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The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

The City of London Investment Trust plc – the equity income story

11 December 2018

Retirement Money Show

Job Curtis
Fund Manager



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Background

- Objective: “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”.
- Independent board of directors (Philip Remnant, Chairman)
- £1428m net assets: (as at 31/10/18)*, largest UK Equity Income Investment Trust
- 145.7 million new shares issued (at premium to NAV) over eight years (to 30/06/18) increasing share capital by 70%

* Source: Janus Henderson Investors

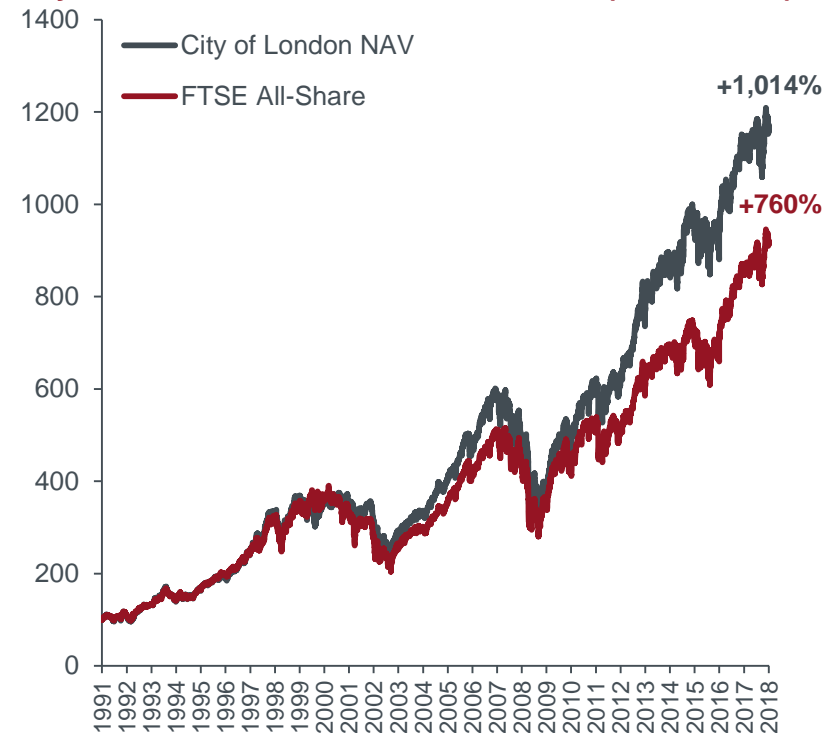
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Management

- Job Curtis
 - City of London's portfolio manager since 1 July 1991
 - Assisted by David Smith, Andrew Jones and Laura Foll
- City of London's investment management fee:
 - 0.365% (net assets up to £1 billion) and 0.35% (net assets over £1 billion)
- On-going charges ratio of 0.41%: lowest in AIC UK Equity Income sector

Source: Annual report 2018

City of London NAV vs FTSE All Share (total return)



Source: Datastream, as at 29 November 2018
Rebased to 100, as at 1 July 1991
Past performance is not a guide to future returns

Investment philosophy

- Valuation driven stock selection but taking notice of macro factors
- Dividend yield most important but other measures of share price valuation considered
- Portfolio target yield of between 10% and 30% greater than FTSE All Share Index (this is a target, not a guarantee)
- Conservative approach:
 - Cash generation to support dividends and capital expenditure
 - Strong balance sheets, especially for cyclical companies
 - “Margin of safety” sought
 - Large capitalisation bias (75% FTSE 100, 15% mid cap and 10% overseas listed at 31/10/18)
 - 100 holdings; top 10 = 35% of portfolio (at 31/10/18)

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Total return performance to 31 October 2018

	1 year %	3 years %	5 years %	10 years %
City of London NAV	-2.3	17.4	32.7	195.4
AIC UK Equity Income	-3.5	18.2	32.6	194.7
FTSE All Share Index	-1.5	25.4	30.5	156.7
UK Equity Income OEIC sector	-3.6	16.1	28.4	162.0

Source: Morningstar as at 31 October 2018

Please note that past performance is not a guide to future performance

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Revenue

	30/06/18	30/06/17	30/06/16	30/06/15	30/06/14
Earnings Per Share (EPS)	18.69p	17.83p	17.42p	16.84p	15.33p
Dividends Per Share (DPS)	17.70p	16.70p	15.90p	15.30p	14.76p
Payout ratio (DPS/EPS as a %)	94.7%	93.7%	91.3%	90.9%	96.3%

Year to 30 June 2018:

- **DPS 17.70 +6.0%, the 52nd consecutive annual increase**
- **Revenue reserve per share: 15.0p**

Source: Association of Investment Companies / Janus Henderson Investors as at 30/06/2018

* DPS: Dividends per share; EPS: Earnings per share

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Economic view

- World growth rate still positive but declining
- Global monetary conditions tightening
- Brexit impact to be seen in sterling
- Emerging markets will show secular growth long term

Trade weighted Sterling exchange rate (10 years)



Source: Bloomberg, as at 28 November 2018
Rebased to 100, as at 5 December 2008

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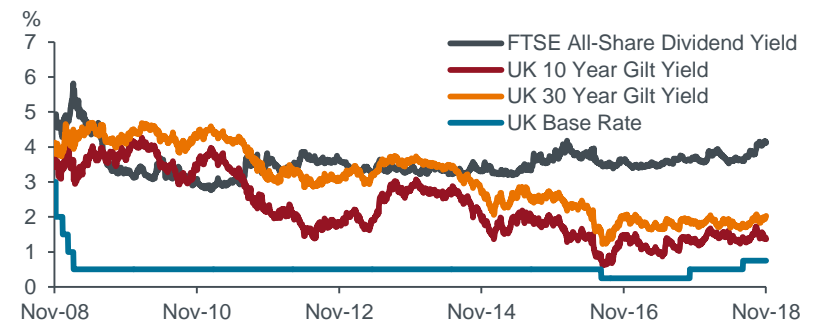
Market valuation

