Aberdeen Diversified Income and Growth Trust plc

(formerly BlackRock Income Strategies Trust plc)

The diversified multi-asset investment trust

Half Yearly Report
for the six months ended 31 March 2017

Contents

Investment Objective and Investment Policy

At a General Meeting held on 30 March 2017, shareholders approved a new Investment Objective and Investment Policy:

Investment Objective

The Company's investment objective is to target a total portfolio return of LIBOR (London Interbank Offered Rate) plus 5.5 per cent. per annum (net of fees) over rolling five-year periods.

Investment Policy

The Company invests globally using a flexible multi-asset approach via quoted and unquoted investments. The Company has not set maximum or minimum exposures for any geographical regions or sectors and will achieve an appropriate spread of risk by investing in a diversified portfolio of securities and other assets.

Highlights and Financial Calendar

Financial Highlights

	31 March 2017	30 September 2016	% change
Total assets[A] (£'000)	410,644	411,127	–0.1
Total equity shareholders' funds (£'000)	351,024	351,521	–0.1
Net asset value per Ordinary share – debt at par	131.45p	131.64p	–0.1
Net asset value per Ordinary share – debt at fair value[B]	123.60p	123.62p	–0.0
Share price (mid)	115.50p	111.00p	+4.1
Discount to net asset value[C]	6.5%	9.0%	

	Six months ended 31 March 2017	Six months ended 31 March 2016	% change
Net revenue return after taxation (£'000)	8,458	5,615	+50.6
Revenue return per share	3.17p	2.05p	+54.5
Dividends			
First quarterly dividend	1.635p	1.635p	–
Second quarterly dividend	1.635p	1.635p	–
Total dividends declared in respect of the period	**3.27p**	**3.27p**	–

[A] Total assets as per the Statement of Financial Position less current liabilities.

[B] See note 10 for reconciliation.

[C] The discount to NAV (calculated with debt at fair value) in the table above for 30 September 2016 has been calculated based on the ex-dividend NAV of 121.99 pence per share, and not the Company's NAV per share as disclosed on the Company's Statement of Financial Position and in the table above. This is because accounting standards do not permit interim quarterly dividends to be reflected in the accounts until they have been paid. As the third quarterly dividend for 2016 had gone ex-dividend in the Company's share price at 30 September 2016 as disclosed in the table above, any share rating calculated based on this ex-dividend price also needs to be calculated using an ex-dividend NAV.

Performance (total return)[A]

	Six months ended 31 March 2017	Year ended 30 September 2016
Net asset value – debt at par	+2.4%	+1.3%
Net asset value – debt at fair value	+2.7%	–0.4%
Share price	+7.2%	–10.2%

[A] Total return represents the capital return plus dividends reinvested.

Financial Calendar

24 March 2017	First interim dividend (1.635p per share) paid for year to 30 September 2017 to shareholders on register on 3 March 2017
28 April 2017	Second interim dividend (1.635p per share) paid for year to 30 September 2017 to shareholders on 7 April 2017
July 2017	Half-Yearly Report posted to shareholders

Chairman's Statement

Recent changes

The six months ended 31 March 2017 and the immediate period thereafter saw significant changes for your Company. On 11 February 2017, Aberdeen Fund Managers Limited was appointed Manager in place of BlackRock and the Company was renamed Aberdeen Diversified Income and Growth Trust plc. A discount control policy was announced on 13 February 2017 with shareholders approving the new investment objective and policy at the General Meeting held on 30 March 2017.

After the period end, the 20% tender offer and merger with Aberdeen UK Tracker Trust plc ("AUKT") resulted in changes to the Board of Directors and an approximate 24% net increase in shareholders' funds (see below Table).

31 Mar. 2016 £m	30 Sept. 2016 £m	31 Mar. 2017 £m	Tender Offer (cash out) £m	Merger with AUKT (cash in) £m	30 April 2017 £m	31 May 2017 £m
361.3	351.5	351.0	(62.0)	146.2	434.3	439.7

Performance

Over the six months ended 31 March 2017, the Company's net asset value ("NAV") per share, with debt at fair value, rose 2.7% on a total return basis. The Company's share price ended the period at 115.5p, compared to 111.0p at 30 September 2016, resulting in a total return to shareholders over the period of 7.2%, which compares to -0.9% for the equivalent period in the prior year. The discount to NAV narrowed from 9.0%, at 30 September 2016, to 6.5% at 31 March 2017.

Earnings and Dividends

The Company's revenue return for the six months ended 31 March 2017 was 3.17 pence per share, compared to 2.05 pence per share in the comparable period ended 31 March 2016.

A first quarterly dividend of 1.635 pence per share was paid on 24 March 2017 to shareholders on the register on 3 March 2017. A second quarterly dividend of 1.635 pence per share was paid on 28 April 2017 to shareholders on the register on 7 April 2017. This latter dividend was paid to all shareholders, pre-merger, including those who tendered shares in the tender offer described below.

As previously announced in the Circular to shareholders issued on 6 March 2017 (the "Circular"), the Board expects to declare third and fourth quarterly dividends for the year ending 30 September 2017 to be paid in October 2017 and January 2018 at an annual rate equivalent to at least 5.2 pence per share. This equates to a dividend yield of 4.5% based on the closing price per share of 115.5p as at 31 March 2017 which the Board believes is attractive for shareholders in the current low yield environment.

Tender Offer and Merger with Aberdeen UK Tracker Trust plc

Following shareholder approval obtained at the General Meeting held on 30 March 2017, and further to the Circular, the Company announced on 6 April 2017 the repurchase of 53.4m shares, representing 20% of the Company's issued share capital.

The Company also announced on 6 April 2017 the issue of 118.6m shares to those shareholders of AUKT electing to roll-over their shares, further to shareholder approval of the merger with AUKT. This equated to an increase in the Company's assets of £146m. I should like to take this opportunity to welcome all former AUKT shareholders now invested in the Company.

Appointment of Aberdeen Fund Managers Limited and New Investment Objective and Investment Policy

On 11 February 2017, the Company appointed Aberdeen Fund Managers Limited as Manager with effect from 11 February 2017 and changed its name to Aberdeen Diversified Income and Growth Trust plc.

Following shareholder approval of the new Investment Objective and Investment Policy at the General Meeting on 30 March 2017, I am pleased to report that the Manager has now substantially completed the realignment of the Company's investment portfolio. Further information may be found in the Manager's Report from page 5. I would also encourage shareholders to visit the Company's website (aberdeendiversifed.co.uk) which includes a monthly factsheet with commentary on the portfolio and performance as well as a webcast from the Manager.

Discount management policy

The Board announced on 13 February 2017 that, in normal market conditions and subject to the prevailing gearing level and the composition of the Company's portfolio, it would implement a discount control policy to maintain the Company's share price discount to net asset value, calculated excluding income and with debt at fair value, at no wider than 5%. As at 31 March 2017 the Company's discount was 6.5% as compared to 9.0% as at 30 September 2016. No shares were bought back during the six months under review. Between 1 April 2017 and the date of this Report the Manager substantially completed the realignment of the Company's investment portfolio and, other than in connection with the tender offer referred to above, 1,900,000 shares were bought back by the Company resulting in 330,291,705 shares in issue with voting rights and an additional 35,119,169 shares held in treasury. The Board continues to monitor closely the Company's discount and will undertake buybacks where it is in shareholders' interests to do so.

Gearing

The Company's gearing with debt per the Condensed Statement of Financial Position, but excluding cash, against net assets was 17.0% at 31 March 2017 (30 September 2016 – 17.0%). As a result of the merger with AUKT, and after reflecting the cash outflow from the tender offer, the Company's asset base increased in April 2017 which resulted in this gearing ratio falling to 13.6% as at 31 May 2017.

