

31 May 2023: **83.40p**
change: **(4.9%)**
30 November 2022: **91.20p**

(Discount) to NAV[1]

(7.3%)

31 May 2023: **(6.2%)**
30 November 2022: **(4.5%)**

Revenue return per ordinary share[1]

2.38p

30 November 2022: **2.23p**
31 May 2023 (full year): **4.05p**

Ordinary dividends per ordinary share

2.00p

30 November 2022: **1.90p**
31 May 2023 (full year): **4.05p**

Ongoing charges[1,2]

1.14%

31 May 2023: **1.09%**
30 November 2022: **1.08%**[2]

[1] *Alternative performance measure. Details provided in the Glossary on pages 32 to 34.*
[2] *Estimated as at 30 November 2023. 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 daily net assets of the Company during the year.*

Ordinary shares in issue as at 30 November 2023: 318,540,642 (2022: 355,870,647)

Financial Performance Indicators

The chart outlines the total annual dividends declared by the Company and how these have grown over time.

Total annual dividends declared by the Company

Source: Company

1 *The figure of 2.02p for 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.*

2 *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.*

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. These capital gains figures have been supplemented with the dividends paid over time and hence are quoted in "total return" terms.

NAV and share price total returns of the Trust vs UK Equity Income sector

Source: Morningstar

The Company's capital is invested in a broad range of industry sectors, and a wide range of market capitalisation stocks, where the benefits of diversification lead to the annualised volatility of the Company's NAV often being less than that of the Deutsche Numis All-Share Index as shown in the chart alongside.

NAV Volatility vs Deutsche Numis All-Share index

Source: Premier Miton

INVESTMENT MANAGER'S REPORT

Who are the fund managers that have day-to-day responsibility for the makeup of the Trust's portfolio?

The daily portfolio management of the Trust is carried out by Gervais Williams and Martin Turner.

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 the President of the Quoted Companies Alliance and a member of the AIM Advisory Council.

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

These are the two managers who have managed the Trust since the launch, and thus they are responsible for its outperformance since issue in April 2011.

The Investment Management Report is set out in three sections.

Section 1 – Why do we believe that a multicap income strategy has major advantages over the longer-term?

Why was the Trust set up with an income strategy, given that over the last three decades some of the best returns have been generated by capital growth strategies?

Equity income strategies have delivered perfectly good returns over the three decades of globalisation. Some regard these returns as disappointing however, when viewed alongside those of various capital growth strategies where returns have often been quite exceptional. During periods when global stock markets appreciate well, it is usual for some capital growth strategies to generate returns that outpace other market sectors.

But this outcome only tells half the story, because over long time periods the global economy experiences a wider range of circumstances. There are periods when inflationary pressures are persistent for example, and when the downside risks of investing in assets funded with debt can have a disproportionate downside.

In our view, one of the advantages of an equity income strategy is that it has the potential to generate perfectly good returns across a wide range of equity market conditions. We worry that many capital appreciation strategies don't necessarily work as well through more unsettled economic conditions.

Companies with businesses that make consistent losses for example, can only succeed if they raise additional capital regularly. When global stock markets rise progressively, such issuance can occur at ever higher share prices, greatly enhancing the returns of early shareholders. But when global stock markets are weak, consistently loss-making stocks may be obliged to continue raising capital, even at very distressed share prices, thereby greatly diluting the returns of the early shareholders.

When global stock markets are unsettled, companies that continue to generate surplus cash, such as equity income stocks, have a disproportionate advantage. As businesses with excessive debt fail for example, well-funded businesses can expand into the vacated markets, enhancing their prospects. At the same time, well-funded businesses can also acquire over-leveraged but otherwise viable companies, debt-free from the receiver, often for a nominal sum. Typically, these acquisitions empower the acquired body of skilled staff to greatly enhance the prospects of the combined business.

When the Diverse Income Trust was issued, its strategy proposed that it would invest in equity income stocks. It is envisaged that the portfolio would have scope to generate attractive returns both during globalisation as well as through more unsettled stock market conditions.

Given that megacap stocks have delivered such excellent returns recently, why was the Trust set up as a multicap strategy?

When mainstream stock markets deliver strong returns, a portfolio of larger quoted companies can generate perfectly good returns. Furthermore, being largecaps, these portfolios also have abundant market liquidity, so it is easy for institutional investors to change their portfolio stance rapidly. When global stock markets deliver strong returns for a number of decades, these advantages often encourage investors to narrow their investment universe into portfolios that comprise largecaps alone.

With globalisation, the returns on mainstream stock market indices have been so good for so long that an increasingly large percentage of investors have chosen to invest passively, with portfolio weightings determined solely by the scale of the individual stocks in an index. Within index funds the largest sums of capital are invested into the largest quoted companies, which tends to enhance the returns of the very largest megacap stocks. Meanwhile, as actively managed strategies lose market share and withdraw capital from a broad capital universe, this leads to persistent selling of numerous smallcaps that typically depresses their valuations. These factors have amplified the divergence between megacap and smallcap returns.

Whilst the globalisation trend may have been in place for some decades, the pattern of the global economy does vary considerably over time. Specifically larger quoted companies might have outperformed over recent years, but this is not usual. Over the longer-term, smaller quoted company outperformance is the prevailing trend. Academics refer to it as the 'smallcap effect', where the return of a quoted company is inversely related to its market capitalisation. The returns of megacaps are outpaced by largecaps, that themselves are outpaced by those of smallcaps.

Hence, when the Diverse Income Trust was issued, its strategy included smallcap equity income stocks alongside large, given our ambition to generate attractive returns through unsettled economic conditions, as well as during the recent period of globalisation.

Given that the returns of the UK stock market have been outpaced by nearly all other global stock markets over recent decades, does a Trust principally investing in UK equities really have the potential to outperform global stock markets?

Whilst we acknowledge that mainstream technology stocks have delivered strong returns over recent years, we also highlight that at other times the advantages often lie with portfolios invested in equity income stocks, especially those that invest in both smallcaps as well as largecaps.

In our view, the essential advantages of the UK stock exchange lies in its contrasting investment universe. Specifically in the past, the UK stock market has greatly outperformed overseas exchanges, including that of the US. Furthermore, during these years the best performing part of the UK stock market was the UK smallcap sector.

