JPMorgan Claverhouse Investment Trust plc

Annual Report & Accounts for the year ended 31st December 2016

aic DIVIDEND HERO

J.P.Morgan
Asset Management

Features

Objective

Capital and income growth from UK investments.

Investment Policy

- To invest in a portfolio consisting mostly of leading companies listed on the London Stock Exchange. The Company's portfolio consists of between 60 and 80 investments in which the Manager has high conviction.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).
- To invest no more than 15% of gross assets in any individual investment (including unit trusts and open ended investment companies).
- The Company uses short and long term gearing to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. The Investment Managers are accountable for tactically managing the gearing, within a +/–7.5% range around a 'normal' gearing level. The normal gearing level, which is set by the Board and kept under review on an ongoing basis, is currently 10%. The Board permits the Manager to use FTSE index futures to effect changes in the level of the Company's gearing.

Further details on investment policies and risk management are given in the Business Review on pages 15 and 16.

Benchmark

The FTSE All-Share Index.

Capital Structure

At 31st December 2016, the Company's share capital comprised 56,765,653 ordinary shares of 25p each, including 2,061,674 shares held in Treasury.

The Company has a £30 million debenture in issue, which carries a fixed interest rate of 7% per annum, repayable in 2020. The Company also has a £50 million three year floating rate loan facility with National Australia Bank, which expires on 28th April 2017.

Management Company and Company Secretary

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager and Company Secretary. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

FCA Regulation of 'Non-Mainstream Pooled Investments'

The Company currently conducts its affairs so that the shares issued by JPMorgan Claverhouse Investment Trust plc can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

AIC

The Company is a member of the Association of Investment Companies.

AIC Dividend Heroes

The AIC Dividend Hero emblem on the front cover indicates that the Company has increased its dividends each year for at least 20 years.

Website

The Company's website, which can be found at www.jpmclaverhouse.co.uk, includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.

Contents

Financial Results

ONE YEAR TOTAL RETURNS (INCLUDES DIVIDENDS REINVESTED) TO 31ST DECEMBER 2016

+7.2%
Return to shareholders[1]
(2015: +3.6%)

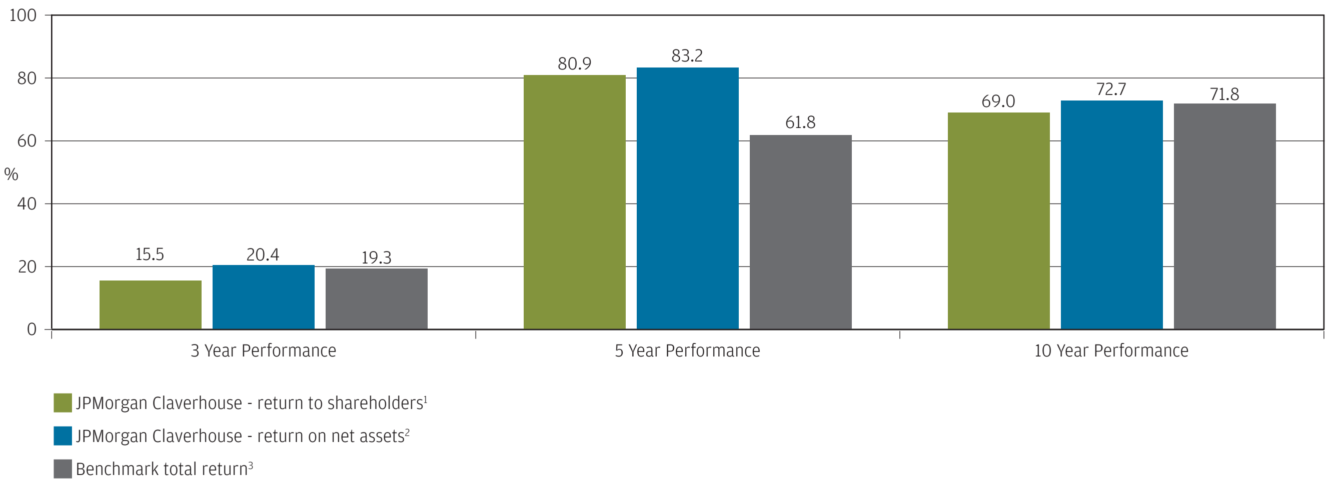
+11.3%
Return on net assets[2]
(2015: +6.0%)

+16.7%
Benchmark total return[3]
(2015: +1.0%)

23.0p
Dividend
(2015: 21.5p)

Long Term Performance

TOTAL RETURNS FOR PERIODS ENDED 31ST DECEMBER 2016



[1] Source: Morningstar.

[2] Source: J.P. Morgan, using net asset value per share with debt at par value.

[3] Source: Morningstar. The Company's benchmark is the FTSE All-Share Index.

A glossary of terms and definitions is provided on page 64.

CHAIRMAN'S STATEMENT

Performance and Manager Review

2016 will be seen as a year of unpredicted, but momentous, political outcomes which wrong-footed markets and experts alike, notably the UK's vote to leave the EU and the election of Donald Trump as US President. The market volatility that these events generated proved challenging for equity investors and this was no different for your Company's Investment Managers.

For the year to 31st December 2016 the Company's net asset total return was +11.3%. For the same period the return from the Company's benchmark, the FTSE All-Share Index, was +16.7%, reflecting a good period for UK investors. The Company's underperformance against its benchmark of -5.4% is a disappointing result after many years of very good returns. However, the Company performed better than many of its peer group in the UK Equity Income sector over the year. I would also emphasise the long term performance of our Investment Managers. Since the change in investment process and manager on 1st March 2012 there has been cumulative outperformance over the five year period to 28th February 2017 of over +21.0%, against the Company's benchmark total return.

The share price rose from 602.5p to 622.0p over the year to 31st December 2016, reflecting the rise in NAV. However, the discount of the share price to NAV widened during the year, in common with most of the Company's peer group, and the shareholder total return for the year was +7.2% (2015: +3.6%).

The Board remains confident in the Investment Managers' ability to provide outperformance over the longer term, notwithstanding the current challenging investment environment.

I am pleased to report that since the year end NAV has increased by 3.8% as at 28th February 2017, compared to the benchmark index increase of 2.8% over the same period, and the share price has risen by 6.3%, reflecting a narrowing of the discount.

The Investment Managers' Report on pages 6 to 9 reviews the market and provides more detail on performance.

Revenue and Dividends

Revenue for the year to 31st December 2016 declined marginally to 25.3p per share (2015: 25.9p). The Board has decided to increase the total dividend for the year from 21.5p to 23.0p, a rise of 7.0%, significantly above inflation and growing the total dividend for the 44th successive year. The dividend was more than covered by the revenue generated by the Company's portfolio and this once again allowed us to make a modest transfer to the Company's revenue reserves, which remain strong, at approximately 28.0p per share, after the payment of the recent dividend. It remains the Board's aim to increase the dividend each year and, taking a run of years together, it is our intention to deliver increases in dividends that will at least match the rate of inflation.

Discount and Share Repurchases

Discounts in the investment trust sector widened generally over the year, a trend which was exacerbated by the result of the EU referendum. During the year the discount on the Company's shares (based on the capital-only NAV, with debt at par) ranged between 1.8% and 13.2%, averaging 9.3%. As at 31st December 2016 the share price discount was 9.7%. The Board has continued to monitor the discount closely and authorises the Manager to

CHAIRMAN'S STATEMENT *CONTINUED*

repurchase shares when appropriate. There is a balance to be struck between seeking to narrow or eliminate the discount to NAV and not wanting to materially reduce the size of the Company's market capitalisation such that it adversely affects cost ratios and liquidity in the Company's shares. On 3rd November 2016 the Company repurchased 20,000 shares for holding in Treasury. This was the first share repurchase since January 2012. In 2017 the Company has to date repurchased a further 145,000 shares.

Gearing

Taking into account borrowings, net of cash balances held, the Company ended the year 12.0% geared. During the year gearing varied between 6.9% and 12.2%. Borrowing consisted of a combination of the £30 million 7% 2020 debenture and a revolving credit facility of £50 million, of which £28 million was drawn at the year end. The Board regularly considers whether it would be beneficial to shareholders to repay the 2020 debenture; this involves a careful comparison of the cost of doing so with the long term interest rates available to the Company for an equivalent amount of borrowing. At present there would be a considerable premium to be paid to repay the debenture early.

The Board has agreed with the Investment Managers that gearing of 10% is considered as 'normal' and that they have the discretion to vary the tactical level of gearing in the range of +/- 7.5% around that normal level with maximum total gearing under normal market conditions of 20%.

Investment Management Fees

The level of investment management fees is increasingly in the spotlight and, as reported in my half year statement, following constructive discussions with the Manager a new fee arrangement was agreed and this has been effective since 1st July 2016. The investment management fee is charged on a tiered basis at an annual rate of 0.60% of the Company's net assets on the first £500 million and 0.50% of net assets above that amount. Also with effect from 1st July 2016, the performance fee was terminated at no cost to shareholders.

Board of Directors

John Scott will retire as a Director at the AGM in April 2017, as previously indicated. I would like to thank him for his contribution to the Board's deliberations and his wise words over the 13 years that he has been a member of the Board. He will be very much missed.

