

THE SCOTTISH FRIENDLY INVESTMENT FUNDS ICVC

Interim Report & Financial Statements
For the six months ended 31 May 2023 (unaudited)

THE SCOTTISH FRIENDLY INVESTMENT FUNDS ICVC

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THE SCOTTISH FRIENDLY INVESTMENT FUNDS ICVC

Company Information

Authorised Corporate Director (ACD)
Scottish Friendly Asset Managers Limited

Head Office
Galbraith House
16 Blythswood Square
Glasgow
G2 4HJ

Telephone: 0141 275 5000
Fax: 0141 221 4864

The ACD is a member of the Investment Management Association and is authorised and regulated by the Financial Conduct Authority.

Authorised Corporate Director (ACD) Directors

A Balfour
S Beckett
D Huntley
S McGee
A Rankine (with effect from 23 December 2022)
M Pringle (resigned 1 January 2023)

Investment Manager
SVM Asset Management Limited
7 Castle Street
Edinburgh
EH2 3AH

Authorised and regulated by the Financial Conduct Authority.

Depositary

J.P. Morgan Europe Limited
25 Bank Street
Canary Wharf
London
E14 5JP

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

Custodian

J.P. Morgan Chase Bank, NA, London Branch
25 Bank Street
Canary Wharf
London
E14 5JP

Authorised and regulated by the Financial Conduct Authority.

Registrar
Scottish Friendly Asset Managers Limited

Head office
Galbraith House
16 Blythswood Square
Glasgow
G2 4HJ

Telephone: 0141 275 5000
Fax: 0141 221 4864

Authorised and regulated by the Financial Conduct Authority.

Administrator

J.P. Morgan Chase Bank
3 Lochside View
Edinburgh Park
Edinburgh
EH12 9DH

Authorised and regulated by the Financial Conduct Authority.

Independent Auditors'

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

THE SCOTTISH FRIENDLY INVESTMENT FUNDS ICVC

Report of the Authorised Corporate Director

The Company

The Scottish Friendly Investment Funds ICVC is an Open-Ended Investment Company with variable capital ("OEIC") under regulation 12 of the OEIC Regulations 2001 and authorised by the Financial Conduct Authority ("FCA"). The Company is incorporated in Scotland under registered number S1-11. Individual shareholders will not be held liable for the debts of the Company.

The Company is structured as an "umbrella" company for the purposes of the Financial Conduct Authority Regulations. The purpose of this structure is to give investors access to a series of funds with differing objectives, within the flexibility of one single corporate structure. Different funds may be established from time to time by the Authorised Corporate Director ("ACD") with the approval of the Financial Conduct Authority and the agreement of the Depositary. The Company currently has two 'securities' funds, the Scottish Friendly Managed Growth Fund and the Scottish Friendly UK Growth Fund.

Authorised Status

From 1999 the Company has been authorised as an OEIC under Regulation 7 of the Open-Ended Investment Company Regulations 1996 (superseded by Regulation 12 of the Open-Ended Investment Companies Regulations 2001). The Company is authorised to operate as a "UCITS Scheme" for the purposes of the Collective Investment Schemes Sourcebook ("COLL") and as an "umbrella" company for the purposes of the OEIC Regulations.

The Financial Statements

We are pleased to present the Interim Financial Statements of the Company for the period ended 31 May 2023. As required by the Regulations, information for each of the sub-funds has also been included in these financial statements. On the following pages we review the performance of each of those sub-funds during the period.

The ACD is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Funds consist predominately of securities that are readily realisable and, accordingly, the Funds have adequate resources to continue in operational existence for at least the next twelve months from the approval of the financial statements.

Annual General Meetings

The Company will not be holding Annual General Meetings.

THE SCOTTISH FRIENDLY INVESTMENT FUNDS ICVC

Statement of the Authorised Corporate Director's Responsibilities

The Authorised Corporate Director ("ACD") of Scottish Friendly Investment Funds is responsible for preparing the Interim Report and the financial statements in accordance with the Open-Ended Investment Companies Regulations 2001 ("the OEIC Regulations"), the Financial Conduct Authority's Collective Investment Schemes' Sourcebook ("COLL") and the Company's Instrument of Incorporation.

The OEIC Regulations and COLL require the ACD to prepare financial statements for each interim accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: "Financial Statements of Authorised Funds" issued by the Investment Management Association ("IMA SORP") in May 2014; and
- give a true and fair view of the financial position of the Company and each of its sub-funds as at the end of that period and the net revenue/expenditure and the net capital gains/losses on the property of the Company and each of its sub-funds for that period.

In preparing the financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the IMA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the applicable IMA SORP and United Kingdom Accounting Standards and applicable law. The ACD is also responsible for the system of internal controls, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with COLL 4.5.8BR, the Interim Report and the financial statements were approved by the board of directors of the ACD of the Company and authorised for issue on 31 July 2023.

Authorised Corporate Director's Statement

We hereby approve the Interim Report and Financial Statements of Scottish Friendly Investment Funds for the half year ended 31 May 2023 on behalf of Scottish Friendly Asset Managers Limited in accordance with the requirements of the FCA's COLL.

A Rankine
Director

D Huntley
Director

Scottish Friendly Asset Managers Limited
31 July 2023

Report & Financial Statements of Scottish Friendly Managed Growth Fund

Investment Report

Fund Objective

The aim of the Fund is to achieve medium to long term capital growth.

