

MORAY PLACE INVESTMENT COMPANY

**INTERIM REPORT AND FINANCIAL STATEMENTS
for the six months to 31 March 2014 (unaudited)**

ABOUT YOUR COMPANY

Moray Place Investment Company (MPIC) was formed on 2 May 2012 as an open-ended investment company and commenced trading on 15 May 2012. It is regulated and authorised by the Financial Conduct Authority in the UK as a non-UCITS retail scheme. The company is intended to be a low cost, long-term investment vehicle for like-minded private individuals. It is straightforward and free of the conflicts of interest that bedevil the professional money management industry.

MPIC's objective is to preserve and grow (in that order) the purchasing power of its investors' capital. The investment manager believes that it is most meaningful to assess MPIC's progress over a full economic cycle, which is typically 5-10 years. Over this time frame, useful comparators include UK consumer price inflation, the yield on undated gilts, and equity indices.

MPIC expects to achieve its objective primarily through owning shares in established companies listed on stock exchanges around the world. It will not borrow, use derivatives, short-sell securities, or invest in property directly.

The investment approach is uncomplicated, disciplined and patient. The investment manager also believes that it is conservative, if idiosyncratic. MPIC is not designed to appeal to a broad constituency. It is only suitable for investors who are capable of evaluating the merits and risks of such an approach: if you cannot, or it makes you uncomfortable, or it simply does not suit your psychology, you should not invest.

Size of company as at 31 March 2014	£26,396,758
Authorised Corporate Director (ACD)	Valu-Trac Investment Management Limited
Investment manager	Hollis Capital Limited
Minimum investment	Initial: £100,000 Subsequent: £10,000
Dealing spread	1%
Ongoing charges (annualised)	0.65% <i>Capped at 1.0% p.a. until 30 September 2014</i>
Performance fee	Not applicable
Initial charges	Not applicable
Redemption charges	5% for sales within 2 years of purchase; 2% for sales between 2 and 5 years of purchase <i>Paid to MPIC, not to the ACD or investment manager</i>
Ex-dividend date	30 September
Dividend date	30 November

FINANCIAL SUMMARY

		As at		
		31 Mar 2014	30 Sept 2013	30 Sept 2012
Net asset value				
Value of company		£26.4m	£22.8m	£15.6m
Shares outstanding	Gross acc.	14.0m	12.6m	9.9m
	Gross inc.	1.8m	1.8m	1.8m
	Net acc.	2.5m	1.9m	1.1m
	Net inc.	2.6m	2.6m	2.2m
NAV per share		Offer–Bid	Offer–Bid	Offer–Bid
	Gross acc.	127.2–125.9p	122.5–121.3p	104.6–103.5p
	Gross inc.	126.1–124.9p	121.4–120.2p	104.6–103.5p
	Net acc.	127.2–125.9p	122.5–121.3p	104.6–103.5p
	Net inc.	126.1–124.9p	121.4–120.2p	104.6–103.5p
Effective liquidity †		28%	29%	31%
		Six months to	Year to	15 May 2012 to
		31 Mar 2014	30 Sept 2013	30 Sept 2012
Dividend per share				
	Gross acc.	0p	1.04p	0p
	Gross inc.	0p	1.04p	0p
	Net acc.	0p	1.04p	0p
	Net inc.	0p	1.04p	0p
Ongoing charges (annualised) ‡		0.65%	0.79%	0.87%
Portfolio turnover (annualised)		3%	7%	0%

Shares were issued at 100p each when the company commenced trading on 15 May 2012

† Effective liquidity includes the investment in gold; all the current constituents are shown on p.5

‡ The ongoing charges ratio is based on the actual charges and the average NAV during the period

LETTER TO SHAREHOLDERS

Dear fellow shareholders

The objective of the company is to protect and increase the purchasing power of its investors' capital. I believe that the best means of achieving this is to own shares in a careful selection of superior businesses run by good people, bought at reasonable prices. My intention is to own such businesses for many years. I agree with Jack Bogle's observation that "the stockmarket is a giant distraction from the business of investing". Thus, a basic tenet for MPIC is business ownership, not share trading: its long-term results will be dominated by the progress of the companies it owns, not by the investment manager's trading activity.