So, the real advantage of the Trust's strategy is that it has the potential to generate attractive returns across a wide range of market conditions. Furthermore, a strategy investing in the UK can outperform global stock markets. That is why the Diverse Income Trust was launched as a multicap, equity income Trust principally investing in the UK equities.

Section 2 – Why have the Trust's returns been somewhat disappointing since April 2021, including over the half year period?

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

Even when an investment portfolio is outperforming, the prospects of some portfolio holdings deteriorate. When the longer-term prospects of the Trust's holdings are significantly impaired, we have a policy of selling them. We aim to keep the portfolio fully invested in stocks that have the potential to generate abundant cash surpluses in future.

As UK smallcap share prices have been weak since April 2021, the share prices of many smallcaps have not risen as much as might have been expected when they have announced success. Meanwhile, the share prices of companies that have failed to hit their targets, have typically suffered more adversely as well. The outcome is that the returns on many of the smallcap income stocks in the Trust's portfolio have been much weaker than anticipated.

This pattern persisted over the half year to November, with the Trust's three worst detractors being I3 Energy, CMC Markets and Vanquis. The Trust invested in I3 Energy at 5p in August 2020, and its share price subsequently appreciated to 30p in early 2022 as the energy price rose. Whilst substantial profits were taken, with the energy price declining, I3 Energy's share price has fallen back to 10.3p at the end of November. This holding detracted 1.0% from the portfolio return over the half year. In the case of CMC Markets, it too had previously delivered very substantial capital appreciation to the portfolio, but subsequently stepped up its rate of investment, whilst its profitability fell due to lower market volatility. The holding in CMC Markets has also detracted 1.0% over the half year. In the case of Vanquis, we anticipate that the company is set for a major recovery after it scaled back its lending activities. The portfolio invested in anticipation of this recovery, although it has taken longer to come through than we anticipated. The Vanquis holding detracted 0.8% in the six months to November. Although the share prices of all three companies have been weak, we do not believe that their longer-term prospects have significantly deteriorated. Therefore, these stocks remain a part of the portfolio, as we expect their share prices to fully recover in time.

With the adverse sentiment towards smallcaps, some companies have agreed a premium takeover. Generally, we are not enthusiastic, because in our view the share prices of the companies being acquired could be considerably higher in the coming years, if they become more fairly valued by investors. A good example is DWF Group, where its share price had fallen back due to uncertainty about the outlook for legal businesses. Although it continued to hit the targets we anticipated, its board decided to recommend a takeover at a share price that, while higher than earlier this year, was no higher than the share price at which the Trust originally invested. Nevertheless, the deal has been accepted by shareholders, and the Trust's holding added 0.7% to total returns over the half year.

The cash generation of XPS Pensions and Galliford both exceeded our expectations over the half year. In the case of XPS, the company sold its National Pensions Trust subsidiary to SEI, thereby creating the market leader in the sector. XPS will be paid up to £42.5m for the disposal but will still continue to earn fees for administering what will now be a market leader. In the case of Galliford, a dispute on a past contract was resolved, and the cash received funded a special dividend, a share buyback and a small acquisition. Together these two stocks enhanced the total portfolio returns by 1.6%, although even now we still believe their prospects are not fairly reflected in their valuations.

Over the last five years, the Trust's NAV total return has only been 10.4%. Do these relatively disappointing returns reduce confidence in the longer-term upside potential of the strategy?

In recent years the share prices of UK-quoted smallcaps have suffered two periods of weak sentiment that has held back the Trust's returns.

1. The first extended from September 2018 as investors worried about the Parliamentary gridlock during the EU negotiations about the UK's leaving terms. Overall, between September 2018 and December 2019, the Trust's NAV total return underperformed the Deutsche Numis All-Share Index by 5.9%.
2. The second extends from April 2021 and includes the current half year, due to an allocation crescendo into indexation strategies that has boosted the returns of many large and megacaps. Furthermore, as local investors have withdrawn capital from the UK stock market to invest in other assets such as government bonds, UK smallcap sentiment has been persistently weak. Between April 2021 and November 2023, the Trust's NAV total return declined by 14.4%, whereas the Deutsche Numis All-Share Index total return was 11.7%.

And yet, since 1955 (the date when detailed UK stock market data was first compiled), UK quoted smallcaps have significantly outperformed all other parts of the UK stock market. Granted, these have been interspersed with some years of relatively poor smallcap returns, but, overall, the scale of the long term smallcap trend more than endorses the multicap nature of the Trust's strategy in our view.

The largest weighting in the Trust's portfolio currently is the Financial sector. In turn, over the last five years the returns from the Financial sector have contributed more than any other industry sector to the Trust's outcome. The best contributors have typically been largecaps as smallcap share prices have often been lower than might have expected. Over the last five years for example, M&G, Intermediate Capital, Legal & General, Admiral and Aviva have each contributed over 1% to Trust returns outpacing nearly all other contributors.

Interestingly, the best performer in the Financial sector was still a smallcap financial - XPS Pensions, which has contributed 2.0% to returns, even though UK quoted smallcap share prices have been less buoyant. Other notable contributors were FRP, Plus 500 and MAN Group that collectively added 2.8% to the Trust's returns over the same period. Over the last five years, the greatest detractor in the Financial sector was Vanquis, where the Trust has retained its holding in anticipation of future recovery. Even so, it alone still detracted 1.2% from the Trust's returns. Similar patterns have been seen in other industry sectors within the portfolio.

The bottom line is that we believe that the multicap nature of the Trust's portfolio has real advantages over strategies that invest solely in largecap equity income stocks, or even solely in smallcap equity income stocks. Specifically, we highlight that the Trust's revenue and dividend record has remained progressive, even though the Trust's NAV total returns have been held back by adverse smallcap sentiment over recent years.

** Alternative performance measure. Details provided in the Glossary on pages 32 to 34.*

Section 3 – What are the prospects for the Trust?

Does the Trust's performance since launch in April 2011 provide reason to be confident about the Trust's strategy?

