

# **MORAY PLACE INVESTMENT COMPANY**

**INTERIM REPORT AND FINANCIAL STATEMENTS  
for the six months to 31 March 2019 (unaudited)**



## ABOUT YOUR COMPANY

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Moray Place Investment Company (MPIC) was formed on 2 May 2012 as an open-ended investment company and started 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 long-term investment vehicle for like-minded individuals. It is low-cost, straightforward and free of the conflicts of interest that bedevil the 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 can evaluate 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.

<b>Value of company at 31 March 2019</b>	£83,616,759
<b>Authorised Corporate Director (ACD)</b>	Valu-Trac Investment Management Limited
<b>Investment manager</b>	Hollis Capital Limited
<b>Minimum investment</b>	Initial: £200,000 Subsequent: £10,000
<b>Dealing spread</b>	1%
<b>Ongoing charges</b> ( <i>annualised</i> )	0.48%
<b>Performance fee</b>	Not applicable
<b>Initial charges</b>	Not applicable
<b>Redemption charges</b>	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>
<b>Ex-dividend date</b>	30 September
<b>Dividend date</b>	30 November

## FINANCIAL SUMMARY

	At and for the period ended				
	31 Mar 2019	30 Sept 2018	30 Sept 2017	30 Sept 2016	30 Sept 2015
<b>Value of company</b>	£83.6m	£81.0m	£68.7m	£51.4m	£34.2m
<b>Shares outstanding</b>					
Accumulation	29.8m	28.5m	27.3m	22.2m	19.1m
Income	7.5m	7.6m	5.7m	5.6m	5.4m
<b>NAV per share</b> <i>(mid price)</i>					
Accumulation	227.2p	228.2p	210.4p	186.9p	141.0p
Income	213.6p	214.4p	200.4p	180.3p	136.7p
<b>Dividend per share</b>					
Accumulation	0p	3.09p	2.66p	2.28p	1.80p
Income	0p	2.95p	2.56p	2.22p	1.80p
<b>Effective liquidity</b>	20%	21%	22%	25%	22%
<b>Ongoing charges</b>	0.48%	0.49%	0.51%	0.58%	0.61%
<b>Portfolio turnover</b>	11%	7%	8%	9%	10%

### **Notes**

*The company started trading on 15 May 2012 when shares were issued at 100p each.*

*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.*

*Both the ongoing charges ratio and portfolio turnover are annualised.*

# LETTER TO SHAREHOLDERS

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Dear fellow shareholders

The company's objective is to protect and grow the purchasing power of its investors' capital. Over an economic cycle, I believe that the most likely means of achieving that goal is by owning businesses. Hence, MPIC's portfolio is dominated by a careful selection of businesses. The company uses stock exchanges as a convenient way of buying a range of businesses, although the share price fluctuations can be distracting.

To counter such distractions, I try to adopt the mindset of a sleeping partner in a private business that one cannot sell. This approach emphasises the character of the working partners, as well as patience.

Family-controlled investment holding companies exemplify the importance of character and patience. They are a small and obscure part of stockmarkets but have constituted about 20% of MPIC since inception. They resemble investment trusts, with three significant differences. First, there is a dominant shareholder. Second, they own relatively few businesses, over which they exert strategic influence. Third, the discount of the share price to asset value is often greater. Investment bankers shun them because they generate few commissions or fees. Institutional investors often dislike the influence of the founding families, the difficulty in trading their shares and their frequent exclusion from stockmarket indices. In addition, many prefer to own directly the businesses underlying the holding companies.

The families often act as if they were leading a private business, with a stoic indifference to stockmarket fluctuations. This can be a helpful attitude. Many family holding companies have been successful investments. The family's character seems crucial. Do they treat public shareholders, such as MPIC, with respect – or as dumb money to be discreetly embezzled? In assessing the motivations and values of the family, I follow Andrew Carnegie, the steel baron. He said, "As I get older, I pay less attention to what men say. I just watch what they do."

