Capital Gearing Trust P.l.c.

Half-Year Report

For the six months ended 30 September 2023

Company Summary

The Company

Capital Gearing Trust P.l.c. (the 'Company') is an investment trust with shares traded on the main market of the London Stock Exchange.

Investment Objective

The Company's objective is to preserve and over time to grow shareholders' real wealth.

Capital Structure and Voting Rights

The share capital comprises Ordinary shares of 25 pence each. As at 30 September 2023, 26,580,263 shares were in issue, of which 2,540,429 shares were held in treasury. Each Ordinary share has one vote.

Discount/Premium Control Policy ('DCP')

The Company aims to purchase or issue shares to ensure, in normal market conditions, that the shares trade consistently close to their underlying net asset value ('NAV') per share. Please refer to the DCP Update section of the Chairman's statement as relates to the current operation of the DCP.

Dividends

The Company pays an annual dividend but focuses on total return rather than any net income level.

Management and Administration

Investment management is carried out by CG Asset Management ('CGAM') for an annual fee of 0.6% of net assets up to £120m, 0.45% on net assets above £120m up to £500m and 0.30% thereafter. CGAM, including Peter Spiller, has managed the Company since 1982. Company secretarial and various administrative services are provided by Juniper Partners. Custodial and depositary services are carried out by The Northern Trust Company.

ISA

The Company manages its affairs to be a fully qualifying investment trust under the individual savings account ('ISA') rules.

Financial Calendar (guide)

Annual Results	May
Annual General Meeting	July
Dividend Payment Date	July
Half-Year Report	November

Scan the QR code to register for email alerts regarding Company updates and to notify when voting events arise:

The Association of Investment Companies

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

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Beware of Share Fraud

There has been an increase in the number of sophisticated but fraudulent financial scams, including imposter websites. Contact is often by a phone call or email which can originate from outside the UK. Shareholders may receive unsolicited phone calls or correspondence implying a connection to the Company. These are typically from overseas 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares or to acquire shares in anticipation of a fictitious offer for the Company.

Please note that it is very unlikely that either the Company, or the Company's Registrar, would make unsolicited telephone calls to Shareholders and never in respect of 'investor advice'.

If you are contacted, we recommend that you do not respond with any personal information, including access to financial information or bank accounts. If you are in any doubt you should seek financial advice before taking any action. You can find more information about investment scams at the Financial Conduct Authority (FCA) website: www.fca.org.uk/consumer/protect-yourself-scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

Financial Summary

Highlights

	30 September 2023	31 March 2023
Share Price	**4,585.0p**	4,730.0p
NAV per Share	**4,674.9p**	4,797.3p
Share Price Discount to NAV[(1)]	**-1.9%**	-1.4%
Market Capitalisation	**£1,102.2m**	£1,242.0m
Shareholders' Funds	**£1,123.8m**	£1,259.7m

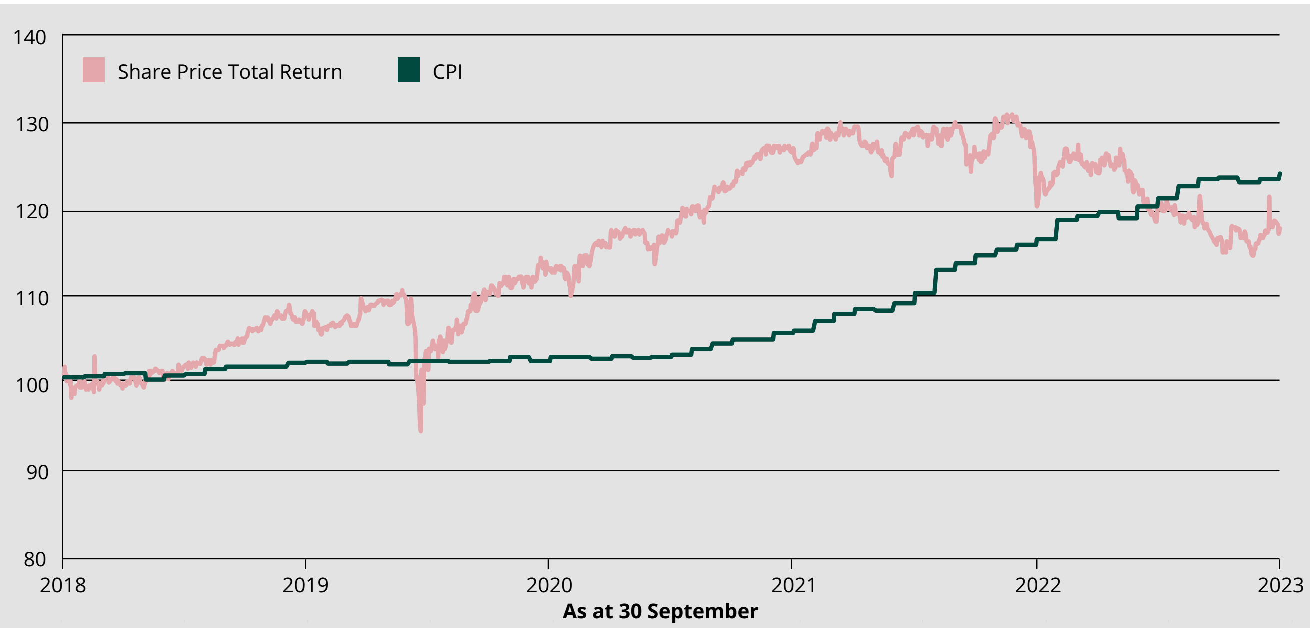
Total Return Performance to 30 September 2023

	6 months (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
Share Price[(1)]	-1.8	-2.1	4.4	17.4	44.9
NAV per Share[(1)]	-1.3	-1.3	9.2	22.2	64.3
Consumer Price Index ('CPI')	2.4	6.7	17.4	23.8	33.2
Retail Price Index ('RPI')	3.1	8.9	22.6	33.2	50.2

Source: AIC/LSEG/ONS

Share Price Total Return Performance over 5 years to 30 September 2023

Based on mid-market prices, the graph below illustrates the total return to investors in the Company over the past five years, compared with the Consumer Price Index. Each measure is rebased to 100 in 2018.