The section above highlighted that during the last five years, there have been two periods when the returns of UK smallcaps have been weak compared with the returns of the mainstream UK quoted companies. Whilst the Trust does have a portion of its portfolio invested in mainstream UK quoted companies, the larger portion is invested in other equity income stocks including those listed on the AIM Exchange. With the underperformance of UK quoted smallcaps over recent years, the Trust's returns have been disappointing relative to the Peer Group or that of the mainstream UK stock market indices. Even so, the strategy of the Trust had added so much return prior to the last five years, that its record since issue in April 2011 remains strong.

Between April 2011 and November 2023, DIVI's NAV total return was 171.7%, which compares with the Morningstar Investment Trust UK Equity Income Peer Group NAV total return of 147.4% and that of the Deutsche Numis Small Cap Plus AIM Index (excluding Investment Companies) of 80.6%.

We believe this outcome is reassuring, as it demonstrates that the multicap nature of the Trust's strategy has real potential, such that when it outperforms the Peer Group, the scale of that outperformance can be very significant, Furthermore, smallcap equity income stocks are typically less closely researched by professional investors, and so their prospects are not always reflected in their valuations. Investing in a portfolio of these has the potential to enhance their natural outperformance due to their smallcap nature. Hence, despite the Trust's disappointing returns over the last five years, we believe that its longer term record illustrates the full upside potential of its strategy.

What are the prospects for the Trust?

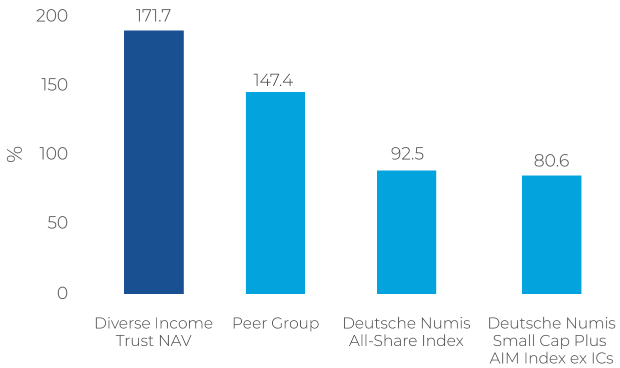
One of the characteristics of globalisation has been its benign inflationary background. When share prices weakened during economic downturns, the absence of inflation permitted central banks to inject additional financial stimulus again and again, in a trend that persistently enhanced bond valuations. Often there was a sequential improvement in the valuation of global equity exchanges as well. Overall, with valuations rising and the global economy expanding near-continuously, asset returns have been excellent over the globalisation decades. Whilst this outcome is welcome, we note that at other times asset market trends and hence the optimal investment strategy can be very different.

When interest rates rise above inflation, as recently for example, global growth often suffers a pronounced setback. At such times, largecaps with their major market positions can really struggle, as the largecaps can't easily make up for a demand shortfall by expanding rapidly enough in other areas. In contrast, smallcaps can be nimble and sometimes make up for a setback, by expanding elsewhere.

Furthermore, when interest rates and geopolitics are unsettled, supply within capital-intensive industries typically becomes inelastic due to the extra build costs and the higher rate of return required. Thus, if demand is sustained within some capital-intensive industries, operational assets can deliver some quite exceptional returns. Following the Ukrainian invasion for example, energy stocks delivered market-leading returns due to their capital-intensive nature, whilst the energy shortage itself further amplified inflationary pressures and interest rate rises thereafter.

Thus, if economic and geopolitical trends continue as currently, we believe they will favour the UK stock market because it is dominated by so many capital-intensive stocks. In addition, the UK stock market has a much broader universe of quoted smallcaps than others, that typically outperform when the global economy is constrained, or recessions are rife. During the persistent inflationary pressures and recessions between 1965 and 1985 for example, we note that the UK stock market greatly outperformed the US exchange. Alongside, one of the best performing parts of one of the best performing global stock markets were UK smallcaps!

Total returns of the Trust, its Peer Group and its Comparator Indices between April 2011 and November 2023



Source: Morningstar

Since issue, the Trust's broad investment portfolio has already outperformed the UK peer group and the UK indices. If the globalisation trend were to persist for a little longer, then we believe that the Trust will significantly outperform the UK indices and the Peer Group as before, as UK smallcap share prices sharply recover.

If the global economy and geopolitics remain unsettled however, then we believe the Trust's prospects are a lot more upbeat. Specifically, we anticipate that the UK stock market itself will outperform others – as it did in past decades. Furthermore, we also believe the best performing part of the UK exchange will be UK smallcaps.

In conclusion, it is easy to greatly underestimate the magnitude and duration of the Trust's potential upside, especially when so many of its portfolio holdings are standing on such overlooked valuations currently.

