

Schroders

Schroder Income Growth Fund plc

Half Year Report and Accounts
for the six months ended
28 February 2021



Investment objectives

The Company's principal investment objectives are to provide real growth of income, being growth of income in excess of the rate of inflation, and capital growth as a consequence of the rising income.

Investment policy

The investment policy of the Company is to invest primarily in UK equities but up to 20% of the portfolio may be invested in equities listed on recognised stock exchanges outside the UK. If considered appropriate, the Company may use equity related instruments such as convertible securities and up to 10% of the portfolio may be invested in bonds. In addition, up to 20% of total income may be generated by short-dated call options written on holdings in the portfolio. Put options comprising short-term exchange-traded instruments on major stock market indices of an amount up to the value of the Company's borrowings may also be utilised.





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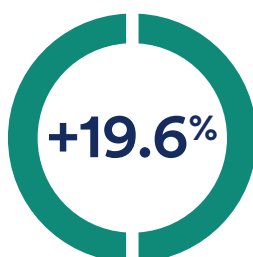
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Financial Highlights

Total returns for the six months ended 28 February 2021¹



Net asset value
("NAV") total return
per share²



Share price
total return²



FTSE All-Share
Index total return³

¹ Total returns measure the combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares of the Company at the time the shares were quoted ex-dividend (to calculate the share price total return) or in the assets of the Company at its NAV per share (to calculate the NAV per share total return).

² Source: Morningstar.

³ Source: Thomson Reuters.

Other financial information

	28 February 2021	31 August 2020	% Change
Shareholders' funds (£'000)	192,744	170,324	+13.2
NAV per share (pence)	278.18	246.71	+12.8
Share price (pence)	281.00	242.00	+16.1
Share price premium/(discount) to NAV per share (%)	1.0	(1.9)	
Gearing (%) ¹	5.8	9.5	
Yield (%) ²	4.5	5.2	

¹ Borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

² Calculated as the sum of the last 4 quarterly dividends declared, expressed as a percentage of the current share price.

Dividends

Dividends declared in respect of the six months ended 28 February 2021 amount to 5.0p (six months ended 29 February 2020: 5.0p and year ended 31 August 2020: 12.6p) per share.

Interim Management Report – Chairman’s Statement



Performance

During the six-month period to 28 February 2021, the Company's net asset value total return ("NAV") returned 16.1%, compared to 12.0% delivered by the FTSE All-Share Index.

The share price outperformed the NAV, showing a total return of 19.6% as the discount narrowed from 2.41% at

the start of the financial year on 1 September 2020 to a premium of 1.0% at the end of the six-month period.

More detailed comment on the performance of your Company may be found in the Manager's Review.

Management fees

I am pleased to report that the board has negotiated a material reduction in the Company's management fee, which enables the Company to continue to provide shareholders with a compelling investment proposition but at a significantly lower cost, and places it in a competitive position when compared with both closed and open-ended peers. The new management fee, effective from 1 March 2021, is a flat 0.45% of the value of the Company's assets under management, net of current liabilities other than short-term borrowings, less any cash up to the level of borrowings ("chargeable assets"). A fixed £150,000 fee will also be paid to the Manager to cover administration and company secretarial services.

This is a material reduction from the previous fee structure of 0.65% per annum on the first £200 million of the chargeable assets and 0.55% per annum on subsequent amounts. Based on the Company's NAV as at 28 February 2021, this new arrangement would have reduced the annual fee payable to the Manager by around £250,000, or 19% had it been in place over the last year.

Revenue and dividends

During the period, the Company paid two interim dividends for the year ending 31 August 2021 amounting to 5.00 pence per share (2020: 5.00 pence per share), drawing partly on revenue reserves. We are pleased that we were able to deliver an increased dividend for the year ended 31 August 2020, keeping our 'Dividend Hero' status and we remain committed to deploying the Company's revenue reserves wisely to provide a consistent source of growing income for our shareholders.

