

The City of London Investment Trust plc

Update for the half-year ended 31 December 2022



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 fully recognises 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 2022. The unabridged results for the half year are available on the Company's website:

www.cityinvestmenttrust.com

Performance

NAV per share

31 Dec 2022 30 June 2022
395.4p **390.9p**

NAV per share (debt at fair value)

31 Dec 2022 30 June 2022
400.9p **393.5p**

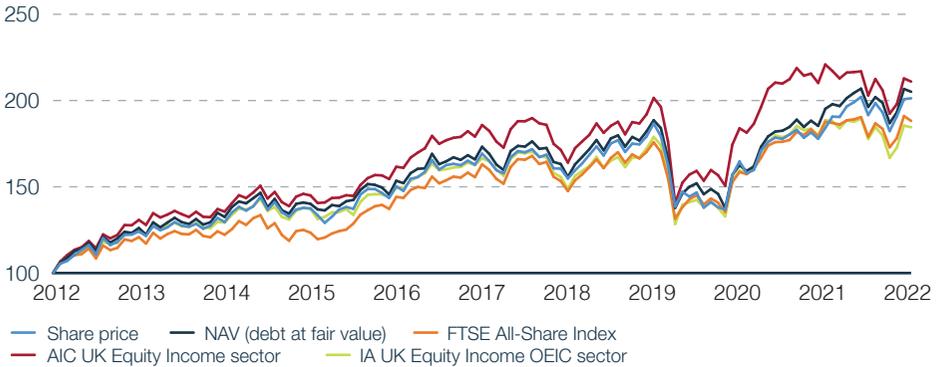
Share price

31 Dec 2022 30 June 2022
410.5p **400.5p**

Dividend yield

31 Dec 2022 30 June 2022
4.8% **4.9%**

Total Return Performance for 10 years to 31 December 2022 (rebased to 100)



Total Return Performance to 31 December 2022

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV ¹	4.5	5.1	8.8	18.4	105.1
Share price ²	5.1	9.4	7.9	19.0	101.3
FTSE All-Share Index (Benchmark)	5.1	0.3	7.1	15.5	88.2
AIC UK Equity Income sector ³	5.1	-2.4	5.8	16.2	108.6
IA UK Equity Income OEIC sector ⁴	3.8	-2.2	3.1	10.8	84.5

Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

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

Introduction

City of London is reporting a 4.5% net asset value total return for the six months to 31 December 2022 despite continuing turbulence in global markets and a brief period of unprecedented political volatility in the UK.

The Markets

During the six months under review, UK inflation reached a 40-year high, driven by spiralling energy prices. The UK base rate, which was 1.25% at the end of June, was increased four times by the Bank of England, ending at 3.5% in December and with a further rise to 4.0% in the New Year. The 10-year Gilt yield, which was 2.2% in June, rose to 4.5% in September, partly due to rising inflation but also the unfunded tax cuts which were announced by the Truss government. The situation was made worse by a steep depreciation in the value of sterling and by selling from some pension funds to pay margin calls on derivative products. By the end of December, the 10-year Gilt yield had fallen back to 3.7% and the fall in sterling had reversed, with the new Sunak administration pursuing a more conventional fiscal policy. The trend of increasing inflation and tightening monetary policy also prevailed overseas with, for example, the US 10-Year Treasury yield rising from 2.9% to 3.9%. In contrast, UK equities were resilient, producing a return of 5.1%, as measured by the FTSE All-Share Index, helped by a strong performance from the mining sector (in anticipation of the reopening of the Chinese economy) and the oil and gas sector.

Net Asset Value Total Return

City of London's net asset value total return was 4.5%, slightly behind the FTSE All-Share and the AIC UK Equity Income average, but ahead of the IA UK Equity Income OEIC sector average. In terms of attribution, gearing contributed positively by 95 basis points (bps) due to the beneficial effect of the rise in Gilt yields on the fair value of the secured notes we have issued in recent years.

The £30 million 2.67% 2046 and £50 million 2.94% 2049 notes provide borrowings at fixed low interest rates for City of London, for the next quarter of a century, to finance investment in equities.

