

The power  
of investing  
differently.



Half-Year Report  
30 September

**2023**



Hansa  
Investment  
Company

# The power of investing differently.

We are globally diversified, multi-asset class investors who seek to identify compelling investment opportunities in long funds, hedge funds, direct global equities and private assets. We operate without being constrained by benchmarks, but instead seek to conservatively grow capital over time through investing in a blend of best-in-class public and private equities balanced by more defensive all-weather investments.

## **Long-term, not short-term**

In an investment world that is increasingly short-term in nature and momentum driven, we seek to invest for the longer term, playing to our multi-generational roots.

## **Access to the world's elite, best-in-class managers**

Our long-term outlook, combined with our desire to form lasting multi-year relationships, makes us an attractive partner to many of the world's elite funds, many of which are unavailable to large institutions and retail investors.

## **Dare to be different**

Rather than seeking to replicate indices we look to identify those areas of the market that offer attractive upside, with careful consideration of risks that may incur a permanent impairment of capital, even if this means being unconventional. Importantly, we are nimble and act quickly when needed priding ourselves on being flexible and independently-minded, as illustrated by our investment in Ocean Wilsons Holdings Limited.

## **Operating outside the bureaucracies of a large institution**

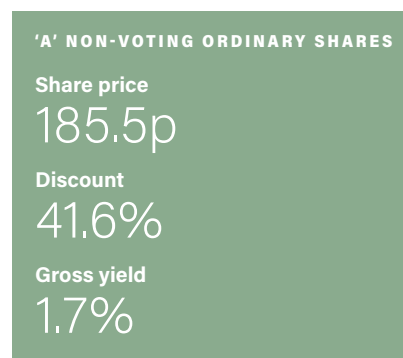
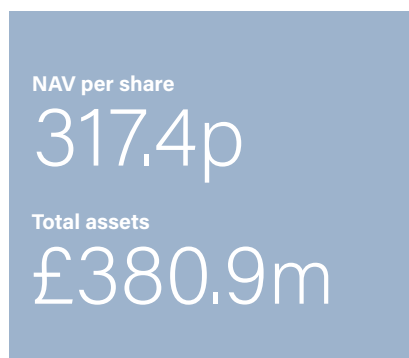
By virtue of being a smaller, dedicated fund management group with significant internal investment, we share an alignment of interest and, importantly, are not driven by asset gathering for the sake of profit maximisation.

To see more: [www.hansaicl.com](http://www.hansaicl.com)

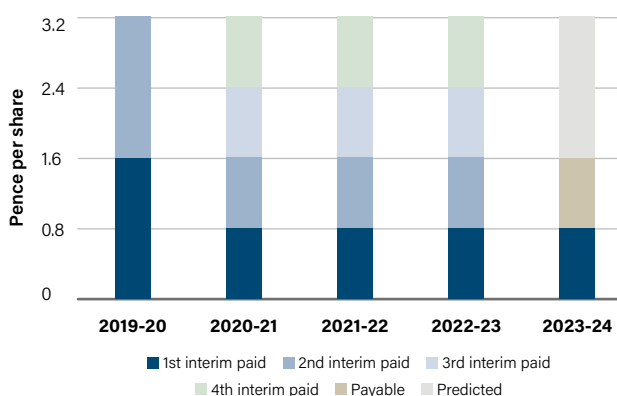


# Financial Summary

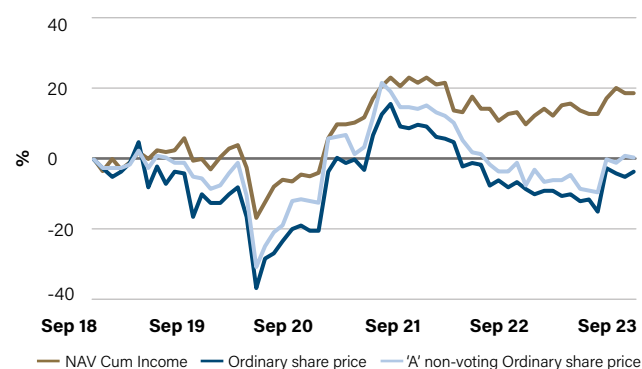
As at 30 September 2023



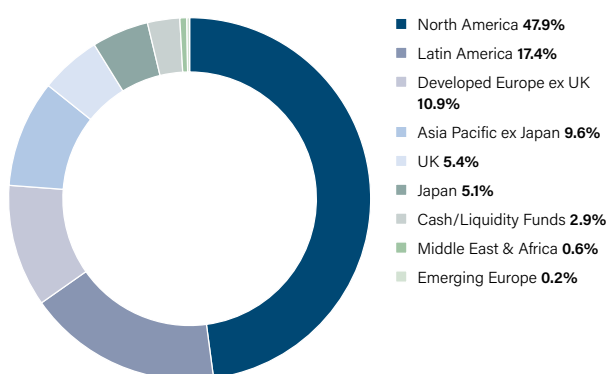
## Annual dividend payments



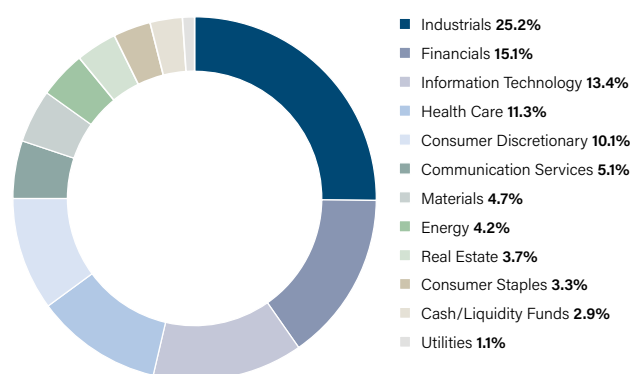
## Five year total return cumulative performance



## Geographic exposure



## Sector exposure



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## Chairman's Report

# Dear Shareholder



**Jonathan Davie**  
Chairman

### Shareholder returns

The past six months have shown an increase in net asset value ("NAV") from 305.8p per share at 31 March 2023 to 317.4p per share at 30 September 2023. In addition, shareholders have also received a dividend of 1.6p during the period.

There has also been a reduction of the discount from 43.1% to 40.6% for the Ordinary shares and from 44.2% to 41.6% for the 'A' non-voting Ordinary shares. The Ordinary share price has increased from 174.0p to 188.5p whilst the 'A' non-voting Ordinary share price has increased from 170.5p to 185.5p. More details about our results and longer-term performance can be found on page 1 as well as in our Portfolio Manager's detailed review of markets and portfolio performance in his Report on page 6.

**The Manager, supported by the Board, has continued to look for opportunities to broaden and diversity the portfolio by including more exposure to Value holdings as well as looking outside of the US market.**

### Strategy

The near-zero inflation and interest rates experienced by many for the last decade are giving way to a, historically, more normal backdrop for markets. Mindful of this, Alec Letchfield and his team at Hansa Capital Partners ("the Manager"), supported by the Board, have continued to look for opportunities to broaden and diversify the portfolio by including more exposure to Value holdings as well as looking outside of the US market, whose returns have dominated the last decade, to others such as Japan where there are more attractive valuations. Additionally, our exposure to Private Markets has continued to grow with commitments made to several more funds since our Annual Report. Alec expands on these topics in his Report.

### Ocean Wilsons Holdings Limited

As I have mentioned previously, our holding in Ocean Wilsons Holdings Limited ("Ocean Wilsons", "OWHL") consists of two parts: an investment in the Brazilian maritime and port operator Wilson Sons Limited ("Wilson Sons") equating to about 70% of the value of Ocean Wilsons as at 30 September 2023 and an investment portfolio which makes up the balance.

On 12 June 2023, OWHL announced it was undertaking a strategic review involving its investment in Wilson Sons and that it will consider all strategic options. At the time of writing there have been no further announcements on this matter. It is, however, encouraging to see that Wilson Sons continues to meet investor expectations and that the Brazilian Real continues to perform well against the US Dollar. The Board awaits further updates, as I am sure do all shareholders. It should be borne in mind that as stated by Ocean Wilsons, there can be no certainty as to the outcome of its deliberations and decisions.

Please rest assured that the Hansa Investment Company Limited ("HICL") board remains vigilant on this very important issue for all our shareholders and continues to review and update potential strategic options.

## Prospects

As in my past recent reports, I continue to be cautious about the future direction of both equity and bond markets. I have been surprised by the strength of the US equity markets and the continuing divergence of the bond and equity markets.

My own view is that there are some hard yards ahead in the drive to get back to the 2% inflation era. In no particular order, I think service industry inflation is going to remain sticky, El Niño will be a threat to food prices next year and the present problems in the Middle East probably mean oil prices are unlikely to fall very far.

Rising interest rates, creating a lowering of demand, will help to reduce inflationary pressures, although the ever-increasing debt levels in most parts of the world, particularly those of many governments, will tend to keep longer-term interest rates higher than they otherwise would be, causing a certain degree of crowding out, thereby creating challenges for the private sector.

It will be interesting to see if Chairman Powell starts to make any comments about the substantial increases in US government debt at a time of full employment. Apart from wartime, the combination of accelerating government borrowing at a time of very low unemployment has never been seen before. None of the large problems facing governments have gone away, whether it is conflicts, higher interest rates to combat inflation, the reduction in globalisation or trade spats.

Let us hope Europe can get through the coming winter without too many difficulties with gas supplies. The positives are that the storage tanks are full and the price much lower than last year. However, problems in the Straits of Hormuz or with Israeli gas supply could cause difficulties.

## Discount Management

Whilst our discount has reduced slightly, the Board remains cognisant that it has not narrowed more. However, a combination of jittery markets and details of the outcome of the Ocean Wilsons review of its strategic options in Wilson Sons still awaited, has resulted in slow progress.

The Board has considered a programme of share buybacks but has repeatedly concluded it would not have a significant effect on the discount at which the shares

trade in the medium term, the main reason being that buybacks would reduce the number of shares of the Company in the market, and hence their liquidity. The Company would also need to hold a more liquid investment portfolio to fund such buybacks. Furthermore, any buyback increases the percentage of the Ocean Wilsons holding in the portfolio. In current markets there are several examples of other investment trusts that recently have tried and failed to improve their discounts using share buy back programmes.

## Dividends

Your Board has decided to continue with its existing dividend policy, which is to pay four similar interim dividends, each of 0.8p per share (annually, in total, 3.2p per share), until it is fully covered by net revenue income and then increase it in line with any increase in the net revenue income of the Company. Currently the income generated by the portfolio is insufficient to meet this dividend commitment and the shortfall is made up from the Company's reserves. In principle, your Board does not believe it to be in the Company's best interests to use capital as a source from which to pay dividends.

## Company Bye-Laws

At the Company's AGM on 27 July 2023, a resolution was passed to adopt new Company Bye-Laws. One of the changes made requires shareholders to supply, if requested, information relating to their tax residency. As I explained in the Annual Report, globally tax authorities and government agencies require financial institutions, including investment companies such as ours, to collect and report certain tax information in relation to their shareholders.

Failure by those shareholders to supply the required information, causes the Company to submit incomplete returns, with the consequent risk of penalties or censure by the authorities. The Bye-Law changes enable the Company to take the necessary measures in relation to those few shareholders who refuse to provide the information required, so as to enable the Company to satisfy its reporting requirements. In principle, this should only affect a very small number of our shareholders who are personally on our share register, approximately 140 shareholders holding collectively less than 1% of our share capital across both share classes.

**Rising interest rates, creating a lowering of demand, will help to reduce inflationary pressures, although the ever-increasing debt levels in most parts of the world, particularly those of many governments, will tend to keep longer-term interest rates higher than they otherwise would be.**

## **In 2022 the Hanseatic Group, of which our Manager is part, became signatories to the UN PRI, a UN-supported network of investors that works to promote sustainable investment.**

The Company, through its Registrar Computershare, is in the process of writing to this small group of shareholders again to seek the required information. I urge you to respond if you receive such a letter. If you are in doubt about its veracity, please contact Computershare directly who can explain the situation and the steps you need to take.

### **Company Auditor**

Also, at the Company's most recent AGM in July 2023, PricewaterhouseCoopers Ltd of Bermuda ("PwC") was appointed to audit the Company for the financial year ended 31 March 2024.

### **Shareholder Event**

As many of you will know, we held a shareholder presentation event at The Mayfair Hotel in London on 27 September 2023. The presentation was also live-streamed via our website for those who couldn't attend in person.

As well as presentations by myself, William Salomon and Alec Letchfield, we received a number of questions from attendees. The event was well received and the Board will look to host a similar event in September 2024.

For those of you who were not able to attend, the video of that event is available via the Company website.

As I mentioned at our shareholder meeting on 27 September 2023, the Board plans to review both our present discount management policy and our dividend policy whatever the outcome of the Ocean Wilsons strategic review.

