Smithson
Investment Trust

Interim Financial Report

for the period from incorporation on 14 August 2018 to 30 June 2019

Smithson Investment Trust plc

Small &
Mid Cap
Investments
That
Have
Superior
Operating
Numbers

Fundsmith
Buy good companies
Don't overpay
Do nothing

Contents

Financial Calendar

Financial Period End	31 December 2019
Final Results Announced	February 2020
Annual General Meeting	30 March 2020

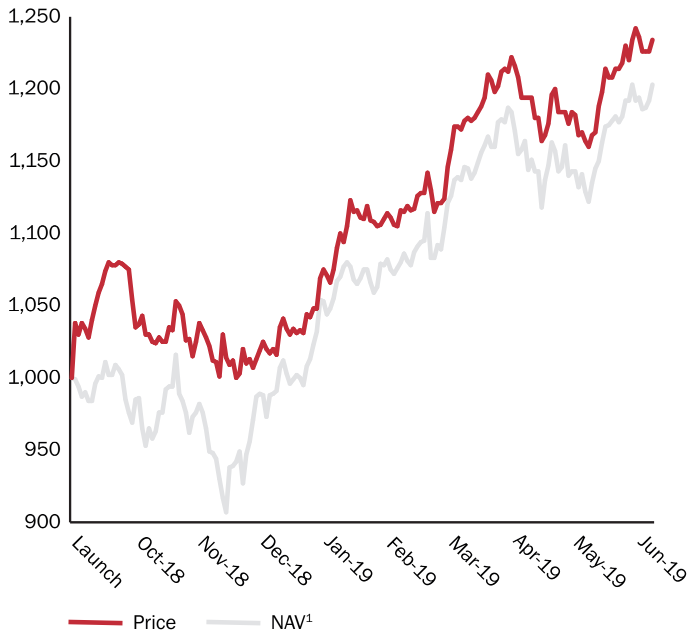
Performance Summary

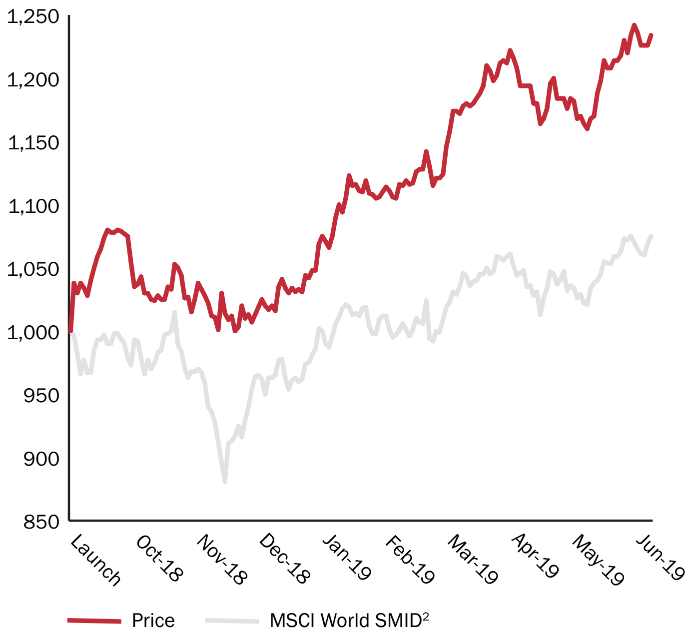
	As at 30 June 2019
NAV per share	**1,202.5p**
Share price	**1,234.0p**
Premium	**2.6%**

	Period from 1 January 2019 to 30 June 2019	Period from Company's listing on 19 October 2018 to 30 June 2019
NAV per share (total return)	**+27.6%**	**+20.3%**
Share price (total return)	**+23.4%**	**+23.4%**
Small and Mid Cap Market Equities (total return)†	**+17.2%**	**+7.5%**
Ongoing Charges	**1.0%**	**1.0%**

† MSCI World SMID Index, measured on a net sterling adjusted basis

This report contains terminology that may be unfamiliar to some readers. The Glossary on page 22 gives definitions for frequently used terms.





1 Source: Bloomberg stocking NAV 1000p

2 MSCI World SMID INDEX, measured on a net sterling adjusted basis (source www.msci.com)

Introduction

I am pleased to present this Interim Financial Report of Smithson Investment Trust plc (the "Company") for the period from incorporation to 30 June 2019 (the "Period"). It is the second interim report of our extended first financial reporting period which commenced on the date of the Company's incorporation on 14 August 2018 and will end on 31 December 2019. The Company commenced trading on the London Stock Exchange's Main Market on 19 October 2018 and subsequently entered the FTSE 250 Index in December 2018.

As I reported to the shareholders in the first interim report for the period from incorporation to 31 December 2018, I am very pleased to note that the Company has again performed well in comparison with its peers. It has also produced extremely good results in absolute terms during this six month period to 30 June 2019. Although the Company has been trading for a relatively short period of time, the Board is very satisfied with its progress.

Performance

From 1 January 2019 to 30 June 2019, the net asset value ("NAV") per share total return was 27.6% compared with the MSCI World SMID Index return of 17.2%. The share price total return for this six month period was 23.4%. From the date of the Company's launch on 19 October 2018 to 30 June 2019, the NAV per share total return was 20.3% compared with the MSCI World SMID Index return of 7.5%. The share price total return for the same period was 23.4%.

