RNS Announcement: Preliminary Results

Keystone Positive Change Investment Trust plc (KPC)

Regulated Information Classification: Annual Financial and Audit Reports

Legal Entity Identifier: 5493002H3JXLXLIGC563

Results for the year to 30 September 2021

Over the year to 30 September 2021, the Company's net asset value (NAV) total return* was 17.3% compared to a total return of 24.5% for the Comparative Index (in sterling terms). The share price total return for the same period was 40.9% as the discount narrowed from 17.3% to 0.9%.

- Baillie Gifford took over the management of the portfolio on 11 February 2021 and the portfolio was transitioned to Baillie Gifford's Positive Change portfolio of global companies.
- Investments have been made in three private companies: Northvolt, Spiber and PsiQuantum.
- The Board believes that the Company is well positioned for long-term success, with a differentiated investment objective that will attract new investors.

* With borrowings at fair (market) value

Past performance is not a guide to future performance. Total return information is sourced from Baillie Gifford/ Refinitiv. See disclaimer at the end of this announcement. For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Keystone Positive Change Investment Trust plc ('Keystone' or 'the Company') aims 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 annum over rolling five year periods; and to 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 performance target stated is in no way guaranteed. Capital growth takes priority over income and dividends. Keystone is managed by Baillie Gifford & Co, an independent fund management group, which has around £346 billion under management and advice.

Keystone 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. The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority. You can find up to date performance information about Keystone at keystonepositivechange.com‡. Past performance is not a guide to future performance. See disclaimer at the end of this announcement.

‡ Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement.

26 November 2021

Keystone Positive Change Investment Trust plc

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The following is the Preliminary Results Announcement for the year to 30 September 2021 which was approved by the Board on 25 November 2021.

Chairman's Statement

We have experienced a prolonged period of unprecedented change on both a global and domestic scale. National governments adopted a range of interventions in response to the evolving Covid-19 pandemic, and to extreme weather events. Households adapted to home working and home schooling, and businesses responded to survive these challenging demands. Your Board oversaw a significant transition for the Company, of both investment objective and new management, with the ambition of making Keystone Positive Change instrumental in the search for solutions to the challenges that have been brought sharply into focus over recent months.

Management Arrangements

The Board announced in December 2020 that it had undertaken a strategic review and had concluded that, for the Company to address investors' evolving priorities, it would move to a global impact mandate backing some of the world's most innovative and sustainable businesses. It also announced that it had conducted a competitive tender for the Company's investment management. At a General Meeting on 10 February 2021, shareholder approval was given to appoint Baillie Gifford as Investment Managers and to adopt their Positive Change strategy for long-term capital growth by encouraging a more sustainable and inclusive world. Their open ended strategy invests in companies that offer solutions to global challenges in areas such as healthcare, education, social inclusion and the environment. The Keystone Positive Change strategy has been tailored to take advantage of the Company's investment trust structure by investing in less liquid listed companies, while up to 30% of the portfolio may be invested in private companies. The new investment objective and policy are set out in full on page 20 of the Annual Report and Financial Statements.

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.

The portfolio was reorganised completely in the second half of February 2021. At 30 September 2021, the new portfolio comprises 36* investments, of which three are private companies, details of which are on the following pages. Further information on individual investments is included in the Managers' Report.

*Excluding two legacy investments held at nil value.

The Positive Change team is led by Kate Fox and Lee Qian. Michelle O'Keeffe and Edward Whitten are the two senior impact analysts who complete this team of four key decision makers for your Company's investments. They are supported by four analysts and three portfolio advisers, as well as Peter Singlehurst, head of Baillie Gifford's private companies team.

Performance

Over the year to 30 September 2021, the Company's net asset value ('NAV') per share total return was 17.3% compared to 24.5% for the comparative index, being a composite 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 40.9% over the year to 30 September 2021, as the discount narrowed from 17.3% to 0.9%. The Company has experienced improved secondary market liquidity in its shares since the change of strategy and manager was announced in December 2020. The average daily volume of shares traded in the period following the change has been more than double that in the prior year, driven largely by increased private investor demand. We are pleased to see this constituency becoming a more significant part of our register.

The following table shows performance over the financial year, segmented into the periods to 10 February 2021 under the management of Invesco Fund Managers Limited, and afterward under Baillie Gifford. The significant narrowing of the discount and the consequential impact on share price performance largely occurred in December 2020.

Total return

	1 October 2020 to 10 February 2021	11 February 2021 to 30 September 2021	1 October 2020 to 30 September 2021
NAV	14.2%	2.8%	17.3%
Share price	35.8%	3.8%	40.9%
Index†	14.2%	9.0%	24.5%

Our timing in adopting a new investment strategy and changing the portfolio coincided with stock market volatility that worked against the Company in the short term. However, as a Board, we take a long-term view in assessing the Company's delivery against its dual objectives and are confident that the changes will drive success.

Impact

The Company is focused on listed and private companies for whom solving a social or environmental challenge is core to their business. It positively and proactively aims to invest in exceptional companies whose products,

† Composite index comprising the FTSE All Share until 10/2/2021 when it changed to the MSCI ACWI.

behaviour and/or services create a meaningful improvement to the status quo. Companies held in the portfolio must be making a significant contribution to solving global challenges in one of four impact areas:

- Social Inclusion and Education;
- Environment and Resource Needs;
- Healthcare and Quality of Life; and
- Base of the Pyramid (addressing the needs of the poorest four billion people in the world).

The Managers' impact analysis is based on robust, bottom-up research that is independent from, but complementary to, the investment analysis. Further details on the Managers' approach can be found on the following pages.

The Company will publish an annual Impact Report on the contribution that companies within the portfolio have made towards a more sustainable and inclusive world. It will show the portfolio's overall contribution to the 17 UN Sustainable Development Goals. The Impact Report in respect of the calendar year to 31 December 2021 will be published in mid-2022. For a flavour of what this report will look like, we would encourage you to read Baillie Gifford's Positive Change Impact Report and the Positive Conversations Report for 2020, which have been published for the Baillie Gifford Positive Change fund.

Gearing

The Company started the financial year with net gearing of 10.4%[‡] under a revolving credit facility provided by The Bank of New York Mellon. This facility was repaid before the 10 February, when the mandate was transferred to Baillie Gifford. In September 2021, the Company entered into a three year, £25 million multi-currency revolving credit facility provided by The Royal Bank of Scotland International Limited. At 30 September 2021, £10 million had been drawn down under this facility and net gearing stood at 4.6%.

