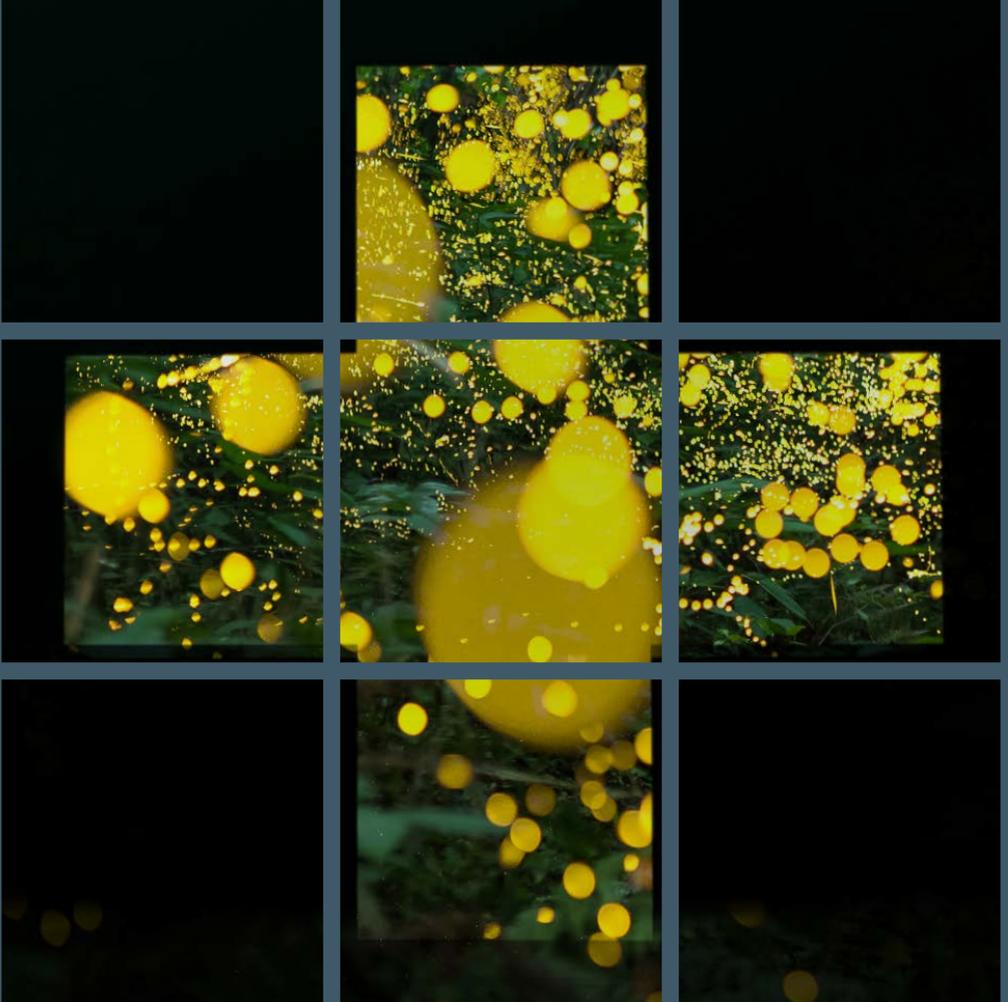


# KEYSTONE POSITIVE CHANGE INVESTMENT TRUST PLC

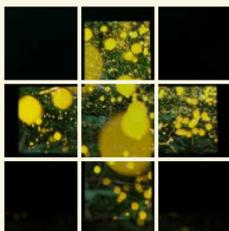
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Positively Radical



Interim Financial Report  
31 March 2021





## Investment Objective

Keystone Positive Change's objective is to generate long term capital growth with the aim of the NAV total return exceeding that of the MSCI AC World Index in sterling terms by at least 2 per cent. per annum over rolling five-year periods; and contribute towards a more sustainable and inclusive world by investing in the equities of companies whose products or services make a positive social or environmental impact.

## Summary of Unaudited Results\*

	31 March 2021	30 September 2020 (audited)	% change
Total assets	£184.1m	£209.7m	
Borrowings	£0.3m	£19.4m	
Shareholders' funds	£183.8m	£190.3m	
Net asset value per ordinary share (NAV)	297.39p	305.80p	(2.8)
Share price	284.00p	253.00p	12.3
Discount†	(4.5%)	(17.3%)	
Active share†	95%	–	

	Six months to 31 March 2021	Six months to 31 March 2020
Revenue earnings per ordinary share	2.18p	3.94p
Dividends paid and payable in respect of the period	4.80p	4.80p

	Six months to 31 March 2021	Year to 30 September 2020
<b>Total return (%)#†</b>		
Net asset value per ordinary share (NAV)	(0.9%)	(15.0%)
Share price	14.6%	(14.5%)
Comparative index‡	14.2%	(16.6%)

	Six months to 31 March 2021		Year to 30 September 2020	
Period's high and low	High	Low	High	Low
Net asset value per ordinary share	361.61p	282.58p	405.08p	218.60p
Share price	355.00p	246.00p	361.00p	168.20p
Premium/(discount)†	4.9%	(18.0%)	(0.8%)	(26.9%)

\* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 21 and 22.

