

# EP Global

Opportunities Trust plc

**Half-Yearly Report**

30 June 2021



# CORPORATE INFORMATION

## Directors

Charles (Cahal) Dowds (Chairman)<sup>1</sup>  
Teddy Tulloch<sup>2</sup>  
Hazel Cameron<sup>3</sup>  
David Hough<sup>4</sup>  
David Ross  
Tom Walker

## Company Secretary and Registered Office

Kenneth J Greig  
27-31 Melville Street  
Edinburgh  
EH3 7JF

email: coseccy@edpam.com  
www.epgot.com

## Alternative Investment Fund Manager

Franklin Templeton Investment Trust  
Management Limited  
5 Morrison Street  
Edinburgh  
EH3 8BH

## Investment Manager

Edinburgh Partners Limited  
27-31 Melville Street  
Edinburgh  
EH3 7JF

Tel: 0131 270 3800

email: enquiries@edpam.com  
www.edinburghpartners.com

<sup>1</sup> Appointed as a Director on 18 May 2021 and  
Chairman on 9 June 2021

<sup>2</sup> Retired as a Director and Chairman on 9 June 2021

<sup>3</sup> Appointed as a Director on 18 May 2021

<sup>4</sup> Retired as a Director on 3 March 2021

## Auditor

Johnston Carmichael LLP  
7-11 Melville Street  
Edinburgh  
EH3 7PE

## Registrar and Transfer Office

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ

Tel: 0370 889 4069

email: web.queries@computershare.co.uk  
www.investorcentre.co.uk

## Solicitor

Dickson Minto W.S.  
16 Charlotte Square  
Edinburgh  
EH2 4DF

## Depository

Northern Trust Global Services SE  
6 rue Lou Hemmer  
Senningerberg  
1748 Grand-Duché de Luxembourg

## Custodian and Banker

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London  
E14 5NT

*Registered in Scotland No. 259207*

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

*The Company is a member of the Association of Investment Companies*

# FINANCIAL SUMMARY

	<b>30 June 2021</b>	31 December 2020	Change
Shareholders' funds	<b>£115.8m</b>	£119.1m	(2.8)%
Net asset value per share ("NAV")	<b>314.6p</b>	308.4p	2.0%
Share price	<b>291.0p</b>	284.0p	2.5%
Share price discount to NAV	<b>7.5%</b>	7.9%	

*Past performance is not a guide to future performance.*

## **Objective**

The investment objective of the Company is to provide Shareholders with an attractive real long-term total return by investing globally in undervalued securities. The portfolio is managed without reference to the composition of any stock market index.

## **Investment Policy**

The Company invests in a focused portfolio of approximately 30 to 40 securities of issuers throughout the world, predominantly in quoted equities. The Company may also invest in unquoted securities, which are not anticipated to exceed 10% of the Company's total assets at the time of investment. No investment in the Company's portfolio may exceed 15% of the Company's total assets at the time of investment.

The Company has the ability to invest in other investment companies or funds but will invest no more than 15% of its gross assets in other listed investment companies (including investment trusts).

The Company may also invest a substantial portion of its assets in debt instruments, cash or cash equivalents when the Investment Manager believes market or economic conditions make equity investment unattractive or while seeking appropriate investment opportunities for the portfolio or to maintain liquidity. In addition, the Company may purchase derivatives for the purposes of efficient portfolio management.

It is intended that, from time to time, when deemed appropriate, the Company will borrow for investment purposes up to the equivalent of 25% of its total assets. By contrast, the Company's portfolio may from time to time have substantial holdings of debt instruments, cash or short-term deposits.

The investment objective and policy are intended to distinguish the Company from other investment vehicles which have relatively narrow investment objectives and which are thus constrained in their decision making and asset allocation. The objective and policy allow the Company to be constrained in its investment selection only by valuation and to be pragmatic in portfolio construction by only investing in securities which the Investment Manager considers to be undervalued on an absolute basis.

# CHAIRMAN'S STATEMENT

## Introduction

This is my first Chairman's Statement since my appointment. I am delighted to be taking on the role of Chairman of the Company and, having been given the opportunity, I look forward to working with my fellow Directors to contribute to the Company's objective of providing Shareholders with an attractive real long-term total return.

## Results

At 30 June 2021, our NAV was 314.6p, an increase of 2.0% from the 31 December 2020 NAV of 308.4p. After taking account of the final dividend of 6.0p per share that was paid in May 2021 it resulted in a total NAV return for the six months of 4.0%.

Global equity markets performed relatively well in the period as investors anticipated a rebound in growth after the negative economic impact caused by the COVID-19 pandemic in the previous year. The Investment Manager maintained its defensive investment strategy throughout the period and, following a rise in share prices, became even more cautious with cash balances increasing from 13.0% to 24.5% of net assets. This cautious investment strategy suppressed returns. The Investment Manager's Report on pages 6 to 9 contains detailed commentary on the portfolio and performance for the period.

## Share price

The share price at the end of June 2021 was 291.0p, an increase of 2.5% on the year-end share price of 284.0p. The share price total return, including the 6.0p dividend reinvested, was 4.6%. At 30 June 2021, the Company's shares were trading at a discount of 7.5% to the NAV, a marginal improvement when compared to the 7.9% discount at the previous year end.