Costs

Under the new management arrangements, 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. Baillie Gifford waived their management fee for the first six months following their appointment.

The ongoing charges for the year were 0.51% (and without the Baillie Gifford fee waiver would have been 0.82%). Last year the ongoing charges were 0.55%. The Board expects the Company to grow, and benefit increasingly from the lower rate of management fee at the upper tier as it does so. The higher base fee recognises the Managers' investment of time and resource in pursuit of the Company's twin objectives, and the Board is confident that long-term performance, both in financial and impact terms, will justify the increase in running costs in the meantime. No performance fee is payable under the new management arrangements, as it potentially was under the previous Investment Management Agreement.

Dividend

[‡] Recalculated using current methodology – see Glossary of Terms and Alternative Performance Measures (APM)

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. To mitigate the impact on shareholder income in the short term, the Board utilised the Company's reserves to maintain the dividend level in respect of the financial year to 30 September 2021. A fourth interim dividend of 4.0p will therefore be paid on 24 December 2021 to shareholders on the register on 3 December 2021, being the last dividend payment in respect of the year to 30 September 2021, and in accordance with the dividend policy approved at the Annual General Meeting held on 10 February 2021.

It is proposed that the Company's dividend policy is amended for 2022, 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.

Discount and Share Buy Backs

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 30 September 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. At 30 September 2021, the discount was 0.9% compared with 17.3% at the start of the financial year.

The Board

Having served for over ten years, John Wood intends to retire from the Board at the AGM. We would like to thank John for his significant and wise contribution to the Company and for his hard work on behalf of shareholders. The Board has appointed Nurole to assist the Board in identifying a new non-executive Director with the skills and experience necessary to complement existing Directors. We hope to announce the new appointment before the AGM. All Directors are subject to annual re-election at the AGM.

Annual General Meeting

Provided current Government Covid-19 rules remain as they are, we anticipate welcoming shareholders to the AGM in London in February 2022. However, given that rules may tighten at short notice, restricting the meeting to the minimum number to ensure it is quorate, I ask shareholders nevertheless to submit their votes by proxy before the applicable deadline on 7 February 2022 and to submit any questions for the Board or Manager in advance by email to trustenquiries@bailliegifford.com or by calling 0800 917 2112 (Baillie Gifford may record your call). This will not impede your subsequent attendance in person should you wish if regulations permit. Developments with regard to Covid-19 rules will be closely monitored and any changes will be announced to the London Stock Exchange regulatory news service and made available at keystonepositivechange.com.

Outlook

We have selected a well-resourced, experienced and committed team to implement the Keystone Positive Change strategy and deliver its twin objectives. Long-term growth potential and the ability to address social and environmental challenges must be inherent in the businesses they invest in on your behalf.

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. Its strategy has been designed to make the best use of the unique features of the investment trust structure, through the employment of gearing and by investing in public and private companies. We thank our long-term shareholders for their valued ongoing support and welcome all new shareholders.

Karen Brade
Chairman
25 November 2021

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Managers' Report

Change

We were delighted to become the Managers of the Company in February of this year, following the Board's bold decision to adopt a radical and positive change. Radical in transforming from a UK value-oriented strategy to a global growth strategy, and positive in adopting an objective that is not just seeking to deliver attractive investment returns but one that also seeks to contribute towards a more sustainable and inclusive world for us to retire into and for our grandchildren's children to thrive in.

The Company has undergone a change of name and a change of mandate. For your Managers, it has provided a welcome change in that the closed-ended structure means we have the opportunity to invest in private companies. This provides all of us with the ability to contribute to change not just through long-term and supportive capital but also by providing primary capital.

Our world is changing, and change needs to happen but must be directed for the better. Despite some tremendous progress over the years which has led to poverty rates declining, longer life expectancy and exciting technological discoveries, our world is facing several significant challenges that are complex and often interlinked, from climate change and biodiversity loss to global pandemics and persistent inequalities. These challenges have been stark this year, with wild fires, heat domes and extreme flooding highlighting the pace at which our weather systems are changing as our home, planet earth, gets perilously warmer. Covid-19 has highlighted how climate change, biodiversity loss and human habits are bringing animal viruses closer to humans and that the way we live - globalisation and urbanisation – is hastening the spread of disease. We have all been in this pandemic but in different boats – those without access to digital devices have fallen behind as education moved online and access to vaccines is not yet universal.

Our academic partners at the University of Sussex and Utrecht University articulate it well and with a refreshingly long time horizon. They describe the previous 250 years as the First Deep Transition, encompassing five great surges of development or technological revolutions: the mechanisation of the cotton industry; the age of steam and railways; electricity and heavy engineering; oil, automobiles and mass production; and telecoms and information. This transition provided great industrial progress and created great wealth but also wicked problems, to which the response will be the Second Deep Transition as we undo the wrongs created over the last 250 years. As we strive to meet the Sustainable Development Goals that aim to address climate change, reduce inequalities and build a more prosperous and peaceful world by 2030, the United Nations describe this as the Decade of Action – but could it be (at least) the century of action?

This might sound rather downbeat. However, we are (concerned) optimists. The world is achieving breakthrough science and technological discoveries at an unprecedented pace; and these breakthroughs will reshape how we live and how we care for our environment.

We thank the Board for the bold changes it made in February and we look forward to driving positive change with you, our shareholders.

Your Portfolio

Your portfolio invests in 36 companies whose products and services are providing solutions to four impact themes: social inclusion and education, environment and resource needs; healthcare and quality of life; and base of the pyramid (addressing the basic and aspirational needs of poorer members of society). We invest with a long-term time horizon – at least five years – and would encourage that we are judged over rolling five year periods.

We are delighted to provide you with an update on portfolio activity over the course of the eight months we have been managing the portfolio as a means to introduce you to the companies we invest in on your behalf and some of the exciting areas we are researching.