† Alternative performance measure. See Glossary of Terms and Alternative Performance Measures on pages 21 and 22.

# Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 20.

‡ The MSCI All Country World Index (in sterling terms) is the principal index against which performance is measured with effect from 11 February. Prior to that it was the FTSE All-Share. For the purposes of the above table, for the period from 1 October 2020, the returns on both comparative indices for their respective periods have been linked to form a single comparative index.

Past performance is not a guide to future performance.

## Chairman's Statement

In December 2020 the Board announced that it had undertaken an extensive review of the Company's strategy and had conducted a competitive tender in relation to the Company's investment management arrangements. For the Company to occupy a core position in shareholders' portfolios and to facilitate identification of the best investment opportunities, the Board had concluded that it should change the Company's investment mandate to a global all-cap strategy that would respond to a growing desire among investors for a more responsible and sustainable approach to investment, and that this strategy should be delivered by Baillie Gifford & Co Limited ('Baillie Gifford').

At a General Meeting on 10 February 2021 shareholder approval was given to appoint Baillie Gifford and implement its Positive Change strategy, committed to achieving positive impact as well as long-term capital growth. The strategy invests in companies that offer solutions to global challenges in areas such as healthcare, education, social inclusion and the environment. It has been tailored to take advantage of the Company's investment trust structure.

The Company's name, London Stock Exchange ticker and web address were respectively changed to Keystone Positive Change Investment Trust plc, KPC and [keystonepositivechange.com](https://www.keystonepositivechange.com). Baillie Gifford agreed to waive its management fee for the first six months.

The portfolio was reorganised completely in the second half of February 2021, with the purchase of 33 new global growth equities that will contribute to positive social or environmental change. As at 31 March 2021, four legacy illiquid holdings remained and a small balance which was held in a FTSE 250 ETF, awaiting market opening for allocation to a target investment.

Stock market volatility worked against the Company initially, with valuations declining in the period following the portfolio transition. As long-term investors, however, the period from 10 February to 31 March 2021 is considered too brief to form a useful perspective on the new mandate.

### Performance

Over the six months to 31 March 2021, the Company's net asset value per share ('NAV') total return was -0.9% compared to a total return of +14.2% for the comparative index, being a chain-linked index comprising the movement on the FTSE All-Share Index to 10 February 2021 and the movement on the MSCI All Country World Index in sterling terms thereafter. The share price total return was +14.6% over the six months to 31 March 2021, as the discount narrowed from 17.3% to 4.5%.

The following table shows performance over the six-month period, segmented into the periods to and from 10 February 2021 under the management of Invesco Fund Managers Limited and Baillie Gifford respectively.

Total Return	30 September to 31 March (%)	30 September to 10 February (%)	10 February to 31 March (%)
NAV	(0.9)	14.2	(13.2)
Share Price	14.6	35.8	(15.6)
Comparative Index	14.2	14.2	0.0

For a definition of terms, see Glossary of Terms and Alternative Performance Measures on pages 21 and 22.

Total return information is sourced from Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 20.

Past performance is not a guide to future performance.

# Chairman's Statement (continued)

## Objective and Investment Policy

At the General Meeting, shareholders approved changes to the Company's objective and investment policy to incorporate two equally weighted objectives to:

- generate long term capital growth with the aim of the NAV total return exceeding that of the MSCI All Country World Index in sterling terms by at least 2 per cent. per annum over rolling five-year periods; and
- contribute towards a more sustainable and inclusive world by investing in the equities of companies whose products or services make a positive social or environmental impact.

The changes to the objective and investment policy were approved by 95.8% of the votes lodged.

## Dividends

The new investment objective and policy will result in returns from the Company's portfolio being generated predominantly from capital growth. As such, the Company expects to pay a significantly lower level of dividend in future. In respect of the Company's year ended 30 September 2020, the Board declared total dividends of 11.2 pence per Ordinary Share. To mitigate the impact on shareholder income in the short term, as previously announced, the Board intends to utilise the Company's reserves to maintain this dividend level in respect of the financial year to 30 September 2021.

The fourth interim dividend for 2020, of 4.0p, was paid on 24 December 2020 to shareholders on the register at the close of business on 4 December 2020. The first interim dividend for 2021, of 2.4p, was paid on 12 March 2021 to shareholders on the register at the close of business on 19 February 2021. A second interim dividend of 2.4p will be paid on 11 June 2021 to shareholders on the register at close of business 21 May 2021, with the ex-dividend date being 20 May 2021. It is expected that the Company's dividend policy for 2022 will be amended, such that no interim dividends will be paid, and any annual dividend will be paid only to the extent needed for the Company to maintain its investment trust status.