With the aim of reducing the share price discount to NAV, the Company continues to buy back its own shares when it considers it to be in the best interest of Shareholders. In the first six months of 2021, the Company bought back 1,830,000 shares, which was over 50% higher when compared to the amount bought back in the first six months of the previous year. The share buy backs, purchased at a total cost of £5.2 million, represented 4.7% of the shares in circulation at the start of the period. Shares bought back have not been cancelled, but instead are held in treasury with the intention of re-issuing them when demand warrants doing so.

## **CHAIRMAN'S STATEMENT – continued**

### **Revenue account**

The Income Statement on page 14 shows revenue per share of 2.8p for the first six months of 2021, which was a 20% reduction on the 3.5p generated in the same period last year. The revenue per share for the 2020 year was 4.9p. The principal reason for the reduction in income was due to the defensive investment strategy of our Investment Manager. Dividend income reduced following the sale of several investments with the sales proceeds held in cash deposits which in some instances generate a negative return. The investment in fixed income also generates a low return. The reduction in the revenue per share occurred despite the change in the allocation of the management fee and finance costs relating to borrowings from 1 January 2021, with 70% of these costs now charged to capital. As previously announced, this change was made to reflect more accurately the past and expected future returns from capital and income.

Our Investment Manager's strategy of focusing on value regardless of the dividend yield of the shares held can result in volatility in our revenue per share from year to year. The reduction in income, as detailed above, will be considered in determining the level of any dividend for the full year.

### **Annual General Meeting**

The Annual General Meeting of the Company was held on 21 April 2021. The Board would like to thank Shareholders for their engagement and was pleased to note that all resolutions were passed by the requisite majority. However, as previously announced, two resolutions passed with a majority of less than 80%. In accordance with the provisions of the AIC Code of Corporate Governance, published in February 2019, the Board confirms that it has commenced consultation and engagement with the relevant Shareholders to understand and discuss their concerns with respect to these resolutions. Those Shareholders we have engaged with so far have responded positively and an update will be published within six months of the Annual General Meeting.

## **CHAIRMAN'S STATEMENT – continued**

### **Board**

There were number of changes to the Board during the period. David Hough retired as a Director of the Company on 3 March 2021, having served on the Board since the launch of the Company in 2003. As noted in the 2020 Annual Report the Board acknowledged his wise counsel and commitment to the Company. His understanding of the investment trust market and in-depth knowledge of the wealth management industry had been of great benefit to the Board and Shareholders.

Teddy Tulloch, who had been Chairman of the Company, also since its launch, retired on 9 June 2021. On behalf of Shareholders and themselves, the Directors wish to thank Teddy Tulloch for his outstanding contribution and commitment to the Company. His many years of investment experience and understanding of investment trusts have been of immense value to the Board which has greatly valued his input and advice. I would also like to take this opportunity to thank him for his advice and for passing on the benefit of his experience to me in taking on the role of Chairman of the Company.

I was appointed a Director on 18 May 2021 and became Chairman on 9 June 2021. By way of background, I qualified as a Chartered Accountant with Touche Ross and co-founded Rutherford Manson Dowds which was acquired by Deloitte in 1999. I led Deloitte's UK Advisory Corporate Finance business from 2005 before becoming chairman from 2014 when I was also appointed vice chairman of Deloitte UK until my retirement in 2018. I am a non-executive director and interim chairman of MarktoMarket Valuations Limited.

Hazel Cameron was also appointed as a Director on 18 May 2021. Hazel qualified as a chartered accountant with Arthur Andersen, before moving into corporate finance with British Linen Bank and then into private equity investing, initially with 3i in 1993. She was subsequently UK head of Bowman Capital, before performing the same role for Cross Atlantic Capital Partners. Hazel is currently network director at Growth Capital Partners LLP, an independent adviser and head of portfolio talent at AIM-listed Gresham House plc and a non-executive director and chair of the audit committee of AIM-listed Parsley Box Group plc.

### **Alternative Investment Fund Manager**

On 6 July 2021 the name of the Company's Alternative Investment Fund Manager (the "AIFM") was changed from Edinburgh Partners AIFM Limited to Franklin Templeton Investment Trust Management Limited. There is no change to the Company's investment management arrangements, which, with the approval of the Directors, continue to be delegated by the AIFM to Edinburgh Partners Limited, which has managed the Company's investment portfolio since the launch of the Company.

# CHAIRMAN'S STATEMENT – continued

## Outlook

Our Investment Manager considers equity markets remain fully valued. It believes that the COVID-19 economic rebound will not be sustained and that this will expose valuations. At the same time, the sharp rise in inflation stemming from supply side bottlenecks will also moderate but may well settle at levels which create concern within bond markets. Central banks could potentially start to consider reducing market support and raising interest rates which will create a delicate policy balancing act given that public and private debt remain at extremely high levels. Liquidity continues to support markets, although there are signs that market appetite for new equity issuance is showing signs of fatigue.

The portfolio continues to be defensively positioned with over one third of the Company's assets invested in fixed income (US Treasury Inflation Protected Securities) and cash at the half-year end. Our Investment Manager acknowledges that this has suppressed returns during the period but expects that as markets begin to anticipate the peak of the growth rebound following the pandemic, equity investment opportunities will arise, and fixed income and cash will reduce when this occurs.

