MORAY PLACE INVESTMENT COMPANY

REPORT AND FINANCIAL STATEMENTS
for the year ended 30 September 2015

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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 investors. 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 long-dated 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.

Value of company at 30 September 2015	£34,216,661	
Authorised Corporate Director (ACD)	Valu-Trac Investment Management Limited	
Investment manager	Hollis Capital Limited	
Minimum investment	Initial:	£100,000
	Subsequent:	£10,000
	ISA:	£15,240
Dealing spread	1%	
Ongoing charges	0.61%	
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 *Paid to MPIC, not to the ACD or investment manager*	
Ex-dividend date	30 September	
Dividend date	30 November	

FINANCIAL SUMMARY

		At and for the period ended			
		30 Sept 2015	30 Sept 2014	30 Sept 2013	30 Sept 2012
Value of company		£34.2m	£28.3m	£22.8m	£15.6m
Shares outstanding	Net acc.	19.1m	3.0m	1.9m	1.1m
	Net inc.	5.4m	2.9m	2.6m	2.2m
	Gross acc.	n/a	14.0m	12.6m	9.9m
	Gross inc.	n/a	2.2m	1.8m	1.8m
NAV per share	Net acc.	141.0p	128.4p	121.9p	104.1p
(mid price)	Net inc.	136.7p	125.9p	120.8p	104.1p
	Gross acc.	n/a	128.4p	121.9p	104.1p
	Gross inc.	n/a	125.9p	120.8p	104.1p
Dividend per share	Net acc.	1.80p	1.45p	1.04p	0p
	Net inc.	1.80p	1.45p	1.04p	0p
	Gross acc.	n/a	1.45p	1.04p	0p
	Gross inc.	n/a	1.45p	1.04p	0p
Effective liquidity		22%	26%	29%	31%
Ongoing charges (annualised)		0.61%	0.63%	0.79%	0.87%
Portfolio turnover (annualised)		10%	3%	7%	0%

Notes

1. *The company commenced trading on 15 May 2012 when shares were issued at 100p each.*
2. *On 1 October 2014 gross shares stopped being offered, and all existing gross shares were converted into net shares.*
3. *Effective liquidity includes the investment in gold; all the current constituents are shown on p.9.*
4. *The ongoing charges ratio is based on the actual charges and the average NAV during the period.*

Dear fellow shareholders

Moray Place Investment Company's objective is first to protect and then to grow the purchasing power of its investors' capital. My first letter to shareholders in 2012 outlined how, and over what period, I would assess whether MPIC has achieved this objective. Those comments are repeated in full on page six, as part of a reiteration of the guiding principles by which I manage the company. From those principles it follows that I do not regard the period since MPIC was formed in May 2012 as long enough to make a meaningful assessment of my investment decisions, or the increase in share price to be a foreteller of the future. So, how confident can one be about the future and what is a reasonable expectation for your investment in MPIC?

Overconfidence and the most depressing statistic in investing

A celebrated study of Swedish drivers in the early 1980s found that over 80% regarded their driving skills as above average. Numerous other studies have confirmed that overconfidence is one of the most powerful of all psychological traits. Indeed, it is actually even more pronounced when one gauges self-assessment of leadership skills, ability to get along with others, decision-making, or sense of humour. Unfortunately, overconfidence in investing is no laughing matter, and its consequences include under-funded pension funds as well as a casino mentality to the stockmarket that merely enriches the croupiers at their clients' expense.

Another consequence is what Michael Mauboussin, the investment writer, has called "the most depressing statistic in investing". Over the 10 and 20 years to the end of 2014 the annual total returns from the S&P 500 Index have been almost 8% and 10%, respectively. Yet, according to both Morningstar and Dalbar, the financial data providers, the average American investor in equity funds only achieved c.5% p.a. over both periods. Almost half of the shortfall was because of the heavy operating charges of the average fund; however, most of the difference was because investors bought and sold too frequently, and at the wrong time.

One high-profile example is Fidelity's Magellan fund. Under Peter Lynch's management it achieved 29% annual returns from 1977 until 1990, won national fame in the US and became the world's largest open-ended fund. Yet, Fidelity themselves apparently calculated that their average client in Magellan actually lost money during the Lynch era. Magellan was a volatile fund, not open to outside investors until 1981, after which it was aggressively promoted. Unfortunately, investors tended to buy after periods of good returns and sell after bad ones. Indeed, in the week following the crash in October 1987, about 20% of the fund was redeemed. That *is* depressing.