## Share Buy Backs and Issuance

In the two months to the end of November 2020, the Company bought back 423,735 shares into treasury, at a cost of £1.1 million and a weighted average discount to NAV of 17.1%. At 31 March 2021, 5,778,363 shares were held in treasury. Such shares have no voting rights and are not entitled to dividends. They are available for reissue when market conditions permit, being a price representing a premium to the prevailing NAV and, as such, accretive to existing shareholders.

The discount to NAV at which the shares have traded narrowed considerably following the announcement of the proposed appointment of Baillie Gifford in December 2020. As at close of business on 27 April 2021, the discount was 1.8% compared with 17.3% at the start of the financial year. Whilst this is encouraging, and the Board also notes the significant increase in secondary market trading volumes, the Board will continue to review the discount or premium at which the shares trade over the coming months and consider, in discussion with major shareholders, the need to address any imbalance of demand and supply.

## Outlook

Positive Change is an investment strategy that seeks to align shareholders' interests as investors with their interests as members of wider society and inhabitants of an environment threatened by climate change, amongst other factors. The portfolio managers remain focused on finding the companies that will progress through current events and emerge with an even more dominant position and strong prospects, while contributing to building a better outcome for society. In some ways and for some businesses, the Covid-19 crisis is accelerating our path towards a future already anticipated by existing commercial and lifestyle trends. The Positive Change team has an investment horizon of five years and beyond, with turnover in the portfolio of 30–60 stocks expected to be typically no more than 20% per annum. Commentary on the Managers' investment philosophy and activity over the short period since their appointment can be found in the Managers' Report.

The Board believes that the Company is well positioned for long term success with a differentiated investment objective that will attract new investors and help increase the size of the Company. It has been designed to make the best use of the unique features of the investment trust structure, by the use of gearing and by investing in public and private companies. We look forward to embarking on this new journey, thank our long-term shareholders for their valued ongoing support, and welcome new shareholders who have purchased since the change of strategy.

Karen Brade  
Chairman  
30 April 2021

# Interim Management Report

Keystone Positive Change Investment Trust has two equally important objectives: to deliver attractive investment returns and to contribute towards a more sustainable and inclusive world. In this, our very first Managers' Report for the trust, we felt it would be helpful to outline our philosophy before sharing our short-term activity and long-term ambition.

## Philosophy

After centuries of progress and advancement, humanity is now facing a number of challenges that must be addressed in order to place our society onto a path of sustainable development. We need to combat climate change and other environmental degradations. We need to continue improving living standards for the majority. And as Covid-19 has sadly shown us, we need to invest heavily in healthcare so fewer people have their lives cut short by diseases. We believe that the best way for the investment community to contribute to this effort is through a positive and proactive approach, where investing is focused on companies that are addressing those challenges, rather than simply excluding companies that are causing harm.

We live in an extraordinarily exciting period where the advancements of technologies are enabling new solutions and innovations. Precision agriculture is helping farmers to become more sustainable and productive. New classes of therapeutics are helping to treat previously incurable diseases. And mobile and digital technologies are democratising the access to information, education, and financial services. Our focus is on companies that are challenging the status quo and driving a positive change in society. We look for companies that are led by ambitious and committed management teams; where their products and services are helping to address a sustainability challenge; and where there is the opportunity to build a scalable business that will generate long-term value for society and shareholders. Clearly, not every

company we invest in will be successful, but we are confident that the successful ones will make an outsized impact on investment returns and sustainable development.

This style of investment requires an active and long-term approach. The challenges to sustainable development are numerous and interlinked and the impact of companies on society is often complex and nuanced. We do not believe that broad-brush approaches such as negative screening or incorporating third-party ESG scores provide much insight. Instead, we leverage in-depth, fundamental research into companies and industries. We use diverse sources of information to help us make informed judgements. A long-term horizon is absolutely crucial, too. Challenges such as climate change will require years and decades of investments. In addition, most companies will face temporary setbacks at some stage. We aim to support companies through those periods of difficulties and encourage management teams to invest for the long term.

Our aim is to contribute towards a more sustainable and inclusive world whilst generating attractive long-term investment returns. This leads to our dual objectives. On investment, we aim to outperform the global equities benchmark over rolling 5-year periods by at least 2% per annum. On impact, our aim is to invest in and support companies that are making meaningful contributions to solving sustainability and social challenges.

The portfolio will invest in 30–60 exceptional companies whose products and services are proactively solving challenges across our four impact themes: social inclusion and education; environment and resource needs; healthcare and quality of life; and base of the pyramid (addressing the needs of those at the bottom of the global income ladder).

For a definition of terms, see Glossary of Terms and Alternative Performance Measures on pages 21 and 22.

Total return information is sourced from Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 20.

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## Short Term: The First Six Weeks

Following our appointment at the General Meeting on 10 February 2021, our initial priority was to ensure a smooth transition from the previous portfolio of UK companies to the Positive Change portfolio of global companies. As at the end of March 2021, we are pleased that this process is nearing completion.