The Wallenberg family in Sweden is an example. I have watched what they do for many years. They are trustworthy, low-profile stewards of a corporate community that treats customers, staff and public shareholders with respect. The Wallenbergs created their family holding company, Investor, in 1916. All shareholders have earned 9% per annum more than inflation over the past century. They did even better over the last 10, 20, 30 and 40 years. Yet, Investor's share price has remained at a discount to its asset value of between 10% and 40% since at least 1970. It appears to be shunned because it lacks glamour. However, that unpopularity is part of its attraction, as successful investing involves buying what others underestimate. Unglamorous investments can be rewarding – they just need patience.

Patience is not neglect. Five generations of Pattinsons have led Soul Pattinson in Australia since it listed in 1903. Shareholders have earned about 12% per annum more than inflation over 10, 20, 30 and 40 years. Last year, suddenly, the usual apathy for Soul Pattinson disappeared. Its share price rose by 50% more than its underlying asset value. I sold MPIC's holding because the ratio of the share price to asset value was far above its historic norm. It is possible that the historic norm was an anomaly. If so, I may have erred: historic norms are fallible guides to the future.

Investing entails compromise, nuance and uncertainty. That is why it is emotionally taxing. Nevertheless, one must choose and act. I have found that less investment dealing activity allows me more time to think. I think it has improved my choices. In addition, I try to own businesses led by trustworthy, able people who seem better placed than me to choose and act. Thus, my preference for purposeful inactivity and my emphasis on character and patience. Think busy, act idle.

Peter Hollis

## PORTFOLIO AT 31 MARCH 2019

Security	Country	Holding	Value (£)	%	30 Sept 2018
Markel	US	8,000	6,144,270	7.3%	
VP	UK	410,000	4,202,500	5.0%	
Svenska Handelsbanken A	Sweden	500,000	4,062,499	4.9%	
Fairfax Financial	Canada	11,000	3,886,593	4.6%	
Jardine Strategic	Singapore	125,000	3,592,070	4.3%	
JD Wetherspoon	UK	225,000	2,943,000	3.5%	
Pargesa Holding	Switzerland	45,000	2,706,307	3.2%	
Progressive Corp	US	48,000	2,666,544	3.2%	
AMERCO	US	8,500	2,443,848	2.9%	
Admiral Group	UK	110,000	2,386,450	2.9%	
Lloyds Banking Group	UK	3,750,000	2,330,813	2.8%	
Moody's	US	15,000	2,082,316	2.5%	
Next	UK	36,000	2,005,920	2.4%	
Hansa Trust A	UK	165,000	1,608,750	2.2%	
Hansa Trust Ords	UK	25,000	244,375	2.2%	
Phillip Morris International	US	25,000	1,688,652	2.0%	
Franco-Nevada	Canada	28,000	1,626,458	1.9%	
Sofina	Belgium	10,000	1,492,792	1.8%	
Investor B	Sweden	40,000	1,385,142	1.7%	
Rights & Issues Investment Trust	UK	66,000	1,336,500	1.6%	
US Bancorp	US	30,000	1,107,949	1.3%	
Ackermans & van Haaren	Belgium	9,000	1,039,051	1.3%	
Nestle	Switzerland	14,000	1,024,824	1.2%	
RLI Corp	US	18,000	988,894	1.2%	
Itausa – Investimentos Itau Prefs	Brazil	400,000	950,974	1.1%	
Greggs	UK	50,000	919,250	1.1%	
Wm Morrison Supermarkets	UK	400,000	909,600	1.1%	
Exor	Italy	18,000	896,555	1.1%	
Alleghany Corp	US	1,800	843,871	1.0%	
Ryanair	Ireland	80,000	804,660	1.0%	
Motor Oil (Hellas)	Greece	43,071	772,147	0.9%	
CF-Alba	Spain	20,000	761,479	0.9%	
Spirax-Sarco	UK	10,213	733,804	0.9%	
Strategic Education	US	7,000	714,677	0.9%	
Graham Holdings B	US	1,300	680,888	0.8%	
Atlas Copco B	Sweden	30,000	569,433	0.7%	
Dart Group	UK	70,000	557,200	0.7%	
Chase Corp	US	7,000	497,688	0.6%	
Liberty SiriusXM C	US	15,000	436,924	0.5%	
Wells Fargo	US	11,384	420,080	0.5%	
Ocean Wilsons Holdings	UK	30,000	342,000	0.4%	
Remgro	South Africa	25,000	247,101	0.3%	
Epiroc B	Sweden	30,000	220,294	0.3%	
<b>Total equities</b>			<b>67,275,142</b>	<b>80.5%</b>	<b>79.1%</b>