The Company held 29 investments as at 30 June 2019 and no new investments or divestments were made during the six months to 30 June 2019. This accords with the Investment Manager's stated mantra of buying good companies, not overpaying and then doing nothing. Simon Barnard, the portfolio manager, has reported on the performance in detail in the Investment Manager's Review.

[i] MSCI World SMID INDEX, Sterling Adjusted source www.msci.com

Share issuance and premium to NAV

The Company has continued to trade at a premium to NAV and closed the Period at a 2.6% premium with an average premium over the Period of 4.1%.

During the Period, and in response to strong continuing demand for the Company's shares (as evidenced by the share premium), the Company has used the placing programme (which has now been exhausted) and subsequently its issuance authorities (as explained in the IPO prospectus) to raise £247.3 million net of costs through the issue of 21.9 million new ordinary shares. Shares are only issued at a premium to net asset value which creates additional value for shareholders net of all issue costs. The average premium to the prevailing net asset value at which new shares were issued during the Period was 2.7%. The share issues have generated £6.0 million of premium to net asset value since the Company's IPO.

As explained in greater detail in the Investment Manager's Review, the new share proceeds have been invested in the same securities as held in the portfolio, with no significant changes in the portfolio weightings.

As shareholders may recall from the first interim report, the Company issued 82.25m shares on its Initial Public Offering ("IPO"), raising a sum of £822.5 million, the largest amount raised in the history of the London Stock Exchange for a new investment trust. As Fundsmith paid for the IPO costs, all of these proceeds were available for investment. Including all the shares issued up until the date of this report, the Company has issued a total of 107,065,958 ordinary shares and raised net proceeds of £1.1 billion. As at 9 August 2019 the market capitalisation was in excess of £1.3 billion.

Chairman's Statement

Events since Period end

One new position was initiated in July, taking the total portfolio number to 30 companies. Since the Period end, a further 2.9 million shares have been issued, raising £36.2 million net of costs.

Dividends

The Company's principal objective is to provide shareholder returns through long-term capital appreciation rather than income. In accordance with the Company's policy, an interim dividend has not been declared by the Board.

This position will be kept under review. It should not be expected that the Company will pay a significant annual dividend, but the Board intends to declare such annual dividends as are necessary to maintain the Company's UK investment trust status.

Outlook

The Board remains positive on the outlook for global small and mid cap equities in the medium to long term but realises that politics and other macroeconomic factors might affect market movements in the short term.

The Board intends to continue to issue new shares so as to generate additional value for shareholders net of all issue costs and to enable the Investment Manager to continue to seek attractive investment opportunities for any further capital raised.

Mark Pacitti
Chairman
12 August 2019

Investment Policy

The Company's investment policy is to invest in shares issued by small and mid sized listed or traded companies globally with a market capitalisation (at the time of investment) of between £500 million to £15 billion (although the Company expects that the average market capitalisation of the companies in which it invests to be approximately £7 billion).

The Company's approach is to be a long-term investor in its chosen stocks. It will not adopt short-term trading strategies. Accordingly, it will pursue its investment policy by investing in approximately 25 to 40 companies as follows:

(a) the Company can invest up to 10 per cent. in value of its Gross Assets (as at the time of investment) in shares issued by any single body;

(b) not more than 20 per cent. in value of its Gross Assets (as at the time of investment) can be in deposits held with a single body. In applying this limit all uninvested cash (except cash representing distributable income or credited to a distribution account that the Depositary holds) should be included;

(c) not more than 20 per cent. in value of its Gross Assets (as at the time of investment) can consist of shares issued by the same group. When applying the limit set out in (a), this provision would allow the Company to invest up to 10 per cent. in the shares of 2 companies which are members of the same group (as at the time of investment);

(d) the Company's holdings in any combination of shares or deposits issued by a single body must not exceed 20 per cent. in value of its Gross Assets (as at the time of investment) overall;

(e) the Company must not acquire shares issued by a body corporate and carrying rights to vote at a general meeting of that body corporate if the Company has the power to influence significantly the conduct of business of that body corporate (or would be able to do so after the acquisition of the shares). The Company is to be taken to have power to influence significantly if it exercises or controls the exercise of 20 per cent. or more of the voting rights in that body corporate; and

(f) the Company must not acquire shares which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them and represent more than 10 per cent. of the shares issued by that body corporate.

The Company may also invest cash held for working capital purposes and awaiting investment in cash deposits and money market funds.

For the purposes of the investment policy, certificates representing certain shares (for example, depositary interests) will be deemed to be shares.

Hedging policy

The Company will not use portfolio management techniques such as interest rate hedging and credit default swaps.

The Company will not use derivatives for purposes of currency hedging or for any other purpose.

Borrowing policy

The Company has the power to borrow using short-term banking facilities to raise funds for short-term liquidity purposes or for discount management purposes including the purchase of its own shares, provided that the maximum gearing represented by such borrowings shall be limited to 15 per cent. of the Net Asset Value at the time of draw down of such borrowings. The Company may not otherwise employ leverage.

