

Schroder UK Mid Cap Fund plc



Half Year Report
For the six months ended 31 March 2024

Schroders



Performance Summary

NAV per share total return*

9.3%

(Year ended 30 September 2023: 17.6%)

Share price total return*

5.8%

(Year ended 30 September 2023: 17.4%)

Benchmark total return

11.4%

(Year ended 30 September 2023: 13.6%)

Some of the financial measures are classified as Alternative Performance Measures (“APMs”), as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on pages 18 and 19 together with supporting calculations where appropriate.

Investment objective

The investment objective of Schroder UK Mid Cap Fund plc (the “Company”) is to invest in mid-cap equities with the aim of providing a total return in excess of the FTSE 250 ex Investment Trusts Index (“the Benchmark”).

Investment Policy

The Manager applies a high conviction approach, managing a focused portfolio of resilient companies that are all capable of delivering excess risk-adjusted returns with rising cash flows and earnings. Fundamental research forms the basis of each investment decision taken by the Manager. The Company will predominantly invest in companies from the FTSE 250 Index, but may hold up to 20% of its portfolio in equities and collective investment vehicles outside the Benchmark index. The Company may also invest in other collective investment vehicles where desirable, for example to provide exposure to specialist areas within the universe. The Company has the ability to use gearing for investment purposes up to 25% of total assets.

Why invest in the Company?

● UK mid-caps offer extraordinary value

The Company provides access to an undervalued part of the UK stock market – one of the most attractively valued equity markets in the world. Valuations among UK mid-caps look unusually low relative to UK large-caps as well as mid-caps from elsewhere in the world, which may bode well for future performance.

● An incomparable performance history

Since Schroders became Manager, the Company has been the best performing Company in the Association of Investment Companies UK All Companies sector.¹ Meanwhile, its dividend has grown by a factor of 10x in 20 years under Schroders management.²

● Decades of expertise and a proven approach

With more than 60 years of combined investing experience, the investment team looks to select a portfolio of 40-50 of the most attractively valued companies with either ‘unique’ or ‘flex’ (at a strategic crossroads) characteristics, resulting in a high quality portfolio capable of delivering dependable long-term growth in a fast-changing world.

¹Source: Ranking in Association of Investment Companies (“AIC”) Sector, UK All Companies, as at 31 March 2024, sourced from Morningstar, covering period from close 1 May 2003 to 31 March 2024 (NAV ex income TR) – only five investment trusts currently in the sector have a track record for this period. 1 May 2003 is the date in which Schroders assumed management for the Company.

²The dividend history of the Company is available on the AIC website.

Ongoing charges ratio*

1.04%

(Year ended 30 September 2023: 0.97%)

Gearing*

8.2%

(Year ended 30 September 2023: 6.8%)

Share price discount to
NAV per share*

15.2%

(Year ended 30 September 2023: 12.0%)

Share price

560.00p

(Year ended 30 September 2023: 544.00p)

Net revenue return after taxation

£2.32m

(Year ended 30 September 2023: £7.84m)

Revenue return per share*

6.69p

(Year ended 30 September 2023: 22.68p)

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INVESTMENT
COMPANY
OF THE YEAR
AWARDS 2023

WINNER
GROUP OF THE YEAR



Kepler
INCOME & GROWTH
RATING



Interim Management Report

Interim Management Report

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We remain positive on the outlook for the UK... the stock market represents one of the cheapest regional equity markets globally with the UK mid-cap sector looking particularly attractive.



Investment and share price performance

During the six-month period to 31 March 2024, while the Company's net asset value ("NAV") rose by 9.3%, this was less than the 11.4% return of the Company's Benchmark. Across virtually all of the investment trust sector, discounts to NAV widened and in the case of the Company, this meant that the share total return price only rose by 5.8% over the period. More detailed commentary on the performance of your Company's portfolio can be found in the Investment Manager's Review.

UK equities rose over the period under review, in tandem with other equity markets, amid a drop in interest rate expectations for later this year. UK mid-cap indices outperformed the broader market and were spurred by improving fundamentals as well as continued merger and acquisition activity in the sector, given the very attractive valuations on offer and increased capital discipline with corporates buying back their own shares.

Relative performance was impacted by a sharp and fast rotation within the mid-cap universe away from long-term growth businesses towards more interest rate sensitive businesses linked to the interest rate cycle which typically have more stretched balance sheets and challenged business models. The strategy of our Investment Manager has always been to focus upon the former longer-term growth businesses while understanding that there will be shorter-term periods where the latter type of businesses perform better. Given this sharp rotation, the Company unsurprisingly suffered relatively against the Benchmark in Q1 by 4.4% but recovered by 1.7% in Q2. However, it is important to put this in the context of the Company's long-term performance, which has consistently outperformed the Company's Benchmark over the last five and ten years. We retain the view that focusing upon quality will continue to deliver over time.

Dividend

As portfolio income continues to recover reflecting the strength of the underlying company holdings, the Board is pleased to announce an increased interim dividend of 6 pence per share for the financial year ending 30 September 2024, a 9.1% increase on the prior year. This will be payable on 9 August 2024 to shareholders registered at the close of business on 12 July 2024.

Discount management

While the discount of the Company's share price to NAV widened to 15.2% at the end of March, this was broadly in line with the Company's peers. We believe that this reflects selling pressure which was in evidence across the whole of the investment trust universe. It is pleasing to note, that post the period end the discount has started to narrow. Our expectation is that this has further to go. The Board regularly monitors the discount and will continue to consider share repurchases should it move to a level at which the Board believes buy-backs are in shareholders' best long-term interests. During the six-month period to 31 March 2024, the Company did not buy back any shares.