The income that the Company has received during the first half of the year has fallen 46%. This fall is a result of some of the companies in the portfolio cutting or eliminating their dividends. However, we have seen a

move towards companies re-instating their dividends recently and the portfolio has been re-orientated towards those companies that are paying dividends, a greater proportion of which are expected to be paid in the second half of the Company's year. We therefore hope to see an increase in the revenue per share received in the second half of the Company's financial year and for the fall in revenues received to be less pronounced at year-end.

The Company has revenue reserves of 11.30 pence per share that is available for the board to distribute at the year end when we will decide what the final dividend will be.

Gearing

The Company has in place a £20 million revolving credit facility with Sumitomo Mitsui Banking Corporation Europe Limited ("SMBC"), expiring on 23 August 2021. Average gearing during the period was 5.8% and the gearing is currently 8.9%¹, which had provided a positive 1.8% impact on performance during the period.

Board composition

As previously described in the 2020 Annual Report and Accounts, David Causer retired at the Company's 2020 AGM. Fraser McIntyre has succeeded him as the chair of the Audit and Risk Committee. We would like to thank David warmly for his service to the Company.

Additionally, to better distribute duties around the board, and in line with best practice, a separate Remuneration Committee has been created, chaired by Victoria Muir, and Ewen Cameron Watt has been appointed as chair of the Nomination Committee and as Senior Independent Director.

Outlook

Equity market sentiment has improved significantly in the last six months, driven by vaccine approvals and roll-outs. Your board shares the widely held optimism about domestic markets recovering strongly from the damage imposed of the past 12 months of COVID-19 restrictions.

Bridget Guerin
Chairman

11 May 2021

¹ As at 7 May 2021

Interim Management Report – Manager’s Review

The net asset value total return in the six months to 28 February 2021 was 16.1%. This compares to 12.0% from the FTSE All-Share Total Return Index. The share price total return was 19.6% (source: Schroders/Morningstar).

Total income for the Company fell 46% from a combination of two key factors – the unprecedented disruption to UK dividends from COVID-19 and the impact of portfolio activity as we have sought to reposition the portfolio to minimise the negative effects of this disruption and take advantage of the opportunities which have arisen. Each factor is discussed in detail below.

Firstly, the comparison of the six months to 28 February 2021 with the six-month period to 29 February 2020 compares the most COVID-19 disrupted six months with an undisrupted prior period. Many holdings in the most severely impacted sectors (leisure and hospitality) have not declared a dividend in this period, whilst others across a wide range of sectors have reduced their pay-outs to shareholders as a result of falls in profitability. Secondly, the impact of portfolio activity affected income. We took action in holdings where we had concerns or where the investment thesis was negated by COVID-19, and we repositioned the portfolio to take advantage of mis-priced opportunities. Comparing the six months to February 2021 against the six months to February 2020 we had sold out of several previously higher dividend paying companies where the dividend outlook and the investment case weakened (BP, BT, Crest Nicholson, HSBC, Micro Focus, Next, ITV). Two large holdings which we retained, despite not paying dividends (G4S and William Hill), were bid for in this period – boosting capital returns. Much of the proceeds of these sales have been reinvested in attractive and higher yielding companies but where their income is concentrated in the second half of the Company’s financial year.

Your Company has a focused portfolio which has been actively managed for both income and capital preservation. Eight portfolio holdings (19.7% of the fund) increased dividends in this period compared to the prior year. Tesco, and alternative asset manager Intermediate Capital continued to make substantial increases. Bunzl, a new holding in industrial services, paid both an interim 2020 and a catch up, of the passed final dividend for 2019, in the period. A range of more stable businesses such as Unilever, British American Tobacco, National Grid, international infrastructure developer John Laing and healthcare property company Assura continued to increase their dividends by modest percentages.

Seven holdings (17% of the fund) maintained their dividends – five existing holdings in predominantly defensive areas (BAE Systems, DMGT, Glaxo, Pets at Home, TP ICAP) as well as two of our new holdings: investment company 3i, and defence services company QinetiQ.