Source: LSEG

[(1)] Alternative Performance Measure. Please refer to pages 18 and 19 for a description of the Alternative Performance Measures and a glossary of terms and definitions.

Chairman's Statement

Investment Performance

At the half year to 30 September 2023, the net asset value per share ('NAV') was 4,674.9p, compared to 4,797.3p at 31 March 2023. This represents a NAV total return of -1.3% over the past six months. This return was better than the global aggregate bond index and the investment trust index which returned -3.8% and -1.7% respectively in Sterling terms. Whilst it is always disappointing to report negative returns the defensive orientation of the portfolio did provide some protection from simultaneously weak bond and equity markets. The returns lagged Consumer Price Index ('CPI') inflation of 2.4% in the period.

The share price ended the half year at 4,585p, a fall of 1.8%. During the period 2,218,929 shares, with an aggregate value of £102.1m, were bought back under the Company's discount control policy ('DCP').

Discount Control Policy Update

Since 2015 the Company has operated the DCP which aims to ensure that, in normal market conditions, the shares trade consistently close to their underlying NAV.

As announced on 31 October 2023, the Company was in the process of seeking approval from the Northern Irish Courts to reclassify its share premium account as a distributable reserve to continue to support the DCP. In our announcement, we referred to this process having been subject to significant delays as a result of various "technical and administrative issues". It is now clear that these issues comprise a series of errors and omissions on the part of third parties. As a result, the Board has decided to take direct control over this process and has agreed a revised timetable to take this through to a successful conclusion. This will start with refreshing the requisite shareholder authority at a soon to be convened General Meeting and should result in the reserves being created in the early part of next year. The Board is extremely frustrated by the delay caused in the process and the fact that it was not made aware of this until very recently. The Board intends to investigate matters further and seek compensation for any costs incurred whilst reserving all the Company's other rights.

Following the cancellation of the share premium account the Company will have very significant headroom in its reserves to support the DCP for the foreseeable future. Shareholders should be assured that the Board remains fully committed to the DCP and any temporary modifications will be reversed as soon as the Northern Irish Court process is concluded.

Performance Comparators

The Company does not have a formal benchmark but over the years has compared its performance against Retail Price Index ('RPI') inflation and the MSCI UK index. RPI inflation is no longer classified as a national statistic by the Office for National Statistics due to methodological flaws. It has been replaced by CPI inflation, which we will now refer to as a comparator. As a number of shareholders have pointed out, neither our investment objective nor our portfolio construction reflect the UK equity market, so the Company will no longer use the MSCI UK index as a comparator but may refer to equity indices more generally when looking at specific components of performance.

Board Update

We are pleased to welcome Ravi Anand as a non-executive Director with effect from 1 August 2023. Ravi has already made a positive impact on our discussions pulling on his experience of investment trusts and financial services more generally.

Wendy Colquhoun has been appointed as Chair of the Nominations Committee to lead our Board succession planning. Robin Archibald will retire at the 2024 AGM after nine years on the Board. As noted in the Annual Report, to avoid two long standing Directors departing at the same time, it has been agreed that I will remain on the Board for a further period of one or two years beyond 2024 to enable a further Board member to be recruited and to oversee an orderly handover to a new Chairman.

Outlook

It seems likely that the second half of the year will continue to be challenging, as all asset markets are buffeted by a deteriorating geopolitical backdrop, high interest rates and lingering inflation. Against this backdrop the Company remains defensively positioned, with a relatively constrained allocation to equities and significant exposure to short duration high quality bonds. However, with volatile markets come opportunities and the investment manager will seek to exploit falling prices in the bond and equity markets when values become compelling.

Jean Matterson
Chairman

10 November 2023

Investment Manager's Report

The first half of the financial year has proven challenging with a negative return of 1.3%. The six month period was characterised by rising interest rates in developed markets which proved a headwind to our bond portfolios and rising investment trust discounts, particularly in the alternatives sector, which were a challenge to our risk assets.

Despite the headwinds, corporate bonds and risk assets made positive contributions to the portfolio. Detracting from performance were nominal government bonds, index-linked bonds, and gold. The Company's nominal government bonds comprise treasury bills and short duration bonds. A significant majority of these are denominated in Sterling and generated positive returns. However, the holdings of Japanese treasury bills (2%) and Swedish government bonds (2%) both made negative contributions as sterling appreciated by 10.1% and 3.6% against the Japanese Yen and Swedish Krona, respectively.

Since the start of 2021, the Yen has risen from 141 to the pound to 182. Adjusting for relative inflation, it has depreciated by over 30%. We remain convinced of the Yen's attraction and have a 9% weighting to the currency. This is both on valuation grounds and portfolio composition. On all purchasing power parity ('PPP') measures, the Yen appears to be extraordinarily cheap. The portfolio role for the Yen is also important. Japan is the single largest overseas holder of US government bonds. There is a concern, justified in our view, that a change in Japanese monetary policy could result in huge sales of treasuries and repatriation of the proceeds. Were this to happen, rising yields on US government bonds should be accompanied by gains on the Yen.