Investment Manager's Review

Dear Fellow Shareholders,

The market environment has changed dramatically since our last report. From the low point of the sell-off on 24 December 2018, the MSCI World Small and Mid Cap (SMID) Index (our comparator) has rallied 22.7% to the end of June. This was likely due to several reasons, including an easing in the trade tensions between the US and China, but perhaps most importantly, the Chair of the US Federal Reserve indicating a pause in interest rate rises, and even a possible interest rate cut in the near future. This last point should be of intense interest to all equity holders. In finance, one of the most fundamental laws we have is that the level and movement of interest rates will almost universally affect asset prices, with higher rates pulling down prices like the force of gravity, to use Warren Buffett's simile. The Fed's communications regarding lower rates have therefore caused market participants to start valuing the earnings streams of companies, and therefore their shares, at higher levels. This will affect companies not just in the US, but all over the world, because not only do we operate in highly integrated global financial markets, but US interest rates also happen to be used as a reference rate across all of them.

We can take our clue as to what happens next from similar events which have been witnessed in the past. Since 1935 and the formation of the Federal Open Market Committee, the official body which moves US interest rates, most of the time that the Fed commenced an interest rate increasing cycle, as they last did in 2015, it continued increasing rates until the economy eventually turned down. This has been uniformly bad for the stock market. On the other minority of occasions, they have paused or reversed the interest rate cycle before the economy tipped into recession, causing stock markets to react very positively. Now is potentially one of those times.

Of course, there will be an economic recession and temporary stock market decline at some point in the future. Predicting when it happens, though, is anybody's guess, and the recent actions of central banks have likely delayed it further. In the meantime, and not coincidentally, the US stock market has just hit a new all time high. Rather than give us cause for concern, this simply serves to remind us of the fact that selling at any point in history would have now been proven a mistake. We suspect this is also a reasonable guide for the future.

The Company's shares were trading 23.4% above the IPO price at 30 June, with the Net Asset Value per share (NAV) increasing by 27.6% since the start of the year and 20.3% since IPO, compared with an increase of 17.2% in the MSCI World SMID Index since the start of the year and 7.5% since IPO. Needless to say, this has been a very strong start, over a relatively short period of time, and so extrapolating this growth rate into the future is likely to prove too optimistic. However, we continue to be content with the performance of the companies in the portfolio and based on the future returns we forecast for these companies, we remain confident in the prospects for the Company.

Shares in the Company traded at a premium to NAV throughout the half year period, albeit at a lower premium of 2.6% by the end of June compared to 6.2% at the start of January. We have laid out the performance of the fund below and included a comparison with equities, bonds and cash.

	Total Return 01.01.19 to 30.06.19 %	Inception to 30.06.2019 Cumulative %	Inception to 30.06.2019 Annualised %
NAV[1]	+27.6	+20.3	+30.5
Share Price	+23.4	+23.4	+35.4
Equities[2]	+17.2	+7.5	+10.9
UK Bonds[3]	+3.1	+5.3	+7.7
Cash[4]	+0.4	+0.6	+0.9

[1] Source: Bloomberg, starting NAV 1,000p

[2] MSCI World SMID Index, Sterling Adjusted Net source: www.msci.com

[3] Bloomberg/Barclays Bond Indices UK Govt 5-10 year source: Bloomberg

[4] Month £ LIBOR Interest Rate source: Bloomberg

The turnover of the portfolio has been effectively zero, with no shares being sold since launch. Technically, the turnover percentage was a small negative number, which is of course meaningless, but is because there was a little more money raised through share issues during the period than was invested, with the result being a slightly higher cash balance. This was not by design, merely a matter of the timing between when the cash was received by the Company and when it was subsequently deployed into existing positions. No new positions were added to the portfolio during the period.

It is perhaps worth mentioning at this point that despite part of the Fundsmith mantra being 'Do Nothing', this is not to say that we wouldn't sell a company that is no longer expected to meet our strict criteria, or if we discovered we had made a mistake and a company we hold isn't as good as we thought it was. After all, to quote Terry Smith, the best time to correct a mistake is when you realise it. So far, however, we have seen no reason to make any changes.

The low level of trading meant that total costs to shareholders were also kept as low as possible. The annualised Ongoing Charges Figure was 1.0% (including the Management Fee of 0.9%) and adding all dealing, commission and taxes, the annualised Total Cost of Investment was 1.2%.

There were several events of note during the period and to discuss them in turn, we have laid out the top five contributors and top five detractors to performance since the start of the year.

Top 5 Contributors		
Security	**Country**	**Contribution%**
Equifax	United States	+2.2
Masimo	United States	+1.9
Halma	United Kingdom	+1.8
Verisk Analytics	United States	+1.7
ANSYS	United States	+1.6

The top contributor to performance was Equifax, the consumer credit rating agency. The shares performed well after the company reached settlement agreements on some of the class action lawsuits relating to the data breach they suffered in 2017, and thus continued the process of recovering from that event. Our shares in Masimo, a medical device company, increased after strong 2018 results were published during the period, and improving relations between the US and Mexico further helped sentiment, as Masimo manufactures many of its products in Mexico. Halma, a manufacturer of safety and environmental sensors, hosted an investor day in February which was well received, and issued full year results in June which showed continued progress for the group. Verisk, too, had good quarterly results in April, which helped the insurance software provider to outperform the broader portfolio. Finally, ANSYS, the simulation software company, performed strongly after they announced several business wins during the period, demonstrating the increasing use of simulation software in product design and development.