Following the changes to the Board that occurred during the period, the Directors have had the opportunity to discuss the positioning and outlook for the Company's portfolio in detail with the Investment Manager. The newly constituted Board now considers that it has an excellent opportunity to consider the strategic direction of the Company for the benefit of Shareholders. I have already met several Shareholders during my first two months as Chairman of the Company and I look forward to meeting many more during the coming months. If Shareholders wish to communicate with me, I can be contacted through the Company Secretary on the e-mail address detailed on the corporate information page.

## Cahal Dowds

Chairman

19 August 2021

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# INVESTMENT MANAGER'S REPORT

## Investment review

The Company's NAV total return during the six months to 30 June 2021 was 4.0%. The Company retained a defensive investment strategy in the light of historically high valuations. Within the equity portfolio the best performing sector performance in the period was in the Health Care sector. Shanghai Fosun Pharmaceutical and AstraZeneca were the best performing stocks and there were also good performances from Astellas Pharma, Roche and Sanofi. Other stocks that performed well included ING, Antofagasta and Nokia. In contrast, there was a disappointing performance from stocks in the Communication Services sector, with their defensive merits shunned by stock market investors during periods of rising equity markets. The share price performance of the Japanese industrial stocks within the portfolio and Credicorp, the Peruvian banking stock, were adversely impacted by the COVID-19 pandemic on their respective economies and currency weakness.

The global economy has continued to witness signs of excess, in part a result of the policy actions taken to support economies as a consequence of the continued impact of the COVID-19 pandemic. Interest rates continue to remain extremely low, there is a high and increasing government debt, substantial levels of debt held by central banks, with the conventional wisdom on policy now tilted towards intervention on both fiscal and monetary levels. There is higher leverage within the corporate sector, much of which is lower quality debt, and increased signs of speculation and excess.

While the International Monetary Fund has recently forecast a growth rate of 6% for the global economy in 2021, after a 3.2% contraction in 2020, this may prove conservative but it is bringing with it supply bottlenecks and inflationary pressures.

## Portfolio Review

Our defensive strategy increased during the period under review. The portfolio continued to maintain its holding in fixed income, held through US Treasury Inflation Protected Securities, which were purchased in the final quarter of 2020. At 30 June 2021 the holdings totalled 9.1% of net assets. The principal move during the period was the reduction in equity exposure from 78.0% to 66.4% of net assets, which resulted in a consequent increase of cash balances to 24.5% of net assets. A number of the Company's equity investments performed strongly during the period and, given our increased caution over equity market valuations, we took the opportunity to realise profits in several stocks.



## INVESTMENT MANAGER'S REPORT – continued

The most notable transactions were the complete disposals of six holdings – Antofagasta, China Mobile, Japan Tobacco, Murata Manufacturing, Taiwan Semiconductor Manufacturing Company (TSMC) and Samsung SDI. In addition, there was a significant reduction in the holding in Shanghai Fosun Pharmaceutical, as well as a decrease in several other holdings.

Antofagasta's share price increased during the quarter driven by the rise in the spot copper price. While being one of the lower cost copper producers and continuing to remain positive on the medium-term prospects for the copper market, we considered that the valuation of Antofagasta more than reflected these positive trends.

The Company's holding in China Mobile was sold in early January 2021 to meet the requirements of US Executive Order 13959 which imposed sanctions on securities of Communist Chinese military companies ("CCMCs"). The sanctions prohibit US persons investing in funds that provide exposure to CCMCs and as the Company's Shareholders include US persons the decision was made to dispose of the holding before the restrictions came into force on 11 January 2021. The US Executive Order on CCMCs was extended in June 2021. As investment manager Edinburgh Partners has also amended its internal investment policies and no CCMCs securities may be purchased for the Company's portfolio while the restrictions remain in place.

Two of the Company's Japanese stocks were sold. The holding in Japan Tobacco was sold as tax increases, smoking bans, government policy and regulation, and increased competition were creating growing headwinds. The share price of Murata Manufacturing, the electronic components manufacturer, had performed strongly and we considered the valuation was expensive and the holding was disposed of.

Within the Information Technology sector Samsung SDI's shares had performed well and, in our assessment, had become expensive. The driver for the share price increase has been excitement about their battery division and adoption rates of electric vehicles. While we remain positive on the growth prospects for electric vehicles, we considered the share price was fully discounting both the strong growth prospects and operating margins well above what we believe can be achieved.

## INVESTMENT MANAGER'S REPORT – continued

TSMC was benefitting from the current semiconductor chip shortage due to a rebound in demand from car manufacturers. The company announced improved medium-term guidance during the quarter which drove the share price higher. Whilst we believe the fundamental outlook for the business remains positive, we considered that this was fully captured in the valuation and therefore the stock was sold.

There was a substantial reduction in the shareholding in Shanghai Fosun Pharmaceutical following a significant rise in its share price related to its vaccine roll-out. During the period we also took the opportunity of rising share prices to make partial disposals of several stocks, including Astellas Pharma, BMW, ING, Nokia and Sony. As detailed on page 22 in note 5 of the Financial Statements there was a realised profit of £6.8m on all the disposals made in the six months to 30 June 2021.

While there was a significant number of sales made during the period, in contrast, given the high valuation of equity markets, the only purchase activity occurred in the first quarter of the year, when additions were made to several existing holdings. The most significant amount of activity occurred in the Health Care sector with top ups in AstraZeneca, Fresenius Medical Care and Roche. Additional purchases were also made of ENI, Tesco, TotalEnergies and Unilever. The additional purchase of Tesco was made following a capital distribution made by the company after the sale of its subsidiaries in Thailand and Malaysia.