- UK dividend yield of 4.1%* compares with 10 year gilt yield of 1.3%* and 30 year gilt yield of 2.1%* at 31 October 2018
- City of London gearing 12.0% at 30 September 2018
- City of London issued £50m 32 year PP note at 2.94% in September 2017
- UK equity market PE now below long-term average

* Source: Datastream

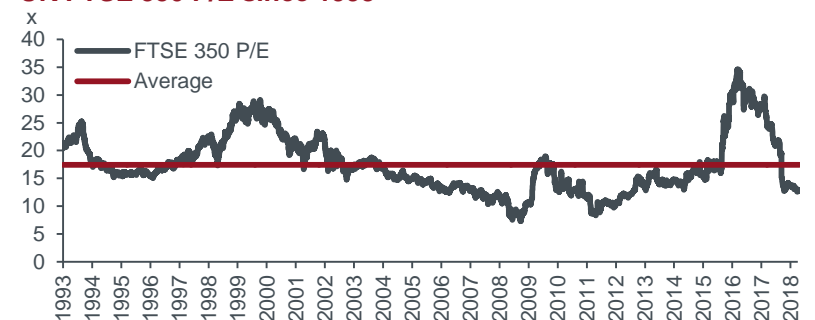
PE: Price to Earnings Ratio: A valuation ratio of a company's current share price compared to its per-share earnings.

Yields since 2008



Source: Datastream, as at 29 November 2018

UK FTSE 350 P/E since 1993



Source: Datastream, as at 29 November 2018

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Portfolio themes (1): Consumer staples

	% of portfolio
Diageo	3.4
British American Tobacco	3.2
Unilever	3.0
Reckitt Benckiser	1.4
Imperial Brands	1.3
Coca Cola	0.7
Britvic	0.7
Total	13.7

- Long-term growth from emerging markets

Source: Janus Henderson Investors, as at 31 October 2018

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Portfolio themes (2): Oil

	City of London %
Royal Dutch Shell	6.8
BP	4.1
Total	10.9

- Self-help stories: Significant reductions in costs

Source: Janus Henderson Investors, as at 31 October 2018

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Portfolio themes (3): Banks

	City of London %
HSBC	4.2
Lloyds	2.7
Barclays	1.0
Total	7.9

- Capital positions greatly strengthened

Source: Janus Henderson Investors, as at 31 October 2018

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Top 10 holdings (at 31/10/18)

	% of portfolio	Dividend yield*%
1. Royal Dutch Shell	6.8	5.9
2. HSBC	4.2	6.0
3. BP	4.1	6.1
4. Diageo	3.4	2.3
5. British American Tobacco	3.2	7.2
6. Unilever	3.0	3.2
7. RELX	2.8	2.5
8. Lloyds Banking	2.7	6.0
9. Prudential	2.7	3.3
10. GlaxoSmithKline	2.5	5.0
Total	35.4	

* Source: Bloomberg forecast 30 November 2018 for the 12 months until 30 November 2019

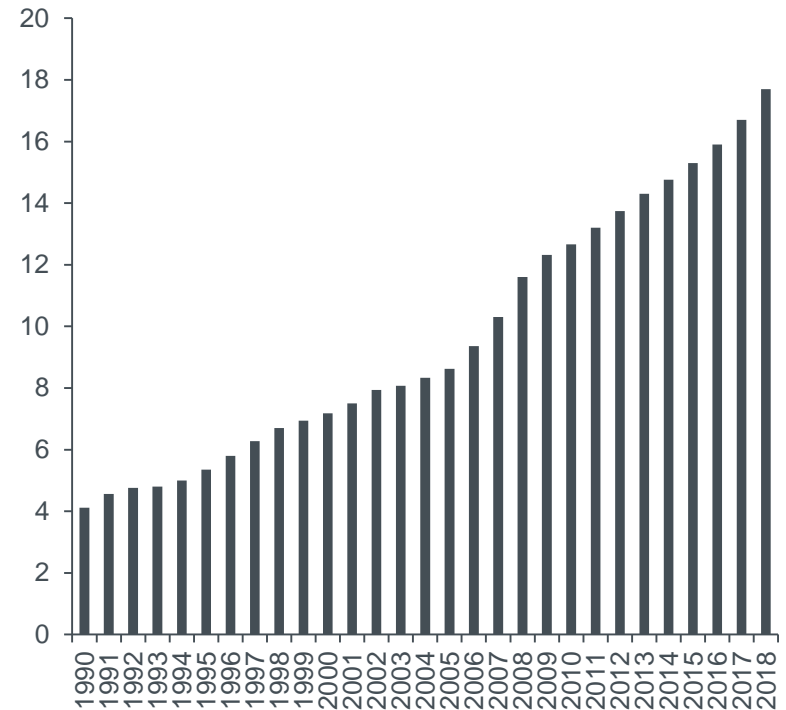
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Conclusion

- 52 years of annual dividend increases the longest record of any investment trust
- Dividend yield of 4.1%* as at 30 June 2018, paid quarterly
- Lowest ongoing charges ratio in AIC UK Equity Income sector: 0.41% (for year to 30 June 2018)
- Diversified portfolio reflecting economic outlook and sector valuation
- Long-term outperformance of FTSE All Share Index through conservative investment style

* Source: City of London Annual Report 2018

Dividend per share (p)



Source: Janus Henderson Investors

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