

# THE CITY OF LONDON INVESTMENT TRUST PLC

Update for the half-year ended 31 December 2019



**53**  
YEARS  
CONTINUOUS  
DIVIDEND GROWTH



MANAGED BY

**Janus Henderson**  
INVESTORS

# Investment Objective

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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.



This update contains material extracted from the unaudited half-year results of the Company for the six months ended 31 December 2019. The unabridged results for the half year are available on the Company's website: [www.cityinvestmenttrust.com](http://www.cityinvestmenttrust.com)

The image on the front cover and above is based on the Royal Exchange, London

# Performance Highlights

## NAV per ordinary share

31 Dec 2019 **435.7p** 30 Jun 2019 **421.2p**

## Ordinary share price

31 Dec 2019 **443.5p** 30 Jun 2019 **425.5p**

## NAV per ordinary share (debt at fair value)

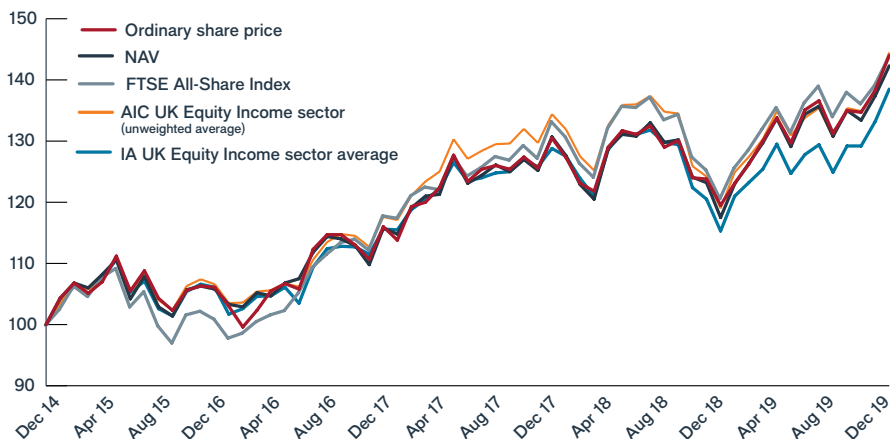
31 Dec 2019 **431.0p** 30 Jun 2019 **416.3p**

## Dividend yield

31 Dec 2019 **4.4%** 30 Jun 2019 **4.4%**

## Total return performance for the five years to 31 December 2019

(rebased to 100)



Source: Janus Henderson.

## Total return performance to 31 December 2019 (including dividends reinvested and excluding transaction costs)

	6 months %	1 year %	3 years %	5 years %	10 years %
Net asset value per ordinary share <sup>1</sup>	5.9	21.1	22.9	42.3	163.5
FTSE All-Share Index	5.5	19.2	22.0	43.8	118.3
AIC UK Equity Income sector average – net asset value <sup>2</sup>	7.5	20.8	22.8	43.3	160.8
Ordinary share price	6.6	20.5	24.2	44.0	177.0
IA UK Equity Income OEIC sector average <sup>3</sup>	8.3	20.1	19.8	38.5	127.3

Sources: Morningstar for the AIC, Janus Henderson, Datastream.

<sup>1</sup> Using cum income fair value net asset value ("NAV")

<sup>2</sup> AIC UK Equity Income sector size weighted average NAV total return (shareholders' funds)

<sup>3</sup> The Investment Association ("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

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## Net asset value total return

Despite slowing economic growth, the UK equity market performed well during the second half of 2019. The victory by the Conservatives in the December general election was an important factor, but other significant influences were the three cuts in US interest rates and the strong performance of shares on Wall Street.

City of London's net asset value total return for the six months was 5.9%, which was ahead of the FTSE All-Share Index's total return of 5.5%. The biggest sector contributor relative to the Index was having a below average exposure to the oil sector, although Royal Dutch Shell and BP are large holdings in the portfolio. The second biggest contributing sector was housebuilding, with strong performances from our holdings in Taylor Wimpey and Persimmon. The top stock contributor was the pub group, Greene King, which was taken over by CK Asset Holdings of Hong Kong. The biggest sector detractor was having a below average exposure to the pharmaceutical sector, where the underweight position in AstraZeneca was the largest stock detractor. The next biggest stock detractor was not holding London Stock Exchange followed by the holding in Hiscox which gave back some ground after significant long-term performance.

Sterling strengthened against both the US dollar and the euro over the six-month period and confidence in UK domestic stocks improved. As a result, the more domestic FTSE Mid 250 Index of medium-sized companies outperformed with a total return of 14.1%. The FTSE 100 Index of the largest companies, which is more international, returned 3.7%. City of London has a greater proportion of its portfolio in large companies than competitors in the AIC UK Equity Income sector and therefore underperformed the sector average over this six-month period.