Top 5 Detractors		
Security	**Country**	**Contribution%**
Ambu	Denmark	-0.6
Domino's Pizza Enterprises	Australia	-0.2
Chr. Hansen	Denmark	+0.2
CDK Global	United States	+0.3
Sabre	United States	+0.3

The main detractor in the first half was Ambu. Having been our best performer in the prior period, it was (perhaps inevitably) our worst over the last six months. With a highly rated growth company such as this, we should expect to experience a bump in the road from time to time, and as speed bumps go, this was a big one. On 10 May 2019 it was announced by the company that the CEO was to be replaced by an executive from Johnson & Johnson. Given the sudden nature of the change, many shareholders were unsettled, and the share price fell by 30% over the following two days. Concerns were intensified by market commentators suggesting that the financial targets set by the previous CEO were also now unachievable. As with all situations of this type, there tends to be a grain of truth in the market noise, and indeed there was always little doubt that the new CEO would wish to set his own targets, if only to make them easier to meet. In the end, these new targets, announced on 18 June, were a little lower than those set previously, but importantly for us, the vision for significant growth in the future was reiterated. As we have no reason as yet to doubt the new CEO, and on the margin we learned about more positive longer term developments, such as new potential products, our holding was added to during this period of share price volatility.

Domino's Pizza Enterprises, the master franchisee for Australia and several European markets, suffered after the company was served with a class action lawsuit on behalf of Australian franchisee employees. These people were employed as delivery drivers or in-store workers between June 2013 and January 2018 and were not paid the wage rates dictated under the Australian Fast Food Industry Award 2010. It is not clear that such practices were illegal though, and thus Domino's plans to defend the claim. We wait to see with interest how the situation develops. Chr. Hansen shares reacted very negatively after the company pre-announced disappointing results at the end of the period, indicating that growth rates for 2019 will be lower than we previously expected. We believe this issue will likely be short term in nature but remain vigilant for any other signs of deterioration in the business. CDK Global reported results at the end of April which showed that although growth in the car dealership software division - its main business - was satisfactory, its advertising business declined 18%. The new CEO, Brian Krzanich, has since announced his intention to sell the advertising business. Below we have included an extract from our last report, discussing the recent management change at CDK Global:

"Although Mr Krzanich had his share of detractors in the media, overall things didn't go too badly during his 5 year reign at Intel, as the 160% share price appreciation over that time will attest. So although the market has already decided that this appointment will be bad for the future of CDK Global, we await further evidence before reaching our own conclusion. Specifically, while large, expensive acquisitions, such as those made during Mr Krzanich's tenure at Intel would not be welcomed by us, any value creating methods of accelerating the growth of the company which he implements could prove to be more interesting".

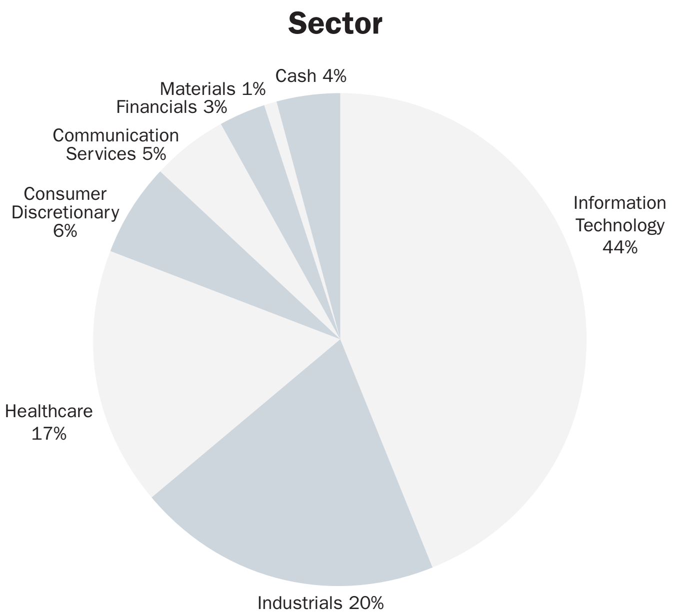
The sale of the advertising business will at least improve the average growth rate of the company; whether it is value creating or not depends on the sale price achieved and the subsequent restructuring costs for the remaining business.

Finally, shares of Sabre, the provider of booking software to the travel industry, fell when they announced that Lion Air and Ethiopian Airlines, operators of the 737 MAX aircraft which suffered devastating crashes, and Jet Airways, the now bankrupt Indian airline, were all major customers and will represent a significant loss of business in the future. Outside of these particular circumstances, the management claim that the company continues to grow in line with their prior guidance, which we expect to be able to verify in due course.