We need to rapidly decarbonise energy generation. As the world's largest offshore wind farm operator, Ørsted plays an important role in the shift towards more renewable energy sources and is a key contributor to making wind generated energy cost effective through its adoption of larger turbines, its standardisation of the supply chain and innovative ways of maintaining and operating wind farms. Given the long runway for growth and its market leadership, we have added to our position during the period. Renewable energy generation will enable electrification in many industries, the most prominent one currently being transportation. Along with supportive legislation and government funding, Tesla has played an incredibly important role in catalysing action in the traditionally sleepy automotive industry. Sales of pure electric and plug-in hybrid passenger vehicles are on track to double in 2021, taking penetration up to nearly 9% compared to just 3% two years ago and it is worth highlighting the extremes – Norway's electric vehicle ("EV") penetration is circa 75%. Not only has Tesla helped shift an industry into action, it has made terrific operational and financial progress at pace over recent years. It is a great example of how investment returns and positive change are complementary. Last year the company delivered nearly half a million vehicles and has delivered nearly 630,000 so far this year; profitability has improved despite reducing the price of its vehicles; and it established a factory in China in less than ten months. This has been accompanied by tremendous share price appreciation. We like to run our winners to capture the asymmetry inherent in stock markets, but we are also vigilant in testing our hypothesis and Tesla was no exception. Through our most recent analysis we concluded that the probability of Tesla meeting our investment hurdle (we seek companies with scope to double over five years with a significant growth opportunity thereafter) has reduced following share price appreciation. The investment thesis from here is more reliant upon success in less developed and potentially exciting opportunities such as energy storage and autonomous vehicles. As such, we reduced the position during the period.

Batteries are a key enabler of the shift from fossil fuels in transportation (and other industries) and are a key differentiator for automotive manufacturers as they can determine price and performance. We were delighted to have the opportunity to participate in Northvolt's recent private funding round as it embarks on its ambition to become Europe's largest manufacturer of EV batteries and to produce the world's greenest batteries by using renewable energy and recycled raw materials. The company, founded and led by an ex-Tesla engineer, has already secured contracts with several leading automotive manufacturers as it embarks on this ambitious journey. Electrification in the transportation sector is not limited to ground transportation. There is a great deal of investment and innovation going into developing electric flying vehicles (the technical term being electric vertical take-off and landing vehicles, or eVTOLs). Joby Aviation has developed a prototype electric flying taxi which could transform city transportation while reducing emissions, saving commuter time and freeing up more green space. We provided primary capital that will be used to help it commercialise its product.

Over the years we have discussed and researched what a sustainable food system might look like, with a growing appreciation of the complexities around food security, resource degradation and human health. Deere, which is best known for its iconic green tractors, is helping address the challenge of ever more mouths to feed while reducing the environmental implications of farming through its precision agriculture products. For example, its 'see and spray' technology uses cameras, sensors and machine learning to determine what is plant and what is weed and then applies herbicides accordingly, both increasing crop yields and reducing the use of herbicides, sometimes by up to 80%. As our conviction in the opportunity in precision agriculture increases, we have added to the holding.

We are living in a material world but the current system is unsustainable – we can't continue on this linear system of extraction, use and disposal, particularly of materials derived from petrochemicals. We need to use better materials and keep goods in the system for longer - we need to move from a linear to a circular economy. Northvolt joined Umicore in the portfolio as a company intent on recycling batteries from EVs (Umicore is already the world's largest recycler of precious metals), so helping us move to a circular system. Spiber is an exciting private Japanese company we recently invested in which uses synthetic biology (applying engineering techniques to biology to make products with desirable properties) to make biodegradable fibres that share the attractive qualities of animal fibres (such as cashmere) or petrochemical based products. It is early days for Spiber, but we are encouraged by its vertically integrated approach, its progress to date in preparing for scaling production and the partnerships it has established which ought to help it commercialise novel fibres that are more sustainable alternatives to the status quo.

Synthetic biology could have broad and profound implications across many industries – we could be on the verge of an industrial revolution, enabled by our deeper understanding of biology and tools that help us read, edit and write DNA. Such tools also have scope to improve our understanding, diagnosis and treatment of diseases. Within our healthcare and quality of life theme we have unearthed some exciting companies such as the recently purchased AbCellera, a single cell screening company helping improve the speed, and potentially the quality, of antibody discovery, thus helping reduce the time and costs associated with developing antibody therapies. It played a key role in the antibody discovery process for Eli Lily's antibody therapy for Covid-19. AbCellera joins a handful of companies in the portfolio which provide tools and services that aid understanding of biology and diseases. Investments that address the healthcare and quality of life impact theme vary – from vaccine provider Moderna (our largest holding) to Peloton, another recent purchase. Through a combination of its content, hardware and brand, Peloton has carved out a unique position in the interactive fitness market and has a huge runway for growth as it strives to reach 100m subscribers. By reducing the friction of keeping fit, Peloton is helping prevent the onset of several conditions such as heart disease and diabetes.

In 1997, Kofi Annan, the former Secretary-General of the United Nations said that 'knowledge is power. Information is liberating. Education is the premise of progress, in every society, in every family'. Finding an education provider that meets both of our objectives has been challenging over the years, so we are delighted to have participated in the IPO of Coursera, an online platform providing a range of educational content from short courses to online degrees. Coursera is unique for appealing to different stakeholders in the education system: learners, academic partners and corporations. Its 87 million registered learners help it attract content (from both academic and corporate partners) which in turn attracts more users. By providing online content, Coursera is helping improve access to learning through lower costs and greater convenience and helping provide relevant qualifications in an ever evolving job market.

PsiQuantum is another private company we have supported by participating in its recent fundraising. PsiQuantum is developing a quantum computer. Quantum computing could be one of the most important innovations of the 21st century as its extreme (unthinkable!) processing power could solve complex challenges from drug development to climate change – it could revolutionise industries and create entirely new ones.

Additions and purchases have been spread across three of our four impact themes with the Base of the Pyramid impact theme remaining challenging to identify companies that meet our dual objectives. We have been researching financial inclusion as a means to improve resilience and create opportunity, along with associated microfinance and remittance companies that could perhaps join existing holdings such as Bank Rakyat Indonesia and Safaricom, a

Kenyan mobile operator and provider of the M-Pesa payments system, in addressing the needs of those with lower incomes.

In addition to the reduction in Tesla, we sold the positions in Alphabet and Glaukos. Our two objectives are of equal importance so there are no compromises. Our conviction in Alphabet's potential to deliver positive change through providing access to information has largely played out, its 'Other Bets' which could have driven change have underwhelmed and while progress has been made in its business practices in some respects such as its climate commitments and tax, its approach to ethics in Artificial Intelligence ("AI") and monopolistic behaviours are disappointing. In contrast to Alphabet, the reason for selling Glaukos concerned our conviction in the investment case, in particular the competitive environment in novel ways to treat glaucoma. We also reduced the position in M3, which provides online doctors' portals, and NIBE, a leading provider of ground source heat pumps. For both of these companies the valuation had outpaced the fundamentals and so we trimmed the positions to bring them more in line with our level of enthusiasm while putting the proceeds to good use in some of the companies mentioned above.