Gearing

Net gearing as at 31 March 2024 was 8.2% versus 6.8% at the beginning of the period with £20 million of the Company's revolving credit facilities deployed. Having such gearing in place is an attractive feature of the investment trust structure and it is expected that the Investment Manager will continue to use this gearing to take advantage of attractive new investment opportunities and to participate in capital raisings by portfolio companies.

Outlook

Both the Board and our Investment Manager remain positive on the outlook for the UK economy, given a combination of low unemployment, rising household disposable income, and increased business investment. Additionally, there is an anticipation of the Bank of England ("BoE") starting to cut interest rates by the end of 2024. The outcome of the General Election has the potential to positively influence market sentiment towards the UK. The fundamentals in many other economies that the Company's holdings are exposed to are similarly sound. From a valuation perspective the UK stock market represents one of the cheapest regional equity markets in the world, with the UK mid-cap sector looking particularly attractive. We continue to remain optimistic about the outlook for UK mid-caps, the Company's portfolio holdings largely focused upon longer term growth businesses, and the Investment Manager's proven ability to find attractive investment opportunities with the prospect of long-term returns for shareholders.

Robert Talbut
Chair

26 June 2024



Jean Roche



Andy Brough

Market background

UK equities rose over the period. Mid-caps outperformed the broader market and were spurred on by a pick-up in overseas inbound bids. Consumer discretionary and real estate companies performed well amid a sharp drop in interest rate expectations following a more dovish tone from the BoE. Financials and industrials also outperformed as economically sensitive areas of the market in general did well amid an improving outlook for the global and UK economy. As the period progressed, expectations moved to price in a sooner-than-expected first UK interest rate cut as inflation undershot the BoE's forecasts. The Office for National Statistics confirmed that annual inflation, as measured by the Consumer Prices Index, had fallen to 3.4% in February 2024, the lowest rate of price increases since September 2021, and from a peak of 11.1% in October 2022. Official data showed that the economy had entered a technical recession in the second half of 2023. This occurred as the tailwind of post-pandemic revenue spending came to an end and the headwinds of higher inflation and interest rates weighed on activity. However, the market was more focused on signs of recovery, with confidence among both consumers and manufacturers picking up over the course of the period. The reaction to the Spring Budget was largely muted.

Portfolio performance

The portfolio NAV achieved a positive return of 9.3% during the period, though it underperformed the Benchmark by 2.1%. The share price returned 5.8% and the discount therefore widened, from 12.0% to 15.2% at the period end. Gearing was a positive factor.

An underweight to the real estate sector and to more highly indebted companies in the Benchmark more generally, was the main reason for the portfolio's underperformance. Given a preference for stronger balance sheets, investors in the strategy should not find this surprising.

Turning to individual holdings, an underweight holding in UK housebuilder **Vistry** was the lead detractor over the period. The position was sold too soon, only halfway into what turned out to be an energetic rally, though some of the proceeds were reinvested into increasing the holding size in housebuilder **Redrow**. Redrow has since become the subject of an offer from larger housebuilder **Barratt Developments** at a 27.2% premium to the undisturbed price.

A small position in power convertor business **XP Power** also detracted from performance as it warned on profits twice during the period. The warnings were partly due to a cyclical slowdown in the semiconductor manufacturing equipment market and were exacerbated by a sub optimal balance sheet, a cogent reminder of



The mid 250 is populated by multiple “unique” companies, with strong growth prospects, generating cash and delivering attractive returns on capital...as stock pickers we are confident in our ability to find these attractive investment opportunities.



why we prefer to invest primarily in companies with strong balance sheets. The first warning prompted an equity raising, renegotiation of banking covenants, a sensible dividend cancellation and an efficiency plan. At this point, the company also revealed that it had been in receipt of “a small number of” unsolicited bid approaches. Although this has been a very disappointing time for the company, we remain positive on the significant structural growth opportunities in its global end markets which also include healthcare.

Animal genetics company **Genus** delivered an unwelcome post valentine's day present in the form of an unscheduled negative trading update. The company reported weakness in both their ABS (bovine) and PIC (porcine) businesses, with China particularly weak. In response, management have begun a strategic review of R&D activities as part of a “Value Acceleration Programme”. There was further disappointing news around US Food and Drug Administration approval of the “PRP” – Genus' gene-edited, porcine reproductive and respiratory syndrome (“PRRS”) resistant, pig. FDA approval is now expected to come in 2025 rather than 2024, though it does now look to be more of a certainty. Fans of Clarkson's Farm will no doubt be pleased to hear this, given the huge suffering endured by piglets, that contract the PRRS virus. Genus is a unique stock, since exposure to this investment theme cannot be achieved in any other way in the Company's opportunity set.

Other significant detractors included **Watches of Switzerland**. Continued weakness in the luxury market drove earnings downgrades weakening the shares. Ongoing uncertainty caused by the news of the acquisition of luxury watch retailer Bucherer by Rolex means that the Company has not taken advantage of the shares' low valuation as yet, instead preferring to wait for further evidence. The company has since announced the earnings-enhancing acquisition of a luxury jewellery brand which should give it more “bench strength”.