### **ESG Matters**

The Board is responsible for the Company's ESG policy. In 2020, the Board adopted our Manager's Responsible Investing Policy which it continues to develop and refine in line with the evolving nature of ESG's integration within Financial Services. As we have previously reported, in 2022 the Hanseatic Group, of which our Manager is part, became signatories to the UN PRI, a UN-supported network of investors that works to promote sustainable investment. I am pleased to report our Manager has recently completed its first annual submission to the UN PRI and has also implemented a new operational due diligence procedure that has been integrated into the investment process.



**Jonathan Davie**  
*Chairman*

16 November 2023



# Half-Year Review



Portfolio Manager's Report

# Rise of the machines.



Image generated with AI.





**Alec Letchfield**  
Portfolio Manager

**Market review**

The first half of the financial year started positively before we saw a number of cracks develop in this rather rosy picture. Having rallied sharply up to the end of July, buoyed by the goldilocks combination of waning inflation, with the US seeing its inflation rate falling from 6.5% at the beginning of the calendar year to 3.7% in September and a growing expectation that interest rates would peak and ultimately fall in early 2024 combined with economic growth that remained robust – the latter half of the period saw investors start to question if they had been somewhat premature in their expectations.

Whilst headline inflation has undoubtedly been rattling back in the US, many commentators still fear that core, underlying, inflation is stickier and will remain higher than deemed acceptable by central bankers. Similarly, markets also appear to have got ahead of themselves on the outlook for interest rates. Initially, as headline inflation started to fall, expectations for the peak in rates were pulled forward and the US Federal Reserve was expected to start cutting rates in the early part of next year. Latterly, this has been pushed back with the Fed sounding

more hawkish, raising their ‘dot plot’ median rate by 50bps, suggesting there would be fewer cuts and, at the same time, the European Central Bank (“ECB”) lifted their deposit rate to an all-time high of 4% in September.

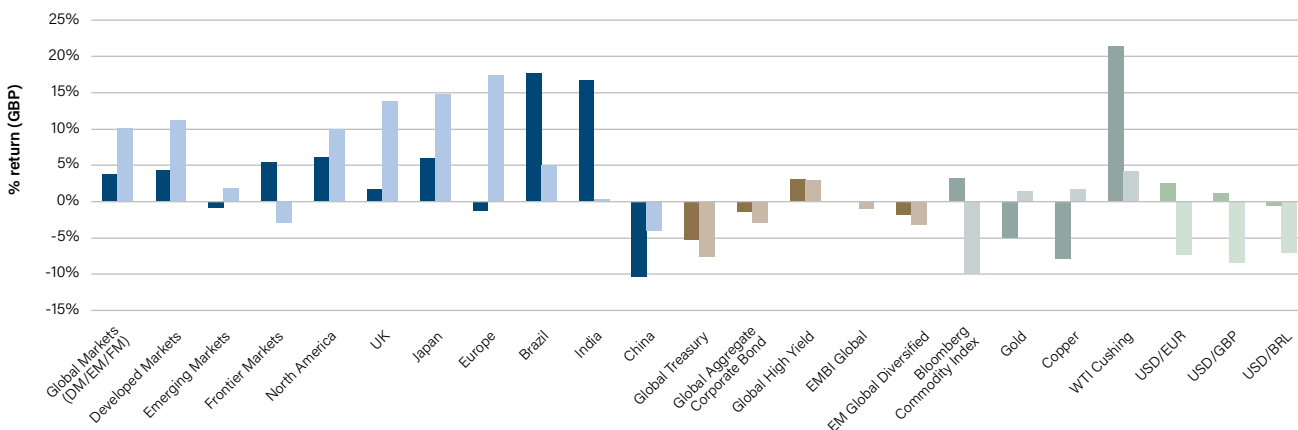
The net effect of this re-evaluation of inflation and interest rates was a significant sell off in bond markets, sending bond yields to multi-year highs around the world. The all-important US 10-year Treasury yield rose by 110bps to 4.57% during the half, with the 30-year bond yield seeing its biggest quarterly increase in Q3 2023 since Q1 2009. Much the same story was seen elsewhere, with the German 10-year bund yield nearing 3%, a yield we haven’t seen since 2011 and even the moribund Japanese 10-year bond yield moved away from zero, rising to 0.76%, which is the highest since 2013.

The scale and rapidity of the rise in bond yields also served to reawaken fears of contagion amongst those areas of the financial world that had binged on cheap debt. From private equity to banking to the insurance world, we are seeing questions being asked as to where the next collapse might appear. To date we haven’t seen a replay of the challenges faced in the US

regional banking market earlier this year, or the UK liability pension issues catalysed by the Truss government late last year, but this might just be a question of time.

Unsurprisingly the blend of higher inflation and rates, softening growth and, for the first time in many years, bond yields looking far more attractive saw equities also come off the boil later in the half, but performance was still largely positive. As detailed by the bar chart below, global equities increased by 3.8% and US equities by 6.1% while European equities fell by 1.2%. The UK, which has a disproportionate exposure to energy markets and Japan, where the change process continues to gain traction, increased 1.8% and 5.9%, respectively. Post the quarter end US Treasury yields continued to rise with the 10-year Treasury yield reaching a 16-year high pushed by strong US economic data. The outbreak of war in Israel and Gaza has the potential to be the spark that ignites an already volatile region. While markets have so far viewed the impact of the conflict on world markets as minimal and the conflict itself has remained relatively contained, any wider conflagration would no doubt significantly stress several markets, particularly oil and natural gas.

**Chart 1: Performance of countries, sectors and asset classes**



Dark bars represent six month returns to 30 September 2023. Light bars represent 12 month returns to 30 September 2023. Source: Bloomberg.

**We continue to believe the outlook is better now than it was last year with rates and inflation nearing their peaks... combined with growth that looks more robust than many of the doomsayers would have you believe.**

**Outlook**

Despite these questions being asked about markets, our view on the wider market backdrop is little changed. We continue to believe the outlook is better now than it was last year with rates and inflation nearing their peaks, even if there is the inevitable debate on exactly when and where this peak is, combined with growth that looks more robust than many of the doomsayers would have you believe. This is not to say that the prospects for markets are not without their risks and, in particular, we would highlight two very real dangers. Number one is that central banks remain too hawkish for too long, keeping policy too tight and ultimately catalysing a recession. Unfortunately, central bankers have form here having often overtightened historically, pushing economies into recession in the process. Time will tell.

The second concern is the adjustment from a low inflation/interest rate economy to a higher, more normal, interest rate and inflation economy. We are not in the camp of believing we are entering a period of structurally very high inflation and rates, but do view the last ten years of near zero rates as being something of an anomaly and the current process is actually a return to normality. Nonetheless, the adjustment process could prove a painful one. Already we have seen problems in the US regional banking sector and the UK pension LDI market, but these have been relatively contained and failed to cause a systemic problem within markets. Other areas that have used copious amounts of cheap debt include the commercial real estate

sector and private equity. Certainly the former looks to be vulnerable and both will need to be watched carefully for signs of structural contagion. Banks will also need to be monitored, albeit they have significantly improved their balance sheets post the Global Financial Crisis which will hopefully ensure they avoid a black hole this time around.

From a portfolio positioning perspective, we are increasingly running a more balanced approach. Whilst equities remain our core exposure, a zero-rate backdrop turbo charged markets and in particular favoured focusing almost entirely on longer duration assets such as technology. In the current higher rate world we have been adding more diversity in the form of value at the sector level and countries such as Japan at the country level. Similarly, whilst historically our defensive silo has been almost entirely populated by hedge funds and, importantly, having little exposure to bonds when rates were zero and inflation low, again we are looking to broaden this out. We have recently added a major position in insurance, given the surge in insurance rates with returns buoyed by a dearth of capital, as many insurance investors nursed losses from high levels of claims in recent years. Perhaps most notably though, with bonds suffering significant falls in the prices over the last 18 months and now showing positive real yields for the first time in many years, we are currently running our slide rule over the space with a view to re-entering. As ever, given our view that market timing is challenging to impossible, with few to no investors persistently doing

**Chart 2: Long dated Treasuries are down nearly 50% from their peak**



Source: Bloomberg.

it well, we will be gently and progressively leaning in as opportunities present themselves.

### Rise of the machines

In general, stock markets exhibit variations of similar themes, all with their own nuances, but essentially more or less a repeat of what has been seen before. Occasionally, however, something comes along which is game-changing – having the potential to lead to a structural shift in the way in which we live and creating new opportunities for investing. We may be on the cusp of just such a moment with the advent of Artificial Intelligence (“AI”).

Whilst the concept of AI has been around for decades, essentially since neural networks came to the fore, this year has seen something of an ‘iPhone moment’ with a sharp acceleration in its use. As a result, many AI linked companies have seen their share prices surge exponentially and fears have increased that AI would mean the beginning of the end for much of the workforce and, at the extreme, an existential challenge for mankind.

For this half’s commentary we try to address some of these issues, albeit recognising that predicting the impact of new technologies is challenging and has the scope to make commentators look extremely foolish with hindsight!

### What is AI and why is this AI’s moment?

AI as a concept has been around since the 1940s/50s and is defined as the ability for a computer or computer-controlled robot to perform tasks commonly associated with humans. Initially, AI was very narrow in its application with computers being trained to perform very specific tasks, but importantly they didn’t have the ability to learn and evolve. Examples include simple recommendation engines, such as which film you should watch on Netflix or recommendations for other products you may like on Amazon, to more complex forms such as IBM’s Deep Blue chess machine which was sufficiently advanced that it was able to win a match against a reigning chess world champion.

In contrast what we are seeing now is Deep Learning whereby computers have the ability to learn and plan, eliminating much of the need for human intervention. This is a key progression. A further subset of this is Generative AI whereby computer

### New technologies can make fools out of commentators!



“The horse is here to stay, but the automobile is only a novelty – a fad!”

*Advice given to Henry Ford’s lawyer, Horace Rackam, by an unnamed president of Michigan Savings Bank in 1903.*

models can generate new, original content that resembles existing data and is indistinguishable from what might be generated by humans. A further subset of this is Large Language Models (LLM) which are designed to generate text-based models.

Given that the concept of AI has been discussed since the days of Alan Turing (who proposed a ‘learning machine’), it might be asked why has AI suddenly exploded in its use over the last year? Well, like many technological advancements, they reach an ‘iPhone moment’ when all the necessary component parts come into existence. Take, for example, the invention of the aeroplane. Whilst the Wright Brothers were credited with inventing

### Many thought-leaders in the tech industry are lining up behind the AI story

“The development of AI is as fundamental as the creation of the microprocessor, the personal computer, the Internet and the mobile phone. Entire industries will reorient around it. Businesses will distinguish themselves by how well they use it.”



Source: Bill Gates, Gatesnotes, The Age of AI has begun, 21 March 2023

Is AI reaching an iPhone moment?



This is the “iPhone moment” of artificial intelligence. This is the time when all of the big ideas about mobile computing and all that, it all came together in a product that everyone kind of (says) I see it.”



Source: Jensen Huang, NVIDIA CEO, Feb 2023

the plane in the early part of the 20th century, in practice many of the principles on the concept of flying machines were discovered by a little-known British inventor called George Cayley who was born over 100 years before the Wright brothers’ first flight. The Wright brothers’ success however was largely dependent on the invention of the combustion engine and, in particular, motorcycle engines due to their lightness essential for successful motorised flight. In contrast Cayley only had the steam engine at his disposal which, unfortunately for him, was far too heavy for flight!

In much the same way, AI has benefited from the coming together of large data sets, computers with the processing power to work with vast volumes of data and

an acceleration in the development of machine learning algorithms.

The poster child for this revolution has been ChatGPT. Developed by OpenAI, Chat Generative Pre-Trained Transformer is a LLM designed to mimic human conversation. It is able to answer questions in a conversational way, answer follow-up questions, learn from its interactions and challenge incorrect premises. Following the launch of GPT-3.5 in late 2022, ChatGPT became the fastest growing consumer software application in history, gaining one million users within just five days and reaching over 100 million users in two months, all with zero marketing spend. The latest version, GPT-4 was released in March 2023. Moreover, its success has started an

arms race with all the major tech groups launching their own versions, including Google, Baidu and Meta, hoping no doubt to monetise on ChatGPT’s achievements, but also to prevent themselves being disintermediated just as they did to other companies in the past. Nobody wants to be tomorrow’s Nokia!

