

Company Number: 34871

**THE CITY OF LONDON INVESTMENT TRUST PLC**

**REPORT  
for the half year ended 31 December 2016  
(unaudited)**

[www.cityinvestmenttrust.com](http://www.cityinvestmenttrust.com)

**THE CITY OF LONDON INVESTMENT TRUST PLC**  
**Unaudited Results for the Half-Year Ended 31 December 2016**

**INVESTMENT OBJECTIVE**

The Company's objective is to provide long-term growth in income and capital, principally by investment in equities listed on the London Stock Exchange. The Board continues to recognise the importance of dividend income to shareholders.

**PERFORMANCE HIGHLIGHTS**

	<b>As at 31 December 2016</b>	<b>As at 30 June 2016</b>
Net asset value per ordinary share	<b>405.2p</b>	382.2p
Premium/(discount)	<b>0.2%</b>	(1.1%)
Net asset value per ordinary share (debt at fair value)	<b>399.7p</b>	378.6p
Premium/(discount) (debt at fair value)	<b>1.6%</b>	(0.1%)
Ordinary share price	<b>406.0p</b>	378.1p
Gearing (at par value)	<b>6.7%</b>	8.0%

<b>Dividend yields</b>	<b>As at 31 December 2016</b>	<b>As at 30 June 2016</b>
The City of London Investment Trust plc	<b>4.0%</b>	4.2%
AIC UK Equity Income Sector (Benchmark)	<b>3.6%</b>	3.9%
FTSE All-Share Index	<b>3.8%</b>	3.7%
UK Equity Income OEIC Sector	<b>4.3%</b>	4.8%

Sources: Morningstar for the AIC, Bloomberg

<b>Total return performance</b> (including dividends reinvested and excluding transaction costs)	<b>6 months</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years</b>
	%	%	%	%	%
Net asset value per ordinary share <sup>1</sup>	7.8	9.5	21.7	78.4	89.2
AIC UK Equity Income sector average – net asset value <sup>2</sup>	9.2	10.0	21.8	82.2	86.7
Ordinary share price	9.6	9.4	21.1	75.4	107.5
FTSE All-Share Index	12.0	16.8	19.3	61.8	71.8
UK Equity Income OEIC sector average <sup>3</sup>	11.7	8.9	19.2	70.5	63.0

Sources: Morningstar for the AIC, Henderson, Datastream

1. Using cum income fair value NAV for six months, one, three and five years and capital NAV plus income reinvested for ten years

2. AIC UK Equity Income sector size weighted average NAV total return (shareholders' funds)

3. The IA peer group average is based on mid-day NAV whereas the returns of the investment trust are calculated using close of business NAV

## **CHAIRMAN'S STATEMENT**

### **Net Asset Value Total Return**

During the six months to 31 December 2016, the UK economy grew stronger than many had expected following the referendum result. Consumer spending was the most important factor with the Bank of England cutting interest rates in August 2016 to 0.25%. Global growth was also robust and reflected in rising commodity prices. In particular, the oil price was helped by demand from China and a renewed commitment to restrict production from OPEC, the oil producing countries' cartel.

Against this economic background, the UK equity market was led by cyclical and commodity related sectors. City of London's net asset total return over the six months was 7.8% which was behind the average for the UK Equity Income Investment Trust sector of 9.2% and the FTSE All-Share Index of 12.0%. The two most important sector detractors from performance were below average exposure to mining and banks. Our overweight position in defensive sectors, such as utilities, also had an adverse effect during this period. Finally, the move to fair value our 4.53% secured notes 2029 reduced our return by 0.6%.

On the other hand, the underweight position in the pharmaceutical sector and the holdings in Ibstock (brick manufacturer), TUI (travel company) and Provident Financial (non-standard lender) were all notably positive contributors.

### **Earnings and Dividends**

City of London's revenue earnings per share rose by 0.6% to 6.76p. So far this financial year, City of London has declared two interim dividends of 4.05p each. City of London's diverse portfolio, strong cash flow and revenue reserves give the Board confidence that they will be able to increase the dividend for a fifty-first consecutive year. The quarterly rate will be reviewed by the Board before the third interim is declared in April 2017.

### **Expenses**

The ongoing charge which represents the investment management fee and other non-interest bearing expenses as a percentage of shareholders' funds remains low compared with most other equity products. The ongoing charge for the six months indicates a full year rate of 0.42% of net assets.