The Board engaged an independent consultant, Trust Associates, to assist with the recruitment of a new Director and Jill May was appointed to the Board on 1st February 2017, following the end of the financial year. I would like to take the opportunity of welcoming her to the Board. Jill has 25 years' experience in investment banking, 13 years in M&A with S.G Warburg and 12 at UBS, focused on strategy and organisational change. She has broad knowledge of investment banking, asset management and private banking in the UK and EMEA. She is a Panel Member of the Competition and Markets Authority ('CMA') and was a member of the recent CMA Enquiry into Retail Banking and SME Lending. She is also a non-executive Director of the Institute of Chartered Accountants. Jill will stand for reappointment at the AGM and I look forward to introducing her to shareholders then.

With the exception of John Scott, all Directors will stand for reappointment at the AGM.

Board Apprentice

The Board has continued to support the Board Apprentice initiative that it joined in 2015. Sharon Mavin's term came to an end in November 2016 and, after interviews of a number of candidates, Jon Dinnis was invited to be her replacement on an unpaid basis. Jon joins us for an initial 12 month period. He is head of Professional Services and Company Secretary at Torstone Technology, a financial technology company based in the UK.

We hope that he will find the experience as valuable as Sharon has found it and I look forward to introducing him at the AGM.

Annual General Meeting

This year's AGM will be held at JPMorgan's offices at 60 Victoria Embankment, London EC4Y 0JP on Friday 21st April 2017 at 12.00 noon. William Meadon and Sarah Emly will give a presentation to shareholders, reviewing the past year and commenting on the outlook for the current year. The meeting will be followed by a sandwich lunch, thus providing shareholders with the opportunity to meet the Directors and representatives of the Manager.

If you have any detailed or technical questions, it would be helpful if you could raise them in advance with the Company Secretary at 60 Victoria Embankment, London EC4Y 0JP or via the 'Ask a Question' link on the Company's website. Shareholders who are unable to attend the AGM are encouraged to use their proxy votes.

Outlook

Notwithstanding the political uncertainties of the last year, the UK stock market has held up remarkably well. Since the year end the FTSE All-Share Index has held on to its gains of 2016 and, at the time of writing, has risen by 2.8% in the current year. The Bank of England has recently revised upwards its forecast of UK GDP growth for 2017 and interest rates remain low. A rise in inflation is to be expected, caused partly by the fall in sterling, but some limited inflation can often be favourable to equities and equity markets.

The Company is fortunate that it continues to hold accumulated revenue reserves greater than the amount of last year's total dividend. This will help the Board in its aim to maintain progressive dividend increases each year and it remains prepared to utilise the revenue reserve to support the dividend should it be necessary.

As the Investment Managers comment, caution remains the watchword given the uncertainty surrounding so many political developments around the world, not least the impact on UK companies and markets from the Brexit negotiations. The Investment Managers' job will be to continue to identify well-managed and reasonably valued companies which outperform against others in their sectors and contribute to the Company's performance target, which is to outperform the benchmark index by 2% per annum averaged over a three year period.

My fellow Directors and I look forward to meeting shareholders at the AGM and to discussing the Company, its performance and prospects at that time.

Andrew Sutch
Chairman

10th March 2017

INVESTMENT MANAGERS' REPORT

William Meadon

Sarah Emly

Market Review

2016 was an extraordinary year. A strong wave of populism, which caught the pollsters off guard, led to unexpected results in many major elections. There were two major shocks, the first being the EU referendum where the UK voted to leave the EU despite all major political parties campaigning to remain. Prime Minister Cameron resigned shortly after the result and, after the most dramatic of political dramas, was succeeded by Theresa May. The 'vox populi' movement then swept across the Atlantic to the US Presidential elections where the rank outsider and ex TV show host, Donald Trump, defeated the heavy favourite and political veteran Hillary Clinton. The common themes throughout such events were political fragmentation, rejection of globalisation/immigration, anti-establishment sentiment and a lack of trust in institutions and elites.

Despite these political shocks and after a poor start to the year, global stock markets performed well. In the year to 31st December 2016, the FTSE All-Share Index posted a total return of +16.7% and ended the year at an all-time high. This was its best performance in three years. Large stocks were the clear winners (FTSE 100 index up 19.1%) whilst mid caps lagged (FTSE 250 Index up 6.7%). After a number of disappointing years, commodity stocks performed well with the mining sector more than doubling over the year. Oil & gas stocks also performed well. The weakening of sterling over the year (-16% versus the dollar and -14% versus the Euro) led to both the travel & leisure and general retail sectors performing poorly.

The UK economy defied many gloomsters' predictions and continued to grow by 2.0% over the year, making it the fastest growing economy in the G8. Growth accelerated in the second half of the year. Inflation remained low and shortly after the Brexit vote the Bank of England cut base rates further to 0.25%, where they stayed until the year end.

Performance Review

In the year to 31st December 2016, your Company delivered a total return on net assets (capital plus dividends re-invested) of +11.3%, compared to the benchmark FTSE All-Share Index return of +16.7%. A detailed breakdown of the performance is given in the accompanying table. Although the absolute positive return was encouraging, the underperformance relative to the benchmark was disappointing. However, having delivered outperformance in each of the previous four calendar years, this was the first year of underperformance since the new investment management team came together in March 2012.

All of the underperformance came in the first half of the year, principally around the Brexit vote when share prices were particularly volatile. The Company performed much better in the second half of the year but not sufficiently well to make up all the lost ground of the first six months. Overall, 2016 was a difficult year for many UK equity managers, but it was pleasing to see your Company performed better than many of its peer group in the UK Equity Income sector. Moreover, the new year has started well for your Company.

Our most positive contributor to performance during 2016 was the overweight position in Fever-Tree, the leading player within the premium segment of the mixer drinks market, which we introduced to the portfolio in 2015. As hoped, this growth company has continued to deliver exceptionally strong growth as its portfolio of premium mixers capitalises on the global trend towards premium spirits. Selling its products in 55 countries the company was a beneficiary from the fall in sterling during the year. Despite its success the company has maintained a very lean cost base, only employing 50 people. This ensures that most of the firm's sales success is also reflected in its profit growth. Fever-Tree's share price rose 90% during the year and we remain very positive on the company's prospects for the coming year. Another positive contributor was our long term holding in Rio Tinto, the lowest cost global iron ore producer. The mining sector recovered strongly during the course of 2016 and our overweight position in Rio Tinto and other mining stocks was very beneficial for the portfolio. Another strong performer was our overweight position in Micro Focus, the acquisitive software company.

By contrast, the biggest detractor from performance during 2016 was our long term position in the television broadcaster ITV. This cash generative media group, which has consistently delivered both strong underlying dividend growth and special dividends to its shareholders, was a very poor share price performer in the aftermath of the Brexit vote. Its share price fell significantly as sentiment turned against such domestic, economically sensitive stocks, with particular concerns over the television advertising cycle were the UK to fall into recession as a result of the Brexit vote. ITV's operational performance proved to be resilient and the share price recovered towards the end of the year, but not enough to offset its earlier underperformance. This company remains one of our favoured stocks, particularly on valuation grounds.

The deteriorating sentiment post Brexit towards retailers badly affected the share price of Dixons Carphone which we subsequently sold. Frustratingly, we sold our holding in ARM just a few months before it was bid for by the Japanese technology company, Softbank. It was, nonetheless, a profitable investment.

Five years ago (1st March 2012), your Company radically changed its approach to investing in UK equities for you, its shareholders. Since those changes were made the investment team has run a much more focused portfolio (around 65 investments) and it is pleasing to report that since those changes were made, over the five year period 1st March 2012 to 28th February 2017 your Company has delivered a cumulative total return outperformance against the benchmark total return of over +2.8% per annum, ahead of our target outperformance of +2.0% per annum.

We continue to manage the risk in the portfolio by limiting its exposure to any one stock, sector or theme. This balanced approach has delivered and will, we believe, continue to deliver more consistent returns for our shareholders.

Portfolio Review

The portfolio held 62 stocks at the year end.

New holdings introduced during the year included several mining stocks (Glencore, BHP Billiton). Having performed very poorly for several years these stocks were completely unloved. In the good times management had been profligate with shareholders' money often embarking on shareholder value-destructive acquisitions and putting on new capacity at just the wrong time. Profitability suffered and balance sheets became strained. However, at the start of 2016 there were signs of some financial discipline returning to the sector. Dividends were cut, new excess capacity mothballed and new finance raised. This coincided with a pick up in commodity prices as world growth proved stronger than expected. Share prices responded accordingly with the shareholder returns in the sector doubling over the year. Although we did not call the exact bottom, the significant purchases we made in the sector ensured that we captured most of that performance.

Melrose was another new holding. The company has an excellent track record of generating strong shareholder returns from buying, improving and selling-on previously underperforming businesses. Its latest acquisition of the US company, Nortek, looks another good addition and we have high hopes for the value that the Melrose management team can add for its shareholders. Our new holding in Electrocomponents reflects a similar confidence that the new management team there will deliver, too.

Although we did not anticipate the result of the Brexit vote we did view it as an unpredictable event and therefore reduced the risk in the portfolio ahead of 23rd June.

INVESTMENT MANAGERS' REPORT *CONTINUED*

We significantly reduced the gearing of the portfolio through the sale of several domestically orientated stocks, many of them mid caps stocks. These included Restaurant Group, Dixons Carphone, Berkeley Group, Savills and Shaftesbury. Post the referendum result we increased the gearing of the portfolio again but did it through the addition of many large stocks (Ashtead, Compass and HSBC) as we anticipated them being amongst the main beneficiaries of a weaker sterling. At the end of the year the portfolio therefore had a much higher exposure to large FTSE 100 stocks than it did at the start of the year.