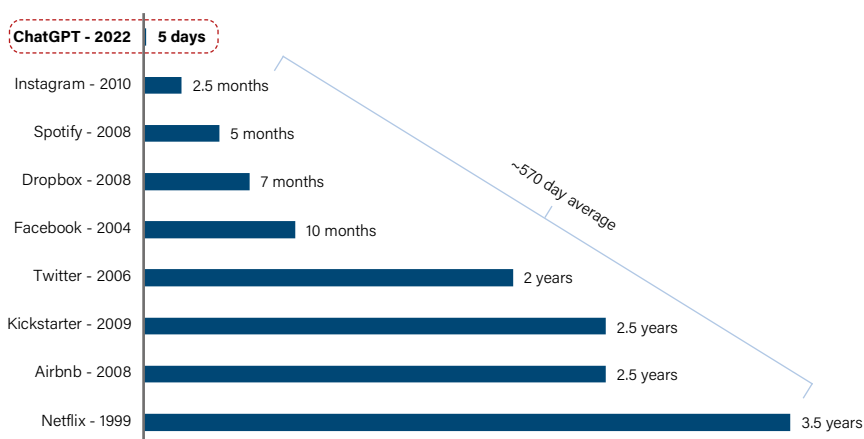
Why is AI important?

Much hyperbole surrounds the potential impact of AI but is this just a fad, in the same vein as most cryptocurrencies, or is it really the game changer that many are predicting?

Spoiler alert, we think it is the real deal as we do see AI having the potential to revolutionise many areas of work and the way in which we live, albeit predicting

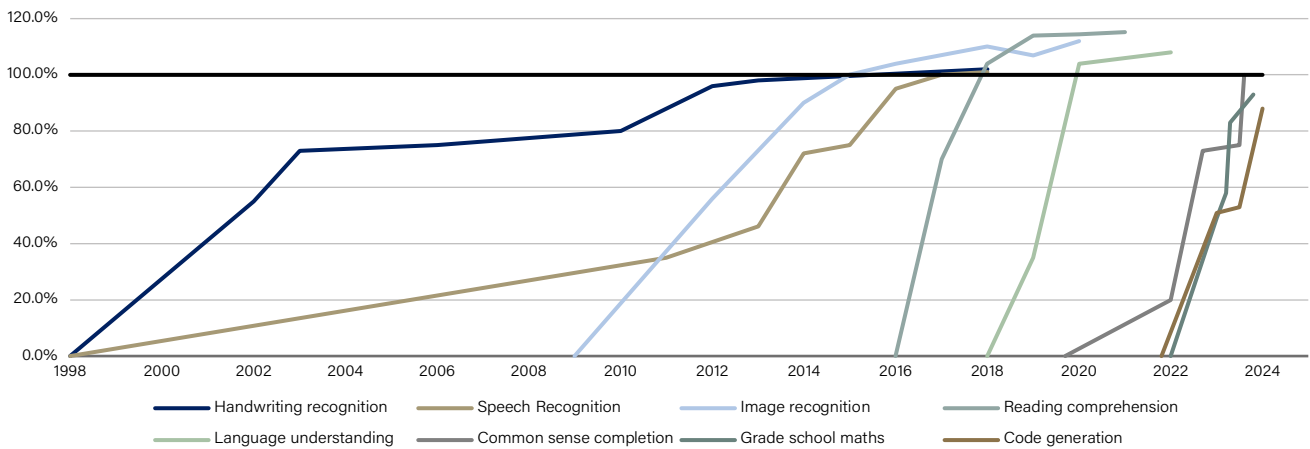
**ChatGPT became the fastest growing consumer software application in history, gaining one million users within just five days and reaching over 100 million users in two months.**

Chart 3: Time for selected online services to reach one million users



Source: The Economic Times, July 2023

Chart 4: AI has surpassed humans at a number of key tasks and the speed of development is increasing



Source: The Economic Times, July 2023

how it evolves is challenging, just as few predicted the spectacular growth in the app economy post the invention of the iPhone. Already, we are seeing AI make breakthroughs in processes previously the domain of humans and seemingly impossible for computers to replicate. Ranging from facial recognition to understanding speech, AI driven systems have now caught up with, and even exceeded in some cases, the results produced by humans.

This though just scratches the surface. As AI systems evolve, the newer forms of generative AI can learn from large sets of images and can create new, unique images based on trained data. Companies engaging in marketing campaigns will no longer have to retain graphic designers to

create their images or buy photos from image photobanks but instead AI systems will create precisely the image they require at minimal cost. This newfound creativity doesn't stop here and will also extend to video and music synthesis and even social media content generation. AI and machine learning algorithms are also the perfect candidates for quantum processing when the questions are more complicated than classical computers can calculate, though this field is still at a very early stage of development. This will eventually increase the speed with which AI can solve problems.

AI also has the potential to advance mankind. Autonomous vehicles are becoming a reality, as deep learning enables self-driving cars to detect

and recognise objects, lane detection, pedestrian tracking and to respond to their surroundings, albeit driving has proven to be more difficult for AI to master than many of its creators anticipated. Similarly, in the field of healthcare AI can assist in diagnosing diseases, analysing medical images and predicting data outcomes, contributing to more accurate diagnosis and personalised treatment plans. No longer will a patient have to wait to book an appointment with a doctor in an already overstretched healthcare system. Instead, AI driven computers will instantly, and more accurately, assess their symptoms and make better diagnosis of their illness based on vast datasets of up-to-date medical data rather than information taught to a doctor 30 years ago at medical school. Their treatment will

Conventional AI versus Generative AI

Conventional AI

Find images of a coffee shop.



Generative AI

Create an image of a coffee shop with a Hansa Capital Partners sign.



Source: Created by Image Creator powered by DALLE 3

## Goldman Sachs believes... that generative AI alone could form a \$7 trillion market or increase global GDP by 7%.

then be personalised to that individual rather than, for example, assuming that a 15-year-old male child is the same as an elderly female with a multitude of other conditions.

Extrapolating the impact of this from the specific to the general is, unsurprisingly, challenging. In terms of where we are now, a recent survey by the Harris Poll showed that approximately 70% of US companies now report using generative AI in their operations. As to the future, Goldman Sachs believes that widespread AI adoption could result in a 10-year period where annual productivity growth is as much as 1.5% higher than it otherwise would have been and that generative AI alone could form a \$7 trillion market or increase global GDP by 7%. To put this into context, this would be comparable to the two largest productivity booms since 1900, namely the widespread adoption of electricity and the PC/internet. Geographically, the US would likely lead the way given its head start in many areas of AI development. China may well be catching up given its investment in AI related technology, albeit much depends on the success of the US's campaign to restrict China's access to cutting edge

technology and vital components. In terms of asset classes, the natural beneficiary would be equities due to higher earnings from the productivity boom, although the drivers of stock market performance will vary significantly depending on which sectors are deemed winners and which are seen as losers.

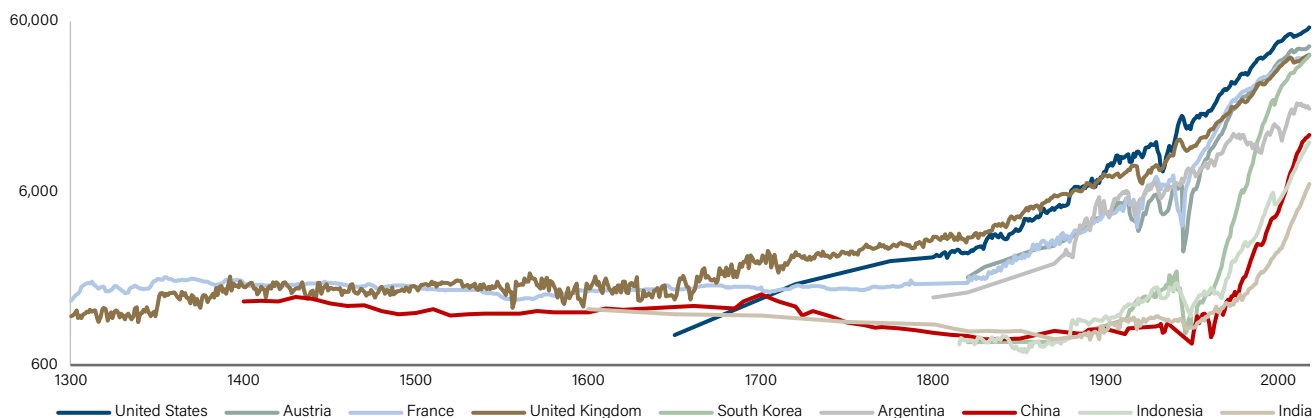
### Will AI lead to mass unemployment and a fundamental change to the way in which we work?

Whilst much has been discussed on the potential positive impacts of AI, there is an increasingly vocal part of society who are warning of the negative effects from AI, ranging from fears of mass unemployment to the abuse of how AI is used and even to threats to the existence of mankind. This then leads onto the thorny subject as to whether AI should be restricted in any way and its regulation.

From a jobs' perspective the threat from AI has turned technology disruption on its head. Previously it was the low paid, unskilled manual workers who were most at risk from technology, with their jobs under threat from either automation or robotics. This saw a multitude of manual workers, such as those in the textile

**Chart 5: New technologies have enhanced productivity**

GDP per capita adjusted for inflation and price differences between countries. Measured in international \$ in 2011 prices. Logarithmic scale.



Source: Goldman Sachs Global Investment Research

AI may disrupt jobs but ultimately will lead to a more prosperous civilisation with higher quality jobs



Source: Jeff Bezos

“ I predict that, because of artificial intelligence and its ability to automate certain tasks that in the past were impossible to automate, not only will we have a much wealthier civilization, but the quality of work will go up very significantly and a higher fraction of people will have callings and careers relative to today.”

industry, agriculture, or car production, being replaced by machines. AI, however, is affecting a different part of society. Initially AI was impacting those in jobs that require repetitive tasks, some level of data analysis and routine decision making. Now, however, with the development of advanced LLMs, we are seeing jobs which are further up the food chain vulnerable to being replaced. Notably those jobs that involve writing, calculating and high-level analysis are all increasingly susceptible to replacement, with people working in accountancy, administration, call centres and primary care likely to see part or all of their jobs being replaced or augmented by AI. In contrast we have the rather binary situation whereby those working in lower end, manual or service-related industries such as mechanics, hairdressers and painters, being hard to replace as are those in higher end, more complex jobs or requiring high-touch human interaction and personalised decision making.

Our view however is that AI should not be restricted in order to protect jobs. The advancement in human thinking and technology has been replacing jobs for a millennia and in the process raised the standard of living many thousands of times. We suspect few would want to go back to living in mud huts and surviving through subsistence farming. Instead we should see this as an opportunity to improve the way in which people live and, if history is anything to go by, new jobs will evolve and provide people with better life outcomes. Undoubtedly governments and society will need to think carefully as to how economies remain sufficiently dynamic, such that those affected can

retrain as opposed to creating areas of mass unemployment and prevent an even bigger income inequality gap from forming. However, with many developed countries facing aging populations and crippling labour shortages in certain industries, AI is likely to be a more palatable solution than increasing immigration or retirement ages.

More challenging is how we deal with AI being used for nefarious reasons. This ranges from school children using AI to cheat on their homework, to enabling terrorists to create bioweapons. This is likely to result in changes to how society works and greater regulation which may ultimately stymie some of the good uses AI can be used for. Teachers, for example, are already having to use AI to produce mock answers for the homework they set to check if children are using it and it may mean the end of coursework for setting grades, penalising those children who perform less well under exam conditions. Similarly, whilst AI is a wonderful enabler and can be used, for example, to code by a person who previously had no coding ability, it also facilitates such evils as bioweapon development for terrorist groups who previously lacked the ability. Clearly bad people will always find a way of doing bad things but much like the gun, AI does have the scope to magnify their actions. Whilst we are generally anti-regulation, with governments typically bad at regulating new tech and pressure groups using it for their own purposes, we suspect regulation will ultimately prove inevitable, and to some extent desirable, in this area.

**With many developed countries facing aging populations and crippling labour shortages in certain industries, AI is likely to be a more palatable solution than increasing immigration or retirement ages.**

### Is AI a bubble?

If we are right and AI is the real deal, is this already reflected in share prices and, indeed, are we already in bubble territory? Well, unfortunately, new paradigms and bubbles almost invariably go hand in hand and whilst many new paradigms meet, if not exceed, some of the wildest expectations, making money from them can be very challenging if all the good news is in the price. Take for example the internet boom of the late 90s. Few would deny the internet has evolved in ways that were barely conceivable at the time. However, as illustrated below, if we look at the top ten tech names of 1999, the peak of the dotcom bubble, only one of those names, Microsoft, has exceeded the performance of the S&P over the subsequent 23 years. The simple fact is that even if a new epoch in technology is upon us, valuations matter, and if they're already priced for perfection, generating returns to investors is likely to be impossible even if they meet these lofty expectations.

All is not lost, however. Whilst many names such as Nvidia have already seen their share prices surge exponentially, given we are still at the dawn of AI's development there will be many companies that are not overpriced and indeed there will be many companies who are yet to evolve who will play a leading role in the AI revolution.

It is also not just about playing those companies which are at the forefront of

### China is rapidly becoming a global leader in AI

“ US Intel warns China could dominate AI and gain military edge  
Beijings's ambitions in advanced technologies could give it an upper hand in healthcare and other vital sectors in the United States

Source: US National Counterintelligence and Security Center

developing the AI technologies but also those companies in more traditional industries who intelligently adopt AI to streamline their own processes, improving efficiency and margins within their businesses. Many management teams will prove to be immobile and resistant to change, or unable to evolve due to other factors such as trade union influence, and will likely see their businesses fall by the wayside versus more forward-looking companies who are early adopters.