### **Material events and transactions during the period**

A total of 11.325 million new shares were issued in the six months to 31 December 2016 at a premium to net asset value. The proceeds were invested in a mixture of additions to existing investments as well as three new holdings. A notable addition was made to Lloyds Banking which moved over the six months from twentieth to ninth largest holding partly through share price appreciation. New holdings were purchased in Civitas (real estate investment trust specialising in social housing), Innogy (utility) and Smith & Nephew (developer and marketer of advanced medical devices). There were outright sales of Greencore (food manufacturer) after a strong share price performance while Rolls-Royce and Laird were sold after profit warnings.

No shares have been issued since the period end.

Overall, gearing was reduced over the six months by 1.3 percentage points to 6.7%.

### **Outlook for the six months to June 2017**

The effect of the fall in sterling on the cost of imports and the rise in commodity prices is likely to lead to an increase in UK inflation. On the other hand, uncertainty ahead of the UK's exit from the European Union could lead to reduced corporate investment which would have a negative effect on UK economic growth. In the US, President Trump may stimulate growth through tax cuts and infrastructure spending. However, the Federal Reserve is likely to continue to increase interest rates given the length of the current economic upswing.

City of London is predominantly invested in large capitalisation, UK listed companies with global operations. Given the uncertainties, the diversified nature of the portfolio should be an advantage. The dividend yield being generated and quality of these businesses gives us confidence for the future.

**Philip Remnant CBE**

**Chairman**

**16 February 2017**

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- Portfolio and market price
- Investment activity, gearing and performance
- Tax and regulatory
- Operational

Information on these risks and how they are managed are given in the Annual Report for the year ended 30 June 2016. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm that, to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with FRS 104 "Interim Financial Reporting";
- the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year); and
- the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

**For and on behalf of the Board**

**Philip Remnant CBE**

**Chairman**

**16 February 2017**

## INCOME STATEMENT

	(Unaudited) Half-year ended 31 December 2016			(Unaudited) Half-year ended 31 December 2015			(Audited) Year ended 30 June 2016		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	-	83,984	83,984	-	485	485	-	(10,641)	(10,641)
Income from investments held at fair value through profit or loss	24,411	-	24,411	23,269	-	23,269	60,219	-	60,219
Other interest receivable and similar income	165	-	165	91	-	91	216	-	216
<b>Gross revenue and capital gains</b>	<b>24,576</b>	<b>83,984</b>	<b>108,560</b>	23,360	485	23,845	60,435	(10,641)	49,794
Management fees	(725)	(1,692)	(2,417)	(656)	(1,530)	(2,186)	(1,326)	(3,093)	(4,419)
Other administrative expenses	(400)	-	(400)	(371)	-	(371)	(672)	-	(672)
<b>Net return before finance costs and taxation</b>	<b>23,451</b>	<b>82,292</b>	<b>105,743</b>	22,333	(1,045)	21,288	58,437	(13,734)	44,703
Finance costs	(920)	(1,961)	(2,881)	(957)	(2,048)	(3,005)	(1,916)	(4,103)	(6,019)
<b>Net return on ordinary activities before taxation</b>	<b>22,531</b>	<b>80,331</b>	<b>102,862</b>	21,376	(3,093)	18,283	56,521	(17,837)	38,684
Taxation on net return on ordinary activities	(245)	-	(245)	(169)	-	(169)	(845)	-	(845)
<b>Net return on ordinary activities after taxation</b>	<b>22,286</b>	<b>80,331</b>	<b>102,617</b>	21,207	(3,093)	18,114	55,676	(17,837)	37,839
<b>Return per ordinary share (note 2)</b>	<b>6.76p</b>	<b>24.38p</b>	<b>31.14p</b>	6.72p	(0.98p)	5.74p	17.42p	(5.58p)	11.84p

The columns of this statement headed "Total" represent the Company's Income Statement, prepared in accordance with FRS 104. The revenue and capital columns are supplementary to this and are published under guidance from the Association of Investment Companies.