There are several interesting areas of research and a number of companies mentioned here which might give the impression of high turnover. However, please be reassured that despite it being a rather fruitful period to find new ideas, the turnover of your portfolio remains in line with our long-term investment horizon.

The Future

We don't make any attempts to predict the direction of bond yields or markets. Rather, we try to understand what the next waves of innovation might be and what implications they might have for society and our planet over the next 5, 10 or 25 years. It feels as if we are on the cusp of several waves of innovation and transformation, including the energy transition, electrification, a material revolution, genetics, AI and quantum computing. Each of these waves in isolation are exciting; in combination, they could be incredibly powerful.

Our focus is on identifying the wave makers – the companies driving change and disrupting the status quo – and to play our role in helping the development and scaling of innovative solutions to global challenges by providing long term and supportive capital, something which has sadly become increasingly scarce over the years. By doing so, we step up to our responsibility in steering towards a more sustainable and inclusive future and can identify exceptional businesses that will deliver attractive returns for shareholders. We thank you for joining us on what we believe to be an important and rewarding journey for savers, people and our planet.

Kate Fox
Lee Qian
25 November 2021

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Investing for Positive Change

Delivering attractive long-term investment returns

We aim to deliver attractive investment returns, which we define as meaningful outperformance (by 2% annually net of fees) of the MSCI ACWI over rolling five-year periods.

Our emphasis on growth and competitive advantage means that we expect the delivered returns of the portfolio to come primarily from revenue and profit growth at the companies we hold, rather than from changes in valuation. In broad terms, we look for companies with the potential to double in value over a five year period, while still having significant growth prospects thereafter.

Patience is required to tolerate short-term volatility that we embrace in order to generate superior long-term financial returns. We expect our portfolio of 30-60 listed and private companies to differ significantly from the benchmark index, many of whose major constituents are likely to suffer from precisely the challenges that we outline in our four Impact Themes below, and whose very scale makes it difficult for them to innovate.

While measuring portfolio returns relative to a benchmark index can be a helpful way to monitor the output of our investment process, we do not consider the benchmark when constructing the portfolio**.**

Delivering a positive impact

We look for listed and private companies for whom delivering a positive impact is core to their business; whose products and services represent a significant improvement to the status quo; and who conduct business with honesty and integrity. We look for areas where there is a meaningful, and widely-accepted, opportunity gap between the current situation and the desirable social outcome, and for companies that are proactively narrowing that gap through their business activities. To this end, we have identified four Impact Themes. Similar to financial returns, making a meaningful positive impact requires patience and perseverance. We are not looking for quick fixes, but genuine improvements which often take years, if not decades, of hard work. We believe a period of five to ten years is a useful timeframe for assessing companies' social and environmental contributions. We expect the four Impact Themes to evolve over time, hopefully as challenges are resolved. We review the themes on a regular basis.

Impact Themes

Social Inclusion and Education

Income and wealth inequalities have risen significantly over the past 30 years and now threaten our acceptance of capitalism as a force for good. We look for companies that are building a more inclusive society through business practices or products and services. We also look for companies that are improving the quality or accessibility of education as we believe that the diffusion of skills and knowledge is one of the best tools to reduce inequality.

Environment and Resource Needs

The environmental impact of human activities is increasing, and basic resources such as food and water are becoming scarcer. Throughout history, climate change and famine have repeatedly limited the development of nations. Left unresolved, those problems could jeopardise international relations, destabilise our society and damage our planet. We are looking for companies that are improving our resource efficiency and reducing the environmental impact of our economic activities.

Healthcare and Quality of Life
We are living longer but we are not necessarily healthier. We are richer but we are not necessarily happier. The stress of modern life is damaging our physical and mental health. We are searching for companies that are actively improving the quality of life in developed and developing countries.

Base of the Pyramid
Economic growth has led to improvements in living conditions in many parts of the world. However, the fruits of human ingenuity have not filtered down to everyone. We are looking for companies that are addressing the basic and aspirational needs of the billions of people at the bottom of the global income ladder.

Investment Process
Both our objectives are of equal importance. To reflect this, we have established a six-stage process which allows both the impact and investment objectives to be considered equally in the key parts of our process: research, portfolio construction and reporting.

1. What we look for – A vast opportunity set for long-term stock pickers
The universe of companies in which we can invest is vast. We make no attempt to cover the whole universe. Neither do we use quantitative screens to cut it down to a manageable size. Instead, we rely on a clear and consistent set of filters to focus our attention on the relatively small number of businesses that might be of interest to us. These filters flow naturally from our dual objectives, and focus on: (1) the company's potential to address one of our four thematic global challenges; (2) its potential to build a profitably growing business.

2. Idea generation – Ideas naturally flow from our dual objectives. Curiosity is key
We are bottom-up stock pickers who let our curiosity and enthusiasm drive our research agenda. Idea generation takes place throughout the investment process: when we meet companies; through attendance at conferences; during team meetings; and through general reading. Our long-term time horizon, focus on fundamental in-house research and desire to take a different perspective means we use diverse sources of information, from independent research to engaging with academics and industry experts. Sharing a common objective with the rest of our investment colleagues (seeking high quality growth companies), we are fortunate in being able to leverage the intellectual resources of our wider investment department of around a hundred investors, including regional and global teams and sector specialists, and our ESG team.

3. Fundamental company research: eight questions – Consistent framework focuses on dual objectives
Our company analysis consists of two stages: fundamental company research and impact analysis.
Our fundamental company research involves an Investment Manager examining eight questions relating to the quality of the business and its growth prospects as well as the impact the company is expected to deliver:

1. What change is the company driving?
2. What is the scale of the growth opportunity and how might it evolve over time?
3. What is required to unlock the opportunity and how quickly can the company capitalise on it?
4. What is the competitive edge and how might it develop?
5. What attributes of the culture, governance, and management attitude will support or detract from the company's ability to capitalise on the opportunity?
6. What are the financial characteristics today and how might they evolve?
7. What might the company look like and what might its valuation be in 5 to 10 years?

8. What will it take to be an outlier?

To assess the growth potential and quality of a business, we consider the company's broad opportunity set, the strength and durability of the competitive advantage, the financial characteristics and management attitudes.
To assess the expected impact of a holding, we consider the challenge the company is tackling, its product characteristics and business practices.
Valuation analysis focuses on whether we think the long-term growth prospects of a company are underappreciated. Here, we use a range of measures for valuing companies and remain very much focused on the potential for a business in five years' time. If a company has backing from an Investment Manager, it will be taken forward to the second stage of research: the Impact Analysis.