## PORTFOLIO AT 31 MARCH 2019

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Security	Country	Holding	Value (£)	%	<i>30 Sept 2018</i>
US 0.125% Inflation-protected Treasury 2023	US	1,500,000	1,242,064	1.5%	
US 0.375% Inflation-protected Treasury 2025	US	1,000,000	814,647	1.0%	
US 0.625% Inflation-protected Treasury 2021	US	750,000	649,067	0.8%	
US 0.125% Inflation-protected Treasury 2019	US	750,000	619,140	0.7%	
UK 0.125% Index-linked Gilt 2019	UK	300,000	349,790	0.4%	
Royal Canadian Mint Gold ETR	Canada	330,000	3,494,056	4.2%	
Perth Mint Gold ETP	Australia	248,581	2,472,937	2.9%	
Sprott Physical Gold Trust	US	240,000	1,930,876	2.3%	
Sprott Physical Gold & Silver Trust	Canada	200,000	1,929,174	2.3%	
Cash and equivalents	Various		3,066,536	3.7%	
<b><i>Total effective liquidity</i></b>			<b><i>16,568,287</i></b>	<b><i>19.8%</i></b>	<b><i>21.1%</i></b>
<i>Adjustment to revalue assets from Mid to Bid</i>			<i>-226,670</i>	<i>-0.3%</i>	
<b>Total portfolio</b>			<b><u>83,616,759</u></b>	<b><u>100%</u></b>	

## FINANCIAL STATEMENTS

### Statement of total return

<b>For the 6 months ended 31 March</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Income		
Net capital gains (losses)	(888,316)	(2,132,663)
Revenue	776,729	653,146
Expenses	(196,602)	(172,175)
Finance costs: interest	<u>-</u>	<u>(284)</u>
Net revenues before taxation	580,127	480,687
Taxation	<u>(44,160)</u>	<u>(32,803)</u>
Net revenues after taxation	<u>535,967</u>	<u>447,884</u>
Total return before dividend	(352,349)	(1,684,779)
Finance costs: dividend	<u>-</u>	<u>-</u>
Change in net assets attributable to shareholders from investment activities	<u>(352,349)</u>	<u>(1,684,779)</u>

### Statement of changes in net assets attributable to shareholders

<b>For the 6 months ended 31 March</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Opening net assets attributable to shareholders	81,033,711	68,678,318
Amounts receivable on creation of shares	3,100,279	2,531,759
Amounts payable on cancellation of shares	(164,882)	-
Change in net assets attributable to shareholders from investment activities (see above)	<u>(352,349)</u>	<u>(1,684,779)</u>
Closing net assets attributable to shareholders	<u>83,616,759</u>	<u>69,525,298</u>



# FINANCIAL STATEMENTS

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## Balance sheet

At	31 March 2019		30 Sept 2018	
	£	£	£	£
<b>Assets</b>				
Investment assets		80,550,223		75,991,409
Debtors	377,289		240,024	
Cash and bank balances	<u>2,780,929</u>		<u>5,113,195</u>	
Total other assets		<u>3,158,218</u>		<u>5,353,219</u>
Total assets		83,708,441		81,344,628
<b>Liabilities</b>				
Creditors	(91,682)		(87,343)	
Dividend payable	<u>-</u>		<u>(223,574)</u>	
Total liabilities		<u>(91,682)</u>		<u>(310,917)</u>
<b>Net assets attributable to shareholders</b>		<u><b>83,616,759</b></u>		<u><b>81,033,711</b></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 Association (IA) in May 2014. The accounting policies applied are consistent with those in the annual financial statements for the period ended 30 September 2018 and are described in those Financial Statements.

