

The City of London Investment Trust plc

Update for the half-year ended 31 December 2020



MANAGED BY
Janus Henderson
INVESTORS

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.

This update contains material extracted from the unaudited half-year results of the Company for the six months ended 31 December 2020. The unabridged results for the half year are available on the Company's website:

www.cityinvestmenttrust.com

Performance

NAV per ordinary share

31 Dec 2020 30 June 2020
357.4p 344.0p

NAV per ordinary share (debt at fair value)

31 Dec 2020 30 June 2020
351.2p 338.7p

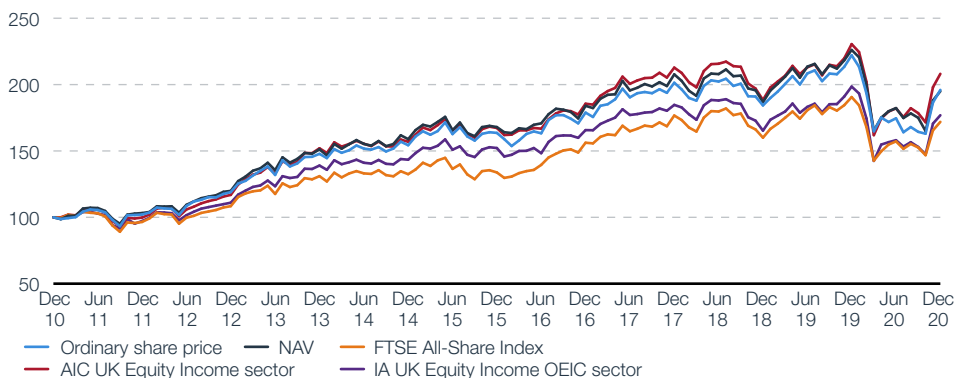
Ordinary share price

31 Dec 2020 30 June 2020
370.5p 340.0p

Dividend yield

31 Dec 2020 30 June 2020
5.4% 5.6%

Total Return Performance for 10 years to 31 December 2020 (rebased to 100)



Total Return Performance to 31 December 2020 (including dividends reinvested)

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV ¹	6.9	-13.8	-6.1	16.0	95.0
Share price ²	12.3	-11.8	-2.7	19.8	96.0
FTSE All-Share Index (Benchmark)	9.3	-9.8	-2.7	28.5	71.9
AIC UK Equity Income sector ³	12.0	-9.7	-1.1	24.7	100.9
IA UK Equity Income OEIC sector ⁴	11.9	-10.9	-4.3	16.2	76.9

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

1 Net asset value ("NAV") per ordinary share total return with debt at fair value

2 Share price total return using mid-market closing price

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

4 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

Net Asset Value Total Return

The UK equity market fell slightly over the first four months of the period under review, with the outlook uncertain for many companies due to the Covid-19 virus. A strong rally took place in the final two months of the period after newly developed vaccines were revealed to be effective against the virus. The FTSE All-Share Index recovered all of its losses from the first four months to produce a total return of 9.3% for the six months to 31 December 2020.

City of London's net asset value total return of 6.9% lagged the FTSE All-Share Index over the six month period. While gearing contributed positively by 0.7%, stock selection was negative by 3.0%. The biggest detracting sector was not holding equity investment instruments, especially Scottish Mortgage, followed by being underweight in travel & leisure, including not holding Flutter Entertainment. The third biggest detracting sector was our above average exposure to gas, water & multi-utilities. In general, some of the portfolio's more defensive holdings were underperformers, such as Nestlé (food manufacturer), Verizon Communications (US telecommunications operator) and RELX (information provider).

On a more positive note, the underweight positions in pharmaceuticals and oil & gas were the two biggest sector contributors followed by our holdings in real estate investment trusts, which recovered well in the last two months of the year. It was also pleasing to note strong stock contributions from M&G (life insurer and asset manager), Croda (chemicals) and La Française des Jeux (French National Lottery operator).

UK medium-sized and small companies, which are in general more domestic and cyclical, significantly outperformed UK large companies over the six months to 31 December 2020. The FTSE 250 Index of medium-sized companies produced a total return of 21.0% and the FTSE Small Cap Index 25.7%, while the FTSE 100 Index was 6.4%. This outperformance occurred despite dividend cuts

being even more severe among medium-sized and small companies compared with FTSE 100 companies. City of London's relatively high FTSE 100 weighting and the defensive bias of its portfolio led to a total return underperformance over the six months compared with the averages of other UK equity income investment trusts and OEICs.