Finally, despite perfectly respectable earnings releases, shares in **Inchcape** were weak during the period possibly due to fears around new car sales volumes. Since the period end, the company has announced the disposal of its UK retail arm which simplifies the business. A supportive £100 million share buy-back was announced in tandem with the disposal which has given some relief to the share price.

UK specialist lender **Paragon Banking Group** was the lead contributor to performance over the period. This is not the first time the company's name has appeared in the top-performers charts: brushing off fears around higher interest rates and regulation having a dampening effect on the performance of its specialist buy-to-let mortgage portfolio. The company announced

Investment Manager's Review continued

better-than-expected final results, and a new £50 million share buy-back to follow on from the £100 million of buy-backs delivered in the 2023 financial year. The company has bought back 12% of its shares over the past 18 months thanks to its strong financials.

Our underweight position in **Indivior**, the opioid-use disorder treatment specialist, was also a positive as the shares retrenched following prior significant outperformance. The Company took advantage of share price weakness part way through the period to initiate a position because we see Indivior as another example of a unique investment opportunity. The company has since announced its intention to move its primary listing to the US, news which was taken positively by the market. Another of our new portfolio entrants which performed well during the period was **Zegona**

Communications. The Company participated in a fund raising by the team behind Zegona plc, which has recently moved from the AIM market to the main market. Zegona Communications is a company run by a management team with previous successes in the sector which buys telecoms assets, restructures them, and then sells them. Post the period end, the company announced that the Spanish Government had approved its acquisition of the Spanish assets of Vodafone. This was the final regulatory hurdle for the deal and welcome news.

Other top performing holdings included bulk annuities specialist **Just Group** and shipping business **Clarkson** which both produced strong financial results during the period.

Stocks held – significant positive and negative contributions versus the Benchmark

Positive contributors

	Portfolio weight ¹ (%)	Weight relative to index (%)	Relative performance ² (%)	Impact ³ (%)
Paragon Banking	2.7	2.1	34.4	+0.7
Indivior	0.5	-0.3	-16.1	+0.5
Just Group	1.8	1.4	34.8	+0.5
Clarkson	1.7	1.3	35.3	+0.4
Zegona	0.8	0.8	48.9	+0.4

Negative contributors

	Portfolio weight ¹ (%)	Weight relative to index (%) ¹	Relative performance ² (%)	Impact ³ (%)
Vistry	0.6	-0.9	23.5	-0.7
XP Power	0.4	0.4	-66.3	-0.5
Genus	2.1	1.5	-25.8	-0.4
Inchcape	3.7	2.5	-15.9	-0.4
Watches of Switzerland	1.3	0.8	-44.3	-0.4

Source: Schroders, FactSet, close 30 September 2023 to close 31 March 2024.

¹Weights are averages.

²Performance of the stock in the index relative to the FTSE 250 (ex. ITs) Index return.

³Impact is the contribution to performance relative to the FTSE 250 (ex. ITs) Index. Any reference to regions/countries/sectors/ stocks/ securities is for illustrative purposes only and not a recommendation to buy or sell any financial instruments or adopt a specific investment strategy.

Stocks not held – significant positive and negative contributions versus the Benchmark

Not holding UK merchant bank Close Brothers aided returns over the period, as the shares tumbled following the FCA's announcement of a review into the motor finance market, a factor

outside the company's control. Of the UK banks, Close Brothers has the biggest relative exposure to car finance loans and the news has led the company to cancel any 2024 dividend "given the significant uncertainty regarding the outcome of the FCA's review of historical motor finance commissions arrangements and any potential financial impact as a result".⁴

Other stocks which it was right to avoid during the period included Tate & Lyle, a food and beverage supplier, which was seen during the period as being a casualty of the increasing use of weight loss drugs such as Ozempic. Dowlais, an automotive engineering group, suffered a significant write-down in its powder metallurgy division as well as softer than expected trading.

The Company did not own shares in housebuilder Persimmon, which was the main detractor in terms of stocks not held. More positive sentiment towards the housebuilders as expectations of rate cuts took hold, most notably in early November 2023, drove the shares up. This assisted its promotion back into the FTSE 100 following the delisting of Dechra (which, as a reminder, was acquired by private equity).

Not owning travel company TUI also detracted as the company announced its plans to simplify its listing structure which caused the shares to bounce back from a poor position. Easyjet, which the Company also did not own, rallied strongly in response to favourable demand dynamics that have resulted in significant price increases (though we note recent commentary from Ryanair which may indicate that the consumer's ability or willingness to be "gouged" is starting to wear down somewhat). In common with Persimmon, it was also promoted to the FTSE 100 during the period. Finally, not owning highly interest rate sensitive stocks Intermediate Capital, the debt asset manager, and real estate company British Land also detracted from performance.

Positive contributors

	Portfolio weight ¹ (%)	Weight relative to index (%)	Relative performance ² (%)	Impact ³ (%)
Close Bros	-	-0.5	-61.4	+0.4
Tate & Lyle	-	-1.2	-20.4	+0.3
Dowlais group	-	-0.6	-38.7	+0.3
Abrdn	-	-1.5	-16.1	+0.2
IDS	-	-0.8	-23.4	+0.2

Negative contributors

	Portfolio weight ¹ (%)	Weight relative to index (%)	Relative performance ² (%)	Impact ³ (%)
Persimmon	-	-1.1	25.8	-0.5
TUI	-	-1.1	33.4	-0.3
Intermediate Capital	-	-0.8	10.6	-0.3
British Land Co.	-	-1.6	17.7	-0.2
Easyjet	-	-1.3	13.6	-0.2

Source: Schroders, FactSet, close 30 September 2023 to close 31 March 2024.