# INVESTMENT MANAGER'S REPORT – continued

## Outlook

We believe that asset markets remain fully valued on almost all historic valuation measures after more than ten years of suppressed interest rates and rising asset prices. This can only be justified if the low interest rate policies of central banks remain a permanently embedded feature of the global economy. Although the US Federal Reserve appears to be indicating that there will be a gradual withdrawal of market support and interest rate rises in the coming months, central banks face a very delicate policy balancing act as public and private debt remains at extremely high levels following the COVID-19 pandemic. Ever-expanding fiscal deficits are expected to give markets pause for thought.

Within equity markets there appears to be a changing perception as investors begin to anticipate the peak of the economic growth rebound following the COVID-19 pandemic. Rising inflation is a potential concern as witnessed by the annualised US inflation rate of 5.4% in June 2021. The current valuation levels in equity markets are dependent on low interest rates, which seem out of step with the economic backdrop.

We see little headroom in absolute valuations and with the evidence of excess in asset prices, from crypto currencies to junk bonds, the risks remain firmly to the downside. We will therefore retain the current portfolio structure and, when we identify suitable investment opportunities, we will utilise the Company's assets currently held in fixed income and cash to increase the Company's equity exposure.

**Dr Sandy Nairn**

Investment Manager

19 August 2021

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# PORTFOLIO OF INVESTMENTS

as at 30 June 2021

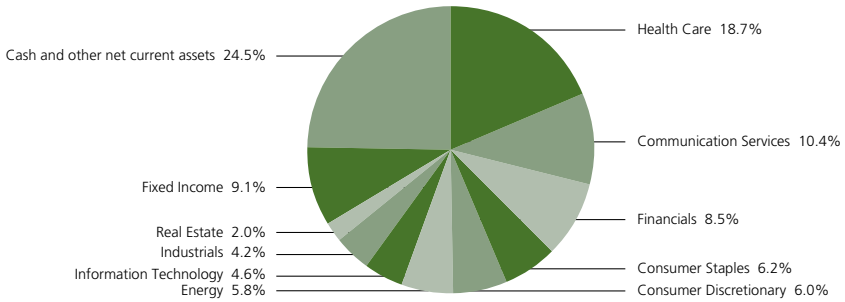
Company	Sector	Country	Valuation £'000	% of Net Assets
<b>Equity investments</b>				
Unilever	Consumer Staples	United Kingdom	3,867	3.3
AstraZeneca	Health Care	United Kingdom	3,812	3.3
Roche *	Health Care	Switzerland	3,748	3.2
ENI	Energy	Italy	3,436	3.0
Vodafone	Communication Services	United Kingdom	3,384	2.9
Tesco	Consumer Staples	United Kingdom	3,352	2.9
TotalEnergies	Energy	France	3,187	2.8
Orange	Communication Services	France	3,141	2.7
ING	Financials	Netherlands	2,941	2.5
Fresenius Medical Care	Health Care	Germany	2,787	2.4
Novartis	Health Care	Switzerland	2,752	2.4
Samsung Electronics	Information Technology	South Korea	2,748	2.4
Sanofi	Health Care	France	2,738	2.4
Sumitomo Mitsui Trust	Financials	Japan	2,668	2.3
Astellas Pharma	Health Care	Japan	2,664	2.3
Nokia	Information Technology	Finland	2,576	2.2
Verizon Communications	Communication Services	United States	2,508	2.2
Commerzbank	Financials	Germany	2,488	2.2
Shanghai Fosun Pharmaceutical H	Health Care	China	2,475	2.1
BMW	Consumer Discretionary	Germany	2,417	2.1
Sony	Consumer Discretionary	Japan	2,402	2.1
Singapore Telecommunications	Communication Services	Singapore	2,364	2.0
Daiwa House Industry	Real Estate	Japan	2,311	2.0
Panasonic	Consumer Discretionary	Japan	2,030	1.8
Credicorp	Financials	Peru	1,727	1.5
Comsys	Industrials	Japan	1,051	0.9
Mirait	Industrials	Japan	908	0.8
Raito Kogyo	Industrials	Japan	824	0.7
Meitec	Industrials	Japan	798	0.7
Ship Healthcare	Health Care	Japan	736	0.6
Kyowa Exeo	Industrials	Japan	734	0.6
TBS	Communication Services	Japan	673	0.6
Totetsu Kogyo	Industrials	Japan	588	0.5
<b>Total equity investments</b>			<b>76,835</b>	<b>66.4</b>
<b>Fixed income investments</b>				
US Treasury Inflation Protected Security 0.125% 15 July 2030			<b>5,404</b>	<b>4.6</b>
US Treasury Inflation Protected Security 0.25% 15 February 2050			<b>5,177</b>	<b>4.5</b>
<b>Total fixed income investments</b>			<b>10,581</b>	<b>9.1</b>
<b>Cash and other net current assets</b>			<b>28,348</b>	<b>24.5</b>
<b>Net assets</b>			<b>115,764</b>	<b>100.0</b>

\* The investment is in non-voting shares

# DISTRIBUTION OF INVESTMENTS

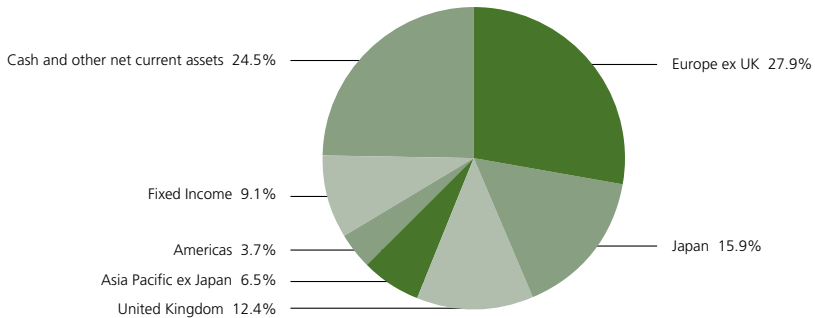
as at 30 June 2021 (% of net assets)

## Sector distribution



The figures detailed in the sector distribution pie chart represent the Company's exposure to those sectors.