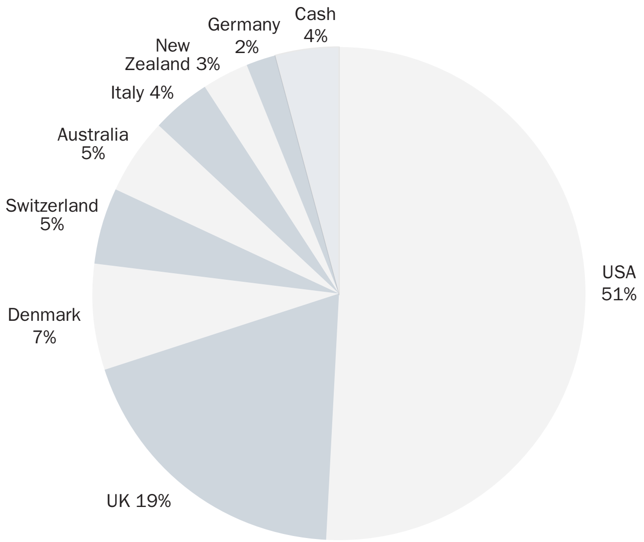
We also note that the final three names mentioned here, whilst detracting from the fund's average performance, did not actually deliver a negative return during the period.

In our last report we described the process we had followed in deploying the IPO proceeds and the way in which we expect to conduct the investment process in the future. The portfolio is practically unchanged since that initial investment phase, as the additional capital raised since IPO has been added to existing positions. We have had no issues with liquidity in deploying these additional funds, and our largest percentage ownership of a company is a 3.1% stake in Domino's Pizza Group, which we still consider to be small. It is worth remembering that as a closed ended fund we will never be forced to liquidate positions to meet investor redemptions, but if we choose to do so for other reasons, we do not see a 3% holding as problematic in this regard.

We have provided a breakdown of the portfolio in terms of sector and geography at the end of the period below.



Country of Listing

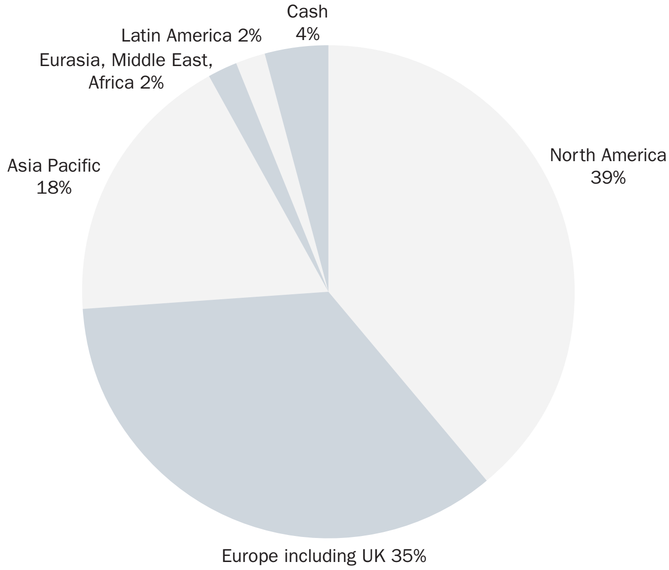


These tables are very similar to those shown at the end of 2018, with the key message being that there has been little change to the shape of the portfolio. The only noticeable difference is that the cash balance is a little higher, with cash as a percentage of the portfolio moving from 3.5% to 3.9%. We continue to have Information Technology as our largest sector exposure but, as explained in our last report, this headline sector weight is slightly misleading, as it amalgamates a number of different businesses serving a broad diversity of end markets.

We continue to have significant exposure to North America, because that is where we have been able to find the most exciting companies with a combination of quality, growth and valuation which attracts us. Our exposure to the UK is possibly a little higher than one would expect given the global nature of our investment opportunities, but the uncertainties surrounding Brexit and the UK political landscape have allowed us to purchase very high quality companies for particularly reasonable valuations.

There is also little difference compared to last year when we look at the geographic measure that matters most: where revenue is generated. This is shown below:

Source of Revenue



To conclude, we wish to thank you for your continued support of Smithson Investment Trust plc. We hope that you are so far content, and that you continue to view your shareholding as an attractive long term investment, as we ourselves do.

Simon Barnard
Fundsmith LLP
Investment Manager
12 August 2019

Interim Management Report

The Directors are required to provide an Interim Management Report in accordance with the FCA's Disclosure Guidance and Transparency Rules. The Directors consider that the Chairman's Statement and the Investment Manager's Review on pages 3 to 4 and 6 to 9 respectively, provide details of the important events which have occurred during the period and their impact on the condensed set of financial statements. The following statements on principal risks and uncertainties, related party transactions and the Directors' responsibility statement below, together constitute the Interim Management Report for the Company for the period from incorporation on 14 August 2018 to 30 June 2019.

Principal risks and uncertainties

The Board considers that the main risks and uncertainties faced by the Company fall into the broad categories of (i) market risks (ii) corporate governance and internal controls risks (iii) regulatory risks, (iv) financial risks (including exchange rate fluctuations) and (v) operational risks (e.g. reliance on third party service providers).

A review of the period and the outlook can be found in the Chairman's Statement on page 4 and in the Investment Manager's Review on page 9. A detailed explanation of risks and uncertainties can be found on pages 12 to 13 of the Company's prospectus dated 17 September 2018.

The Company's principal risks and uncertainties have not changed since the Company's prospectus was released.

Related party transactions

The Company's Investment Manager, Fundsmith LLP, is considered a related party in accordance with the Listing Rules. There have been no changes to the nature of the Company's related party transactions since the Company's prospectus was released. Details of the amounts paid to the Company's Investment Manager and the Directors during the period are detailed in the notes to the financial statements.

Directors' responsibility statement

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the Interim Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting.