The Company has no recognised gains or losses other than those disclosed in the Income Statement and Statement of Changes in Equity.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

Half-year ended 31 December 2016 (Unaudited)	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 July 2016	81,290	408,191	2,707	706,542	43,856	1,242,586
Net return on ordinary activities after taxation	-	-	-	80,331	22,286	102,617
Issue of 11,325,000 new ordinary shares	2,831	41,805	-	-	-	44,636
Fourth interim dividend (4.05p per share) for year ended 30 June 2016 paid 31 August 2016	-	-	-	-	(13,177)	(13,177)
First interim dividend (4.05p per share) for year ended 30 June 2017 paid 30 November 2016	-	-	-	-	(13,354)	(13,354)
<b>At 31 December 2016</b>	<b>84,121</b>	<b>449,996</b>	<b>2,707</b>	<b>786,873</b>	<b>39,611</b>	<b>1,363,308</b>
Half-year ended 31 December 2015 (Unaudited)	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 July 2015	76,921	346,149	2,707	724,379	38,356	1,188,512
Net return on ordinary activities after taxation	-	-	-	(3,093)	21,207	18,114
Issue of 13,075,000 new ordinary shares	3,269	46,936	-	-	-	50,205
Fourth interim dividend (3.90p per share) for year ended 30 June 2015 paid 28 August 2015	-	-	-	-	(12,119)	(12,119)
First interim dividend (3.90p per share) for year ended 30 June 2016 paid 30 November 2015	-	-	-	-	(12,376)	(12,376)
Reclaimed dividends from previous years	-	-	-	-	(12)	(12)
<b>At 31 December 2015</b>	<b>80,190</b>	<b>393,085</b>	<b>2,707</b>	<b>721,286</b>	<b>35,056</b>	<b>1,232,324</b>
Year ended 30 June 2016 (Audited)	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 July 2015	76,921	346,149	2,707	724,379	38,356	1,188,512
Net return on ordinary activities after taxation	-	-	-	(17,837)	55,676	37,839
Issue of 17,475,000 new ordinary shares	4,369	62,042	-	-	-	66,411
Fourth interim dividend (3.90p per share) for year ended 30 June 2015 paid 28 August 2015	-	-	-	-	(12,119)	(12,119)
First interim dividend (3.90p per share) for year ended 30 June 2016 paid 30 November 2015	-	-	-	-	(12,376)	(12,376)
Second interim dividend (3.90p per share) for year ended 30 June 2016 paid 29 February 2016	-	-	-	-	(12,560)	(12,560)
Third interim dividend (4.05p per share) for year ended 30 June 2016 paid 31 May 2016	-	-	-	-	(13,109)	(13,109)
Reclaimed dividends from previous years	-	-	-	-	(12)	(12)
<b>At 30 June 2016</b>	<b>81,290</b>	<b>408,191</b>	<b>2,707</b>	<b>706,542</b>	<b>43,856</b>	<b>1,242,586</b>

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

	(Unaudited) 31 December 2016 £'000	(Unaudited) 31 December 2015 £'000	(Audited) 30 June 2016 £'000
<b>Investments held at fair value through profit or loss</b> (note 5)			
Listed at market value in the United Kingdom	1,273,736	1,212,546	1,172,910
Listed at market value overseas	181,096	140,633	168,509
Investment in subsidiary undertakings	347	347	347
	<u>1,455,179</u>	<u>1,353,526</u>	<u>1,341,766</u>
<b>Current assets</b>			
Debtors	4,483	4,165	9,429
	<u>4,483</u>	<u>4,165</u>	<u>9,429</u>
<b>Creditors: amounts falling due within one year</b>	<b>(20,338)</b>	<b>(49,383)</b>	<b>(32,610)</b>
<b>Net current liabilities</b>	<b>(15,855)</b>	<b>(45,218)</b>	<b>(23,181)</b>
<b>Total assets less current liabilities</b>	<b>1,439,324</b>	<b>1,308,308</b>	<b>1,318,585</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>(76,016)</b>	<b>(75,984)</b>	<b>(75,999)</b>
<b>Net assets</b>	<b>1,363,308</b>	<b>1,232,324</b>	<b>1,242,586</b>
<b>Capital and reserves</b>			
Called-up share capital (note 3)	84,121	80,190	81,290
Share premium account	449,996	393,085	408,191
Capital redemption reserve	2,707	2,707	2,707
Other capital reserves	786,873	721,286	706,542
Revenue reserve	39,611	35,056	43,856
<b>Equity shareholders' funds</b>	<b>1,363,308</b>	<b>1,232,324</b>	<b>1,242,586</b>
<b>Net asset value per ordinary share - basic and diluted</b> (note 4)	<b>405.2p</b>	<b>384.2p</b>	<b>382.2p</b>

The accompanying notes are an integral part of these financial statements.