Board Composition

Lynn Ruddick and Jimmy West retired as Directors on 6 April 2017 following completion of the Company's merger with AUKT. Lynn served as a Director for over 11 years, including as Chairman from 2009 to 2015. The Board wishes to place on record its thanks to Lynn for her valuable advice and unstinting commitment as a Director, including her leadership of the Company. Jimmy retired as Senior Independent Director after 21 years as a Director. The current Board, and former Directors, are indebted to him for the wide ranging investment company experience which he brought to Board deliberations and for his guidance in the role of Senior Independent Director.

At the same time, following the completion of the merger, I was delighted to welcome from AUKT Kevin Ingram, Tom Challenor and Paul Yates as Directors of the Company; Kevin succeeds Jimmy as the Company's Senior Independent Director.

Savings plan holders

Since April 2017, it has been possible to acquire shares in the Company via Aberdeen's Investment Plan for Children, Investment Trust Share Plan or Investment Trust ISA. Further information may be found under Investor Information on page 29 of this Report.

Outlook

This has been a period of significant change for your company. Our new Manager brings a simple and transparent investment process to deliver our new investment objective which fully utilises the advantages of the closed ended structure. I believe that the Company is now well positioned to offer a multi-asset approach which is attractive to current and potential investors.

For and on behalf of the Board

James M Long
Chairman

20 June 2017

Interim Management Report and Directors' Responsibility Statement

The Chairman's Statement on pages 2 and 3 and the Investment Manager's Report on pages 5 to 8 provide details of the important events which have occurred during the period and their impact on the financial statements.

Principal Risks and Uncertainties

The principal risks faced by the Company can be divided into various areas as follows:

- Performance;
- Gearing;
- Income/dividend;
- Regulatory;
- Operational;
- Market; and
- Financial.

The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Financial Statements (the "Annual Report") for the year ended 30 September 2016. A detailed explanation can be found in the Strategic Report on pages 14 to 15 and in note 17 on pages 63 to 75 of the Annual Report which is available on the Company's website: aberdeendiversified.co.uk.

In the view of the Board, there have not been any changes to the fundamental nature of these risks since the previous report and these principal risks and uncertainties are equally applicable to the remaining six months of the financial year ending 30 September 2017 as they were to the six months under review.

Going Concern

The Directors, having considered the nature and liquidity of the portfolio, the Company's investment objective and the Company's projected income and expenditure, are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of approval of this report and is financially sound. The Company has a portfolio of investments which are considered to be mostly readily realisable and is able to meet all of its liabilities from its assets and income generated from these assets. For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements.

Related Party Disclosures and Transactions with the AIFM and Investment Manager

Aberdeen Fund Managers Limited ("AFML") was appointed as the Company's AIFM with effect from 11 February 2017. Prior to this date, BlackRock Fund Managers Limited was the Company's AIFM.

AFML has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to Aberdeen Asset Managers Limited and Aberdeen Asset Management PLC which are regarded as related parties under the UKLA's Listing Rules. Details of the fees payable to AFML are set out in notes 3 and 13 to the condensed financial statements.

Directors' Responsibility Statement

The Disclosure and Transparency Rules (DTR) of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with applicable UK Accounting Standard FRS 104 'Interim Financial Reporting'; and
- the Interim Management Report, together with the Chairman's Statement and Investment Manager's Report, include a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure and Transparency Rules.

This half yearly financial report has been reviewed by the Company's auditor and their report is set out on page 28.

The half yearly financial report was approved by the Board on 20 June 2017 and the above responsibility statement was signed on its behalf by the Chairman.

For and on behalf of the Board

James M Long
Chairman

20 June 2017

Investment Manager's Report

This Investment Manager's Report covers the period following our appointment as managers of Aberdeen Diversified Income and Growth Trust plc on 11 February 2017 up until 31 March 2017. At the very end of the period on 30 March, shareholders approved the new investment policy enabling us to adopt a flexible, diversified multi-asset approach. Equities remain the largest individual component of the portfolio but at a reduced weighting compared to previously. The portfolio focus has switched to income-generating alternative asset classes where we believe that attractive risk-adjusted returns can be accessed via investments managed by Aberdeen's teams in each area or by specialist funds from third party managers.

Our investment approach is described in detail in part 3 of the circular issued to shareholders on 6 March 2017 and the prospectus issued in connection with the proposed issue of shares relating to the reconstruction of Aberdeen UK Tracker Trust. Both documents are available at aberdeendiversified.co.uk. In short, our aim is to build a genuinely diversified portfolio consisting of a wide range of assets. Each of these has clear, fundamental drivers of return; in many cases, a high level of income is generated. This will enable us to deliver a portfolio return in line with the new investment objective including an attractive and sustainable dividend for shareholders. We use all of Aberdeen's research capabilities, including specialist macro and asset class researchers, to identify appropriate investments. The approach, which incorporates a robust risk framework, is not constrained by a benchmark mix of assets. This flexibility ensures that we do not feel compelled to invest shareholders' capital in investments which we believe to be unattractive.

During the period under review we were able to make good progress in realigning the portfolio towards our new approach. The second phase of the programme to implement the illustrative portfolio which featured in the prospectus began after the new investment policy was approved on 30 March 2017. This means that the investment portfolio listing on pages 10 to 15 features a number of holdings that have been sold to fund the purchase of new investments in the second half of the Company's fiscal year. These legacy holdings included a sub-portfolio of higher yielding UK equity holdings, two BlackRock global equity funds, a position in gold and a sub-portfolio of corporate bonds. At the time of writing, all of these holdings have been sold and most of the new capital raised during the reconstruction of Aberdeen UK Tracker Trust has been invested. Details of the progress made in each major area of the portfolio are noted below.

Equities

In equities, where we might typically expect our exposure to account for 20 – 35% of the overall portfolio, our preferred approach is to invest via an actively managed sub-portfolio which aims to outperform the MSCI AC World Index while targeting around 85% of the volatility and 140% of the dividend yield of the index. This sub-portfolio which usually consists of around 200 global equities is managed on our behalf by Aberdeen's Quantitative Equity team. Stock selection focuses on companies which rank highly in a range of factors including valuation and financial strength. The portfolio, which is shown on page 11 under *Low Volatility Income Strategy Equities,* is well diversified by country, sector and position size. It was funded via sales from the existing portfolio of global and UK equities, which are listed separately on page 12. These legacy holdings were sold after the end of the reporting period. At the same time, the new equity sub-portfolio was transferred into a UCITS fund, Aberdeen Smart Beta Low Volatility Global Equity Income Fund, as indicated in the prospectus.

Fixed income

The second area where we have made notable changes to the portfolio is in fixed income where our preference is for emerging market debt (EMD) rather than corporate bonds. In our view, the compelling gross redemption yield of over 7% available from the EMD asset class – along with helpful diversification benefits – more than compensates for the higher rate of inflation and other risks in emerging markets. The majority of the Company's EMD portfolio is invested in local currency bonds with a focus on sovereign issuers. In many cases, these countries, where we generally see economic conditions improving, have significantly lower debt-to-GDP ratios than developed countries. The sub-portfolio, managed on our behalf by Aberdeen's specialist team, has a broad balance between exposures to Latin America, Europe and Asia / Africa via countries such as Brazil, Poland and Indonesia.

We have also invested in the **Aberdeen Indian Bond Fund** to gain exposure to an attractive market which is benefitting from the economic reform programme of Prime Minister Modi.