- the Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UKLA's Disclosure Guidance and Transparency Rules.

On behalf of the Board of Directors

Mark Pacitti
Chairman
12 August 2019

Investments held as at 30 June 2019:

Security	Country of incorporation	Fair value £'000	% of investments
Masimo	USA	67,200	5.6
Equifax	USA	65,980	5.5
Sabre	USA	63,335	5.3
Verisk Analytics	USA	60,507	5.0
Rightmove	UK	58,055	4.8
Check Point Software Technologies	Israel	56,636	4.7
Halma	UK	52,247	4.3
ANSYS	USA	52,086	4.3
Recordati	Italy	49,220	4.1
Verisign	USA	44,834	3.7
Top 10 Investments		**570,100**	**47.3**
Cognex	USA	44,026	3.7
CDK Global	USA	43,163	3.6
IPG Photonics	USA	41,062	3.4
Domino's Pizza Group	UK	40,775	3.4
Geberit	Switzerland	37,888	3.2
MSCI	USA	36,534	3.0
Simcorp	Denmark	35,936	3.0
Ambu	Denmark	35,385	3.0
Spirax-Sarco Engineering	UK	35,029	2.9
Fisher & Paykel Healthcare	New Zealand	34,761	2.9
Top 20 Investments		**954,659**	**79.4**
Domino's Pizza Enterprises	Australia	32,765	2.7
Technology One	Australia	32,761	2.7
Temenos	Switzerland	32,617	2.7
AO Smith	USA	31,444	2.6
Paycom Software	USA	30,241	2.5
Abcam	UK	24,330	2.0
Nemetschek	Germany	23,311	1.9
Diploma	UK	23,022	1.9
Chr. Hansen Holding	Denmark	19,060	1.6
Total Investments		**1,204,210**	**100.0**

Condensed Income Statement (Unaudited)

		For the period from 1 January 2019 30 June 2019			For the period from 14 August 2018 30 June 2019		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividend income	4	6,446	–	6,446	8,894	–	8,894
Gains on investments held at fair value through profit and loss	3	–	231,176	231,176	–	181,952	181,952
Gains on foreign exchange transactions		(2)	14	12	–	1,119	1,119
Management fees		(4,712)	–	(4,712)	(6,249)	–	(6,249)
Other expenses including dealing costs		(568)	(243)	(811)	(744)	(1,242)	(1,986)
Profit before tax		1,164	230,947	232,111	1,901	181,829	183,730
Tax		(719)	–	(719)	(899)	–	(899)
Profit for the period	5	445	230,947	231,392	1,002	181,829	182,831
Return per share (basic and diluted) (p)	5	0.5p	246.5p	247.0p	1.1p	201.2p	202.3p

The "Total" column of this statement is the Income Statement of the Company. The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations and the net return after taxation is attributable to the owners of the Company.

The Company has no recognised gains and losses other than those shown above and therefore no Statement of Total Comprehensive Income has been presented.

Condensed Statement of Changes in Equity (Unaudited)

For the period from incorporation on 14 August 2018 to 30 June 2019

	Share Capital £'000	Share Premium £'000	Capital* Reserve £'000	Revenue Reserve £'000	Total £'000
Balance at 14 August 2018	–	–	–	–	–
Profit for the period	–	–	181,829	1,002	182,831
	–	–	181,829	1,002	182,831
Issue of ordinary share capital	1,042	1,068,736	–	–	1,069,778
Balance at 30 June 2019	**1,042**	**1,068,736**	**181,829**	**1,002**	**1,252,609**

* Capital Reserve is considered distributable.

Condensed Statement of Financial Position (Unaudited)

As at 30 June 2019

	Notes	30 June 2019 £'000
Non-current assets		
Investments held at fair value through profit and loss		1,204,210
		1,204,210
Current assets		
Receivables		3,336
Cash and cash equivalents		52,512
		55,848
Total assets		1,260,058
Current liabilities		
Trade and other payables		(7,449)
		(7,449)
Total assets less current liabilities		1,252,609
Equity attributable to equity shareholders		
Ordinary share capital	7	1,042
Share premium		1,068,736
Capital reserve		181,829
Revenue reserve		1,002
Total equity		1,252,609
Net asset value per share (p)	6	**1,202.5**

For the period from incorporation on 14 August 2018 to 30 June 2019

	Period ended 30 June 2019 £'000
Cash flows from operating activities	
Gain for the period	182,831
Adjustments for:	
Gains on investments	(181,952)
Increase in receivables	(3,336)
Increase in payables	7,449
Net cash flow from operating activities	**4,992**
Cash flows from investing activities	
Purchase of investments	(1,022,258)
Net cash flow from investing activities	**(1,022,258)**
Cash flows from financing activities	
Proceeds from issue of new shares	1,071,325
Issue costs relating to new shares	(1,547)
Net cash flow from financing activities	**1,069,778**
Net increase in cash and cash equivalents	52,512
Cash and cash equivalents at start of the period	–
Cash and cash equivalents at end of the period	**52,512**

1. General information

Smithson Investment Trust plc is a company incorporated on 14 August 2018 in the United Kingdom under the Companies Act 2006.

The condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ('DTRs') of the UK's Listing Authority.

Principal Activity

The principal activity of the Company is that of an investment company within the meaning of Section 833 of the Companies Act 2006.