## NOTES

### 1. Accounting Policy – Basis of Preparation

The condensed set of financial statements has been prepared in accordance with FRS 104, Interim Financial Reporting, issued in March 2015, the reporting standard for half-year reporting that accompanies FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, which is effective for periods commencing on or after 1 January 2015, and the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ('the SORP') issued by the Association of Investment Companies November 2014. The Company has early adopted the amendments to FRS 102 in respect of fair value hierarchy disclosures as published in March 2016.

The condensed set of financial statements has been neither audited nor reviewed by the Company's auditors.

As an investment fund the Company has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all of the entity's investments are highly liquid and are carried at market value; and where a statement of changes in equity is provided.

### 2. Return per Ordinary Share

	(Unaudited) Half-year ended 31 December 2016 £'000	(Unaudited) Half-year ended 31 December 2015 £'000	(Audited) Year ended 30 June 2016 £'000
The return per ordinary share is based on the following figures:			
Revenue return	22,286	21,207	55,676
Capital return	80,331	(3,093)	(17,837)
<b>Total</b>	<b>102,617</b>	<b>18,114</b>	<b>37,839</b>
Weighted average number of ordinary shares in issue for each period			
	<b>329,532,287</b>	315,548,864	319,488,967
Revenue return per ordinary share	6.76p	6.72p	17.42p
Capital return per ordinary share	24.38p	(0.98p)	(5.58p)
<b>Total return per ordinary share</b>	<b>31.14p</b>	<b>5.74p</b>	<b>11.84p</b>

The Company does not have any dilutive securities, therefore, the basic and diluted returns per share are the same.

### 3. Share Capital

During the half-year ended 31 December 2016, 11,325,000 ordinary shares were issued for total proceeds of £44,636,000 (31 December 2015: 13,075,000 ordinary shares issued for total proceeds of £50,205,000; 30 June 2016: 17,475,000 ordinary shares issued for total proceeds of £66,411,000). The number of ordinary shares in issue at 31 December 2016 was 336,484,868.

### 4. Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £1,363,308,000 (31 December 2015: £1,232,324,000; 30 June 2016: £1,242,586,000) and on 336,484,868 ordinary shares (31 December 2015: 320,759,868; 30 June 2016: 325,159,868) being the number of ordinary shares at period end.

### 5. Financial instruments

The financial assets and financial liabilities are either carried in the statement of financial position at their fair value or the statement of financial position amount is a reasonable approximation of fair value (debtors and creditors falling due within one year). The debenture stock, secured notes, preference stock and preferred ordinary stock are carried in the statement of financial position at par.

At 31 December 2016, the fair value of the debenture stocks was £91,910,000 (31 December 2015: £84,490,000; 30 June 2016: £84,870,000) and the aggregate fair value of the preferred and preference stock was £2,615,000 (31 December 2015: £2,813,000; 30 June 2016: £2,725,000).



The valuations of the debenture stocks are obtained from brokers based on market prices. The valuations of the preferred and preference stock are from the Daily Official List quotations.

Since 30 September 2016, the 4.53% secured notes have been valued at fair value for the purpose of daily net asset value reporting. At 31 December 2016, the fair value of the secured notes was estimated to be £42,721,000. Under the previous valuation policy, the fair value of the secured notes as at 31 December 2015 and 30 June 2016 was deemed to be the par value of £35,000,000.

The debenture stock, preference stock and preferred ordinary stock are categorised as level 1 in the fair value hierarchy. The secured notes are categorised as level 3 in the fair value hierarchy.

The table below sets out fair value measurements of the investments using the FRS 102 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1: valued using quoted prices in active markets for identical assets;

Level 2: valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1; and

Level 3: valued by reference to valuation techniques using inputs that are not based on observable market data.

#### Financial assets at fair value through profit or loss at 31 December 2016

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,454,832	-	347	1,455,179
<b>Total financial assets carried at fair value</b>	<b>1,454,832</b>	<b>-</b>	<b>347</b>	<b>1,455,179</b>

#### Financial assets at fair value through profit or loss at 31 December 2015

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,353,179	-	347	1,353,526
<b>Total financial assets carried at fair value</b>	<b>1,353,179</b>	<b>-</b>	<b>347</b>	<b>1,353,526</b>

#### Financial assets at fair value through profit or loss at 30 June 2016

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,341,419	-	347	1,341,766
<b>Total financial assets carried at fair value</b>	<b>1,341,419</b>	<b>-</b>	<b>347</b>	<b>1,341,766</b>

The investments that were previously reported as Level A and Level C in 2015 under the initial FRS 102 fair value hierarchy have been categorised as Level 1 and Level 3 respectively under the amendments to FRS 102 issued in March 2016 that were applied for the 30 June 2016 year end.