Gervais Williams and Martin Turner
13 February 2024

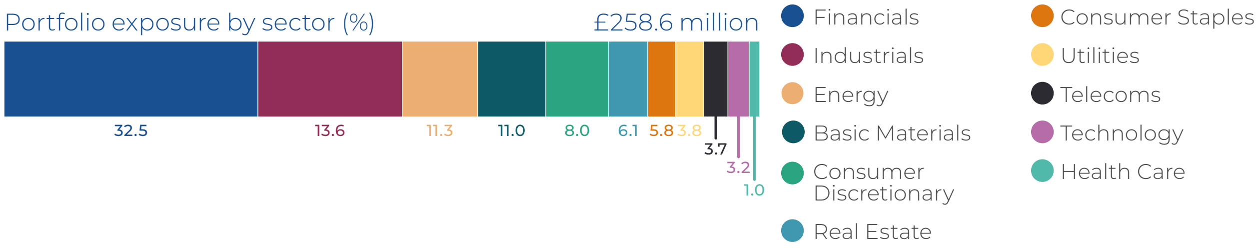
PORTFOLIO INFORMATION

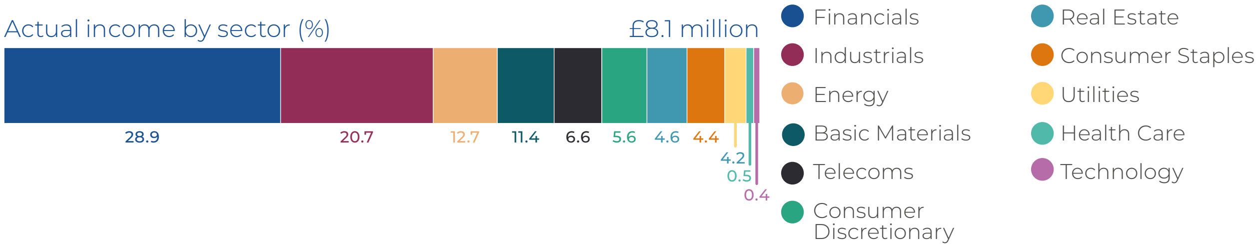
AS AT 30 NOVEMBER 2023

Rank	Company	Sector & main activity	Valuation £000	% of net assets	Yield[1] %
1	XPS Pensions	Financials	8,467	3.1	3.5
2	TP ICAP	Financials	6,896	2.5	6.7
3	Kenmare Resources	Basic Materials	6,860	2.5	12.0
4	Galliford Try	Industrials	5,983	2.2	10.3
5	Tesco	Consumer Staples	5,188	1.9	3.8
6	BT	Telecommunications	4,957	1.8	6.3
7	Legal & General	Financials	4,859	1.8	8.6
8	Sainsbury (J)	Consumer Staples	4,798	1.8	4.6
9	Just	Financials	4,757	1.7	2.3
10	Admiral	Financials	4,643	1.7	3.3
Top 10 investments			57,408	21.0	
11	AVIVA	Financials	4,593	1.7	7.6
12	MAN	Financials	4,561	1.7	9.5
13	Paypoint	Industrials	4,510	1.7	8.0
14	Phoenix	Financials	4,472	1.6	11.2
15	Pan African Resources*	Basic Materials	4,407	1.6	4.6
16	Savannah Energy**+	Energy	4,407	1.6	–
17	Rio Tinto	Basic Materials	4,354	1.6	5.9
18	Sabre Insurance	Financials	4,313	1.6	1.9
19	I3 Energy**	Energy	4,286	1.6	9.9
20	Diversified Energy	Energy	4,167	1.5	21.1
Top 20 investments			101,478	37.2	
21	Drax	Utilities	3,695	1.3	5.0
22	Plus500	Financials	3,631	1.3	5.4
23	FRP Advisory**	Industrials	3,557	1.3	3.7
24	BAE Systems	Industrials	3,535	1.3	2.7
25	Vodafone	Telecommunications	3,464	1.3	10.9
26	Conduit Holdings	Financials	3,452	1.3	6.1
27	Concurrent Technologies**	Technology	3,205	1.2	–
28	Accrol**	Consumer Staples	3,193	1.2	–
29	Mears	Industrials	3,158	1.2	4.0
30	Hostelworld	Consumer Discretionary	3,056	1.1	–
Top 30 investments			135,424	49.7	
31	CMC Markets	Financials	3,053	1.1	5.4
32	Yu*	Utilities	3,041	1.1	0.5
33	National Grid	Utilities	3,001	1.1	5.6
34	ME Group international	Consumer Discretionary	2,984	1.1	4.7
35	M&G	Financials	2,943	1.1	9.5
36	Smurfit Kappa	Industrials	2,892	1.1	4.0
37	NewRiver REIT	Real Estate	2,853	1.0	7.8
38	Taylor Wimpey	Consumer Discretionary	2,844	1.0	7.4
39	Shoe Zone*	Consumer Discretionary	2,775	1.0	4.1
40	LondonMetric Property REIT	Real Estate	2,662	1.0	5.4
Top 40 investments			164,472	60.3	
Balance held in 82 equity investments			94,117	34.5	
Total equity investments			258,589	94.8	
Fixed interest investments			–	–	
Total equity and fixed interest investments			258,589	94.8	
Listed Put Option					
UKX – December 2023 5,700 Put			–	–	
Total investment portfolio			258,589	94.8	
Other net current assets			14,125	5.2	
Net assets			272,714	100.0	

** Source: Refinitiv. Based on historical yields and therefore not representative of future yields. Includes special dividends where applicable.*
*** AIM/AQUIS listed*
+ Security currently suspended

Portfolio as at 30 November 2023





Source: Thomson Reuters.

The LSE assigns all UK-quoted companies to an industrial sector. The LSE also assigns industrial sectors to many international quoted equities and those that have not been classified by the LSE, have been assigned as though they had. The portfolio as at 30 November 2023 is set out in detail on page 14, in line with that included in the Balance Sheet on page 19. The income from investments above comprises all of the income from the portfolio as included in the Income Statement for the six-month period.

The 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.

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 balance to ensure that it remains in line with the underlying conviction of the Manager. The Investment Policy is set out on page 27 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 4 and 5 and the Manager's Report on pages 8 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 2023 and continue to be as set out in that report on pages 15 to 18.

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 and engagement of third party service providers.

Responsibility Statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with the applicable set of accounting standards and Article 4 of the IAS Regulation; and gives a true and fair view of the assets, liabilities and financial position and return of the Group; and
- this Half-Yearly Financial Report includes a fair review of the information required by:

  1. 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
  2. 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 13 February 2024 and the above responsibility statement was signed on its behalf by:

Andrew Bell
Chairman
13 February 2024

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR TO 30 NOVEMBER 2023 (UNAUDITED)

		Half year to 30 November 2023			Half year to 30 November 2022			Year ended 31 May 2023*		
	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 on investments held at fair value through profit or loss		–	(9,276)	(9,276)	–	(50,479)	(50,479)	–	(71,293)	(71,293)
Losses on derivative contracts		–	(848)	(848)	–	(2,684)	(2,684)	–	(3,907)	(3,907)
Foreign exchange gains		–	1	1	–	10	10	–	2	2
Income		8,507	–	8,507	8,752	77	8,829	16,127	77	16,204
Management fee	2	(291)	(872)	(1,163)	(372)	(1,117)	(1,489)	(732)	(2,199)	(2,931)
Other expenses		(435)	–	(435)	(421)	–	(421)	(846)	–	(846)
Return on ordinary activities before finance costs and taxation		7,781	(10,995)	(3,214)	7,959	(54,193)	(46,234)	14,549	(77,320)	(62,771)
Finance costs		(4)	(12)	(16)	(5)	(14)	(19)	(11)	(34)	(45)
Return on ordinary activities before taxation		7,777	(11,007)	(3,230)	7,954	(54,207)	(46,253)	14,538	(77,354)	(62,816)
Taxation – irrecoverable withholding tax		(124)	–	(124)	(21)	–	(21)	(108)	–	(108)
Return on ordinary activities after taxation		7,653	(11,007)	(3,354)	7,933	(54,207)	(46,274)	14,430	(77,354)	(62,924)
Basic and diluted return:		pence	pence	pence	pence	pence	pence	pence	pence	pence
Per ordinary share	3	2.38	(3.43)	(1.04)	2.23	(15.21)	(12.98)	4.05	(21.72)	(17.67)