Investment Policy

The investment policy is to invest in equities and fixed interest securities both in the UK and in other international stock markets. Fixed interest securities will comprise UK gilts or fixed interest securities denominated in sterling or foreign currencies issued by sovereign governments, supranational bodies, or local authorities. The Fund may also invest in corporate bonds denominated in sterling and other foreign currencies. The use of derivatives, stock lending or borrowing as permitted by the regulations for efficient portfolio management purposes may also take place when deemed appropriate for the achievement of the objectives of the Fund.

Market Background

The six months under review opened with a prospect of recession in the UK, as well as in the US and Europe. This created a cautious mood in the stockmarket. However, the recessions have not yet transpired, and the period under review was a relatively calm one for major stockmarkets. UK consumer sectors, in particular, began to re-rate from the extremely low valuations many had reached at the end of September 2022. Solid trading results from many companies underpinned the recovery and investor confidence.

Economic data was generally reassuring. The US economy continues to grow at a decent rate and inflation has continued to moderate. In the UK, inflation remains stubbornly high but should improve as the year progresses. Employment remains strong and there is consumer confidence in areas such as travel and hospitality.

UK improvement was supported by recovery in the Pound versus the US Dollar and a continued flatlining of the UK economy despite fears of recession. March 2023 saw a sharp sell-off in financials as concern grew about the health of the banking system. This stemmed from two bank failures in the US and Credit Suisse in Europe. Bank problems are just one early sign of a growing liquidity squeeze. This may see investors put more value on cash generative, profitable businesses.

Portfolio Review

Over the six-month period under review, the Managed Growth Fund returned -0.5%. This compares to a return for the MSCI UK Investable Market Index of -0.1%, and 0.6% for the IA Mixed Investment 40-85% Shares Sector average. Over three years to 31 May 2023, the Fund has returned 29.2% versus a return for the IA Mixed Investment 40-85% Shares Sector average of 14.0% and against the MSCI UK Investable Market Index return of 33.9%. (Source: FE fundinfo)

Positive contributions to performance over the period included Microsoft, Flutter Entertainment, CRH, Ferguson and AstraZeneca. The main negatives were Glencore, Shell, Anglo American, Rio Tinto and Barclays. During the period new and additional investments were made in Whitbread, Mediobanca, Experian, Veolia Environmental and Vitesco Technologies. Sales and part sales were made of Microsoft, Rio Tinto, OSB Group, Bellevue Healthcare and Barclays. Aveva was taken over. Vitesco is a supplier to the global automotive industry with a particular focus on traditional drive technologies. The company also has a growing electrical technologies business which is at the forefront of electrical vehicle development and production.

CRH gained as the company announced plans to switch its primary listing to the US. The share price has persistently traded at a marked discount to US peers, despite North America representing approximately 75% of the group. Even a partial closing of that gap would result in material upside for investors. This follows the 2020 move by Ferguson, the plumbing and heating-products distributor, to move to a primary listing in the USA. Ferguson has successfully made that transition and now only has a secondary listing in London. Portfolio exposure to banks was reduced in expectation that competition for deposits could adversely impact net interest margins.

Report & Financial Statements of Scottish Friendly Managed Growth Fund

Investment Outlook

Although headline consumer price inflation (CPI) continues to slow across the globe, it remains at levels that make central banks uncomfortable. Inflation data in both the US and the UK disappointed and led investors to sharply reassess the forward path of interest rates.

In the US, the Federal Reserve has delivered a 10th consecutive interest rate rise but the commentary accompanying the 25bps move seemed to suggest a pause can now be expected. The ECB is less reticent and the suggestion is for a further two interest rate rises. Wage increases appear to be the most pressing problem following the continued declines in energy prices witnessed for much of this year. Of less good news was the potential impact this restrictive policy is having on economic growth as Germany confirmed it entered a technical recession in the first quarter of the year.

The portfolio emphasises liquidity and resilient growing businesses with a competitive edge. It focuses on exposure to the US, UK and Eurozone. Investment trusts and funds are focused on private equity and other specialist areas. Currently the Account is close to maximum equity exposure.

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Past performance is not a guide to future performance. The value of an investment can go down as well as up. Investors may not get back the amount originally invested. The basis of taxation may change.

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Synthetic Risk and Reward Indicator

The SRRI is a numerical indicator of the risk and return profile of the Fund. This indicator is disclosed in the Key Investor Information Document (KIID) for each share class which can be found on the website www.scottishfriendly.co.uk. The values range from 1 through to 7 in a non-linear manner, where 1 denotes the lowest risk and therefore typically the lower rewards, while a 7 denotes the highest risk and therefore typically higher rewards. The SRRI is based on return volatility over the last five years. Historical data may not be a reliable indication for the future. The risk category shown is not guaranteed and may vary over time. The lowest category does not mean 'risk free'. The current SRRI for Scottish Friendly Managed Growth Fund is 5.