## Geographical distribution



The figures detailed in the geographical distribution pie chart represent the Company's exposure to these countries or regional areas.

The geographical distribution is based on each investment's principal stock exchange listing, except in instances where this would not give a proper indication of where its activities predominate.

The fixed income investments are US Treasury Inflation Protected Securities as detailed on page 10.

The geographic distribution of cash at bank and short-term deposits included in cash and other net current assets is detailed in note 6 of the Financial Statements.

## **DIRECTORS' STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES**

The important events that have occurred during the period under review and the key factors influencing the Financial Statements are set out in the Chairman's Statement and Investment Manager's Report on pages 2 to 9. The Board believes that principal factors that could impact the remaining six months of the financial year are also detailed in the Chairman's Statement and Investment Manager's Report.

The Board considers that the following are the principal risks associated with investing in the Company: investment and strategy risk, key manager risk, discount volatility risk, price risk, foreign currency risk and regulatory risk. Other risks associated with investing in the Company include, but are not limited to, liquidity risk, credit risk, interest rate risk, gearing risk, operational risk and other financial risks. These risks, and the way in which they are managed, are described in more detail under the heading "Principal risks and uncertainties" within the Strategic Report in the Company's Annual Report and Financial Statements for the year ended 31 December 2020.

The Directors have continued to review and monitor the operational risks that COVID-19 poses to the Company and its service providers due to global and local movement restrictions imposed by governments worldwide, details of which were set out in the Financial Statements for the year ended 31 December 2020.

As detailed in note 1 to these Financial Statements, the Board has concluded that there are no issues which trigger a need to re-examine the going concern assumption at this time.

Those risks identified by the Board are not exhaustive and various other risks may apply to an investment in the Company. Potential investors may wish to obtain independent financial advice.

The Board believes that the Company's principal risks and uncertainties are unchanged since the date of the Annual Report and Financial Statements for the year ended 31 December 2020.

# **DIRECTORS' STATEMENT OF RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors confirm that to the best of their knowledge:

- The condensed set of Financial Statements, prepared in accordance with Financial Reporting Standard ("FRS") 104: "Interim Financial Reporting", gives a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- This Half-Yearly Report includes a fair review of the information required by:
  - (a) 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) 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 Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half-Yearly Report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by:

**Cahal Dowds**

Chairman

19 August 2021

# INCOME STATEMENT

for the six months to 30 June 2021

		Six months to 30 June 2021		
	Note	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments at fair value through profit or loss	5	–	<b>3,422</b>	<b>3,422</b>
Foreign exchange (losses)/gains on capital items		–	<b>(900)</b>	<b>(900)</b>
Income	2	<b>1,630</b>	<b>802</b>	<b>2,432</b>
Management fee		<b>(118)</b>	<b>(275)</b>	<b>(393)</b>
Other expenses		<b>(235)</b>	–	<b>(235)</b>
<b>Net return before finance costs and taxation</b>		<b>1,277</b>	<b>3,049</b>	<b>4,326</b>
<b>Finance costs</b>				
Interest payable and related charges		<b>(38)</b>	–	<b>(38)</b>
<b>Net return before taxation</b>		<b>1,239</b>	<b>3,049</b>	<b>4,288</b>
Taxation – overseas withholding tax		<b>(175)</b>	–	<b>(175)</b>
<b>Net return after taxation</b>		<b>1,064</b>	<b>3,049</b>	<b>4,113</b>
<b>Return per share</b>	4	pence <b>2.8</b>	pence <b>8.1</b>	pence <b>10.9</b>

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

The total column of this statement is the profit and loss account of the Company. The revenue and capital columns are prepared in accordance with guidance issued by the Association of Investment Companies (“AIC”).

A separate Statement of Comprehensive Income has not been prepared as all gains and losses are included in the Income Statement.



## INCOME STATEMENT – continued

for the six months to 30 June 2021

Six months to 30 June 2020			Year to to 31 December 2020		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	(10,746)	(10,746)	–	(5,456)	(5,456)
–	1,438	1,438	–	629	629
2,179	–	2,179	3,415	–	3,415
(386)	–	(386)	(766)	–	(766)
(213)	–	(213)	(411)	–	(411)
1,580	(9,308)	(7,728)	2,238	(4,827)	(2,589)
(34)	–	(34)	(76)	–	(76)
1,546	(9,308)	(7,762)	2,162	(4,827)	(2,665)
(122)	–	(122)	(204)	–	(204)
1,424	(9,308)	(7,884)	1,958	(4,827)	(2,869)
pence 3.5	pence (23.0)	pence (19.5)	pence 4.9	pence (12.1)	pence (7.2)