## Earnings and dividends

City of London's revenue earnings per share rose by 4.8% compared with the same period last year. So far this financial year, the Company has declared two interim dividends of 4.75p each. City of London's diverse portfolio, strong cash flow and revenue reserve give the Board confidence that it will be able to increase the dividend for a fifty-fourth consecutive year. The quarterly rate will be reviewed by the Board before the third interim is declared in April 2020.

## Expenses

As a result of the new management fee rate of 0.325% of net assets, which took effect from 1 January 2019, our ongoing charge for the year to 30 June 2019 was 0.39%, down from 0.41% for the previous year. With the new fee rate in place over the full twelve months of our current financial year, to 30 June 2020, the Board expects a further reduction in the ongoing charge.

## Material events and transactions during the period

A total of 18,185,000 new shares for proceeds of £76.3 million were issued in the six months to 31 December 2019 at a premium to net asset value.

The proceeds were invested in a mixture of additions to existing holdings as well as three new holdings, of which two are focused on the UK domestic economy. Wm Morrison Supermarkets has a good record of free cash flow generation, strong balance sheet and a differentiated strategy including some of its own food manufacturing. Royal Bank of Scotland, which now has strong capital ratios, should be a particular beneficiary of improving UK economic growth. The third new holding was La Française des Jeux, which is the operator of the French national lottery, with a 25-year license, and has good cash flow characteristics. In addition, M&G, the UK asset manager and life assurer, entered the portfolio

# Chairman's Statement (continued)

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after its demerger from Prudential. There were four complete sales of holdings: from the travel & leisure sector, Greene King and TUI; and from the support services sector, De La Rue and Connect Group.

Since the period end, to 12 February 2020, a further 5,325,000 shares for proceeds of £23.3 million have been issued.

Gearing, which was 7.9% at 30 June 2019, remained in a close range over the six months and ended the period at 7.7%. At 31 December 2019, all the fixed rate borrowings were fully invested and £10 million of the £120 million bank facility was drawn down.

## The Board

Simon Barratt retired as a Director on 1 January 2020. I would like to thank Simon for his wise counsel over the past nine years. We announced on 24 October 2019 that Sir Laurie Magnus will join the Board on 1 March 2020. He is a Senior Advisor at Evercore Partners, an investment banking group, and has over 40 years' experience in the corporate finance advisory business. It is the Board's intention that Sir Laurie will become City of London's Chairman following my retirement at the Annual General Meeting in October 2020.

## Outlook for the six months to 30 June 2020

The end of the UK's political paralysis is likely to lead to improved business and consumer confidence. While Brexit is settled with the UK having left the European Union, the future trading relationship is unclear and this uncertainty might be a brake on investment intentions and the more optimistic outlook.

There is some limited scope for further interest rate cuts for the UK, but further stimulus to economic growth could come from an expanding fiscal deficit, especially given pledges made in the Conservative election manifesto. Globally, growth could continue to be lacklustre, partly because of tensions over tariffs and the spread of the coronavirus. In addition, monetary policy has probably reached the limits of its effectiveness given historically low interest rates in many countries.

While UK equities have performed well in 2019, this only recovers the losses from 2018. In our view, the UK equity market's valuation is supportive, with its dividend yield better than that of most other leading equity markets, yields in most areas of fixed interest and bank deposit rates.

**Philip Remnant CBE**

**Chairman**

**13 February 2020**

# Financial Summary

Extract from Income Statement (Unaudited)	Half-year ended			
	31 Dec 2019 Revenue return £'000	31 Dec 2019 Capital return £'000	31 Dec 2019 Total £'000	31 Dec 2018 Total £'000
Gains/(losses) on investments	-	65,349	<b>65,349</b>	(180,861)
Income from investments	35,645	-	<b>35,645</b>	31,871
Other income	116	-	<b>116</b>	131
Gross revenue and capital gains/(losses)	35,761	65,349	<b>101,110</b>	(148,859)
Expenses, finance costs and taxation	(2,688)	(4,283)	<b>(6,971)</b>	(7,002)
Net return/(loss) after taxation	33,073	61,066	<b>94,139</b>	(155,861)
<b>Return/(loss) per ordinary share – basic and diluted</b>	8.59p	15.86p	<b>24.45p</b>	(43.59p)

Extract from Statement of Financial Position (Unaudited except June 2019 figures)	31 Dec 2019 £'000	31 Dec 2018 £'000	30 June 2019 £'000
Investments held at fair value through profit or loss	<b>1,862,969</b>	1,522,776	1,721,897
Net liabilities	<b>(133,135)</b>	(162,421)	(126,174)
Net assets	<b>1,729,834</b>	1,360,355	1,595,723
<b>Net asset value per ordinary share – basic and diluted</b>	<b>435.7p</b>	376.6p	421.2p

## Dividends

A first interim dividend of 4.75p per ordinary share was paid on 29 November 2019. The second interim dividend of 4.75p per ordinary share (declared on 19 December 2019) will be paid on 28 February 2020 to shareholders on the register on 24 January 2020. The Company's shares went ex-dividend on 23 January 2020.