Index-linked bonds were the other source of negative returns. The Company's holdings of UK index-linked bonds (23% of the portfolio) made positive contributions, helped by the very short duration. We took advantage of weakness over the summer to lengthen duration adding to 5 year bonds on very attractive yields. US TIPS were the chief detractor during the period as 10 year yields rose by around 100 basis points.

Corporate bonds delivered positive returns of 1.9% over the six months. Gains were broad based. The portfolio currently has a duration of around 2.5 years and yields around 7% with the vast majority carrying an investment grade credit rating. While pleased with the performance of our credit portfolio, with credit spreads tight and a deteriorating macroeconomic environment, we are reluctant to increase the Company's allocation to the asset class or take on additional duration risk.

Risk assets contributed positively over the six month period with conventional equities returning over 5%. Our two largest holdings the SPDR Europe Energy ETF and the iShares MSCI Japan ESG ETF returned 13.6% and 5.9% respectively. Our property holdings contributed 6.5%, buoyed by Civitas Social Housing being subject to a takeover bid. The only significant drag on return was our infrastructure holdings which delivered a negative return of 11%. We have taken the opportunity to add to our infrastructure holdings on the back of share price weakness. They offer, based on conservative assumptions, prospective real returns of mid-single digits: equal or higher than the long-term return on equities with considerably lower risk. Such returns are very appetising.

With discounts so wide in the alternatives sector it is reasonable to ask whether the stated NAVs can be relied upon. Our answer is a cautious "yes". The evidence of solidity is mounting with asset disposals at or above book value being announced across many trusts in multiple sectors. If the valuations can be relied upon why are so many trusts trading at large discounts? It is simply a question of supply, demand and the quantity theory of asset prices. Huge amounts of capital have been raised in the alternative space in recent years. Over the last 18 months multi-asset funds have seen large redemptions and wealth managers have switched their focus to highly tax efficient low coupon gilts. With demand falling and the supply remaining constant, the balancing variable – price – must take the strain, with all too painful consequences. The diagnosis reveals the cure. With no prospect for a change in demand, supply needs to be withdrawn from the sector. For now the only contraction comes from takeovers. It would be preferable for the sector to help itself by selling assets and buying-back shares or returning capital to shareholders. We see precious little evidence of this to date and have generally been frustrated by the attitudes of boards and management teams. We will continue to engage with boards and hope to report greater progress to you in the full year results.

Investment Manager's Report *(continued)*

Outlook

The key feature of the last six months has been the surprising resilience of the US economy (and, to a lesser extent, Europe and the UK). This has resulted in the market coming to believe the Federal Reserve when they said that rates needed to be "higher for longer". Accompanying this realisation is a growing chorus of voices calling for a "soft landing". We remain sceptical of this outcome: the effects of the rate hiking cycle have not fully flowed into the economy, credit availability is falling rapidly, and the money supply is shrinking. As Niall Ferguson recently put it "The US economy's not a plane and it won't land gently". Nor is history on the side of the optimists, indeed the swelling chorus may itself be a siren song. There was a huge spike in the number of articles containing the phrase "soft landing" in both 1999/2000 and 2007/08. We worry that history will repeat itself.

Markets do not share our concerns: credit spreads and equity risk premia are low. In the full year results we wrote that the most rapid rate hiking cycle, following on from an extended period of ultra-cheap money, might result in the financial system breaking. So far this has not come to pass. That crises at Credit Suisse and Silicon Valley Bank were contained does not mean that future crises will be avoided. To give an example, at the end of Q3 Bank of America's losses on its hold to maturity portfolio – mostly comprising agency mortgage bonds – were $130 bn, around 58% of its tier 1 capital. Given the subsequent moves in rates we can only assume those losses have grown. This is just one bank and one part of its balance sheet. The scale of losses throughout the financial system must be very large indeed.

Ordinarily a financial crisis or a recession would be bullish for long bonds. While this may yet occur, it is by no means certain. Short dated bonds will rally as markets anticipate rate cuts from the Federal Reserve. What happens to longer dated bonds is less clear. If the Fed is forced to cut rates before inflation has been brought under control, then long term interest rates may rise as investors price higher inflation and demand additional term premium to compensate for volatility.

Such a move might be exacerbated by concerns over debt sustainability. This year the US budget deficit is forecast to be 7.7% of GDP – a truly staggering $2tn. A recession would only make this figure worse. As the Federal Government rolls over its debts (around one third over the next 12 months) it is paying real interest rates of around 2.5%. This is higher than the trend growth rate of the economy. The formula *r – g*[1] neatly encapsulates the problem. It shows that the debt to GDP ratio would rise even if it were to run a balanced primary budget. For the past two decades the increasing debt stock of the US has been financed by relatively price insensitive buyers[2]. The appetite of these buyers is waning and new buyers will need to be found. The price of money may rise to enable the market to clear. The knock-on impact to other asset classes is unknown but fiscal dominance and crowding out must be a risk.

Eventually, these high yields are the source of their own destruction. There are only two ways in which government borrowings can be made sustainable. Either countries must run balanced budgets or, through financial repression, reduce the interest rate they pay on their debts. With no political constituency for fiscal prudence the latter becomes the only viable route.