Earnings and Dividends

Against the background of a significantly lower dividend base across the UK market compared with the same period last year, City of London's revenue earnings per share fell by 15.6%. Compared to our experience during the first half of 2020, when our earnings fell by 38.2% compared with the same period the previous year, there was a significant improvement with a number of investee companies returning to the dividend list, such as BAE Systems (aerospace and defence), Persimmon (housebuilder) and Direct Line Insurance. So far this financial year, City of London 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 the fifty-fifth consecutive year. The quarterly rate will be reviewed by the Board before the third interim dividend is declared in March 2021.

Expenses

Expenses remain under tight control. The ongoing charge ratio is expected to remain around 0.36% for the year to 30 June 2021. There will, however, be a drop in interest costs following the redemption of our last debenture of £30 million, with a fixed interest rate of 8.5%, on 31 January 2021.

Material Events and Transactions during the Period

During September 2020, 1,175,000 shares were bought back into treasury, at a discount to net asset value, for a total cost of £3,736,000. These were then reissued, at a premium to net asset value, for total proceeds of £3,860,000. A further

Chairman's Statement

5,445,000 ordinary shares were issued at a premium to net asset value for total proceeds of £19,622,000.

The proceeds were predominantly invested in existing holdings in the portfolio considered to offer a realistic share price valuation relative to prospects and above average dividend yields. Areas of notable additions were: aerospace & defence (BAE Systems), financials (Direct Line Insurance, Legal & General, M&G and IG Group), tobacco (British American Tobacco and Imperial Brands) and utilities (SSE). One new holding was purchased, which was Cisco, the leading maker of network equipment for the internet.

Complete sales were made of Halma (health and safety equipment), Renishaw (precision measuring instruments) and Spirax-Sarco Engineering. All three stocks have performed exceptionally well over the period they have been in the portfolio, but their prospects were considered to be more than fully reflected in their share price valuations. Complete sales were also made of Greggs and National Express (bus and coach operator) given what was considered to be slow recovery prospects due to the pandemic. A complete sale was also made of TP ICAP (wholesale financial intermediary) following its change in corporate strategy. Overall, the number of holdings in the portfolio fell from 90 (at 30 June 2020) to 85 (at 31 December 2020).

The Board

Philip Remnant retired as Chairman at the conclusion of the Annual General Meeting on 27 October 2020 after nine years on the Board. It was unfortunate that the lockdown rules prevented shareholders from attending the Annual General Meeting in person, as I am sure that they would have wished to join the Board in thanking Philip for his outstanding leadership of the Company.

Martin Morgan will be retiring as a Director at the Annual General Meeting later this year, having served for nine years, and the Board will be starting a process to appoint a new Director shortly.

Outlook for the Six Months to 30 June 2021

The roll-out of three vaccines against the Covid-19 virus is very encouraging and provides "light at the end of the tunnel". It is unlikely, however, that there will be a smooth path to herd immunity for the UK or globally given current limitations to the supply of the vaccines and the apparent scope for the virus to mutate.

Governments and central banks have responded to the enforced lockdowns of economies as a result of Covid-19 with unprecedented fiscal and monetary easing. It is likely that, after a contraction in the first quarter of 2021, the UK and global economy will recover sharply over the rest of the year, with consumer demand bolstered by running down the high savings ratios accumulated while economic activity was restricted. The scale of the lockdowns could still leave deep scarring in some sectors, such as travel and hospitality, with the resumption of dividends some way off. City of London's portfolio remains biased towards large companies with defensive and cash generative qualities.

The UK's trade deal with the EU at the end of 2020 removed an uncertainty and may improve sentiment towards UK equities from global investors. While interest rates remain at a rock bottom level, UK equities offer a much more attractive yield and have scope to build on recent capital appreciation if expectations for profits and dividends are met.

Sir Laurie Magnus
Chairman
18 February 2021

Financial Summary

Half year ended

Extract from Income Statement (Unaudited)	Half year ended			
	31 December 2020 Revenue return £'000	31 December 2020 Capital return £'000	31 December 2020 Total £'000	31 December 2019 Total £'000
Gains on investments	–	68,598	68,598	65,349
Income from investments	32,496	–	32,496	35,645
Other income	154	–	154	116
Gross revenue and capital gains	32,650	68,598	101,248	101,110
Expenses, finance costs and taxation	(2,399)	(3,711)	(6,110)	(6,971)
Net return after taxation	30,251	64,887	95,138	94,139
Return per ordinary share – basic and diluted	7.25p	15.56p	22.81p	24.45p¹

¹ For the half year ended 31 December 2019, the revenue return per share was 8.59p and the capital return per share was 15.86p