There are three dimensions to my investment analysis: business, people and price. Value is created by the businesses and their leaders, not the stockmarket. The objective is to get more business value than one pays in stockmarket price. Price is important, but can be distracting. In particular, one must avoid Oscar Wilde's cynicism — knowing the price of everything and the value of nothing.

At the heart of my analysis is an assessment of people: their motivation, aims and values. In effect, MPIC is a loyal sleeping partner with no voice. In assessing the character of potential business partners I try to avoid high-profile "superstars". Much, much better are the character traits highlighted four decades ago by the business consultant, Robert Greenleaf: low-profile, frugal servant-leaders, who treat their employees and customers with respect. I seek volunteers who love their business, not mercenaries who love their money.

An interesting example of low-profile, customer-oriented, frugal excellence is the Swedish bank, Handelsbanken. It has one of the most distinctive cultures, or institutional personalities, of any business I know; as a retail bank, its culture creates a clear form of competitive differentiation. In the early 1970s, the former academic and new chief executive, Dr. Jan Wallander, radically decentralised the bank. The consequences were profound and enduring. First, all central budgeting and planning was abolished, and total autonomy granted to bank managers in how they wished to operate their branch. Head office staff numbers fell by a third. Second, bank branches were to be assessed by two metrics: customer satisfaction and costs. Finally, Handelsbanken as a whole was to be assessed by a single measure of relative profitability: return on equity compared to its peers.

Four decades later, Dr. Wallander's radical structure remains in place. Handelsbanken still has no central budgets. It still has no sales targets. It still has no staff bonuses. It still has no automated credit scoring. It still has no corporate advertising. What it does have are the most satisfied customers in every market in which it operates. It has low costs. Its return on equity has been higher than its peers in every one of the past 42 years. Handelsbanken survived banking crises in Sweden in the early 1990s and in Europe more recently without asking either its government or shareholders for help. In each instance it was the only national bank not to do so. Shareholder returns were never an articulated aim, but have been outstanding as a consequence of their satisfied, loyal customers and low costs.

Dr. Wallander is my kind of corporate hero: a self-effacing iconoclast, motivated by his company's success, not by personal gain. I direct my time and attention to finding contemporary Dr. Wallanders. Then I wait for the schizophrenic Mr Market to offer reasonable terms on which to become a long-term sleeping partner — simple, but not easy.

Peter Hollis

PORTFOLIO AS AT 31 MARCH 2014

Security	Country	Holding	Value (£)	%	30 Sept 2013
Markel	US	6,000	2,135,360	8.1%	
Fairfax Financial	Canada	6,000	1,564,718	5.9%	
Investor B	Sweden	70,000	1,516,374	5.7%	
Graham Holdings B	US	2,600	1,096,805	4.2%	
Handelsbanken	Sweden	33,000	991,311	3.8%	
Sofina	Belgium	10,000	731,131	2.8%	
Moodys	US	15,000	708,625	2.7%	
Hansa Trust A	UK	75,000	658,125	2.5%	
Nestle	Switzerland	14,000	632,122	2.4%	
Loews	US	24,000	629,465	2.4%	
GBL	Belgium	10,000	600,975	2.3%	
Philip Morris International	US	12,000	584,467	2.2%	
Progressive Corp	US	40,000	578,251	2.2%	
Atlas Copco B	Sweden	30,000	491,673	1.9%	
RLI Corp	US	18,000	470,586	1.8%	
Rights & Issues Capital	UK	10,000	451,500	1.7%	
The Coca-Cola Company	US	16,000	372,509	1.4%	
Colruyt	Belgium	10,000	330,454	1.2%	
bioMerieux	France	5,000	329,400	1.2%	
Spirax-Sarco	UK	10,592	306,215	1.2%	
Tesco	UK	100,000	296,475	1.1%	
Royal Dutch Shell B	UK	12,000	280,980	1.1%	
Alleghany Corp	US	1,100	266,851	1.0%	
Crown Holdings	US	10,000	265,337	1.0%	
Wm Morrison Supermarkets	UK	120,000	256,440	1.0%	
Capital Southwest Corp	US	12,000	253,103	1.0%	
Imperial Oil	Canada	8,000	224,237	0.8%	
PepsiCo	US	4,000	200,426	0.8%	
CF-Alba	Spain	5,000	178,701	0.7%	
Silgan Holdings	US	6,000	177,219	0.7%	
Becton Dickinson & Co	US	2,500	174,224	0.6%	
Jardine Strategic	Singapore	8,000	171,231	0.6%	
HAL Trust	Netherlands	2,000	165,123	0.6%	
FedEx Corp	US	2,000	158,704	0.6%	
Coca-Cola HBC	UK	10,000	149,300	0.6%	
Owens-Illinois	US	7,000	140,042	0.5%	
BAT	UK	4,000	133,350	0.5%	
Patterson Companies	US	5,000	124,674	0.4%	
Sigma-Aldrich	US	2,000	111,774	0.4%	
Wells Fargo warrants (28.10.18)	US	10,000	111,234	0.4%	
Hornbach Holding prefs.	Germany	1,841	96,052	0.4%	
Total equities			19,115,543	72.4%	70.9%