** Extracted from audited financial statements.*

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

FOR THE HALF YEAR TO 30 NOVEMBER 2023 (UNAUDITED)

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
As at 1 June 2023*		406	197,039	32	15,699	86,971	16,128	316,275
Total comprehensive income:								
Net return for the period		–	–	–	–	(11,007)	7,653	(3,354)
Transactions with shareholders recorded directly to equity:								
Redemption of Ordinary shares		–	–	–	(15,699)	(17,655)	–	(33,354)
Cancellation of Ordinary shares		(37)	–	37	–	–	–	–
Expenses in relation to cancellation		–	–	–	–	(4)	–	(4)
Equity dividends paid	4	–	–	–	–	–	(6,849)	(6,849)
As at 30 November 2023		369	197,039	69	–	58,305	16,932	272,714

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
As at 1 June 2022*		412	197,039	26	22,378	164,325	15,933	400,113
Total comprehensive income:								
Net return for the period		–	–	–	–	(54,207)	7,933	(46,274)
Transactions with shareholders recorded directly to equity:								
Shares bought back and cancelled		(6)	–	6	(6,676)	–	–	(6,676)
Expenses in relation to cancellation		–	–	–	(3)	–	–	(3)
Equity dividends paid	4	–	–	–	–	–	(7,473)	(7,473)
As at 30 November 2022		406	197,039	32	15,699	110,118	16,393	339,687

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
As at 1 June 2022*		412	197,039	26	22,378	164,325	15,933	400,113
Total comprehensive income:								
Net return for the year		–	–	–	–	(77,354)	14,430	(62,924)
Transactions with shareholders recorded directly to equity:								
Redemption of Ordinary shares		–	–	–	(6,676)	–	–	(6,676)
Cancellation of Ordinary shares		(6)	–	6	–	–	–	–
Expenses in relation to cancellation		–	–	–	(3)	–	–	(3)
Equity dividends paid	4	–	–	–	–	–	(14,235)	(14,235)
As at 31 May 2023*		406	197,039	32	15,699	86,971	16,128	316,275

** Extracted from audited financial statements.*

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

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 NOVEMBER 2023 (UNAUDITED)

	Notes	30 November 2023 £000	30 November 2022 £000	31 May 2023* £000
Non-current assets:				
Investments held at fair value through profit or loss	9	258,589	323,919	278,933
Current assets:				
Derivative instruments		–	2,071	848
Trade and other receivables		2,092	1,450	2,398
Cash at bank and cash equivalents		12,790	12,936	34,476
		14,882	16,457	37,722
Current liabilities:				
Trade and other payables		(757)	(689)	(380)
Net current assets		14,125	15,768	37,342
Total net assets		272,714	339,687	316,275
Capital and reserves:				
Share capital – ordinary shares	5	319	356	356
Share capital – management shares	5	50	50	50
Share premium account		197,039	197,039	197,039
Capital redemption reserve		69	32	32
Special reserve		–	15,699	15,699
Capital reserve		58,305	110,118	86,971
Revenue reserve		16,932	16,393	16,128
Shareholders' funds		272,714	339,687	316,275
		pence	pence	pence
Net asset value per ordinary share	6	85.61	95.45	88.87

** Extracted from audited financial statements.*

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE HALF YEAR TO 30 NOVEMBER 2023 (UNAUDITED)

	Half year to 30 November 2023 £000	Half year to 30 November 2022 £000	Year ended 31 May 2023* £000
Operating activities:			
Net return before taxation	(3,230)	(46,253)	(62,816)
Losses on investments and derivatives held at fair value through profit or loss	10,124	53,163	75,200
Finance costs	9	41	53
Decrease in trade and other receivables	173	1,157	342
(Decrease)/increase in trade and other payables	(60)	190	(21)
Withholding tax paid	(124)	(21)	(108)
Net cash inflow from operating activities	6,892	8,277	12,650
Investing activities:			
Purchase of investments	(33,536)	(20,731)	(51,599)
Sale of investments	45,174	25,314	80,123
Purchase of derivative instruments	–	(4,364)	(4,364)
Sale of derivative instruments	–	2,090	2,090
Net cash inflow from financing activities	11,638	2,309	26,250
Financing activities:			
Cancellation of shares	(33,358)	(6,679)	(6,679)
Finance costs	(9)	(41)	(53)
Equity dividends paid	(6,849)	(7,473)	(14,235)
Net cash outflow from financing	(40,216)	(14,193)	(20,967)
(Decrease)/increase in cash and cash equivalents	(21,686)	(3,607)	17,933
Reconciliation of net cash flow movements in funds:			
Cash and cash equivalents at the start of the period	34,476	16,543	16,543
Net cash (outflow)/inflow from cash and cash equivalents	(21,686)	(3,607)	17,933
Cash at bank and cash equivalents at the end of the period	12,790	12,936	34,476
Cash and cash equivalents			
Comprise the following:			
Cash at bank	12,790	12,936	34,476
	12,790	12,936	34,476

** Extracted from audited financial statements.*

The notes on pages 21 to 26 form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR TO 30 NOVEMBER 2023 (UNAUDITED)

1. General Information and Accounting Policies

The condensed 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 2023 have been prepared in accordance with UK International Accounting Standards and the AIC SORP.

In the current period, the Company has applied a number of amendments to UK IFRS. These include annual improvements to UK IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements.

The adoption of these updates has not had any material impact on these financial statements and apart from the above, the accounting policies used by the Group followed in these half-yearly financial statements are consistent with the most recent Annual Report for the year ended 31 May 2023.