An area to watch closely will be that of big tech. It is very rare for yesterday's successful companies to become tomorrow's winners. Inevitably large companies become intransigent as they become bound down by committees and processes and often the founders who had the vision to build the group are replaced by less visionary professional CEOs. This time may be different. The current big tech companies know all too well the dangers of disintermediation, after all they did exactly this to many other companies in the past. AI is also in their ballpark with

companies such as Microsoft and Google at the forefront of AI development. They are blessed with very deep pockets and even if they see the technology pivoting in a direction which is different from the route they have been pursuing, they have demonstrated their willingness to buy companies in their desire to stay ahead.

Perhaps the biggest danger, however, is not which company succeeds, but which country succeeds. The current AI development has a whiff of the atomic bomb race with both the US and China racing to become the dominant player in the field. The danger may be that a country becomes overly dominant and rather than using AI for good, uses it for advancing its own success at the expense of others.

### Conclusion

2023 has seen two important themes playing out. First, the normalisation process from the excesses of the past ten years whereby we exit a zero inflation/interest rate world and return to a more normal backdrop and, second,

Chart 6: The aftermath of the 1999 tech bubble – how did the largest companies perform in the subsequent years

Top Ten Tech Names of 1999	Starting Market Cap (bn)	Cumulative Growth of \$1	Years Spanned	Annualised Return
Microsoft	\$602.43	\$6.55	23.0	8.5%
Cisco Systems	\$350.42	\$1.25	23.0	1.0%
Intel	\$275.01	\$1.09	23.0	0.4%
IBM	\$194.46	\$2.36	23.0	3.8%
America Online (AOL)	\$169.62	\$0.81	18.5	-1.1%
Oracle	\$159.54	\$3.51	23.0	5.6%
Dell Computer	\$130.82	\$0.28	13.8	-8.8%
Sun Microsystems	\$120.89	\$0.06	10.1	-24.2%
Qualcomm Inc.	\$115.94	\$1.88	23.0	2.8%
Hewlett Packard	\$115.91	\$1.89	23.0	2.8%
<b>S&amp;P 500</b>		<b>\$4.05</b>	<b>23.0</b>	<b>6.3%</b>

Source: Research Affiliates



## We are increasingly seeing opportunities outside the US, in countries such as Japan which is undergoing a period of change combined with attractive valuations.

the acceleration of the AI trend. In the former, we watch carefully for signs of dysfunctionality, aware that such events can lead to systemic risks especially in those areas that have binged on cheap debt, including real estate and private equity. We have also been broadening out our portfolios, especially at the sector level, where we have been adding value exposure to our growth holdings. Whilst still of the view we are mid-change in the technological revolution that has been playing out in recent years, we also believe that a higher rate backdrop makes value investing a far more profitable enterprise. Similarly, at the country level we are increasingly seeing opportunities outside the US, in countries such as Japan which is undergoing a period of change combined with attractive valuations. In the more defensive space we have added to our insurance exposure and, for the first time in a decade, we are running our slide rule over bonds having studiously avoided them for many years.

In terms of how we capitalise on the acceleration of the AI trend, we are following a two-pronged approach. In the public space our model of using specialist external managers to invest on our behalf should stand us in good stead. We are blessed in having great managers such as Ben Rogoff at Polar Capital, who has been at the forefront of technology investing for many years. Importantly he has managed money through both the good and the bad times and has the scars to bear for it when markets move from bubble to bust. Secondly, we are playing the private space through investing in venture capital. We have long believed in the concept that the one thing you can be certain about is change and have sought to protect ourselves and, indeed, capitalise on this through investing in venture capital. The managers of these funds, such as Khosla Ventures, specialise in identifying and investing in new technologies and concepts. These types of managers are at the cutting edge of this change process

and AI will likely form a cornerstone of their funds in the years to come.

### Portfolio Review and Activity

During the first half of the financial year the NAV total return of your Company was 4.3%, ahead of the 3.8% rise of the MSCI ACWI NR Index (GBP) and strongly ahead of the 6.0% decline of the FTSE UK Gilts All Stocks TR Index. While they rose over the period, global equity markets have been somewhat bumpy, as investors have become more concerned about the prospect of rates remaining higher for longer. Many of the large tech stocks (the so-called Magnificent Seven – Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) that have driven market returns this year started to decline over the summer, which weighed on the overall market. Sterling weakness against a strong dollar boosted returns measured in sterling. Government bonds continued their decline as yields rose, especially at the long end in the US Treasury market. Commodities were a notable outperformer, with energy gaining as oil production cuts were implemented by Saudi Arabia and Russia.

Over the last 12 months the NAV total return was 8.5%, while the MSCI ACWI NR Index gained 10.2%, UK CPI is up 6.7% and the FTSE UK Gilts All Stocks TR Index has fallen 2.5%. Over both the half year and the last 12 months the performance has compared very favourably with the classic 60:40 equity/bond balanced portfolio, which fell 0.2% over six months and is up 5.0% over 12 months.

The position in Ocean Wilsons Holdings gained a strong 14.5% over the first half of the year and it is now up 26.5% for the past year. We believe its investment portfolio offers very useful diversification benefits, with significant exposure to private equity including venture capital. The Brazilian market has performed more strongly recently, helped by improving sentiment towards the country, which should be

supportive of its Wilson Sons position. Increasing global trade and more activity in the offshore energy sector are helping to drive improved operational results for the company.

The Company's net asset value per share rose from 305.8 pence at the end of March 2023 to 317.4 pence at the end of September 2023, with 1.6 pence per share being paid out as a dividend during the period.

### Core and Thematic Funds

The Core Regional silo made a gain of 3.2% during the first half of the financial year, while the Thematic silo rose 1.9%. For the last 12 months, the two silos' returns were 5.8% and 1.4%, respectively.

Most of the North American holdings made positive returns over the first half of the financial year. The weakness of the large cap technology names in the second quarter, that had driven index returns earlier in the year, made it somewhat easier for active managers to begin to outperform. **Findlay Park American** and **Pershing Square Holdings** made returns of 9.1% and 6.4%, respectively. **Select Equity** delivered a gain of 3.3%, **iShares Core S&P 500 ETF** increased 7.6%, while **Armistice Capital**, a position that was added in June and which invests long and short in the healthcare, consumer and TMT sectors, was down 1.7%. **Beutel Goodman US Value** lagged the other holdings with a fall of 0.7%. The Findlay Park fund owns just three of the mega-cap tech stocks (Microsoft, Alphabet and Nvidia), with a combined weighting of 9.2% versus 25.4% for the Russell 1000 benchmark. The managers continue to find better opportunities in mid-cap companies with compelling growth and quality characteristics, but without the rising competitive intensity and regulatory pressures that face the mega-cap companies. Some of the fund's top active positions that contributed to its positive performance over the first half included EOG Resources (oil and gas), Arthur J. Gallagher (insurance broker)

and Intuit (accounting software). The Select fund had some strong contributors in its technology, industrials and financials exposures, with names such as Morningstar (information services), Martin Marietta Materials (construction materials) and Brown & Brown (insurance brokers) performing well.

Performance in Japan was mixed, with **Indus Japan** being flat while **Goodhart: Hanjo** fell 5.6%. Over 12 months the Indus fund is up 5.2%, while the Hanjo fund has declined 2.6%. The Indus fund is fairly concentrated with 36 names and holdings such as Nippon Shinyaku (pharmaceutical manufacturer) and Pan Pacific (discount stores) performed well later in the period. While the Indus fund has substantial exposure to large-cap names, the Hanjo fund focuses on small and mid-cap names and unfortunately has not kept pace with the broader Japan market this year.

**Egerton Long-Short Fund** has returned 2.9% during the first half of the financial year, and is up 1.6% over 12 months. There was strong performance from energy positions, such as Cenovus Energy that gained over 20%. The manager believes this Canadian company is undervalued as a low-cost oil producer, with long reserve

life that should deliver strong cash flow generation and returns to shareholders. Its reserves require limited capital spending, as they have low decline rates, and their method of extraction involves less environmental impact than mining or fracking. While investors are grappling with the valuation of traditional energy sources against the backdrop of carbon-free technologies, the manager notes that Canadian oil companies and the government are negotiating the world's largest carbon capture project which could sequester up to 12m tons of CO2 per year. Another theme in the fund is travel, with positions such as Ryanair, Booking Holdings and Hilton Worldwide, which delivered strong gains over the first half of the year.

Within the emerging and frontier market holdings, **NTAsian Discovery** and **BlackRock Frontiers Investment Trust** have performed strongly during the first half of the financial year with returns of 4.7% and 9.5%, respectively. Over the last 12 months the BlackRock trust has performed very well, being up 16.2%, while the NTAsian fund is up just 0.1%. The NTAsian fund has its largest country weight in Vietnam, where the economy is



BlackRock Frontiers Investment Trust returned 9.5% in the first half of the year. The company's performance was assisted by a significant exposure to financials, including Bank Central Asia, the largest private bank in Indonesia, headquartered in BCA Tower in Jakarta.

*Photo courtesy of Bank Central Asia*



showing accelerating growth. The largest position is FPT, an IT conglomerate which has reported strong revenue growth led by its global IT services division. The company has recently announced plans to invest \$100m into the US market, as well as a new contract with the European Union Aviation Safety Agency. The stock gained 35% during the first half of the year. The BlackRock Frontiers Trust's good performance has been aided by some of its financials holdings, which is its largest sector exposure at 38%. Banks such as National Bank of Greece and Commercial International Bank Egypt contributed good performance, with other strong performers being Elm Co, an IT services business in Saudi Arabia and the Philippine property developer Ayala Land.

There were mixed performances in the Thematic holdings during the first half of the financial year, although they included some very strong returns. **RA Capital International Healthcare** gained 12.9%, although **Worldwide Healthcare Trust** was flat. The portfolio's exposures to commodity equities diverged as **iShares MSCI World Energy ETF** rose by 11.5%, taking it to a 15.4% return over the last year, while **iShares MSCI Global Metal**

**and Mining Producers ETF** fell back 4.5%, although it too has been strong over the last 12 months, with a return of 10.6%. **Polar Capital Global Insurance Fund** returned 8.3% which brings its 12 month return to 13.0%.

**Diversifying Funds**

The Diversifying holdings provide an alternative source of returns whilst dampening volatility and displaying low beta to the equity market. While their longer-term performance has been positive, they delivered a slight decline of 0.4% in the first half of the financial year and have fallen by 2.2% over the last 12 months. However, the returns over both periods have beaten the losses in the bond markets, with the UK Gilt Index being down 6.0% in the past six months and down 2.5% over the year.

Many of the holdings in this part of the portfolio performed well during the quarter, although **DV4 Limited**, the private real estate vehicle that is gradually liquidating its assets, declined by 10.4% owing to some asset markdowns earlier in the period which reflected rising property yields. In the trend-following CTA funds, **Schroder GAIA BlueTrend** displayed



Within Thematic holdings, RA Capital International Healthcare gained 12.9%. The manager invests worldwide in healthcare and life science companies developing drugs, medical devices, diagnostics, services and research tools, across all stages from discovery through to commercialisation.



## Case Study

# Eurowag

In this quarter, we welcomed a new addition to our portfolio – Eurowag. Historically known as a pure-play fuel card and toll payment provider for the European trucking industry, Eurowag has undergone a remarkable transformation over the last few years. Since 2017, the company has shifted its strategic focus towards becoming an end-to-end provider of software solutions for the industry, spanning from payments to fleet management and telematics.

It has a diverse client base given the fragmentation in the market and it now enjoys 28% of revenue coming from subscriptions. Management has a very sizeable ownership stake, while the growth outlook is promising. Drivers of growth include increased market penetration within the fragmented customer base, as well as the untapped potential to provide additional services to existing customers, facilitated by a forthcoming integrated platform. We believe the company is conservatively valued, with the integrated platform's success effectively being provided as a free option, given the 10% free cash flow yield.

Our view on the company differs from others', as we foresee a future in which the company could multiply in size if the transition proves successful. We believe the market currently undervalues this potential, largely due to a challenging IPO in late 2021 and investor caution surrounding UK small/midcap companies, with limited stock market history and Eastern European exposure.

It's important to acknowledge the associated risks. Eurowag carries higher leverage than we would ideally prefer, with a net debt to EBITDA ratio of 2.9x. Moreover, the success of integrating new businesses and the ability to deliver the new platform are not guaranteed and may potentially divert management's attention from the cash-generating payments business. We have opted to take a measured approach by establishing a smaller position, guided by our belief in limited downside risk. We plan to lay out a series of milestones to monitor the progress of our thesis, including reducing debt below 2.5x, increasing average revenue per user and expanding the number of trucks served. In the journey ahead, we remain cautiously optimistic about Eurowag's potential and we are committed to making informed, milestone-driven decisions in the best interest of our investors.

strong performance with a rise of 9.0%, but **GAM Systematic Core Macro** fell by 0.3%. However, both remain down over 12 months given the difficult period of performance they endured in late 2022. The event-driven fund **Global Event Partners** returned 1.4% this half year, leaving it down just 0.2% over the last year.