Extract from Statement of Financial Position (Unaudited except June 2020 figures)	31 December 2020 £'000		
	31 December 2019 £'000	30 June 2020 £'000	30 June 2020 £'000
Investments held at fair value through profit or loss	1,637,961	1,862,969	1,571,371
Net liabilities	(130,321)	(133,135)	(139,112)
Net assets	1,507,640	1,729,834	1,432,259
Net asset value per ordinary share – basic and diluted	357.4p	435.7p	344.0p

Dividends

A first interim dividend of 4.75p per ordinary share was paid on 30 November 2020. The second interim dividend of 4.75p per ordinary share (declared on 15 December 2020) will be paid on 26 February 2021 to shareholders on the register on 29 January 2021. The Company's shares went ex-dividend on 28 January 2021.

Share Capital and Reserves

During the half-year ended 31 December 2020, 1,175,000 ordinary shares were bought back into treasury for a total cost of £3,736,000. These shares were then re-issued for total proceeds of £3,860,000 and a further 5,445,000 new ordinary shares were issued for total proceeds of £19,622,000 (half-year ended 31 December 2019: 18,185,000 ordinary shares issued for total proceeds of £76,325,000; year ended 30 June 2020: 37,570,000 ordinary shares issued for total proceeds of £148,648,000). The number of ordinary shares in issue at 31 December 2020 was 421,849,868. There are no shares in treasury. At 31 December 2020, the Company's revenue reserve was £36,371,000 (31 December 2019: £54,979,000; 30 June 2020: £45,623,000), capital reserve arising on investments sold was £300,424,000 (31 December 2019: £341,539,000; 30 June 2020: £271,839,000), both of which are distributable; and the capital reserve arising on revaluation of investments held was £291,324,000 (31 December 2019: £545,864,000; 30 June 2020: £255,022,000), which is not distributable.

Portfolio Information at 31 December 2020

Forty Largest Investments

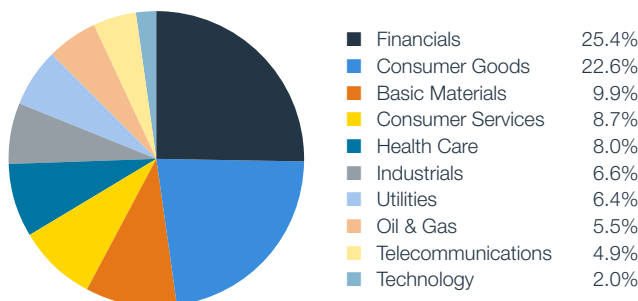
Company	Market value 31 December 2020 £'000	Company	Market value 31 December 2020 £'000
British American Tobacco	69,325	Anglo American	28,618
Diageo	56,979	St. James's Place	28,054
Unilever	54,241	Tesco	26,842
Rio Tinto	49,777	Vodafone	26,607
Royal Dutch Shell	47,942	Schroders	26,277
RELX	45,695	Nestlé	25,886
GlaxoSmithKline	42,944	Persimmon	23,519
M&G	38,600	Barclays	22,002
HSBC	37,506	Direct Line Insurance	21,851
Imperial Brands	36,852	Taylor Wimpey	21,305
BHP	35,280	IG	20,688
SSE	34,500	Lloyds Banking	20,406
National Grid	34,168	Land Securities	20,214
Phoenix	33,979	Ferguson	19,545
Reckitt Benckiser	32,710	Legal & General	18,634
BAE Systems	32,261	Novartis	18,205
BP	31,723	Wm Morrison	17,735
Prudential	31,655	Severn Trent	17,167
Verizon Communications	30,060	Segro	17,057
AstraZeneca	29,296	Munich Re	16,817

These investments total £1,242,922,000 or 75.9% 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 2020

Sector Breakdown of Investments

	Market value 31 December 2020 £'000
OIL & GAS	
Oil & Gas Producers	
Royal Dutch Shell	47,942
BP	31,723
Total ¹	11,059
	90,724

Total Oil & Gas	90,724
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BASIC MATERIALS

Chemicals

Croda International	7,585
Victrex	6,100
Johnson Matthey	4,365
	18,050

Construction & Materials

lbstock	11,473
Marshalls	6,952
	18,425

Forestry & Paper

Mondi	11,177
	11,177

Mining

Rio Tinto	49,777
BHP	35,280
Anglo American	28,618
	113,675

Total Basic Materials	161,327
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INDUSTRIALS