The Company commenced activities on admission to the London Stock Exchange on 19 October 2018.

Going Concern

The Directors have adopted the going concern basis in preparing the Condensed Interim Financial Statements (Unaudited) for the period ended 30 June 2019. The following is a summary of the Directors' assessment of the going concern status of the Company.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this report. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. At the date of approval of this report, the Company has substantial operating expenses cover.

2. Significant accounting policies

The Company's initial accounting policies are set out below:

(a) Accounting Convention

The financial statements are prepared under the historical cost convention (modified to include investments at fair value through profit or loss) on a going concern basis and in accordance with applicable International Financial Reporting Standards as adopted by the EU (IFRS) 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 November 2014 and updated in February 2018. They are also prepared on the assumption that approval as an investment trust will continue to be granted. The Company is a UK listed company with a predominantly UK shareholder base. The results and the financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. The accounting policies have been disclosed consistently and in line with Companies Act 2006. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(b) Statement of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not always readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. There have been no significant judgements, estimates or assumptions in respect of the period to 30 June 2019.

(c) Presentation of the Income Statement

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. The net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010.

(d) Income

Income from investments (other than capital dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend, or where no ex-dividend date is quoted, when the Company's right to receive payment is established. Special dividends are credited to capital or revenue, according to the circumstances. Income from underwriting commission is recognised as earned. Interest receivable and payable, management fees, and other expenses are treated on an accruals basis.

(e) Expenses

The management fee is recognised as a revenue item in the Income Statement. All other expenses are charged to revenue except expenditure of a capital nature, which is treated as capital. The Board will, however, keep this under review and an appropriate amendment to this treatment will be made if required.

(f) Investments

Investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised and derecognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices. Gains and losses arising from changes in fair value are included in net profit or loss for the year as a capital item in the income statement and are ultimately recognised in the capital reserve. For any unlisted investments, the fair value will be determined by using valuation techniques. These valuations will maximise the use of observable market data where it is available and with minimal reliance on entity specific estimates. For other investments which do not fit within these criteria the fair value will be determined by the Audit Committee with valuations recommended to the Board of the Company. The Audit Committee will consider the appropriateness of the valuations, models and inputs, using the various valuation methods in accordance with the Company's valuations policy.

Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Statement of Comprehensive Income.

When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All the investments are defined by IFRS as investments held at fair value through profit and loss. All gains and losses are allocated to the capital return within the Statement of Comprehensive Income as "Gains or losses on investments held at fair value through profit and loss".

All investments are designated upon initial recognition as held at fair value through profit and loss, and are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

The Company derecognises a financial asset only when the contractual right to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been accumulated in equity is recognised as capital in the Statement of Comprehensive Income.

(g) Foreign Currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the related forward contract rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction or, where forward foreign currency contracts have been taken out, at contractual rates and included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

(h) Cash and Cash Equivalents

Cash at bank and in hand comprises cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

(i) Equity Dividends

Interim dividends are recognised in the period in which they are paid. Final dividends are not recognised until approved by shareholders in the annual general meeting.

(j) Capital Reserves

Gains or losses on realisation of investments are transferred to the capital reserve.

Any changes in fair values of investments that are not readily convertible to cash are treated as unrealised gains or losses within the capital reserve.

(k) Taxation

The charge for taxation is based upon the revenue for the year and is allocated according to the marginal basis between revenue and capital using the company's effective rate of corporation tax for the accounting period.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the balance sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Due to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

3. Gains on investments

	Period from 1 January 2019 to 30 June 2019 £'000	Period from 14 August 2018 to 30 June 2019 £'000
Gains on investments		
Gains on sales of investments	–	–
Investment holding unrealised gain	231,176	181,952
	231,176	**181,952**

4. Income

	Period from 1 January 2019 to 30 June 2019 £'000	Period from 14 August 2018 to 30 June 2019 £'000
UK dividends	1,486	1,964
Overseas dividends	4,960	6,930
	6,446	**8,894**

5. Return per share

Return per share is based on the weighted average number of 90,396,272 Ordinary Shares in issue since the Company's commencement of activities on admission to the London Stock Exchange on 19 October 2018 to 30 June 2019.

	Period from 1 January 2019 to 30 June 2019			Period from 14 August 2018 to 30 June 2019		
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Profit for the period (£'000)	445	230,947	231,392	1,002	181,829	182,831
Return per Ordinary Share (p)	0.5	246.5	247.0	1.1	201.2	202.3

For the period from 1 January 2019 to 30 June 2019

Return per share is based on the weighted average number of 93,679,715 Ordinary Shares in issue since 1 January 2019 to 30 June 2019.

For the period from 14 August 2018 to 30 June 2019

Return per share is based on the weighted average number of 90,396,272 Ordinary Shares in issue since the Company's commencement of activities on admission to the London Stock Exchange on 19 October 2018 to 30 June 2019.

The return per share from launch has been disclosed, as all earnings were earned subsequent to the launch. The Directors have decided to disclose this as it better reflects the return generated for Shareholders.

6. Net asset value per ordinary share

Net asset value per Ordinary Share of 1,202.5p is based on net assets of £1,252,609,000 divided by 104,165,958 Ordinary Shares in issue at the period end.