Scottish Friendly Managed Growth Fund

Fund Information

Net Asset Value

| Share Class | As at | Net asset value (£) | Number of shares in issue | Net asset value per shares (p) |
|----------------|------------------|---------------------|---------------------------|--------------------------------|
| A Accumulation | | | | |
| | 30 November 2020 | 169,452,024 | 56,780,663 | 298.4 |
| | 30 November 2021 | 178,066,804 | 51,733,640 | 344.2 |
| | 30 November 2022 | 164,419,682 | 47,766,511 | 344.2 |
| | 31 May 2023 | 156,369,944 | 45,663,242 | 346.3 |

Performance Record

| Share Class | Financial year | Highest price (p) | Lowest price (p) |
|----------------|----------------|-------------------|------------------|
| A Accumulation | | | |
| | 2020 | 299.1 | 198.8 |
| | 2021 | 358.1 | 298.9 |
| | 2022 | 355.8 | 318.9 |
| | 2023* | 363.9 | 335.8 |

* 1 December 2022 to 31 May 2023

Revenue Record

The revenue record table below shows the net accumulation rates per financial year on xd date basis

| Share Class | Financial year | 31.05 Interim (p) | 30.11 Final (p) | Total (p) |
|----------------|----------------|-------------------|-----------------|-----------|
| A Accumulation | | | | |
| | 2020 | 0.1143 | 0.0000 | 0.1143 |
| | 2021 | 0.0000 | 0.1118 | 0.1118 |
| | 2022 | 1.6584 | 2.5356 | 4.1940 |
| | 2023 | 3.8897 | n/a | 3.8897 |

Scottish Friendly Managed Growth Fund

Portfolio Statement (unaudited) As at 31 May 2023

| Investment | Currency | Holding | Market Value £000's | % of Net Assets |
|---|----------|-----------|------------------------|-----------------|
| Equities 83.90% (83.34%) | | | | |
| Consumer Discretionary 9.49% (2.52%) | | | | |
| Automobile Components 1.03% (0.00%) | | | | |
| Vitesco Technologies Group AG | EUR | 30,000 | 1,609 | 1.03 |
| | | | 1,609 | 1.03 |
| Automobiles 2.21% (0.00%) | | | | |
| Dr Ing hc F Porsche AG Preference | EUR | 34,000 | 3,462 | 2.21 |
| | | | 3,462 | 2.21 |
| Broadline Retail 1.39% (0.00%) | | | | |
| Amazon.com, Inc. | USD | 22,000 | 2,165 | 1.39 |
| | | | 2,165 | 1.39 |
| Hotels, Restaurants & Leisure 4.86% (1.49%) | | | | |
| Entain plc | GBP | 112,000 | 1,506 | 0.96 |
| Flutter Entertainment plc | GBP | 27,976 | 4,461 | 2.85 |
| Whitbread plc | GBP | 49,000 | 1,632 | 1.05 |
| | | | 7,599 | 4.86 |
| Internet & Direct Marketing Retail 0.00% (1.03%) | | | | |
| Consumer Discretionary total | | | 14,835 | 9.49 |
| Consumer Staples 1.17% (4.93%) | | | | |
| Personal Care Products 1.17% (0.97%) | | | | |
| Haleon plc | GBP | 565,000 | 1,824 | 1.17 |
| | | | 1,824 | 1.17 |
| Tobacco 0.00% (3.96%) | | | | |
| Consumer Staples total | | | 1,824 | 1.17 |
| Energy 12.21% (12.64%) | | | | |
| Oil, Gas & Consumable Fuels 12.21% (12.64%) | | | | |
| BP plc | GBP | 1,300,000 | 5,878 | 3.76 |
| Shell plc | GBP | 590,000 | 13,213 | 8.45 |
| | | | 19,091 | 12.21 |
| Energy total | | | 19,091 | 12.21 |
| Financials 14.55% (11.96%) | | | | |
| Banks 6.31% (5.98%) | | | | |
| Mediobanca Banca di Credito Finanziario SpA | EUR | 570,000 | 5,104 | 3.26 |
| Ringkjoebing Landbobank A/S | DKK | 44,000 | 4,765 | 3.05 |
| | | | 9,869 | 6.31 |
| Capital Markets 1.02% (0.00%) | | | | |
| Man Group plc | GBP | 720,000 | 1,594 | 1.02 |
| | | | 1,594 | 1.02 |
| Financial Services 1.84% (0.00%) | | | | |
| Visa, Inc. 'A' | USD | 16,000 | 2,869 | 1.84 |
| | | | 2,869 | 1.84 |
| Insurance 5.38% (5.14%) | | | | |
| Allianz SE | EUR | 21,400 | 3,783 | 2.42 |
| AXA SA | EUR | 199,000 | 4,635 | 2.96 |
| | | | 8,418 | 5.38 |