**Nephila Iron Catastrophe Fund**, the specialist strategy fund investing in catastrophe bonds and other insurance-related securities, which we added to the portfolio last quarter, has performed strongly, with a return since purchase of 12.3%. It is pleasing to see this performance in the early days of owning the fund. Strong returns are not surprising given that valuations in the space appear extremely attractive, however, we are now in the most active period of the year for US hurricanes and how the season develops will have a significant influence on the fund's performance.

Despite the very difficult environment for sovereign bond investors, with steeply rising yields affecting the US Treasury curve, several of the diversifying fixed income holdings managed to deliver positive performance. **Brevan Howard Absolute Return Government Bond**

**Fund** made a gain of 1.3%, as it recovers from its difficult period of performance in March 2023 and it is down 1.5% over 12 months. **Selwood Liquid Credit Strategy** has continued its period of excellent performance, with a gain of 8.7% over six months and is now up 36.7% over the last year. **Apollo Total Return Fund** also gained, being up another 3.8% to be up 5.4% over 12 months. The position in the passive **Vanguard US Government Bond Index Fund** lost 4.8% during the first half of the financial year and is down 1.9% over the last year.

### Global Equities

The portfolio rose 2.4% over the first half, with the biggest contributors being **Subsea 7, Interactive Brokers** and **Arch Capital**. The biggest detractors were **Orion, Dollar General** and **ViaSat**.

In addition to buying **Eurowag**, we added to our positions in **Interactive Brokers, GCO, Subsea 7, Bergman & Beving, Glencore** and **CTT**. To fund these purchases, we sold our positions in **CVS, Dollar General** and **Viasat**, and reduced our holdings in **Arch, EXOR** and **CK Hutchison**.



We added to our holding in Bergman & Beving, the Swedish-listed group specialising in acquiring and developing niche companies in the industrial and construction industries. Its subsidiaries are organised into three divisions – building materials, workplace safety and tools & consumables. Recent acquisitions include Polartherm, whose mobile heaters help clients, such as the US Air Force and Canadian army, keep important equipment from freezing in Alaska, Greenland and the South Pole.

*Photo courtesy of Bergman & Beving*



**Results in the towage division were particularly strong, with higher volumes, a larger deadweight of ships attended and an increase in average revenue per manoeuvre.**

### **Ocean Wilsons Holdings**

As the largest integrated provider of port and maritime logistics in Brazil, we believe the Ocean Wilsons' subsidiary, Wilson Sons, is well-placed to perform in the coming years. The business has a strong competitive position, being the leading provider of towage services in Brazil with the largest and most modern fleet, as well as operating major container terminals in the north and south of the country: Rio Grande and Salvador. The company is benefiting from the continuing recovery in global trade, as well as a rebounding demand for its offshore energy-linked services, which should provide the basis for improved performance of the firm's assets.

There has been further evidence of improving results across the business, with the second quarter results (released in August) showing strong revenue growth. Results in the towage division were particularly strong, with higher volumes, a larger deadweight of ships attended and an increase in average revenue per manoeuvre. In the container terminal division, operational growth has been mainly driven by robust volume recovery at the Rio Grande terminal. Operational data for the first nine months of the year show strong growth, with total volumes in the container terminals division being 12.0% higher than last year and the number of vessel turnarounds in the offshore support bases being more than 50% higher than the previous period, thanks to markedly higher demand for the company's offshore energy-linked services. In the second quarter Wilson Sons' shipyard delivered WS Rosalvo, the third of a series of six tugboats which will add over 90 tonnes of bollard pull to the fleet by 2024. The vessel is already operational in the port of Açú.

The investment portfolio shares many characteristics with the portfolio held directly within Hansa Investment Company, with a preference for funds with clearly-defined strategies, run by managers with skin in the game. The portfolio delivered a return of 4.5% over the first six months of 2023, with particularly strong performance coming from its core regional exposures. The most recent valuation for the investment portfolio was \$299.7m as at end June 2023, which represents an increase of 0.5% from March 2023 and an increase of 2.0% from December 2022. Performance has been helped by thematic

exposures to energy and commodities, as well as the private market investments which have demonstrated resilience. Some of the largest private equity positions include venture capital funds of funds managed by Stepstone, US buyout and growth funds managed by KKR and TA Associates and a financials-focused fund managed by Reverence Capital. Dividends totalling \$5.5m, in two tranches, were paid to the parent company from the portfolio in May and June.

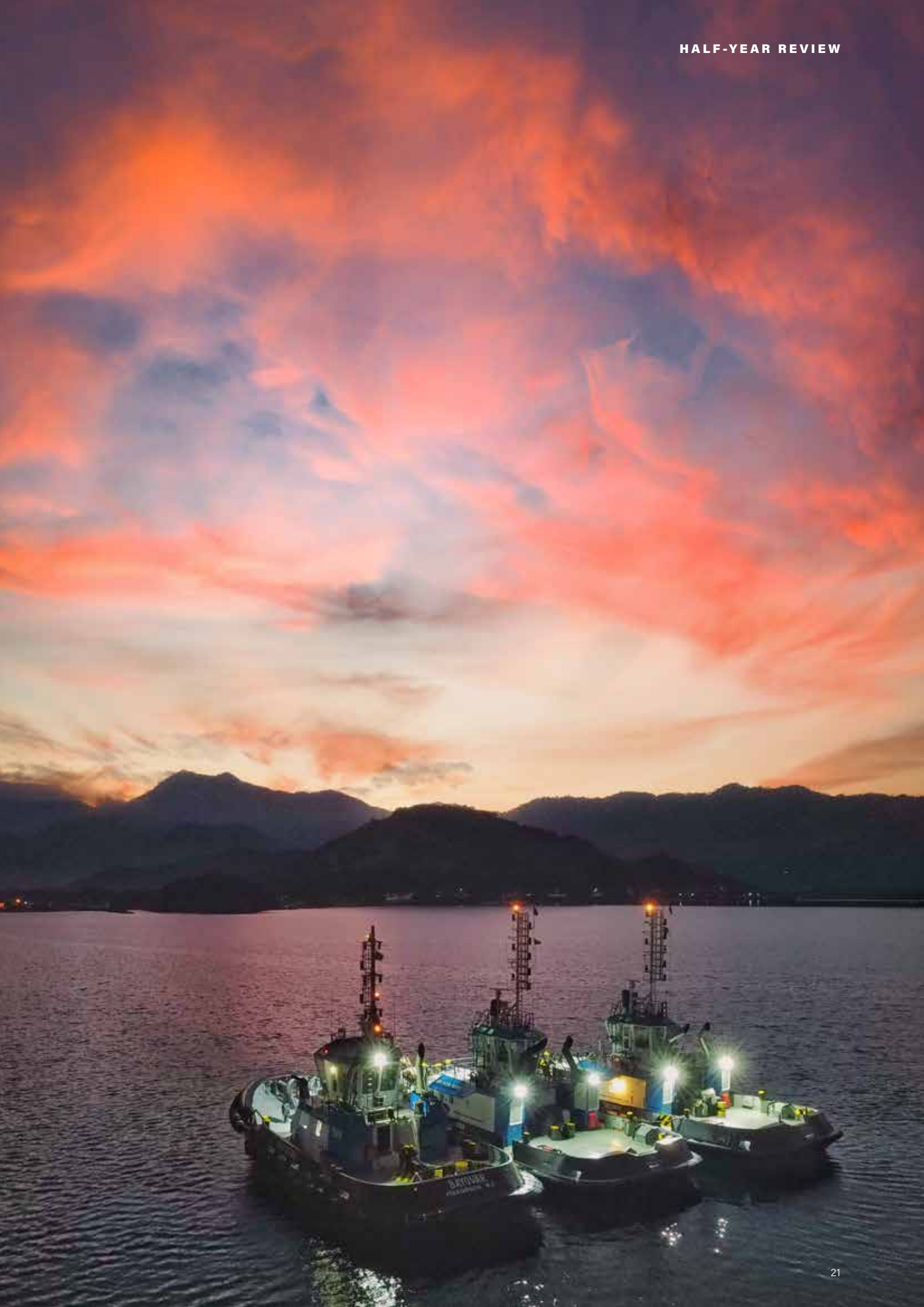
On 12 June 2023, the Board of Ocean Wilsons Holdings made an announcement in which they confirmed they are undertaking a strategic review involving their investment in Wilson Sons. The review, which will consider all potential strategic options, is currently at an early stage and there can be no certainty as to its outcome. There have been no further announcements regarding the progress of this review, but we will report on any developments as they are made known.

**Alec Letchfield**  
*Chief Investment Officer*  
October 2023



Three Wilson Sons tugboats (Bayovar, Lyra and Uranus) in Itaguaí (RJ). Collective vessel mooring of this type allows sharing of a single generator unit amongst all vessels providing benefits of reduced fuel consumption and reductions in emissions.

*Photo courtesy of Wilson Sons*



# The Portfolio

As at 30 September 2023

Investments	Fair value £000	% of net assets
<b>Core regional funds</b>		
Findlay Park American Fund	26,749	7.0
iShares Core S&P 500 UCITS EFT	22,978	6.0
Select Equity Offshore Ltd	18,991	5.0
BlackRock Strategic Hedge Fund	14,472	3.8
Schroder ISF Asian Total Return	10,374	2.7
Pershing Square Holdings Ltd	9,862	2.6
iShares Core MSCI Europe UCITS ETF	8,246	2.2
Schroder ISF Global Recovery	8,082	2.1
BA Beutel Goodman US Value Fund	7,914	2.1
Indus Japan Long-Only Fund	7,179	1.9
Armistice Capital Offshore Fund Ltd	6,790	1.8
Goodhart Partners: Hanjo Fund	6,061	1.6
KLS Corinium Emerging Markets Equity Fund	4,486	1.2
NTAsian Discovery Fund	4,262	1.1
iShares Core EM IMI UCITS ETF	4,121	1.1
BlackRock Frontiers Investment Trust PLC	3,808	1.0
	<b>164,375</b>	<b>43.2</b>

## Strategic

Wilson Sons (through our holding in Ocean Wilsons Holdings Limited) <sup>1</sup>	54,209	14.2
Ocean Wilsons (Investments) Limited (through the holding in Ocean Wilsons Holdings Limited) <sup>1</sup>	36,139	9.5
	<b>90,348</b>	<b>23.7</b>

## Global equities

Interactive Brokers Group Inc	5,103	1.3
Subsea 7	4,142	1.1
Grupo Catalana Occidente SA	4,101	1.1
Orion Engineered Carbons SA	3,658	1.0
Arch Capital Group Ltd	3,478	0.9
Exor NV	2,731	0.7
Coats Group PLC	2,511	0.7
Bergman & Beving	2,371	0.6
CK Hutchison	1,865	0.5
Glencore PLC	1,856	0.5
CTT Correios de Portugal	1,327	0.3
Eurowag	1,288	0.3
	<b>34,431</b>	<b>9.0</b>



	Fair value £000	% of net assets
<b>Investments</b>		
<b>Diversifying</b>		
Global Event Partners Ltd	7,853	2.1
DV4 Ltd <sup>2</sup>	7,778	2.0
Hudson Bay International Fund Ltd	5,266	1.4
MKP Opportunity Offshore Ltd	3,274	0.9
Schroder GAIA BlueTrend	3,143	0.8
GAM Systematic Core Macro (Cayman) Fund	3,114	0.8
Nephila Iron Catastrophe Fund Ltd	2,841	0.7
Selwood AM - Liquid Credit Strategy	2,682	0.7
Apollo Total Return Fund	2,505	0.7
Keynes Dynamic Beta Strategy Offshore Fund Limited	2,467	0.6
Prana Absolute Return Fund	2,016	0.5
Brevan Howard Absolute Return Government Bond Fund	1,753	0.5
Vanguard US Government Bond Index Fund	1,431	0.4
BioPharma Credit PLC	1,279	0.3
Lazard Convertible Global	714	0.2
	<b>48,116</b>	<b>12.6</b>
<b>Thematic assets</b>		
Polar Capital Funds - Global Insurance Fund	7,451	2.0
Polar Capital Funds - Global Technology Fund	5,902	1.5
GAM Star Fund PLC - Disruptive Growth	4,302	1.1
Impax Environmental Markets Fund	3,276	0.9
Worldwide Healthcare Trust PLC	3,011	0.8
RA Capital International Healthcare Fund	2,984	0.8
iShares MSCI World Energy Sector UCITS ETF	2,387	0.6
iShares MSCI Global Markets & Mining Producers ETF	1,728	0.5
BB Biotech AG	1,570	0.4
	<b>32,611</b>	<b>8.6</b>
<b>Total investments</b>	<b>369,881</b>	<b>97.1</b>
Net current assets	11,000	2.9
<b>Net assets</b>	<b>380,881</b>	<b>100.0</b>

<sup>1</sup> Hansa Investment Company Limited owns 9,352,770 shares in Ocean Wilsons Holdings Limited ("OWHL"). The two subsidiaries of OWHL, Wilson Sons and Ocean Wilsons (Investments) Limited ("OWIL"), are shown separately above. The fair value of the Company's holding in OWHL has been apportioned across the two subsidiaries in the ratio of the latest reported NAV of OWIL, that being the NAV of OWIL shown per the 30 June 2023 OWHL quarterly update, to the market value of OWHL's holding in Wilson Sons, that being the bid share price of Wilson Sons multiplied by the number of shares held by OWHL at 30 September 2023.