¹Weights are averages.

²Performance of the stock in the index relative to the FTSE 250 (ex. ITs) Index return.

³Impact is the contribution to performance relative to the FTSE 250 (ex. ITs) Index. Any reference to regions/countries/ sectors/ stocks/ securities is for illustrative purposes only and not a recommendation to buy or sell any financial instruments or adopt a specific investment strategy.

⁴Source: Dividends/Close Brothers Group.

Portfolio activity

Purchase and sales

New holdings	The opportunity
Harbour Energy	Transformational deal to deliver geographic diversity
Hargreaves Lansdown	No.1 UK direct to consumer investment platform, with cost saving opportunities
Indivior	Growing share in huge opioid disorder treatment market
Money Supermarket	New membership club providing efficiencies and lowering search engine fees
Renishaw	Exposure to structural growth trends e.g. AI, Quantum; net cash balance sheet gives options
Zegona Communications	Acquisition of leading telecom assets in Spain

Complete sales	Rationale
A.G Barr	Long -term CEO retired
Bridgepoint	Investment thesis played out
Future	Investment thesis played out
IWG	Investment thesis played out
James Fisher	Investment thesis played out
OSB	Application of rules
Senior	Investment thesis played out
Virgin Money	Bid approach
Vistry	Valuation

Source: Schroders, 30 September 2023 to 31 March 2024.

For illustrative purposes only and not a recommendation to buy or sell shares.

During the period, the Company sold its position in UK housebuilder **Vistry** as discussed above, and reinvested some of the proceedings in peer **Redrow**, which has since been bid for.

The Company bought back into **Harbour Energy** following its transformational acquisition of BASF's oil and gas portfolio, a deal which also strengthens Harbour Energy's balance sheet and lengthens the life of its assets.

The Company also bought back into specialist engineer **Renishaw**, which has been a top performer for the Company over the years and which we last sold out of on its promotion into the FTSE 100. The Company was encouraged by signs of a bottoming out of the machine tooling cycle. This is a unique company exposed to a number of secular growth trends such as AI and quantum computing and, crucially, is underpinned by a net cash balance sheet.

The Company initiated a position in UK listed Spanish telecoms group **Zegona Communications** which has acquired the Spanish arm of Vodafone's assets.

Another new holding is investment platform **Hargreaves Lansdown**. The Company took advantage of share price weakness as regulatory uncertainties weighed on sentiment towards the sector. The company is the clear leader in its sector and is expected to benefit from significant efficiency savings in the years ahead. The company has published a positive trading statement in the interim.

Price comparison website group **MoneySupermarket.com** also promises to achieve greater efficiencies and was another new

portfolio addition. Its SuperSaveClub attracted over 300,000 members in its first six months offering lead-generation cost savings and scope to further enhance already attractive operating margins at a business generating dependable mid-single digit top line growth.

The Company added specialty pharmaceuticals business **Indivior** to the portfolio, as described above.

Turning back to disposals, we sold our holding in **Virgin Money** following a bid approach from Nationwide. The announcement of the retirement of the long-tenured CEO of soft drinks business **A.G. Barr** prompted us to sell the shares, and we used the proceeds to increase our holding in peer **Britvic**.

The Company sold residual stakes in marine services specialist **James Fisher**, special interest online media group **Future** and defence contractor **Senior**, using the proceeds to top up our holdings in **Babcock**, **QinetiQ**, and **Chemring**. We also sold our residual position in buy-to-let lending specialist **OSB** and recycled the profits into increasing our position in higher quality peer **Paragon Banking Group**.

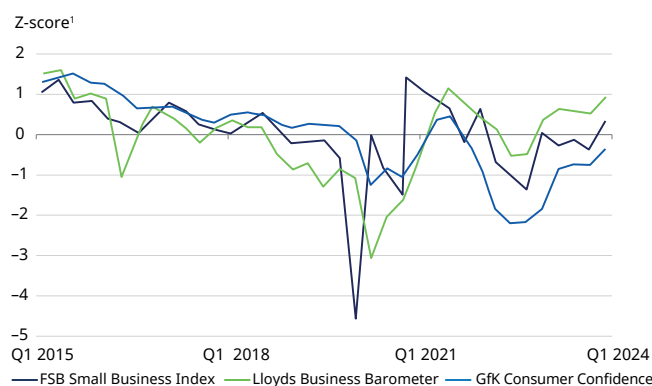
Outlook

First, a word on performance. Although it is disappointing to report a six-month period where performance, although positive in absolute terms, has fallen behind the Benchmark, six months is a brief period of time in investment. When looking at performance on a year-to-date or 12-month basis, your Company's performance is ahead of its Benchmark, as well as in the longer term (five and ten years).

The last two quarters of the financial year 2023 saw the shallowest UK recession on record, but a recession, nonetheless. However, a decisive +0.6% growth in Q1 2024 would seem to underpin a more optimistic view of growth for the year ahead and is already well ahead of market expectations. For example, the OECD's (Organisation for Economic Co-operation and Development) estimate is gross domestic product growth of 0.4% for 2024 as a whole. This is evidence that the UK economy can grow even at more "normal" interest rate levels, and counters some of the more bearish structural arguments against UK equities.

