











# Manager's investment report

For the period ended 15 September 2023

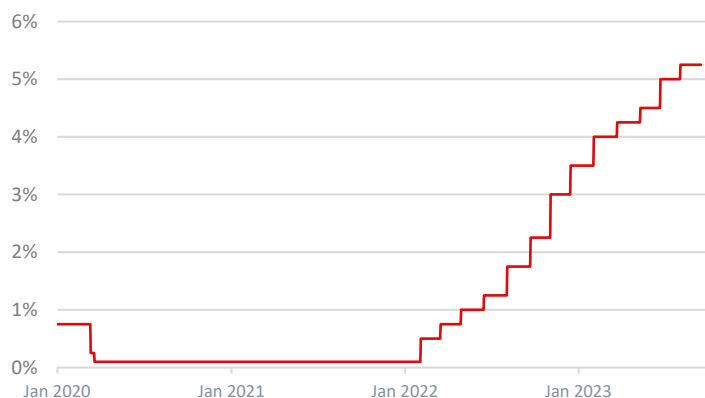
## Markets overview for the six months to 15 September 2023

The UK stock market rose modestly over the six-month period. Central banks in Western economies continued to raise interest rates to counter multi-decade-high inflation. As a result, annual inflation rates started to ease in many economies. Meanwhile, global economic growth held up better than many investors expected, defying fears of a recession triggered by higher rates. Consequently, many equity markets rose notably over the period. However, the UK stock market lagged its international peers as stubbornly high inflation and weak economic growth proved a toxic mix.

### High inflation and rising interest rates dominate:

- At the start of the period under review, the collapse of two regional US banks and the forced sale of Credit Suisse to rival UBS in March evoked fears of a banking crisis resulting in volatility in global stock markets. However, these concerns were then appeased by swift regulatory intervention.
- After months of negotiations between the Democrat and Republican parties, in which US government bond valuations became more volatile, a compromise agreement to suspend the US debt ceiling until January 2025 was finally signed into law in early June, removing the risk of a potentially catastrophic default.
- Central banks responded to high inflation levels in Western economies by continuing to raise interest rates. In particular, the US Federal Reserve (Fed), the world's most important central bank, increased the target range for the federal funds rate by 0.25% at each of its meetings in March, May and July, taking it to 5.25-5.50% by period-end (the highest level since January 2001). Inflation continued to steadily decline but remained well above the Fed's 2% target as the review period ended.
- China's weak economy, exacerbated by its heavily indebted property sector, prompted the country's authorities to announce various stimulus measures.

### Bank of England Base Rate



- Stubbornly high inflation particularly weighed on the UK economy. The Bank of England (BoE) increased its base rate four times over the period, hiking it by 0.25% in each of March, May and August and by 0.50% in June. The base rate finished the period at 5.25%, its highest level since 2008. Having peaked at a 41-year high of 11.1% in October 2022, annual consumer price inflation fell steadily to 6.8% in July. However, this was still well above the BoE's 2% target. Moreover, annual core consumer price inflation remained elevated, at 6.9% in July.

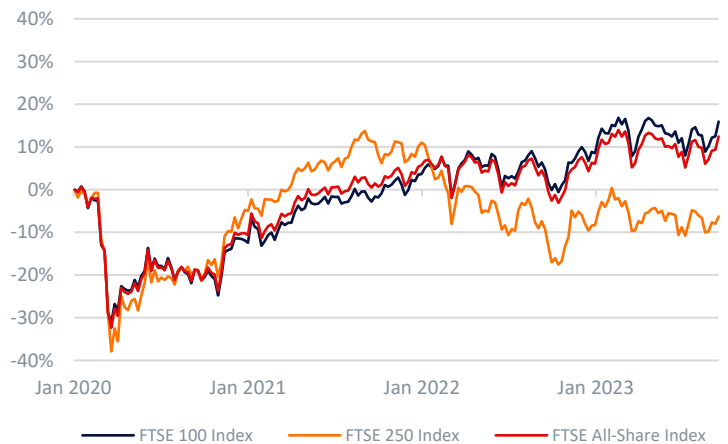
## Global stock markets continued to recover

Despite the problems in the banking sector, global equities ended higher in March as authorities' and regulators' actions helped to restore some confidence, and investors lowered their expectations of further monetary tightening. After a quiet April, though, most stock markets fell in May due to continued uncertainty about the interest-rate outlook, the global economy and the US debt ceiling. News of a compromise agreement on the latter and further encouraging inflation data then led to a strong performance from equities in June and July. However, concerns that interest rates would stay higher for longer brought negative returns for equities in August and over the first half of September.

### UK stock market lags other regional indices

- The broad UK stock market, as represented by the FTSE All-Share Total Return Index, rose modestly over the period as domestic investors worried about stagflation. The index rose by 6.8% in sterling terms over the six-month period but underperformed many of its international counterparts.
- Large-cap companies fared relatively well over the six-month period, with a 7.5% rise in the FTSE 100 Total Return Index.

### Cumulative 3 Year Performance



- As the main UK index, the FTSE 100 contains the largest UK-listed companies, including many energy and mining companies. Their share prices benefited from higher commodity prices. The index also includes many consumer staple and healthcare companies. Such stocks typically hold their value relatively well in volatile market conditions. Meanwhile, movements in sterling did not have a major impact on the many international companies in the index as the pound ended the period only marginally stronger against the US dollar.
- The FTSE 100 Index performed well until mid-April 2023, rising above 7,900. It then fell steadily until early July before recovering before the period-end.
- By contrast, the FTSE 250 Index, which contains medium-sized companies that are typically more focused on the domestic UK economy, lagged the FTSE 100 index over the six-month review period.
- Global stock markets, including the UK, will continue to face challenges. Investors are concerned that high inflation and sustained interest-rate rises could cause an economic downturn. Indeed, economies may well fall into recession in early 2024. However, with annual inflation now declining, the number and magnitude of further rate rises should be limited.