PORTFOLIO AS AT 31 MARCH 2014

Security	Country	Holding	Value (£)	%	<i>30 Sept 2013</i>
US 0.125% Inflation-protected Treasury 2016	US	1,500,000	980,292	3.7%	
UK 2.5% Index-linked Gilt 2016	UK	200,000	679,533	2.6%	
Sweden 0.5% Inflation-linked Treasury 2017	Sweden	6,000,000	587,567	2.2%	
UK 1.25% Index-linked Gilt 2017	UK	300,000	436,540	1.7%	
US 0.125% Inflation-protected Treasury 2018	US	700,000	435,104	1.7%	
UK 0.125% Index-linked Gilt 2024	UK	400,000	433,153	1.6%	
UK 0.125% Index-linked Gilt 2019	UK	300,000	323,800	1.2%	
Royal Canadian Mint Gold ETR	Canada	140,000	1,163,769	4.4%	
Cash and equivalents	Various		2,272,461	8.6%	
<i>Total effective liquidity</i>			7,312,219	27.7%	<i>29.3%</i>
<i>Adjustment to revalue assets from Mid to Bid</i>			-31,004	-0.1%	
Total portfolio			<u>26,396,758</u>	<u>100%</u>	

FINANCIAL STATEMENTS

Statement of total return

For the 6 months ended 31 March	2014	2013
	£	£
Income		
Net capital gains	792,927	2,920,659
Revenue	212,417	197,376
Expenses	<u>(82,078)</u>	<u>(74,182)</u>
Net revenues before taxation	130,339	123,194
Taxation	<u>(19,550)</u>	<u>(20,433)</u>
Net revenues after taxation	<u>110,789</u>	<u>102,761</u>
Total return before dividends	903,716	3,023,420
Finance costs: dividends	<u>-</u>	<u>-</u>
Change in net assets attributable to shareholders from investment activities	<u>903,716</u>	<u>3,023,420</u>

Statement of changes in net assets attributable to shareholders

For the 6 months ended 31 March	2014	2013
	£	£
Opening net assets attributable to shareholders	22,793,043	15,609,946
Amounts receivable on creation of shares	2,699,999	948,115
Change in net assets attributable to shareholders from investment activities (see above)	<u>903,716</u>	<u>3,023,420</u>
Closing net assets attributable to shareholders	<u>26,396,758</u>	<u>19,581,481</u>

FINANCIAL STATEMENTS

Balance sheet

As at	31 March 2014		30 Sept 2013	
	£	£	£	£
Assets				
Investment assets		24,124,298		20,661,816
Debtors		73,930		180,765
Cash and bank balances		<u>2,237,167</u>		<u>2,192,959</u>
Total other assets		<u>2,311,097</u>		<u>2,373,724</u>
Total assets		26,435,395		23,035,540
Liabilities				
Creditors		(38,637)		(46,440)
Dividend payable		<u>-</u>		<u>(196,057)</u>
Total liabilities		<u>(38,637)</u>		<u>(242,497)</u>
Net assets attributable to shareholders		<u>26,396,758</u>		<u>22,793,043</u>

Accounting policies

The financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Management Association (IMA) in October 2010. The accounting policies applied are consistent with those in the annual financial statements for the period ended 30 September 2013 and are described in those Financial Statements.