Going concern

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

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date when these financial statements were approved. In making the assessment, the Directors of the Company have considered the likely impacts of international and economic uncertainties on the Company, operations and the investment portfolio. These include, but are not limited to, geopolitical events, the war in Ukraine, the ongoing Israel/Palestine conflict, political and economic instability in the UK and inflationary pressures.

The Directors noted that the Company, with the current cash balance and holding a portfolio of listed investments, is able to meet the obligations of the Company as they fall due. The current cash balance plus 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 have completed stress tests assessing the impact of changes in market value and income with associated cash flows. In making this assessment, they have considered plausible downside scenarios. 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, and changes in expenses, 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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Comparative information

The financial information contained in this Half-Yearly Report does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the half-year periods ended 30 November 2022 and 30 November 2023 has not been audited or reviewed by the Company's Auditor. The comparative figures for the financial year ended 31 May 2023 have been extracted from the latest published Annual Report and Accounts, which have been reported on by the Company's Auditor and delivered to the Registrar of Companies. The report of the Auditor was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Income

	Half year to 30 November 2023			Half year to 30 November 2022			Year ended 31 May 2023		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Income from investments:									
UK dividends	5,885	–	5,885	7,009	77	7,086	11,861	77	11,938
UK REIT dividend income	301	–	301	165	–	165	361	–	361
Non UK dividend income	1,943	–	1,943	1,483	–	1,483	3,566	–	3,566
	8,129	–	8,129	8,657	77	8,734	15,788	77	15,865
Other income:									
Bank deposit interest	381	–	381	77	–	77	320	–	320
Exchange (losses)/gains	(3)	–	(3)	18	–	18	18	–	18
Other income	–	–	–	–	–	–	1	–	1
Total income	8,507	–	8,507	8,752	77	8,829	16,127	77	16,204

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 2023		Half year to 30 November 2022		Year ended 31 May 2023	
	£000	pence per share	£000	pence per share	£000	pence per share
Revenue return	7,653	2.38	7,933	2.23	14,430	4.05
Capital return	(11,007)	(3.43)	(54,207)	(15.21)	(77,354)	(21.78)
Total return	(3,354)	(1.04)	(46,274)	(12.98)	(62,924)	(17.67)
Weighted average number of ordinary shares		321,192,500		356,366,504		356,119,255

4. Dividends per Ordinary Share

Amounts recognised as distributions to equity holders in the period.

	Half year to 30 November 2023 £000	Half year to 30 November 2023 pence per share	Half year to 30 November 2022 £000	Half year to 30 November 2022 pence per share	Year ended 31 May 2023 £000	Year ended 31 May 2023 pence per share
In respect of the previous period:						
Third interim dividend	3,026	0.95	3,203	0.90	3,203	0.90
Final dividend	3,823	1.20	4,270	1.20	4,270	1.20
In respect of the period under review:						
First interim dividend	–	–	–	–	3,381	0.95
Second interim dividend	–	–	–	–	3,381	0.95
	6,849	2.15	7,473	2.10	14,235	4.00

The Board has declared a first interim dividend of 1.00p per ordinary share, payable on 29 February 2024 to shareholders registered at the close of business on 22 December 2023. The ex-dividend date was 21 December 2023. The Board has also declared a second interim dividend of 1.00p per ordinary share, payable on 31 May 2024 to shareholders registered at the close of business on 22 March 2024. The ex-dividend date will be 21 March 2024 and the latest date to elect for dividends to be reinvested via the Dividend Reinvestment Plan ("DRIP") will be 12 April 2024. In accordance with UK 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 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 2023 Redemption Point, the Company received redemption requests for 37,330,005 ordinary shares. All of these shares were redeemed by the Company at the calculated redemption price of 89.35p per share and cancelled.

The issued share capital consisted of 318,540,642 ordinary shares and 50,000 management shares as at 30 November 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. Net Asset Value

Ordinary shares

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

	NAV pence per share 30 November 2023	Net assets attributable 30 November 2023 £000	NAV pence per share 30 November 2022	Net assets attributable 30 November 2022 £000	NAV pence per share 31 May 2023	Net assets attributable 31 May 2023 £000
Basic and diluted	85.61	272,714	95.45	339,687	88.87	316,275

NAV per ordinary share is based on net assets at the period end and 318,540,642 ordinary shares, being the number of ordinary shares in issue at the period end (30 November 2022: 355,870,647 and 31 May 2023: 355,870,647 ordinary shares).

Management shares

The NAV of £1 (30 November 2022: £1 and 31 May 2023: £1) per management share is based on net assets at the period end of £50,000 (30 November 2022: £50,000 and 31 May 2023: £50,000) and 50,000 (30 November 2022: 50,000 and 31 May 2023: 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 2023 £000	Half year to 30 November 2022 £000	Year ended 31 May 2023 £000
Costs on acquisitions	141	88	183
Costs on disposals	29	17	33
	170	105	216

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/AQUIS exchanges). A breakdown of these costs is set out below:

	Half year to 30 November 2023 £000	% of average monthly net assets	Half year to 30 November 2022 £000	% of average monthly net assets	Year to 31 May 2023 £000	% of average monthly net assets
Costs paid in dealing commissions	46	0.02	36	0.01	62	0.02
Costs of stamp duty	124	0.05	69	0.02	154	0.05
	170	0.07	105	0.03	216	0.07

The average monthly net assets for the six months to 30 November 2023 were £275,246,000 (30 November 2022: £347,304,000 and 31 May 2023: £341,542,000).

8. Management Fee

The management fee is calculated at the rate of one-twelfth of 0.9% 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 between £300m and £500m, and 0.7% above £500m, 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 2023, the management fee was £1,163,000 (30 November 2022: £1,489,000 and 31 May 2023: £2,931,000), of which an amount of £185,000 was outstanding and due to Premier Portfolio Managers Limited in respect of management fees (30 November 2022: £472,000 and 31 May 2023: £235,000).

9. Valuation of Financial Instruments

The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements. 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 assets as follows:

Level 1 – valued using quoted prices, unadjusted in active markets for identical assets or liabilities.