More than offsetting these increases were three negatives. Firstly, there were substantial cuts from holdings seeking to preserve balance sheet strength and liquidity. As such seven holdings (15% of the portfolio¹) did not make any payments in the period – luxury goods company Burberry, housebuilder Taylor Wimpey, leisure business Hollywood Bowl, hotel operator Whitbread, student accommodation providers, Unite and Empiric, and Portuguese oil company Galp. We maintained or increased the holdings in these businesses as we expect them to return to paying attractive dividends in due course. Additionally, two large positions in security services provider G4S and gaming group William Hill, which we had held and added to, received bid approaches during this period. We have sold out of these two substantial positions and reinvested proceeds in a range of new and existing investments which we expect to contribute to dividend income in future periods.

Secondly four holdings (accounting for 13% of the portfolio¹) paid reduced dividends – commodity companies BHP Billiton and Royal Dutch Shell suffered reduced earnings due to oil price declines, speciality chemicals company, Johnson Matthey, sought to conserve balance sheet strength to fund investment opportunities, whilst AstraZeneca, which declared an unchanged dividend in US dollars, saw a fall in its dividend payment in sterling terms due to the strength of sterling against the US dollar. We maintained positions in BHP Billiton and Astra Zeneca whilst holdings in both RD Shell and Johnson Matthey were lower than during the prior period.

Thirdly, we had already sold holdings, in the prior year², in companies where we considered there to be a risk of dividends being cut or permanently rebased lower. These included BT, HSBC, Next, software company Micro Focus, house builder Crest Nicholson and the oil company holdings. Much of the proceeds have been reinvested in companies where the income is concentrated in the Fund’s second half (mining group Anglo American, asset manager M&G, insurance company Direct Line). As a result, the Fund’s income has become even more skewed to the second half of the year since many existing and substantial holdings (insurance company Legal & General, mining company Rio Tinto and publishing groups RELX and Pearson) also pay all their income in the Fund’s second half. In aggregate these holdings account for 26% of the portfolio value¹ and typically generate higher income than the average of the Company’s portfolio holdings.

Market background

It is now a year since global equity markets experienced a record-breaking crash as the COVID-19 pandemic spread worldwide. The initial unprecedented sell-off punished companies sensitive to economic activity and favoured those with defensive and growth qualities. This reversed with significant and swift economic support packages

¹ % valuation as at 28 February 2021, source: HSBC

² Year ending 31 August 2020

Interim Management Report – Manager's Review

from governments and central banks, positive vaccine news and business and consumer adaption to virus restrictions and lockdowns favouring cyclical (stocks that move with the business cycle) and value stocks (stocks that trade at a lower price than the company's performance may indicate). We manage the fund in a focused but balanced way blending a range of mis-priced opportunities from growth and value areas of the market to generate income and capital growth (growth stocks are those companies that are considered to have future growth potential).

Portfolio performance

The NAV total return outperformed the FTSE All-Share Index, with the portfolio's gearing proving a tailwind during the period as the market rallied on increased investor confidence.

	Impact (%)
FTSE All-Share Index	12.0
Stock selection	2.9
Sector allocation	0.0
Gearing	1.8
Costs	-0.5
Residual	-0.1
NAV total return	16.1

Source: Schroders 26 February 2021, Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

Stock selection was the main driver of outperformance over the six-month period.

Conviction positions in security solutions firm G4S and bookmaker William Hill (both subsequently sold following bid approaches) and speciality retailer Pets at Home, which benefited from being classified as an essential retailer as well as an increase in pet ownership, were the most significant contributors. Diversified miners were also strong performers. Anglo American has a strong growth pipeline in new copper and platinum group metals capacity that are essential ingredients for a more sustainable world, whilst BHP and Rio Tinto enjoyed strong demand for commodities from Asia. Furthermore, in anticipation of reopening, holdings in leisure companies Hollywood Bowl and Whitbread performed strongly.