PERFORMANCE ATTRIBUTION
FOR THE YEAR ENDED 31ST DECEMBER 2016

	%	%
Contributions to total returns		
Benchmark return		16.7
Stock & sector selection	-6.0	
Gearing contribution	0.5	
Derivatives contribution	-0.1	
Investment Managers' contribution		-5.6
Portfolio total return		11.1
Management fee/other expenses	-0.8	
Performance fee (accrual at 31st December 2015 written back)	1.0	
Other effects		0.2
Return on net assets		11.3
Return to shareholders		7.2

Source: B-one/Datastream/JPMAM/Morningstar.

All figures are on a total return basis.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.

A glossary of terms and definitions is provided on page 64.

Top Over and Under-weight positions vs FTSE All-Share Index

Top Five Overweight Positions		Top Five Underweight Positions	
Fever-Tree	+1.9%	Vodafone Group	-1.6%
Micro Focus International	+1.7%	Standard Chartered	-0.8%
JD Sports Fashion	+1.6%	Tesco	-0.8%
3i Group	+1.6%	SSE	-0.7%
Direct Line Insurance	+1.6%	Anglo American	-0.7%

Source: JPMAM, as at 31st December 2016.

The portfolio is constructed principally from bottom-up stock selection; our sector and macro views have a lesser influence. We aim to run a stock-focused but sector-diversified portfolio.

We kept gearing levels in the low teens for most of the year but reduced it to single digits going into the Brexit vote. We increased it again shortly after the 'Leave' result as we anticipated that the stimulatory effect of weaker sterling would result in a stronger stock market.

We occasionally use FTSE 100 futures to hedge the portfolio, but do not use futures to gear it.

Market Outlook

The remarkable events of 2016 have made forecasting the future even more difficult than usual.

Taking the United Kingdom out of the EU will provide the toughest of challenges for the new May administration. Unwinding 40 years of EU legislation and negotiating new agreements with EU countries and around the world will be complex, exhausting and leave little time for other matters. However, as we saw in 2016, despite the uncertainly that comes with such a new era, the immediate consequences of Brexit (a cheap currency, lower interest rates and fiscal loosening) have been taken well by the UK stock market.

Similarly in the US, whilst President Trump is clearly a maverick who seems to thrive on confrontation and doing the unconventional, much of his mooted macro and micro economic policies are likely to be equity-friendly. Cutting red tape, reducing taxes and increasing expenditure on infrastructure may all stimulate both the US economy and stock market. Accelerating US growth may lead to a couple of small interest rate rises in America this year, but monetary policy generally shows no sign of tightening significantly in the near term. This, too, is a good backdrop for equities, the effect of which may be felt globally.

However, President Trump is also promising to increase tariffs and trade barriers and his confrontational style communicated via Twitter may not be fully appreciated in the more diplomatic halls of geo-politics. A wrong move by him here could be globally destabilising and outweigh the benefit of any equity-friendly policies at home.

Such an unprecedented political and economic backdrop on both sides of the Atlantic leads us to tread carefully in the portfolio. Moreover, the looming elections in France, Germany and the Netherlands have the potential to cause more turmoil and unsettle investors further. The established global order feels under threat. However, such a tumultuous political backdrop will inevitably throw up investment opportunities which we will be looking to exploit for our shareholders.

On a medium term view, there are many clouds forming on the investment horizon and, should they darken further, we will not hesitate to reduce gearing and move the portfolio onto a much more defensive footing in order to protect our shareholders as much as possible from any storms that may be coming our way. However, in the short term, radically stimulatory measures in both the UK and US coupled with continuing low interest rates may lead this nine year old bull market to have a further leg up. Consequently, we are currently running with a gearing level of around 12%.

William Meadon
Sarah Emly
Investment Managers

10th March 2017

SUMMARY OF RESULTS

	2016	2015	
Total returns for the year ended 31st December			
Return to shareholders[1]	+7.2%	+3.6%	
Return on net assets[2]	+11.3%	+6.0%	
Benchmark return[3]	+16.7%	+1.0%	
Net asset value, share price and discount at 31st December			**% change**
Shareholders' funds (£'000)	382,307	355,726	+7.5
Net asset value per share with debt at par value[4]	698.9p	650.0p	+7.5
Net asset value per share with debt at fair value[5]	687.6p	638.6p	+7.6
Share price	622.0p	602.5p	+3.2
Share price discount to net asset value with debt at par value[6]	9.7%	5.9%	
Shares in issue (excluding shares held in Treasury)	54,703,979	54,723,979	
Revenue for the year ended 31st December			
Gross revenue return (£'000)	16,308	16,690	-2.3
Net revenue return on ordinary activities after taxation (£'000)	13,833	14,168	-2.4
Revenue return per share	25.28p	25.89p	-2.4
Total dividend per share	23.0p	21.5p	+7.0
Gearing at 31st December[7]	**12.0%**	**13.2%**	
Ongoing charges[8]	**0.77%**	**0.74%**	
Ongoing charges including any performance fee payable[9]	**0.77%**	**1.22%**	

1 Source: Morningstar.

2 Source: J.P. Morgan.

3 Source: Morningstar. The Company's benchmark is the FTSE All-Share Index

4 Includes the current year revenue account balance.

5 The fair value of the £30m (2015: £30m) debenture issued by the Company has been calculated using discounted cash flow techniques using the yield on a similarly dated gilt plus a margin based on the 5 year average yield for the AA Barclays Corporate Bond.

6 Source: Bloomberg. The discount is calculated using the net asset value at 31st December 2016 of 688.5p (2015: 640.3p), which does not include the current year revenue account balance.

7 The methodology to calculate gearing has been amended during the year. The previous year's figure has been amended for fair comparison. Please refer to the glossary of terms and definitions on page 64 for the revised calculation.

8 Management fee and all other operating expenses, excluding finance costs and any performance fee payable, expressed as a percentage of the average daily net assets during the year. The ongoing charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012.

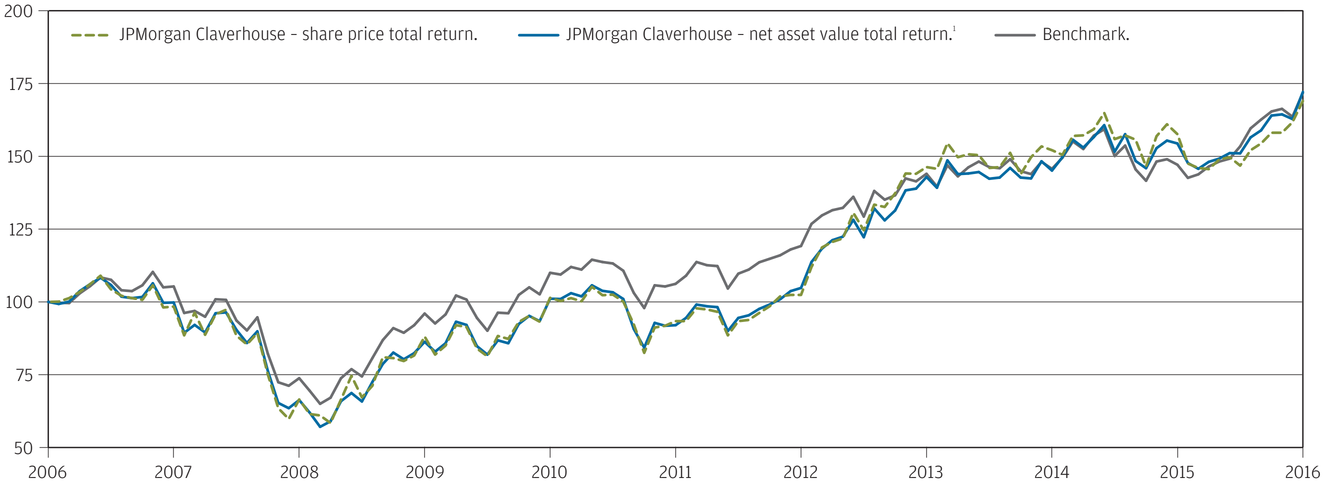
9 As at 30th June 2016 there was no performance fee accrual and no performance fee was paid.

A glossary of terms and definitions is provided on page 64.

PERFORMANCE

Ten Year Performance

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2006

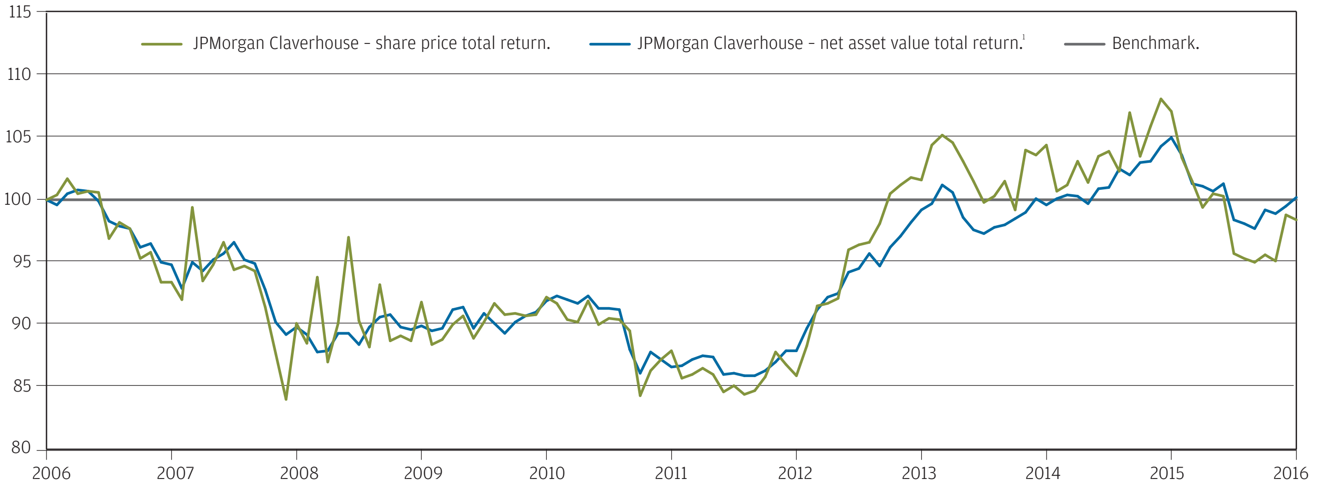


Source: Morningstar.