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

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

The tables below set out fair value measurements of financial instruments as at the period end, by the level in 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 30 November 2023				
Equity investments	253,106	432	5,051	258,589
Derivative contracts	–	–	–	–
	253,106	432	5,051	258,589

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss at 30 November 2022				
Equity investments	323,919	–	–	323,919
Derivative contracts	–	2,071	–	2,071
	323,919	2,071	–	325,990

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss at 31 May 2023				
Equity Investments	273,730	5,203	–	278,933
Derivative contracts	–	848	–	848
	273,730	6,051	–	279,781

Subsidiary

The value of the subsidiary, DIT Income Services Limited, held at fair value is £1 (30 November 2022: £1 and 31 May 2023: £1) and is classified as a Level 3 investment.

The Company's subsidiary completes trading transactions. There were no investments held for trading in the subsidiary at 30 November 2023 (30 November 2022: £nil and 31 May 2023: £nil). The difference between the sale and purchase of assets is trading income recognised in the Income Statement.

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 2023 amounted to £87,000 (half year to 30 November 2022: £84,000 and year ended 31 May 2023: £169,000).

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, 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 may 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 2023, there were 318,540,642 ordinary shares in issue. As at the date of this Report there are 318,540,642 ordinary shares in issue, none of which are held in treasury, and 50,000 management shares in issue.

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 2024 Redemption Point are:

1 May 2024	Latest date for receipt of Redemption Requests and certificates for certificated shares
3.00 pm on 1 May 2024	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 2024	The Redemption Point
On or before 14 June 2024	Company to notify Redemption Price and dispatch redemption monies; or If the redemption is to be funded by way of a Redemption Pool, Company to notify the number of shares being redeemed. Notification of Redemption Price and dispatch of redemption monies to take place as soon as practicable thereafter
On or before 28 June 2024	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.

Historic Dividend Record

Year ended 31 May:	2015 pence	2016 pence	2017 pence	2018 pence	2019 pence	2020 pence	2021 pence	2022 pence	2023 pence	2024 pence
First interim dividend	0.40	0.65	0.70	0.75	0.80	0.85	0.85	0.90	0.95	1.00
Second interim dividend	0.50	0.65	0.70	0.80	0.85	0.90	0.90	0.90	0.95	1.00
Third interim dividend	0.50	0.75	0.80	0.85	0.90	0.90	0.90	0.90	0.95	–
Fourth interim dividend	1.00	–	–	–	–	–	–	–	–	–
Final dividend	0.50	0.75	0.80	1.00	1.10	1.05	1.10	1.20	1.20	–
Special dividend	–	–	0.40[3]	0.23[3]	0.16[3]	–	–	–	–	–
	2.90[2]	2.80	3.40	3.63	3.81	3.70	3.75	3.90	4.05	2.00

1 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.

2 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 was no interruption in the dividend payment timetable as a result of this change.

3 A special dividend was paid for the years ended 31 May 2017, 31 May 2018 and 31 May 2019, 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 Official List of the FCA and traded on the LSE.

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 on 0371 664 0300 or on +44 (0)371 664 0300 from outside the UK (calls are charged at the standard geographic rate and will vary by provider; 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 Group, Central Square, 29 Wellington Street, Leeds LS1 4DL.

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 30. Please have your investor code to hand.

Manager: Premier Portfolio Managers Limited

The Company's Manager is Premier Portfolio Managers Limited, a wholly-owned subsidiary of Premier Miton Group plc. Premier Miton Group is listed on AIM.

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

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

DIRECTORS AND ADVISERS

Directors (all non-executive)
Andrew Bell, Chairman
Charles Crole
Caroline Kemsley-Pein
Michelle McGrade
Calum Thomson

Alternative Investment Fund Manager ("AIFM")
Premier Portfolio Managers Limited
Eastgate Court
High Street
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Telephone: 01483 396 090
Website: premiermiton.com

Investment Manager
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Eastgate Court
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Telephone: 01483 396 090
Website: premiermiton.com

Authorised and Regulated by the
Financial Conduct Authority

Company website
www.diverseincometrust.com

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

Banker
Bank of New York Mellon
One Piccadilly Gardens
Manchester M1 1RN

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

Secretary and Registered Office
Link Alternative Fund Administrators Limited
(A Waystone Group Company)
Broadwalk House
Southernhay West
Exeter EX1 1TS

Tel: 01392 477500

Registrar and Transfer Office
Link Group
Shareholder Services Department
Central Square
29 Wellington Street
Leeds LS1 4DL

Tel: 0371 664 0300
(+44 (0)371 664 0300 from outside the UK)
(calls are charged at the standard geographic rate and will vary by provider; 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.linkgroup.eu

Solicitor
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Stockbroker
Panmure Gordon
One New Change
London EC4 9AF

FINANCIAL CALENDAR

Announcement of half-yearly results Payment of first interim dividend	February 2024
Year end Payment of second interim dividend Redemption Point	May 2024
Announcement of annual results Payment of third interim dividend	August 2024
Annual General Meeting	October 2024
Half-year end Payment of final dividend	November 2024

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.

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.

GLOSSARY

AIC
The Association of Investment Companies.

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

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.

The Company uses a number of APMs to provide information in order to assist the Board and the Investment Manager in monitoring the Company in order for them to meet the objectives of the Company, including the management of risk. These consist of, but are not limited to, key performance and financial indicators set out in the various relevant parts of the Report.

AQUIS Stock Exchange ("AQUIS")
The AQUIS Stock Exchange (previously known as NEX, ICAP Securities and Derivatives Exchange or ISDX) operates two primary traded market segments, the AQUIS Stock Exchange Main Market and the AQUIS Stock Exchange Growth Market. Both AQUIS Stock Exchanges are focused on smaller enterprises, with the latter focused on both smaller and medium-sized enterprises.

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.

(Discount)/premium calculation	Page	30 November 2023	31 May 2023	
Closing NAV per share (p)	6	85.61	88.87	(a)
Closing share price (p)	6	79.40	83.40	(b)
(Discount)/premium (c = ((b – a)÷a) x 100) (%)	6	(7.25)	(6.16)	(c)

The discount/premium and performance is calculated in accordance with guidelines issued by the AIC. The discount/premium is calculated using the NAV per share inclusive of accrued income with debt at market value.

