

# THE CITY OF LONDON INVESTMENT TRUST PLC

Update for the half year ended 31 December 2015



MANAGED BY

**Henderson**  
GLOBAL INVESTORS

# Investment Objective

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The Company's investment 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.



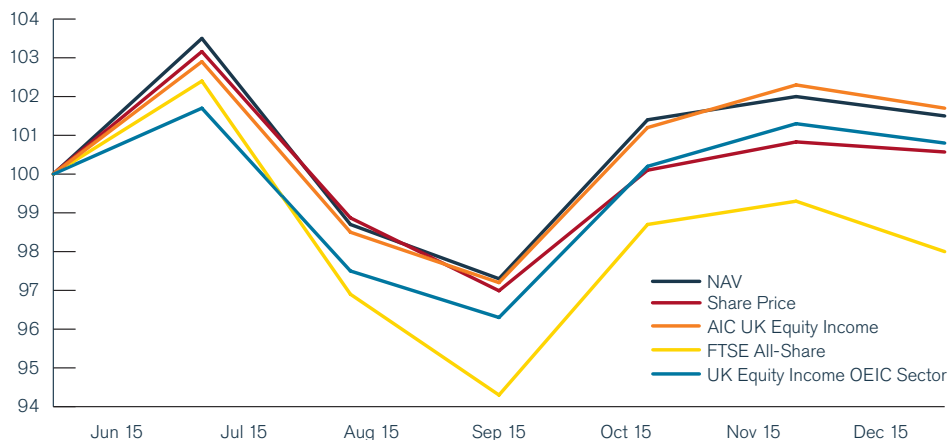
This update contains material extracted from the unaudited half year results of the Company for the six months ended 31 December 2015. The unabridged results for the half year are available on the Company's website: [www.cityinvestmenttrust.com](http://www.cityinvestmenttrust.com)

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

# Performance Highlights

## Total return performance for the six months to 31 December 2015

(rebased to 100)



### NAV per ordinary share

<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
<b>384.2p</b>	<b>386.3p</b>

### Ordinary share price

<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
<b>387.0p</b>	<b>392.5p</b>

### NAV per share (debt at market value)

<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
<b>380.7p</b>	<b>382.7p</b>

### Dividend yield

<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
<b>4.0%</b>	<b>3.9%</b>

## Total return performance (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>	1.5	5.8	40.1	68.1	107.9
AIC UK Equity Income sector average – net asset value <sup>2</sup>	1.7	6.7	44.5	68.5	102.2
Ordinary share price	0.6	6.1	37.4	63.7	131.7
FTSE All-Share Index	-2.0	1.0	23.4	33.8	71.8
UK Equity Income OEIC sector average <sup>3</sup>	0.8	6.1	37.1	52.2	76.8

<sup>1</sup> Using cum income fair value NAV for 6 months, one, three and five years and capital NAV plus income reinvested for 10 years

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

<sup>3</sup> The IMA 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

City of London's net asset value total return was 1.5% which was slightly behind the average for the UK Equity Income Investment Trust sector (1.7%) but ahead of the UK Equity Income OEIC sector (0.8%) and the FTSE All-Share Index (-2.0%).

A key investment theme was the continuing weakness in the price of oil and other commodities which adversely affected the oil and mining sectors. City of London's portfolio remained significantly under represented relative to the market average in the oil and mining sectors and this was an important contributor to relative performance. Among the biggest stock contributors held in the portfolio were Amlin (in non-life insurance which received a takeover bid), RELX (in media) and Berkeley (in housebuilding).

The weakness in the oil price had a beneficial effect on UK inflation and expectations for a rise in UK interest rates receded. On the other hand, the US increased interest rates for the first time in a decade reflecting the confidence of its central bank in the growth of its economy. European growth continued to recover helped by quantitative easing and the weaker Euro as well as the lower oil price. Sentiment toward emerging markets was poor given the slowdown in Chinese growth and problems for those countries that are commodity exporters.

## Earnings and Dividends

City of London's earnings per share fell marginally by 0.6% to 6.72p partly reflecting a decline in special dividends from £459,000 to £164,000 and also a mixed period for dividends across the UK market. So far this financial year, City of London has declared two interim dividends of 3.90p each. City of London's diverse portfolio, strong cash flow

and revenue reserves give the Board confidence that they will be able to increase its dividend for a fiftieth consecutive year. The quarterly rate will be reviewed by the Board before the third interim is declared in March 2016.

## Expenses

The ongoing charge which represents the investment management fee and other non-interest bearing expenses as a percentage of shareholder's 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 13,075,000 new shares were issued in the six months to 31 December 2015 at a premium to net asset value. A further 2,575,000 shares have been issued since the period end.

The proceeds have been invested in existing holdings as well as three new holdings. Ibstock, which is the UK's leading brick manufacturer, appears well placed given the likely growth in new houses being built in the UK. GKN is experiencing robust demand for its auto and aerospace components. Johnson & Johnson is a US listed global healthcare group with an outstanding dividend growth record.

Turning to disposals from the portfolio, exposure to the mining sector was reduced through the sale of Anglo American. Sales were also made of Weir and Rotork which are likely to suffer from the sharp reduction in capital expenditure from oil and mining companies. In addition, sales were made of Zurich Insurance, which experienced poor trading, and BBA which made a large acquisition.