<sup>2</sup> DV4 Ltd is an unlisted Private Equity holding. As such, its value is estimated as described in Note 1(k) to the Statutory Financial Statements and is listed as a Level 3 Asset in note 20 of the Statutory Financial Statements 31 March 2023. All other valuations are either derived from information supplied by listed sources, or from pricing information supplied by third party fund managers.

# Half-Year Management Report

The Directors present their Report and Condensed Financial Statements for the period to 30 September 2023.

## The Board's objectives

The Board's primary objective is to achieve growth of shareholders' value over the medium to long term by investing in a diversified and multi-strategy portfolio.

## The Board

Your Board consists of the following persons, each of whom brings certain individual and complementary skills and experience to the Board's workings:

Jonathan Davie (Chairman of the Board and Management Engagement Committee); Richard Lightowler (Chairman of the Audit Committee); Simona Heidempergher (Chairman of the Remuneration Committee); William Salomon; and Nadya Wells (Chairman of the Nomination Committee and Senior Independent Director).

Individual profiles for each member of the Board can be found in the Company's Annual Report each year. These can also be found on our website together with summaries of each of the Governance Committees of the Board.

## Business Review for the period to 30 September 2023

The Business Review includes a discussion of important events which occurred within the period to 30 September 2023 and is covered in the Chairman's Report and the Portfolio Manager's Report.

Hansa Investment Company Limited ("HICL", "the Company") is a Bermudan company formed in June 2019 to take on the business of Hansa Trust Ltd ("Hansa Trust") which transferred to it in August 2019. As a company, HICL has approximately four years of direct financial history. Therefore, when discussing the medium and longer-term financial performance of the Company and its portfolio, the Board will continue to incorporate the financial performance from Hansa Trust, as well as HICL where relevant.

## Principal risks for the financial year to 31 March 2024

The key risks and uncertainties relating to the period ended 30 September 2023 and for the year ending 31 March 2024 are materially the same as those reported in the Annual Report for the Company for the year ended 31 March 2023. The principal risks and uncertainties identified are:

### External

- Market risk – long-term company share performance
- Performance risk, share price, liquidity and discount monitoring
- Tax, accounting, legal and regulatory risks
- Reputational risk

### Internal

- Operational risk
- Gearing/balance sheet risk

## Going Concern basis of accounting for the period to 30 September 2023

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Half-Year Financial Statements. The Directors do not know of any material uncertainties to the Company's ability to continue to adopt this approach over a period of at least 12 months from the date of approval of these Financial Statements.

The Directors will include a Long-Term Viability Statement in each Annual Report.

## Related party transactions

During the period, Hansa Capital Partners LLP charged portfolio management fees and administrative services fees to the Company, amounting to £1,439,000 excluding VAT (six months to 30 September 2022: £1,406,000; year to 31 March 2023: £2,824,000). Amounts outstanding at 30 September 2023 were £239,000 (30 September 2022: £231,000; 31 March 2023: £241,000).

## The Board's responsibilities

The Board is charged by the shareholders with responsibility for oversight of the affairs of the Company. It involves the stewardship of the Company's assets and liabilities and the pursuit of growth of shareholder value. These responsibilities remain unchanged from those detailed in the last Annual Report.

The Directors confirm to the best of their knowledge that:

- The condensed set of Financial Statements contained within the Half-Year Financial Report (commencing on page 25) have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' and on a going concern basis.
- This Half-Year Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure and Transparency Rules.

The above Half-Year Management Report, including the Statement of the Board's Responsibilities, was approved by the Board on 16 November 2023 and was signed on its behalf by:



**Jonathan Davie**  
Chairman  
16 November 2023

# Financial Statements



## Income Statement

For the six months ended 30 September 2023

	(Unaudited) Six months ended 30 September 2023			(Unaudited) Six months ended 30 September 2022			(Audited) Year ended 31 March 2023		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains/(losses) on investments held at fair value through profit or loss	-	12,324	12,324	-	(30,520)	(30,520)	-	(14,924)	(14,924)
Foreign exchange (losses)/gains	-	(335)	(335)	-	346	346	-	327	327
Investment income	6,186	-	6,186	6,003	-	6,003	6,892	-	6,892
	<b>6,186</b>	<b>11,989</b>	<b>18,175</b>	<b>6,003</b>	<b>(30,174)</b>	<b>(24,171)</b>	<b>6,892</b>	<b>(14,597)</b>	<b>(7,705)</b>
Portfolio management fees	(1,439)	-	(1,439)	(1,406)	-	(1,406)	(2,824)	-	(2,824)
Other expenses	(900)	-	(900)	(659)	-	(659)	(1,527)	-	(1,527)
	<b>(2,339)</b>	<b>-</b>	<b>(2,339)</b>	<b>(2,065)</b>	<b>-</b>	<b>(2,065)</b>	<b>(4,351)</b>	<b>-</b>	<b>(4,351)</b>
<b>Income/(losses) before finance costs</b>	<b>3,847</b>	<b>11,989</b>	<b>15,836</b>	<b>3,938</b>	<b>(30,174)</b>	<b>(26,236)</b>	<b>2,541</b>	<b>(14,597)</b>	<b>(12,056)</b>
Finance costs	-	-	-	(1)	-	(1)	(1)	-	(1)
<b>Income/(losses) for the period</b>	<b>3,847</b>	<b>11,989</b>	<b>15,836</b>	<b>3,937</b>	<b>(30,174)</b>	<b>(26,237)</b>	<b>2,540</b>	<b>(14,597)</b>	<b>(12,057)</b>
Return per Ordinary and 'A' non-voting Ordinary share	3.2p	10.0p	13.2p	3.3p	(25.2)p	(21.9)p	2.1p	(12.2)p	(10.1)p

The Company does not have any income or expense not included in the Profit for the period. Accordingly the "Income/(losses) for the period" is also the "Total Comprehensive Income for the period", as defined in IAS 1 (revised) and no separate Statement of Comprehensive Income has been presented.

The total column of this Statement represents the Income Statement, prepared in accordance with IAS 34. The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies.

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

# Balance Sheet

As at 30 September 2023

	(Unaudited) 30 September 2023 £000	(Unaudited) 30 September 2022 £000	(Audited) Year ended 31 March 2023 £000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	369,881	343,518	353,262
	<b>369,881</b>	<b>343,518</b>	<b>353,262</b>
<b>Current assets</b>			
Trade and other receivables	5,615	93	128
Cash and cash equivalents	5,845	11,406	13,987
	<b>11,460</b>	<b>11,499</b>	<b>14,115</b>
<b>Current liabilities</b>			
Trade and other payables	(460)	(312)	(412)
<b>Net current assets</b>	<b>11,000</b>	<b>11,187</b>	<b>13,703</b>
<b>Net assets</b>	<b>380,881</b>	<b>354,705</b>	<b>366,965</b>
<b>Capital and reserves</b>			
Called up share capital	1,200	1,200	1,200
Contributed surplus	322,839	323,799	323,799
Retained earnings	56,842	29,706	41,966
<b>Total equity shareholders' funds</b>	<b>380,881</b>	<b>354,705</b>	<b>366,965</b>
<b>Net asset value per Ordinary and 'A' non-voting Ordinary share</b>	<b>317.4p</b>	<b>295.6p</b>	<b>305.8p</b>

## Statement of Changes in Equity

	Share capital £000	Contributed surplus reserve £000	Retained earnings £000	Total £000
<b>For the six months ended 30 September 2023 (unaudited)</b>				
Net assets at 1 April 2023	1,200	323,799	41,966	366,965
Profit for the period	-	-	15,836	15,836
Dividends	-	(960)	(960)	(1,920)
<b>Net assets at 30 September 2023</b>	<b>1,200</b>	<b>322,839</b>	<b>56,842</b>	<b>380,881</b>

	Share capital £000	Contributed surplus reserve £000	Retained earnings £000	Total £000
<b>For the six months ended 30 September 2022 (unaudited)</b>				
Net assets at 1 April 2022	1,200	324,759	56,903	382,862
Loss for the period	-	-	(26,237)	(26,237)
Dividends	-	(960)	(960)	(1,920)
<b>Net assets at 30 September 2022</b>	<b>1,200</b>	<b>323,799</b>	<b>29,706</b>	<b>354,705</b>

	Share capital £000	Contributed surplus reserve £000	Retained earnings £000	Total £000
<b>For the year ended 31 March 2023 (audited)</b>				
Net assets at 1 April 2022	1,200	324,759	56,903	382,862
Loss for the year	-	-	(12,057)	(12,057)
Dividends	-	(960)	(2,880)	(3,840)
<b>Net assets at 31 March 2023</b>	<b>1,200</b>	<b>323,799</b>	<b>41,966</b>	<b>366,965</b>

# Cash Flow Statement

For the six months ended 30 September 2023

	(Unaudited) Six months ended 30 September 2023 £000	(Unaudited) Six months ended 30 September 2022 £000	(Audited) Year ended 31 March 2023 £000
<b>Cash flows from operating activities</b>			
Profit/(loss) before finance costs	15,836	(26,236)	(12,056)
Adjustments for:			
Realised gains on investments	(1,369)	(1,646)	(5,571)
Unrealised (gains)/losses on investments	(10,955)	32,166	20,495
Foreign exchange	335	(346)	(327)
(Increase)/decrease in trade and other receivables	(5,487)	108	73
Increase/(decrease) in trade and other payables	48	(56)	44
Purchase of non-current investments	(40,892)	(49,695)	(78,568)
Sale of non-current investments	36,597	55,643	90,368
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(5,887)</b>	<b>9,938</b>	<b>14,458</b>
<b>Cash flows from financing activities</b>			
Interest paid on bank loans	-	-	-
Dividends paid	(1,920)	(1,920)	(3,840)
<b>Net cash outflow from financing activities</b>	<b>(1,920)</b>	<b>(1,921)</b>	<b>(3,841)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(7,807)</b>	<b>8,017</b>	<b>10,617</b>
Cash and cash equivalents at start of period	13,987	3,043	3,043
Foreign exchange	(335)	346	327
<b>Cash and cash equivalents at end of period</b>	<b>5,845</b>	<b>11,406</b>	<b>13,987</b>

# Notes to the Financial Statements

## 1 Accounting policies

Hansa Investment Company Limited is a company limited by shares, registered and domiciled in Bermuda with its registered office shown on page 36. The principal activity of the Company is an investment vehicle.

### (a) Basis of preparation

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") means standards and interpretations issued (or adopted) by the International Accounting Standards Board (they comprise: International Reporting Standards, International Accounting Standards ("IAS") and Interpretations developed by the IFRS Interpretations Committee or the former Standing Interpretations Committee ("SIC")).

These Financial Statements are presented in Sterling because that is the currency of the primary economic environment in which the Company operates.

The Financial Statements have been prepared on an historical cost and going concern basis in line with the assertion of the Board on page 24. The Financial Statements have also been prepared in accordance with the AIC Statement of Recommended Practice ("SORP") for investment trusts, issued by the AIC in July 2022, to the extent that the SORP does not conflict with IFRS. The principal accounting policies adopted are set out below.

### (b) Presentation of Income Statement

In order to better reflect the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature, has been presented alongside the Income Statement.

### (c) Non-current investments

As the Company's business is investing in financial assets, with a view to profiting from their total return in the form of income received and increases in fair value, investments are classified at fair value through profit in accordance with IFRS 9. The Company manages and evaluates the performance of these investments on a fair value basis, in accordance with its investment strategy and information about the investments is provided on this basis to the Board of Directors.

Investments are recognised and de-recognised on the trade date. For listed investments fair value is deemed to be bid market prices, or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange's electronic trading service, covering most of the market including all FTSE 100 constituents and most liquid FTSE 250 constituents, along with some other securities.

Fund investments are stated at fair value through profit or loss as determined by using the most recent available valuation which is considered to be fair value at the Balance Sheet date. In some cases, this will be by reference to the most recent valuation statement supplied by the fund's manager. In other cases, values may be available through the fund being listed on an exchange or via pricing sources such as Bloomberg.

