

THE CITY OF LONDON INVESTMENT TRUST PLC

Update for the half-year ended 31 December 2018



52
YEARS
CONTINUOUS
DIVIDEND GROWTH



MANAGED BY

Janus Henderson

— INVESTORS —

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.



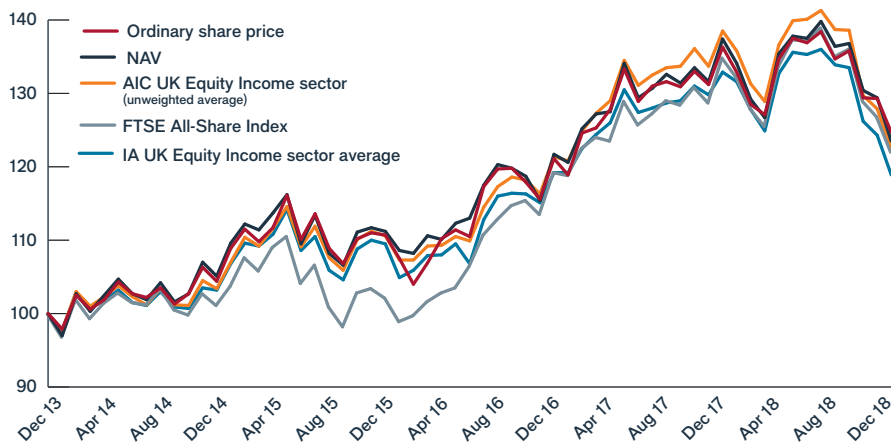
This update contains material extracted from the unaudited half-year results of the Company for the six months ended 31 December 2018. The unabridged results for the half year are available on the Company's website: www.cityinvestmenttrust.com

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

Performance Highlights

Total return performance for the past five years to 31 December 2018

(rebased to 100)



Source: Janus Henderson.

NAV per ordinary share

31 Dec 2018

376.6p

30 Jun 2018

429.2p

Ordinary share price

31 Dec 2018

385.0p

30 Jun 2018

432.0p

NAV per ordinary share (debt at fair value)

31 Dec 2018

372.6p

30 Jun 2018

424.3p

Dividend yield

31 Dec 2018

4.7%

30 Jun 2018

4.1%

Total return performance to 31 December 2018 (including dividends reinvested and excluding transaction costs)

	6 months	1 year	3 years	5 years	10 years
	%	%	%	%	%
Net asset value per ordinary share ¹	-10.2	-10.1	11.1	23.5	167.9
AIC UK Equity Income sector average – net asset value ²	-11.8	-10.5	10.9	21.8	168.4
Ordinary share price	-8.9	-8.5	12.6	24.7	185.2
FTSE All-Share Index	-11.0	-9.5	19.5	22.1	138.4
UK Equity Income OEIC sector average ³	-12.1	-10.5	8.6	18.9	132.9

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

¹ Using cum income fair value NAV

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

The second half of 2018 was a difficult six months for equities with tightening monetary conditions globally leading to slower economic growth. In the UK, the Bank of England increased the Base Rate from 0.5% to 0.75%. Continuing uncertainty about the outcome of the negotiations to exit the European Union adversely affected investor confidence.

City of London produced a negative NAV total return of 10.2% but we did outperform the FTSE All-Share Index (negative 11.0%), the AIC UK Equity Income sector average (negative 11.8%) and the IA UK Equity OEIC sector average (negative 12.1%). Stock selection contributed positively by 2.2 percentage points to City of London's performance relative to the FTSE All-Share Index but gearing detracted by 1.2 percentage points.

The biggest sector contributor was fixed line telecommunications with our holding of Verizon Communications being particularly beneficial. In the pharmaceutical sector, our stakes in Merck and Novartis were strong contributors balanced by the adverse effect of being under represented in AstraZeneca and not holding Shire. In general, international defensive stocks outperformed and our holdings in Nestlé, RELX and Coca-Cola were significant contributors. By contrast, our stakes in housebuilders and Real Estate Investment Trusts (REITs) were notable detractors over the six months.

Earnings and Dividends

City of London's revenue earnings per share rose by 10.8% compared with the same period last year. So far this financial year, City of London has declared two interim dividends of 4.55p 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-third consecutive year. The quarterly rate will be reviewed by the Board before the third interim is declared in April 2019.

Expenses

A new management fee rate has been negotiated with our manager, Janus Henderson Investors. With effect from 1 January 2019, the fee rate has been reduced to 0.325% per annum of net assets. On the current level of assets, this equates to a reduction of around 10% from the previous fee arrangements which were 0.365% for the first £1 billion of net assets and 0.35% for net assets above £1 billion. As a result of the change in the management fee rate, the ongoing charge for the year to 30 June 2019 is expected to be lower than the previous financial year when it was 0.41%.

Material events and transactions during the period

A total of 6,825,000 new shares were issued in the six months to 31 December 2018 at a premium to net asset value.

