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# JPMorgan Asian Investment Trust plc

## Performance update and proposed change in discount management and dividend policy

### Performance update

The Board is very pleased to report that in the financial year to 30th September 2016 the Company's positive return on net assets was 41.3% whilst the return to shareholders was 38.7%, both well ahead of the benchmark return of 36.2%.

### Proposed change in discount management and dividend policy

Subject to the relevant Shareholder approval at the Annual General Meeting in 2017, the Board has approved the implementation of changes aimed at narrowing the Company's discount.

Your Board has been disappointed and concerned by the widening of the Company's discount over the year particularly against the background of exceptional investment performance. It has been the Board's stated objective for a number of years to stabilise the discount at no wider than between 8 and 10 per cent. range under normal market conditions.

Widening of discounts has been a feature not only of Asian regional funds this year but also across the investment trust industry generally for many non-income focused funds. The Company's discount was consistently higher than 10 per cent. over the financial year and we have therefore, for some time , been actively considering our current discount control policy which is not effective on a stand-alone basis. We believe, that over the longer term, an effective discount control policy must address the concerns of current investors and make the Company more attractive to new investors at the same time.

The two key mechanisms we have deployed over the past few years to try to reduce the discount have been periodic, semi-annual, tender offers and more regular share buybacks. On the subject of tenders, our experience has been that, whilst offering liquidity to those shareholders electing to participate, tenders per se at tight discounts were not having a measurable effect in reducing the discount, were mainly subscribed by larger institutional holders and not favoured by most shareholders, were delivering nugatory NAV uplift to remaining shareholders and at the same time were shrinking the size and consequently the market attractiveness of the Company. Our issued share capital has contracted significantly over recent years, mainly as a result of tender offers, and we believe that this contraction has been detrimental to the attractiveness of the Company in the market.

Turning to buybacks, the Board and its advisers concluded, over the course of the past year, that market conditions were such that there was no certainty that conducting share buybacks on a standalone basis would have a lasting, or even temporary, impact in reducing the Company's discount. Accordingly, no share buybacks were enacted by the Company in this financial year.

The Directors nonetheless continue to see the merits of buybacks as means of addressing imbalances in supply and demand and of reducing the discount and will again propose a resolution at the forthcoming Annual General Meeting to authorise the Company to repurchase its Ordinary shares., The overall objective will remain, namely stabilising the discount no wider than an 8 to 10 per cent. range in normal market conditions.

As the Board remains dissatisfied with the Company's current discount level, both in absolute terms and relative to some of its peers, it has been actively considering other approaches for reducing the discount on a sustainable basis and has been considering the views of our shareholders as provided to our advisers.

One point that became clear as part of the Board's review is that the bulk of new demand for investment trust shares now comes from retail investors. Against the background of the low yields now available from many asset classes, these new investors seem particularly interested in shares that offer an attractive, predictable, and regular dividend.

With this in mind, the Board is proposing a new dividend policy under which it aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equivalent to 1 per cent. of the Company's NAV on the last business day of each financial quarter, being the end of March, September, June and December. This dividend will be paid from a combination of the revenue and capital reserves.

The Board will propose a resolution at the Annual General Meeting to amend the Company's Articles of Association to allow the Company to distribute capital as dividends and to implement this new dividend policy.

This proposed change in dividend policy will not be accompanied by a change in the investment policy of the Company. The Board takes the view that any demand placed on the investment managers to seek a higher income yield from the portfolio would be at the expense of the total returns available to shareholders. By dissociating the dividend policy of the Company from the split of capital and revenue returns generated from its current investment policy, the Board expects to attract new buyers for Company's shares, whilst maintaining the portfolio's ability to generate attractive total returns with a low level of attrition to the capital base of the Company.

As part of its deliberations, the Board asked its advisers to secure feedback from Shareholders (on a no names basis) as to their views on inter alia increasing the dividend yield by paying dividends out of capital. We believe that our Shareholders will be supportive of a move designed to stimulate new buying interest in the Company and hence lead to a reduction in the discount. The Board expects this change of policy to be permanent. However, it will keep the policy (and its expected positive impact on discount level) under constant review and may amend it in the light of potential changes in the expected total returns to be earned from the portfolio or changes in the nature of returns desired by shareholders.

The Board expects that a combination of this new dividend policy, alongside the more traditional and consistent use of share buybacks, will be effective in tightening the discount at which your

Company trades to a level no wider than the 8 to 10 per cent. range and we will therefore recommend these proposals to shareholders for approval at the Annual General Meeting.

**Continuation vote**

Pursuant to the Company's Articles of Association, the Board is required to put a triennial continuation vote to shareholders. Since the last time this requirement was enacted by the Company was in 2014, a continuation vote will be put to shareholders at the forthcoming Annual General Meeting to be held in February 2017. Given the performance returns and our discount management proposals noted above, the Board will be recommending to shareholders that they vote in favour of the Company continuing as an investment trust for a further three year period.

**Expected timetable**

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| Publication of the Annual Report and Accounts | Early January 2017 |
| Annual General Meeting | 2 February 2017 |

**Enquiries**

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.