Private equity investments are stated at fair value through profit or loss as determined by using various valuation techniques, in accordance with the International Private Equity and Venture Capital Valuation Guidelines. In the absence of a valuation at the balance sheet date, additional procedures to determine the reasonableness of the fair value estimate for inclusion in the Financial Statements may be used. These could include direct enquiries of the manager of the investment to understand, amongst others, valuation process and techniques used, external experts used in the valuation process and updated details of the underlying portfolio. In addition, the Company can obtain external independent valuation data and compare this to historic valuation movements of the asset. Further, recent arms-length market transactions between knowledgeable and willing parties where available might also be considered.

Unrealised gains and losses, arising from changes in fair value, are included in net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the Capital Reserves.

### (d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, short-term deposits and cash funds with an original maturity of three months or less and are subject to an insignificant risk of changes in capital value.

### (e) Investment Income and return of capital

Dividends receivable on equity shares are recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established. Dividends and Real Estate Investment Trusts' ("REIT") income are all stated net of withholding tax. In many cases, Bermudan companies cannot recover foreign incurred taxes withheld on dividends and capital transactions. As a result, any such taxes incurred will be charged as an expense and included here.

When an investee company returns capital to the Company, the amount received is treated as a reduction in the book cost of that investment and is classified as sale proceeds.



**(f) Expenses**

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Income Statement except expenses which are incidental to the acquisition or disposal of an investment which are charged to the capital column of the Income Statement.

**(g) Taxation**

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes being imposed and will be exempted from such taxes until 31 March 2035.

**(h) Foreign Currencies**

Transactions denominated in foreign currencies are recorded in the local currency, at the actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates, subsequent to the date of the transaction, is included as an exchange gain or losses in the capital or revenue column of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature respectively.

**(i) Retained Earnings****Contributed Surplus**

The following are credited or charged to this reserve via the capital column of the Income Statement:

- gains and losses on the disposal of investments;
- exchange differences of a capital nature;
- expenses charged to the capital column of the Income Statement in accordance with the above accounting policies; and
- increases and decreases in the valuation of investments held at the balance sheet date.

**Revenue Reserves**

The following are credited or charged to this reserve via the revenue column of the Income Statement:

- net revenue recognised in the revenue column of the Income Statement.

Under Bermuda Company Law, Retained Earnings and Contributed Surplus Reserve are both distributable.

**(j) Significant Judgements and Estimates**

The key significant estimate to report, concerns the Company's valuation of its holding in DV4 Ltd. DV4 is valued using the most recent estimated NAV as advised to the Company by DV4, adjusted for any further drawdowns, distributions or redemptions between the valuation date and 30 September 2023. The most recent valuation statement was received on 18 September 2023, stating the value of the Company's holding as at 30 June 2023. In the absence of a valuation for 30 September 2023 from DV4, the Company performed additional procedures to determine the reasonableness of the fair value estimate for inclusion in the Financial Statements. Direct enquiries of the manager of DV4 were made to understand, amongst others, valuation process and techniques used, external experts used in the valuation process and updated details of underlying property portfolio. It has been confirmed with DV4's manager that the valuation procedures discussed in the prior year are still the same used now. In addition, the Company has compared the historic valuation movements of DV4 to the FTSE350 Real Estate Index and CBRE Monthly Real Estate Index. Based on the information obtained and additional analysis performed, the Company is satisfied that DV4 is carried in these Financial Statements at an amount that represents its best estimate of fair value at 30 September 2023. It is believed the value of DV4 as at 30 September 2023 will not be materially different, but this valuation is based on historic valuations by DV4, does not have a readily available third party comparator and, as such, is an estimate. There are no significant judgements.

**(k) Adoption of new and revised standards**

At the date of authorisation of these Financial Statements there were no standards and amendments to standards, which have not been applied in these Financial Statements.

In the current financial period the Company has applied the following amendments to standards:

- Amendments to IAS1 'Classification of liabilities as current or non-current' (effective for accounting periods beginning on or after 1 January 2023).
- IFRS 17, 'Insurance contracts' (effective for accounting periods beginning on or after 1 January 2023).
- Amendments to IAS 8 'Definition of Accounting Estimates' (effective for accounting periods on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' (effective for accounting periods on or after 1 January 2023).
- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective for accounting periods on or after 1 January 2023).

There is no material impact on the Financial Statements or the amounts reported from the adoption of these amendments to the standards.

**(l) Operating Segments**

The Company considers it has one operating segment for the purposes of IFRS 8.

## 2 Income

	(Unaudited) Six months ended 30 September 2023 £000	(Unaudited) Six months ended 30 September 2022 £000	(Audited) Year ended 31 March 2023 £000
<b>Income from investments</b>			
Dividends	6,186	6,003	6,892
<b>Total income</b>	<b>6,186</b>	<b>6,003</b>	<b>6,892</b>

Note: the significant majority of Income received from investments relates to dividends paid by Ocean Wilsons Holdings Limited. As such, income does not accrue evenly throughout the year.

## 3 Dividends paid

	(Unaudited) Six months ended 30 September 2023 £000	(Unaudited) Six months ended 30 September 2022 £000	(Audited) Year ended 31 March 2023 £000
Fourth interim dividend for 2023 (paid 26 May 2023): 0.8p (2022: 0.8p)	960	960	960
First interim dividend for 2024 (paid 25 August 2023): 0.8p (2023: 0.8p)	960	960	960
Second Interim dividend for 2023 (paid 25 November 2022): 0.8p	-	-	960
Third Interim dividend for 2023 (paid 24 February 2023): 0.8p	-	-	960
<b>Total income</b>	<b>1,920</b>	<b>1,920</b>	<b>3,840</b>

Where there has been no revenue available for distribution by way of dividend for the year, dividends have been paid from contributed surplus which is permitted by Bermudan company law.

Note: The second interim dividend payable for the period ended 31 March 2024 was announced on 10 October 2023. The payment totalling 0.8p per share (£0.96m) was paid on 24 November 2023.

## 4 Return per shares

The returns stated below are based on 120,000,000 shares, being the weighted average number of shares in issue during the period.

	Revenue		Capital		Total	
	£000	Pence per share	£000	Pence per share	£000	Pence per share
Six months ended 30 September 2023 (Unaudited)	3,847	3.2p	11,989	10.0p	<b>15,836</b>	<b>13.2p</b>
Six months ended 30 September 2022 (Unaudited)	3,937	3.3p	(30,174)	(25.2p)	<b>(26,237)</b>	<b>(21.9p)</b>
Year ended 31 March 2023 (Audited)	2,540	2.1p	(14,597)	(12.2p)	<b>(12,057)</b>	<b>(10.1p)</b>

## 5 Financial information

The financial information for the six months ended 30 September 2023 was approved by a committee of the Board of Directors on 16 November 2023.

## 6 Net asset value per share

The NAV per share is based on the net assets attributable to equity shareholders of £380,881,000 (30 September 2022: £354,705,000; 31 March 2023 £336,965,000) and on 120,000,000 shares being the number of shares in issue at the period ends.

## 7 Commitments and contingencies

The Company has the following outstanding commitments as at 30 September 2023 (30 September 2022: £nil; 31 March 2023: £2.0m).

Fund	Commitment in local currency	Converted to GBP
GGV Discovery IV - Asia	\$600,000	£491,562
GGV Discovery IV - US	\$600,000	£491,562
Khosla Ventures VIII	\$1,200,000	£983,123
TA Associates XV	\$3,600,000	£2,949,369
Triton VI	€1,740,000	£1,509,368
TrueBridge Direct Fund III	\$300,000	£245,781
<b>Total</b>		<b>£6,670,765</b>

None of these commitments had been drawn down as at 30 September 2023. As at the time of signing of this Report, TrueBridge Direct Fund III had drawn a net amount of \$105,000 and Khosla Ventures VIII had drawn \$84,000.

## 8 Principal risks and uncertainties

The principal financial and related risks faced by the Company fall into the following broad categories – External and Internal. External risks to shareholders and to their returns are those that can severely influence the investment environment within which the Company operates: including government policies, taxation, economic recession, declining corporate profitability, rising inflation and interest rates and excessive stock market speculation. Internal and operational risks to shareholders and to their returns are: portfolio (stock and sector selection and concentration), balance sheet (gearing) and/or administrative mismanagement.

A review of the current period and the outlook for the Company can be found in the Chairman's Report and in the Portfolio Manager's Review.

Information on each of these areas is given in the Strategic Report within the Annual Report for the year ended 31 March 2023. In the view of the Board these principal risks and uncertainties are applicable to the remaining six months of the financial year as they were to the six months under review.

## 9 Fair value hierarchy

IFRS 13 'Fair Value Measurement' requires an entity to classify fair value measurements, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability not based on observable market data (unobservable inputs).

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy, as detailed below:

30 September 2023 (unaudited)	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss				
Quoted equities	144,308	-	-	144,308
Unquoted equities	-	-	7,778	7,778
Fund investments	39,461	178,334	-	217,795
<b>Fair Value</b>	<b>183,769</b>	<b>178,334</b>	<b>7,778</b>	<b>369,881</b>

<b>30 September 2022 (unaudited)</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
Financial assets at fair value through profit or loss				
Quoted equities	138,909	-	-	138,909
Unquoted equities	-	2,122	9,555	11,677
Fund investments	36,799	156,133	-	192,932
<b>Fair Value</b>	<b>175,708</b>	<b>158,255</b>	<b>9,555</b>	<b>343,518</b>

<b>31 March 2023 (audited)</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
Financial assets at fair value through profit or loss				
Quoted equities	136,942	-	-	136,942
Unquoted equities	-	-	9,132	9,132
Fund investments	37,826	169,362	-	207,188
<b>Fair Value</b>	<b>174,768</b>	<b>169,362</b>	<b>9,132</b>	<b>353,262</b>

There have been no transfers during the period between levels.

The Company's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer to occur.

A reconciliation of fair value measurements in Level 3 is set out in the following table:

	<b>(Unaudited) 30 September 2023 equity investments £000</b>	<b>(Unaudited) 30 September 2022 equity investments £000</b>	<b>(Audited) 31 March 2023 equity investments £000</b>
Opening Balance		9,132	8,917
Purchase		-	-
Sale		-	-
Total (losses) or gains included in gains on investments in the Income Statement:			
on assets held at period end		(1,354)	638
<b>Closing Balance</b>		<b>7,778</b>	<b>9,132</b>

As at 30 September 2023, the investment in DV4 Ltd has been classified as Level 3. The investments in DV4 has been valued using the most recent estimated NAV as advised to the Company by DV4, adjusted for any further drawdowns, distributions or redemptions between the valuation date and 30 September 2023. The most recent valuation statement was received on 18 September 2023, with an estimated NAV based on the unaudited capital statement of DV4 as at 30 June 2023. If the value of the unquoted Level 3 equity investments were to increase or decrease by 10%, while all other variables remained constant, the return and net assets attributable to shareholders for the period ended 30 September 2022 would have increased or decreased by £778,000 respectively.



# Additional Information



## Investor Information

### Company information

The Company currently manages its affairs so as to be a qualifying investment company for ISA purposes, for both the Ordinary and 'A' non-voting Ordinary shares. It is the present intention that the Company will conduct its affairs so as to continue to qualify for ISA products. In addition, the Company currently conducts its affairs so shares issued by Hansa Investment Company Limited can be recommended by independent financial advisers to ordinary retail investors, in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products, because they are excluded securities as defined in the FCA Handbook Glossary. Finally, Hansa Investment Company Limited is registered as a Reporting Financial Institution with the US IRS for FATCA purposes.

### Capital structure

The Company has 40,000,000 Ordinary shares of 1p each and 80,000,000 'A' non-voting Ordinary shares of 1p each in issue. The Ordinary shareholders are entitled to one vote per Ordinary share held. The 'A' non-voting Ordinary shares do not entitle the holders to vote or receive notice of meetings, but in all other respects they have the same rights as the Company's Ordinary shares.

### Secretary and registered office

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street PO Box HM666  
Hamilton HM CX Bermuda

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### Board of Directors



**Jonathan Davie**  
Chairman



**Simona Heidempergher**



**Richard Lightowler**



**William Salomon**



**Nadya Wells**

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### Investor disclosure

#### AIFMD

Hansa Investment Company Limited's AIFMD Investor Disclosure document can be found on its website. The document is a regulatory requirement and summarises key features of the Company for investors.

#### Packaged Retail and Insurance-based Investment Products ("PRIIPs")

The Company's AIFM, Hanseatic Asset Management LBG, is responsible for applying the product governance rules defined under the MiFID II legislation on behalf of Hansa Investment Company Limited. Therefore, the AIFM is deemed to be the 'Manufacturer' of Hansa Investment Company's two share classes. Under MiFID II, the Manufacturer must make available Key Information Documents ("KIDs") for investors to review if they so wish ahead of any purchase of the Company's shares.