4. Impact analysis – Independent and disciplined

The second stage of research focuses specifically on the impact potential of a business. This is carried out by one of the Positive Change Teams' Impact Analysts. Analysing impact is complex and can be highly subjective. Our impact analysis is carried out independent of the investment case using a rigorous, qualitative framework that is based upon three factors: Intent; Business Practices; and Product Impact.
This analysis is holistic: we recognise that there is no perfect company and under each of these three factors we also consider areas of controversy, the negative consequences of operations and a company's awareness of those issues.
Monitoring and reporting impact is important: as one of our dual objectives it is as important as monitoring and reporting financial performance. The monitoring of impact is ongoing and is interwoven with our monitoring of the investment case for a company. We look at company reports and disclosures and are engaged with management, we monitor significant news, always with a focus on the long term and the key milestones we expect a company to reach in order to deliver impact.

5. Portfolio construction – Investment and impact considered in tandem

The Positive Change team meet regularly to discuss new ideas and the level of conviction in existing holdings. The team's conviction in both the impact and investment potential of a company is taken into consideration when making portfolio decisions and sizing positions. Investment decisions are made by the four decision makers: two Investment Managers: Kate Fox and Lee Qian, and two Senior Impact Analysts: Michelle O'Keeffe and Edward Whitten. Every stock must have the backing of an Investment Manager and at least one Senior Impact Analyst. The group heavily relies on and respects the opinions of team members to help inform individual views. We think this process allows us to harness diverse perspectives while also retaining conviction and accountability of individual decision-making and reducing personal bias.
We are active investors and our portfolio will differ significantly from the benchmark, many of whose major constituents are likely to face headwinds from the challenges we identify. In order for a company to enter our portfolio, it must meet both of our objectives – there are no compromises.
With a long-term investment horizon, portfolio turnover will be low, we expect it to be below 20% per annum over the long term. We will carefully monitor the companies in which we invest through ongoing research and engagement with management teams. It is inevitable that businesses will have setbacks and we are happy to own companies through periods of short-term operational weakness. However, if longer-term concerns develop that are not addressed by management, if we detect a deterioration in the fundamental investment case, for either element of our dual objectives, we will sell a holding.

6. Monitoring, engagement and reporting – Rigorous, ongoing and with a long-term focus

Once we have taken a holding, we continue to monitor operational performance and progress towards delivering positive change. In doing so we engage with management teams on an ongoing basis.

We report on how the strategy has delivered on both its financial objective and its impact objective. The impact different companies make is not always quantifiable, nor should it be. Furthermore, comparing impact across companies with very different activities is problematic. And, where impact is more easily quantifiable, it is not always measured and disclosed in a uniform way. Despite its challenges, we have developed a robust approach using our in depth knowledge of companies, and we report annually, though we always remain focused on our five-year-plus time horizon.

6.1 Company Impact

Consistent with our bottom-up, fundamental investment approach, we identify bespoke metrics or milestones for each company that will help us monitor its progress in delivering positive change. We represent this impact through 'The Positive Chain', a model which demonstrates how each company is contributing to positive outcomes and impacts through its inputs, activities and outputs.

We depend primarily on company reported data but don't limit ourselves to current levels of disclosure: where there are gaps we will engage with companies and request more information. Company engagement more broadly is ongoing, and we will discuss with management teams both areas where we would like to see improvements as well as areas where companies excel.

6.2 Portfolio Contribution to United Nations Sustainable Development goals

At an overall portfolio level, we also link the product impact for each company to the United Nations' Sustainable Development Goals (UN SDGs). The UN developed the SDGs in 2015 as part of an ambitious programme which aims to end poverty in all forms, to build peaceful and inclusive societies, to protect human rights and promote gender equality, and to ensure the protection of the planet and its natural resources by the end of 2030. With 17 goals split into 169 specific targets covering a broad range of topics, we don't intend for the portfolio to address every single goal. However, mapping the contribution of individual holdings to these goals via the underlying 169 targets allows us to assess the contribution of the portfolio as a whole using an independent framework.

The companies in the portfolio take different approaches and we hope to gain insight into what works best and to share our learnings across holdings. For those companies that report how their business is aligned with the SDGs, we take this into consideration when making the linkage to the goals, but we are selective in order to be as consistent as possible across all holdings.

Keystone Positive Change Investment Trust plc

Investment Portfolio by Impact Theme as at 30 September 2021

Social Inclusion and Education	Value £'000	%	Environment and Resource Needs	Value £'000	%	Healthcare and Quality of Life	Value £'000	%	Base of the Pyramid	Value £'000	%
ASML	16,996	7.6	Tesla	11,505	5.1	Moderna	30,071	13.4	Safaricom	6,588	2.9
TSMC	11,841	5.3	Umicore	7,539	3.4	Dexcom	10,683	4.7	Bank Rakyat Indonesia	4,652	2.1
MercadoLibre	11,252	5.0	NIBE Industrier	7,512	3.3	Illumina	9,090	4.0			
Shopify	5,853	2.6	Deere	7,312	3.3	M3	7,581	3.4			
Coursera	3,761	1.7	Ørsted	7,084	3.1	Alnylam Pharmaceuticals	5,792	2.6			
Alibaba	3,087	1.4	Xylem	6,104	2.7	10x Genomics	5,052	2.2			
FDM	2,282	1.0	Novozymes	4,174	1.9	Abiomed	5,046	2.2			
PsiQuantum	1,483	0.7	Ecolab	3,440	1.5	Sartorius	4,953	2.2			
			Beyond Meat	3,003	1.3	Chr. Hansen	4,263	1.9			
			Northvolt AB	2,066	0.9	Teladoc	3,883	1.7			
			Spiber	1,097	0.5	Discovery Holdings	3,809	1.7			
			Joby Aviation	745	0.3	Peloton Interactive	2,537	1.1			
						AbCellera Biologics	1,485	0.7			
						Berkeley Lights	843	0.4			
Total	56,555	25.3		61,581	27.3		95,088	42.2		11,240	5.0
									Net liquid assets†	417	0.2
									Total assets	224,881	100.0

† For a definition of terms used, see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Keystone Positive Change Investment Trust plc