The principal detractors were not owning banks (HSBC, Barclays, Lloyds) and being underweight oil and gas producers. Positive news on vaccines led the market to reward companies that could benefit from economies reopening as vaccines are deployed. The expectation of greater demand boosted oil and gas producers, while the potential for an improved economic outlook and accompanying rising interest rates supported banks. Our

large positions in more defensive names such as pharmaceutical company GlaxoSmithKline, food retailer Tesco, defence contractor BAE Systems and GP practice property business Assura detracted from performance over the period as they lagged the market rally, which gathered pace following news on vaccine developments, although the Fund did benefit from not owning household products company Reckitt Benckiser. Shares in GlaxoSmithKline have struggled to make progress due to earnings downgrades as a result of COVID-19 issues, which have impacted the group's vaccines business, together with concerns over strategic constraints on developing the pharmaceutical division's pipeline while servicing debt and dividend payments. We continue to hold our positions in these names due to a combination of attractive valuations and income generation.

The table below shows the largest differences between the stocks in the portfolio and the stocks comprising the index, and the impact of these on the performance of the portfolio.

Top five performers

	Portfolio weight (%) ¹	Weight relative to index (%) ¹	Relative performance (%) ²	Impact on performance (%) ³
G4S	4.3	+4.1	+57.1	+2.3
William Hill	0.9	+0.8	+44.3	+1.4
Pets At Home	3.8	+3.8	+22.8	+1.1
Reckitt Benckiser	–	-2.1	-32.1	+0.8
Anglo American	3.4	+2.0	+39.3	+0.7

Bottom five performers

	Portfolio weight (%) ¹	Weight relative to index (%) ¹	Relative performance (%) ²	Impact on performance (%) ³
Glaxo	6.2	+2.9	-28.5	-0.9
Royal Dutch Shell	1.2	-3.3	+21.1	-0.6
BAE Systems	4.0	+3.3	-16.9	-0.6
HSBC	–	-3.6	+17.1	-0.6
Assura	2.8	+2.7	-18.3	-0.6

Source: Schroders, FactSet, for Schroder Income Growth Fund plc investment portfolio, 6 months to end February 2021.

¹ Average over period.

² Total return of the stock relative to FTSE All Share total return over the period.

³ Contribution to performance relative to the FTSE All-Share. The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

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Portfolio activity

Turnover has been higher than in the prior period due in large part to bid approaches for two of our conviction holdings, which led to us exiting these positions and reinvesting the proceeds.

We established nine new positions.

Following the acceptance by management of an offer for William Hill by Caesars, we exited our significant position early in the period. We trimmed our large position in Pets at Home, which remains a key holding but had become an outsized position due to its strong performance.

Toward the end of the period, we reduced then exited our large position in G4S following the conclusion of the bidding war for the company. We reduced positions in British American Tobacco in favour of more compelling opportunities and reduced our large positions in GP practice property company Assura and education publisher Pearson as these had become large positions due to strong performance. We redeployed this capital into a range of new and existing holdings where we continue to see mis-pricings in companies exposed to economic growth, both domestically and internationally.

We reinitiated a holding in speciality chemical company Johnson Matthey following underperformance since it was sold from the portfolio. The company is progressing well with the development of key materials for electric vehicle batteries and hydrogen projects. We established a new holding in Balfour Beatty, a well-capitalised construction company, which has been simplified and the quality improved. We believe Balfour Beatty is in a strong position to benefit from fiscal stimulus and much needed infrastructure spend in the UK and US. We started a new position in Drax Group, which once ran the largest coal fired power station in the UK but has committed to stop using coal in its power station by March 2021. It aims to become a leading carbon-negative energy business using biomass renewable fuels along with carbon capture and storage technology. As Drax is an integral part of the UK energy generation system, if successfully implemented, we believe this could lead to considerable value creation for shareholders.

New holdings in stocks exposed to economies reopening included National Express, a UK, European and US bus and coach business, as well as SThree, a recruitment company predominantly operating in the growing science, technology, engineering, and maths (STEM) sectors. We believe SThree is well placed to benefit from increased churn in the jobs market and the trend towards more flexible working practices. We also added investment company 3i Group to the portfolio, which has a large investment in Action, a fast-growing, Pan-European discount retailer, as well as infrastructure assets and several other investments.