In his book, *The Hedge Fund Mirage*, Simon Lack reveals that amongst hedge funds the statistic is even more depressing. It appears that the overwhelming winner from buoyant equity markets in the past few decades has been the croupier, not the client. Lack's conclusion was that "star-struck investors too often equated enormous financial success amongst managers with high returns for clients". The lesson seems simple: reasonable equity returns are achieved by low costs and time *in* the market, not by timing the market.

Reasonable expectations

Forming reasonable expectations about the future is complicated and subject to error because the important elements of the future are unknowable. It is conventional to assume that the past will provide a guide to the future. This mental shortcut is useful, but the most important developments tend to be unforeseeable breaks from the past. Things happen all the time that have never happened before. However, while precision might be impossible, the task is helpful to gauge possibilities, or reasonable expectations.

We can use two major asset classes to form plausible bounds of those expectations for the buy-and-hold investor: government bonds and equities. The lower boundary is the interest available from lending money on guaranteed terms to a trustworthy, solvent government. For British residents gilts represent a good proxy for a return achievable with little effort, risk or cost. More pertinently for MPIC, since 1981 an investor has been able to lend money to the UK government on terms adjusted for changes in the Retail Price Index by buying index-linked gilts (ILGs). The terms available from investing in ILGs now extend beyond 50 years. Since 1981 the inflation-protected (or real) yield has been as high as 4½%. Alas, today the annual real return on ILGs is about minus 1%, thus guaranteeing a gentle fall in purchasing power for the investor who holds to maturity.

The upper boundary of a reasonable expectation might be the prospective return on quoted equities. However, unlike the interest coupons on gilts, the future dividend payments on equities are variable and not guaranteed. If history is a guide to the future, we can assume that the dividends per share of the overall stockmarket will at least maintain their purchasing power over an economic cycle. We can also assume that real dividends will grow a little, perhaps by 0% to 2% p.a. However, this is less than is commonly assumed as there is little historical support to argue that overall long-term per-share growth matches economic growth, or that it shows much correlation with a market's domestic economy.

With an estimate of future dividend growth, we can use the framework described by John Maynard Keynes in Chapter 12 of *The General Theory*. Keynes argued that there were two factors that explain the return on equities. He called the first "enterprise" – forecasting the prospective dividends over the entire life of an asset. The second was "speculation" – forecasting the psychology of the market. Jack Bogle, the founder of Vanguard, has popularised this framework by explaining that the "enterprise" element can be expressed as the starting equity dividend yield plus the expected growth rate of those dividends. Therefore:

- Enterprise return = the initial dividend yield plus the expected growth of those dividends
- Speculative return = the change in price that investors are willing to pay for each £1 of dividends
- Total return = enterprise return + speculative return

It is the enterprise return that provides the underlying value to quoted equities. Yet its signal is often swamped by the speculative noise of the stockmarket for remarkably long periods, for remarkably unfathomable reasons. However, over time, the speculative noise tends to zero and the enterprise signal dominates the returns from owning equities.

The current dividend yield on UK equities is just over 3½%. If we postulate future real annual growth in dividends per share at, say, 1% we can therefore project the future enterprise return on equities at about 4½% per annum. As the speculative return tends to zero, so the expected total annual return tends to the enterprise return of around 4½% in real terms.

A reasonable expectation for MPIC?

As the manager, but also as an investor who has most of his capital invested in the company, I do expect MPIC to achieve more than is available from investing in ILGs, but I would also be pleased if it were to be as much as the prospective enterprise return on equities. At current ILG and equity prices, and allowing for heroic assumptions and rounding, that suggests annual real returns of between 0% and 5% over a full cycle.

Importantly, this expectation is after costs, within a tax-efficient structure, and designed to be achieved in a low-stress manner. The Morningstar and Dalbar statistics show that costs are substantial for many investors. For the well-to-do British investor, taxes could absorb another couple of percentage points of the annual return from equities. Finally, all returns must be assessed along with the risk and stress incurred. As I discussed in my letter last year, I try to maximise not investment returns but stress-adjusted returns. As we all feel stress in different ways, I think it is important that co-investors understand what I am trying to do, and how.

The current portfolio

A prominent tenet of my investing philosophy is always to be prepared for bear markets. Crises and busts are a recurring feature of financial markets but, like earthquakes, their timing appears impossible to predict. Therefore it is necessary both to prepare one's finances and to cultivate a mentality to avoid being a seller during the worst of times. Ideally, the goal is to be a buyer in downturns, because that is when the real money is made – even if it is not obvious at the time.