Stock and sector selection detracted by 147 bps, with being underweight in mining the largest sector detractor and not owning Glencore, the mining company, the biggest stock detractor. The next biggest stock detractors were our stakes in Persimmon, the housebuilder, and Verizon, the US telecommunications company. The best stock contributor was Munich Re, the reinsurer, followed by TotalEnergies, the oil company, and Swire Pacific, the Hong Kong-based conglomerate.

Earnings and Dividends

Earnings per share fell by 1.7%, compared with the same six month period last year, from 8.94p to 8.79p. A principal reason was the reduction in dividends from our stakes in mining companies Rio Tinto, Anglo American and BHP, reflecting lower prices of some commodities, such as iron ore. On the other hand, there were pleasing increases from the banks and oil companies in the portfolio, including special dividends from NatWest and TotalEnergies. In total, special dividends of £2.4 million were received and accounted as income, representing 5.5% of gross revenue.

City of London has declared two interim dividends of 5.00p each so far during this financial year. The Company's diverse portfolio, strong cash flow and revenue reserve give the Board confidence that it will be able, in line with its objective to provide shareholders with long-term income and capital growth, to increase the total annual dividend for the fifty-seventh consecutive year. The quarterly dividend rate will be reviewed by the Board before the third interim is declared in March 2023.

Chairman's Statement (continued)

Expenses

The ongoing charge, which represents the investment management fee and other administrative non-interest bearing expenses as a percentage of shareholder funds, remains low compared with most other equity investment products. The ongoing charge for the six months indicates a full year rate remaining at approximately 0.38% of net assets.

Material Events and Transactions during the Period

A total of 16,560,000 new shares, raising net proceeds of £65.5 million, were issued during the six months to 31 December 2022. The proceeds were invested across the portfolio. The Board is continuing its stated policy, subject to prevailing circumstances, of considering issuance of new shares within a narrow band relative to net asset value. As at 31 December 2022, the Company's shares were trading at a premium of 2.4% to NAV (with debt at fair value). As at 14 February 2023 (the last practicable date before printing this report), the Company's share price was trading at a premium of 1.7% to NAV (with debt at fair value).

Three new holdings were acquired during the period. DS Smith is a leading paper and packaging producer in the UK and Europe with an emphasis on recycling. Morgan Advanced Materials develops, manufactures and markets technological materials and components across international markets. NatWest is focused on the UK, where it is one of the leading banks and financial services groups. These purchases were partly financed by the sales of Brewin Dolphin, the private client wealth manager taken over by Royal Bank of Canada, and Synthomer, the chemicals company, after profit warnings and the suspension of its dividend.

Outlook for the Six Months to 30 June 2023

Inflation should fall over the next six months as the sharp upward movements in oil and gas prices at the start of the Ukraine war are timed out of the 12-month inflation calculation. The combination of a continuing tight labour market, higher wage settlements and strikes in various sectors of the economy is likely to keep inflation above the Bank of England's 2% target for some time. This will result in continuing elevated interest rates when compared with recent years since 2009, albeit remaining below the higher rates prevailing before the financial crisis in 2008.

The reopening of the Chinese economy, after its Covid lockdown finally ended, is positive for global growth, while lower oil and gas prices are helpful for consumers in the UK and overseas. The dividend yield premium of UK equities over bank deposits and 10-year Gilts has narrowed, but equities offer the prospect of dividend growth and can therefore provide some element of hedge against inflation.

Sir Laurie Magnus CBE
Chairman
16 February 2023

Financial Summary

Extract from Income Statement (Unaudited)	Half year ended			
	31 December 2022 Revenue return £'000	31 December 2022 Capital return £'000	31 December 2022 Total £'000	31 December 2021 Total £'000
Gains on investments	-	29,737	29,737	81,154
Income from investments	43,544	-	43,544	42,134
Other income	129	-	129	75
Gross revenue and capital gains	43,673	29,737	73,410	123,363
Expenses, finance costs and taxation	(2,538)	(3,672)	(6,210)	(5,763)
Net return after taxation	41,135	26,065	67,200	117,600
Return per ordinary share – basic and diluted	8.79p	5.57p	14.36p	26.34p

Extract from Statement of Financial Position (Unaudited except June 2022 figures)	31 December 2022 £'000	31 December 2021 £'000	30 June 2022 £'000
Investments held at fair value through profit or loss	2,018,773	1,954,891	1,923,617
Net liabilities	(136,091)	(149,209)	(126,960)
Net assets	1,882,682	1,805,682	1,796,657
Net asset value per ordinary share – basic and diluted	395.36p	404.36p	390.88p

Dividends

A first interim dividend of 5.00p per ordinary share was paid on 30 November 2022. The second interim dividend of 5.00p per ordinary share (declared on 14 December 2022) will be paid on 28 February 2023 to shareholders on the register on 27 January 2023. The Company's shares went ex-dividend on 26 January 2023.