Scottish Friendly Managed Growth Fund

Portfolio Statement (unaudited) (continued)
As at 31 May 2023

| Investment | Currency | Holding | Market Value £000's | % of Net Assets |
|---|----------|-----------|------------------------|-----------------|
| Thriffs & Mortgage Finance 0.00% (0.84%) | | | | |
| Financials total | | | 22,750 | 14.55 |
| Health Care 9.50% (10.39%) | | | | |
| Pharmaceuticals 9.50% (10.39%) | | | | |
| AstraZeneca plc | GBP | 74,060 | 8,702 | 5.57 |
| GSK plc | GBP | 452,000 | 6,150 | 3.93 |
| | | | 14,852 | 9.50 |
| Health Care total | | | 14,852 | 9.50 |
| Industrials 8.44% (6.49%) | | | | |
| Commercial Services & Supplies 0.00% (1.09%) | | | | |
| Professional Services 3.20% (1.73%) | | | | |
| Experian plc | GBP | 175,000 | 5,010 | 3.20 |
| | | | 5,010 | 3.20 |
| Trading Companies & Distributors 5.24% (3.67%) | | | | |
| Ashtead Group plc | GBP | 85,530 | 4,214 | 2.69 |
| Ferguson plc | GBP | 33,400 | 3,983 | 2.55 |
| | | | 8,197 | 5.24 |
| Industrials total | | | 13,207 | 8.44 |
| Information Technology 7.84% (11.66%) | | | | |
| IT Services 1.97% (3.53%) | | | | |
| Capgemini SE | EUR | 22,200 | 3,080 | 1.97 |
| | | | 3,080 | 1.97 |
| Semiconductors & Semiconductor Equipment 2.57% (3.53%) | | | | |
| AIXTRON SE | EUR | 160,000 | 4,016 | 2.57 |
| | | | 4,016 | 2.57 |
| Software 3.30% (4.60%) | | | | |
| Microsoft Corp. | USD | 19,300 | 5,170 | 3.30 |
| | | | 5,170 | 3.30 |
| Information Technology total | | | 12,266 | 7.84 |
| Investment Funds 3.35% (3.33%) | | | | |
| Investment Companies 3.35% (3.33%) | | | | |
| Augmentum Fintech plc | GBP | 209,988 | 204 | 0.13 |
| HarbourVest Global Private Equity Ltd. | GBP | 42,187 | 911 | 0.58 |
| International Oil and Gas Technology Ltd. ^ | USD | 170,000 | – | – |
| Oryx International Growth Fund Ltd. | GBP | 360,000 | 4,122 | 2.64 |
| | | | 5,237 | 3.35 |
| Investment Funds total | | | 5,237 | 3.35 |
| Materials 14.07% (18.49%) | | | | |
| Construction Materials 3.70% (2.73%) | | | | |
| CRH plc | GBP | 150,000 | 5,787 | 3.70 |
| | | | 5,787 | 3.70 |
| Containers & Packaging 3.11% (2.10%) | | | | |
| Smurfit Kappa Group plc | GBP | 169,000 | 4,871 | 3.11 |
| | | | 4,871 | 3.11 |
| Metals & Mining 7.26% (13.66%) | | | | |
| Glencore plc | GBP | 1,240,000 | 5,151 | 3.30 |
| Rio Tinto plc | GBP | 128,200 | 6,194 | 3.96 |

Scottish Friendly Managed Growth Fund

Portfolio Statement (unaudited) (continued)
As at 31 May 2023

| Investment | Currency | Holding | Market Value £000's | % of Net Assets |
|---|----------|------------|------------------------|-----------------|
| Metals & Mining 7.26% (13.66%) (continued) | | | <u>11,345</u> | <u>7.26</u> |
| Materials total | | | <u>22,003</u> | <u>14.07</u> |
| Utilities 3.28% (0.94%) | | | | |
| Multi-Utilities 3.28% (0.94%) | | | | |
| Veolia Environnement SA | EUR | 213,650 | 5,134 | 3.28 |
| | | | <u>5,134</u> | <u>3.28</u> |
| Utilities total | | | <u>5,134</u> | <u>3.28</u> |
| Equities total | | | <u>131,199</u> | <u>83.90</u> |
| Government Bonds 8.74% (11.82%) | | | | |
| UK Treasury 2.75% 07/09/2024 | GBP | 5,410,000 | 5,286 | 3.38 |
| US Treasury 3.50% 15/02/2033 | USD | 10,500,000 | 8,378 | 5.36 |
| Government Bonds total | | | <u>13,664</u> | <u>8.74</u> |
| Investment assets | | | 144,863 | 92.64 |
| Net other assets | | | 11,507 | 7.36 |
| Net assets | | | <u>156,370</u> | <u>100.00</u> |

All holdings are ordinary shares or stock units and admitted to official stock exchange listings unless otherwise stated.
The comparative percentage figures in brackets are as at 30 November 2022.

^ Unlisted, suspended or delisted security.

Scottish Friendly Managed Growth Fund

Statement of Total Return (unaudited) For the six months ended 31 May 2023

| | 31.05.2023 | | 31.05.2022 | |
|---|------------|----------------|------------|--------------|
| | £000's | £000's | £000's | £000's |
| Income | | | | |
| Net capital (losses)/gains | | (2,479) | | 831 |
| Revenue | 3,122 | | 2,134 | |
| Expenses | (1,167) | | (1,272) | |
| Net revenue before taxation | 1,955 | | 862 | |
| Taxation | (156) | | (26) | |
| Net revenue after taxation | | 1,799 | | 836 |
| Total return before distributions | | (680) | | 1,667 |
| Distributions | | (1,799) | | (836) |
| Change in net assets attributable to shareholders from investment activities | | (2,479) | | 831 |

Statement of Change in Net Assets Attributable to shareholders (unaudited) For the six months ended 31 May 2023

| | 31.05.2023 | | 31.05.2022 | |
|--|------------|----------------------|------------|----------------------------|
| | £000's | £000's | £000's | £000's |
| Opening net assets attributable to shareholders | | 164,420 [^] | | 178,067 |
| Amounts receivable on issue of shares | 10 | | 60 | |
| Amounts payable on cancellation of shares | (7,357) | | (6,779) | |
| | | (7,347) | | (6,719) |
| Change in net assets attributable to shareholders from investment activities | | (2,479) | | 831 |
| Retained distribution on accumulation shares | | 1,776 | | 826 |
| Closing net assets attributable to shareholders | | 156,370 | | 173,005[^] |

[^] The Statement of Recommended Practice (2014) requires that comparatives are shown for the above report. As the comparative should be for the comparable interim period, the closing net assets of that period will not agree to the opening net assets of the current period. The published net assets as at 30 November 2022 was £164,419,682.