Andrew Crockett, the public sector economist and banker, once said, "The perceived wisdom is that risk increases in recessions and falls in booms. In contrast, it may be more helpful to think of risk increasing during upswings, as financial imbalances build up, and materialising in recessions." It is my fear that worldwide financial imbalances and investment risk have been rising since 2009, encouraged by reckless official policy to induce a sense of prosperity that has not been earned. It is my hope that MPIC should do relatively well in bad times by combining Crockett's insight with a portfolio of durable businesses, managed by good people, whose share prices are not inflated by excitement, fashion or glamour.

Thus, three idiosyncrasies of MPIC's portfolio are of note. First, about 25% of MPIC's portfolio is invested in property and casualty insurers, such as Markel, Fairfax and Admiral. Insurance underwriting is a difficult business, with its own unpredictable cycle and little pricing power. However, while insurance is a tough horse to ride, I believe that MPIC is backing some outstanding jockeys as well as being offered favourable odds by the stockmarket.

Second, over 20% of the portfolio is in various investment and holding companies, such as Soul Pattinson, Jardine Strategic and Investor. They are typically managed or overseen by substantial inside owners with a record of treating their outside shareholders with respect. These owner-managers are like our insurance jockeys in that they appear to share the values exemplified by the American founding father, Benjamin Franklin: honesty, modesty and diligence. To speculative traders the holding companies appear illiquid and boring. But one must not confuse illiquidity and boredom with investment merit: superior stewardship can be available at market prices 25% to 50% below their underlying business values.

Finally, almost 10% of the portfolio is in gold. I do not regard gold as an investment, but as a form of liquidity and as insurance against extreme outcomes. It may be useful to think of gold as akin to house insurance, where the homeowner actually prefers to pay his premiums and never claim. Since MPIC's inception there have been no conflagrations in financial markets, so our gold insurance has proved redundant and unprofitable. It may not always be so.

The golden rule

My governing principle in managing MPIC is to abide by the golden rule: to treat others as I would wish to be treated myself.

Thus, I have the majority of my capital invested in MPIC. The structure is low cost and tax-efficient. The aim is for a reasonable outcome while being able to survive bad times without undue distress. And my wish is to attract like-minded co-investors whose idea of reasonable expectations is similar to mine.

Thank you for investing in MPIC – I appreciate that you have many other choices for your savings. I hope to meet you all again in the coming year. If in the meantime you have any questions or comments about MPIC, please do contact me.

Peter Hollis

I introduced my first Letter to Shareholders in 2012 by stating that all enduring human endeavours and relationships appear to have a commitment to common goals and shared values. To help potential co-investors assess whether they share my goals and values, I outlined the objectives and guiding principles by which I manage MPIC. They are repeated below, with an alteration to the reference about undated gilts, which no longer exist, and an explanation for my final principle. They are principles, so I do not expect significant changes in coming years; however, they may evolve as I continue to learn from new insights as well as from my mistakes.

Investment objective and appropriate gauges of progress

One key to attracting and keeping like-minded co-investors is that we gauge progress by the same yardstick. Moreover, that yardstick needs to be stated at the start of the relationship.

The essence of investment is to defer consumption today so that one may consume more in future. Hence, MPIC's objective is to preserve and grow (in that order) the purchasing power of its investors' capital. In deferring consumption today one might wish, for instance, to buy more groceries, property or education in future. All would represent valid standards by which to assess progress. However, for ease, I will compare MPIC's results against three benchmarks.

1. *The UK Consumer Price Index*
   Spending power is most commonly evaluated with respect to consumer goods. One basic hurdle for MPIC is thus to grow faster than UK consumer goods inflation.

2. *The yield on UK long-dated gilts*
   Consumer goods are only a part of personal expenditure. Perhaps the most comprehensive gauge of the expected erosion of purchasing power is the yield on UK long-dated gilts. This yield can be interpreted as the market's best guess of the nominal return required at least to sustain the purchasing power of pound sterling in the future.

3. *The UK FTSE All-Share Index*
   MPIC is not an equity fund, but it does expect primarily to use quoted equities as the means of achieving its objective. An equity index is thus an informative comparator, as well as a test of whether MPIC is preserving its investors' purchasing power in one specific form of assets: publicly quoted companies.

Note, first, that the comparators are UK-oriented. This seems appropriate as most of MPIC's owners are British with predominantly pound sterling commitments and liabilities. Second, I do not believe that a single year is an informative time frame over which to assess progress. I believe that the most appropriate period is an economic cycle, not the time it takes the earth to orbit the sun. Thus, I will compare MPIC's returns against its three comparators over a full economic cycle. The economic cycle varies in length, but for simplicity I will define it as a minimum of five years and maximum of ten, and comment on both periods.