We took advantage of de-ratings in share prices to add a number of new, exciting holdings to the portfolio. We initiated a position in QinetiQ, a science and engineering company in the defence, security, and critical infrastructure markets, which helps customers to create, test and use defence and security capabilities. We also started a position in consumer cybersecurity company Avast. PayPoint was also added to the portfolio, which provides in-store payment solutions and has a strong market share in the growing convenience retail sector.

In terms of existing positions, we added to luxury goods firm Burberry, diversified miner Anglo American, purpose-built student accommodation provider Empiric, domestic housebuilder Taylor Wimpey and hotel operator Whitbread. We expect all of these companies to benefit from a return to normality. We added to fund manager and life insurance businesses M&G and Legal & General on Brexit concern weakness and participated in interdealer broker TP ICAP's fundraise to finance the acquisition of Liquidnet. Some areas of the market remain particularly hard hit, and companies continue to fund raise to strengthen their financial position. As with our activity during the initial stages of the pandemic, we are prepared to be supportive of equity issuance where valuations are depressed and where we see recovery prospects that the market has overlooked.

Outlook

Global markets experienced a record-breaking crash in February and March 2020 as the COVID-19 pandemic spread throughout the world. However, with governments and central banks doing “whatever it takes” in terms of providing support to individuals and businesses through monetary and fiscal policies, as well as a quick breakthrough in developing an effective vaccine, markets rebounded fast. Overall, businesses, consumers and governments have proved to be adaptable and innovative, from vaccine development and roll out to business practices and the use of technology.

The economic impact of the pandemic has reiterated the importance of balance sheet strength, which we also witnessed during the global financial crisis. We prioritise financial strength and robust, sustainable business models in our stock selection. As we look forwards to identifying new investment opportunities amongst the uncertainties that remain, we continue to seek to take advantage of mispriced opportunities in market-leading, cash generative, well-managed and sustainable businesses.

In the portfolio, we hold a range of companies that could benefit from trends that have been accelerated by changes brought about by the pandemic; companies leading digitisation (Pearson and Avast) and those contributing to the energy transition (Drax Group,

Interim Management Report – Manager’s Review

Johnson Matthey, Anglo American). We also have exposure to “re-opening” opportunities as lockdowns lift (Burberry, Whitbread, Hollywood Bowl, Unite and Empiric Student Properties) and companies involved in infrastructure development (John Laing, Balfour Beatty), as increased spend by governments is likely to play a significant role in the recovery from the pandemic.

However, risks do remain. The slow vaccine roll-out and the third wave in the EU, as well as coronavirus variants emerging across the globe, have cast some doubt on the pace of unlocking economies. Additionally, the fiscal and monetary stimulus thrown at the situation over the last twelve months has been unprecedented and could well lead to higher inflation and bond yields.

We retain a high degree of confidence in the fund’s income for the full year being more robust than that experienced for the first half of the year. The fund’s income is more than usually skewed towards the second half for reasons already discussed. At the time of writing there have been no adverse movements for any of the large final dividends declared since the end of February. The last Dividend Monitor report published by Link Asset Services in January 2021 suggested that the worst is behind us with respect to UK dividends as those companies wanting to cut dividends have already done so while some companies are restarting pay-outs.

The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Investment policy

Regardless of external conditions, our job remains constant: to construct a diversified portfolio of mispriced opportunities capable of delivering both attractive capital returns and income to investors, in absolute terms and when compared to inflation.

We remain bottom-up stock pickers looking for idiosyncratic investment opportunities in individual companies. Macroeconomic events can, and do of course, throw up some very compelling stock specific opportunities and this has been the case during the height of the crisis. We acted quickly and decisively earlier on in the pandemic to adjust portfolios to reflect the new market environment. In terms of our current portfolio preferences, we believe we hold a collection of stocks with attractive characteristics including valuation, growth, and franchise strength. These are companies where prospects are not, in our view, fairly reflected in share prices. We find these opportunities in both UK-focused and internationally-diversified companies. At present, we are seeing a very attractive opportunity set of mispriced assets in the UK market, as the market, as a whole, has been out of favour with international investors in recent years.

Schroder Investment Management Limited

11 May 2021

Interim Management Report

Investment Portfolio at 28 February 2021

Companies in bold represent the 20 largest investments, which by value account for 71.7% (29 February 2020: 73.1% and 31 August 2020: 78.4%).