Scottish Friendly Managed Growth Fund

Balance Sheet (unaudited)

As at 31 May 2023

| | 31.05.2023 £000's | 30.11.2022 £000's |
|--|----------------------|----------------------|
| Assets | | |
| Fixed assets | | |
| Investments | 144,863 | 156,456 |
| Current assets | | |
| Debtors | 943 | 495 |
| Cash and bank balances | 11,029 | 7,808 |
| Total assets | 156,835 | 164,759 |
| Liabilities | | |
| Creditors | | |
| Other creditors | (465) | (339) |
| Total liabilities | (465) | (339) |
| Net assets attributable to shareholders | 156,370 | 164,420 |

Scottish Friendly Managed Growth Fund

Notes to the Financial Statements

Accounting Basis and Policies

The interim financial statements have been prepared in accordance with the Prospectus and the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association (SORP 2014), and in accordance with United Kingdom Generally Accepted Accounting Practice as defined within Financial Reporting Standard 102 ('FRS 102') the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The accounting policies applied are consistent with those of the financial statements for the year ended 30 November 2022 and are described in those annual financial statements.

Report & Financial Statements of Scottish Friendly UK Growth Fund

Investment Report

Fund Objective

The aim of the Fund is to achieve medium to long term capital growth.

Investment Policy

The investment policy will be to invest in a diversified portfolio of UK listed equities.

Market Background

The six months under review opened with concerns about the UK economy and public finances. There was a prospect of recession in the UK, as well as in the US and Europe, creating a cautious mood in the stockmarket. However, the recession has not yet transpired, and the period under review was a relatively calm one for major stockmarkets. UK consumer sectors, in particular, began to re-rate from the extremely low valuations many had reached at the end of September 2022. Solid trading results from many companies underpinned the recovery and investor confidence.

UK recovery was supported by recovery in the Pound versus the US Dollar and a continued flatlining of the UK economy despite fears of recession. March 2023 saw a sharp sell-off in financials as concern grew about the health of the banking system. This stemmed from two bank failures in the US and Credit Suisse in Europe. UK inflation was expected to peak but remains stubbornly high.

The global economy meanwhile continued to be resilient. Updates and results from portfolio companies were generally positive. Demand is dull in most sectors, but order books and sentiment are reasonably robust and above where might have been expected.

Bank problems are just one early sign of a growing liquidity squeeze. This may see investors put more value on cash generative, profitable businesses. Easy borrowing supported by loose monetary policy has propped-up poor business models for years. Many early stage growth businesses will be forced cut back on marketing and other costs to extend their cash. Some older declining businesses, trapped within a high cost structure, have allowed debt to pile up. The result of these financial pressures is to reduce competition for some established consumer businesses such as supermarkets and retailers.

Portfolio Review

Over the six-month period under review, the UK Growth Fund returned -1.9%. This compares to a return for the MSCI UK Investable Market Index of -0.1% and the IA UK All Companies Sector average of 1.2%. Over three years to 31 May 2023, the Fund has returned 37.4% versus a return for the MSCI UK Investable Market Index of 33.9% and 25.3% for the IA UK All Companies Sector average. (Source: FE fundinfo)

Positive contributions to performance over the period included Flutter Entertainment, Ferguson, CRH, Whitbread and Ryanair. The main negatives were Glencore, Shell, Plus500, Anglo American and BP. During the period new and additional investments were made in Whitbread, BT Group, Tesco and Man Group. Sales and part sales were made of Rio Tinto, OSB Group, NatWest Group and Barclays. Aveva was taken over.

CRH gained as the company announced plans to switch its primary listing to the US. The share price has persistently traded at a marked discount to US peers, despite North America representing approximately 75% of the group. Even a partial closing of that gap would result in material upside for investors. This follows the 2020 move by Ferguson, the plumbing and heating-products distributor, to move to a primary listing in the USA. Ferguson has successfully made that transition and now only has a secondary listing in London. Portfolio exposure to banks was reduced in expectation that competition for deposits could adversely impact net interest margins.

Report & Financial Statements of Scottish Friendly UK Growth Fund

Investment Outlook

As the year progresses, there may be more thought to the possibility of a change in the UK government in 2024, and the prospect that even in the run-up to that there may be moves to rein back on austerity and invest for growth.

The Fund focuses on businesses with pricing power which should be able to pay up for their inputs and raise wages. It also includes investments with recovery potential. It focuses on the UK, with some indirect exposure to companies trading in the US and Eurozone. At 31 May 2023, it was 94% invested. The Fund retains liquidity currently to allow it to benefit from the stockmarket opportunities that often arise in volatile conditions.

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Past performance is not a guide to future performance. The value of an investment can go down as well as up. Investors may not get back the amount originally invested. The basis of taxation may change.

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Synthetic Risk and Reward Indicator

The SRRRI is a numerical indicator of the risk and return profile of the Fund. This indicator is disclosed in the Key Investor Information Document (KIID) for each share class which can be found on the website www.scottishfriendly.co.uk. The values range from 1 through to 7 in a non-linear manner, where 1 denotes the lowest risk and therefore typically the lower rewards, while a 7 denotes the highest risk and therefore typically higher rewards. The SRRRI is based on return volatility over the last five years. Historical data may not be a reliable indication for the future. The risk category shown is not guaranteed and may vary over time. The lowest category does not mean 'risk free'. The current SRRRI for Scottish Friendly UK Growth Fund is 6.