My guiding principles

Another way of assessing whether there is a community of interest with my investment values is to compare your investing beliefs, or principles, with mine. These are mine:

- *I will treat your investment in MPIC as I would treat my own*
  I have, and will maintain, most of my personal capital in MPIC.

- *Costs matter*
  While the investment results of MPIC will be volatile and inherently uncertain, I am certain of one thing: costs erode long-term returns. Therefore, MPIC aspires to be one of the lowest cost investment companies available to private investors.

- *Long-term thinking*
  I will invest so as to be untroubled if markets were to close for five years. Expect turnover of investments within MPIC to average less than 10% each year.

- *Independent thinking*
  My investment philosophy is to be conservative, but not conventional. I will shun excessively popular, fashionable investments. I believe that an important paradox in investment is that the more popular an idea becomes, the less profitable it is likely to be.

- *Long-term optimism on man's instincts to trade, barter and exchange goods and ideas*
  I believe that this is the true source of durable prosperity and wealth. Rising living standards are largely derived from accumulated knowledge and new ideas, which is only constrained by human ingenuity and imagination.

- *Long-term pessimism on the value of government promises*
  The logic of politicians is to trade short-term, obvious benefits for long-term, less obvious costs, which undermines the worth of government-backed promises, such as paper money and bonds. One consequence of this process is inflation, which I believe to be at source a political phenomenon. It has been one of the tragedies of modern financial academic work to label government bonds "risk-free".

- *The role of quoted equity investments*
  I believe that the long-term ownership of exceptional businesses run by honest people is the best means of allowing the investor to participate in the general tendency for global living standards to rise, while simultaneously protecting his capital from inflation. Quoted equity securities allow the investor to part-own a variety of high quality businesses around the world, at remarkably low cost. Consequently, it is likely that investments in quoted equities will dominate the portfolio.

- *Risk and uncertainty cannot be avoided*
  Business and investing are complex, unpredictable and fraught with uncertainty. I do not believe that government bonds are risk-free; I do not believe that investment risk can be quantified; and I do not believe in smooth progress. MPIC is designed to cope with investment risk and uncertainty, not to eliminate it.

- *Progress will be lumpy*
  Quoted equities represent claims on corporate cash flows, yet their market prices have proved far more volatile than their underlying business values. Historically, publicly listed businesses have suffered widespread, general falls in market prices in approximately one calendar year in three. Indeed, dramatic declines of over 30% have occurred at some point in most decades. I do not believe that MPIC can avoid such characteristic downturns in business and stockmarket cycles, but it will seek to survive them without undue distress.

- *I will discourage investors who cannot commit funds for at least five years*
  MPIC is an open-ended investment company. If funds flow in *and out,* the company's returns may be compromised, to the detriment of the remaining shareholders. Thus, there is an exit charge for all redemptions within five years, which is paid into MPIC to compensate the remaining shareholders. (The charge is not paid to the ACD or the investment manager.)