# BALANCE SHEET

as at 30 June 2021

		<b>30 June 2021</b>	30 June 2020	31 December 2020
	Note	£'000	£'000	£'000
<b>Fixed asset investments</b>				
Investments at fair value through profit or loss	5	<b>87,416</b>	101,239	103,650
<b>Current assets</b>				
Debtors		<b>562</b>	683	508
Cash at bank and short-term deposits	6	<b>27,928</b>	16,076	15,227
		<b>28,490</b>	16,759	15,735
<b>Current liabilities</b>				
Creditors		<b>142</b>	409	290
		<b>142</b>	409	290
<b>Net current assets</b>		<b>28,348</b>	16,350	15,445
<b>Net assets</b>		<b>115,764</b>	117,589	119,095
<b>Capital and reserves</b>				
Called-up share capital		<b>645</b>	645	645
Share premium		<b>1,597</b>	1,597	1,597
Capital redemption reserve		<b>14</b>	14	14
Special reserve		<b>33,724</b>	42,454	38,945
Capital reserve		<b>76,485</b>	68,955	73,436
Revenue reserve		<b>3,299</b>	3,924	4,458
<b>Total Shareholders' funds</b>		<b>115,764</b>	117,589	119,095
<b>Net asset value per share</b>	7	<b>314.6</b>	294.4	308.4

# RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months to 30 June 2021

	Share capital	Share premium	Capital redemption reserve	Special reserve	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Six months to 30 June 2021</b>							
At 31 December 2020	645	1,597	14	38,945	73,436	4,458	119,095
Net return after taxation	–	–	–	–	3,049	1,064	4,113
Dividends paid	–	–	–	–	–	(2,223)	(2,223)
Share purchases for treasury	–	–	–	(5,221)	–	–	(5,221)
<b>At 30 June 2021</b>	<b>645</b>	<b>1,597</b>	<b>14</b>	<b>33,724</b>	<b>76,485</b>	<b>3,299</b>	<b>115,764</b>
<b>Six months to 30 June 2020</b>							
At 31 December 2019	645	1,597	14	45,965	78,263	5,525	132,009
Net return after taxation	–	–	–	–	(9,308)	1,424	(7,884)
Dividends paid	–	–	–	–	–	(3,025)	(3,025)
Share purchases for treasury	–	–	–	(3,511)	–	–	(3,511)
At 30 June 2020	645	1,597	14	42,454	68,955	3,924	117,589
<b>Year ended 31 December 2020</b>							
At 31 December 2019	645	1,597	14	45,965	78,263	5,525	132,009
Net return after taxation	–	–	–	–	(4,827)	1,958	(2,869)
Dividends paid	–	–	–	–	–	(3,025)	(3,025)
Share purchases for treasury	–	–	–	(7,020)	–	–	(7,020)
At 31 December 2020	645	1,597	14	38,945	73,436	4,458	119,095

# NOTES TO THE FINANCIAL STATEMENTS

for the six months to 30 June 2021

## 1 Accounting policies

### Basis of accounting

The Company applies Financial Reporting Standard (“FRS”) 102: “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and the Statement of Recommended Practice as issued by the AIC. The Company has prepared the Financial Statements for the six months to 30 June 2021 in accordance with FRS 104: “Interim Financial Reporting”. The Company has elected to remove the Cash Flow Statement from the Half-Yearly Report, as permitted by FRS 102 section 7.1A.

The accounting policies are set out in the Company’s Annual Report and Financial Statements for the year ended 31 December 2020 and remain unchanged, with the exception of the Company’s policy on expenses and finance costs. From 1 January 2021, 70% of management fees and finance costs relating to borrowings are charged to capital, with 30% of these costs charged to revenue, as detailed in the Income Statement on page 14 and the Chairman’s Statement on page 3. Prior to that date, management fees and finance costs relating to borrowings were all charged to revenue.

### 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 this assessment, the Directors have considered in particular the likely economic effects and the effects of the current COVID-19 pandemic on the Company, operations and the investment portfolio.

The Directors noted the Company holds a portfolio of liquid investments whose value is a multiple of the Company’s liabilities. The Directors are of the view that the Company can meet its obligations as they fall due. The cash available 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.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

for the six months to 30 June 2021

The Board has reviewed stress testing and scenario analysis prepared by the Investment Manager to assist them in assessing the impact of changes in market value and income with associated cash flows. In making this assessment, the Investment Manager has considered plausible downside scenarios. These tests included the possible further effects of the continuation of the COVID-19 pandemic but, as an arithmetic exercise, apply equally to any other set of circumstances in which asset value and income are significantly impaired. It was concluded that in a plausible downside scenario, the Company could continue to meet its liabilities. Whilst the economic future is uncertain, and the Directors believe that it is possible the Company could experience further reductions in income and/or market value, the opinion of the Directors is that this should not be to a level which would threaten the Company's ability to continue as a going concern.

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

### **Comparative information**

The financial information for the six months to 30 June 2021 and for the six months to 30 June 2020 have not been audited or reviewed by the Company's Auditor pursuant to the Auditing Practices Board guidance on such reviews. The financial information contained in this report does not constitute statutory accounts as defined in the Companies Act 2006.

The latest published audited Financial Statements which have been delivered to the Registrar of Companies are the Annual Report and Financial Statements for the year ended 31 December 2020; the report of the independent Auditor thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. Information shown for the year ended 31 December 2020 is extracted from that Annual Report and Financial Statements.