[1] Using net asset value per share with debt at fair value.

Performance Relative to Benchmark

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2006



Source: Morningstar.

[1] Using net asset value per share with debt at fair value.

TEN YEAR FINANCIAL RECORD

At 31st December	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Shareholders' funds (£'000)	352,743	327,912	211,087	254,330	281,172	248,418	271,871	350,366	346,663	355,726	382,307
Net asset value per share (p)	577.6	562.1	371.7	451.3	507.8	453.9	496.8	640.2	633.5	650.0	698.9
Share price (p)	544.5	521.5	340.0	425.0	470.0	416.0	437.0	599.0	602.5	602.5	622.0
Share price discount (%)	6.3	6.3	5.2	4.9	7.0	7.1	10.7	5.4	3.4	5.9	9.7
Gearing/(net cash) (%)[1]	12.2	7.7	9.7	10.3	8.6	7.6	15.0	15.1	11.9	13.2	12.0
Ongoing charges (%)	0.75	0.79	0.75	0.83	0.72	0.72	0.74	0.71	0.74	0.74	0.77

Year ended 31st December											
Revenue attributable to shareholders (£'000)	9,256	9,714	13,426	8,377	7,611	9,226	9,821	12,195	12,754	14,168	13,833
Return per share (p)	14.84	16.28	23.38	14.77	13.63	16.73	17.95	22.28	23.31	25.89	25.28
Total dividend per share (p)	13.50	15.30	20.00[2]	16.90	17.50	18.25	18.85	19.50	20.00	21.50	23.00

Rebased to 100 at 31st December 2006											
Return to shareholders[3]	100.0	98.4	66.5	88.1	101.4	93.4	102.4	146.3	152.1	157.6	169.0
Return on net assets[3]	100.0	99.8	66.3	86.3	101.1	92.0	104.8	142.9	145.1	154.4	172.1
FTSE All-Share return[3]	100.0	105.3	73.8	96.0	110.0	106.2	119.2	144.0	145.7	147.1	171.8
Retail Price Index[3]	100.0	104.0	104.9	107.4	112.6	118.0	121.7	125.0	127.0	128.5	131.7

[1] The methodology to calculate gearing has been amended during the year therefore the 2015 comparative figure has been recalculated for comparative purposes. Please refer to the glossary of terms and definitions on page 64 for the revised calculation.

[2] Includes a special dividend of 3.60p.

[3] Source: J.P. Morgan / Morningstar / ONS.

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TEN LARGEST EQUITY INVESTMENTS AT 31ST DECEMBER

Company	Sub-sector	2016 Valuation £'000	%[1]	2015 Valuation £'000	%[1]
Royal Dutch Shell 'B'	Energy	37,592	8.8	13,741	3.4
HSBC Holdings	Financials	23,325	5.5	13,576	3.4
BP	Energy	21,592	5.0	13,333	3.3
British American Tobacco	Consumer Staples	20,562	4.8	18,918	4.7
Rio Tinto[2]	Materials	14,120	3.3	2,518	0.6
GlaxoSmithKline[2]	Health Care	14,084	3.3	9,576	2.4
Prudential[2]	Financials	13,259	3.1	12,507	3.1
Reckitt Benckiser Group[2]	Consumer Staples	11,294	2.6	4,362	1.1
JPMorgan Smaller Companies Investment Trust	Financials	11,281	2.6	12,603	3.1
Lloyds Banking Group	Financials	10,609	2.5	14,107	3.5
Total[3]		**177,718**	**41.5**		

[1] Based on total investments of £428.2m (2015: £402.8m).

[2] Not included in the ten largest investments at 31st December 2015.

[3] As at 31st December 2015, the value of the ten largest investments amounted to £141.0m representing 35.0% of total investments.

SECTOR ANALYSIS

	31st December 2016		31st December 2015	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
Financials[2]	25.1	25.7	29.6	26.5
Consumer Goods	18.6	14.4	19.6	16.5
Oil & Gas	13.8	13.2	9.2	10.2
Consumer Services	10.1	11.7	17.4	12.6
Basic Materials	9.6	6.9	2.0	4.2
Health Care	8.5	9.1	8.2	8.8
Industrials	7.2	10.6	3.3	10.5
Technology	3.2	0.8	3.5	1.6
Telecommunications	2.1	4.0	6.6	5.3
Utilities	1.8	3.6	0.6	3.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £428.2m (2015: £402.8m).

[2] Includes the Company's investment in JPMorgan Smaller Companies Investment Trust plc: 2.6% of the portfolio.

LIST OF INVESTMENTS AT 31ST DECEMBER 2016

Company	Valuation £'000
Financials	
HSBC Holdings	23,325
Prudential	13,259
JPMorgan Smaller Companies Investment Trust	11,281
Lloyds Banking Group	10,609
3i Group	8,274
Direct Line Insurance Group	7,836
Barclays	7,607
Melrose Industries	5,142
Aviva	4,943
Beazley	4,908
Legal & General Group	4,063
John Laing Group	2,900
Jupiter Fund Management	2,048
St James's Place	1,438
	107,633
Consumer Goods	
British American Tobacco	20,562
Reckitt Benckiser Group	11,294
Unilever	10,128
Imperial Brands	9,824
Diageo	8,516
Fever-Tree	7,967
Bellway	3,294
GKN	3,118
Taylor Wimpey	2,709
Barratt Developments	2,231
	79,643
Oil & Gas	
Royal Dutch Shell 'B'	37,592
BP	21,592
	59,184
Consumer Services	
WPP	10,111
JD Sports Fashion	7,301
Compass Group	6,440
ITV	5,730
RELX	5,363
Domino's Pizza Group	3,102
Sky	2,032
UBM	1,872
Inchcape	1,235
	43,186

Company	Valuation £'000
Basic Materials	
Rio Tinto	14,120
Glencore	7,118
BHP Billiton	6,575
Synthomer	6,335
Centamin	2,880
Evraz	1,796
Polymetal International	1,271
Acacia Mining	860
	40,955
Health Care	
GlaxoSmithKline	14,084
AstraZeneca	10,347
Shire	10,073
Smith & Nephew	1,964
	36,468
Industrials	
Experian	6,749
Ashtead Group	5,378
Rentokil Initial	4,812
BAE Systems	4,786
Bodycote	3,475
CRH	2,192
Electrocomponents	2,158
DS Smith	1,285
	30,835
Technology	
Micro Focus International	8,400
Sage Group	5,291
	13,691
Telecommunications	
BT Group	5,404
Vodafone Group	3,593
	8,997
Utilities	
National Grid	4,266
United Utilities Group	2,255
Severn Trent	1,129
	7,650
Total Investments	**428,242**

BUSINESS REVIEW

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the structure and objective of the Company, its investment policies and risk management, investment restrictions and guidelines, performance and key performance indicators, share capital, borrowing, the Company's environmental, social and ethical policy, principal risks and how the Company seeks to manage those risks and finally its long term viability.

Structure and Objective of the Company

JPMorgan Claverhouse Investment Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. Its objective is to provide shareholders with capital and income growth from UK investments. In seeking to achieve its objectives, the Company employs JPMF which, in turn, delegates portfolio management to JPMorgan Asset Management (UK) Limited, to actively manage the Company's assets. The Board has determined an investment policy and related guidelines and limits, as described below. It aims to outperform the FTSE All-Share Index.

The Company is subject to UK and European legislation and regulations including UK company law, Financial Reporting Standards, the UKLA Listing, Prospectus, Disclosure Guidance and Transparency Rules, Market Abuse Regulation, taxation law and the Company's own Articles of Association.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010) for the year ended 31st December 2013 and future years. As a result, the Company is not liable for taxation on capital gains. The Directors have no reason to believe that approval will not continue to be obtained. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 3 to 5, and in the Investment Managers' Report on pages 6 to 9.

Investment Policies and Risk Management

In order to achieve its investment objective and to seek to manage risk, the Company invests in a diversified portfolio consisting mostly of leading companies listed on the London Stock Exchange. It uses short and long term gearing to increase potential returns to shareholders.