Similarly, we have a small holding in the **Aberdeen Frontier Markets Bond Fund** which currently yields in excess of 6% via investments in predominantly US Dollar bonds issued by countries in Africa, Asia and Central / South America.

Alternative assets

New asset classes introduced to the portfolio have included Insurance Linked Securities (ILS), Aircraft Leasing and Healthcare Royalties. These asset classes, which we are accessing via specialist closed-ended funds, offer attractive returns with very different drivers. Therefore, they are valuable diversifiers within the portfolio.

In ILS, **Catco Reinsurance Opportunities Fund** (Catco), which launched at the end of 2010, is managed by one of the leading providers of capital to the catastrophe risk-event market. Effectively, the fund provides cover to reinsurance companies enabling them to reduce their exposure to peak perils (such as a Florida hurricane) when overall claims exceed a specified level. Catco's contracts, which cover a very diverse range of risks, are renewed and re-priced annually. Exposure to individual catastrophes is capped. 2016 was the worst year for losses since 2012 but, even so, Catco delivered an NAV total return to its shareholders of +8% which compares to +10% p.a. since 2010. Importantly, this return has been delivered with low volatility and correlation to financial markets. We also have a holding in **Blue Capital Global Reinsurance** which offers similar exposure.

Amedeo Air Four Plus (AA4), which listed in May 2015, is the largest of the UK-listed aircraft leasing vehicles. It has a portfolio of ten wide bodied aircraft leased on 12 year terms to the Emirates and Etihad airlines. (The portfolio consists of eight Airbus A380s - two of which are leased to Etihad - and two Boeing 777s leased to Emirates). AA4 targets a return of 11-12% p.a. over the life of each aircraft with the key risk factors being the residual value of the aircraft at the end of the lease and airline counterparty risk. The investment has an attractive yield of 8% with a dividend which is paid quarterly.

BioPharma Credit PLC (BPCR) is a fund investing in loans to pharmaceutical companies and royalties on biotechnology products. Its managers have a long track record of delivering very strong returns from this asset class, using their specialist knowledge to provide capital to biotechnology companies at more competitive rates than bank loans or equity finance. BPCR targets a net annual return of 8% - 9% (in line with returns from the managers' previous vehicles) and its investments are strongly cash generative which enables it to target a 4% yield in year 1 and a 7% yield thereafter.

The portfolio that we took on in February already had exposure to a number of asset classes and funds that we view as being attractive and where we already invest for other clients. Notable examples include Infrastructure (**Foresight Solar Fund** and **John Laing Group**), Market Place Lending (**Funding Circle SME Income**) and Asset Backed Securities (**Blackstone/GSO Loan Financing**). We have broadened our exposure to these areas, adding new holdings in **The Renewables Infrastructure Group, P2P Global Investments and Fair Oaks Income.**

These purchases were funded by the sale of a number of fund positions including **Scottish Mortgage, Woodford Patient Capital Trust, BlackRock ASEAN Leaders Fund and BlackRock Global Corporate Bond Fund.**

Unlisted investments

Most of the new investments highlighted above are listed closed-ended funds. Shares in these funds trade on the London Stock Exchange on a daily basis and therefore provide an ideal way for investors to gain access to an asset class where investments are not readily realisable. As a closed-ended fund itself, Aberdeen Diversified Income and Growth Trust does not require daily liquidity in all of its investments and, to take advantage of this, we are reviewing a number of opportunities in funds which have longer investment periods. These include investments in social infrastructure, property, trade finance, private equity and agricultural land which we expect to commit to shortly.

In a similar vein, the portfolio has holdings in three longer term investments: **BlackRock Infrastructure Renewable Income UK; Forward Partners I** and **MAS Mortgages**. (There is also a commitment to invest in **Cheyne Social Property Impact Fund** which has not yet been drawn.) Even though these were made by the Company's previous manager, they fit in with our overall philosophy and approach. We have met the managers concerned and have a clear understanding of the investment proposition in each case. All are performing in line with expectations. After the period end, we sold out of MAS Mortgages in order to focus on other similar investments.

Derivatives and hedging

As part of the investment management transfer arrangements, the previous manager closed out the derivative positions that were part of its strategy at the time. Our current policy is only to use derivatives in order to hedge portfolio risks and for the purposes of efficient portfolio management. In this regard, the portfolio listing includes short positions in equity index futures (FTSE100, S&P500 and Nikkei 225) to hedge the equity risk associated with the legacy assets that we acquired and which we highlighted earlier. Similarly, a long position in 10 year UK gilt futures is being used to hedge the direct impact of UK gilt yields on the valuation of the Company's 2031 Debenture.

In currencies, we generally use forward contracts to hedge exposures back to sterling. This means that NAV returns will not be unduly influenced by fluctuations in the value of the pound. However, currency returns are an integral part of the investment thesis of our emerging market debt holdings and, in this case, we offset those currency exposures against a basket of major currencies (GBP, EUR, JPY and AUD).

Portfolio positioning

As we noted earlier, the period under review ended only just after the new investment policy was approved by shareholders in general meeting. As such, the portfolio listing as at 31 March 2017 has to be viewed as 'work-in-progress'.

At the time of writing, we have substantially completed the realignment of the portfolio. New holdings include a £60m investment in asset backed securities via a dedicated pooled fund. This fund focuses on medium-risk tranches of less liquid UK / European securities. It is managed on our behalf by a specialist manager, TwentyFour Asset Management, and targets a return of LIBOR + 5 - 8% p.a. after fees. The investment was funded from cash and by the sale of **MAS Mortgages** as noted earlier. We have also made an investment in a global loans fund managed by Aberdeen which targets a return of LIBOR + 4 - 6% p.a. and have increased exposure to other preferred areas including insurance linked securities.

The table below shows the illustrative portfolio referred to earlier and also gives the portfolio asset class weightings at the end of May.

	Prospectus Illustrative Portfolio	**End May 2017 Portfolio**
Listed Equity	25%	23%
Private Equity	4%	1%
Real Assets	3%	–
Property	8%	1%
Infrastructure	8%	6%
Global Loans	10%	9%
High Yield	–	1%
Asset-Backed Securities	11%	15%
Emerging Market Debt	12%	21%
Absolute Return	6%	6%
Insurance Linked	4%	4%
Special Opportunities	8%	5%
Government Bonds	–	2%
Cash	1%	6%
	100%	**100%**

The final stage of the portfolio realignment will involve initiating the longer term investments in private equity, real assets, property, infrastructure and trade finance mentioned earlier. These will be funded from cash and reductions in other asset classes as required. In the meantime, encouraging newsflow from most emerging markets has prompted us to increase our EMD exposure. The IMF is expecting emerging market growth to accelerate to 4.6% y/y this year and 4.8% y/y in 2018, outpacing most advanced economies by an accelerating margin. On an encouraging note, China, which often has an important bearing on emerging market performance, registered first quarter GDP growth of 6.9% y/y.

Compared to the interest rates available on cash or developed market government bonds, most of the asset classes listed in the table above produce very attractive dividend yields. However, it should be noted that new fund investments which have been made in areas such as equities, loans and Asset-Backed Securities will accrue income on their investments *within each fund* which will then be paid to the Company on a quarterly or half yearly basis. Under current accounting conventions, income earned on these fund investments in the current financial year but declared by the fund as a dividend after the Company's reporting period ends on 30th September cannot be included in this year's revenue account. This is a timing effect which will require the Company to use a small amount of its revenue reserves in order to pay dividends at the targeted rate in the current financial year. Overall, on current forecasts, the yield on the portfolio is in excess of 4.5% and is sufficient, we currently anticipate, for the Company to be able to pay a dividend fully covered by revenues in 2017/18.