Confidence among both consumers and corporates is picking up. Strong corporate results also indicate an improved outlook, as do more confident management teams pushing potential buyers to pay a bit more as bid activity and share buybacks (for example a new programme announced by our top 20 defence holding, **QinetiQ**) continue to underline the UK market's lowly valuation. Post period end, the latest portfolio company to be bid for is **Tyman**, at a 35.1% premium by a strategic US investor.

UK Sentiment Surveys



Source: Lloyds Banking Group, FSB, GfK.

¹Z-score is a statistical measurement of a score's relationship to the mean in a group of scores.

Investment Manager's Review

continued

Looking forward to the rest of this election year, our crystal ball suggests that share buy-backs, and merger and acquisition factors are likely to continue to drive the UK mid-cap market higher. Balance sheets are healthy and for the US acquirer in particular it would appear that UK stocks are irresistibly cheap. The Company notes that the mean premium for UK listed stocks which were acquired last year was 52%, which compares to a more usual 30-40%.

There are some regulatory bright spots on the horizon, with the Spring Budget announcements of a consultation on a new UK ISA and pension fund disclosure for defined contribution pension funds. This would require funds to disclose their percentage allocations towards UK (as opposed to international equities), albeit by 2027. Not quick fixes by any means, but supportive in an environment which has hitherto been lacking support.

The Investment Manager would like to remind readers that we are fishing in an attractive pond. In terms of the long-term potential of UK equities, we suggest that investors willing to look beyond the ongoing negative headlines will find that the UK punches above its weight. This can be seen in terms of multi-baggers relative to the US. See our 2023 article on "30-baggers" why the UK has more than its fair share", and our podcast on the topic, available on the Company's web pages:

<https://www.schroders.com/en-gb/uk/individual/insights/30-baggers-why-the-uk-has-more-than-its-fair-share/>

This is why the Benchmark has beaten the S&P 500 return over the 25 years to 30 April 2024 when measured in local currency. In US dollar terms, it has very nearly matched the popular US index.

The mid 250 is populated by multiple "unique" companies with strong growth prospects generating cash and delivering attractive returns on capital. As stock pickers, we are confident that the collective strength of our holdings' balance sheets will continue to provide resilience in all manner of economic environments. The Company is sticking to its sell discipline, avoiding companies whose business models are in danger of being disrupted while seeking out companies which have the ability to reinvent themselves, or which might be the next mid-cap disruptor.

Largest overweight positions

		Portfolio weight %	Benchmark weight %	Difference %
4imprint	Communication Services	3.7%	0.8%	2.9%
Dunelm	Consumer Discretionary	3.3%	0.6%	2.8%
Inchcape	Consumer Discretionary	4.0%	1.2%	2.8%
Telecom Plus	Utilities	3.2%	0.5%	2.7%
Computacenter	Information Technology	3.5%	0.8%	2.6%
Cranswick	Consumer Staples	3.3%	1.0%	2.3%
Paragon Banking	Financials	2.9%	0.7%	2.3%
Man Group	Financials	3.5%	1.4%	2.1%
Qinetiq	Industrials	2.9%	0.8%	2.1%
Just Group	Financials	2.6%	0.5%	2.1%

Source: Schroders, as at 31 March 2024, for Schroder UK Mid Cap Fund investment portfolio. Benchmark refers to FTSE 250 ex Investment Companies.

Schroder Investment Management Limited

26 June 2024

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Any references to securities, sectors, regions and/or countries are for illustrative purposes only. The Company invests in a smaller number of stocks carrying more risk than funds spread across a larger number of companies. The Company will invest solely in the companies of one country or region. This can carry more risk than investments spread over a number of countries or regions. The Company may borrow money to invest in further investments, this is known as gearing. Gearing will increase returns if the value of the investments purchased increase in value by more than the cost of reduced returns if they fail to do so. As a result of the fees and finance costs being charged partially to capital, the distributable income of the Company may be higher, but the capital value of the trust may be eroded.

Investment Portfolio as at 31 March 2024

Stocks in bold are the 20 largest investments, which by value account for 59.0% (31 March 2023: 61.5% and 30 September 2023: 59.4%) of total investments. Investment are all equities.

	£'000	%
Industrials		
Spectris	8,268	3.3
QinetiQ	7,300	2.9
Grafton	7,292	2.9
Babcock	6,240	2.5
Oxford Instruments	6,148	2.5
Chemring	5,521	2.2
Clarkson	5,367	2.2
Tyman	4,053	1.6
Bodycote International	3,831	1.5
Redde Northgate	3,429	1.4
Redrow	3,361	1.4
Renishaw	3,143	1.3
Keller	2,824	1.1
Essentra	1,932	0.8
Paypoint	1,748	0.7
XP Power	816	0.3
Total Industrials	71,273	28.6
Financials		
Man Group	8,811	3.5
Paragon	7,245	2.9
Just Group	6,346	2.6
IG Group	6,091	2.4
Londonmetric Property	4,527	1.8
Hargreaves Landsdown	4,268	1.7
Sirius	4,144	1.7
Savills	3,464	1.4
Safestore	3,395	1.4
Zegona	3,136	1.2
Total Financials	51,427	20.6
Consumer Services		
Inchcape	9,901	4.0
4Imprint	9,193	3.7
Dunelm	8,313	3.3
WH Smith	6,448	2.6
Money Supermarket	4,396	1.8
Pets At Home	3,838	1.5
Watches of Switzerland	2,187	0.9
Total Consumer Services	44,276	17.8