List of Investments at 30 September 2021

Name	Business	Impact theme*	Fair value £'000	% of total assets†	Cumulative % of total assets
Moderna	Messenger RNA therapeutics	Healthcare	30,071	13.4	
ASML	Supplier to semiconductor industry	Social	16,996	7.6	
TSMC	Semiconductor manufacturer	Social	11,841	5.3	
Tesla	Electric cars and renewable energy solutions	Environment	11,505	5.1	
MercadoLibre	Latin American ecommerce platform and fintech	Social	11,252	5.0	
Dexcom	Continuous glucose monitoring	Healthcare	10,683	4.7	
Illumina	Gene sequencing equipment	Healthcare	9,090	4.0	
M3	Online medical services	Healthcare	7,581	3.4	
Umicore	Global materials technology and recycling	Environment	7,539	3.4	
NIBE Industrier	Sustainable energy solutions	Environment	7,512	3.3	55.2
Deere	Agricultural equipment	Environment	7,312	3.3	
Ørsted	Renewable energy	Environment	7,084	3.1	
Safaricom	Telecommunications and mobile payments	Base	6,588	2.9	
Xylem	Innovative water solutions	Environment	6,104	2.7	
Shopify	Online commerce platform	Social	5,853	2.6	
Alnylam Pharmaceuticals	Biotechnology	Healthcare	5,792	2.6	
10x Genomics	Life science technology	Healthcare	5,052	2.2	
Abiomed	Medical implant manufacturer	Healthcare	5,046	2.2	
Sartorius	Biopharmaceutical and laboratory tooling	Healthcare	4,953	2.2	
Bank Rakyat Indonesia	Bank	Base	4,652	2.1	81.1
Chr. Hansen	Biological solutions	Healthcare	4,263	1.9	
Novozymes	Biological solutions	Environment	4,174	1.9	
Teladoc	Healthcare services provider	Healthcare	3,883	1.7	
Discovery Holdings	Life and health insurance provider	Healthcare	3,809	1.7	
Coursera	Online learning	Social	3,761	1.7	
Ecolab	Water, hygiene and infection prevention services	Environment	3,440	1.5	
Alibaba	Online retailing and financial services	Social	3,087	1.4	
Beyond Meat	Plant-based meat alternatives	Environment	3,003	1.3	
Peloton Interactive	Connected home fitness technology	Healthcare	2,537	1.1	
FDM	IT-focused professional services provider	Social	2,282	1.0	96.3
Northvolt AB [u]	Battery developer and manufacturer	Environment	2,066	0.9	
AbCellera Biologics	Antibody drug discovery tools	Healthcare	1,485	0.7	
PsiQuantum [u]	Silicon photonic quantum computing	Social	1,483	0.7	
Spiber [u]	Novel protein biomaterials	Environment	1,097	0.5	
Berkeley Lights	Life science technology	Healthcare	843	0.4	
Joby Aviation	Electric aircraft	Environment	745	0.3	
Motif Bio [u]	Pharmaceuticals and biotechnology	Legacy	-	-	
Jaguar Health	Pharmaceuticals and biotechnology	Legacy	-	-	
Total Equities†			**224,464**	**99.8**	**99.8**
Net Liquid Assets†			417	0.2	
Total Assets†			**224,881**	**100.0**	**100.0**

* Abbreviated as follows: Heathcare – Healthcare and Quality of Life; Social – Social Inclusion and Education; Environment – Environment and Resource Needs; Base – Base of the Pyramid. Legacy investments are residual investments from the portfolio transferred from Invesco.

u Denotes unlisted/private company holding.

† For a definition of terms used see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Income statement

	For the year ended 30 September 2021			For the year ended 30 September 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments (note 2)	-	30,478	30,478	-	(40,377)	(40,377)
Currency gains/(losses)	-	859	859	-	(473)	(473)
Income	2,353	-	2,353	5,848	-	5,848
Investment management fee (note 3)	(150)	(451)	(601)	(192)	(576)	(768)
Other administrative expenses	(427)	(166)	(593)	(453)	(133)	(586)
Net return before finance costs and taxation	1,776	30,720	32,496	5,203	(41,559)	(36,356)
Finance costs of borrowings	(50)	(111)	(161)	(321)	(5,795)	(6,116)
Net return on ordinary activities before taxation	1,726	30,609	32,335	4,882	(47,354)	(42,472)
Tax on ordinary activities	(121)	-	(121)	(67)	-	(67)
Net return on ordinary activities after taxation	1,605	30,609	32,214	4,815	(47,354)	(42,539)
Net return per ordinary share (note 4)	2.60p	49.49p	52.09p	7.41p	(72.87p)	(65.46p)
Note:						
Dividends per share paid and payable in respect of the year (note 5)	11.20p			11.20p		

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 on ordinary activities after taxation is both the profit and total comprehensive income for the year.

Balance sheet

	At 30 September 2021 £'000	At 30 September 2020 £'000
Fixed assets		
Investments held at fair value through profit or loss (note 6)	**224,464**	210,738
Current assets		
Debtors	**132**	54
Cash and cash equivalents	**593**	620
	725	674
Creditors		
Amounts falling due within one year (note 7)	**(10,422)**	(20,837)
Net current liabilities	**(9,697)**	(20,163)
Total assets less current liabilities	**214,767**	190,575
Creditors		
Amounts falling due after more than one year (note 7)	**(250)**	(250)
Net assets	**214,517**	190,325
Capital and reserves		
Share capital	**6,760**	6,760
Share premium account	**3,449**	3,449
Capital redemption reserve	**466**	466
Capital reserve	**203,842**	174,808
Revenue reserve	**-**	4,842
Total shareholders' funds	**214,517**	190,325
Ordinary shares in issue (note 9)	**61,846,509**	64,983,327

Statement of changes in equity

For the year ended 30 September 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**	**190,325**
Net return on ordinary activities after taxation	**-**	**-**	**-**	**30,609**	**1,605**	**32,214**
Ordinary shares bought back and held in treasury (note 9)	**-**	**-**	**-**	**(1,100)**	**-**	**(1,100)**
Dividends paid during the year (note 5)	**-**	**-**	**-**	**(475)**	**(6,447)**	**(6,922)**
Shareholders' funds at 30 September 2021	**6,760**	**3,449**	**466**	**203,842**	**-**	**214,517**

For the year ended 30 September 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	257,606
Net return on ordinary activities after taxation	-	-	-	(47,354)	4,815	(42,539)
Ordinary shares bought back and held in treasury (note 9)	-	-	-	(16,911)	-	(16,911)
Dividends paid during the year (note 5)	-	-	-	-	(7,831)	(7,831)
Shareholders' funds at 30 September 2020	6,760	3,449	466	174,808	4,842	190,325