Outlook

Looking ahead, our strategic view is that the tailwinds which have boosted economic growth and the performance of investment markets since the early 1980s – improving demographics, increasing global trade and rising debt levels – have now turned into headwinds. Working age populations are now declining in most major economies; 'populist' policies are seen as a threat to global trade and the debt burdens which triggered the global financial crisis have not yet been fully addressed. These deflationary forces point to an era of sluggish growth in personal incomes in many developed markets. With government bond yields in most developed markets close to historically low levels, investment markets are likely to deliver lower returns than they have historically and anyone extrapolating from the past is likely to be disappointed.

In the shorter-term our base case economic view is generally supportive for equities and other risk assets. There has been an improving growth trend, most notably in the US which has the potential to be boosted by President Trump's plans for corporate tax reduction and fiscal stimulus. Central banks remain supportive in Europe and Japan. In China, we believe that government policies will continue to prioritise growth.

As ever, there are a number of clouds on the horizon which temper this broadly positive base case. In the US, the Trump-led administration failed to secure its first policy reform, in healthcare, which calls into question its ability to enact fiscal policy stimulus. In Europe, uncertainty comes largely from Brexit and rising populist political pressures, as Prime Minister Theresa May can clearly affirm. In China, it is unclear how levels of credit growth, which seem to be unsustainable, might be normalised. In investment markets, equity indices are, in most cases, at all-time highs and valuations look stretched.

Both the challenging long-term investment environment and the heightened near-term political risks reinforce the importance of having a diversified portfolio. We continue to see attractions in a range of asset classes with different return drivers – for example, in asset backed securities and global loans which benefit from modestly rising interest rates – and hence are not excessively exposed to the performance of equity markets or any other asset class.

Mike Brooks
Tony Foster
Aberdeen Asset Managers Limited
Investment Manager

20 June 2017

BlackRock Income Strategies Trust plc: BlackRock Manager's Report for the period from 1 October 2016 to 10 February 2017

Cumulative performance	NAV[A] %	Share price %
October	(0.3)	(4.5)
November	(2.1)	0.2
December	2.9	2.4
January	(1.2)	1.3
1-10 February	2.7	2.5
Total	**2.0**	**1.9**

[A] With debt at par.

The positive performance experienced during this period was driven largely by developed market equity exposure as markets reacted positively to a synchronized improvement in global growth.

The UK equity exposure was particularly profitable where positive stock fundamentals were a key driver of performance. **Elementis** contributed strongly as the new management team continue to drive operational improvements and announced a material acquisition to build scale in their personal care business. **Sky** performed well after receiving a bid in December from 21st Century Fox at a significant premium to the share price. Despite offering a lower dividend yield than the market, we were attracted to Sky's cash generative business and vast customer base, giving the benefits of scale to invest in new content and services, attributes that were clearly undervalued by the market. Our flexibility to invest in international holdings contributed positively, with **Altria** benefitting from a combination of currency and continued positive trends in the underlying business. Elsewhere there were strong performances from holdings in **Intercontinental Hotels**, **Carnival, Wolseley, Aggreko** and **Shire**. On the negative side, **BT** fell after the company quantified that the impact of a known fraud issue in Italy was substantially worse than forecast. In addition, the company highlighted a weaker revenue performance in some of its UK business. Consequently, the cash flow prospects of the telecoms giant were reduced.

Outside of the UK, our more cyclical overseas exposures also helped generate returns particularly across Japanese and European stock markets. Fixed income exposures detracted with emerging market debt reacting negatively to expectations of rate hikes in the United States following the expectation for a change in policy direction leading to higher interest rates. Gold also hurt performance as investor demand for 'safe-haven' assets declined. Within alternatives, the positive performance came from a range of sustainable income and private market exposures.

There were few significant changes to the composition of the portfolio during the period as headline asset allocation continued to lean towards developed markets within equities and corporate bonds within our fixed income holdings. After serving well as a diversifying asset throughout 2016, we reduced our gold positions in the expectation of greater uncertainty of the price of precious metals going into 2017.

Adam Ryan
BlackRock Investment Management (UK) Limited

20 June 2017

Portfolio Analysis – Ten Largest Equity Investments and Largest Fixed Income Investments

Ten Largest Equity Investments

	At 31 March 2017 %	At 30 September 2016 %
BlackRock Impact World Equity Fund Global equity fund	4.8	3.9
iShares Gold Trust Gold fund	4.2	6.3
Blackstone/GSO Loan Financing Diversified exposure to senior secured loans via CLO securities	3.3	2.7
BlackRock Emerging Markets Equity Income Fund Emerging market equity fund	2.7	2.1
Funding Circle SME Income Fund Smaller company lending fund	2.6	2.2
MAS Mortgage Holdings[A] Investments in UK buy-to-let mortgages	2.5	2.1
Lloyds Banking Group UK bank	1.9	1.1
Blue Capital Global Reinsurance Fund Catastrophe risk insurance	1.5	–
Foresight Solar Fund Renewable infrastructure fund	1.4	1.2
RELX Scientific, legal and business publishing	1.4	1.1

Largest Fixed Income Investments (included within top 10 overall portfolio holdings)

	At 31 March 2017 %	At 30 September 2016 %
Aberdeen Global – Indian Bond Fund[B] Diverse portfolio of Indian bonds	4.1	–
UK Treasury 2% 07/09/25 UK government bond	2.5	2.2

All percentages reflect the value of the holding as a percentage of total investments at 31 March 2017 and 30 September 2016. Together, the ten largest equity investments represent 26.3% of the Company's portfolio (30 September 2016 – 26.1%).

[A] Unquoted holding.

[B] Denotes Aberdeen managed products.

Investment Portfolio – Low Volatility Income Strategy Equities

As at 31 March 2017

Company	Country	Sector	Valuation 2017 £'000	Net assets 2017 %
Wal-Mart Stores	USA	Consumer Services	1,762	0.5
HP	USA	Technology	1,752	0.5
Consolidated Edison	USA	Utilities	1,743	0.5
Welltower	USA	Financials	1,741	0.5
Itochu	Japan	Industrials	1,680	0.5
Valero Energy	USA	Oil & Gas	1,653	0.5
Duke Energy	USA	Utilities	1,641	0.5
Koninklijke Ahold Delhaize	Netherlands	Consumer Services	1,629	0.5
Verizon Communications	USA	Telecommunication Services	1,591	0.5
HSBC	UK	Financials	1,565	0.4
Top ten investments			**16,756**	**4.8**
CLP	Hong Kong	Utilities	1,425	0.4
Subaru	Japan	Consumer Goods	1,423	0.4
Ford Motor Co	USA	Consumer Goods	1,370	0.4
JM Smucker	USA	Consumer Goods	1,302	0.4
BOC Hong Kong	Hong Kong	Financials	1,296	0.4
Sumitomo Corp	Japan	Industrials	1,295	0.4
KLA-Tencor	USA	Technology	1,253	0.4
Target Corp	USA	Consumer Services	1,210	0.3
Cisco Systems	USA	Technology	1,100	0.3
CenturyLink	USA	Telecommunication Services	1,093	0.3
Top twenty investments			**29,523**	**8.4**
Other Equities – Low Volatility Income Strategy (179)			**74,807**	**21.3**
Total Equities – Low Volatility Income Strategy			**104,329**	**29.7**