7. Share capital

	30 June 2019 No. of Shares	30 June 2019 Nominal value
Ordinary Shares of 1p each ('Ordinary Shares')	104,165,958	£1,041,659.58
Deferred B Shares of 1p each	1	£0.01

On incorporation, the issued share capital of the Company was comprised of 2 Ordinary Shares of 1p and 50,000 Management Shares of nominal value £1 each, which were subscribed for by the Investment Manager. On 16 October 2018, the Company issued to the Investment Manager one Deferred B Share of 1p and at a share premium equal to the initial launch costs of the Company. That share will carry no rights to vote or to any dividends or other distributions, save for the return of 1p once £100 billion has been returned to holders of Ordinary Shares. Such share may be repurchased and cancelled by the Company. The Management Shares were redeemed in full on 19 October 2018.

On 19 October 2018, 82,250,956 Ordinary Shares were allotted and issued to shareholders as part of the placing and offer for subscription in accordance with the Company's prospectus dated 17 September 2018.

Between 20 October and 30 June 2019 21.9 million Ordinary Shares have been issued; raising aggregate net proceeds of £247.3 million.

The average premium to the prevailing net asset value at which new shares were issued during the Period was 2.7%.

Since 30 June 2019, a further 2.9 million Ordinary Shares have been issued raising aggregate net proceeds of £36.2 million.

8. Related party transactions

Fees payable to the Investment Manager are shown in the Condensed Income Statement. As at 30 June 2019, the fee outstanding to the Investment Manager was £2,606,000.

The costs of £4,893,615 associated with the initial launch of the Company were paid by the Investment Manager.

Since their appointment on 14 September 2018 fees have been payable to the Directors at an annual rate of £30,000 to the Chairman, £27,000 to the Chair of the Audit Committee and £27,000 to the Chair of the Management Engagement Committee.

The Directors had the following shareholdings in the Company.

Director	As at 30 June 2019
Mark Pacitti	20,000
Lord St. John of Bletso	10,000
Diana Dyer Bartlett	5,000

As at 30 June 2019, Terry Smith and other founder partners and key employees of the Investment Manager directly or indirectly and in aggregate, held 2.76% of the issued share capital of the Company.

9. Post-period events

There were no post-period events other than as disclosed in these interim financial statements.

10. Status of this report

These interim financial statements are not the Company's statutory accounts for the purposes of section 434 of the Companies Act 2006. They are unaudited. The unaudited interim financial report will be made available to the public at the registered office of the Company. The report will also be available in electronic format on the Company's website, http://www.smithson.co.uk.

The interim financial report was approved by the Board of Directors on 12 August 2019.

Alternative Investment Fund Managers Directive (AIFMD)

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ("AIFs") and requires them to appoint an Alternative Investment Fund Manager ("AIFM") and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Premium or Discount

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the net asset value per share from the share price per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

Gearing

In simple terms gearing is borrowing. An investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing represents borrowings at par less cash and cash equivalents expressed as a percentage of shareholders' funds. Potential gearing is the company's borrowings expressed as a percentage of shareholders' funds.

Leverage

The AIFM Directive (the "Directive") has introduced the obligation on the Company and its AIFM in relation to leverage as defined by the Directive. The Directive leverage definition is slightly different to the Association of Investment Companies method of calculating gearing and is as follows: any method by which the AIFM increases the market exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions.

There are two methods for calculating leverage under the Directive – the Gross Method and the Commitment Method. The process for calculating exposure under each methodology is largely the same, except where certain conditions are met, the Commitment Method enables instruments to be netted off to reflect 'netting' or 'hedging' arrangements and entity exposure is effectively reduced.

The Board has set the leverage limit for both the Gross basis and the Commitment basis at 115%. These limits are monitored by both the Board and the AIFM.

Net Asset Value (NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'shareholders' funds'. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares.

Premium

The amount, expressed as a percentage, by which the share price is more than the NAV per Ordinary Share.

		Page	As at 30 June 2019
NAV per Ordinary Share	a	2	1,202.5p
Share price	b	2	1,234.0p
Premium	**(b-a)÷a**		**2.6%**

Total return

A measure of performance that includes both income and capital returns. In the case of share price total return, this takes into account share price appreciation and dividends paid by the Company. In the case of NAV total return, this takes into account NAV appreciation (net of expenses) and dividends paid by the Company.

Period ended 30 June 2019		Page	Share price	NAV
Opening at 19 October 2018	a	n/a	1,000.0p	1,000.0p
Closing at 30 June 2019	b	2	1,234.0p	1,202.5p
Dividend adjustment factor	c	n/a	1.0	1.0
Adjusted closing (d = b x c)	d	n/a	1,234.0p	1,202.5p
Total return	**(d÷a)-1**		**23.4%**	**20.3%**

Ongoing charges

A measure, expressed as a percentage of average NAV, of the regular, recurring annual costs of running an investment company.

Period ended 30 June 2019		Page	£'000
Average NAV	a	n/a	968,213
Annualised expenses	b	n/a	10,010
Ongoing charges	**(b÷a)**	**2**	**1.0%**

Company Information

Further Information

Directors

Mark Pacitti *(Chairman)*
Diana Dyer Bartlett
Lord St. John of Bletso

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Legal advisers

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Auditor

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Company Secretary

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Administrator and Depositary

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The Association of Investment Companies

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