Cash flow statement

	Year ended 30 September 2021 £'000	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000	Year ended 30 September 2020 £'000
Cash flows from operating activities				
Net return before finance costs and taxation		32,496		(36,356)
Tax on overseas income		(111)		(67)
Adjustments for:				
Purchases of investments	(360,107)		(84,580)	
Sale of investments	376,529		101,538	
		16,422		16,958
Scrip dividends		-		(217)
(Gains)/losses on investments held at fair value		(30,478)		40,377
Movement in unrealised currency gains and losses		(183)		377
(Increase)/decrease in debtors		(88)		484
(Decrease)/increase in creditors		(89)		46
Net cash inflow from operating activities		17,969		21,602
Cash flow from financing activities				
Interest and facility fee paid on bank facility and overdraft	(150)		(111)	
Interest paid on debenture and bonds	-		(1,668)	
Preference dividends paid	(12)		(12)	
Bank facility (repaid)/drawn down and overdraft repaid	(9,833)		19,180	
Redemption of debenture and bonds	-		(36,836)	
Shares bought back and held in treasury	(1,100)		(16,911)	
Net equity dividends paid	(6,922)		(7,831)	
Net cash outflow from financing activities		(18,017)		(44,189)
Net decrease in cash and cash equivalents		(48)		(22,587)
Exchange movements		21		-
Repayment of overdraft		650		-
Cash and cash equivalents at start of the year		(30)		22,557
Cash and cash equivalents at the end of the year		593		(30)
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:				
Cash held at custodian		593		620
Bank overdraft		-		(650)
Cash and cash equivalents		593		(30)
Cash flows from operating activities includes:				
Dividends received		2,298		5,723
Interest received		-		1

Notes to the financial statements

1. The Financial Statements for the year to 30 September 2021 have been prepared in accordance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out in the Annual Report and Financial Statements which are unchanged from the prior year and have been applied consistently.

2.

Gains on investments:	2021 £'000	2020 £'000
Realised gains/(losses) on sales	**4,060**	(22,005)
Changes in investment holding gains	**26,418**	(18,372)
Total gains on investments and losses	**30,478**	(40,377)

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 portfolio management services to Baillie Gifford & Co. 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. Baillie Gifford & Co Limited have waived the first six months' fee following the transfer of the mandate from Invesco. 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.

4.

Net Return per Ordinary Share	2021	2020
Revenue return	**2.60p**	7.41p
Capital return	**49.49p**	(72.87p)
Total return	**52.09p**	(65.46p)

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £1,605,000 (2020 – £4,815,000) and on 61,846,509 (2020 – 64,983,327) ordinary shares of 10p, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital gain for the financial year of £30,609,000 (2020 – loss of £47,354,000) and on 61,846,509 (2020 – 64,983,327) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

Notes to the financial statements (ctd)

5. Ordinary Dividends	2021 p	2021 £'000	2020 p	2020 £'000
Amounts recognised as distributions in the year:				
Fourth interim dividend in lieu of a final dividend (prior year)	**4.00**	**2,473**	4.00*	2,704
Special dividend (prior year)	**-**	**-**	0.734*	496
First interim dividend	**2.40**	**1,483**	2.40	1,592
Second interim dividend	**2.40**	**1,483**	2.40	1,537
Third interim dividend	**2.40**	**1,483**	2.40	1,502
	11.20	**6,922**	11.934	7,831

* Restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

We also set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £1,605,000 (2020 - £4,915,000).

	2021 p	2021 £'000	2020 p	2020 £'000
Amounts paid and payable in respect of the financial year:				
First interim dividend	**2.40**	**1,483**	2.40	1,592
Second interim dividend	**2.40**	**1,483**	2.40	1,537
Third interim dividend	**2.40**	**1,483**	2.40	1,502
Fourth interim dividend	**4.00**	**2,473**	4.00	2,473
Total	**11.20**	**6,922**	11.20	7,104

6. As at 30 September 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	219,818	-	-	219,818
Unlisted equities	-	-	4,646	4,646
Total financial asset investments	**219,818**	**-**	**4,646**	**224,464**

As at 30 September 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	210,713	-	-	210,713
Unlisted equities	-	-	25	25
Total financial asset investments	**210,713**	**-**	**25**	**210,738**

Investments in securities are financial assets held at fair value through profit or loss. In accordance with Financial Reporting Standard 102, the preceding tables provide an analysis of these investments based on the fair value hierarchy described below, which reflects the reliability and significance of the information used to measure their fair value.

Fair Value Hierarchy

The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit and loss account are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.

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).

The Company's unlisted investments at 30 September 2021 were valued using a variety of techniques. These include using comparable company multiples, net asset values, assessment of comparable company performance and assessment of milestone achievement at the investee companies. The determinations of fair value included assumptions that the trading multiples and comparable companies chosen for the multiples approach provide a reasonable basis for the determination of fair value. Valuations are cross-checked for reasonableness to alternative multiples-based approaches or benchmark index movements as appropriate. In some cases the latest dealing price is considered to be the most appropriate valuation basis, but only following assessment using the techniques described above.

7. Creditors falling due within one year include drawings under the following borrowing facilities:

Borrowing facilities

At 30 September 2021 the Company had a 3 year £25 million multi-currency unsecured floating rate revolving facility with Royal Bank of Scotland International, which expires on 31 August 2024.

At 30 September 2021 drawings were as follows:

Royal Bank of Scotland International: US$6.9 million at an interest rate of 1.25% over SOFR and £5 million at an interest rate of 1.25% over SONIA, both maturing in December 2021 (2020 – £19.2 million at an interest rate of 0.67323% drawn under a facility with Bank of New York Mellon).

The main covenants relating to the above loans are that total borrowings shall not exceed 25% of the Company's adjusted portfolio value and the Company's minimum adjusted portfolio value shall be £100 million.

There were no breaches of loan covenants during the year.