Links to these documents can be found on the Company's website: [www.hansaicl.com](http://www.hansaicl.com).

## Service providers

### Independent Auditor

PricewaterhouseCoopers LTD

### Solicitors – Bermuda

Conyers Dill & Pearman Limited

### Solicitors – UK

Dentons UK and Middle East LLP

### Custodian

Banque Lombard Odier & Cie SA

### Stockbroker

Winterflood Investment Trusts

### Administrator

Apex Fund Administration Services (UK) Ltd, formerly named Maitland Administration Services Limited

### Alternative Investment Fund Manager

Hanseatic Asset Management LBG

## Financial calendar

### Company year end

31 March

### Annual Report sent to shareholders

June

### Annual General Meeting

July/August

### Shareholder presentation

September

### Announcement of half-year results

November

### Half-year Report released to shareholders

December

### Interim dividend payments

August, November, February and May

## Share price listings

The price of your shares can be found on our website. In addition, share price information for Ordinary shares / 'A' non-voting Ordinary shares can be found via the following codes:

### ISIN

BMG428941162 / BMG428941089

### SEDOL

BKLCFC18 / BKLCFC07

### Reuters

HAN.L / HANA.L

### Bloomberg

HAN LN / HANA LN

### TIDM

HAN / HANA

### Legal Entity Identifier

213800RS2PWJXS2QDF66



Further information about Hansa Investment Company Limited, including monthly fact sheets, Stock Exchange announcements and shareholder presentations, can be found on the Company's website: [www.hansaicl.com](http://www.hansaicl.com)



Please contact the Portfolio Manager, as below, if you have any queries concerning the Company's investments or performance.

### Portfolio Manager and additional administrative services provider

Hansa Capital Partners LLP  
50 Curzon Street  
London  
W1J 7UW  
Telephone: +44 (0) 207 647 5750  
Email: [hcienquiry@hansacap.com](mailto:hcienquiry@hansacap.com)  
Website: [www.hansagr.com](http://www.hansagr.com)



Please contact the Registrars, as below, if you have a query about a certificated holding in the Company's shares.

### Registrar

Computershare Investor Services (Bermuda) Limited  
c/o 13 Castle Street  
St Helier  
Jersey  
JE1 1ES  
Telephone: +44 (0) 370 707 4040  
Email: [info@computershare.co.je](mailto:info@computershare.co.je)  
Website: [www.computershare.com/je](http://www.computershare.com/je)

If you have a query, you can call our Shareholder helpline on +44 (0) 370 707 4040. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 08:30 - 17:30, Monday to Friday excluding public holidays in England and Wales.



### Register for updates

To receive the latest news and views on the Company, please register at [www.hansaicl.com](http://www.hansaicl.com)



## Glossary of Terms

### **Association of Investment Companies (“AIC”)**

The Association of Investment Companies is the UK trade association for closed-ended investment companies (www.theaic.co.uk). Despite the Company not being UK domiciled, the Company is UK listed and operates in most ways in a similar manner to a UK Investment Trust. Therefore, the Company follows the AIC Code of Corporate Governance and the Board considers that the AIC’s guidance on issues facing the industry remains very relevant to the operations of the Company.

### **Alternative Investment Fund Managers Directive (“AIFMD”)**

The AIFMD is a regulatory framework for alternative investment fund managers (“AIFMs”), including managers of hedge funds, private equity firms and investment trusts. Its scope is broad and, with a few exceptions, covers the management, administration and marketing of alternative investment funds (“AIFs”). Its focus is on regulating the AIFM rather than the AIFs.

### **Annual Dividend/Dividend**

The amount paid by the Company to shareholders in dividends (cash or otherwise) relating to a specific financial year of the Company. The Company’s dividend policy is to announce its expected level of dividend payment at the start of each financial year. Barring unforeseen circumstances, the Company then expects to make four interim dividend payments each year – at the end of August, November and February during that financial year and at the end of May following the end of the financial year.

### **Bid Price**

The price at which you can sell shares determined by supply and demand.

### **Capital Structure**

The stocks and shares that make up a company’s capital i.e. the amount of ordinary and preference shares, debentures and unsecured loan stock etc. which are in issue.

### **Closed-ended**

A company with a fixed number of shares in issue.

### **Depository/Custodian**

A financial institution acting as a holder of securities for safekeeping.

### **Discount**

When the share price is lower than the NAV, it is referred to as trading at a discount. The discount is expressed as a percentage of the NAV.

### **Expense Ratio**

An expense ratio is determined through an annual calculation, where the operating expenses are divided by the average NAV. Note there is also a description of an additional PRIIPs KID Ongoing Charges Ratio explained in the Annual Report.

### **Five Year Rolling NAV Return (per annum)**

The rate at which, compounded for five years, will equal the five year NAV total return to end March, assuming dividends are always reinvested at pay date.

### **Five Year NAV and Share Price Total Return**

Rebased from 0% at the start of the five year period, this is the rate at which the Company’s NAV and share prices would have returned at any period from that starting point, assuming dividends are always reinvested at pay date. The Company will continue to quote results from its predecessor, Hansa Trust Ltd, as part of that reporting so shareholders can see the longer-term performance of the portfolio.

### **Gearing**

Gearing refers to the level of borrowing related to equity capital.

### **Hedging**

Strategy used to reduce risk of loss from movements in interest rates, equity markets, share prices or currency rates.

### **Issued Share Capital**

Issued share capital is the total number of shares subscribed to by the shareholders.

### **Key Information Document (“KID”)**

This is a document of a form stipulated under the PRIIPs Regulations. It provides basic, pre-contractual, information about the Company and its share classes in a simple and accessible manner. It is not marketing material. The UK regulatory authorities have introduced legislation from 1 January 2023 to amend some of the disclosures in the KID for UK shareholders. The Company’s AIFM will be producing both UK KIDs and European KIDs going forward.

### **Key Performance Indicators (“KPIs”)**

A set of quantifiable measures a company uses to gauge its performance over time. These metrics are used to determine a company’s progress in achieving its strategic and operational goals and also to compare a company’s finances and performance against other businesses within its industry. In the case of historic information, the KPIs will be compared against data of both the Company and, prior to the Company’s formation, from Hansa Trust Ltd.



**Market Capitalisation**

The market value of a company's shares in issue. This figure is found by taking the stock price and multiplying it by the total number of shares outstanding.

**Mid Price**

The average of the Bid and Offer Prices of a particular traded share.

**Net Asset Value ("NAV")**

The value of the total assets minus liabilities of a company.

**Net Asset Value Total Return**

See Total Return.

**Offer Price**

The price at which you can buy shares determined by supply and demand.

**Ordinary Shares**

Shares representing equity ownership in a company allowing investors to receive dividends. Ordinary shareholders have the pro-rata right to a company's residual profits. In other words, they are entitled to receive dividends if any are available after payments to financial lenders and dividends on any preferred shares are paid. They are also entitled to their share of the residual economic value of the company should the business unwind.

Hansa Investment Company Limited has two classes of Ordinary shares – the Ordinary shares (40 million shares) and the 'A' non-voting Ordinary shares (80 million shares). Both have the same financial interest in the underlying assets of the Company and receive the same dividend per share, but differ only in that only the former shares have voting rights, whereas the latter do not. They trade separately on the London Stock Exchange, nominally giving rise to different share prices at any given time.

**Premium**

When the share price is higher than the NAV it is referred to as trading at a premium. The premium is expressed as a percentage of the NAV.

**Packaged Retail and Insurance-based Investment Product ("PRIIP")**

Packaged retail investment and insurance-based products ("PRIIPs") make up a broad category of financial assets that are regularly provided to consumers in the European Union. The term PRIIPs, created by the European Commission to regulate the underlying market, is defined as any product manufactured by the financial services industry, to provide investment opportunities to retail investors, where the amount repayable is subject to fluctuation because of exposure to reference values, or the performance of underlying assets not directly purchased by the retail investor. See also Key Information Document ("KID").

**Shareholders' Funds/Equity Shareholders' Funds**

This value equates to the NAV of the Company. See NAV.

**Spread**

The difference between the Bid and Ask price.

**Tradable Instrument Display Mnemonics ("TIDM")**

A short, unique code used to identify UK-listed shares. The TIDM code is unique to each class of share and to each company. It allows the user to ensure they are referring to the right share. Previously known as EPIC.

**Total Return**

When measuring performance, the actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends and distributions realised over a given period of time.

**Total Return - Shareholder**

The Total Return to a shareholder is a measure of the performance of the company's share price over time. It combines share price appreciation/depreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage. In the case of historic information, the Total Return will include data against data of both the Company and, prior to the Company's formation, from Hansa Trust Ltd.

# Stay up-to-date with [www.hansaicl.com](http://www.hansaicl.com)



You can stay up-to-date with the latest news, views and Company information at our recently refreshed website, [www.hansaicl.com](http://www.hansaicl.com).

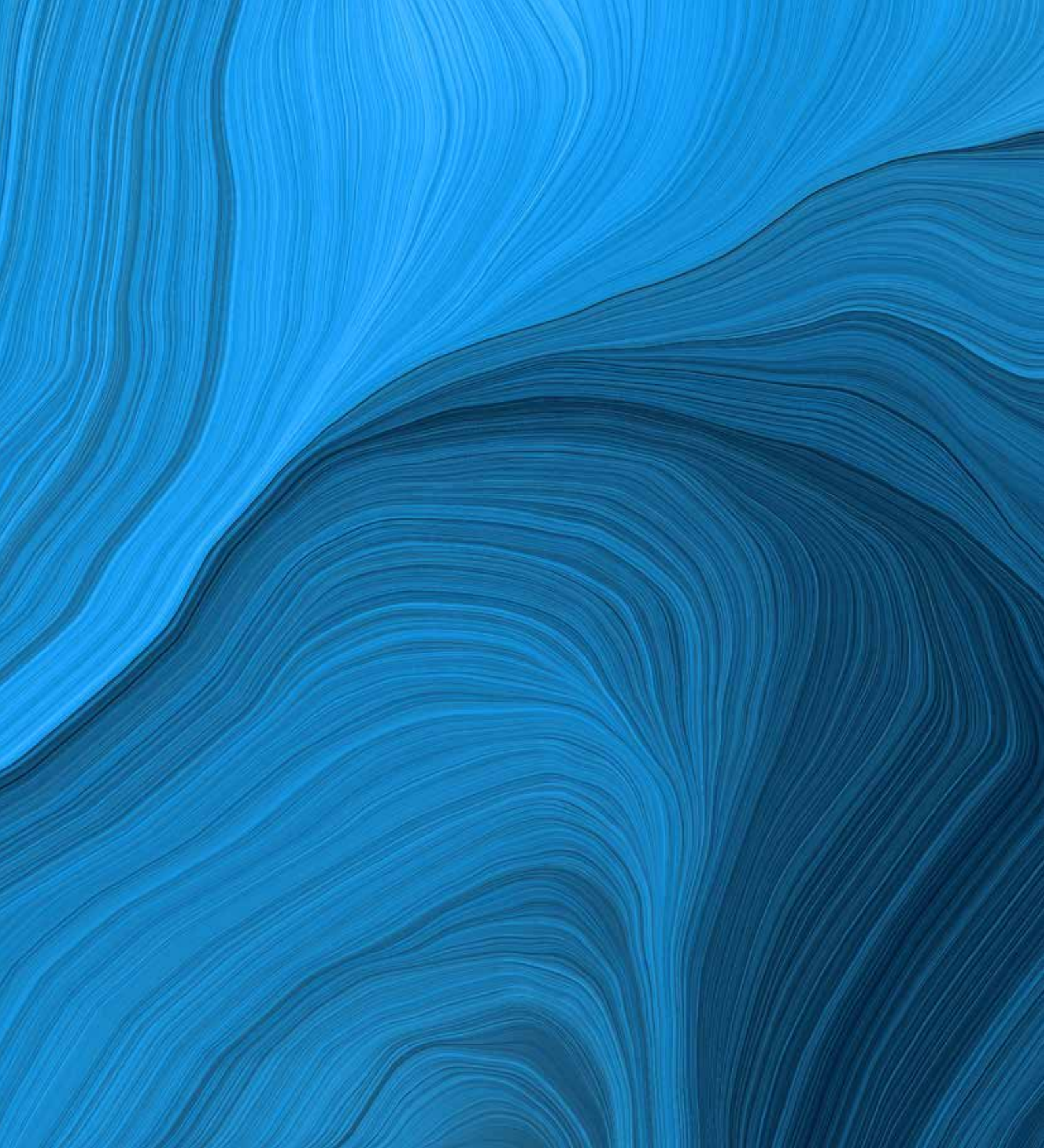
As well as the current portfolio breakdown, performance and pricing, you'll be able to access a library of quarterly, Half-Year and Annual Reports, see the latest fact sheet and read Company announcements.

You can also watch the full Shareholder Presentation which took place on 27 September. [www.hansaicl.com](http://www.hansaicl.com)





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