## Share Capital

During the half-year ended 31 December 2019, 18,185,000 ordinary shares were issued for total proceeds of £76,325,000 (half-year ended 31 December 2018: 6,825,000 ordinary shares issued for total proceeds of £27,713,000; year ended 30 June 2019: 24,425,000 ordinary shares issued for total proceeds of £99,116,000). The number of ordinary shares in issue at 31 December 2019 was 397,019,868.

# Portfolio Information at 31 December 2019

## Forty largest investments

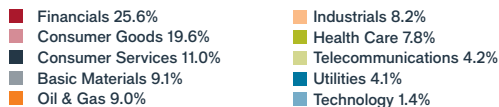
Company	Market Value 31 December 2019 £'000	Company	Market Value 31 December 2019 £'000
Royal Dutch Shell	108,074	National Grid	30,258
HSBC	69,252	Barclays	30,180
Diageo	63,364	Land Securities	29,700
Lloyds Banking	59,000	Schroders	26,460
British American Tobacco	58,813	Compass	25,137
BP	58,714	Anglo American	24,628
GlaxoSmithKline	56,928	Croda International	22,973
Unilever	50,564	SSE	22,441
RELX	48,312	Nestlé	22,159
Prudential	43,527	Vodafone	21,646
Taylor Wimpey	40,614	Merck	18,034
Rio Tinto	39,852	Imperial Brands	17,662
BAE Systems	33,888	British Land	17,567
Phoenix	32,503	Ibstock	17,493
Verizon Communications	32,417	Novartis	17,048
BHP	31,676	Ferguson	16,461
Reckitt Benckiser	30,645	Severn Trent	16,348
Persimmon	30,588	Segro	16,150
AstraZeneca	30,428	Hiscox	16,112
St James's Place	30,277	Coca-Cola	15,886

These investments total £1,373,779,000 or 73.8% 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.



Source: Janus Henderson.

# Portfolio Information at 31 December 2019

## Classification of investments by sector

	Market Value 31 Dec 2019 £'000
<b>OIL &amp; GAS</b>	
<b>Oil &amp; Gas Producers</b>	
Royal Dutch Shell	108,074
BP	58,714
	<b>166,788</b>
<b>Total Oil &amp; Gas</b>	<b>166,788</b>

<b>BASIC MATERIALS</b>	
<b>Chemicals</b>	
Croda International	22,973
Victrex	6,484
Johnson Matthey	6,056
	<b>35,513</b>
<b>Construction &amp; Materials</b>	
Ibstock	17,493
Marshalls	8,670
	<b>26,163</b>
<b>Forestry &amp; Paper</b>	
Mondi	12,370
	<b>12,370</b>
<b>Mining</b>	
Rio Tinto	39,852
BHP	31,676
Anglo American	24,628
	<b>96,156</b>
<b>Total Basic Materials</b>	<b>170,202</b>

<b>INDUSTRIALS</b>	
<b>Aerospace &amp; Defence</b>	
BAE Systems	33,888
Meggitt	12,671
Senior	3,631
	<b>50,190</b>

	Market Value 31 Dec 2019 £'000
<b>INDUSTRIALS (continued)</b>	
<b>Electronic &amp; Electrical Equipment</b>	
Halma	10,051
XP Power	6,200
Renishaw	5,087
	<b>21,338</b>
<b>General Industrials</b>	
Siemens <sup>1</sup>	9,398
Smiths	8,525
Swire Pacific <sup>1</sup>	7,088
	<b>25,011</b>
<b>Industrial Engineering</b>	
IMI	11,372
Spirax-Sarco Engineering	10,846
Rotork	5,862
	<b>28,080</b>
<b>Industrial Transportation</b>	
Royal Mail	4,526
	<b>4,526</b>
<b>Support Services</b>	
Ferguson	16,461
Paypoint	6,072
	<b>22,533</b>
<b>Total Industrials</b>	<b>151,678</b>

<b>CONSUMER GOODS</b>	
<b>Beverages</b>	
Diageo	63,364
Coca-Cola <sup>1</sup>	15,886
Britvic	12,909
	<b>92,159</b>
<b>Food Producers</b>	
Nestlé <sup>1</sup>	22,159
Tate & Lyle	12,665
	<b>34,824</b>