Share Capital and Reserves

During the half-year ended 31 December 2022, 16,560,000 new ordinary shares were issued for total proceeds of £65,482,000 (half-year ended 31 December 2021: 925,000 new ordinary shares issued for total proceeds of £3,625,000; year ended 30 June 2022: 14,015,000 new ordinary shares issued for total proceeds of £57,050,000). The number of ordinary shares in issue at 31 December 2022 was 476,199,868 (31 December 2021: 446,549,868; 30 June 2022: 459,639,868). There were no shares in treasury at 31 December 2022 (31 December 2021 and 30 June 2022: nil).

At 31 December 2022, the Company's revenue reserve was £38,081,000 (31 December 2021: £34,602,000; 30 June 2022: £43,603,000), capital reserve arising on investments sold was £316,480,000 (31 December 2021: £307,144,000; 30 June 2022: £326,585,000), both of which are distributable; and the capital reserve arising on revaluation of investments held was £435,879,000 (31 December 2021: £490,601,000; 30 June 2022: £399,709,000), which is not distributable.

Portfolio Information at 31 December 2022

Forty Largest Investments

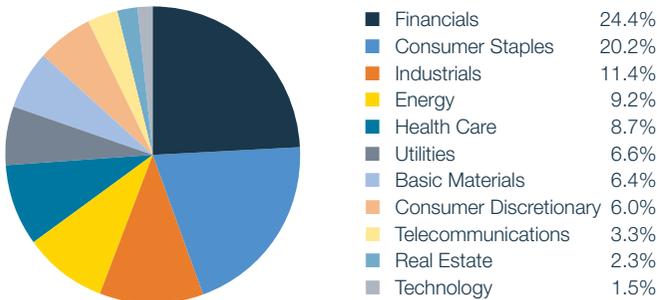
Company	Market value 31 December 2022 £'000	Company	Market value 31 December 2022 £'000
British American Tobacco	85,319	Legal & General	33,433
Shell	78,176	GlaxoSmithKline	32,950
Diageo	70,810	IG	32,375
BAE Systems	66,340	Lloyds Banking	32,241
Unilever	60,639	Nestlé	28,881
AstraZeneca	60,016	Reckitt Benckiser	28,770
BP	59,837	Schroders	28,340
RELX	58,439	Severn Trent	27,836
Imperial Brands	57,988	Merck	25,824
Rio Tinto	52,762	Direct Line Insurance	25,217
HSBC	51,560	Barclays	23,778
National Grid	43,686	BHP	23,773
Phoenix	43,612	NatWest	22,542
M&G	42,642	Land Securities	21,438
Tesco	42,598	Novartis	19,754
SSE	41,418	Munich Re	19,381
St. James's Place	35,861	Rathbones	18,315
Anglo American	35,078	Ferguson	17,740
3i	34,183	Persimmon	17,403
TotalEnergies	33,824	Microsoft	16,946

These investments total £1,551,725,000 or 76.9% 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 (continued)

Sector Breakdown of Investments

Valuation
31 December
2022
£'000

ENERGY

Oil, Gas and Coal

Shell	78,176
BP	59,837
TotalEnergies ¹	33,824
Woodside Energy ¹	13,832
	185,669

Total Energy 185,669

BASIC MATERIALS

Chemicals

Croda International	7,595
Johnson Matthey	5,637
Victrex	5,107
	18,339

Industrial Metals and Mining

Rio Tinto	52,762
Anglo American	35,078
BHP	23,773
	111,613

Total Basic Materials 129,952

INDUSTRIALS

Aerospace and Defence

BAE Systems	66,340
	66,340

Construction and Materials

Holcim ¹	13,982
lbstock	12,677
Marshalls	6,420
	33,079

Valuation
31 December
2022
£'000

Electronic and Electrical Equipment

IMI	12,030
Morgan Advanced Materials	7,863
Rotork	5,366
XP Power	4,060
	29,319

General Industrials

Swire Pacific ¹	15,664
Siemens ¹	12,625
Mondi	9,162
DS Smith	9,134
Smiths Group	5,595
	52,180