Dividend Yield
The annual dividend expressed as a percentage of the mid-market share price. This financial ratio shows how much an investment pays out in dividends relative to its stock price. The dividends are based upon historic dividend rates and announcements by the investment company. The dividend yield indicates the anticipated future cashflows from the investment contributing to the income of the Group.

Financial Conduct Authority ("FCA")
This regulator oversees the fund management industry, including the Company's Manager.

** Alternative performance measure.*

GLOSSARY CONTINUED

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.

Group
The Company and its subsidiary, DIT Income Services Limited.

Growth of ordinary dividends to shareholders
A measure of the percentage increase in dividends paid to shareholders in the reporting period under review.

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.

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 daily net assets of the Company during the year.

Ongoing Charges Calculation	30 November 2023 £'000	31 May 2023 £'000	
Management fee	2,326	2,931	
Other administrative expenses	870	846	
Less one-time costs	(8)	(5)	
Total management fee and other administrative expenses (annualised)	3,188	3,772	(a)
Average net assets in the year	278,879	346,189	(b)
Ongoing charges (c = a÷b x 100) (%)	1.14	1.09	(c)

Peer Group
The Company is part of the AIC's UK Equity Income Investment Trust sector. The trusts in this universe are defined as trusts whose investment objective is to achieve a total return for shareholders through both capital and dividend growth. Typically, the funds will have a yield on the underlying portfolio ranging between 110% and 175% of that of the Deutsche Numis All-Share Index. They will also have at least 80% of their assets in UK listed securities.

Performance comparators/Comparator Indices
The following Deutsche Numis indices are referenced on the Trust's monthly factsheet:

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

Deutsche 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.

** Alternative performance measure.*

GLOSSARY CONTINUED

Price to Book

A company's price to book ratio is its share price divided by its asset value per share. If this is below 1.0x, the stockmarket is thought to be underpricing the company in question in relation to the accounting value of its assets if sold.

Put Option FTSE 100

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 options tends to become worthless over its term. The Put Option held during 2023 extended to December 2023 when it was allowed to lapse. 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.

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.

NAV Total Return	Page	30 November 2023	31 May 2023	
Closing NAV per share (p)	24	85.61	88.87	
Add back total dividends paid per share in the period/year (p)	23	2.15	4.00	
Adjusted closing NAV per share (p)	6	87.76	92.87	(a)
Opening NAV per share (p)	6	88.87	110.55	(b)
NAV total return unadjusted (c = ((a – b)÷b) x 100) (%)		(1.25)	(15.99)	(c)
NAV total return adjusted (%)**		(1.25)	(16.15)	

Share Price Total Return	Page	30 November 2023	31 May 2023	
Closing share price (p)	23	79.40	83.40	
Add back total dividends paid per share in the period/year (p)	6	2.15	4.00	
Adjusted closing share price (p)	6	81.55	87.40	(a)
Opening share price (p)	6	83.40	103.00	(b)
Share price total return unadjusted (c = ((a – b)÷b) x 100) (%)		(2.22)	(15.15)	(c)
Share price total return adjusted (%)**		(2.24)	(15.37)	

Volatility

The term volatility describes how much and how quickly the share price or net asset value of an investment has tended to change in the past. Those investments 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.

** Alternative performance measure.*

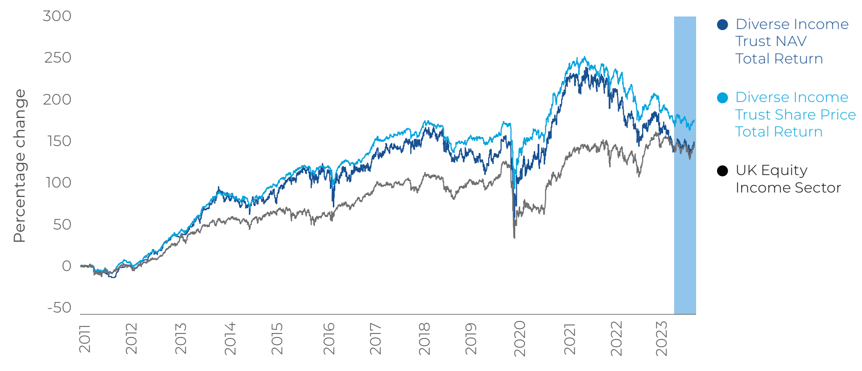
*** Based on NAV/share price movements and dividends being reinvested at the relevant cum dividend NAV/share price during the year. Where the dividend is invested and the NAV/share price falls, this will further reduce the return or, if it rises, any increase will be greater. The source is Morningstar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

**** Morningstar.*

NOTES

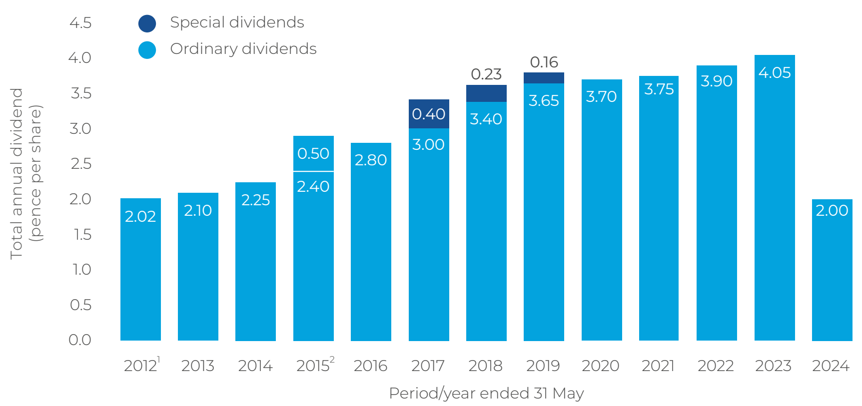
NOTES

COMPANY PERFORMANCE SINCE LAUNCH ON 28 APRIL 2011



Source: Morningstar

TOTAL ANNUAL DIVIDENDS DECLARED BY THE COMPANY



Source: Company

1 *The figure of 2.02p for 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.*

2 *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.*

Premier Miton
INVESTORS

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