The Company seeks to manage its risk relative to its benchmark index by limiting the active portfolio exposure to individual stocks and sectors. The maximum exposure to an investment will normally range between +/-3% relative to its weight in the benchmark index. The maximum exposure to a sector will normally range between +/-5% relative to the benchmark index. Total exposure to small cap companies will normally range between +/-5% of the FTSE Small Cap Index weighting within the FTSE All-Share Index. A maximum of 5% of the Company's assets may be invested in companies outside the FTSE All-Share Index. These limits and restrictions may be varied by the Board at any time at its discretion. To gain the appropriate exposure, the Investment Managers are permitted to invest in pooled funds. The Company's assets are managed by two Investment Managers based in London, supported by a 52-strong team of investment professionals.

The Manager's performance target is to achieve a total return on the underlying portfolio of 2% per annum over the benchmark, the FTSE All-Share Index, averaged over a three year period, i.e. before the effect of gearing, fees and the expenses of running the Company. The Company's portfolio consists of between 60 and 80 investments in which the Manager has high conviction.

The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. The Manager is accountable for tactically managing the gearing, within a +/-7.5% range around a 'normal' gearing level. The normal gearing level, which is set by the Board and kept under review on an ongoing basis, is currently 10%. The Board permits the Manager to use FTSE index futures to effect changes in the level of the Company's gearing.

Investment Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions.

- The Company will not invest more than 15% of its assets in other UK listed investment companies.
- The Company will not invest more than 10% of assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.
- The Company will not invest more than 15% of its assets in any one individual stock at the time of acquisition.
- The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. During the year the level of gearing varied between 6.9% and 12.2% (using

BUSINESS REVIEW *CONTINUED*

month end data). The Company's borrowings comprise a £30 million debenture and a £50 million revolving credit facility.

- The use of derivative instruments is subject to the prior approval of the Board, which sets appropriate limits and restrictions. The Investment Managers are permitted to use Index Futures to manage the level of gearing within the range set by the Board.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

Performance

In the year to 31st December 2016, the Company produced a total return to shareholders of +7.2% and a total return on net assets of +11.3%. This compares with the total return on the Company's benchmark of +16.7%. At 31st December 2016, the value of the Company's investment portfolio was £428.2 million (2015: £402.8 million). The Investment Managers' Report on pages 6 to 9 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross return for the year amounted to £40,343,000 (2015: £30,032,000) and net return after accounting for the management fee, performance fee, other administrative expenses, finance costs and taxation amounted to £38,454,000 (2015: £20,823,000). Distributable income for the year totalled £13,833,000 (2015: £14,168,000). The Directors declared a fourth quarterly interim dividend of 8.0 pence per share which was paid on 3rd March 2017 to shareholders on the register at the close of business on 10th February 2017. This, when added to the three quarterly interim dividends paid during 2016, made a total dividend for the year of 23.0 pence (2015: 21.5 pence), costing £12.6 million (2015: £11.8 million). Following payment of the fourth quarterly interim dividend, the revenue reserve will amount to £15.3 million, equivalent to approximately 28.0 pence per share.

Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index**
  This is the most important KPI by which performance is judged. The Manager's performance target is to achieve a total return on the underlying portfolio, i.e. before the effect of gearing, fees and the expenses of running the Company, of 2% per annum over the benchmark, the FTSE All-Share Index, averaged over a three year period.

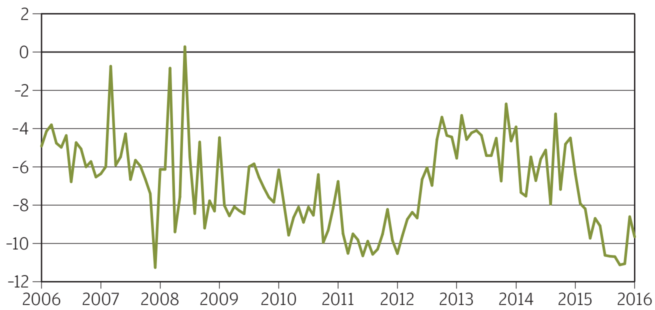
  Charts of the Company's performance relative to its benchmark index over 10 years are shown on page 11.

- **Performance against the Company's peers**
  The principal objective is to achieve capital and income growth and outperformance relative to the benchmark. However, the Board also monitors, and is satisfied with, the Company's performance relative to a broad range of competitor funds.

- **Performance attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as stock selection. Details of the attribution analysis for the year ended 31st December 2016 are given in the Investment Managers' Report on page 8.

- **Share price discount to net asset value ('NAV') per share**
  The Board has for several years operated a share repurchase policy that seeks to address imbalances in supply and demand for the Company's shares within the market and thereby seek to manage the volatility and absolute level of the discount to NAV per share at which the Company's shares trade. In the year to 31st December 2016, the Company's shares traded at a discount of between 7.9% and 11.1% (using month end data, with debt at par value).

Premium/(Discount)



Source: Datastream (month end data).

JPMorgan Claverhouse – Premium/(discount) (with debt at par value).

- **Ongoing charges**
  The ongoing charges represent the Company's management fee and all other operating expenses, excluding finance costs and any performance fee payable, expressed as a percentage of the average daily net assets during the year. The performance fee

was terminated with effect from 30th June 2016. The ongoing charges for the year ended 31st December 2016, excluding performance fees, were 0.77% (2015: 0.74%). The Board reviews each year an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers. The analysis showed that the Company's ongoing charges compare reasonably with those of its peers. The ongoing charges including the performance fee payable were 0.77% (2015: 1.22%).

Share Capital

The Company has authority both to repurchase shares in the market (for cancellation or to be held in Treasury) and to issue new shares or shares from Treasury for cash at a premium to net asset value.

During the year, the Company repurchased 20,000 shares for holding in Treasury.

At the year end, 2,061,674 shares were held in Treasury, representing 3.6% of the issued share capital. The Company will reissue shares held in Treasury only at a premium to NAV per share. Since the end of the financial year, 145,000 shares have been repurchased and are held in Treasury.

The Company did not issue any new shares during the year or since the year end.

Resolutions to renew the authorities to issue new shares and to repurchase shares will be put to shareholders at the forthcoming Annual General Meeting.

Borrowing

The Company has a £30 million debenture, which carries a fixed interest rate of 7% per annum, repayable in 2020.

The Company also has a £50 million unsecured loan facility with National Australia Bank, of which £28 million was drawn down at the year end. This facility expires on 28th April 2017 and it is intended that it be renewed for a further three year term.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board. At 31st December 2016, there were four male Directors and one female Director on the Board. With the appointment of Jill May there are now two female Directors.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board notes the Manager's policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics:

Social, Community, Environmental and Human Rights

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request.

The Manager has implemented a policy which seeks to restrict investments in securities issued by companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. Shareholders can obtain further details on the policy by contacting the Manager.

Greenhouse Gas Emissions

The Company has no premises, consumes no electricity, gas or fossil fuels and consequently does not have a measurable carbon footprint. The Company's manager, JPMF, is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

BUSINESS REVIEW *CONTINUED*

The Modern Slavery Act 2015 (the 'MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. JPMorgan's statement on Human Rights can be found on the following website: www.jpmorganchase.com/corporate/About-JPMC/ab-human-rights.htm

Principal Risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company. In assessing the risks and how they can be mitigated, the Board has given particular attention to those risks that might threaten the viability of the Company. These key risks fall broadly under the following categories:

- **Investment and Strategy:** an inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. JPMF provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.

- **Market:** market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Company may use Index Futures to manage the effective level of gearing. Such instruments are also subject to fluctuations in value and may therefore result in gains or losses. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by the Manager. The Board monitors the implementation and results of the investment process with the Manager.

- **Legal and Regulatory:** in order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given on page 15. Were the Company to breach Section 1158, it might lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by the Manager and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules, Market Abuse Regulation and Disclosure Guidance & Transparency Rules ('DTRs'). A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary and its professional advisers to ensure compliance with The Companies Act and the UKLA Listing Rules and DTRs.

- **Corporate Governance and Shareholder Relations:** details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 24 to 28.

- **Operational and Cyber Crime:** Loss of key staff by the Manager such as the Investment Managers, could affect the performance of the Company. Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the depositary's or custodian's records could prevent accurate reporting and monitoring of the Company's financial position.

  Details of how the Board monitors the services provided by the Manager and its associates and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Corporate Governance report on pages 24 to 28.

The threat of cyber attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security. The Company benefits directly or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested by independent reporting accountants and reported on every six months against the AAF Standard.

- **Financial:** the financial risks arising from the Company's financial instruments include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 23 on pages 53 to 58.

Long Term Viability

Taking account of the Company's current position, the principal risks that it faces and their potential impact on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. They have made that assessment by considering those principal risks, the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the UK economy and equity market.

In determining the appropriate period of assessment the Directors had regard to their view that, given the Company's objective of achieving long term capital and income growth, shareholders should consider the Company as a long term investment proposition. This is consistent with advice provided by investment advisers, that investors should consider investing in equities for a minimum of five years. Thus the Directors consider five years to be an appropriate time horizon to assess the Company's viability.

The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Funds Limited
Secretary

10th March 2017

BOARD OF DIRECTORS

Andrew Sutch*‡†
(Chairman of the Board and Nomination Committee)
A Director since 2013. Appointed Chairman in 2015.

Last reappointed to the Board: 2016.

Partner in Stephenson Harwood LLP, where he is a corporate lawyer with particular experience in investment funds and financial services law and was the firm's senior partner for 10 years. He has extensive experience advising investment managers and investment funds. He is also a director of Jupiter European Opportunities Trust plc and a council member of the Royal Academy of Dramatic Art.

Shared directorships with other Directors: None.

Shareholding in Company: 7,244.