	£'000	%
Consumer Goods		
Cranswick	8,188	3.3
Games Workshop	7,171	2.9
Britvic	6,412	2.6
Photo-Me	4,513	1.8
Total Consumer Goods	26,284	10.6
Basic Materials		
Victrex	5,322	2.1
Johnson Matthey	5,008	2.0
Elementis	2,605	1.0
Ecora resources	1,469	0.6
Total Basic Materials	14,404	5.7
Healthcare		
Genus	4,911	2.0
Spire Healthcare	4,478	1.8
Indivior	4,404	1.8
Total Healthcare	13,793	5.6
Technology		
Computacenter	8,627	3.5
IP Group	2,892	1.2
Total Technology	11,519	4.7
Telecommunications		
Telecom Plus	7,919	3.2
Total Telecommunications	7,919	3.2
Oil & Gas		
Energiean Oil and Gas	4,711	1.9
Harbour Energy	3,144	1.3
Total Oil & Gas	7,855	3.2
Total investments	248,750	100.0

Interim Management Statement

Principal risks and uncertainties

The Directors consider that the principal risks and uncertainties faced by the Company for the remaining six months of the financial year, which could have a material impact on performance, remain consistent with those on pages 18 to 20 in the Annual Report and Financial Statements for the year ended 30 September 2023.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 21 of the published annual report and financial statements for the year ended 30 September 2023, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 March 2024.

Directors' responsibility statement

In respect of the half year report for the six months ended 31 March 2024, we confirm that, to the best of our knowledge:

- the condensed set of Financial Statements contained within have been prepared in accordance with IAS 34 Interim Financial Reporting and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company as at 31 March 2024, as required by the Disclosure Guidance and Transparency Rule 4.2.4R;
- the half year report includes a fair review as required by the Disclosure Guidance and Transparency Rule 4.2.7R, of important events that have occurred during the six months to 31 March 2024, and their impact on the condensed set of Financial Statements, and a description of the principal and emerging risks for the remaining six months of the financial year; and
- the half year report includes a fair review of the information concerning related party transactions as required by the Disclosure Guidance and Transparency Rule 4.2.8R.

The half year report has not been reviewed or audited by the Company's auditors.

The half year report for the six months ended 31 March 2024 was approved by the Board and the above Responsibilities Statement has been signed on its behalf.

Robert Talbut

Chair

For and on behalf of the Board

26 June 2024

Financial



Financial

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Statement of Comprehensive Income

for the six months ended 31 March 2024 (unaudited)

	Note	(Unaudited) For the six months ended 31 March 2024			(Unaudited) For the six months ended 31 March 2023			(Audited) For the year ended 30 September 2023		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss		-	18,365	18,365	-	32,305	32,305	-	26,716	26,716
Income from investments		3,158	-	3,158	3,553	298	3,851	9,024	298	9,322
Other interest receivable and similar income		-	-	-	-	-	-	140	-	140
Gross return		3,158	18,365	21,523	3,553	32,603	36,156	9,164	27,014	36,178
Investment management fee		(239)	(557)	(796)	(230)	(536)	(766)	(451)	(1,053)	(1,504)
Administrative expenses		(425)	-	(425)	(310)	-	(310)	(601)	-	(601)
Net return before finance costs and taxation		2,494	17,808	20,302	3,013	32,067	35,080	8,112	25,961	34,073
Finance costs		(179)	(417)	(596)	(81)	(190)	(271)	(270)	(630)	(900)
Net return before taxation		2,315	17,391	19,706	2,932	31,877	34,809	7,842	25,331	33,173
Taxation	3	-	-	-	-	-	-	-	-	-
Net return after taxation		2,315	17,391	19,706	2,932	31,877	34,809	7,842	25,331	33,173
Return per share (pence)	4	6.69	50.29	56.98	8.48	92.18	100.66	22.68	73.25	95.93

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return after taxation is also the total comprehensive income for the period.

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

Statement of Changes in Equity

for the six months ended 31 March 2024 (unaudited)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2023		9,036	13,971	220	2,184	7,233	170,960	10,219	213,823
Net return after taxation		-	-	-	-	-	17,391	2,315	19,706
Dividend paid in the period	5	-	-	-	-	-	-	(5,187)	(5,187)
At 31 March 2024		9,036	13,971	220	2,184	7,233	188,351	7,347	228,342

for the six months ended 31 March 2023 (unaudited)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2022		9,036	13,971	220	2,184	7,233	145,629	9,120	187,393
Net return after taxation		-	-	-	-	-	31,877	2,932	34,809
Dividend paid in the period	5	-	-	-	-	-	-	(4,841)	(4,841)
At 31 March 2023		9,036	13,971	220	2,184	7,233	177,506	7,211	217,361

for the year ended 30 September 2023 (audited)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2022		9,036	13,971	220	2,184	7,233	145,629	9,120	187,393
Net return after taxation		-	-	-	-	-	25,331	7,842	33,173
Dividend paid in the period	5	-	-	-	-	-	-	(6,743)	(6,743)
At 30 September 2023		9,036	13,971	220	2,184	7,233	170,960	10,219	213,823

Statement of Financial Position at 31 March 2024 (unaudited)