Peter Hollis

PORTFOLIO AT 30 SEPTEMBER 2015

Security	Country	Holding	Value (£)	%	*30 Sept 2014*
Markel	US	6,000	3,181,241	9.3%	
Fairfax Financial	Canada	6,000	1,794,816	5.3%	
WH Soul Pattinson	Australia	190,000	1,337,520	3.9%	
Admiral Group	UK	85,000	1,271,175	3.7%	
Jardine Strategic	Singapore	70,000	1,240,003	3.6%	
Philip Morris International	US	21,000	1,099,623	3.2%	
Svenska Handelsbanken A	Sweden	117,000	1,098,805	3.2%	
Moody’s	US	15,000	972,487	2.8%	
Investor B	Sweden	40,000	901,332	2.6%	
Progressive Corp	US	40,000	813,140	2.4%	
Rights & Issues Capital	UK	16,500	787,875	2.3%	
Wm Morrison Supermarkets	UK	450,000	746,325	2.2%	
Sofina	Belgium	10,000	734,102	2.1%	
Chubb Corp	US	9,000	729,030	2.1%	
Nestle	Switzerland	14,000	694,206	2.0%	
RLI Corp	US	18,000	633,611	1.9%	
Hansa Trust A	UK	75,000	586,875	1.7%	
Loews	US	24,000	575,451	1.7%	
GBL	Belgium	10,000	496,457	1.5%	
Graham Holdings B	US	1,300	494,235	1.4%	
Royal Dutch Shell B	UK	30,000	467,325	1.4%	
Colruyt	Belgium	14,000	444,285	1.3%	
Atlas Copco B	Sweden	30,000	439,917	1.3%	
The Coca-Cola Company	US	16,000	422,976	1.2%	
Crown Holdings	US	13,000	391,487	1.1%	
Strayer Education	US	10,000	364,499	1.1%	
Cable One	US	1,300	364,123	1.1%	
bioMerieux	France	5,000	356,063	1.0%	
Motor Oil (Hellas)	Greece	43,071	341,929	1.0%	
Alleghany Corp	US	1,100	338,907	1.0%	
J Sainsbury	UK	120,000	311,880	0.9%	
Spirax-Sarco	UK	10,213	285,402	0.8%	
Wells Fargo warrants (28.10.18)	US	20,000	243,043	0.7%	
Thor Industries	US	7,000	241,986	0.7%	
HAL Trust	Netherlands	2,000	229,386	0.7%	
FedEx	US	2,000	189,960	0.6%	
Soc. Fin. des Caoutchoucs	Luxembourg	8,000	175,810	0.5%	
Franco-Nevada	Canada	6,000	170,444	0.5%	
Imperial Oil	Canada	8,000	166,848	0.5%	
Coca-Cola HBC	UK	10,000	139,650	0.4%	
CF-Alba	Spain	5,000	137,628	0.4%	
Kone B	Finland	5,000	125,313	0.4%	
Hornbach Holding prefs.	Germany	1,841	97,568	0.3%	
Owens-Illinois	US	7,000	95,429	0.3%	
Total equities			***26,730,167***	***78.1%***	*74.4%*

PORTFOLIO AT 30 SEPTEMBER 2015

Security	Country	Holding	Value (£)	%	*30 Sept 2014*
US 0.125% Inflation-protected Treasury 2016	US	1,500,000	1,060,511	3.1%	
Sweden 0.5% Inflation-linked Treasury 2017	Sweden	8,000,000	689,913	2.0%	
US 0.625% Inflation-protected Treasury 2021	US	750,000	532,075	1.6%	
US 0.125% Inflation-protected Treasury 2019	US	750,000	502,743	1.5%	
US 0.125% Inflation-protected Treasury 2018	US	700,000	476,928	1.4%	
UK 0.125% Index-linked Gilt 2024	UK	400,000	463,354	1.4%	
UK 1.25% Index-linked Gilt 2017	UK	300,000	423,570	1.2%	
UK 0.125% Index-linked Gilt 2019	UK	300,000	329,597	1.0%	
Royal Canadian Mint Gold ETR	Canada	150,000	1,178,931	3.5%	
Perth Mint Gold ETF	Australia	119,820	894,130	2.6%	
Central GoldTrust	US	20,000	524,687	1.5%	
Central Fund of Canada	Canada	75,000	523,990	1.5%	
Cash and equivalents	*Various*		-20,336	-0.1%	
Total effective liquidity			**7,580,093**	**22.2%**	*25.7%*
Adjustment to revalue assets from Mid to Bid			-93,599	-0.3%	
Total portfolio			**34,216,661**	**100%**	

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 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 annual report.

Anne A. Laing Martin J. Henderson

Valu-Trac Investment Management Limited
Authorised Corporate Director

DEPOSITARY'S REPORT

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), and the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depositary also has the duty to take reasonable care to ensure that the Company is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM:

(i) has carried out the issue, sale, redemptions and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank Plc
1 October 2015

We have audited the Company's financial statements for the year ended 30 September 2015 which comprise the Statement of Total Return, Statement of Changes in Net Assets Attributable to Shareholders, Balance Sheet and the related Notes to the Financial Statements. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the ACD and Auditors

As explained more fully in the ACD's Report set out on page 10, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACD; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Company as at 30 September 2015 and of the net income and the net capital gains on the property of the Company for the year then ended;
- the financial statements have been properly prepared in accordance with the IA Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the report of the ACD is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.