All companies are headquartered in the UK unless otherwise stated. All investments are equities

	£'000	%
Financials		
Legal & General	10,463	5.1
Intermediate Capital	7,307	3.6
Prudential	6,761	3.3
John Laing	5,773	2.8
M&G	5,714	2.8
Empiric Student Property	5,197	2.5
Assura	4,755	2.3
TP ICAP	4,020	2.0
Unite Group	3,418	1.7
Direct Line Insurance	3,353	1.7
3i Group	3,147	1.6
Total Financials	59,908	29.4
Consumer Services		
Pets At Home	7,219	3.5
RELX	7,033	3.4
Tesco	6,382	3.1
Pearson	5,977	2.9
Hollywood Bowl	4,719	2.3
Whitbread	4,386	2.2
National Express	1,862	1.0
Daily Mail and General Trust	1,695	0.8
Total Consumer Services	39,273	19.2
Basic Materials		
Rio Tinto	10,829	5.3
BHP	9,009	4.4
Anglo American	8,911	4.4
Johnson Matthey	4,776	2.3
Total Basic Materials	33,525	16.4
Consumer Goods		
Unilever	6,988	3.4
Burberry	6,134	3.0
British American Tobacco	4,100	2.0
Taylor Wimpey	2,892	1.5
Total Consumer Goods	20,114	9.9

	£'000	%
Healthcare		
GlaxoSmithKline	10,836	5.3
AstraZeneca	8,823	4.3
Total Healthcare	19,659	9.6
Industrials		
BAE Systems	8,100	4.0
Balfour Beatty	4,425	2.2
Bunzl	2,847	1.4
Qinetiq	1,300	0.6
Paypoint	1,024	0.5
SThree	834	0.4
Total Industrials	18,530	9.1
Oil and Gas		
Galp Energia (Portugal)	3,456	1.7
Royal Dutch Shell 'B'	2,992	1.5
Total Oil and Gas	6,448	3.2
Utilities		
National Grid	3,862	1.9
Drax	1,624	0.8
Total Utilities	5,486	2.7
Technology		
Avast	992	0.5
Total Technology	992	0.5
Total investments	203,935	100.0

Interim Management Report

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; market; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; service provider; and cyber. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 18 and 19 of the Company's published annual report and accounts for the year ended 31 August 2020.

The board has continued to keep under review the effect of the COVID-19 pandemic on the Company's principal risks and uncertainties. Although it was assessed to be an emerging risk in the annual report, the board now considers that the Company's existing principal risks and uncertainties are sufficiently comprehensive. COVID-19 continues to affect the Company, affecting the value of the Company's investments due to the disruption of supply chains and demand for products and services, increased costs and cash flow problems, and changed legal and regulatory requirements for companies. The pandemic has had a significant impact on prospects for global growth and it continues to create uncertainty in many sectors.

The board notes the Manager's investment process has been unaffected by the COVID-19 pandemic. The Manager continues to focus on long-term company fundamentals and detailed analysis of current and future investments. COVID-19 also affected the Company's service providers, who implemented business continuity plans in line with government recommendations. However, the board has been pleased to note that to date the Company's service providers have been able to operate on a business as usual basis, despite the pandemic.

The Company's principal risks and uncertainties have not materially changed during the six months ended 28 February 2021.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 20 of the published annual report and accounts for the year ended 31 August 2020, as well as considering the additional risks related to COVID-19, and where appropriate, action taken by the Company's service providers in relation to those risks, detailed above, the directors consider it appropriate to adopt the going concern basis in preparing the accounts.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 28 February 2021.