The proceeds were invested in a mixture of additions to existing holdings as well as two new holdings. Notable additions were made in the mining sector to Rio Tinto and BHP which ended the period as our eleventh and twelfth largest holdings. Both companies are generating significant cash flow, being disciplined on capital expenditure and paying attractive dividends. The new holdings were St James's Place, which provides financial services and advice, and Ferguson, which is UK listed with most of its business in the US where it is a leading distributor of building products. There were five complete disposals of holdings: the industrial groups Melrose and Low & Bonar, Swisscom (telecommunications), N Brown (retailer) and Supermarket Income REIT.

Since the period end a further 6,225,000 shares have been issued.

Chairman's Statement (continued)

Gearing increased during the period from 7.7% to 11.9% as advantage was taken of improved share price valuations with the overall weakness in the equity market. At 31 December 2018, all the fixed rate borrowings were fully invested and £38 million of the £120 million bank facility was drawn down.

Outlook for the six months to 30 June 2019

The world economy is still growing, albeit at a slower pace than many predicted a year ago. As a result, the trajectory of US interest rate increases has flattened significantly which is positive for investor sentiment. The lower oil price will also be helpful for consumers.

There is still considerable uncertainty about the outcome of the UK's negotiations to exit the European Union. If there is a disorderly departure, it is likely that sterling will fall which would be beneficial for the many UK listed companies with overseas operations.

Equity valuations reflect the uncertainty about both Brexit and the global economic outlook. Dividends across City of London's portfolio are expected on average to continue to grow at a satisfactory rate, yet the dividend yield of our portfolio remains considerably in excess of the yield in most areas of fixed interest and on bank deposit rates.

Philip Remnant CBE
Chairman
14 February 2019

Financial Summary

Extract from Income Statement (Unaudited)	Half-year ended			
	31 Dec 2018 Revenue return £'000	31 Dec 2018 Capital return £'000	31 Dec 2018 Total £'000	31 Dec 2017 Total £'000
(Losses)/gains on investments	-	(180,861)	(180,861)	68,500
Income from investments	31,871	-	31,871	27,774
Other income	131	-	131	90
Gross revenue and capital gains/(losses)	32,002	(180,861)	(148,859)	96,364
Expenses, finance costs and taxation	(2,695)	(4,307)	(7,002)	(6,413)
Net return/(loss) after taxation	29,307	(185,168)	(155,861)	89,951
Return/(loss) per ordinary share – basic and diluted	8.20p	(51.79p)	(43.59p)	26.24p

Extract from Statement of Financial Position (Unaudited except June 2018 figures)	31 Dec 2018 £'000	31 Dec 2017 £'000	30 June 2018 £'000
Investments held at fair value through profit or loss	1,522,776	1,630,803	1,638,254
Net liabilities	(162,421)	(117,476)	(117,257)
Net assets	1,360,355	1,513,327	1,520,997
Net asset value per ordinary share - basic and diluted	376.6p	438.9p	429.2p

Dividends

A first interim dividend of 4.55p per Ordinary Share was paid on 30 November 2018. The second interim dividend of 4.55p per Ordinary Share (declared on 18 December 2018) will be paid on 28 February 2019 to shareholders on the register on 25 January 2019. The Company's shares went ex-dividend on 24 January 2019.

Share Capital

During the half-year ended 31 December 2018, 6,825,000 ordinary shares were issued for total proceeds of £27,713,000 (31 December 2017: 5,375,000 ordinary shares issued for total proceeds of £22,898,000; 30 June 2018: 15,000,000 ordinary shares issued for total proceeds of £62,698,000). The number of ordinary shares in issue at 31 December 2018 was 361,234,868.

Portfolio Information at 31 December 2018

Forty largest investments

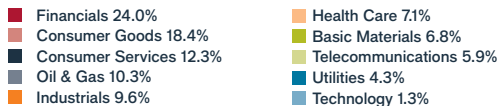
Company	Market Value 31 December 2018 £'000	Company	Market Value 31 December 2018 £'000
Royal Dutch Shell	99,548	Reckitt Benckiser	21,877
HSBC	67,994	Croda International	21,534
BP	57,391	Schroders	19,305
Diageo	55,336	Compass	19,010
Unilever	47,751	Hiscox	18,341
RELX	47,274	Carnival	18,251
Prudential	40,713	Imperial Brands	17,879
Lloyds Banking	39,302	St James's Place	17,650
British American Tobacco	37,900	Nestlé	16,286
GlaxoSmithKline	37,727	SSE	16,222
Rio Tinto	30,158	BT	16,123
BHP	27,792	Merck	15,775
Verizon Communications	26,481	Persimmon	15,608
Vodafone	25,764	British Land	14,663
AstraZeneca	24,870	Barclays	14,074
Taylor Wimpey	24,525	Novartis	13,920
Land Securities	24,132	Anglo American	13,818
National Grid	23,943	Direct Line Insurance	13,528
BAE Systems	23,659	Spirax-Sarco Engineering	12,613
Phoenix	23,041	Whitbread	12,482

These investments total £1,114,260,000 or 73.2% 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 2018