Johnston Carmichael LLP
Chartered Accountants
Statutory Auditors
Edinburgh

Statement of total return

For the year ended 30 September	Notes	£	2015 £	£	2014 £
Income					
Net capital gains	2		2,409,535		980,669
Revenue	3	664,037		520,558	
Expenses	4	(204,410)		(165,522)	
Currency gains/(losses)		4,994		(20,399)	
Net revenues before taxation		464,621		334,637	
Taxation	6	(39,642)		(38,582)	
Net revenues after taxation			424,979		296,055
Total return before dividends			2,834,514		1,276,724
Finance costs: dividends	5		(441,856)		(320,308)
Change in net assets attributable to shareholders from investment activities			2,392,658		956,416

Statement of changes in net assets attributable to shareholders

For the year ended 30 September	2015 £	2014 £
Opening net assets attributable to shareholders	28,257,521	22,793,043
Amounts receivable on creation of shares	3,221,479	4,311,785
Amounts payable on cancellation of shares	-	(50,000)
Dividends accumulated	345,003	246,277
Change in net assets attributable to shareholders from investment activities (see above)	2,392,658	956,416
Closing net assets attributable to shareholders	34,216,661	28,257,521

Balance sheet

At 30 September	Notes	2015 £	2015 £	2014 £	2014 £
Assets					
Investment assets			34,236,998		27,215,334
Debtors	7	488,494		340,515	
Cash and bank balances	8	81,455		1,066,297	
Total other assets			569,949		1,406,812
Total assets			34,806,947		28,622,146
Liabilities					
Creditors	9	(148,430)		(44,317)	
Dividend payable		(441,856)		(320,308)	
Total liabilities			(590,286)		(364,625)
Net assets attributable to Shareholders			34,216,661		28,257,521

For the year ended 30 September 2015

1 Accounting policies

(a) The financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association (IA) in October 2010.

(b) Dividends on equities are recognised when the security is quoted ex-dividend. Bond interest is accrued daily into the fund. An adjustment is made to the amount of income recognised in bonds using the effective interest yield basis. Interest on deposits is accounted for on an accruals basis. Other revenue is accounted for on receipts basis. Accumulation of revenue, relating to accumulation units or shares held in underlying funds, is not included in the amount available for distribution.

Equalisation received by the way of distributions from OEICs or unit trust investments is not included in revenue but is reflected as a reduction in the book cost of that investment.

(c) The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Company, and where applicable is included in the distribution. In the case of an enhanced stock dividend the value of the enhancement is treated as capital.

(d) Special dividends are treated as repayments of capital or revenue depending on the facts of each particular case.

(e) All expenses are accounted for on an accruals basis and other than those relating to the buying and selling of investments, all expenses are charged to the revenue of the Company.

(f) Where the revenue from investments exceeds the expenses of the Company, annual dividends are paid to all holders of income shares. In all cases, tax vouchers will be issued to shareholders.

(g) The Company is not more than 60% invested in qualifying investments (as defined by S468L ICTA 1988) and where applicable will pay a dividend distribution.

(h) The listed investments of the Company have been valued at bid market prices at 4.30pm UK time on 30 September 2015. Suspended securities are valued initially at the suspended price but are subject to constant review.

(i) All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at the closing valuation point on 30 September 2015.

(j) Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets are recognised only to the extent that the ACD considers that it is more likely than not there will be taxable profits from which underlying timing differences can be deducted.

(k) In certain circumstances the ACD may charge a dilution levy on the sale or repurchase of shares. The levy, which is paid into the Company, is intended to cover certain charges not included in the bid market value of the Company, used in calculating the share price, which could have a diluting effect on the performance of the Company.

(l) Stamp duty reserve tax (SDRT), where payable, is deducted as an expense from the capital of the Company. SDRT was abolished on 1 April 2014.

2	Net capital gains	2015 £	2014 £
	The net capital gains comprise:		
	Currency gains/(losses)	798	(2,841)
	Non-derivative securities gains	2,410,776	985,303
	Transaction charges	(2,039)	(1,793)
	Total net capital gains	2,409,535	980,669

3	Revenue	2015 £	2014 £
	UK dividends	210,587	95,098
	Overseas dividends	418,140	381,138
	Bond income	35,310	44,322
	Total revenue	664,037	520,558

4	Expenses	2015 £	2014 £
	Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:		
	ACD fee	169,476	134,638
	Payable to the depositary, associates of the depositary, and agents of either of them:		
	Depositary and safekeeping fees	26,519	22,515
	Other expenses:		
	Audit fee	8,100	8,100
	FCA fee	315	269
		8,415	8,369
	Total expenses	204,410	165,522

5	Finance costs	2015 £	2014 £
	Final dividend for the year	441,856	320,308
	Reconciliation of dividends:		
	Net revenue after taxation	424,979	296,055
	Equalisation on subscriptions	16,877	18,082
	Prior year undistributed income	-	6,171
	Net dividend for the year	441,856	320,308

6	**Taxation**	**2015**	**2014**
		£	**£**
(a)	**Analysis of charge in the year**		
	Irrecoverable income tax	39,642	38,582
	Total current tax charge for the year (note 6b)	39,642	38,582

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below.