Directors' responsibility statement

The directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in October 2019 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Income Statement

For the six months ended 28 February 2021 (unaudited)

	(Unaudited) For the six months ended 28 February 2021			(Unaudited) For the six months ended 29 February 2020			(Audited) For the year ended 31 August 2020		
	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	-	23,923	23,923	-	(12,332)	(12,332)	-	(33,534)	(33,534)
Net foreign currency gains	-	-	-	-	-	-	-	6	6
Income from investments	2,136	1,832	3,968	3,919	-	3,919	9,225	-	9,225
Other interest receivable and similar income	-	-	-	3	-	3	10	-	10
Gross return/(loss)	2,136	25,755	27,891	3,922	(12,332)	(8,410)	9,235	(33,528)	(24,293)
Investment management fee	(328)	(328)	(656)	(361)	(361)	(722)	(660)	(660)	(1,320)
Administrative expenses	(166)	-	(166)	(163)	-	(163)	(321)	-	(321)
Net return/(loss) before finance costs and taxation	1,642	25,427	27,069	3,398	(12,693)	(9,295)	8,254	(34,188)	(25,934)
Finance costs	(48)	(48)	(96)	(106)	(106)	(212)	(157)	(157)	(314)
Net return/(loss) before taxation	1,594	25,379	26,973	3,292	(12,799)	(9,507)	8,097	(34,345)	(26,248)
Taxation (note 3)	20	-	20	(18)	-	(18)	(55)	-	(55)
Net return/(loss) after taxation	1,614	25,379	26,993	3,274	(12,799)	(9,525)	8,042	(34,345)	(26,303)
Return/(loss) per share (note 4)	2.33p	36.69p	39.02p	4.77p	(18.63)p	(13.86)p	11.69p	(49.94)p	(38.25)p

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

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

Statement of Changes in Equity

For the six months ended 28 February 2021 (unaudited)

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2020	6,904	8,270	2,011	1,596	34,936	105,137	11,470	170,324
Issue of shares	25	655	–	–	–	–	–	680
Net return after taxation	–	–	–	–	–	25,379	1,614	26,993
Dividends paid in the period (note 5)	–	–	–	–	–	–	(5,253)	(5,253)
At 28 February 2021	6,929	8,925	2,011	1,596	34,936	130,516	7,831	192,744

For the six months ended 29 February 2020 (unaudited)

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2019	6,869	7,404	2,011	1,596	34,936	139,482	12,160	204,458
Net (loss)/return after taxation	–	–	–	–	–	(12,799)	3,274	(9,525)
Dividends paid in the period (note 5)	–	–	–	–	–	–	(5,289)	(5,289)
At 29 February 2020	6,869	7,404	2,011	1,596	34,936	126,683	10,145	189,644

For the year ended 31 August 2020 (audited)

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2019	6,869	7,404	2,011	1,596	34,936	139,482	12,160	204,458
Issue of shares	35	866	–	–	–	–	–	901
Net (loss)/return after taxation	–	–	–	–	–	(34,345)	8,042	(26,303)
Dividends paid in the year (note 5)	–	–	–	–	–	–	(8,732)	(8,732)
At 31 August 2020	6,904	8,270	2,011	1,596	34,936	105,137	11,470	170,324

Statement of Financial Position at 28 February 2021 (unaudited)

	(Unaudited) 28 February 2021 £'000	(Unaudited) 29 February 2020 £'000	(Audited) 31 August 2020 £'000
Fixed assets			
Investments held at fair value through profit or loss	203,935	215,361	185,331
Current assets			
Debtors	507	865	1,594
Cash at bank and in hand	8,760	7,467	3,877
	9,267	8,332	5,471
Current liabilities			
Creditors: amounts falling due within one year	(20,458)	(34,049)	(20,478)
Net current liabilities	(11,191)	(25,717)	(15,007)
Total assets less current liabilities	192,744	189,644	170,324
Net assets	192,744	189,644	170,324
Capital and reserves			
Called-up share capital (note 6)	6,929	6,869	6,904
Share premium	8,925	7,404	8,270
Capital redemption reserve	2,011	2,011	2,011
Warrant exercise reserve	1,596	1,596	1,596
Share purchase reserve	34,936	34,936	34,936
Capital reserves	130,516	126,683	105,137
Revenue reserve	7,831	10,145	11,470
Total equity shareholders' funds	192,744	189,644	170,324
Net asset value per share (note 7)	278.18p	276.09p	246.71p

Registered in England and Wales as a public company limited by shares.