Scottish Friendly UK Growth Fund

Fund Information

Net Asset Value

| Share Class | As at | Net asset value (£) | Number of shares in issue | Net asset value per shares (p) |
|----------------|------------------|---------------------|---------------------------|--------------------------------|
| A Accumulation | | | | |
| | 30 November 2020 | 21,886,309 | 6,430,445 | 340.4 |
| | 30 November 2021 | 23,926,931 | 5,807,054 | 412.0 |
| | 30 November 2022 | 23,063,516 | 5,647,980 | 408.4 |
| | 31 May 2023 | 23,031,700 | 5,748,703 | 400.6 |

Performance Record

| Share Class | Financial year | Highest price (p) | Lowest price (p) |
|----------------|----------------|-------------------|------------------|
| A Accumulation | | | |
| | 2020 | 346.0 | 201.1 |
| | 2021 | 451.9 | 340.9 |
| | 2022 | 430.8 | 365.6 |
| | 2023* | 435.9 | 391.4 |

* 1 December 2022 to 31 May 2023

Revenue Record

The revenue record table below shows the net accumulation rates per financial year on xd date basis

| Share Class | Financial year | 31.05 Interim (p) | 30.11 Final (p) | Total (p) |
|----------------|----------------|-------------------|-----------------|-----------|
| A Accumulation | | | | |
| | 2020 | 0.0000 | 0.0144 | 0.0144 |
| | 2021 | 0.0000 | 1.5828 | 1.5828 |
| | 2022 | 2.8720 | 3.8951 | 6.7671 |
| | 2023 | 5.0639 | n/a | 5.0639 |

Scottish Friendly UK Growth Fund

Portfolio Statement (unaudited) As at 31 May 2023

| Investment | Currency | Holding | Market Value £000's | % of Net Assets |
|---|----------|-----------|------------------------|-----------------|
| Equities 94.28% (93.53%) | | | | |
| Communication Services 2.43% (0.00%) | | | | |
| Diversified Telecommunication Services 2.43% (0.00%) | | | | |
| BT Group plc | GBP | 380,000 | 560 | 2.43 |
| | | | 560 | 2.43 |
| Communication Services total | | | 560 | 2.43 |
| Consumer Discretionary 14.55% (5.29%) | | | | |
| Hotels, Restaurants & Leisure 12.74% (5.29%) | | | | |
| Entain plc | GBP | 49,429 | 665 | 2.89 |
| Flutter Entertainment plc | GBP | 6,883 | 1,097 | 4.76 |
| Whitbread plc | GBP | 35,200 | 1,173 | 5.09 |
| | | | 2,935 | 12.74 |
| Specialty Retail 1.81% (0.00%) | | | | |
| JD Sports Fashion plc | GBP | 274,000 | 417 | 1.81 |
| | | | 417 | 1.81 |
| Consumer Discretionary total | | | 3,352 | 14.55 |
| Consumer Staples 5.50% (4.95%) | | | | |
| Consumer Staples Distribution & Retail 4.08% (1.20%) | | | | |
| Tesco plc | GBP | 357,000 | 939 | 4.08 |
| | | | 939 | 4.08 |
| Food Products 0.63% (0.45%) | | | | |
| Hilton Food Group plc | GBP | 20,000 | 146 | 0.63 |
| | | | 146 | 0.63 |
| Personal Care Products 0.79% (0.69%) | | | | |
| Haleon plc | GBP | 56,250 | 181 | 0.79 |
| | | | 181 | 0.79 |
| Tobacco 0.00% (2.61%) | | | | |
| Consumer Staples total | | | 1,266 | 5.50 |
| Energy 14.02% (15.28%) | | | | |
| Oil, Gas & Consumable Fuels 14.02% (15.28%) | | | | |
| BP plc | GBP | 308,000 | 1,393 | 6.05 |
| Shell plc | GBP | 82,000 | 1,836 | 7.97 |
| | | | 3,229 | 14.02 |
| Energy total | | | 3,229 | 14.02 |
| Financials 11.27% (13.25%) | | | | |
| Banks 4.62% (8.28%) | | | | |
| Lloyds Banking Group plc | GBP | 1,565,000 | 706 | 3.06 |
| Virgin Money UK plc | GBP | 240,000 | 358 | 1.56 |
| | | | 1,064 | 4.62 |
| Capital Markets 3.50% (0.00%) | | | | |
| Man Group plc | GBP | 364,000 | 806 | 3.50 |
| | | | 806 | 3.50 |
| Diversified Financial Services 1.75% (2.28%) | | | | |
| Plus500 Ltd. | GBP | 28,000 | 403 | 1.75 |
| | | | 403 | 1.75 |
| Financial Services 1.40% (0.00%) | | | | |
| OSB Group plc | GBP | 65,000 | 322 | 1.40 |