	Note	(Unaudited) 31 March 2024 £'000	(Unaudited) 31 March 2023 £'000	(Audited) 30 September 2023 £'000
Fixed assets				
Investments held at fair value through profit or loss		248,750	235,373	227,950
Current assets				
Debtors		893	1,666	2,515
Cash at bank and in hand		1,384	5,854	5,372
		2,277	7,520	7,887
Current liabilities				
Creditors: amounts falling due within one year	6	(22,685)	(25,532)	(22,014)
Net current liabilities		(20,408)	(18,012)	(14,127)
Total assets less current liabilities		228,342	217,361	213,823
Net assets		228,342	217,361	213,823
Capital and reserves				
Called-up share capital	7	9,036	9,036	9,036
Share premium		13,971	13,971	13,971
Capital redemption reserve		220	220	220
Merger reserve		2,184	2,184	2,184
Share purchase reserve		7,233	7,233	7,233
Capital reserves		188,351	177,506	170,960
Revenue reserve		7,347	7,211	10,219
Total equity shareholders' funds		228,342	217,361	213,823
Net asset value per share (pence)	8	660.31	628.55	618.32

Registered in Scotland as a public company limited by shares
Company registration number: SC082551

1. Financial statements

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's independent auditor.

The figures and financial information for the year ended 30 September 2023 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies and included the report of the auditor which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in July 2022.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these financial statements are consistent with those applied in the financial statements for the year ended 30 September 2023.

3. Taxation

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income.

4. Return/(loss) per share

	(Unaudited) For the Six months ended 31 March 2024 £'000	(Unaudited) For the Six months ended 31 March 2023 £'000	(Audited) For the year ended 30 September 2023 £'000
Revenue return	2,315	2,932	7,842
Capital return	17,391	31,877	25,331
Total return	19,706	34,809	33,173
Weighted average number of shares in issue during the period	34,581,190	34,581,190	34,581,190
Revenue return per share (pence)	6.69	8.48	22.68
Capital return per share (pence)	50.29	92.18	73.25
Total return per share (pence)	56.98	100.66	95.93

5. Dividends

	(Unaudited) For the Six months ended 31 March 2024 £'000	(Unaudited) For the Six months ended 31 March 2023 £'000	(Audited) For the year ended 30 September 2023 £'000
2023 final dividend paid of 15.0p (2022: 14.0p)	5,187	4,841	5,187
Interim dividend of 5.5p	–	–	1,902
	5,187	4,841	7,089

An interim dividend of 6.0p (2023: 5.5p) per share, amounting to £2,075,000 (2023: £1,902,000), has been declared payable in respect of the six months ended 31 March 2024.

Notes to the Financial Statements

continued

6. Creditors: amounts falling due within one year

	(Unaudited) 31 March 2024 £'000	(Unaudited) 31 March 2023 £'000	(Audited) 30 September 2023 £'000
Bank loan	20,000	25,000	20,000
Securities purchased awaiting settlement	2,150	–	1,465
Other creditors and accruals	535	532	549
	22,685	25,532	22,014

The bank loans comprise a £10 million one-year term loan from Bank of Nova Scotia, London Branch expiring on 27 February 2025, carrying an interest rate based on the Sterling Overnight Interest Average plus a margin and a £10m three-year revolving credit facility agreement with Bank of Nova Scotia, London Branch expiring on 14 February 2025.

7. Called-up share capital

Changes in called-up share capital during the period were as follows:

	(Unaudited) Six months ended 31 March 2024 £'000	(Unaudited) Six months ended 31 March 2023 £'000	(Audited) Year ended 30 September 2023 £'000
Opening balance of ordinary shares of 25p each, excluding shares held in treasury	8,645	8,645	8,645
Repurchase of shares into treasury	–	–	–
Subtotal of ordinary shares of 25p each, excluding shares held in treasury	8,645	8,645	8,645
Shares held in treasury	391	391	391
Closing balance of ordinary shares of 25p each, including shares held in treasury	9,036	9,036	9,036

Changes in the number of shares in issue during the period were as follows:

	(Unaudited) Six months ended 31 March 2024 £'000	(Unaudited) Six months ended 31 March 2023 £'000	(Audited) Year ended 30 September 2023 £'000
Changes in the number of shares in issue during the period were as follows:			
Ordinary shares of 25p each, allotted, called-up and fully paid			
Opening balance of shares in issue, excluding shares held in treasury	34,581,190	34,581,190	34,581,190
Repurchase of shares into treasury	–	–	–
Closing balance of shares in issue, excluding shares held in treasury	34,581,190	34,581,190	34,581,190
Closing balance of shares held in treasury	1,562,500	1,562,500	1,562,500
Closing balance of shares in issue, including shares held in treasury	36,143,690	36,143,690	36,143,690

8. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the 34,581,190 (31 March 2023: 34,581,190 and 30 September 2023: 34,581,190) shares in issue, excluding shares held in treasury.

9. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 31 March 2024, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (31 March 2023 and 30 September 2023: same).

10. Events after the interim period that have not been reflected in the financial statements for the interim period

The Directors have evaluated the period since the interim date and have not noted any events which have not been reflected in the financial statements.

Other Information

Other Information

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Alternative Performance Measures (“APMs”) and Definitions of Financial Terms

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Numerical calculations are given where relevant. Some of the financial measures below are classified APMs as defined by the European Securities and Markets Authority. Under this definition, APMs include a financial measure of historical financial performance or financial position, other than a financial measure defined or specified in the applicable financial reporting framework. APMs have been marked with an asterisk.

Net asset value (“NAV”) per share

The NAV per share of 660.31p (30 September 2023: 618.32p) represents the net assets attributable to equity shareholders of £228,342,000 (30 September 2023: £213,823,000) divided by the number of shares in issue, excluding any shares held in treasury, of 34,581,190 (30 September 2023: 34,581,190).