Company registration number: 03008494

Notes to the Accounts

1. Financial Statements

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

The figures and financial information for the year ended 31 August 2020 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditor which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in October 2019.

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

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 August 2020.

3. Taxation

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. Taxation on ordinary activities comprises irrecoverable overseas withholding tax.

4. Return/(loss) per share

	(Unaudited) Six months ended 28 February 2021 £'000	(Unaudited) Six months ended 29 February 2020 £'000	(Audited) Year ended 31 August 2020 £'000
Revenue return	1,614	3,274	8,042
Capital return/(loss)	25,379	(12,799)	(34,345)
Total return/(loss)	26,993	(9,525)	(26,303)
Weighted average number of shares in issue during the period	69,170,663	68,688,343	68,771,540
Revenue return per share	2.33p	4.77p	11.69p
Capital return/(loss) per share	36.69p	(18.63)p	(49.94)p
Total return/(loss) per share	39.02p	(13.86)p	(38.25)p

5. Dividends paid

	(Unaudited) Six months ended 28 February 2021 £'000	(Unaudited) Six months ended 29 February 2020 £'000	(Audited) Year ended 31 August 2020 £'000
2020 fourth interim dividend of 5.1p (2019: 5.2p)	3,521	3,572	3,572
First interim dividend of 2.5p (2020: 2.5p)	1,732	1,717	1,717
Second interim dividend of 2.5p	-	-	1,717
Third interim dividend of 2.5p	-	-	1,726
	5,253	5,289	8,732

A second interim dividend of 2.5p (2020: 2.5p) per share, amounting to £1,732,000 (2020: £1,717,000) has been declared payable in respect of the six months ended 28 February 2021.

Notes to the accounts continued

6. Called-up share capital

	(Unaudited) Six months ended 28 February 2021 £'000	(Unaudited) Six months ended 29 February 2020 £'000	(Audited) Year ended 31 August 2020 £'000
Opening balance of ordinary shares of 10p each	6,904	6,869	6,869
Issue of shares	25	–	35
Closing balance of ordinary shares of 10p each	6,929	6,869	6,904

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

	(Unaudited) Six months ended 28 February 2021	(Unaudited) Six months ended 29 February 2020	(Audited) Year ended 31 August 2020
Ordinary shares of 10p each, allotted, called-up and fully paid			
Opening balance of shares in issue	69,038,343	68,688,343	68,688,343
Issue of shares	250,000	–	350,000
Closing balance of shares in issue	69,288,343	68,688,343	69,038,343

7. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 28 February 2021 of 69,288,343 (29 February 2020: 68,688,343 and 31 August 2020: 69,038,343).

8. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 28 February 2021, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (29 February 2020 and 31 August 2020: same).

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

Effective 1 March 2021, a new management fee of 0.45% of the value of the Company's assets under management, net of current liabilities other than short-term borrowings, less any cash up to the level of borrowings ("chargeable assets") and a fixed £150,000 fee to be paid to the Manager to cover administration and company secretarial services was introduced in place of the existing fee structure of 0.65% per annum on the first £200 million of the chargeable assets and 0.55% per annum on subsequent amounts.

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

Notes

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Directors

Bridget Guerin (Chairman)
Ewen Cameron Watt
Fraser McIntyre
Victoria Muir

Advisers

Alternative investment fund manager (the “Manager”)

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1 London Wall Place
London EC2Y 5AU

Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Telephone: 020 7658 6501

Registered office

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London EC2Y 5AU

Depository and custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending bank

Sumitomo Mitsui Banking Corporation
99 Queen Victoria Street
London EC4V 4EH

Corporate broker

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Independent auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk

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

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

Shareholder enquiries

General enquiries about the Company should be addressed to the company secretary at the Company's registered office.

Dealing codes

ISIN: GB0007915860
SEDOL: 0791586
Ticker: SCF

Global intermediary identification number (GIIN)

T34UKV.99999.SL.826

Legal entity identifier (LEI)

549300X1RTYYP7S3YE39

The Company's privacy notice is
available on its webpages.