Scottish Friendly UK Growth Fund

Portfolio Statement (unaudited) (continued)
As at 31 May 2023

| Investment | Currency | Holding | Market Value £000's | % of Net Assets |
|---|----------|---------|------------------------|-----------------|
| Financial Services 1.40% (0.00%) (continued) | | | 322 | 1.40 |
| Thriffs & Mortgage Finance 0.00% (2.69%) | | | | |
| Financials total | | | 2,595 | 11.27 |
| Health Care 9.31% (10.35%) | | | | |
| Life Sciences Tools & Services 0.73% (1.12%) | | | | |
| MaxCyte, Inc.# | GBP | 51,999 | 169 | 0.73 |
| | | | 169 | 0.73 |
| Pharmaceuticals 8.58% (9.23%) | | | | |
| AstraZeneca plc | GBP | 11,600 | 1,363 | 5.92 |
| GSK plc | GBP | 45,000 | 612 | 2.66 |
| | | | 1,975 | 8.58 |
| Health Care total | | | 2,144 | 9.31 |
| Industrials 16.20% (15.06%) | | | | |
| Airlines 1.66% (1.27%) | | | | |
| Ryanair Holdings plc | GBP | 27,400 | 383 | 1.66 |
| | | | 383 | 1.66 |
| Commercial Services & Supplies 0.00% (1.50%) | | | | |
| Electrical Equipment 1.17% (1.17%) | | | | |
| DiscoverIE Group plc | GBP | 34,200 | 268 | 1.17 |
| | | | 268 | 1.17 |
| Passenger Airlines 1.86% (0.00%) | | | | |
| easyJet plc | GBP | 90,000 | 429 | 1.86 |
| | | | 429 | 1.86 |
| Trading Companies & Distributors 11.51% (11.12%) | | | | |
| Ashtead Group plc | GBP | 14,600 | 719 | 3.13 |
| Bunzl plc | GBP | 15,000 | 475 | 2.06 |
| Diploma plc | GBP | 21,399 | 645 | 2.80 |
| Ferguson plc | GBP | 6,800 | 811 | 3.52 |
| | | | 2,650 | 11.51 |
| Industrials total | | | 3,730 | 16.20 |
| Information Technology 1.20% (3.59%) | | | | |
| IT Services 1.20% (1.49%) | | | | |
| Kainos Group plc | GBP | 21,500 | 276 | 1.20 |
| | | | 276 | 1.20 |
| Software 0.00% (2.10%) | | | | |
| Information Technology total | | | 276 | 1.20 |
| Investment Funds 0.49% (0.52%) | | | | |
| Investment Companies 0.49% (0.52%) | | | | |
| Augmentum Fintech plc | GBP | 115,934 | 113 | 0.49 |
| | | | 113 | 0.49 |
| Investment Funds total | | | 113 | 0.49 |
| Materials 15.07% (21.12%) | | | | |
| Chemicals 1.09% (2.83%) | | | | |
| Croda International plc | GBP | 4,100 | 251 | 1.09 |
| | | | 251 | 1.09 |

Scottish Friendly UK Growth Fund

Portfolio Statement (unaudited) (continued) As at 31 May 2023

| Investment | Currency | Holding | Market Value £000's | % of Net Assets |
|---|----------|---------|------------------------|-----------------|
| Construction Materials 3.85% (3.32%) | | | | |
| CRH plc | GBP | 23,000 | 887 | 3.85 |
| | | | 887 | 3.85 |
| Containers & Packaging 4.00% (2.58%) | | | | |
| Smurfit Kappa Group plc | GBP | 32,000 | 922 | 4.00 |
| | | | 922 | 4.00 |
| Metals & Mining 6.13% (12.39%) | | | | |
| Glencore plc | GBP | 170,000 | 706 | 3.07 |
| Rio Tinto plc | GBP | 14,600 | 706 | 3.06 |
| | | | 1,412 | 6.13 |
| Materials total | | | 3,472 | 15.07 |
| Real Estate 2.09% (2.15%) | | | | |
| Equity Real Estate Investment Trusts (REITs) 2.09% (2.15%) | | | | |
| LondonMetric Property plc | GBP | 115,650 | 204 | 0.89 |
| UNITE Group plc (The) | GBP | 30,854 | 277 | 1.20 |
| | | | 481 | 2.09 |
| Real Estate total | | | 481 | 2.09 |
| Utilities 2.15% (1.97%) | | | | |
| Multi-Utilities 2.15% (1.97%) | | | | |
| National Grid plc | GBP | 45,000 | 496 | 2.15 |
| | | | 496 | 2.15 |
| Utilities total | | | 496 | 2.15 |
| Equities total | | | 21,714 | 94.28 |
| Investment assets | | | 21,714 | 94.28 |
| Net other assets | | | 1,318 | 5.72 |
| Net assets | | | 23,032 | 100.00 |

All holdings are ordinary shares or stock units and admitted to official stock exchange listings unless otherwise stated.

The comparative percentage figures in brackets are as at 30 November 2022.

Security traded on another regulated market.

Scottish Friendly UK Growth Fund

Statement of Total Return (unaudited) For the six months ended 31 May 2023

| | 31.05.2023 | | 31.05.2022 | |
|---|------------|--------------|------------|--------------|
| | £000's | £000's | £000's | £000's |
| Income | | | | |
| Net capital losses | | (737) | | (339) |
| Revenue | 472 | | 332 | |
| Expenses | (178) | | (166) | |
| Net revenue before taxation | 294 | | 166 | |
| Taxation | (4) | | (2) | |
| Net revenue after taxation | | 290 | | 164 |
| Total return before distributions | | (447) | | (175) |
| Distributions | | (290) | | (164) |
| Change in net assets attributable to shareholders from investment activities | | (737) | | (339) |

Statement of Change in Net Assets Attributable to shareholders (unaudited) For the six months ended 31 May 2023

| | 31.05.2023 | | 31.05.2022 | |
|--|------------|---------------------|------------|---------------------------|
| | £000's | £000's | £000's | £000's |
| Opening net assets attributable to shareholders | | 23,064 [^] | | 23,927 |
| Amounts receivable on issue of shares | 653 | | 439 | |
| Amounts payable on cancellation of shares | (239) | | (983) | |
| | | 414 | | (544) |
| Change in net assets attributable to shareholders from investment activities | | (737) | | (339) |
| Retained distribution on accumulation shares | | 291 | | 163 |
| Closing net assets attributable to shareholders | | 23,032 | | 23,207[^] |

[^] The Statement of Recommended Practice (2014) requires that comparatives are shown for the above report. As the comparative should be for the comparable interim period, the closing net assets of that period will not agree to the opening net assets of the current period. The published net assets as at 30 November 2022 was £23,063,516.