# Portfolio Information (continued)

	Market Value 31 Dec 2019 £'000
<b>CONSUMER GOODS (continued)</b>	
<b>Household Goods &amp; Home Construction</b>	
Taylor Wimpey	40,614
Reckitt Benckiser	30,645
Persimmon	30,588
Berkeley	9,718
	<b>111,565</b>
<b>Personal goods</b>	
Unilever	50,564
	<b>50,564</b>
<b>Tobacco</b>	
British American Tobacco	58,813
Imperial Brands	17,662
	<b>76,475</b>
<b>Total Consumer Goods</b>	<b>365,587</b>

<b>HEALTH CARE</b>	
<b>Health Care Equipment &amp; Services</b>	
Smith & Nephew	13,595
	<b>13,595</b>
<b>Pharmaceuticals &amp; Biotechnology</b>	
GlaxoSmithKline	56,928
AstraZeneca	30,428
Merck <sup>1</sup>	18,034
Novartis <sup>1</sup>	17,048
Johnson & Johnson <sup>1</sup>	10,099
	<b>132,537</b>
<b>Total Health Care</b>	<b>146,132</b>

<b>CONSUMER SERVICES</b>	
<b>Food &amp; Drug Retailers</b>	
J. Sainsbury	11,955
Greggs	9,422
Wm Morrison	9,091
	<b>30,468</b>

	Market Value 31 Dec 2019 £'000
<b>CONSUMER SERVICES (continued)</b>	
<b>General Retailers</b>	
Kingfisher	7,163
DFS	4,624
Halfords	2,878
Marks & Spencer	2,562
	<b>17,227</b>
<b>Media</b>	
RELX	48,312
ITV	6,251
Daily Mail & General	4,145
	<b>58,708</b>
<b>Travel &amp; Leisure</b>	
Compass	25,137
Carnival	14,576
Whitbread	13,210
Ten Entertainment	9,433
Française des Jeux <sup>1</sup>	9,084
Go-Ahead	7,812
National Express	7,748
Young	4,927
Cineworld	4,628
William Hill	2,381
	<b>98,936</b>
<b>Total Consumer Services</b>	<b>205,339</b>

<b>TELECOMMUNICATIONS</b>	
<b>Fixed Line Telecommunications</b>	
Verizon Communications <sup>1</sup>	32,417
BT	12,028
	<b>44,445</b>
<b>Mobile Telecommunications</b>	
Vodafone	21,646
Orange <sup>1</sup>	7,782
Deutsche Telekom <sup>1</sup>	4,335
	<b>33,763</b>
<b>Total Telecommunications</b>	<b>78,208</b>

# Portfolio Information (continued)

	Market Value 31 Dec 2019 £'000
<b>UTILITIES</b>	
<b>Electricity</b>	
SSE	22,441
	<b>22,441</b>
<b>Gas, Water &amp; Multi-utilities</b>	
National Grid	30,258
Severn Trent	16,348
United Utilities	7,217
	<b>53,823</b>
<b>Total Utilities</b>	<b>76,264</b>
<b>FINANCIALS</b>	
<b>Banks</b>	
HSBC	69,252
Lloyds Banking	59,000
Barclays	30,180
Royal Bank of Scotland	12,616
Nationwide Building Society 10.25% Var Perp CCDS	10,833
	<b>181,881</b>
<b>Financial Services</b>	
Schroders	26,460
Brewin Dolphin	14,150
M&G	10,437
TP ICAP	7,825
IG	6,185
	<b>65,057</b>
<b>Life Insurance</b>	
Prudential	43,527
Phoenix	32,503
St James's Place	30,277
Aviva	5,443
	<b>111,750</b>

	Market Value 31 Dec 2019 £'000
<b>FINANCIALS (continued)</b>	
<b>Non Life Insurance</b>	
Hiscox	16,112
Direct Line Insurance	13,265
Munich Re <sup>1</sup>	10,276
Sabre Insurance	9,338
	<b>48,991</b>
<b>Real Estate Investment Trusts</b>	
Land Securities	29,700
British Land	17,567
Segro	16,150
Hammerson	5,557
	<b>68,974</b>
<b>Total Financials</b>	<b>476,653</b>

<b>TECHNOLOGY</b>	
<b>Software &amp; Computer Services</b>	
Microsoft <sup>1</sup>	14,042
Sage	11,729
	<b>25,771</b>
<b>Total Technology</b>	<b>25,771</b>

<b>TOTAL INVESTMENTS</b>	<b>1,862,622</b>
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<sup>1</sup> Overseas listed

# Financial Summary

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## 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 2019. 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.

## Related Party Transactions

Other than the relationship between the Company and its Directors, the provision of services by Janus 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.

## 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 twelve 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.

## 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**  
**13 February 2020**

The City of London Investment Trust plc  
201 Bishopsgate  
London EC2M 3AE

MANAGED BY  
**Janus Henderson**  
INVESTORS

**aic**  
The Association of  
Investment Companies



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