# Chairman's Statement (continued)

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Given attractive returns in prospect across the portfolio compared with City of London's marginal cost of borrowing of 1.75%, gearing was increased by 3.8 percentage points over the six months to end the period at 9.8%.

## Outlook for the six months to 30 June 2016

Growth in developed economies should continue to be underpinned by the positive effect on consumers' expenditure of the lower oil price. In addition, central banks seem to be inclined to keep interest rates very low or only increase gradually in the case of the US. For the UK, the run-up to the referendum on membership of the European Union could lead to additional volatility.

There are likely to be dividend cuts from some companies but City of London's portfolio is well diversified. Overall, the dividend yield from UK equities remains attractive relative to the main alternatives and a portfolio of high quality income investments should deliver a competitive return.

**Philip Remnant CBE**  
**Chairman**  
**11 February 2016**

# Financial Summary

Extract from Income Statement (Unaudited)	Half year ended			
	31 Dec 2015 Revenue return £'000	31 Dec 2015 Capital return £'000	31 Dec 2015 Total £'000	31 Dec 2014 Total £'000
Gains on investments	-	485	<b>485</b>	9,170
Income from investments	23,269	-	<b>23,269</b>	21,673
Other income	91	-	<b>91</b>	140
Gross revenue and capital gains	23,360	485	<b>23,845</b>	30,983
Expenses, finance costs and taxation	(2,153)	(3,578)	<b>(5,731)</b>	(5,545)
Net return/(loss) on ordinary activities after taxation	21,207	(3,093)	<b>18,114</b>	25,438
<b>Return/(loss) per ordinary share - basic and diluted</b>	6.72p	(0.98)p	<b>5.74p</b>	8.71p

Extract from Statement of Financial Position (Unaudited except June 2015 figures)	31 Dec 2015 £'000	31 Dec 2014 £'000	30 Jun 2015 £'000
Investments held at fair value through profit or loss	<b>1,353,526</b>	1,230,940	1,259,662
Net current liabilities	<b>(121,202)</b>	(92,102)	(71,150)
Net assets	<b>1,232,324</b>	1,138,838	1,188,512
<b>Net asset per ordinary share - basic and diluted</b>	<b>384.2p</b>	378.5p	386.3p

## Dividends

A first interim dividend of 3.90p was paid on 30 November 2015. The second interim dividend of 3.90p (declared on 10 December 2015) will be paid on 29 February 2016 to shareholders on the register on 29 January 2016. The Company's shares went ex-dividend on 28 January 2016.

## Share Capital

During the half year ended 31 December 2015, 13,075,000 ordinary shares were issued for total proceeds of £50,205,000 (half year ended 31 December 2014: 16,075,000 ordinary shares issued for total sale proceeds of £59,879,000; year ended 30 June 2015: 22,875,000 for total proceeds of £86,864,000). The number of ordinary shares in issue at 31 December 2015 was 320,759,868.

# Portfolio Information at 31 December 2015

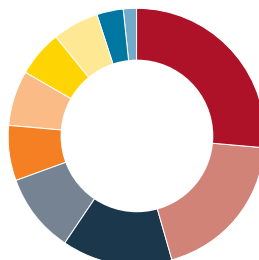
## Sixty largest investments

Company	Market Value 31 December 2015 £'000	Company	Market Value 31 December 2015 £'000
British American Tobacco	57,894	Standard Life	14,618
HSBC	49,664	Phoenix	14,562
Royal Dutch Shell	48,796	Croda International	14,329
Vodafone	40,128	United Utilities	13,284
Diageo	33,583	Novartis	13,253
BP	33,202	Compass	13,235
National Grid	28,799	Capita	12,988
GlaxoSmithKline	28,118	Segro	12,666
Unilever	27,719	Hiscox	11,800
Prudential	26,749	Centrica	11,686
Imperial Tobacco	26,691	Rio Tinto	11,627
RELX	25,107	Amlin	11,322
SSE	22,669	Pearson	10,890
AstraZeneca	22,592	Britvic	10,273
Land Securities	21,453	Whitbread	10,140
British Land	21,417	Next	10,077
Taylor Wimpey	20,797	Old Mutual	9,801
BT	20,769	Swire Pacific	9,718
Lloyds Banking Group	20,722	ITV	9,630
Berkeley	20,570	Nestle	9,024
Legal & General	20,566	TUI Travel	8,928
Persimmon	20,010	Marks & Spencer	8,802
Verizon Communications	19,416	Kingfisher	8,435
BAE Systems	18,649	Nationwide Building Society	8,400
Reckitt Benckiser	18,421	Sage	8,343
Provident Financial	18,100	Merck	8,072
Sky	17,344	Ibstock	8,053
Barclays Bank	17,272	Connect	7,863
Greene King	16,189	Spirax-Sarco Engineering	7,804
Schroders	16,142	Seven Trent	7,802

These investments total £1,096,973,000 or 81.07% of the portfolio.

## Sector exposure

As a percentage of the investment portfolio excluding cash



Delivered by



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

MANAGED BY

**Henderson**  
GLOBAL INVESTORS

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