Aerospace & Defence

BAE Systems	32,261
Meggitt	2,426
	34,687

Electronic & Electrical Equipment

XP Power	9,380
	9,380

General Industrials

Siemens ¹	9,993
Smiths	7,603
Swire Pacific ¹	4,100
	21,696

Industrial Engineering

IMI	10,881
Rotork	5,565
	16,446

Support Services

Ferguson	19,545
Paypoint	5,559
	25,104

Total Industrials	107,313
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CONSUMER GOODS

Beverages

Diageo	56,979
Coca-Cola ¹	15,251
Britvic	8,120
	80,350

Food Producers

Nestlé ¹	25,886
Tate & Lyle	15,174
	41,060

Portfolio Information (continued)

Sector Breakdown of Investments (continued)

	Market value 31 December 2020 £'000	Market value 31 December 2020 £'000
Household Goods & Home Construction		
Reckitt Benckiser	32,710	
Persimmon	23,519	
Taylor Wimpey	21,305	
Berkeley	11,144	
	88,678	
Personal Goods		
Unilever	54,241	
	54,241	
Tobacco		
British American Tobacco	69,325	
Imperial Brands	36,852	
	106,177	
Total Consumer Goods	370,506	
HEALTH CARE		
Health Care Equipment & Services		
Smith & Nephew	11,203	
	11,203	
Pharmaceuticals & Biotechnology		
GlaxoSmithKline	42,944	
AstraZeneca	29,296	
Novartis ¹	18,205	
Merck ¹	16,749	
Johnson & Johnson ¹	11,962	
	119,156	
Total Health Care	130,359	
CONSUMER SERVICES		
Food & Drug Retailers		
Tesco	26,842	
Wm Morrison	17,735	
	44,577	
General Retailers		
Kingfisher	7,842	
Halfords	5,874	
DFS	3,520	
	17,236	
Media		
RELX	45,695	
Daily Mail & General	3,725	
ITV	2,884	
	52,304	
Travel & Leisure		
La Française des Jeux ¹	15,068	
Ten Entertainment	6,255	
Young	3,026	
Go-Ahead	2,363	
Carnival	2,119	
	28,831	
Total Consumer Services	142,948	
TELECOMMUNICATIONS		
Fixed Line Telecommunications		
Verizon Communications ¹	30,060	
	30,060	

Portfolio Information (continued)

Sector Breakdown of Investments (continued)

	Market value 31 December 2020 £'000	Market value 31 December 2020 £'000
Mobile Telecommunications		
Vodafone	26,607	
Orange ¹	11,760	
Deutsche Telekom ¹	11,713	
	50,080	
Total Telecommunications	80,140	
UTILITIES		
Electricity		
SSE	34,500	
	34,500	
Gas, Water & Multi-utilities		
National Grid	34,168	
Severn Trent	17,167	
United Utilities	9,666	
Pennon	9,421	
	70,422	
Total Utilities	104,922	
FINANCIALS		
Banks		
HSBC	37,506	
Barclays	22,002	
Lloyds Banking	20,406	
Nationwide Building Society		
10.25% Var Perp CCDS	11,552	
	91,466	
Financial Services		
M&G	38,600	
Schroders	26,277	
IG	20,688	
Brewin Dolphin	13,115	
	98,680	
Life Insurance		
Phoenix		33,979
Prudential		31,655
St. James's Place		28,054
Legal & General		18,634
		112,322
Non-life Insurance		
Direct Line Insurance		21,851
Munich Re ¹		16,817
Hiscox		11,247
Sabre Insurance		9,213
		59,128
Real Estate Investment Trusts		
Land Securities		20,214
Segro		17,057
British Land		13,447
Hammerson		3,512
		54,230
Total Financials		415,826
TECHNOLOGY		
Software & Computer Services		
Microsoft ¹		16,254
Sage		9,114
		25,368
Technology Hardware & Equipment		
Cisco Systems ¹		8,181
		8,181
Total Technology		33,549
TOTAL INVESTMENTS		1,637,614

1 Overseas listed

Financial Summary

Principal Risks and Uncertainties

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

- Global pandemic
- Portfolio and market price
- Dividend income
- 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 2020. In the view of the Board, the principal risks and uncertainties at the year end remain and 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. The Directors have also considered the impact of Covid-19, including cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio and have concluded that the Company has adequate resources to meet its financial obligations, including the repayment of the debenture stock and the bank overdraft, as they fall due for a period of 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).

On behalf of the Board
Sir Laurie Magnus
Chairman
18 February 2021

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MANAGED BY
Janus Henderson
INVESTORS

aic
The Association of
Investment Companies



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