John Scott DL*‡†
A Director since 2004

Last reappointed to the Board: 2016.

Chairman of Scottish Mortgage Investment Trust plc, Impax Environmental Markets plc and Alpha Insurance Analysts Limited. A Director of Bluefield Solar Income Fund Limited and CC Japan Income & Growth Trust plc. Formerly Chairman of Dunedin Income Growth Investment Trust plc, a Director of Martin Currie Pacific Trust plc, Schroder Japan Growth Fund plc and an executive director of Lazard Brothers & Co., Limited.

Shared directorships with other Directors: None.

Shareholding in Company: 10,148.

Humphrey van der Klugt*‡† (Chairman of the Audit Committee, Senior Independent Director)
A Director since 2008

Last reappointed to the Board: 2016.

Director of Allianz Technology Trust plc and Worldwide Healthcare Trust plc. Formerly a director of BlackRock Commodities Income Investment Trust plc, Murray Income Trust plc and chairman of Fidelity European Values plc. He was a senior executive and director of Schroder Investment Management Limited and a member of their group investment and asset allocation committees and a UK equity portfolio manager. He is a chartered accountant.

Shared directorships with other Directors: None.

Shareholding in Company: 5,000.

Jane Tufnell*‡†
A Director since 2013

Last reappointed to the Board: 2016.

Independent non-executive director of The Diverse Income Trust Plc and Record plc. She co-founded Ruffer LLP, a privately-owned investment management firm, in 1994.

Shared directorships with other Directors: None.

Shareholding in Company: 1,000.

David Fletcher*‡†
A Director since 2015.

Last reappointed to the Board: 2016.

Group Finance Director of Stonehage Fleming Family & Partners Limited ('FF&P'), a multi family office. He joined FF&P in 2002 and became Chief Financial Officer in 2009. Prior to FF&P, he spent 20 years in investment banking in London, Hong Kong and Japan with JPMorgan, Robert Fleming & Co. and Baring Brothers & Co Limited. He is also a director of Aberdeen Smaller Companies Income Trust plc. He is a Chartered Accountant.

Shared directorships with other Directors: None.

Shareholding in Company: 2,384.

Jill May*‡†
A Director since 1st February 2017.

Last reappointed to the Board: n/a.

A Panel Member of the Competition and Markets Authority ('CMA') and a member of the recent CMA Enquiry into Retail Banking and SME lending. She is also a non-executive director of the Institute of Chartered Accountants and was a non-executive director of the CMA from its inception in 2013 until October 2016. Prior to this she spent 25 years in investment banking, 13 years in M&A with S.G. Warburg & Co and 12 years at UBS AG.

Shared directorships with other Directors: None.

Shareholding in Company: None.

*** Member of the Audit Committee.**

‡ Member of the Nomination Committee.

† Considered independent by the Board.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31st December 2016.

Management of the Company

The Manager and Secretary is JPMorgan Funds Limited ('JPMF'), a company authorised and regulated by the FCA. The active management of the Company's assets is delegated by JPMF to an affiliate, JPMorgan Asset Management (UK) Limited ('JPMAM'). The Manager is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides marketing, banking, dealing and custodian services to the Company.

The Manager is employed under a contract which can be terminated on three months' notice in the event of the Board giving notice as a result of poor performance; the notice period is 12 months for all other reasons, in both cases without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

The Board conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. No separate management engagement committee has been established as all of the Directors are considered to be independent of the Manager. Over the five years to 28th February 2017 the Company outperformed its benchmark index and in light of this the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board also considered the support that the Company receives from JPMF.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF'). JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM. The Company has appointed BNY Mellon Trust and Depositary (UK) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.jpmclaverhouse.co.uk. There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

JPMF's remuneration disclosures are set out on page 60.

Management and Performance Fees

With effect from 1st July 2016 the management fee has been charged at the annual rate of 0.60% of the Company's net assets on the first £500 million and at 0.50% of net assets above that amount (until 30th June 2016 it was charged at 0.55% of the Company's market capitalisation). Investments on which JPMAM earns a management fee are excluded from the calculation and therefore attract no additional management fee. The fee is calculated and paid monthly in arrears. In addition, the Company reimburses JPMF for the costs of administering its shareholders who hold their shares through the JPMAM savings products.

Up to 30th June 2016, a performance fee was also payable but with effect from 1st July 2016 this was terminated. The fee was based on 15% of the difference between the Company's net asset value total return for the year and the benchmark, as inflated by a hurdle of 0.5%, calculated in absolute terms and applied to the Company's gross assets. The fee was calculated annually, with any underperformance carried forward and offset against any future outperformance. Any fee payable was charged to capital and spread evenly over three years. The actual amount paid in respect of performance fees in any one year was subject to a cap of 0.4% of total assets.

As at 30th June 2016 there was no performance fee accrual and therefore no performance fee was paid. Further details are set out in note 15 of the Financial Statements on page 50.

Directors

Jill May was appointed a Director of the Company with effect from 1st February 2017. All other Directors of the Company, detailed on pages 20 and 21, held office throughout the year to 31st December 2016.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 30. No Director reported an interest in the Company's debenture during the year.

With the exception of John Scott, all Directors will be standing for reappointment at the Company's forthcoming Annual General Meeting. The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director standing for reappointment continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, each Director has the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Disclosure of information to Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

(a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's Auditors are unaware; and

(b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 418(2) of the Companies Act 2006.

Independent Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them and authorise the Directors to determine their remuneration for the ensuing year will be proposed at the AGM.

Capital Structure and Voting Rights

Capital Structure
At 31st December 2016, the Company's share capital comprised 56,765,653 ordinary shares of 25p each, including 2,061,674 shares held in Treasury.

Voting Rights in the Company's shares
Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of AGM on page 63.

Notifiable Interests in the Company's Voting Rights

At the financial year end the following had declared a notifiable interest in the Company's voting rights:

Shareholders	% of voting rights
JPMorgan Asset Management Holdings Inc.	7.9

No changes to this holding had been notified as at the date of this report.

The Company is also aware that approximately 38% of the Company's total voting rights are held by individuals through savings products managed by JPMAM and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances JPMorgan has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or repurchase the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

Listing Rule 9.8.4R

Listing Rule 9.8.4R requires the Company to include certain information in an identified section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no such disclosures to be made in this report.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting ('AGM'):

DIRECTORS' REPORT *CONTINUED*

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 10 and 11)

The Directors will seek authority at the AGM to issue up to 2,727,948 new ordinary shares for cash up to an aggregate nominal amount of £681,987 such amount being equivalent to 5% of the present issued ordinary share capital (excluding Treasury shares) as at the last practicable date before the publication of this document. The full text of the resolutions is set out in the Notice of Meeting on page 61. This authority will expire at the conclusion of the AGM of the Company in 2018 unless renewed at a prior general meeting.

It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the net asset value (the 'NAV'), they increase the NAV per share and spread the Company's management and administrative expenses over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

The Board believes that the Company's strong investment performance may result in the share price discount narrowing or moving to a premium to NAV. The Board is seeking to renew the authority to issue up to 5% of the issued share capital in order to provide flexibility to issue shares at a premium and manage share price volatility relative to NAV.

(ii) Authority to repurchase the Company's shares (resolution 12)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2016 AGM, will expire on 19th October 2017 unless renewed at the forthcoming AGM. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

Resolution 12 gives the Company authority to buy back its own issued ordinary shares in the market as permitted by the Companies Act 2006 (the 'Act'). The authority limits the number of shares that could be purchased to a maximum of 8,178,390 ordinary shares, representing approximately 14.99% of the Company's issued ordinary shares as at 9th March 2017 (being the latest practicable date prior to the publication of this document). The authority also sets minimum and maximum prices.

If resolution 12 is passed at the AGM it is the Board's current intention to hold in Treasury any shares it may repurchase pursuant to the authority granted to it for possible reissue at a premium to NAV.

The full text of the resolution is set out in the Notice of Meeting on pages 61 and 62. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares as and when market conditions are appropriate. This authority will expire on 20th October 2018, but it is the Board's intention to seek renewal of the authority at the 2018 AGM.

Recommendation

The Board considers that resolutions 10 to 12 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 25,776 shares, representing approximately 0.05% of the voting rights in the Company.

Corporate Governance Statement

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 32, indicates how the Company has applied the principles of good governance of the Financial Reporting Council UK Corporate Governance Code (the 'UK Corporate Governance Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.[1]

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the UK Corporate Governance Code, insofar as they are relevant to the Company's business, and the AIC Code throughout the year under review.

Role of the Board

A management agreement between the Company and JPMF sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administration and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board has procedures in place to deal with potential conflicts of interest and, following the introduction of The Bribery Act 2010, has adopted appropriate procedures designed to prevent bribery.

[1] Copies of the UK Corporate Governance Code and the AIC Code may be found on the respective organisations' websites: www.frc.org.uk and www.theaic.co.uk

It confirms that the procedures have operated effectively during the year under review.

The Board meets at least quarterly during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMF, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board, chaired by Andrew Sutch, currently consists of six non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager, including the Chairman. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on pages 20 and 21. There have been no changes to the Chairman's other significant commitments during the year under review.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be reappointed by shareholders. Thereafter, a Director's appointment is subject to the performance evaluation carried out each year and the approval of shareholders at each Annual General Meeting, in accordance with corporate governance best practice. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees periodically.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the AGM.