Industrial Transportation

Wincanton	8,004
	8,004

Industrial Support Services

Ferguson	17,740
Hays	14,810
PayPoint	9,162
	41,712

Total Industrials 230,634

CONSUMER STAPLES

Beverages

Diageo	70,810
Coca-Cola ¹	11,634
Britvic	10,878
	93,322

Food Producers

Nestlé ¹	28,881
Tate & Lyle	10,973
	39,854

Portfolio Information (continued)

Sector Breakdown of Investments (continued)

	Valuation 31 December 2022 £'000		Valuation 31 December 2022 £'000
Personal Care, Drug and Grocery Stores		Media	
Unilever	60,639	RELX	58,439
Tesco	42,598		58,439
Reckitt Benckiser	28,770	Household Goods and Home Construction	
	132,007	Persimmon	17,403
Tobacco		Taylor Wimpey	13,062
British American Tobacco	85,319		30,465
Imperial Brands	57,988	Travel and Leisure	
	143,307	La Française des Jeux ¹	10,003
Total Consumer Staples		Young	2,366
	408,490		12,369
HEALTH CARE		Total Consumer Discretionary	
Medical Equipment and Services			121,684
Smith & Nephew	8,217	TELECOMMUNICATIONS	
	8,217	Telecommunications Service Providers	
Pharmaceuticals and Biotechnology		Vodafone	16,006
AstraZeneca	60,016	Verizon Communications ¹	15,558
GlaxoSmithKline	32,950	Deutsche Telekom ¹	13,676
Merck ¹	25,824	Orange ¹	11,116
Novartis ¹	19,754		56,356
Johnson & Johnson ¹	15,274	Telecommunications Equipment	
Sanofi ¹	12,753	Cisco Systems ¹	9,901
	166,571		9,901
Total Health Care		Total Telecommunications	
	174,788		66,257
CONSUMER DISCRETIONARY		UTILITIES	
Retailers		Electricity	
Kingfisher	10,743	SSE	41,418
Halfords	5,813		41,418
DFS	3,855		
	20,411		

Portfolio Information (continued)

Sector Breakdown of Investments (continued)

	Valuation 31 December 2022 £'000		Valuation 31 December 2022 £'000
Gas, Water and Multi-utilities		Non-life Insurance	
National Grid	43,686	Direct Line Insurance	25,217
Severn Trent	27,836	Munich Re ¹	19,381
United Utilities	12,373	Beazley	12,213
Pennon	6,841	Hiscox	9,261
	90,736	Sabre Insurance	5,320
			71,392
Total Utilities	132,154	Total Financials	493,060
FINANCIALS		REAL ESTATE	
Banks		Real Estate Investment Trusts	
HSBC	51,560	Land Securities	21,438
Lloyds Banking	32,241	Segro	13,741
Barclays	23,778	British Land	10,865
NatWest	22,542		46,044
Nationwide Building Society			
10.25% Var Perp CCDS	8,128	Total Real Estate	46,044
	138,249		
Investment Banking and Brokerage Services		TECHNOLOGY	
Software and Computer Services		Software and Computer Services	
M&G	42,642	Microsoft ¹	16,946
St. James's Place	35,861	Sage	12,750
3i	34,183		29,696
IG	32,375	Total Technology	29,696
Schroders	28,340		
Rathbones	18,315	TOTAL INVESTMENTS	2,018,428
	191,716		
Life Insurance			
Phoenix	43,612		
Legal & General	33,433		
Prudential	14,658		
	91,703		

¹ Overseas listed

All classes of equity in any one company are treated as one investment.

Additional Information

Principal Risks and Uncertainties

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

- Geopolitical and cyber
- 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 2022. In the view of the Board, these 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 aftermath of the Covid-19 pandemic and the risks arising from the wider ramifications of the conflict between Russia and Ukraine, 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. They have concluded that the Company has adequate resources to meet its financial obligations, including the repayment of 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 CBE
 Chairman
 16 February 2023

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



MANAGED BY
Janus Henderson
INVESTORS

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The Association of
Investment Companies



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