The destination is clear, but the timing and the path taken are not. There are only three things of which we can be reasonably certain. First, the attempt by markets to price a bi-stable regime (comprising the present regime of rising real yields and a future regime of financial repression) will bring volatility to bond markets. Second, long duration nominal bonds are likely to be a poor investment across both regimes. Third, index-linked bonds will fair much better than their nominal cousins and thrive when the financial repression eventually comes. For the time being, we accept our inability to forecast the future and therefore adopt a cautious stance, positioning the portfolio to withstand and ultimately, we hope, profit from what lies ahead.

Peter Spiller **Alastair Laing** **Christopher Clothier**
10 November 2023

(1) Where *r* is the real cost of debt and *g* the trend growth of the economy

(2) These have ranged from global FX reserve managers, yield starved Japanese pension funds, the Federal Reserve conducting QE and – in recent years – domestic banks trying to invest a glut of post-Covid deposits

Portfolio Investments

at 30 September 2023

The top ten investments in each asset category are listed below. The full portfolio listing of the Company as at 30 September 2023 is published on the Company's website www.capitalgearingtrust.com.

	30 September 2023 £'000	31 March 2023 £'000
Index-Linked Government Bonds		
Index-Linked Bonds – United Kingdom	**257,996**	267,376
Index-Linked Bonds – United States	**177,113**	248,154
Index-Linked Bonds – Japan	**27,553**	29,840
Index-Linked Bonds – Canada	**15,036**	16,693
Index-Linked Bonds – Sweden	**11,003**	10,997
Index-Linked Bonds – Australia	**4,414**	4,834
Index-Linked Bonds – Germany	**–**	5,236
	493,115	583,130
Conventional Government Bonds		
Conventional Government Bonds – United Kingdom	**104,392**	95,319
Conventional Government Bonds – Sweden	**23,399**	19,304
Conventional Government Bonds – Japan	**22,783**	34,978
Conventional Government Bonds – United States	**–**	5,638
	150,574	155,239
Preference Shares/Corporate Debt		
Grainger 3.375% 2028	**7,824**	7,484
Akelius Residential Property 2.375% 2025	**6,252**	5,123
BP Capital Perpetual Bond	**5,277**	–
Burford Capital 6.125% 2025	**5,170**	4,878
Network Rail 1.75% 2027	**4,715**	–
Liberty Living Finance 2.625% 2024	**4,648**	3,179
Land Securities 1.974% 2026	**4,631**	–
RMS IL 2.8332% 2035	**4,364**	3,074
NB Private Equity Partners ZDP 2024	**4,213**	–
Deutsche Pfandbriefbank 7.625% 2025	**4,155**	4,207
Other Preference Shares/Corporate Debt Investments	**114,517**	143,842
	165,766	171,787