Par, Book and Market Value of Borrowings	2021 Par value £'000	2021 Book value £'000	2021 Market value £'000	2020 Par value £'000	2020 Book value £'000	2020 Market value £'000
Bank loans due within one year	**10,114**	**10,114**	**10,114**	19,180	19,180	19,180
5% cumulative preference shares	**250**	**250**	**248**	250	250	246
	10,364	**10,364**	**10,362**	19,430	19,430	19,426

8. Shareholders' Funds per ordinary share	2021	2020
Shareholders' funds	**£214,517,000**	£190,325,000
Number of ordinary shares in issue at the year end	**61,815,632**	62,239,367
Shareholders' funds per ordinary share	**347.0p**	305.8p

The shareholders' funds figures above have been calculated after deducting borrowings at book value, in accordance with the provisions of FRS 102. For the current and prior year, the difference between borrowings at book value, borrowings at par and borrowings at market value is negligible (see note 7 above) and no reconciliation between NAV at book/par value and NAV at market/fair value is provided, as the NAV per share is the same on both bases.

9. In the year to 30 September 2021, the Company issued no ordinary shares. 423,735 shares were bought back during the year over 14 separate occasions at an average price of 257.8p (2020 – 5,354,628) and held in treasury for subsequent re-issue or cancellation. At 30 September 2021 the Company had authority to buy back 9,266,163 ordinary shares and to allot or sell from treasury 6,181,563 ordinary shares without application of pre-emption rights. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

10. The purchases and sales proceeds figures above include transaction costs of £137,000 (2020 – £323,000) and £226,000 (2020 – £56,000) respectively. The Company received £376,529,000 (2020 – £101,392,000) from investments sold during the year. The book cost of these investments when they were purchased was £372,693,000 (2020 – £123,397,000). These investments have been revalued over time and, until they were sold, any unrealised gains/losses were included in the fair value of the investments. Of the realised gains on sales of investments during the year of £4,060,000 (2020 – loss of £22,005,000), a net loss of £152,000 was included in investment holding losses at the previous year end.

11. The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 September 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered in due course. The auditor has reported on these accounts; the reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

12. **Related Parties and Transactions with the Managers**

The Directors' fees and shareholdings are detailed in the Directors' Remuneration Report on pages 36 and 37 of the Annual Report and Financial Statements. No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

Baillie Gifford & Co Limited has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Details of the terms of the Investment Management Agreement are set out on page 26 of the Annual Report and Financial Statements and details of the fees during the year and the balances outstanding at the year end are shown in notes 3 and 11 of the Annual Report and Financial Statements respectively.

13. The Report and Accounts will be available on the Managers' website keystonepostivechange.com‡ on or around 10 December 2021.

‡ Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement.

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

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).

Shareholders' Funds

Shareholders' Funds is the value of all assets held less all liabilities, with borrowings deducted at book cost.

Net Asset Value (APM)

When a Company's borrowings are all short-term, flexible facilities, Net Asset Value (NAV) equates to shareholders' funds, being the value of all assets held less all liabilities (including borrowings). Per share amounts are calculated by dividing the relevant figure by the number of ordinary shares in issue (excluding shares held in treasury) as per note 8 above. For the current and prior year, the difference between borrowings at book value, borrowings at par and borrowings at market value is negligible (see note 7 above) and no reconciliation between NAV at book/par value and NAV at fair value is provided, as the NAV per share is the same on both bases.

		2021	2020
Shareholders' funds (Net Asset Value)	a	**£214,517,000**	£190,325,000
Ordinary shares in issue (excluding treasury shares)	b	**61,815,632**	62,239,367
Net asset value per share	(a ÷ b x100)	**347.0p**	305.8p

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.

Net Liquid Assets

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

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.

Total Return (APM)

The total return is the return to shareholders after reinvesting the dividend on the date that the share price goes ex-dividend, as detailed below.

		2021 NAV	2021 Share price	2020 NAV	2020 Share price
Closing NAV per share/share price	(a)	**347.0p**	**344.0p**	305.8p	253.0p
Dividend adjustment factor*	(b)	**1.0338**	**1.0360**	1.0350	1.0407
Adjusted closing NAV per share/share price	(c = a x b)	**358.7p**	**356.4p**	316.5p	263.3p
Opening NAV per share/share price	(d)	**305.8p**	**253.0p**	372.5p	308.0p
Total return	(c ÷ d) - 1	**17.3%**	**40.9%**	**(15.0%)**	**(14.5%)**

* The dividend adjustment factor is calculated on the assumption that the dividends of 11.2p (2020 – 11.934p) paid by the Company during the year was reinvested into shares of the Company at the cum income NAV/share price, as appropriate, at the ex-dividend dates.

Ongoing Charges (APM)

The total expenses (excluding dealing and borrowing costs) incurred by the Company as a percentage of the daily average net asset value (with borrowings at fair value), as detailed below.

		2021	2020
Investment management fee		**£601,000**	£768,000
Other administrative expenses		**£593,000**	£586,000
Less: non-recurring expenses		**(£166,000)**	(£169,000)
Total expenses	a	**£1,028,000**	£1,185,000
Average daily cum-income net asset value	b	**£202,840,000**	£217,052,000
Ongoing charges	a ÷ b	**0.51%**	0.55%

Baillie Gifford & Co Limited was appointed on 11 February 2021 and agreed to waive its management fee for six months from the date of its appointment. The calculation for 2021 above is therefore not representative of future management fees. The reconciliation below shows the ongoing charges figure if the management fee waiver had not been in place.

		2021	2020
Investment management fee		**£601,000**	£768,000
Investment management fee waiver		**£643,000**	-
Other administrative expenses		**£593,000**	£586,000
Less: non-recurring expenses		**(£166,000)**	(£169,000)
Total expenses	a	**£1,671,000**	£1,185,000
Average daily cum-income net asset value	b	**£202,840,000**	£217,052,000
Ongoing charges	a ÷ b	**0.82%**	0.55%

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.

Gross gearing, also referred to as potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds (a ÷ c in the table below).

Net gearing, also referred to as invested gearing is borrowings at book value less cash and cash equivalents (any certificates of deposit are not deducted) and brokers' balances expressed as a percentage of shareholders' funds (b ÷ c in the table below).

		2021	2020
Borrowings (at book cost)		**£10,364,000**	£19,430,000
Less: cash and cash equivalents	a	**(£593,000)**	£30,000
Less: sales for subsequent settlement		**-**	-
Add: purchases for subsequent settlement		**-**	£330,000
Adjusted borrowings	b	**£9,771,000**	£19,790,000
Shareholders' funds	c	**£214,517,000**	£190,325,000
Gearing	b ÷ c	**4.6%**	10.4%

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Unlisted (Private) Company

An unlisted or private company means a company whose shares are not available to the general public for trading and are not listed on a stock exchange.

Compound Annual Return (APM)

The compound annual return converts the return over a period of longer than one year to a constant annual rate of return applied to the compounded value at the start of each year.

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.

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