Our investment horizon is five years or more but it is worth noting that global stock markets were unusually volatile during the first few months of 2021, which coincided with the period during which we undertook the transition of the portfolio. Amid the recent short-term volatility in stocks, our steadfast focus on the long-term progress for businesses in the portfolio remains even more important. We are investing in a technological golden age, which is facilitating structural changes in a multitude of industries from healthcare to energy. Companies in the portfolio are very much at the forefront of some of these changes and will be instrumental in helping us to achieve our two equally important objectives.

We invested in two new holdings at the end of March which we believe will meet these long-term objectives. Both companies are in the Healthcare & Quality of Life theme although they are contributing towards very different challenges.

Firstly, Peloton, which is a pioneer of connected fitness equipment for use at home and has an ambitious goal of achieving 100 million subscribers over the coming decades. The beneficial effects of fitness are well known and include lower risk of heart disease, stroke, diabetes, depression, dementia, and certain types of cancer. By lowering friction and, over the medium term, cost, we believe Peloton will help drive better health outcomes alongside being a profitable and growing business.

Secondly, AbCellera, which performs antibody discovery services for pharmaceutical and biotech partners. The company increases the speed of antibody discovery and potentially discovers better quality antibodies by leveraging on its in-house technology. By achieving this, we expect AbCellera to help improve and expand antibody treatments for large patient populations suffering from some of the world's most common diseases, including cancer. A meaningful share of the antibodies therapeutic market could lead to a very attractive investment outcome.

These two investments were funded by reductions to Alphabet and Japanese medical platform, M3.

## Long Term: Looking Ahead to a Positive Future

Technological advancements and increasing awareness of sustainability issues are providing powerful tailwinds for innovative companies that are addressing societal challenges. This creates exciting opportunities for long-term and purpose-driven investors. We are continuing our research on food and agriculture. This is a sector that is ripe for disruption, from plant-based food to vertical farming. We are also researching the fashion industry, which has enormous environmental and social impact. Here, changing attitudes towards second-hand goods and new sustainable materials are presenting interesting investment opportunities. Other areas that we are looking at include digital connectivity in Africa, innovations related to renewable power generation, energy storage and electrification, and healthcare.

With Keystone Positive Change Investment Trust, we have expanded our investable universe to include less liquid listed and private companies. There are plenty of exciting opportunities in this space. In addition, the impact of our activity – providing primary capital to help businesses scale – is potentially greater.

We're working closely with the Private Companies team at Baillie Gifford and are inspired by the number of private companies which have the potential to be holdings within the investment trust. We have the ambition for 5–10% of the portfolio to be invested in private companies within a few years and for that proportion to increase gradually over time (up to a maximum of 30%).

We look forward to sharing the outcome of our research over the coming months. We are just at the very beginning of our Keystone Positive Change journey and we thank shareholders for joining us.

The principal risks and uncertainties facing the Company are set out on page 17.

Lee Qian and Kate Fox  
Portfolio Managers

## Portfolio



### Social Inclusion and Education

Holding	Value £'000	%
ASML	13,233	7.2
TSMC	11,921	6.5
MercadoLibre	8,837	4.8
Alphabet	5,506	3.0
Alibaba	4,547	2.5
Shopify	4,547	2.5
FDM	1,766	1.0
Coursera	648	0.4
	<b>51,005</b>	<b>27.9</b>



### Environment and Resource Needs

Holding	Value £'000	%
Tesla	15,507	8.4
Umicore	6,477	3.5
NIBE Industrier	5,743	3.1
Deere	5,575	3.0
Xylem	4,936	2.7
Ørsted	4,085	2.2
Novozymes	3,723	2.0
Beyond Meat	2,891	1.6
Ecolab	2,785	1.5
	<b>51,722</b>	<b>28.0</b>



## Healthcare and Quality of Life

Holding	Value £'000	%
Moderna	10,393	5.6
Illumina	8,189	4.5
M3	8,080	4.4
Dexcom	6,680	3.6
10x Genomics	5,975	3.2
Teladoc	5,235	2.8
Abiomed	4,644	2.5
Chr. Hansen	4,535	2.5
Alnylam Pharmaceuticals	4,071	2.2
Sartorius	3,795	2.1
Discovery Holdings	3,565	1.9
Glaukos	3,547	1.9
Peloton Interactive	3,000	1.6
AbCellera Biologics	1,102	0.6
Berkeley Lights	802	0.4
	<b>73,613</b>	<b>39.8</b>



## Base of the Pyramid

Holding	Value £'000	%
Bank Rakyat Indonesia	3,974	2.2
	<b>3,974</b>	<b>2.2</b>
Positive Change holdings	180,314	97.9
Legacy holdings	3,222	1.8
Net liquid assets	548	0.3
<b>Total assets</b>	<b>184,084</b>	<b>100.0</b>

Past performance is not a guide to future performance.