Portfolio Investments *(continued)*

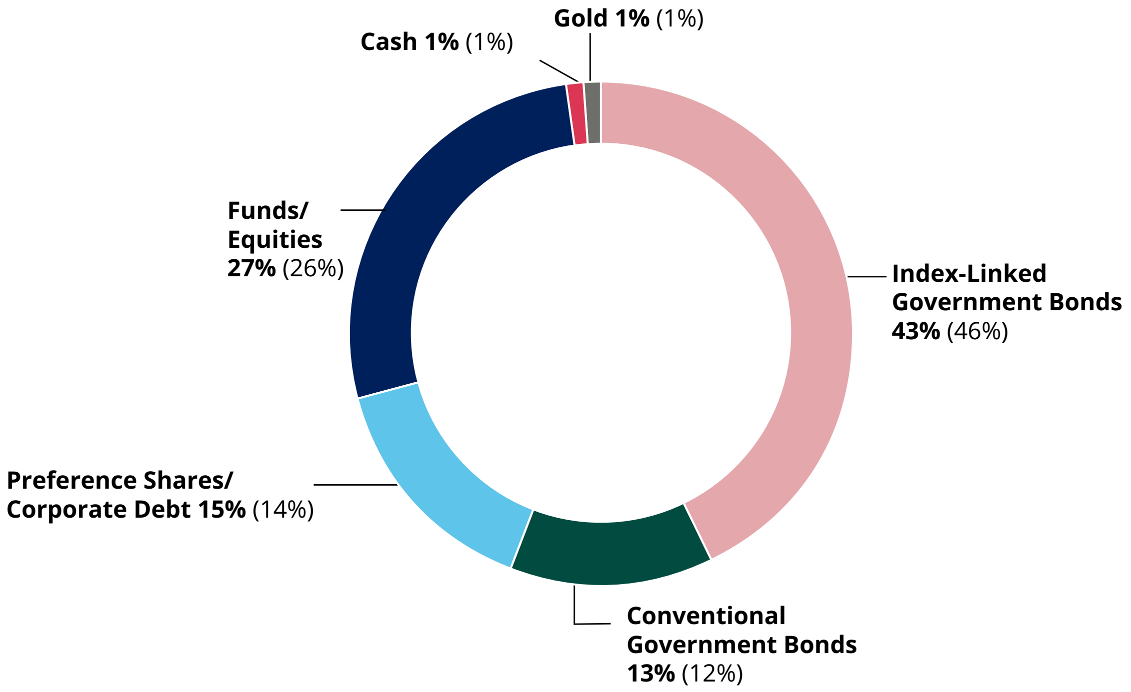
at 30 September 2023

	30 September 2023 £'000	31 March 2023 £'000
Funds/Equities		
iShares MSCI Japan ESG Screened UCITS ETF	**42,855**	46,301
SPDR MSCI Europe Energy UCITS ETF	**32,622**	34,236
Lyxor STOXX Europe 600 Basic Resources UCITS ETF	**17,707**	18,670
North Atlantic Smaller Companies Investment Trust	**16,078**	15,335
Greencoat UK Wind	**14,801**	14,815
Grainger	**10,887**	11,327
iShares S&P 500 Energy Sector UCITS ETF	**8,392**	7,795
International Public Partnerships	**7,023**	7,558
GCP Infrastructure Investments	**6,053**	7,618
Aker Asa	**6,048**	8,838
Other Fund/Equity Investments	**144,877**	156,104
	307,343	328,597
Gold		
Wisdomtree Physical Swiss Gold	**11,250**	13,048
	11,250	13,048
Total Investments	**1,128,048**	1,251,801
Cash	**5,006**	13,766
Total	**1,133,054**	1,265,567

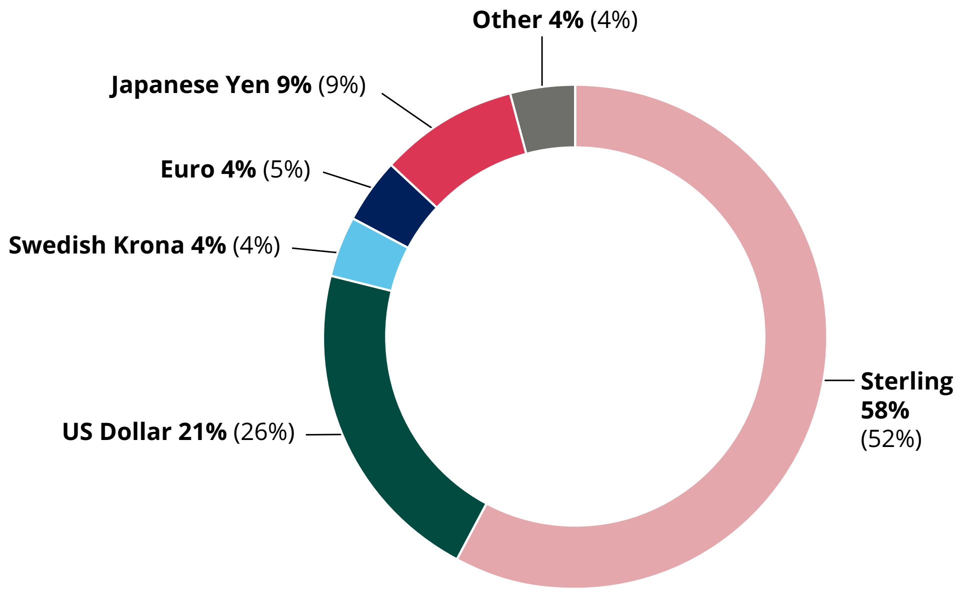
	30 September 2023	31 March 2023
Asset Allocation Analysis		
Index-Linked Government Bonds	**43%**	46%
Conventional Government Bonds	**13%**	12%
Preference Shares/Corporate Debt	**15%**	14%
Funds/Equities	**27%**	26%
Gold	**1%**	1%
Cash	**1%**	1%
	100%	100%
Currency Allocation Analysis		
Sterling	**58%**	52%
US Dollar	**21%**	26%
Japanese Yen	**9%**	9%
Euro	**4%**	5%
Swedish Krona	**4%**	4%
Other	**4%**	4%
	100%	100%

Portfolio Analysis

Asset Allocation
30 September 2023 (31 March 2023)



Currency Exposure
30 September 2023 (31 March 2023)



Interim Management Report

A review of the half year and the outlook for the Company can be found in the Chairman's Statement and the Investment Manager's Report.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company were explained in detail within the Annual Report issued in May 2023.

There remain heightened uncertainties for global economies and financial markets, with rapid changes in interest rates, higher levels of inflation, volatility in bond and equity markets and continued heightened geopolitical risks impacting on energy supply and costs, global trade and economic activity. Recent conflict in the Middle East has heightened geopolitical risk and is likely to continue to have an adverse impact on world markets.

As announced on 31 October 2023, the Company has placed temporary limits on buy backs under its discount control policy while it awaits approval from the Northern Irish Court to cancel the Company's share premium account and create additional distributable reserves. While this progresses, there is heightened risk around the premium and discount at which the shares will trade, the continued operation of the DCP and the Company's third party service providers responsible for monitoring the DCP and providing administration services. The DCP is expected to be restored in full following receipt of Court approval.

The Directors continue to work with the agents and advisers to the Company to manage the risks, including any emerging risks the best they can.

Related Party Transactions

Details of related party transactions are contained in the Annual Report issued in May 2023. There have been no material changes to be reported.

Going Concern

The Company's investment objective and business activities, together with the main trends and factors likely to affect its development and performance are monitored continuously by the Board. The Directors believe that the Company is reasonably well placed to manage its business risks and, having reassessed the principal risks, consider it appropriate to continue to adopt the going concern basis of accounting in preparing the interim financial information.

Statement of Directors' Responsibilities

Each Director confirms that, to the best of their knowledge:

(i) the condensed set of financial statements has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting);

(ii) the Half-Year Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months of the financial year and description of principal risks and uncertainties for the remaining six months of the financial year) and includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein); and

(iii) the Half-Year Report, taken as a whole, is fair balanced and understandable and provides information necessary for shareholders to access the Company's performance, position and strategy.