Investment Portfolio – UK and Global Equities

As at 31 March 2017

Company	Sector	Valuation 2017 £'000	Net assets 2017 %
UK Equities			
Lloyds Banking Group	Financials	6,940	2.0
RELX	Consumer Services	5,130	1.5
BlackRock Throgmorton Trust	Financials	4,849	1.4
Unilever	Consumer Goods	3,928	1.1
BAE Systems	Industrials	3,662	1.0
GlaxoSmithKline	Health Care	3,620	1.0
BP	Oil & Gas	3,490	1.0
AstraZeneca	Health Care	3,051	0.9
Royal Dutch Shell 'B'	Oil & Gas	2,925	0.8
Intercontinental Hotels	Consumer Services	2,912	0.8
British American Tobacco	Consumer Goods	2,847	0.8
Elementis	Basic Materials	2,239	0.6
Caithness Petroleum	Oil & Gas	–	–
Total UK equities		**45,594**	**13.0**
Global Equities			
BlackRock Impact World Equity Fund		17,356	4.9
BlackRock Emerging Markets Equity Income Fund		9,990	2.8
Total Global Equities		**27,346**	**7.8**
Total Equities		**177,269**	**50.5**

Investment Portfolio - Alternatives

As at 31 March 2017

Company	Valuation 2017 £'000	Net assets 2017 %
Private Equity		
Forward Partners 1	4,623	1.3
Total Private Equity	**4,623**	**1.3**
Property		
iShares II UK Property UCITS ETF	4,386	1.2
Total Property	**4,386**	**1.2**
Infrastructure		
Foresight Solar Fund	5,181	1.5
BlackRock Infrastructure Renewable Income Fund	4,613	1.3
John Laing	3,904	1.1
Renewables Infrastructure	3,136	0.9
Total Infrastructure	**16,834**	**4.8**
Asset Backed Securities		
Blackstone/GSO Loan Financing	11,978	3.4
MAS Mortgage Holdings	9,202	2.6
Fair Oaks Income Fund	2,850	0.8
Total Asset Backed Securities	**24,031**	**6.8**
Insurance-Linked Securities		
Blue Capital Global Reinsurance Fund	5,354	1.5
CATCo Reinsurance Opportunities Fund	2,249	0.6
CATCo Reinsurance Opportunities Fund 'C'	1,254	0.4
Total Insurance-Linked Securities	**8,857**	**2.5**
Special Opportunities		
Funding Circle SME Income Fund	9,421	2.7
BioPharma Credit	4,781	1.4
Amedeo Air Four Plus	2,070	0.6
P2P Global Investments	2,002	0.6
Total Special Opportunities	**18,274**	**5.2**
Commodities		
iShares Gold Trust	15,386	4.4
Total Commodities	**15,386**	**4.4**
Total Alternatives	**92,391**	**26.3**

Investment Portfolio - Bonds

As at 31 March 2017

Company	Valuation 2017 £'000	Net assets 2017 %
High Yield Bonds		
NB Distressed Debt Extended Life	3,130	0.9
Aroundtown Property 3% 05/05/20 Conv	454	0.1
Orange 5.875% VAR 28/02/49	407	0.1
Telefonica Europe 5.875% VAR Perp	374	0.1
Allied Irish Bank 4.125% VAR 26/11/25	358	0.1
Matterhorn Telecom 3.875% 01/05/22	323	0.1
UPCB Finance IV 4% 15/01/27	321	0.1
Trinseo OP/Trinseo Finance 6.375% 01/05/22	317	0.1
UBS 7% VAR Perp	311	0.1
ProGroup 5.125% 01/05/22	306	0.1
Top ten investments	**6,302**	**1.8**
SoftBank 4.75% 30/07/25	305	0.1
Altice 7.25% 15/05/22	303	0.1
LGE HoldCo VI 7.125% 15/05/24	302	0.1
PSPC Escrow Corp 6% 01/02/23	298	0.1
Pfleiderer 7.875% 01/08/19	291	0.1
Telecom Italia Finance 7.75% 24/01/33	289	0.1
BNP Paribas 7.375% VAR Perp	288	0.1
Virgin Media Receivables 5.5% 15/09/24	285	0.1
Swissport Investments 6.75% 15/12/21	277	0.1
Wind Acquisition Finance 7% 23/04/21	275	0.1
Top twenty investments	**9,214**	**2.6**
Other High Yield Bonds (64)	**9,843**	**2.8**
Total High Yield Bonds	**19,057**	**5.4**
Emerging Market Bonds		
Aberdeen Global – Indian Bond Fund[A]	14,995	4.3
Brazil (Fed Rep of) 10% 01/01/27	5,000	1.4
Aberdeen Global – Frontier Markets Bond Fund[A]	4,987	1.4
Turkey (Rep of) 10.7% 17/02/21	4,940	1.4
Poland (Rep of) 2.5% 25/07/26	3,921	1.1
Indonesia (Rep of) 9% 15/03/29	2,794	0.8
Russia (Fed of) 7.05% 19/01/28	2,425	0.7
South Africa (Rep of) 10.5% 21/12/26	2,394	0.7
South Africa (Rep of) 6.25% 31/03/36	2,323	0.7
Mexico Bonos Desarr Fix Rt 10% 05/12/24	2,114	0.6
Top ten investments	**45,893**	**13.1**

Company	Valuation 2017 £'000	Net assets 2017 %
VimpelCom 7.748% 02/02/21	1,988	0.6
Malaysia (Govt of) 4.378% 29/11/19	1,930	0.5
Yasar Holdings 8.875% 06/05/20	1,923	0.5
Mexico Bonos Desarr Fix Rt 8% 11/06/20	1,569	0.4
Indonesia (Rep of) 8.375% 15/03/34	1,517	0.4
Malaysia (Govt of) 4.498% 15/04/30	1,296	0.4
Peru (Rep of) 6.95% 12/08/31	1,217	0.3
Dominican Republic 6.85% 27/01/45	993	0.3
Paraguay (Rep of) 6.1% 11/08/44	988	0.3
Malaysia (Govt of) 4.048% 30/09/21	964	0.3
Top twenty investments	**60,277**	**17.2**
Other Emerging Market Bonds (10)	**6,361**	**1.8**
Total Emerging Market Bonds	**66,637**	**19.0**
UK Government Bonds		
UK Treasury 2% 07/09/25	9,029	2.6
Total UK Government Bonds	**9,029**	**2.6**
Total Fixed Income	**94,723**	**27.0**

[A] Denotes Aberdeen managed products.

	Valuation 2017 £'000	Net assets 2017 %
Total investments	**364,383**	**103.8**
Cash and cash equivalents	45,380	12.9
Forward contracts	1,132	0.3
6.25% Bonds 2031	(59,620)	(17.0)
Other net liabilities	(251)	(0.1)
Net assets	**351,024**	**100.0**

Condensed Statement of Comprehensive Income

		Six months ended 31 March 2017			Six months ended 31 March 2016		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments		–	18,746	18,746	–	2,525	2,525
Foreign exchange losses		–	(13,183)	(13,183)	–	(8,830)	(8,830)
Income	2	9,563	–	9,563	6,994	–	6,994
Investment management fee	3	56	104	160	(262)	(486)	(748)
Administrative expenses		(388)	(267)	(655)	(403)	(16)	(419)
Net return before finance costs and taxation		9,231	5,400	14,631	6,329	(6,807)	(478)
Finance costs		(671)	(1,257)	(1,928)	(699)	(1,298)	(1,997)
Net return on ordinary activities before taxation		8,560	4,143	12,703	5,630	(8,105)	(2,475)
Taxation on ordinary activities	4	(102)	–	(102)	(15)	–	(15)
Return attributable to equity shareholders		**8,458**	**4,143**	**12,601**	**5,615**	**(8,105)**	**(2,490)**
Return per share (pence)	5	**3.17**	**1.55**	**4.72**	**2.05**	**(2.95)**	**(0.90)**

The total column of the Condensed Statement of Comprehensive Income is the profit and loss account of the Company. There has been no other comprehensive income during the period, accordingly, the return attributable to equity shareholders is equivalent to the total comprehensive income for the period.