### **Portfolio purchases and sales**

From 1 October 2018 to 31 March 2019 there were purchases of £10,073,724 and sales of £4,360,081.

# AUTHORISED CORPORATE DIRECTOR

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## Authorised Corporate Director's charges

The annual ACD charges are £20,000, indexed each year to the Consumer Price Index from 1 October 2014, 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.

## Authorised Corporate Director's report

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 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 COLL regulations, the FCA's Investment Funds Sourcebook ("FUND"), the Instrument of Incorporation, and the Prospectus. The Authorised Corporate Director is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Authorised Corporate Director's statement

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

Anne A. Laing CA

Neil J. Smith MA BA CA

Valu-Trac Investment Management Limited  
Authorised Corporate Director

## COMPARATIVE TABLES

	Income shares		
	6 months to 31 Mar 2019	12 months to 30 Sept 2018	12 months to 30 Sept 2017
<b>Change in net assets per share</b>			
Opening net asset value per share	214.4p	200.4p	180.3p
Return before operating charges †	(0.3p)	18.0p	23.7p
Operating charges	(0.5p)	(1.0p)	(1.0p)
Return after operating charges	(0.8p)	17.0p	22.7p
Dividend on income shares	0p	(3.0p)	(2.6p)
Closing net asset value per share	213.6p	214.4p	200.4p
† after direct transaction costs of	0.06p	0.04p	0.13p
<b>Returns</b>			
Total return after charges	(0.4%)	8.5%	12.6%
<b>Other information</b>			
Closing net asset value	£16.0m	£16.3m	£11.5m
Closing number of shares	7.5m	7.6m	5.7m
Annualised operating charges	0.48%	0.49%	0.51%
Direct transaction costs	0.03%	0.02%	0.07%
<b>Share prices</b>			
Highest offer price	216.5p	219.9p	206.8p
Lowest bid price	203.6p	193.5p	178.3p

	Accumulation shares		
	6 months to 31 Mar 2019	12 months to 30 Sept 2018	12 months to 30 Sept 2017
<b>Change in net assets per share</b>			
Opening net asset value per share	228.2p	210.4p	186.9p
Return before operating charges †	(0.5p)	18.9p	24.5p
Operating charges	(0.5p)	(1.1p)	(1.0p)
Return after operating charges	(1.0p)	17.8p	23.5p
Dividend on accumulation shares	0p	(3.1p)	(2.7p)
Reinvested dividend on accumulation shares	0p	3.1p	2.7p
Closing net asset value per share	227.2p	228.2p	210.4p
† after direct transaction costs of	0.06p	0.04p	0.13p
<b>Returns</b>			
Total return after charges	(0.4%)	8.5%	12.6%
<b>Other information</b>			
Closing net asset value	£67.8m	£64.9m	£57.4m
Closing number of shares	29.8m	28.5m	27.3m
Annualised operating charges	0.48%	0.49%	0.51%
Direct transaction costs	0.03%	0.02%	0.07%
<b>Share prices</b>			
Highest offer price	230.4p	230.8p	214.3p
Lowest bid price	216.6p	205.2p	184.7p

# CORPORATE DIRECTORY

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<b>ACD, AIFM and Registrar</b>	<p>Valu-Trac Investment Management Limited Orton Moray IV32 7QE</p> <p>Telephone: 01343 880344 Fax: 01343 880267 E-mail: mpic@valu-trac.com</p> <p>Authorised and regulated by the Financial Conduct Authority Registered in England No. 2428648</p>
<b>Director</b>	<p>Valu-Trac Investment Management Limited as ACD</p>
<b>Investment Manager</b>	<p>Hollis Capital Limited 28 Walker Street Edinburgh EH3 7HR</p> <p>Authorised and regulated by the Financial Conduct Authority</p>
<b>Depositary</b>	<p>NatWest Trustee and Depositary Services Limited Drummond House 2<sup>nd</sup> Floor, 1 Redheughs Avenue Edinburgh EH12 9RH</p> <p>Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority</p>
<b>Auditor</b>	<p>Johnston Carmichael LLP Chartered Accountants Commerce House South Street Elgin IV30 1JE</p>