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of Committees are shown with the Directors' profiles on pages 20 and 21. Directors who are not members of Committees may attend at the invitation of the Chairman of the relevant Committee.

The table below details the number of Board and Committee meetings attended by each Director. During the year there were five scheduled Board meetings, including a separate meeting devoted to strategy. There were also two private meetings of the Directors. One Board meeting included the evaluation of the Manager. There were two Audit Committee meetings and one meeting of the Nomination Committee.

Meetings Attended

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
David Fletcher	5	2	1
Humphrey van der Klugt	5	2	1
John Scott	5	2	1
Andrew Sutch	5	2	1
Jane Tufnell	5	2	1

Jill May was appointed to the Board on 1st February 2017.

Audit Committee

The Audit Committee, chaired by Humphrey van der Klugt, and whose membership is set out on pages 20 and 21, meets on at least two occasions each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the UK Corporate Governance Code.

During its review of the Company's financial statements for the year ended 31st December 2016, the Audit Committee considered the following significant issues, in particular those communicated by the Auditors during their reporting:

DIRECTORS' REPORT *CONTINUED*

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1 to the accounts on page 42. The audit includes the determination of the existence and ownership of the investments. The Company has appointed BNY Mellon Trust and Depositary (UK) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A., as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on page 42. Income recording is conducted by the Manager and the methodology is reported upon to the Board within a six monthly independent report on the operations of the Manager.
Calculation of Management and Performance Fees	The management and performance fees are calculated in accordance with the Investment Management Agreement. The Board reviews controls reports, expense schedules and the performance fee calculation. The auditor independently recalculates the management and performance fees as part of the audit and has not reported any exceptions. No performance fee was paid.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31st December 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 32.

The Audit Committee examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. In the Directors' opinion the Auditors are independent.

The Audit Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external Auditors. Representatives of the Company's Auditors attended the Audit Committee meeting at which the draft Annual Report & Accounts were considered and also engage with Directors as and when required. Having reviewed the performance of the external Auditor, including assessing the quality of work, timing of communications and work with JPMF, the Committee considered it appropriate to recommend its reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Company's year ended 31st December 2016 is the current Audit Partner's first year of a maximum five year term. The current audit firm has audited the Company's financial statements for over 20 years and the Company will be required to appoint a new audit firm no later than 2020.

Nomination Committee

The Nomination Committee, chaired by Andrew Sutch, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender. Independent consultants, Trust Associates, were employed to conduct the search for a new Director, which resulted in the appointment of Jill May. Trust Associates has no connection with the Board or the Manager.

The Board's policy on diversity, including gender, is to take account of the benefits of these during the appointment process. However, the Board remains committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity. Therefore, no targets have been set against which to report.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together. Questionnaires, drawn up by the Board, with the assistance of JPMF and a firm of independent consultants, are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chairman. The Senior Independent Director leads the evaluation of the Chairman's performance.

The Committee also reviews Directors' fees and makes recommendations to the Board as and when appropriate in relation to remuneration policy.

Terms of Reference

Both the Audit Committee and the Nomination Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on the

Company's website, on request at the Company's registered office and at the Company's Annual General Meeting.

Going Concern

The Directors believe that, having considered the Company's investment objective (see page 15), risk management policies (see pages 53 to 58), capital management policies and procedures (see page 58), the nature of the portfolio and expenditure and cash flow projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Company's financial statements. They have not identified any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these financial statements.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders half yearly by way of the half year and annual report and accounts. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. During the year the Company's brokers, the Investment Managers and JPMF hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 67. Humphrey van der Klugt, as Senior Independent Director, may be contacted by shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

The Company's Annual Report and Accounts are published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 67.

Details of the proxy voting position on each resolution will be published on the Company's website shortly after the Annual General Meeting.

Risk Management and Internal Control

The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMF and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by JPMF and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. In addition, the Company's depositary is responsible for overseeing the operations of the custodian and the Company's cash flows. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on pages 18 and 19). This process, which was in place during the year under review and up to the date of the approval of the Annual Report and Accounts, accords with the Financial Reporting Council's guidance. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of the Manager. This arrangement is kept under review. The key elements designed to provide effective internal control are as follows:

Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

Information Technology Systems – the Manager and the Company's other suppliers have security systems in place to protect the Company's information. Information technology controls are tested and reported on regularly by independent third parties.

Management Agreement – Appointment of a manager and depositary regulated by the Financial Conduct Authority ('FCA'), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by the Manager's

DIRECTORS' REPORT *CONTINUED*

Compliance department which regularly monitors compliance with FCA rules.

Investment Strategy – Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of risk management and internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- reviews the terms of the management agreement and receives regular reports from the Manager's Compliance department;
- reviews reports on the risk management and internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed;
- reviews every six months an independent report on the risk management and internal controls and the operations of the Manager; and
- reviews quarterly reports from the Company's depositary.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st December 2016 and to the date of approval of this Annual Report and Accounts.

During the course of its review of the system of risk management and internal control, the Board has not identified or been advised of any failings or weaknesses which it has determined to be significant.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager. The following is a summary of the Manager's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 17.

Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

Proxy Voting

JPMAM manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable, we will vote at all of the meetings called by companies in which we are invested.

Stewardship/Engagement

JPMAM recognises its wider FRC stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- *publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;*
- *disclose their policy on managing conflicts of interest;*
- *monitor their investee companies;*
- *establish clear guidelines on how they escalate engagement;*
- *be willing to act collectively with other investors where appropriate;*
- *have a clear policy on proxy voting and disclose their voting record; and*
- *report to clients.*

JPMAM endorses the FRC Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: http://www.jpmorganinvestmenttrusts.co.uk/governance which also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Funds Limited,
Secretary

10th March 2017

DIRECTORS' REMUNERATION REPORT

The Board presents the Directors' Remuneration Report for the year ended 31st December 2016, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 33 to 37.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate.

Directors' Remuneration Policy

The law requires that the Directors' Remuneration Policy is subject to a triennial binding vote. However, the Board has decided to seek annual approval and therefore an ordinary resolution to approve this policy will be put to shareholders at the forthcoming Annual General Meeting. The policy subject to the vote, is set out in full below and is currently in force.

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board and retained. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than the other Directors, reflecting the greater time commitment involved in fulfilling those roles.

Reviews are based on information provided by the Manager and industry research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review. The Company has no Chief Executive Officer and no employees and therefore no consultation of employees is required and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

In the year under review fees were paid at the following rates: Chairman £34,000; Chairman of the Audit Committee £27,000; and other Directors £23,000. With effect from 1st January 2017 the fees have been increased to the following rates: Chairman £37,000, Chairman of the Audit Committee £29,500 and other Directors £24,500. Prior to this increase, Directors' fees were last increased on 1st January 2014.

The Company's articles of association provide that any increase in the maximum aggregate annual limit on Directors' fees, currently £175,000, requires both Board and shareholder approval.

The Company has not sought shareholder views on its remuneration policy. The Nomination Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and takes account of those views.

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 25.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st December 2015 and no changes are proposed for the year ending 31st December 2017.

At the Annual General Meeting held on 20th April 2016, of votes cast, 99.1% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration policy and the remuneration report and less than 1.0% voted against. Abstentions were received from less than 1.0% of the votes cast.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Report at the 2017 Annual General Meeting will be given in the annual report for the year ending 31st December 2017.

DIRECTORS' REMUNERATION REPORT *CONTINUED*

Details of the implementation of the Company's remuneration policy are given below.

Single total figure of remuneration

The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

Single total figure table[1]

	2016 Fees £	2016 Taxable expenses[2] £	2016 Total £	2015 Fees £	2015 Taxable expenses[2] £	2015 Total £
Andrew Sutch	34,000	–	34,000	30,799	–	30,799
Humphrey van der Klugt	27,000	–	27,000	27,000	–	27,000
Michael Bunbury[3]	–	–	–	9,938	–	9,938
David Fletcher[4]	23,000	–	23,000	21,083	–	21,083
John Scott[2]	23,000	1,943	24,943	23,000	–	23,000
Jane Tufnell	23,000	–	23,000	23,000	–	23,000
Total	**130,000**	**1,943**	**131,943**	**134,820**	**–**	**134,820**

[1] Audited information. Other subject headings for the single figure table as prescribed by regulation are not included because there is nothing to disclose in relation thereto.

[2] Taxable travel and subsistence expenses incurred in attending Board and Committee meetings.

[3] Retired 15th April 2015.

[4] Appointed 1st February 2015.

A table showing the total remuneration for the Chairman over the five years ended 31st December 2016 is below:

Remuneration for the Chairman over the five years ended 31st December 2016

Year ended 31st December	Fees
2016	£34,000
2015	£34,000
2014	£34,000
2013	£32,000
2012	£32,000

Directors' Shareholdings[1]

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The beneficial shareholdings of the Directors who held office at the year end are detailed below.

Directors' Name	31st December 2016	31st December 2015
Andrew Sutch	7,160	6,898
David Fletcher	2,356	2,271
Humphrey van der Klugt	5,000	5,000
John Scott	10,148	10,148
Jane Tufnell	1,000	1,000
Total	**25,664**	**25,317**

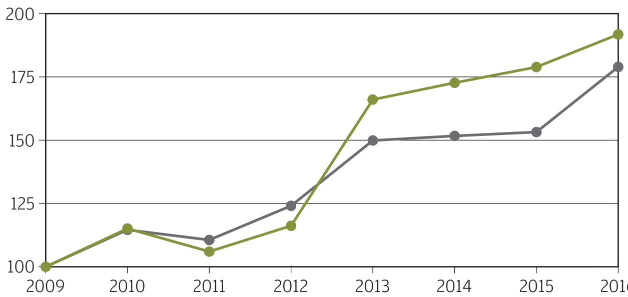
[1] Audited information.