All revenue and capital items in the above statement derive from continuing operations.

Condensed Statement of Financial Position

	Notes	As at 31 March 2017 (unaudited) £'000	As at 30 September 2016 (audited) £'000
Non-current assets			
Investments at fair value through profit or loss		364,383	420,128
Current assets			
Debtors and prepayments		3,161	6,347
Derivative financial instruments		1,132	2,652
Collateral pledged with brokers		–	11,497
Cash and cash equivalents		45,380	2,203
		49,673	22,699
Creditors: amounts falling due within one year			
Bank overdraft		–	(18,084)
Derivative financial instruments		–	(9,758)
Collateral received from brokers		–	(770)
Other creditors		(3,412)	(3,088)
		(3,412)	(31,700)
Net current assets/(liabilities)		46,261	(9,001)
Total assets less current liabilities		410,644	411,127
Non-current liabilities			
6.25% Bonds 2031	7	(59,620)	(59,606)
Net assets		**351,024**	**351,521**
Capital and reserves			
Called-up share capital	8	72,778	72,778
Capital redemption reserve		15,563	15,563
Capital reserve		228,214	224,071
Revenue reserve		34,469	39,109
Equity shareholders' funds		**351,024**	**351,521**
Net asset value per share (pence)	10		
Bonds at par value		**131.45**	**131.64**
Bonds at fair value		**123.60**	**123.62**

Condensed Statement of Changes in Equity

Six months ended 31 March 2017

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 September 2016		72,778	15,563	224,071	39,109	351,521
Return on ordinary activities after taxation		–	–	4,143	8,458	12,601
Dividends paid	6	–	–	–	(13,098)	(13,098)
At 31 March 2017		**72,778**	**15,563**	**228,214**	**34,469**	**351,024**

Six months ended 31 March 2016

		Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 September 2015		72,778	15,563	249,811	36,680	374,832
Purchase of own shares to treasury	8	–	–	(2,106)	–	(2,106)
Issue of own shares from treasury	8	–	–	270	–	270
Return on ordinary activities after taxation		–	–	(8,105)	5,615	(2,490)
Tender offer costs		–	–	(8)	–	(8)
Dividends paid	6	–	–	–	(9,252)	(9,252)
At 31 March 2016		**72,778**	**15,563**	**239,862**	**33,043**	**361,246**

Condensed Statement of Cash Flows

	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Operating activities		
Net return/(loss) on ordinary activities before finance costs and taxation	14,631	(478)
Adjustments for:		
Dividend income	(4,629)	(4,170)
Fixed interest income	(2,416)	(1,354)
Interest income	(2)	(17)
Dividends received	4,165	3,753
Fixed interest income received	2,192	1,539
Interest received	2	18
Gains on investments	(18,746)	(2,525)
Decrease/(increase) in other debtors	11	(5,941)
(Decrease)/increase in accruals	(1,412)	1,085
Stock dividends included in investment income	(67)	–
Amortisation of fixed income book cost	1,586	231
Forward contracts	763	8,285
Net movement in collateral balances	10,727	9,405
Taxation withheld	9	17
Net cash flow from operating activities	6,814	9,848
Investing activities[A]		
Purchases of investments	(280,480)	(221,073)
Sales of investments	349,950	237,426
Net cash flow from investing activities	69,470	16,353
Financing activities		
Purchase of own shares to treasury	–	(2,106)
Shares issued from treasury	–	270
Interest paid	(1,925)	(1,963)
Tender offer costs	–	(8)
Equity dividends paid (note 6)	(13,098)	(9,252)
Net cash flow used in financing activities	(15,023)	(13,059)
Increase in cash and cash equivalents	**61,261**	**13,142**
Analysis of changes in cash and cash equivalents during the period		
Opening balance	(15,881)	14,678
Increase in cash and cash equivalents as above	61,261	13,142
Closing balance	**45,380**	**27,820**

[A] In a change to presentation, the purchases and sales of investments are now being classified as investing activities. Previously theses had been classified as operating activities. This reclassification in the above Statement of Cashflows has no impact on net assets, the Statement of Comprehensive Income or the Statement of Financial Position.

Notes to the Financial Statements

1. Accounting policies – Basis of accounting

The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The interim financial statements have been prepared using the same accounting policies as the preceding annual financial statements.

2. Income	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Income from investments		
UK listed dividends	1,869	3,131
Overseas listed dividends	2,693	1,039
Stock dividends	67	–
Fixed interest income	2,416	1,354
	7,045	5,524
Other income		
Interest	2	17
Derivative income	2,506	1,453
Other income	10	–
	2,518	1,470
Total income	**9,563**	**6,994**

	Six months ended 31 March 2017			Six months ended 31 March 2016		
3. Investment management fee	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
BlackRock Fund Managers Limited	241	448	689	262	486	748
Aberdeen Fund Managers Limited	(297)	(552)	(849)	–	–	–
Total	**(56)**	**(104)**	**(160)**	**262**	**486**	**748**

With effect from 11 February 2017, Aberdeen Fund Managers Limited has been appointed as the Company's Alternative Investment Fund Manager in place of BlackRock Fund Managers Limited.

For the period to 10 February 2017 the investment management fee was levied at a rate of 0.4% per annum of the Company's total assets less current liabilities (excluding loans) and was allocated 35% to the revenue column and 65% to the capital column of the Statement of Comprehensive Income.

Following their appointment as Alternative Investment Fund Manager on 11 February 2017 through to the end of the period, Aberdeen agreed to waive any entitlement to management fees. Additionally, this waiver will continue to be in place for a period of six months from the date of the change of the investment objective and policy, being 30 March 2017.

The sums shown above for Aberdeen reflect sums paid by Aberdeen to the Company, being the amount equal to six months management fees payable to BlackRock (in line with the notice period clause) calculated at the rate of 0.4 per cent. per annum of the gross assets of the Company as at 10 February 2017 (being the date of termination of the BlackRock Investment Management Agreement).

Following completion of the waiver period, the investment management fee to be levied by Aberdeen will be at the following tiered levels:

- 0.50% per annum in respect of the first £300 million of the net asset value (with debt at fair value);
- 0.45% per annum in respect of the balance of the net asset value (with debt at fair value).

The Company will also receive rebates with regards to underlying investments in other funds managed by the Manager (where an investment management fee is charged by the Manager on that fund) in the normal course of business to ensure that no double counting occurs. Any investments made in funds managed by the Manager which themselves invest directly into alternative investments including, but not limited to, infrastructure and property will be charged at the Manager's lowest institutional fee rate. To avoid double charging, such investments will be excluded from the overall management fee calculation.

4. Taxation

The taxation charge for the period represents withholding tax suffered on overseas dividend income.

The Company does not apply the marginal method of allocation of tax relief.

5. Return per Ordinary share	**Six months ended 31 March 2017 p**	**Six months ended 31 March 2016 p**
Revenue return	3.17	2.05
Capital return	1.55	(2.95)
Total return	**4.72**	**(0.90)**

The figures above are based on the following:

	Six months ended 31 March 2017 £'000	**Six months ended 31 March 2016 £'000**
Revenue return	8,458	5,615
Capital return	4,143	(8,105)
Total return	**12,601**	**(2,490)**
Weighted average number of shares in issue[A]	**267,037,282**	**274,440,234**

[A] Calculated excluding shares held in treasury.