## Condensed Income Statement (unaudited)

	For the six months ended 31 March 2021			For the six months ended 31 March 2020			For the year ended 30 September 2020 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	–	(3,325)	<b>(3,325)</b>	–	(71,142)	<b>(71,142)</b>	–	(40,377)	<b>(40,377)</b>
Currency gains/(losses)	–	1,057	<b>1,057</b>	–	(780)	<b>(780)</b>	–	(473)	<b>(473)</b>
Income from investments and interest receivable	1,721	–	<b>1,721</b>	3,287	–	<b>3,287</b>	5,848	–	<b>5,848</b>
Investment management fee (note 3)	(100)	(299)	<b>(399)</b>	(102)	(306)	<b>(408)</b>	(192)	(576)	<b>(768)</b>
Other administrative expenses	(199)	(166)	<b>(365)</b>	(234)	(127)	<b>(361)</b>	(453)	(133)	<b>(586)</b>
<b>Net return before finance costs and taxation</b>	<b>1,422</b>	<b>(2,733)</b>	<b>(1,311)</b>	<b>2,951</b>	<b>(72,355)</b>	<b>(69,404)</b>	<b>5,203</b>	<b>(41,559)</b>	<b>(36,356)</b>
Finance costs of borrowings	(24)	(51)	<b>(75)</b>	(289)	(5,714)	<b>(6,003)</b>	(321)	(5,795)	<b>(6,116)</b>
<b>Net return on ordinary activities before taxation</b>	<b>1,398</b>	<b>(2,784)</b>	<b>(1,386)</b>	<b>2,662</b>	<b>(78,069)</b>	<b>(75,407)</b>	<b>4,882</b>	<b>(47,354)</b>	<b>(42,472)</b>
Tax on ordinary activities	(49)	–	<b>(49)</b>	(38)	–	<b>(38)</b>	(67)	–	<b>(67)</b>
<b>Net return on ordinary activities after taxation</b>	<b>1,349</b>	<b>(2,784)</b>	<b>(1,435)</b>	<b>2,624</b>	<b>(78,069)</b>	<b>(75,445)</b>	<b>4,815</b>	<b>(47,354)</b>	<b>(42,539)</b>
<b>Net return per ordinary share</b> (note 4)	<b>2.18p</b>	<b>(4.50p)</b>	<b>(2.32p)</b>	<b>3.94p</b>	<b>(117.17p)</b>	<b>(113.23p)</b>	<b>7.41p</b>	<b>(72.87p)</b>	<b>(65.46p)</b>

The total column of this statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance issued by the Association of Investment Companies.

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

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return of ordinary activities after taxation is both the profit and total comprehensive income for the period.

## Condensed Balance Sheet (unaudited)

	At 31 March 2021 £'000	At 30 September 2020 (audited) £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss (note 6)	183,536	210,738
<b>Current assets</b>		
Debtors	234	54
Cash and cash equivalents	900	620
	1,134	674
<b>Creditors</b>		
Amounts falling due within one year:		
Bank loan (note 7)	–	(19,180)
Other creditors	(586)	(1,657)
	(586)	(20,837)
<b>Net current assets/(liabilities)</b>	548	(20,163)
<b>Total assets less current liabilities</b>	<b>184,084</b>	<b>190,575</b>
<b>Creditors</b>		
Amounts falling due after more than one year:		
Cumulative preference shares (note 8)	(250)	(250)
<b>Net assets</b>	<b>183,834</b>	<b>190,325</b>
<b>Capital and reserves</b>		
Share capital (note 9)	6,760	6,760
Share premium account	3,449	3,449
Capital redemption reserve	466	466
Capital reserve	170,924	174,808
Revenue reserve	2,235	4,842
<b>Shareholders' funds</b>	<b>183,834</b>	<b>190,325</b>
<b>Net asset value per ordinary share*</b>	<b>297.39p</b>	<b>305.80p</b>

\* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 21 and 22.

## Condensed Statement of Changes in Equity (unaudited)

### For the six months ended 31 March 2021

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2020	6,760	3,449	466	174,808	4,842	<b>190,325</b>
Net return on ordinary activities after taxation	–	–	–	(2,784)	1,349	<b>(1,435)</b>
Shares bought back into treasury (note 9)	–	–	–	(1,100)	–	<b>(1,100)</b>
Dividends paid during the period (note 5)	–	–	–	–	(3,956)	<b>(3,956)</b>
<b>Shareholders' funds at 31 March 2021</b>	<b>6,760</b>	<b>3,449</b>	<b>466</b>	<b>170,924</b>	<b>2,235</b>	<b>183,834</b>

### For the six months ended 31 March 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2019	6,760	3,449	466	239,073	7,858	<b>257,606</b>
Net return on ordinary activities after taxation	–	–	–	(78,069)	2,624	<b>(75,445)</b>
Shares bought back into treasury (note 9)	–	–	–	(12,336)	–	<b>(12,336)</b>
Dividends paid during the period (note 5)	–	–	–	–	(4,792)	<b>(4,792)</b>
<b>Shareholders' funds at 31 March 2020</b>	<b>6,760</b>	<b>3,449</b>	<b>466</b>	<b>148,668</b>	<b>5,690</b>	<b>165,033</b>

\* The Capital Reserve balance at 31 March 2021 includes investment holding losses of £30,471,000 (31 March 2020 – losses of £69,348,000).