The change in the NAV amounted to 6.79% (year ended 30 September 2023: 14.10%) over the period. However this performance measure excludes the positive impact of dividends paid out by the Company during the year. When these dividends are factored into the calculation, the resulting performance measure is termed the “total return”. Total return calculations and definitions are given below.

Total return*

Total return is the combined effect of any dividends paid, together with the rise or fall in the NAV per share or share price. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the period ended 31 March 2024 is calculated as follows:

NAV at 30/9/23	618.32p
NAV at 31/3/24	660.31p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
15.00p	15/2/24	625.90p	1.0240	1.0240

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV

9.3%

The NAV total return for the year ended 30 September 2023 is calculated as follows:

NAV at 30/9/22	541.89p
NAV at 30/9/23	618.32p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
14.00p	12/1/23	652.14p	1.0215	1.0215
5.50p	13/7/23	610.45p	1.0090	1.0307

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV

17.6%

The share price total return for the period ended 31 March 2024 is calculated as follows:

Share price at 30/9/23	544.00p
Share price at 31/3/24	560.00p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
15.00p	15/2/24	542.00p	1.0277	1.0277

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price

5.8%

The share price total return for the year ended 30 September 2023 is calculated as follows:

Share price at 30/9/22	480.00p
Share price at 30/9/23	544.00p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
14.00p	12/1/23	560.00p	1.0250	1.0250
5.50p	13/7/23	524.00p	1.0105	1.0358

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price

17.4%

Annualised total return*

The annualised total return is the compound annual rate of return which equates to the total return as calculated above, for a period of more than one year.

Benchmark

A measure against which the performance of an investment company is compared, or against which it sets its objective. The Company's Benchmark is the FTSE 250 (ex-Investment Companies) Index.

Discount/premium*

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. If shares are trading at a discount, investors would be paying less than the value attributable to the shares by reference to the underlying assets. A premium or discount is generally the consequence of supply and demand for the shares on the stock market. The discount or premium is expressed as a percentage of the NAV per share. The discount at the year end amounted to 15.2% (30 September 2023: 12.0%), as the closing share price at 560.00p (30 September 2023: 544.00p) was 15.2% (30 September 2023: 12.0%) lower than the closing NAV of 660.31p (30 September 2023: 618.32p).

Gearing*

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) which the Company has drawn down and invested in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. Gearing is defined as: borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The gearing figure at the relevant period/year end is calculated as follows:

	31 March 2024 £'000	30 September 2023 £'000
Borrowings used for investment purposes, less cash	18,616	14,628
Net assets	228,342	213,823
Gearing	8.2%	6.8%

Leverage*

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

Ongoing Charges*

Ongoing Charges is calculated in accordance with the AIC's recommended methodology and represents the management fee and all other operating expenses excluding finance costs and transaction costs amounting to £2,296,000 (30 September 2023: £2,105,000), expressed as a percentage of the average daily net asset values during the year of £221,703,000 (30 September 2023: £217,010,000).

Shareholder Information

Warning to shareholders

Companies are aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares or investments.

These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FCA before getting involved by visiting register.fca.org.uk.
- Report the matter to the FCA by calling 0800 111 6768 or visiting www.fca.org.uk/consumers/report-scam-unauthorised-firm.
- Do not deal with any firm that you are unsure about

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FCA provides a list of unauthorised firms of which it is aware, which can be accessed at www.fca.org.uk/consumers/unauthorised-firms-individuals#list.

More detailed information on this or similar activity can be found on the FCA website at fca.org.uk/consumers/protect-yourself-scams.

Dividends

Paying dividends into a bank or building society account helps reduce the risk of fraud and will provide you with quicker access to your funds than payment by cheque. Applications for an electronic mandate can be made by contacting the Registrar, Equiniti. This is the most secure and efficient method of payment and ensures that you receive any dividends promptly.

If you do not have a UK bank or building society account, please contact Equiniti for details of their overseas payment service. Further information can be found at www.shareview.co.uk, including how to register with Shareview Portfolio and manage your shareholding online.

www.schroders.co.uk/ukmidcap

Directors

Robert Talbut (Chair)
Wendy Colquhoun
Helen Galbraith
Harry Morley

Registered office

9 Haymarket Square
Edinburgh
Scotland EH3 8FY

Advisers and service providers

Alternative Investment Fund Manager (the "Manager" or "AIFM")

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Telephone: 020 7658 6000
Email: amcompanysecretary@schroders.com

Depositary and custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending bank

Scotiabank Europe PLC
201 Bishopsgate
London EC2M 3NS

Corporate broker

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40 Gracechurch Street,
London
EC3V 0BT

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9 Haymarket Square
Edinburgh
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Aspect House
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West Sussex BN99 6DA
Shareholder Helpline: +44 (0) 800 032 0641*
Website: www.shareview.co.uk

*Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the above address and telephone number.

Independent auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

AIFM Directive disclosures

Certain pre-sale, regular and periodic disclosures required by the Alternative Investment Fund Managers ("AIFM") Directive may be found on its webpage required under the AIFM Directive are published on its webpages.

Other information

Company number

SC082551

Dealing codes

ISIN: GB0006108418
SEDOL: 0610841
Ticker: SCP

Global Intermediary Identification Number (GIIN)

9GN3DU.99999.SL.826

Legal Entity Identifier (LEI)

549300SOEWCYZTK2SP87

Privacy notice

The Company's privacy notice is available on its web pages.

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