### **Segmental reporting**

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business. The Company primarily invests in listed companies.

## NOTES TO THE FINANCIAL STATEMENTS – continued

for the six months to 30 June 2021

<b>2 Income</b>	<b>Six months to 30 June 2021</b>	Six months to 30 June 2020	Year to 31 December 2020
	£'000	£'000	£'000
<b>Revenue</b>			
<b>Income from investments</b>			
UK dividend income	<b>374</b>	403	652
Overseas dividend income	<b>1,247</b>	1,730	2,711
Fixed income	<b>9</b>	–	4
	<b><u>1,630</u></b>	<u>2,133</u>	<u>3,367</u>
<b>Total income comprises</b>			
Dividend income	<b>1,621</b>	2,133	3,363
Fixed income	<b>9</b>	–	4
Bank interest	<b>–</b>	46	48
	<b><u>1,630</u></b>	<u>2,179</u>	<u>3,415</u>
<b>Capital</b>			
<b>Income from investments</b>			
UK dividend income	<b>802</b>	–	–
	<b><u>802</u></b>	<u>–</u>	<u>–</u>
<b>Total income comprises</b>			
Dividend income	<b>802</b>	–	–
	<b><u>802</u></b>	<u>–</u>	<u>–</u>

## NOTES TO THE FINANCIAL STATEMENTS – continued

for the six months to 30 June 2021

<b>3 Dividends</b>	<b>Six months to 30 June 2021</b>	Six months to 30 June 2020	Year to 31 December 2020
	£'000	£'000	£'000
<b>Declared and paid</b>			
2020 final dividend of 6.0p per ordinary share paid in May 2021	<b>2,223</b>	–	–
2019 final dividend of 6.0p per ordinary share paid in May 2020	–	2,420	2,420
2019 Special dividend of 1.5p per ordinary share paid in May 2020	–	605	605
	<b><u>2,223</u></b>	<b><u>3,025</u></b>	<b><u>3,025</u></b>

<b>4 Return per share</b>	<b>Six months to 30 June 2021</b>		Six months to 30 June 2020		Year to 31 December 2020	
	<b>Net return</b>	<b>Per share</b>	Net return	Per share	Net return	Per share
	£'000	pence	£'000	pence	£'000	pence
Revenue return after taxation	<b>1,064</b>	<b>2.8</b>	1,424	3.5	1,958	4.9
Capital return after taxation	<b>3,049</b>	<b>8.1</b>	(9,308)	(23.0)	(4,827)	(12.1)
Total return	<b><u>4,113</u></b>	<b><u>10.9</u></b>	<b><u>(7,884)</u></b>	<b><u>(19.5)</u></b>	<b><u>(2,869)</u></b>	<b><u>(7.2)</u></b>

The returns per share for the six months to 30 June 2021 are based on 37,605,845 shares (six months to 30 June 2020: 40,474,787 shares; year to 31 December 2020: 39,875,049 shares), being the weighted average number of shares, excluding shares held in treasury, in circulation during the period.

## NOTES TO THE FINANCIAL STATEMENTS – continued

for the six months to 30 June 2021

<b>5 Investments</b>	<b>30 June 2021</b>	30 June 2020	31 December 2020
	£'000	£'000	£'000
Equity investments	<b>76,835</b>	101,239	92,858
Fixed income investments	<b>10,581</b>	–	10,792
	<b>87,416</b>	101,239	103,650
<b>Analysis of investment portfolio movements</b>	<b>Six months to 30 June 2021</b>	Six months to 30 June 2020	Year to 31 December 2020
	£'000	£'000	£'000
Opening book cost	<b>100,586</b>	113,587	113,587
Opening investment holding gains	<b>3,064</b>	7,209	7,209
Opening fair value	<b>103,650</b>	120,796	120,796
Movements in the period:			
Purchases at cost	<b>5,696</b>	16,315	43,350
Sales – proceeds	<b>(25,352)</b>	(25,126)	(55,040)
– realised gains/(losses) on sales	<b>6,840</b>	(1,641)	(1,311)
Changes in fair value of investments	<b>(3,418)</b>	(9,105)	(4,145)
Closing fair value	<b>87,416</b>	101,239	103,650
Closing book cost	<b>87,770</b>	103,135	100,586
Closing investment holding (losses)/gains	<b>(354)</b>	(1,896)	3,064
Closing fair value	<b>87,416</b>	101,239	103,650
<b>Analysis of capital gains and losses</b>	<b>Six months to 30 June 2021</b>	Six months to 30 June 2020	Year to 31 December 2020
	£'000	£'000	£'000
Realised gains/(losses) on sales	<b>6,840</b>	(1,641)	(1,311)
Changes in fair value of investments	<b>(3,418)</b>	(9,105)	(4,145)
Gains/(losses) on investments	<b>3,422</b>	(10,746)	(5,456)



# NOTES TO THE FINANCIAL STATEMENTS – continued

for the six months to 30 June 2021

## 5 Investments – continued

### Fair value hierarchy

In accordance with FRS 102 and FRS 104, the Company must disclose the fair value hierarchy of financial instruments.

The different levels of the fair value hierarchy are as follows:

- 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- 2 Inputs other than quoted prices included within level 1 that are observable (developed using market data) for the asset or liability, either directly or indirectly.
- 3 Inputs are unobservable (for which market data is unavailable) for the asset or liability.