# Net asset value and operating charges

As at 15 September 2023 (unaudited)

	Income Units			AE Income Units		
	15 Sep 23	15 Mar 23	15 Mar 22	15 Sep 23	15 Mar 23	15 Mar 22
Closing net asset value (£)	1,894,061,188	1,918,585,774	1,947,165,079	2,550,997	2,245,611	4,582,351
Closing number of units	681,271,148	720,018,613	733,087,539	2,262,579	2,078,127	4,252,926
Closing net asset value per unit (p)	278.02	266.46	265.61	112.75	108.06	107.75
Operating charges (%) <sup>‡</sup>	0.60	0.60	0.60	0.60	0.60	0.60

<sup>‡</sup>The operating charges are the annualised total expenses paid by the Trust in the period, expressed as a percentage of its average net assets.

# Portfolio statement

As at 15 September 2023 (unaudited)

All footnotes for references included within the Portfolio statement can be found on page 29.

Security	Holdings	Market Value £'000	% of Net Assets
<b>BASIC MATERIALS (7.61%*)</b>		<b>134,093</b>	<b>7.07</b>
<b>Chemicals</b>			
Croda International	110,502	5,532	0.29
Elementis	440,739	512	0.03
Johnson Matthey	142,353	2,477	0.13
RHI Magnesita	22,224	638	0.03
Synthomer <sup>†</sup>	277,112	132	0.01
Treatt <sup>†</sup>	39,814	196	0.01
Victrex	66,473	972	0.05
<b>Industrial Materials</b>			
Zotefoams	55,394	195	0.01
<b>Industrial Metals and Mining</b>			
Anglo American	962,458	22,156	1.17
Antofagasta	267,123	3,983	0.21
Capital	131,000	106	0.01
Evrast <sup>‡</sup>	483,194	-	-
Ferrexpo	246,088	205	0.01
Glencore	9,906,175	45,212	2.38
Hill & Smith	60,066	1,068	0.06
Kenmare Resources	71,843	310	0.02
Rio Tinto	872,252	46,125	2.43
<b>Precious Metals and Mining</b>			
Centamin	852,150	768	0.04
Endeavour Mining <sup>†</sup>	147,615	2,448	0.13
Fresnillo <sup>†</sup>	135,185	795	0.04
Hochschild Mining	194,996	169	0.01
Petra Diamonds	135,000	94	-
<b>CONSUMER DISCRETIONARY (11.54%*)</b>		<b>223,933</b>	<b>11.80</b>
<b>Automobiles and Parts</b>			
Aston Martin Lagonda Global Holdings	235,303	766	0.04



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Dowlais	1,079,021	1,308	0.07
TI Fluid Systems	218,815	274	0.01
<b>Consumer Services</b>			
Compass	1,393,235	28,854	1.52
<b>Household Goods and Home Construction</b>			
Barratt Developments	801,140	3,687	0.19
Bellway	98,408	2,191	0.12
Berkeley	84,441	3,552	0.19
Crest Nicholson	211,556	394	0.02
Headlam	73,434	169	0.01
MJ Gleeson	34,413	140	0.01
Persimmon	249,885	2,696	0.14
Redrow	194,499	981	0.05
Taylor Wimpey	2,856,539	3,394	0.18
Vistry	261,367	2,458	0.13
<b>Leisure Goods</b>			
Games Workshop	25,387	2,917	0.15
ME Group International	303,453	483	0.03
<b>Media</b>			
4imprint	24,595	1,254	0.07
Bloomsbury Publishing	70,367	291	0.02
Future	88,568	701	0.04
Informa	1,138,195	8,648	0.45
ITV	2,894,291	2,104	0.11
Pearson	589,050	5,267	0.28
Reach	267,017	204	0.01
RELX	1,518,334	42,498	2.24
STV	19,781	41	-
WPP	835,226	6,450	0.34

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Security	Holdings	Market Value £'000	% of Net Assets
<b>Personal Goods</b>			
Burberry	304,322	6,567	0.35
Dr. Martens <sup>†</sup>	439,467	666	0.03
Superdry	74,061	28	-
Watches of Switzerland	181,206	1,084	0.06
<b>Retailers</b>			
AO World	297,418	252	0.01
Asos <sup>†</sup>	59,830	241	0.01
B&M European Value Retail	728,090	4,201	0.22
Card Factory	367,787	385	0.02
Currys	810,916	399	0.02
DFS Furniture	218,096	251	0.01
Dunelm	77,465	871	0.05
Frasers	103,244	831	0.04
Halfords	197,399	389	0.02
Howden Joinery	443,867	3,325	0.18
JD Sports Fashion	1,929,264	2,693	0.14
Kingfisher	1,565,910	3,692	0.19
Lookers	263,669	341	0.02
Marks & Spencer	1,564,884	3,436	0.18
Moonpig <sup>†</sup>	199,480	338	0.02
Motorpoint <sup>†</sup>	67,121	61	-
Next	97,308	6,998	0.37
Pendragon	1,298,145	239	0.01
Pets at Home	379,475	1,321	0.07
Topps Tiles	162,856	79	-
WH Smith	99,474	1,398	0.07
Wickes <sup>†</sup>	209,198	306	0.02
<b>Travel and Leisure</b>			
888 <sup>†</sup>	214,342	267	0.01





































