For and on behalf of the Board

Jean Matterson
Chairman
10 November 2023

Income Statement (unaudited)

for the six months ended 30 September 2023

	Six months ended 30 September 2023 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000
Net losses on investments	–	(27,390)	(27,390)
Net currency (losses)/gains	–	(82)	(82)
Investment income (note 2)	13,627	–	13,627
Other income	160	–	160
Gross return	13,787	(27,472)	(13,685)
Investment management fee	(2,188)	–	(2,188)
Other expenses	(538)	–	(538)
Net return before tax	11,061	(27,472)	(16,411)
Tax charge on net return	(1,818)	–	(1,818)
Net return attributable to equity shareholders	9,243	(27,472)	(18,229)
Net return per Ordinary share (note 3)	36.47p	(108.40)p	(71.93)p

The total column of this statement represents the Income Statement of the Company. The Revenue return and Capital return columns are supplementary to this and are prepared under guidance issued by the Association of Investment Companies.

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

There are no gains or losses other than those recognised in the Income Statement.

Income Statement (unaudited) *(continued)*

Six months ended 30 September 2022 (unaudited)			Year ended 31 March 2023 (audited)		
Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
–	(59,969)	(59,969)	–	(68,449)	(68,449)
–	131	131	–	(547)	(547)
12,711	–	12,711	24,846	–	24,846
–	–	–	93	–	93
12,711	(59,838)	(47,127)	24,939	(68,996)	(44,057)
(2,247)	–	(2,247)	(4,620)	–	(4,620)
(482)	–	(482)	(974)	–	(974)
9,982	(59,838)	(49,856)	19,345	(68,996)	(49,651)
(656)	–	(656)	(1,739)	–	(1,739)
9,326	(59,838)	(50,512)	17,606	(68,996)	(51,390)
39.75p	(255.07)p	(215.32)p	70.67p	(276.96)p	(206.29)p

Statement of Changes in Equity (unaudited)

for the six months ended 30 September 2023

	Called-up Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
Opening balance at 1 April 2023	**6,645**	**1,101,753**	**16**	**(7,973)**	**140,426**	**18,852**	**1,259,719**
Net return attributable to equity shareholders and total comprehensive income for the period	**–**	**–**	**–**	**(24,365)**	**(3,107)**	**9,243**	**(18,229)**
Shares bought back (note 6)	**–**	**–**	**–**	**–**	**(102,065)**	**–**	**(102,065)**
Dividends paid (note 4)	**–**	**–**	**–**	**–**	**–**	**(15,577)**	**(15,577)**
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**(102,065)**	**(15,577)**	**(117,642)**
Closing balance at 30 September 2023	**6,645**	**1,101,753**	**16**	**(32,338)**	**35,254**	**12,518**	**1,123,848**

for the six months ended 30 September 2022

	Called-up Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
Opening balance at 1 April 2022	5,223	816,009	16	57,222	159,561	11,804	1,049,835
Net return attributable to equity shareholders and total comprehensive income for the period	–	–	–	(72,894)	13,056	9,326	(50,512)
New shares issued (note 6)	1,198	242,390	–	–	–	–	243,588
Dividends paid (note 4)	–	–	–	–	–	(10,558)	(10,558)
Total transactions with owners recognised directly in equity	1,198	242,390	–	–	–	(10,558)	233,030
Closing balance at 30 September 2022	6,421	1,058,399	16	(15,672)	172,617	10,572	1,232,353

* These reserves are regarded as being available for distribution.

Statement of Financial Position (unaudited)

at 30 September 2023

	(unaudited) 30 September 2023 £'000	(unaudited) 30 September 2022 £'000	(audited) 31 March 2023 £'000
Fixed assets			
Investments held at fair value through profit or loss	**1,128,048**	1,211,490	1,251,801
Current assets			
Debtors	**4,276**	8,045	7,892
Cash at bank and in hand	**5,006**	42,578	13,766
	9,282	50,623	21,658
Creditors: amounts falling due within one year	**(13,482)**	(29,760)	(13,740)
Net current (liabilities)/assets	**(4,200)**	20,863	7,918
Total assets less current liabilities	**1,123,848**	1,232,353	1,259,719
Capital and reserves			
Called-up share capital	**6,645**	6,421	6,645
Share premium account	**1,101,753**	1,058,399	1,101,753
Capital redemption reserve	**16**	16	16
Capital reserve	**2,916**	156,945	132,453
Revenue reserve	**12,518**	10,572	18,852
Total equity shareholders' funds	**1,123,848**	1,232,353	1,259,719
Net asset value per Ordinary share	**4,674.9p**	4,798.4p	4,797.3p

The Half-Year Financial Report for the six months ended 30 September 2023 was approved by the Board of Directors on 10 November 2023 and signed on its behalf by:

Jean Matterson
Chairman

10 November 2023

Cash Flow Statement (unaudited)

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
Net cash inflow from operating activities (note 5)	**5,821**	7,767	16,499
Payments to acquire investments	**(339,122)**	(522,583)	(1,037,482)
Receipts from sale of investments	**440,413**	264,802	713,875
Net cash inflow/(outflow) from investing activities	**101,291**	(257,781)	(323,607)
Equity dividends paid	**(15,577)**	(10,558)	(10,558)
Repurchase of Ordinary Shares	**(100,185)**	–	(15,315)
Proceeds from the issue of Ordinary shares	**–**	253,075	297,172
Cost of share issues	**–**	(536)	(1,036)
Cost of share buy backs	**(110)**	–	–
Net cash (outflow)/inflow from financing activities	**(115,872)**	241,981	270,263
Decrease in cash and cash equivalents	**(8,760)**	(8,033)	(36,845)
Cash and cash equivalents at start of period	**13,766**	50,611	50,611
Cash and cash equivalents at end of period	**5,006**	42,578	13,766

Notes to the Financial Statements

1. Basis of preparation

The condensed Financial Statements for the six months to 30 September 2023 comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position and the Cash Flow Statement, together with the notes set out below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting', the AIC's Statement of Recommended Practice issued in 2022 ('SORP'), UK Generally Accepted Accounting Principles ('UK GAAP') and using the same accounting policies as set out in the Company's Annual Report and Accounts at 31 March 2023.