Portfolio purchases and sales

For the period from 1 October 2013 to 31 March 2014 there were purchases of £3,011,591 and sales of £353,183.

AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

The rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook require the Authorised Corporate Director to prepare financial statements for each accounting period which give a true and fair view of the financial affairs of the Company and of its revenue or expense for the period. In preparing these financial statements which are unaudited the Authorised Corporate Director is required to:

- comply with the Prospectus and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future

The Authorised Corporate Director is required to keep proper accounting records and to manage the Company in accordance with the regulations and the Prospectus. The Authorised Corporate Director is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Director's Statement

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Scheme's Sourcebook, we hereby certify the interim report.

Anne A. Laing

Martin J. Henderson

Valu-Trac Investment Management Limited
Authorised Corporate Director

INFORMATION FOR INVESTORS

Authorised Corporate Director's charges

The annual ACD charges are £10,000 plus the investment management fee. The annual investment management fee is currently equal to:

1. 0.50% of the Net Asset Value of the Company on the first £20 million; and
2. 0.35% of the Net Asset Value of the Company thereafter.

Dividend

All the revenue of the Company will be paid as dividends to shareholders on or before 30 November each year.

Issue and redemption of shares

Valu-Trac Investment Management Limited is the Registrar. Valu-Trac Investment Management Limited will receive requests for the purchase or sale of shares at any time during normal business hours. Instructions may be given by telephone (01343 880344) or by sending an Application Form. Application forms are available from the Registrar.

The price of shares will be determined by reference to a valuation of the Company's net assets at 4.30pm on the 1st and 15th (or the next business day) of each month.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of shares has been issued will not be returned to the applicant. Instead, smaller denomination shares will be issued in such circumstances.

A contract note giving details of the shares purchased and the price used will be issued by the Registrar by the end of the second business day following the valuation point by reference to which the purchase price is determined. Settlement is due on the date specified on the Contract Note.

Ownership of shares will be evidenced by an entry on the Company's Register of Shareholders. Certificates will not be issued. Statements in respect of periodic dividends will show the number of shares held by the recipient in respect of which the dividend is paid. Individual statements of a shareholder's (or, when shares are jointly held, the first named holder's) shares will also be issued at any time on request by the registered holder.

Where shares are redeemed, payment will be made not later than the close of business on the fourth business day following the trade date. The minimum value of shares that a shareholder may hold is £100,000 at cost. The ACD may at its discretion accept subscriptions lower than the minimum amount.

A redemption charge is payable on any shares redeemed within five years of purchase. The redemption charge is paid to the company to compensate continuing shareholders; it is not paid to the ACD or the investment manager.

The most recent issue and redemption prices are available from the ACD.

Share price range

	Calendar YTD 2014	Calendar year 2013	15 May 2012 to 31 Dec 2012
	Offer high–Bid low	Offer high–Bid low	Offer high–Bid low
Gross accumulation	127.4–120.9p	127.1–106.5p	107.2–98.9p
Gross income	126.4–119.9p	127.1–106.5p	107.2–98.9p
Net accumulation	127.4–120.9p	127.1–106.5p	107.2–98.9p
Net income	126.4–119.9p	127.1–106.5p	107.2–98.9p

CORPORATE DIRECTORY

**Authorised Corporate
Director & Registrar**

Valu-Trac Investment Management Limited
Orton
Moray
IV32 7QE

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E-mail: mpic@valu-trac.com

Authorised and regulated by the Financial Conduct Authority
Registered in England No 2428648

Director

Valu-Trac Investment Management Limited as ACD

Investment Manager

Hollis Capital Limited
18 Torphichen Street
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EH3 8JB

Authorised and regulated by the Financial Conduct Authority

Depositary

National Westminster Bank Plc
Younger Building
1st Floor, 3 Redheughs Avenue
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EH12 9RH

Authorised by the Prudential Regulation Authority and
regulated by the Financial Conduct Authority and the Prudential
Regulation Authority

Auditors

Johnston Carmichael LLP
Chartered Accountants
7-11 Melville Street
Edinburgh
EH3 7PE