The valuation techniques used by the Company are explained in the accounting policies note 1 in the Company's Annual Report for the year ended 30 June 2016.

## 6. Transaction Costs

Purchase transaction costs for the half-year ended 31 December 2016 were £319,000 (31 December 2015: £608,000; 30 June 2016: £873,000). These comprise mainly stamp duty and commissions. Sale transaction costs for the half-year ended 31 December 2016 were £34,000 (31 December 2015: £38,000; 30 June 2016: £84,000).

## 7. Dividends

A first interim dividend of 4.05p was paid on 30 November 2016. The second interim dividend of 4.05p (declared on 14 December 2016) will be paid on 28 February 2017 to shareholders on the register on 27 January 2017. The Company's shares went ex-dividend on 26 January 2017.

## 8. Related Party Transactions

Other than the relationship between the Company and its Directors, the provision of services by Henderson is the only related party arrangement currently in place. Other than fees payable by the Company in the ordinary course of business and the provision of marketing services, there have been no material transactions with this related party affecting the financial position of the Company during the period under review.

## 9. Going Concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Having assessed these factors and the principal risks, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

## 10. Comparative information

The financial information contained in this half-year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The figures and financial information for the year ended 30 June 2016 are extracted from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the Report of the Independent Auditors, which was unqualified and did not include a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 11. General Information

### Company Status

The City of London Investment Trust plc is a UK domiciled investment trust company.

The SEDOL/ISIN number is GB0001990497. The London Stock Exchange (TIDM) Code is CTY.

Global Intermediary Identification Number (GIIN) is S55HF7.99999.SL.826.

Legal Entity Identifier number (LEI) is 213800F3NOTF47H6AO55.

### Company Registration Number

UK: 00034871

New Zealand: 1215729

### Registered Office

UK: 201 Bishopsgate, London EC2M 3AE

### Directors and Secretary

The Directors of the Company are Philip Remnant CBE (Chairman), Samantha Wren (Audit Committee Chair), Simon Barratt (Senior Independent Director), David Brief and Martin Morgan.

The Corporate Secretary is Henderson Secretarial Services Limited, represented by Rachel Peat FCIS.

### Website

Details of the Company's share price and net asset value, together with general information about the Company, monthly fact sheets and data, copies of announcements, reports and details of general meetings can be found at [www.cityinvestmenttrust.com](http://www.cityinvestmenttrust.com)

## 12. Half-Year Report

An update, extracted from the Company's report for the half-year ended 31 December 2016, will be posted to shareholders in February 2017. Copies of the half-year announcement and the half-year update will be available on the website [www.cityinvestmenttrust.com](http://www.cityinvestmenttrust.com). Copies can also be requested thereafter from the Corporate Secretary at the Registered Office, 201 Bishopsgate, London EC2M 3AE.

## Forty Largest Investments

Company	Market value 31 December 2016 £'000	Company	Market value 31 December 2016 £'000
Royal Dutch Shell	73,517	Land Securities	19,430
British American Tobacco	65,867	Phoenix	19,286
HSBC	63,142	Rio Tinto	18,551
BP	43,464	Persimmon	17,532
Diageo	41,334	Schroders	17,069
Vodafone	38,506	Compass	16,907
Prudential	37,435	Sky	15,457
Unilever	31,186	Provident Financial	15,316
Lloyds Banking	31,157	Nestlé	14,751
GlaxoSmithKline	30,696	Croda International	14,535
RELX	29,911	Barclays	14,056
National Grid	29,232	British Land	13,690
SSE	26,845	Centrica	13,555
Verizon Communications	26,546	Segro	13,512
Imperial Brands	26,364	TUI	13,512
BAE Systems	23,114	Berkeley	13,387
BT	20,723	United Utilities	12,794
Taylor Wimpey	20,208	Standard Life	12,276
Reckitt Benckiser	20,195	Greene King	12,150
AstraZeneca	20,163	Pearson	12,111

**These investments total £999,482,000 or 68.7% of the portfolio**

Convertibles and all classes of equity in any one company are treated as one investment

## Sector exposure

As a percentage of the investment portfolio excluding cash

	%
Financials	25.2
Consumer Goods	19.0
Consumer Services	13.6
Industrials	9.0
Oil & Gas	8.1
Utilities	7.3
Telecommunications	6.9
Health Care	6.1
Basic Materials	3.8
Technology	1.0
<b>Total</b>	<b>100.0</b>