Scottish Friendly UK Growth Fund

Balance Sheet (unaudited)

As at 31 May 2023

| | 31.05.2023 £000's | 30.11.2022 £000's |
|--|----------------------|----------------------|
| Assets | | |
| Fixed assets | | |
| Investments | 21,714 | 21,571 |
| Current assets | | |
| Debtors | 160 | 79 |
| Cash and bank balances | 1,216 | 1,460 |
| Total assets | 23,090 | 23,110 |
| Liabilities | | |
| Creditors | | |
| Other creditors | (58) | (46) |
| Total liabilities | (58) | (46) |
| Net assets attributable to shareholders | 23,032 | 23,064 |

Scottish Friendly UK Growth Fund

Notes to the Financial Statements

Accounting Basis and Policies

The interim financial statements have been prepared in accordance with the Prospectus and the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association (SORP 2014), and in accordance with United Kingdom Generally Accepted Accounting Practice as defined within Financial Reporting Standard 102 ('FRS 102') the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The accounting policies applied are consistent with those of the financial statements for the year ended 30 November 2022 and are described in those annual financial statements.

THE SCOTTISH FRIENDLY INVESTMENT FUNDS ICVC

GENERAL INFORMATION

Subscription Days

Shares may be purchased or sold on any dealing day. The price of shares and the estimated yield are calculated daily. A forward pricing basis is used. Prices are listed in the Financial Times and the Herald.

Redemption of Shares

Shares in the sub-funds may be redeemed on any dealing day. All sale instructions must be made to the ACD in writing. The shares will be purchased from the shareholder at the next valuation point and a contract note confirming the sale will be sent.

Dilution

The actual cost to the Company of purchasing or selling a sub-fund's investments may be higher or lower than the mid-market value used in calculating the share price, e.g., due to dealing charges or through dealing at prices other than the mid-market price. Under certain circumstances (e.g., large volumes of deals) this may have an adverse effect on the interests of shareholders generally. In order to prevent this effect, called 'dilution', Scottish Friendly Asset Managers Ltd has the power to charge a dilution levy on the sale and/or redemption of shares. The dilution levy will be applied at outset and will be paid into that sub-fund and become part of the relevant sub-fund. The dilution levy for each sub-fund will be calculated by reference to the costs of dealing in the underlying investments of that sub-fund, including any dealing spreads, commission and transfer taxes.

Charges

Certain charges are levied to cover the operating costs of the ACD. An initial charge of 4% of the price paid to the depositary is levied when shares are created. A management fee of 1.35% per annum of the net asset value of the sub-funds is levied. This was reduced from 1.4% per annum in August 2019. In addition a number of other fees are payable out of the sub-funds. These include audit, custody, regulatory and depositary fees. The current estimated effect of these fees is 0.50% per annum and is levied on the net asset value of the sub-funds. The charges are deducted daily from the revenue of the sub-funds.

In addition shareholders are permitted to make six free switches in each tax period, however, an administration charge of up to 3% may be levied on additional switches.

Taxation

The sub-funds are exempt from UK tax on capital gains realised on the disposal of investments held within them. Dividends from UK companies are received by the Funds with the tax already deducted and no further tax is payable by the sub-funds on that revenue. Other types of revenue (after deducting allowable expenses) are subject to corporation tax of 20%.

The revenue accumulated by the sub-funds has an attaching tax credit of 10% of the accumulation plus the tax credit.

Lower and basic rate taxpayers do not have any further tax to pay, although higher rate taxpayers are liable to tax on the net revenue accumulated at the difference between higher rate tax and the tax already deducted (currently 40% and 30%).

Details of the tax paid on behalf of shareholders is sent in the form of a tax voucher at each accumulation date.

Shareholders may be liable to capital gains tax when they sell their investments if the gains exceed the exempt amount in that year. For the tax year 2021/2022 the exempt amount was £12,300 and for the tax year 2022/2023 the exempt amount is £12,300.

Stamp Duty Reserve Tax

This is disclosed on the face of the Statements of Change in Net Assets Attributable to Shareholders in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Financial Conduct Authority. Stamp Duty was abolished on 30 March 2014.

Prospectus

Further details concerning the Funds are contained in the Prospectus, which is available on application from the ACD.

Publication of Prices

The most recent prices are published daily in the Financial Times and the Herald. Prices are also published on the Scottish Friendly web site at www.scottishfriendly.co.uk.

THE SCOTTISH FRIENDLY INVESTMENT FUNDS ICVC

GENERAL INFORMATION

Application for Shares

All applications should be made by post to the ACD at Scottish Friendly Asset Managers Ltd, 16 Blythswood Square, Glasgow G2 4HJ or by fax on 0141 221 4864. Shares will be purchased at the next valuation point following receipt of a valid application form and cheque. A contract note will be sent to the purchaser.

Prospective shareholders should note that the price of shares can fluctuate and the revenue from them can go down as well as up and is not guaranteed. On redemption investors may receive less than the original amount invested. Past performance is not necessarily a guide to future performance.