## Condensed Cash Flow Statement (unaudited)

	Six months to 31 March 2021 £'000	Six months to 31 March 2020 £'000
<b>Cash flows from operating activities</b>		
Net return before finance costs and taxation	(1,311)	(69,404)
Net losses on investments	3,325	71,142
Currency (gains)/losses	(1,057)	551
Overseas tax incurred	(38)	(38)
Changes in debtors and creditors	(380)	(252)
Scrip dividends	–	(217)
Net cash inflow from investing activities	24,720	9,804
<b>Net cash inflow from operating activities*</b>	<b>25,259</b>	<b>11,586</b>
Shares bought back into treasury	(1,100)	(12,290)
Net cash outflow from repayment of bank loans and debentures	(19,183)	(14,806)
Interest and cumulative preference share dividends paid	(93)	(1,688)
Dividends paid	(3,956)	(4,792)
<b>Net cash outflow from financing activities</b>	<b>(24,332)</b>	<b>(33,576)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>927</b>	<b>(21,990)</b>
Exchange movements	3	–
Cash and cash equivalents at start of period†	(30)	22,557
<b>Cash and cash equivalents at end of period</b>	<b>900</b>	<b>567</b>

\* Cash from operating activities includes dividends received of £1,670,000 (31 March 2020 – £3,040,000) and interest received of £nil (31 March 2020 – £1,000).

† Cash and cash equivalents at 30 September 2020 reconciled to the balance sheet as follows: cash held at custodian of £620,000 less overdraft included in short term creditors of £650,000.

## Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 March 2021 comprise the statements set out on pages 8 to 12 together with the related notes on pages 13 to 16. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in October 2019. They have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The condensed Financial Statements for the six months to 31 March 2021 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 30 September 2020.

The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 September 2020 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditors' Report on those accounts was not qualified, did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

### 2 Going Concern

The Directors have considered the Company's principal risks and uncertainties, as set out on page 17, together with the Company's current position, investment objective and policy, the level of demand for the Company's shares, the nature of its assets, its liabilities and projected income and expenditure. The Board has, in particular, considered the ongoing impact of market volatility during the coronavirus (Covid-19) pandemic. It is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. The Board approves borrowing and gearing limits and reviews regularly the amounts of any borrowing and the level of gearing as well as compliance with borrowing covenants. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) regulations 2011. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these condensed Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these condensed Financial Statements.

- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed by the Company as its Alternative Investment Fund Manager and Company Secretary with effect from 11 February 2021. Baillie Gifford & Co Limited has delegated the investment management services to Baillie Gifford & Co. The Management Agreement can be terminated on three months' notice. The annual management fee is 0.70% on the first £100 million of market capitalisation, 0.65% on the next £150 million of market capitalisation and 0.55% on the remaining market capitalisation. Management fees are calculated and payable on a quarterly basis, based on market capitalisation, which is calculated using middle market quotations derived from the Stock Exchange Daily Official List and the weighted average number of shares in issue during the quarter. The Managers have waived the first six months' fee following the transfer of the mandate from Invesco to Baillie Gifford & Co Limited.

Invesco Fund Managers Limited received a management fee in respect of each of the quarterly periods ending on 31 March, 30 June, 30 September and 31 December each year of 0.1125% calculated on the average value of the market capitalisation of the Company's shares for the ten business days ending on the relevant quarter end date. The final fee payable by the Company to Invesco Fund Managers Limited was for the period from 1 January to 7 March 2021.

## Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 March 2021 £'000	Six months to 31 March 2020 £'000	Year to 30 September 2020 (audited) £'000
<b>4 Net return per ordinary share</b>			
Revenue return on ordinary activities after taxation	1,349	2,624	4,815
Capital return on ordinary activities after taxation	(2,784)	(78,069)	(47,354)
<b>Total net return</b>	<b>(1,435)</b>	<b>(75,445)</b>	<b>(42,539)</b>
<b>Weighted average number of ordinary shares in issue</b>	<b>61,877,555</b>	<b>66,629,936</b>	<b>64,983,327</b>

The net return per ordinary share figures are based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue (excluding treasury shares) during each period.

There are no dilutive or potentially dilutive shares in issue.