6. Dividends	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Third interim dividend for 2016 – 1.635p (2015 – 1.67p)	4,366	4,583
Fourth interim dividend for 2016 – 1.635p (2015 – 1.70p)	4,366	4,669
First interim dividend for 2017 – 1.635p	4,366	–
	13,098	**9,252**

For the financial year to 30 September 2017, the Board declared a first interim dividend of 1.635p, which was paid to shareholders on 24 March 2017. For the financial year to 30 September 2016, the Board declared a first interim dividend of 1.635p and, with a payment date of 8 April 2016, this has not been included in the table above. The cost of that dividend was £4,478,000.

The Board has declared a second interim dividend of 1.635p per share (2016 – 1.635p), which was paid on 28 April 2017 to shareholders on the register as at 7 April 2017; the ex–dividend date was 6 April 2017. The total cost of this dividend, based on 267,037,282 shares in issue was £4,366,000 (2016 – £4,443,000).

7. Non–current liabilities – 6.25% Bonds 2031

	As at 31 March 2017 £'000	As at 30 September 2016 £'000
Balance at beginning of period	59,606	59,579
Amortisation of discount and issue expenses	14	27
Balance at end of period	**59,620**	**59,606**

The Company has in issue £60 million Bonds 2031 which was issued at 99.343%. The Bonds have been accounted for in accordance with accounting standards, which require any discount or issue costs to be amortised over the life of the bonds. The Bonds are secured by a floating charge over all of the assets of the Company.

Under the covenants relating to the Bonds, the Company is to ensure that, at all times, the aggregate principal amount outstanding in respect of monies borrowed by the Company does not exceed an amount equal to its share capital and reserves.

The fair value of the 6.25% Bonds using the last available quoted offer price from the London Stock Exchange as at 31 March 2017 of 134.33p (30 September 2016 – 135.02p) per Bond was £80,599,000 (30 September 2016 – £81,010,000).

8. Called-up share capital

During the period the Company made no repurchases of its own Ordinary shares (2016 – repurchased 1,730,000 Ordinary shares at a cost of £2,106,000 including expenses). Shares bought back in the 2016 period were placed in treasury.

During the period the Company made no issues of its own Ordinary shares from treasury (2016 – 200,000 Ordinary shares issued for a consideration of £270,000).

At the end of the period there were 267,037,282 (30 September 2016 – 267,037,282) Ordinary shares in issue and 24,075,000 (30 September 2016 – 24,075,000) shares held in treasury.

9. Capital reserve

The capital reserve reflected in the Condensed Statement of Financial Position at 31 March 2017 includes gains of £22,232,000 (30 September 2016 – gains of £27,929,000), which relate to the revaluation of investments held at the reporting date.

10. Net asset value per share

	As at 31 March 2017	As at 30 September 2016
Debt at par		
Net assets attributable (£'000)	**351,024**	**351,521**
Number of Ordinary shares in issue	**267,037,282**	**267,037,282**
Net asset value	**131.45p**	**131.64p**
Debt at fair value	**£'000**	**£'000**
Net assets attributable per Statement of Financial Position	351,024	351,521
Add: Amortised cost of 6.25% Bonds 2031	59,620	59,606
Less: Market value of 6.25% Bonds 2031	(80,599)	(81,010)
	330,045	**330,117**
Number of Ordinary shares in issue	**267,037,282**	**267,037,282**
Net asset value	**123.60p**	**123.62p**

11. Transaction costs

During the period expenses were incurred in acquiring or disposing of investments classified as fair value though profit or loss. These have been expensed through capital and are included within gains on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Purchases	122	199
Sales	63	85
	185	**284**

12. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following classifications:

Level 1 – Quoted prices in active markets for identical instruments

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company does not adjust the quoted price for these instruments.

Level 2 – Valuation techniques using observable inputs

This category includes instruments valued using quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

Level 3 – Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The investment manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The financial assets and liabilities measured at fair value in the Condensed Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

As at 31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets/(liabilities) at fair value through profit or loss				
Equity investments	223,876	51,939	13,825	289,640
Fixed interest instruments	9,029	65,714	–	74,743
Forward currency contracts – financial assets	–	1,643	–	1,643
Forward currency contracts – financial liabilities	–	(511)	–	(511)
Futures – financial assets	–	625	–	625
Net fair value	**232,905**	**119,410**	**13,825**	**366,140**

As at 30 September 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets/(liabilities) at fair value through profit or loss				
Equity investments	274,079	–	13,121	287,200
Fixed interest instruments	28,895	102,785	–	131,680
Option – financial assets	–	1,398	–	1,398
Option – financial liabilities	–	(3,952)	–	(3,952)
Forward currency contracts – financial assets	–	507	–	507
Forward currency contracts – financial liabilities	–	(875)	–	(875)
Futures – financial liabilities	–	(1,600)	–	(1,600)
Total return swaps – financial assets	–	747	–	747
Total return swaps – financial liabilities	–	(3,145)	–	(3,145)
FX swaps – financial liabilities	–	(96)	–	(96)
Credit default swap	–	–	(90)	(90)
BlackRock's Institutional Cash Series plc – Sterling Liquidity Fund	1,248	–	–	1,248
Net fair value	**304,222**	**95,769**	**13,031**	**413,022**

Level 3 Financial assets at fair value through profit or loss	As at 31 March 2017 £'000	As at 30 September 2016 £'000
Opening fair value	13,031	(321)
Purchases including calls (at cost)	64	12,468
Disposals and return of capital	–	2
Total gains or losses included in gains/(losses) on investments in the Statement of Comprehensive Income:		
– assets disposed of during the year	–	25
– assets held at the end of the year	730	857
Closing balance	**13,825**	**13,031**

Level 3 valuation techniques used by the Company for unquoted investments are fair value using International Private Equity and Venture Capital Valuation Guidelines). The Level 3 equity investments comprise MAS Mortgage Holdings and Forward Partners.

There were no transfers between levels for financial assets and financial liabilities during the period recorded at fair value as at 31 March 2017 and 30 September 2016.

For all other assets and liabilities (i.e. those not included in the hierarchy table) carrying value approximates to fair value.

13. Related party disclosures

Transactions with the Manager

With effect from 11 February 2017, Aberdeen Fund Managers Limited ('Aberdeen') has been appointed as the Company's Alternative Investment Fund Manager in place of BlackRock Fund Managers Limited ('BlackRock').

The investment management fee to be levied by Aberdeen (post waiver) will be at the following tiered levels, payable monthly in arrears:

- 0.50% per annum in respect of the first £300 million of the net asset value (with debt at fair value);
- 0.45% per annum in respect of the balance of the net asset value (with debt at fair value).

The Company will also receive rebates with regards to underlying investments in other funds managed by Aberdeen (where an investment management fee is charged by Aberdeen on that fund) in the normal course of business to ensure that no double counting occurs. Any investments made in funds managed by Aberdeen which themselves invest directly into alternative investments including, but not limited to, infrastructure and property will be charged at Aberdeen's lowest institutional fee rate. To avoid double charging, such investments will be excluded from the overall management fee calculation.

The table below details all investments held at 31 March 2017 that were managed by Aberdeen. For the period to 31 March 2017 no fees were levied in respect of these funds.

	Value 31 March 2017 £'000
Aberdeen Global – Indian Bond Fund	14,995
Aberdeen Global – Frontier Markets Bond Fund	4,987
	19,982

As detailed in note 3, no investment management fees were charged by the Manager in the period due to a waiver currently being in place. The Manager also agreed to pay to the Company an amount equal to six months management fees payable to BlackRock (in line with notice period clause) calculated at the rate of 0.4 per cent. per annum of the gross assets of the Company as at 10 February 2017 (being the date of termination of the BlackRock Investment Management Agreement).