All of the Company's financial instruments fall into level 1.

No unlisted investments were held during the six months to 30 June 2021.

6 Cash at bank and short-term deposits	30 June	30 June	31 December
	2021	2020	2020
	£'000	£'000	£'000
US dollar	<b>17,985</b>	4,746	4,580
Japanese yen	<b>8,203</b>	9,433	8,808
Swiss franc	<b>1,739</b>	1,897	1,838
Sterling	<b>1</b>	–	1
	<b>27,928</b>	16,076	15,227

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

for the six months to 30 June 2021

### **7 Net asset value per share and share capital**

The NAV is based on net assets at 30 June 2021 of £115,764,000 (30 June 2020: £117,589,000; 31 December 2020: £119,095,000) and on 36,792,725 shares (30 June 2020: 39,937,725 shares; 31 December 2020: 38,622,725 shares), being the number of shares, excluding shares held in treasury, in circulation at the period end. NAVs calculated include current period revenue.

During the six months to 30 June 2021, 1,830,000 shares were purchased for treasury at a total cost of £5,221,000.

No shares were sold from treasury during the six months to 30 June 2021.

As a result of the transactions detailed above, there were 64,509,642 shares in issue as at 30 June 2021, of which 27,716,917 shares were held in treasury, resulting in there being 36,792,725 shares in circulation.

### **8 Related party transactions**

There were no related party transactions during the period.

### **9 Post balance sheet events**

On 6 July 2021 the name of the Company's AIFM was changed from Edinburgh Partners AIFM Limited to Franklin Templeton Investment Trust Management Limited.

Subsequent to the half-year end and up to 19 August 2021, the date of this report, the Company bought back 215,000 shares into treasury at a total cost of £620,000.

# SHAREHOLDER INFORMATION

## Investing in the Company

The Company's shares are traded on the London Stock Exchange and can be bought or sold through a stockbroker or financial adviser. The shares are eligible for inclusion in Individual Savings Accounts ("ISAs") and Self-Invested Personal Pensions ("SIPPs"). The Company's shares are available on various share trading platforms.

## Frequency of NAV publication

The Company's NAV is released daily to the London Stock Exchange and published on the Company's website at [www.epgot.com](http://www.epgot.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://www.edinburghpartners.com).

## Portfolio updates

The Company's portfolio holdings report, detailing a list of all investments, including sectoral and geographical analyses, is released on a monthly basis to the London Stock Exchange. It is also published on the Company's website at [www.epgot.com](http://www.epgot.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://www.edinburghpartners.com).

## Share price and sources of further information

The Company's share price is quoted daily in the Financial Times under "Investment Companies". Previous day closing price, daily NAV and other portfolio information is published on the Company's website at [www.epgot.com](http://www.epgot.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://www.edinburghpartners.com). Other useful information on investment trusts, such as prices, NAVs and company announcements, can be found on the websites of the London Stock Exchange at [www.londonstockexchange.com](http://www.londonstockexchange.com) and the AIC at [www.theaic.co.uk](http://www.theaic.co.uk).

## Share register enquiries

The register for the shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on 0370 889 4069 or email: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk). Changes of address can be made online by signing-in or registering at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) or by contacting the Registrar by telephone. Alternatively, you can notify changes in name and/or address in writing to the Registrar, supported by appropriate documentation, at the address shown on the inside front cover. You can check your shareholding and find practical help on transferring shares or updating your details at [www.investorcentre.co.uk](http://www.investorcentre.co.uk). Shareholders may choose to receive dividend payments directly into their bank accounts instead of by cheque. Shareholders wishing to do so should contact the Registrar.

## Key dates

Company's half-year end	30 June
Half-yearly results announced	August
Company's year end	31 December
Annual results announced	March
Annual General Meeting	April
Dividend paid	May

## **RISK FACTORS**

This document is not a recommendation, offer or invitation to buy, sell or hold shares of the Company. If you wish to deal in the shares of the Company, you may wish to contact an authorised professional investment adviser.

An investment in the Company should be regarded as long term and is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.

The market value of, and the income derived from, the shares can fluctuate. The Company's share price may go down as well as up. Past performance is not a guide to future performance. There is no guarantee that the market price of the shares will fully reflect their underlying NAV. Fluctuations in exchange rates will affect the value of overseas investments (and any income received) held by the Company. Investors may not get back the full value of their investment. There can be no guarantee that the investment objective of the Company will be met. The levels of, and reliefs from, taxation may change.

This Half-Yearly Report contains "forward-looking statements" with respect to the Company's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events that are beyond the Company's control. As a result, the Company's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Company's forward-looking statements. The Company undertakes no obligation to update the forward-looking statements contained within this Half-Yearly Report or any other forward-looking statements it makes.

The Company is a public company. It is registered in Scotland with company number 259207 and its shares are traded on the London Stock Exchange. The Company is not regulated or authorised by the Financial Conduct Authority.

The Directors of the Company, the directors of Franklin Templeton Investment Trust Management Limited and the directors and employees of Edinburgh Partners Limited may (subject to applicable laws and regulations) hold shares in the Company and may buy, sell or offer to deal in the Company's shares from time to time.

## **GLOSSARY OF INVESTMENT TRUST TECHNICAL TERMS**

A glossary of investment trust technical terms is detailed on page 70 of the Annual Report and Financial Statements for the year ended 31 December 2020.









Edinburgh Partners

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