	2015	2014
Net revenues/(expenses) before taxation	464,621	334,637
Corporation tax at 20%	92,924	66,927
Effects of:		
Revenue not subject to taxation	(125,745)	(95,247)
Current year expenses not utilized	32,821	28,320
Overseas tax expenses	39,642	38,582
Current tax charge for year (note 6a)	39,642	38,582

(c) Provision for deferred taxation

At 30 September 2015 there is a potential deferred tax asset of £96,525 (2014 £63,704) in relation to surplus management expenses. It is unlikely the Company will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised.

7	**Debtors**	**2015**	**2014**
		£	**£**
	Accrued revenue	72,230	44,489
	Other debtors	71,261	49,749
	Dividend accumulated	345,003	246,277
	Total debtors	488,494	340,515

8	**Cash and bank balances**	**2015**	**2014**
		£	**£**
	Cash and bank balances	81,455	1,066,297

9	**Creditors**	**2015**	**2014**
		£	**£**
	Accrued expenses	54,169	44,317
	Unsettled trades	94,261	-
	Total creditors	148,430	44,317

10	**Related party transactions**	**2015** **£**	**2014** **£**
	Authorised Corporate Director's fees and Investment Manager's fees were payable to the following related parties during the period:		
	Valu-Trac Investment Management Limited	20,000	10,000
	Hollis Capital Limited	149,476	124,638
	The balances due to these related parties at 30 September 2015 were as follows:		
	Valu-Trac Investment Management Limited	4,986	2,493
	Hollis Capital Limited	37,536	32,266

11 Financial instruments

In pursuing its investment objective as stated on page 1, the Company holds a number of financial instruments. The Company's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued revenue.

The main risks arising from the Company's financial instruments, those of its underlying holdings and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk

Market price risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the company holds. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

Foreign currency risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

The Company's investment portfolio can be invested in holdings that are registered overseas, and this means that the balance sheet can be affected by movements in foreign exchange rates. Revenue received in other currencies is converted to sterling on or near the date of receipt.

A portion of the net assets of the Company is denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by currency movements.

At 30 September 2015, net currency monetary assets and liabilities consist of:

	Monetary assets		Non-monetary assets		Total net assets	
	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£
Sterling	(9,050)	1,109,832	5,613,707	5,029,009	5,604,657	6,138,841
Australian Dollar	88,783	(48)	2,137,389	311,640	2,226,172	311,592
Canadian Dollar	1,765	975	3,835,498	3,010,628	3,837,263	3,011,603
Euro	-	(62,190)	3,150,300	2,585,396	3,150,300	2,523,206
Swedish Kroner	-	(42)	3,179,956	3,797,883	3,179,956	3,797,841
Swiss Franc	(43)	12,613	702,449	640,275	702,406	652,888
US Dollar	-	5,157	15,515,907	11,816,393	15,515,907	11,821,550
Total	81,455	1,066,297	34,135,206	27,191,224	34,216,661	28,257,521

Interest rate risk

Interest rate risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in interest rates.

The Company currently does not invest in floating rate securities. Interest rate risk exposure is restricted to interest receivable on fixed rate securities and bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the period end date 13.1% of the Company's assets by value were interest bearing.

Maturity of financial liabilities

The financial liabilities of the Company at 30 September 2015 are payable either within one year or on demand.

Liquidity risk

The Company's assets comprise mainly of readily realisable securities. The main liability of the Company is the redemption of any shares that the investors wish to sell. Assets of the Company may need to be sold if insufficient cash is available to finance such redemptions.

Credit risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Company has fulfilled its responsibilities. The Company only buys and sells investments through brokers which have been approved by the ACD as acceptable counterparties and fund management companies. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their market value.

12 Contingent assets and liabilities

At 30 September 2015, the Company had no contingent liabilities or commitments.

13	**Portfolio transaction costs**	**2015** **£**	**2014** **£**
	Analysis of total purchase costs:		
	Purchases before transaction costs	7,920,176	6,390,637
	Commissions and taxes	18,759	11,667
	Total purchases plus transaction costs	7,938,935	6,402,304
	Analysis of total sales costs:		
	Sales before transaction costs	3,345,189	850,961
	Commissions and taxes	1,660	517
	Total sales less transaction costs	3,343,529	850,444

Authorised Corporate Director's charges

The annual ACD charges were £10,000 up to 30 September 2014 and have been £20,000 since 1 October 2014, indexed annually to the Consumer Price Index, 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.