14. Segmental information

The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

15. Subsequent events

Following the period end, the Company has gone through two significant events:

Tender Offer to existing shareholders

A tender offer of 20% of Ordinary shares was completed on the 10th April 2017, where 53,407,456 Ordinary shares were tendered at a price calculated as 116.1597p per share. The total cash settlement amounted to £62,037,965.

Merger with Aberdeen UK Tracker Trust plc ('AUKT')

On 10 April 2017 the Company acquired £146.2 million of the net assets of AUKT in cash and, in consideration, the Company issued 118,561,879 new Ordinary shares to entitled former shareholders of AUKT.

Subsequent to the Tender Offer and Merger there has been 1,900,000 Ordinary shares repurchased by the Company to be held in treasury, at a cost of £2,222,000. At the date of this Report there were 365,410,874 Ordinary shares in issue, comprising 330,291,705 shares with voting rights and an additional 35,119,169 shares held in treasury.

16. **Half-Yearly Report**

The financial information in this Report does not comprise statutory accounts within the meaning of Section 434 – 436 of the Companies Act 2006. The financial information for the year ended 30 September 2016 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified and contained no statement under Section 498 (2), (3) or (4) of the Companies Act 2006. The interim accounts have been prepared using the same accounting policies as the preceding annual accounts.

Ernst & Young LLP has reviewed the financial information for the six months ended 31 March 2017 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

17. This Half-Yearly Report was approved by the Board and authorised for issue on 20 June 2017.

Independent Auditor's Review

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2017 which comprises the Condensed Statement of Comprehensive Income, Condensed Statement of Financial Position, Condensed Statement of Changes in Equity, Condensed Statement of Cash Flows and related notes 1 to 17. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with Financial Reporting Council's Standard, FRS 104 "Interim Financial Reporting".

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 31 March 2017 is not prepared, in all material respects, in accordance with Financial Reporting Council's Standard, FRS 104 "Half-Yearly Financial Reports" and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London

20 June 2017

Investor Information

AIFMD and Pre-Investment Disclosure Report

Aberdeen Diversified Income and Growth Trust plc (the "Company") has appointed Aberdeen Fund Managers Limited as its alternative investment fund manager ("AIFM") and BNY Mellon as its depositary under the AIFMD. The AIFMD requires Aberdeen Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company, including details of the leverage and risk policies. The Company's Pre-Investment Disclosure Document is available for viewing on the Company's website at: aberdeendiversified.co.uk

Keeping You Informed

Information may be found on the Company's website, including the Company's share price, net asset value and performance data as well as London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports and the latest monthly factsheet issued by the Manager.

Shareholder Enquiries

In the event of queries regarding shareholdings, lost certificates dividend payments, registered details, etc shareholders holding their shares directly in the Company should contact the registrars, Computershare Investor Services (see Corporate Information for details). Changes of address must be notified to the registrars in writing.

If you have any general questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (see Corporate Information for details), send an email to inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

Dividend Tax Allowance

With effect from 6 April 2016 dividend tax credits were replaced by an annual £5,000 tax-free allowance on dividend income. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Investor Warning: Be alert to share fraud and boiler room scams

Aberdeen Group has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Asset Management or for third party firms. Aberdeen Group has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for Aberdeen Group and any third party making such offers/claims has no link with Aberdeen Group.

Aberdeen Group does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department using the details on page 32.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams: http://www.fca.org.uk/consumers/scams

How to buy shares in the Company

Direct

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through Aberdeen's Investment Plan for Children, Investment Trust Share Plan or Investment Trust ISA.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("AAM") operates an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Aberdeen Diversified Income and Growth Trust plc. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time.

Investor Information continued

Aberdeen Investment Trust Share Plan
AAM operates a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time.

Aberdeen Investment Trust ISA
AAM offers an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2017/2018.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held under the ISA. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer
You can choose to transfer previous tax year investments to us which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment trust of £250.

Nominee Accounts and Voting Rights
In common with other schemes of this type, all investments in AAM's Children's Plan, Investment Trust Share Plan and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

Literature Request Service
For literature and application forms for the Aberdeen Group's Investment Plan for Children, Share Plan, ISA or ISA Transfer please email aam@lit-request.com or contact:

Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex CM99 2DB

Telephone: 0500 00 00 40
(free when dialling from a UK landline)

Terms and conditions for the Aberdeen Group's managed savings products can also be found under the 'Literature' section of invtrusts.co.uk

Suitable for Retail/NMPI status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who wish to target a total portfolio return of LIBOR (London Interbank Offered Rate) plus 5.5 per cent. per annum (net of fees) over rolling five-year periods and who understand and are willing to accept the risks of exposure to investing via a flexible multi-asset approach. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs, and intends to continue to do so for the foreseeable future, so that the shares issued by Aberdeen Diversified Income and Growth Trust plc can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs").

The Company's shares are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are shares in an investment trust.

Online Dealing details

There are a number of other ways in which you can buy and hold shares in this investment company.

Online dealing
There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers may be found through internet search engines.

Discretionary private client stockbrokers
If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your

investments. To find a private client stockbroker visit the Wealth Management Association at thewma.co.uk

Financial advisers
To find an adviser who recommends on investment trusts, visit unbiased.co.uk

Regulation of stockbrokers
Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:
Tel: 0800 111 6768 or at fca.org.uk/firms/systems-reporting/register/search
Email: register@fca.org.uk

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

The information on pages 29 to 31 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Corporate Information

Directors

James M Long, TD (Chairman)
Kevin Ingram (Senior Independent Director)
Ian Russell (Audit Committee Chairman)
Tom Challenor
Jim Grover
Julian Sinclair
Paul Yates

Company Secretaries, Registered Office and Company Number

Aberdeen Asset Management PLC
7th Floor, 40 Princes Street
Edinburgh EH2 2BY

Registered in Scotland under Company Number SC3721

Website

aberdeendiversified.co.uk

United States Internal Revenue Service FATCA Registration Number ("GIIN")

E3M4K6.99999.SL.826

Legal Entity Identifier Number ("LEI")

2138003QINEGCHYGW702

Points of Contact

The Chairman or Company Secretaries at the Registered Office of the Company

Customer Services and AAM Children's Plan/Share Plan/ISA enquiries

Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Freephone: 0808 500 00 40
Brochure Request Line Freephone: 0808 500 4000
(open Monday – Friday, 9am – 5pm)

Email: inv.trusts@aberdeen-asset.com

Alternative Investment Fund Manager

Aberdeen Fund Managers Limited
Authorised and regulated by the Financial Conduct Authority

Investment Manager

Aberdeen Asset Managers Limited
Authorised and regulated by the Financial Conduct Authority

Registrars (for direct shareholders)

Computershare Investor Services PLC operates a secure online website where shareholdings can be managed quickly and easily, including changing address or arranging to pay dividends directly into a bank account or receive electronic communications:

www-uk.computershare.com/investor

Alternatively, please contact the registrars -

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

E-mail is available via the above website

Telephone: 0330 303 1184*
(UK calls cost 10p per minute plus network extras)
Lines are open 9.00am to 5.30pm Monday to Friday, excluding public holidays)

Independent Auditor

Ernst & Young LLP

Depositary

BNY Mellon Trust and Depositary (UK) Limited

Solicitors

Dickson Minto W.S.

Stockbrokers

Cenkos Securities plc
Authorised and regulated by the Financial Conduct Authority