	Six months to 31 March 2021 £'000	Six months to 31 March 2020 £'000	Year to 30 September 2020 (audited) £'000
<b>5 Dividends</b>			
<b>Amounts recognised as distributions in the period:</b>			
Special of 0.734p paid December	–	496	496
Fourth interim of 4.0p paid December	2,473	2,704	2,704
First interim of 2.4p paid March	1,483	1,592	1,592
Second interim of 2.4p paid June	–	–	1,537
Third interim of 2.4p paid September	–	–	1,502
	<b>3,956</b>	<b>4,792</b>	<b>7,831</b>
<b>Amounts paid and payable in respect of the period:</b>			
First interim of 2.4p paid March	1,483	1,592	1,592
Second interim of 2.4p payable/paid June	1,483	1,537	1,537
Third interim of 2.4p paid September	–	–	1,502
Fourth interim of 4.0p paid December	–	–	2,473
	<b>2,966</b>	<b>3,129</b>	<b>7,104</b>

## 6 Fair Value Hierarchy

The Company's investments are financial assets held at fair value through profit or loss. The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through profit or loss are measured is described below. The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

An analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown below.

### Investments held at fair value through profit or loss

As at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	183,521	–	–	<b>183,521</b>
Unlisted equities	–	–	15	<b>15</b>
<b>Total financial asset investments</b>	<b>183,521</b>	<b>–</b>	<b>15</b>	<b>183,536</b>

As at 30 September 2020 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	210,713	–	–	<b>210,713</b>
Unlisted equities	–	–	25	<b>25</b>
<b>Total financial asset investments</b>	<b>210,713</b>	<b>–</b>	<b>25</b>	<b>210,738</b>

The fair value of listed security investments is bid price or, in the case of FTSE 100 constituents and holdings on certain recognised overseas exchanges, last traded price. Listed Investments are categorised as Level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and as Level 2 if they do not meet all these criteria but are, nonetheless, valued using market data. Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ('IPEV'). These methodologies can be categorised as follows: (a) market approach (multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The Company's holdings in unlisted investments are categorised as Level 3 as unobservable data is a significant input to their fair value measurements.

## Notes to the Condensed Financial Statements (unaudited)

**7** The Company's £40 million committed revolving credit facility with The Bank of New York Mellon, London Branch, was repaid and expired on 5 February 2021. At 31 March 2021 the Company had not replaced the facility and there were no outstanding drawings (30 September 2020 – £19.2 million).

### **8 Creditors: amounts falling due after more than one year**

Long term creditors consist of 250,000 5% cumulative preference shares of £1 each. The preference shares dividend is paid bi-annually, in March and September.

### **9 Share Capital: allotted, called up and fully paid**

	At 31 March 2021		At 30 September 2020 (audited)	
	Number	£'000	Number	£'000
Ordinary shares of 10p each in issue	61,815,632	6,182	62,239,367	6,224
Ordinary shares of 10p each held in treasury	5,778,363	578	5,354,628	536
	<b>67,593,995</b>	<b>6,760</b>	<b>67,593,995</b>	<b>6,760</b>

In the six months to 31 March 2021, the Company bought back into treasury 423,735 ordinary shares (nominal value £42,000, representing 0.7% of the issued share capital as at 30 September 2020) at a discount to net asset value, at a total cost of £1,100,000 (six months to 31 March 2020 – 3,564,158 at a total cost of £12,336,000, with the number of shares bought back prior to 13 February 2020 restated for the 5 for 1 split on that date).

At 31 March 2021 the Company had authority to buy back 9,266,163 ordinary shares on an ad hoc basis as well as a general authority to issue shares and an authority to issue shares or sell shares from treasury on a non pre-emptive basis up to an aggregate nominal amount of £618,156. In accordance with authorities granted at the last Annual General Meeting in February 2021, buy-backs will only be made at a discount to net asset value and the Board has authorised use of the issuance authorities to issue new shares or sell shares from treasury at a premium to net asset value, in both cases in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares.

**10** During the period, transaction costs on purchases amounted to £198,000 (year to 30 September 2020 – £323,000) and transaction costs on sales amounted to £219,000 (year to 30 September 2020 – £56,000). Total transaction costs amounted to £417,000 (year to 30 September 2020 – £379,000).

### **11 Related Party Transactions**

There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Financial Statements that could have had such an effect on the Company during that period.

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

## Comparative Index

The principal index against which performance is measured is the MSCI All Country World Index (in sterling terms). Prior to 11 February, the Company's comparative index was the FTSE All-Share Index. Where relevant, the returns on these indices have been linked to form a single comparative index.

## Principal Risks and Uncertainties

The principal risks facing the Company are: the risk that the Company's strategy and business model are unsuccessful in achieving its investment objective; market risk; investment risk; share price and dividend risk; gearing risk; reliance on the manager and other service providers; pandemic risk; and regulatory risk. An explanation of these risks and how they are managed is set out on pages 8 to 11 of the Company's Annual Financial Report for the year to 30 September 2020 which is available on the Company's website: [keystonepositivechange.com](https://www.keystonepositivechange.com). The principal risks and uncertainties have not changed in nature since the date of that report, notwithstanding the change in investment portfolio from primarily UK equities to a global portfolio, and the change of AIFM from Invesco to Baillie Gifford & Co Limited.

## Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- b) the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c) the Interim Financial Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board  
Karen Brade  
Chairman  
30 April 2021

## Further Shareholder Information

### How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker or by asking a professional adviser to do so. If you are interested in investing directly in Keystone Positive Change you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting [keystonepositivechange.com](https://www.keystonepositivechange.com).

### Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone (your call may be recorded for training or monitoring purposes), email or post. See contact details in the 'Further Information' box on the back cover.

### Share Register Enquiries

Link Asset Services maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0371 664 0300. Shareholders can also access their holding details via Link's website: [signalshares.com](https://www.signalshares.com).

### Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, Keystone Positive Change Investment Trust plc is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, Keystone Positive Change Investment Trust plc will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders [gov.uk/government/publications/ exchange-of-information-account-holders](https://www.gov.uk/government/publications/exchange-of-information-account-holders).

### Risk Warnings

Past performance is not a guide to future performance.

Keystone Positive Change is a listed UK Company. The value of its shares, and any income from them, can fall as well as rise and investors may not get back the amount invested.

Keystone Positive Change invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Keystone Positive Change invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.

Keystone Positive Change can borrow money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any invested borrowings will increase the amount of this loss.

Keystone Positive Change can buy back its own shares. The risks from borrowing, referred to above, are increased when the Company buys back its own shares.

Market values of securities which have become difficult to trade may not be readily available and there can be no assurance that any value assigned to such securities will accurately reflect the price the Company might receive upon their sale.

Keystone Positive Change can make use of derivatives which may impact on its performance.

Keystone Positive Change's risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater.

Charges are deducted from income. Where income is low the expenses may be greater than the total income received, meaning Keystone Positive Change may not pay a dividend and the capital value would be reduced.

## **Risk Warnings (continued)**

The aim of Keystone Positive Change is to achieve capital growth. You should not expect a significant, or steady, annual income from the Company.

You should note that tax rates and reliefs may change at any time and their value depends on your circumstances.

Keystone Positive Change is a UK public listed company and as such complies with the requirements of the UK Listing Authority and is not authorised or regulated by the Financial Conduct Authority.

The information and opinions expressed within this Interim Financial Report are subject to change without notice.

This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

Further details of the risks associated with investing in the Company, including how charges are applied, can be found at **[keystonepositivechange.com](https://www.keystonepositivechange.com)** or by calling Baillie Gifford on 0800 917 2112.

The staff of Baillie Gifford & Co and Keystone Positive Change's Directors may hold shares in Keystone Positive Change and may buy or sell such shares from time to time.

## Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

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# Glossary of Terms and Alternative Performance Measures (APM)

## Total Assets

The total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

## Net Asset Value

Also described as shareholders' funds, Net Asset Value (NAV) is the value of all assets held less all liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue (excluding shares held in treasury).

## Net Asset Value Per Share (APM)

		At 31 March 2021	At 30 September 2020 (audited)
Shareholders' funds (Net Asset Value)	a	£183,834,000	£190,325,000
Ordinary shares in issue (excluding treasury shares)	b	61,815,632	62,239,367
<b>Net asset value per share</b>	<b>(a ÷ b x 100)</b>	<b>297.39p</b>	<b>305.80p</b>

## Net Liquid Assets

Net liquid assets comprises current assets less current liabilities (excluding borrowings).

## Discount/Premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

# Glossary of Terms and Alternative Performance Measures (APM)

## Total Return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend. In periods where no dividend is paid, the total return equates to the capital return.

## Net Asset Value Total Return

		31 March 2021 NAV	31 March 2021 Share price
Closing NAV/price per share	a	297.39p	284.00p
Dividend adjustment factor*	b	1.018973	1.020623
Adjusted closing NAV/price per share	$c = a \times b$	303.03p	289.86p
Opening NAV/price per share	d	305.80p	253.00p
<b>Total return</b>	$(c \div d) - 1$	<b>(0.9%)</b>	<b>14.6%</b>

\* The dividend adjustment factor is calculated on the assumption that the dividends paid by the Company during the period were reinvested into shares of the Company at the cum income NAV/share price at the relevant ex-dividend date.

## Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, 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, the 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.

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

Invested gearing/net cash represents borrowings at par less cash and cash equivalents (as adjusted for investment and share buy-back/issuance transactions awaiting settlement) expressed as a percentage of shareholders' funds.

## Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

## Treasury Shares

The Company has the authority to make market purchases of its ordinary shares for retention as treasury shares for future reissue, resale, transfer, or for cancellation. Treasury shares do not receive distributions and the Company is not entitled to exercise the voting rights attaching to them.







## Directors

Chairman:

K Brade

I Armfield

K Hart

W Kendall

J Wood

## Registered Office

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## Alternative Investment Fund Managers and Secretaries

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bailliegifford.com

## Registrar

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## Depository

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## Independent Auditors

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SE1 2RT

## Company Details

keystonepositivechange.com  
Company Registration  
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ISIN GB00BK96BB68  
Sedol BK96BB6  
Ticker KPC  
Legal Entity Identifier:  
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