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 recorded by an entry on the Company's Register of Shareholders. Certificates will not be issued. Annual statements will show the number of shares held by the recipient on 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 2015	**Calendar year 2014**	**Calendar year 2013**	**15 May 2012 to 31 Dec 2012**
	Offer high–Bid low	Offer high–Bid low	Offer high–Bid low	Offer high–Bid low
Net accumulation	151.0–136.6p	137.5–120.9p	127.1–106.5p	107.2–98.9p
Net income	148.5–134.1p	135.0–119.9p	127.1–106.5p	107.2–98.9p
Gross accumulation	n/a	130.9–120.9p	127.1–106.5p	107.2–98.9p
Gross income	n/a	129.8–119.9p	127.1–106.5p	107.2–98.9p

Taxation

The Company will pay no corporation tax for the year ended 30 September 2015 and capital gains within the Company will not be taxed.

The information below on taxation is only a general summary, and shareholders should consult their own tax advisers in relation to their own circumstances. Shareholders should also note that the position as outlined may change to reflect future changes in tax legislation.

Individual shareholders

Tax on dividends
Revenue distributed by an OEIC is paid net but individual shareholders resident in the UK for tax purposes should generally be entitled to a tax credit equivalent to one ninth of the amount of the net dividend. Tax vouchers are sent to shareholders with each dividend and UK resident shareholders will be taxed on the total of the dividend plus the tax credit shown on the voucher. The credit will meet liability to basic rate tax but if the shareholder pays tax at a higher rate there will be a further liability. If the shareholder is not liable to income tax the amount of the tax credit cannot be reclaimed from HM Revenue and Customs.

Capital gains tax
Individual shareholders resident in the UK for tax purposes may be liable to capital gains tax on realisation of their shares as with other chargeable assets. However, presently each year there is a tax-free allowance for individuals. The capital gains tax allowance for the 2015/16 tax year is £11,100. Gains in excess of that amount are charged at the rate of tax applicable to the individual taxpayer.

ISAs
Individuals resident in the UK for tax purposes may invest each year in Individual Savings Accounts (ISAs), free of income and capital gains tax. The ISA allowance for the 2015/16 tax year is £15,240. The ACD offers a simple, zero-charge ISA. To help limit the administration burden, only a single lump sum subscription of £15,240 is permitted each year, which is to be invested solely in MPIC net accumulation shares. The overall minimum investment in MPIC for each investor still applies. Further details may be obtained from the ACD.

Corporate shareholders

Companies resident in the UK for tax purposes which hold shares should note that OEIC dividends are streamed into both franked and unfranked income. The unfranked income element will be treated as an annual payment which is subject to income tax at a rate of 20% and will be liable to tax accordingly. On realisation of their shares, UK resident companies may be liable to pay corporation tax on any capital gains.

Stamp duty reserve tax

SDRT was abolished on 1 April 2014.

Alternative Investment Fund Managers Directive

Under the EU's Alternative Investment Fund Managers Directive (AIFMD) 2013, the Company has been designated an Alternative Investment Fund. The ACD, Valu-Trac Investment Management Limited, has been appointed as the Alternative Investment Fund Manager (AIFM). The AIFMD has had little impact on the operating costs or management of MPIC.

Advantages of investing through an open-ended investment company

Moray Place Investment Company is an open-ended investment company (OEIC). Investing through an OEIC offers considerable advantages for private investors compared to managing their own portfolio directly or through a financial adviser. These advantages include:

- The full-time attention of an experienced professional investor
- Participation in a diversified portfolio of assets
- The OEIC does not incur capital gains tax on transactions within its portfolio. Investors thus defer any capital gains tax liability until they sell their shares in the OEIC
- The OEIC is able to offset management and administration costs against taxable income. It is not possible to do this with the costs of directly managed portfolios or financial adviser fees
- Less paperwork and record-keeping

CORPORATE DIRECTORY

ACD, AIFM and Registrar	Valu-Trac Investment Management Limited Orton Moray IV32 7QE Telephone: 01343 880344 Fax: 01343 880267 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 28 Walker Street Edinburgh EH3 7HR Authorised and regulated by the Financial Conduct Authority
Depositary	National Westminster Bank Plc Younger Building 1st Floor, 3 Redheughs Avenue Edinburgh 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