2. Investment income

	(unaudited) Six months ended 30 September 2023 £'000	(unaudited) Six months ended 30 September 2022 £'000	(audited) Year ended 31 March 2023 £'000
Income from investments			
Interest from UK bonds	**5,116**	2,570	6,049
Income from UK equity and non-equity investments	**4,740**	6,375	11,057
Interest from overseas bonds	**3,474**	1,505	4,973
Income from overseas equity and non-equity investments	**297**	2,261	2,767
Total income	**13,627**	12,711	24,846

3. Net return per Ordinary share

The calculation of return per Ordinary share is based on results after tax divided by the weighted average number of shares in issue during the period, excluding shares held in treasury, of 25,344,195 (30 September 2022: 23,459,021, 31 March 2023: 24,912,016).

The revenue, capital and total return per Ordinary share is shown in the Income Statement.

4. 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
2022 Dividend paid 15 July 2022 (46.0p per share)	**–**	10,558	10,558
2023 Dividend paid 10 July 2023 (60.0p per share)	**15,577**	–	–

Notes to the Financial Statements *(continued)*

5. Reconciliation of net return on ordinary activities before tax to net cash inflow from operating activities

	(unaudited) Six months ended 30 September 2023 £'000	(unaudited) Six months ended 30 September 2022 £'000	(audited) Year ended 31 March 2023 £'000
Net return before tax	**(16,411)**	(49,856)	(49,651)
Adjustments for:			
Capital return before tax	**27,472**	59,838	68,996
Decrease/(increase) in prepayments	**16**	28	(5)
Increase in accruals and accrued income	**16**	102	39
Overseas withholding tax paid	**(29)**	(59)	(115)
Decrease/(increase) in recoverable tax	**3**	(10)	(10)
UK Corporation tax paid	**(1,006)**	(243)	(874)
(Increase)/decrease in dividends receivable	**(326)**	(307)	186
Increase in accrued interest	**(3,832)**	(1,857)	(1,520)
Realised (losses)/gains on foreign currency transactions	**(82)**	131	(547)
Net cash inflow from operating activities	**5,821**	7,767	16,499

6. Ordinary shares

During the period, the Company bought back 2,218,929 Ordinary shares (six months to 30 September 2022: nil and year to 31 March 2023: 321,500) for a cash consideration totalling £102,065,000 (six months to 30 September 2022: nil and year to 31 March 2023: £15,334,000).

During the period, the Company issued no new Ordinary shares and no Ordinary shares were issued from treasury (six months to 30 September 2022: 4,790,460 new Ordinary shares issued for proceeds totalling £243,588,000 and no Ordinary shares were issued from treasury, year to 31 March 2023: 5,688,288 new Ordinary shares issued for proceeds totalling £287,166,000 and no Ordinary shares were issued from treasury).

At 30 September 2023, there were 26,580,263 Ordinary shares in issue (30 September 2022: 25,682,435 and 31 March 2023: 26,580,263). At 30 September 2023 2,540,429 Ordinary shares were held in treasury (30 September 2022: nil and 31 March 2023: 321,500).

Notes to the Financial Statements *(continued)*

7. Fair value of financial assets and liabilities

Financial Reporting Standard 102 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: valued using unadjusted quoted prices in active markets for identical assets;

Level 2: valued using observable inputs other than quoted prices included within Level 1; and

Level 3: valued using inputs that are unobservable and are valued by the Directors using International Private Equity and Venture Capital Valuation ('IPEV') guidelines, such as earnings multiples, recent transactions and net assets, which equate to their fair values.

The financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy at 30 September 2023 as follows:

Financial assets at fair value through profit or loss	Level 1 £000	Level 2 £000	Level 3 £000	2023 Total £000
Quoted securities	1,127,386	–	–	1,127,386
Delisted equities	–	–	662	662
Net fair value	1,127,386	–	662	1,128,048

8. General information

The financial information contained in this Half-Year Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half-years ended 30 September 2023 and 30 September 2022 have not been audited. The abridged financial information for the year ended 31 March 2023 has been extracted from the Company's statutory accounts for that period, which have been filed with the Registrar of Companies. The report of the Auditors on those accounts was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

Alternative Performance Measures

The Alternative Performance Measures ('APMs') detailed below are used by the Board to assess the Company's performance against a range of criteria and are viewed as particularly relevant to an investment trust.

NAV Total Return

Net asset value total return measures the increase or decrease in net asset value per share plus the dividends paid in the year, which are assumed to be reinvested at the NAV at the time that the shares are quoted ex-dividend.