Classification of investments by sector

	Total 31 Dec 2018 £'000
OIL & GAS	
Oil & Gas Producers	
Royal Dutch Shell	99,548
BP	57,391
	156,939
Total Oil & Gas	156,939

BASIC MATERIALS	
Chemicals	
Croda International	21,534
Johnson Matthey	5,658
Victrex	5,344
	32,536
Mining	
Rio Tinto	30,158
BHP	27,792
Anglo American	13,818
	71,768
Total Basic Materials	104,304

INDUSTRIALS	
Aerospace & Defence	
BAE Systems	23,659
Meggitt	9,086
	32,745
Construction & Materials	
lbstock	10,041
Marshalls	4,570
	14,611
Electronic & Electrical Equipment	
Halma	11,998
Renishaw	8,776
XP Power	3,157
	23,931

	Total 31 Dec 2018 £'000
INDUSTRIALS (continued)	
General Industrials	
Swire Pacific ¹	8,376
Siemens ¹	7,424
Smiths	6,893
	22,693
Industrial Engineering	
Spirax-Sarco Engineering	12,613
IMI	8,587
Rotork	3,962
	25,162
Industrial Transportation	
Royal Mail	6,738
	6,738
Support Services	
Ferguson	10,451
Paypoint	4,045
De La Rue	3,934
Connect	2,137
	20,567
Total Industrials	146,447

CONSUMER GOODS	
Beverages	
Diageo	55,336
Coca-Cola ¹	11,831
Britvic	11,410
	78,577
Food Producers	
Nestlé ¹	16,286
Tate & Lyle	10,005
	26,291

Portfolio Information (continued)

	Total 31 Dec 2018 £'000
CONSUMER GOODS (continued)	
Household Goods & Home Construction	
Taylor Wimpey	24,525
Reckitt Benckiser	21,877
Persimmon	15,608
Berkeley	10,026
	72,036
Personal goods	
Unilever	47,751
	47,751
Tobacco	
British American Tobacco	37,900
Imperial Brands	17,879
	55,779
Total Consumer Goods	280,434

HEALTH CARE	
Health Care Equipment & Services	
Smith & Nephew	9,617
	9,617
Pharmaceuticals & Biotechnology	
GlaxoSmithKline	37,727
AstraZeneca	24,870
Merck ¹	15,775
Novartis ¹	13,920
Johnson & Johnson ¹	6,969
	99,261
Total Health Care	108,878

CONSUMER SERVICES	
Food & Drug Retailers	
J Sainsbury	10,110
Greggs	6,397
	16,507
General Retailers	
Marks & Spencer	7,416
Kingfisher	5,926

	Total 31 Dec 2018 £'000
CONSUMER SERVICES (continued)	
General Retailers (continued)	
Halfords	3,820
DFS	2,182
Pendragon	1,575
	20,919
Media	
RELX	47,274
ITV	4,732
Daily Mail & General	3,163
	55,169
Travel & Leisure	
Compass	19,010
Carnival	18,251
Whitbread	12,482
TUI	12,099
Greene King	11,629
Cineworld	5,559
Go-Ahead	5,406
Ten Entertainment	4,560
Young	3,700
William Hill	1,958
	94,654
Total Consumer Services	187,249

TELECOMMUNICATIONS	
Fixed Line Telecommunications	
Verizon Communications ¹	26,481
BT	16,123
Orange ¹	7,838
Manx Telecom	2,464
	52,906
Mobile Telecommunications	
Vodafone	25,764
Deutsche Telekom ¹	10,501
	36,265
Total Telecommunications	89,171

Portfolio Information (continued)

	Total 31 Dec 2018 £'000
UTILITIES	
Electricity	
SSE	16,222
	16,222
Gas, Water & Multiutilities	
National Grid	23,943
Severn Trent	11,468
Centrica	7,158
United Utilities	6,258
	48,827
Total Utilities	65,049

FINANCIALS	
Banks	
HSBC	67,994
Lloyds Banking	39,302
Barclays	14,074
Nationwide Building Society 10.25%	9,113
	130,483
Financial Services	
Schroders	19,305
Brewin Dolphin	9,775
TP ICAP	5,763
IG	4,389
	39,232
Life Insurance	
Prudential	40,713
Phoenix	23,041
St James's Place	17,650
Aviva	6,262
	87,666
Non-life Insurance	
Hiscox	18,341
Direct Line Insurance	13,528
Sabre Insurance	8,277
Munich Re ¹	7,869
	48,015

	Total 31 Dec 2018 £'000
Real Estate Investment Trusts	
Land Securities	24,132
British Land	14,663
Segro	12,361
Unibail-Rodamco-Westfield ¹	3,742
Hammerson	3,294
Redefine International	1,204
	59,396
Total Financials	364,792

TECHNOLOGY	
Software & Computer Services	
Sage	9,418
Microsoft ¹	9,748
	19,166
Total Technology	19,166

TOTAL INVESTMENTS	1,522,429
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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:

- 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 2018. 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 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.

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

14 February 2019

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MANAGED BY
Janus Henderson
INVESTORS

aic
The Association of
Investment Companies



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