		30 September 2023	31 March 2023
Opening NAV per share	A	**4,797.3p**	5,025.1p
Closing NAV per share	B	**4,674.9p**	4,797.3p
% change in NAV	C=(B-A)/A	**-2.6%**	-4.5%
Impact of dividend reinvested	D	**1.3%**	0.9%
NAV total return	E=C+D	**-1.3%**	-3.6%

Share Price Total Return

Share price total return measures the increase or decrease in share price plus the dividends paid in the year, which are assumed to be reinvested at the share price at the time that the shares are quoted ex-dividend.

		30 September 2023	31 March 2023
Opening share price	A	**4,730.0p**	5,140.0p
Closing share price	B	**4,585.0p**	4,730.0p
% change in share price	C=(B-A)/A	**-3.1%**	-8.0%
Impact of dividend reinvested	D	**1.3%**	0.9%
Share price total return	E=C+D	**-1.8%**	-7.1%

Premium/Discount to NAV

The amount by which the share price is higher/lower than the net asset value per share, expressed as a percentage of the net asset value per share.

		30 September 2023	31 March 2023
NAV per share	A	**4,674.9p**	4,797.3p
Share price	B	**4,585.0p**	4,730.0p
Discount/premium	C=(B-A)/A	**-1.9%**	-1.4%

Ongoing Charges

The Company publishes its ongoing charges ('ongoing cost ratio' or 'OCR') every year to 31 March on two bases, the first excluding and the second including fees of collective funds invested in by the Company. The ongoing charges include the management fee and all other administrative expenses and are expressed as a percentage of the average daily net assets during the year. Further details of the calculation are set out in the the 2023 Annual Report.

	OCR (excluding costs of underlying funds)	OCR (including costs of underlying funds)
Year ended 31 March 2023	0.46%	0.64%
Period ended 31 March 2022	0.52%	0.78%

Glossary of Terms and Definitions

Alternative Performance Measures	Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes UK GAAP, including FRS 102, and the AIC SORP. Further information is provided above. These numerical measures are used by the Board to assess the Company's performance against a range of criteria and are viewed as particularly relevant for an investment company.
DCP	A discount and premium control policy ('DCP') that seeks to ensure that the Company's shares trade at close to net asset value, in normal market conditions, through a combination of share buy-backs and share issues. The DCP creates liquidity in the shares and should reduce premium/discount volatility.
Drawdown	A maximum drawdown is the maximum observed negative period of return from a peak to a trough, as measured at month end NAV. Maximum drawdown is an indicator of downside risk that can be used to assess the relative riskiness of one portfolio relative to another.
Earnings per share	The earnings per share ('EPS') is calculated by dividing the net revenue return attributable to equity shareholders by the weighted average number of shares in issue.
Equity ETF	An exchange-traded fund ('ETF') is a type of pooled investment security that operates similarly to a mutual fund. Typically, ETFs will track a particular index, sector, commodity, or other asset, but unlike mutual funds, ETFs can be purchased or sold on a stock exchange the same way that a regular listed stock can. The price of an ETF's shares will change throughout the trading day reflecting the underlying value of the security.
Market Capitalisation	The value of the Company's total market value of its shares and is calculated by multiplying the total number of shares in issue with the current share price.
Net Asset Value ('NAV')	The value of total assets less liabilities. To calculate the net asset value per share the net asset value is divided by the number of shares in issue.
Ongoing Charges	The Company publishes its ongoing charges ('ongoing charges ratio' or 'OCR') on two bases, the first excluding and the second including fees of collective funds invested in by the Company. The management fee and all other administrative expenses are expressed as a percentage of the average daily net assets during the year.
Premium/Discount to NAV	The amount by which the share price is higher/lower than the net asset value per share, expressed as a percentage of the net asset value per share.
Total Return	Net asset value/share price total return measures the increase or decrease in net asset value per share/share price plus the dividends paid in the period, which are assumed to be reinvested at the time that the share price is quoted ex-dividend either in the net asset value or share price of the Company.
Treasury shares	Shares that have been repurchased by the Company but not cancelled. These shares are held in a treasury account and remain part of the Company's share capital but do not carry any rights to receive dividends or vote at general meetings.

Shareholder Information

Financial Reporting	Copies of the Company's Annual and Half-Year Reports may be obtained from the Company Secretary and electronic copies can be accessed on the Company's website www.capitalgearingtrust.com. See the inside back cover for contact details.
Frequency of NAV Publication	Daily
How to Invest	Via your bank, stockbroker or other financial adviser.
Share Price	The Company's share price can be found on the London Stock Exchange website by using the Company's TIDM code 'CGT' within the price search facility. The share price is also available on the Company's website.
Share Identification Codes	SEDOL: 0173861 ISIN: GB0001738615 BLOOMBERG: CGT:LN TIDM: CGT FT: CGT:LSE LEI: 213800T2PJTPVF1UGW53
Substantial Shareholdings	The Disclosure Guidance and Transparency Rules require shareholders of the Company to simultaneously inform the Company and the Financial Conduct Authority (the 'FCA') of changes to major holdings in the Company's shares within two trading days of the change. For further information, please visit the FCA's website: https://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/shareholding-notification-disclosure.
Contacting the Board	Any shareholders wishing to communicate directly with the Board should do so via the Company Secretary. See the inside back cover for contact details. The Chairman can also be contacted directly by email to chairman@capitalgearingtrust.com.

Corporate Information

Directors *(all non-executive)*

Jean Matterson, Chairman
Ravi Anand
Robin Archibald
Wendy Colquhoun
Paul Yates

Company Secretary and Administrator

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Registered Number

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