Since the year end, David Fletcher and Andrew Sutch have acquired 28 and 84 shares in the Company respectively.

The Directors have no other share interests or share options in the Company and no share schemes are available.

A graph showing the Company's share price total return compared with its benchmark, the FTSE All-Share Index, is shown below.

Seven Year Share Price and Benchmark Total Return Performance to 31st December 2016



Source: Morningstar.

Share price total return.

Benchmark.

A table showing actual expenditure by the Company on remuneration and distributions to shareholders for the year and the prior year is below:

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st December 2016 £	2015 £
Remuneration paid to all Directors	131,943	134,820
Distribution to shareholders – by way of dividends paid	11,758,000	11,760,000

For and on behalf of the Board
Andrew Sutch
Chairman

10th March 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under Company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, the annual report and accounts are fair, balanced and understandable, provide the information necessary for shareholders to assess the Company's performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

and the Directors confirm that they have done so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.jpmclaverhouse.co.uk website, which is maintained by the Company's Manager. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report and Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed on pages 20 and 21, confirm that, to the best of their knowledge, the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and return or loss of the Company.

The Board confirms that it is satisfied that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the strategy and business model of the Company.

For and on behalf of the Board
Andrew Sutch
Chairman

10th March 2017

Independent Auditor's Report

TO THE MEMBERS OF JPMORGAN CLAVERHOUSE INVESTMENT TRUST PLC

Our opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2016 and of the Company's net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

JPMorgan Claverhouse Investment Trust plc's financial statements comprise:

Statement of Comprehensive Income for the year ended 31st December 2016.

Statement of Changes in Equity for the year ended 31st December 2016.

Statement of Financial Position as at 31st December 2016.

Statement of Cash Flows for the year ended 31st December 2016.

Related notes 1 to 25 to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Overview of our audit approach

Risks of material misstatement	• Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment. • The management and performance fees payable by the Company for investment management services are not calculated in accordance with the methodology prescribed in the investment management agreement. • Incorrect valuation and existence of the investment portfolio.
Audit scope	• We performed an audit of the complete financial information of JPMorgan Claverhouse Investment Trust plc.
Materiality	• Materiality of £3.8 million which represents 1% of total equity shareholders' funds (2015: £3.6 million).

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those with the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	**Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment** (as described on page 26 in the Audit Committee Report). The investment income receivable by the Company during the period directly drives the Company's ability to make a dividend payment to shareholders. During the year the Company recognised £16.1 million (2015: £16.3) of investment income in the form of dividends from listed equities (as disclosed in Note 4 to the financial statements). Special dividends by their nature require the exercise of judgement as to whether the income receivable should be classified as 'revenue' or 'capital'; dependent upon the circumstances behind payment. During the year the Company received four special dividends in excess of our testing threshold amounting to £1.2 million in total, which were treated as revenue.

Our response to the risk	We agreed a sample of dividends receipts to the corresponding announcement made by the investee company and agreed cash received to bank statements. We agreed, on a sample basis, investee company dividend announcements from an independent source to the income recorded by the Company. We agreed all accrued dividends to third party source and to post year end bank statements to assess the recoverability of these amounts. We reviewed the income report for all material dividends and checked these against an independent source to determine if any were special. We also reviewed the acquisitions and disposals report for any potential special dividends treated as capital to assess if any should be treated as revenue. We reviewed the treatment of the four special dividends identified above our testing threshold.
Key observations communicated to the Audit Committee	We noted no issues in agreeing the sample of dividend receipts to an independent source, recalculating these amounts and agreeing them to the bank statements. We noted no issues in agreeing the sample of investee company announcements to the income entitlements recorded by the Company and we are satisfied that in each case, the dividend obligation arose prior to 31st December 2016. We noted no issues in recalculating the accrued dividends, agreeing a sample to subsequent bank statements, and confirming the income obligation arose prior to 31st December 2016. We agreed with the treatment of all special dividends above our testing threshold as revenue.
Risk	**The management and performance fees payable by the Company for investment management services are not calculated in accordance with the methodology prescribed in the investment management agreement** (as described on page 26 in the Report in the Audit Committee). The fees payable by the Company for investment management services are a significant component of the Company's cost base and, therefore, impact the Company's total return. In the Income Statement, for the year to 31st December 2016, the management fee charged was £1.9 million (2015: £1.8 million) and the performance fee was a write back of £3.5 million (2015: £3.7 million charge) (as disclosed in Note 5 to the financial statements). As at 31st December 2015, the performance fee carried forward for potential future payment was £3.5 million. The performance fee was terminated on 30th June 2016. In accordance with the investment management agreement, any amount carried forward should be offset against any future underperformance of the Company and will only be paid in full if the Company continues to exceed the benchmark. During the first six months to 30th June 2016, the Company underperformed the FTSE All-Share Total Return Index by 7.8% resulting in the previously accrued performance fee of £3.5 million being reversed and thus credited to the capital column of the Income statement.
Our response to the risk	We used the terms contained in the investment management agreement to perform a recalculation of the management fees and performance fee write back. We agreed the inputs used in the calculation of the management fees and performance fee write back to source data. In respect of the management fees, we agreed the cash payments made to Company bank statements. In line with the Company's stated policy, and consistent with the prior year, the management fee has been charged 35% to the revenue column of the Income Statement and 65% to the capital column. In respect of the performance fee write back, we reviewed the accounting treatment adopted in relation to the write back of the fee against the investment management agreement.
Key observations communicated to the Audit Committee	We are satisfied that the terms of the investment management agreement have been materially applied within the management and performance fee calculations. For all inputs and payments, we noted no issues in agreeing the amounts to source data.

	We noted no issues agreeing the management fee payments to Company bank statements. We are satisfied that the accounting treatment in relation to the performance fee write back is in accordance with the terms of the agreement and the accounting policies.
Risk	Incorrect valuation and existence of the investment portfolio (as described on page 26 in the Audit Committee Report). The Company's investment portfolio consists of listed equities with a total valuation of £428.2 million as at 31st December 2016 (2015: £402.8 million). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.
Our response to the risk	For all investments in the portfolio, we compared the market values and exchange rates applied to an independent source. We independently obtained confirmations from the Company's Custodian and Depositary to confirm the existence of the assets held as at 31st December 2016. We agreed the number of shares held in each security to a confirmation of legal title received from both the Company's Custodian and Depositary as at 31st December 2015.
Key observations communicated to the Audit Committee	For all investments, we noted no material differences in market value from prices or exchange rates used. We noted no differences between the Custodian and Depositary confirmations and the Company's underlying financial records.

There have been no changes to our risks reported in the prior year.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Company to be £3.8 million (2015: £3.6 million) which is 1% of equity shareholders' funds. We derived our materiality calculation from a proportion of total equity shareholders' funds as we consider that to be the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of planning materiality, being £2.9 million (2015: £2.7 million). We have set performance materiality at this percentage due to our past experience of the audit that indicated a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £0.7 million (2015: £0.7 million) for the revenue column of the Income Statement, being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report all audit differences in excess of £0.2 million (2015: £0.2 million) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

ISAs (UK & Ireland) reporting

We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.

Companies Act 2006 reporting

We are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	We have no exceptions to report.

Listing Rules review requirements

We are required to review: • the Directors' statement in relation to going concern set out on page 27, and longer-term viability, set out on page 19; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' assessment of the Principal Risks that would threaten the solvency or liquidity of the entity

ISAs (UK & Ireland) reporting

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Sarah Williams (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP
Statutory Auditor
London

10th March 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2016

	Notes	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Gains on investments held at fair value through profit or loss	3	–	24,029	24,029	–	13,352	13,352
Net foreign currency gains/(losses)		–	6	6	–	(10)	(10)
Income from investments	4	16,236	–	16,236	16,592	–	16,592
Interest receivable and similar income	4	72	–	72	98	–	98
Gross return		16,308	24,035	40,343	16,690	13,342	30,032
Management fee	5	(650)	(1,208)	(1,858)	(616)	(1,145)	(1,761)
Performance fee write back/(charged)	5	–	3,500	3,500	–	(3,660)	(3,660)
Other administrative expenses	6	(840)	–	(840)	(884)	–	(884)
Net return on ordinary activities before finance costs and taxation		14,818	26,327	41,145	15,190	8,537	23,727
Finance costs	7	(919)	(1,706)	(2,625)	(1,014)	(1,882)	(2,896)
Net return on ordinary activities before taxation		13,899	24,621	38,520	14,176	6,655	20,831
Taxation	8	(66)	–	(66)	(8)	–	(8)
Net return on ordinary activities after taxation		13,833	24,621	38,454	14,168	6,655	20,823
Return per share	9	25.28p	44.99p	70.27p	25.89p	12.16p	38.05p
Dividends declared and payable in respect of the year	10	23.00p			21.50p		
Dividends paid during the year	10	21.50p			21.50p		

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

Net return on ordinary activities after taxation represents the profit for the year and also Total Comprehensive Income.

The notes on pages 42 to 59 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2016

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve[1] £'000	Total £'000
At 31st December 2014	**14,192**	**149,641**	**6,680**	**160,957**	**15,193**	**346,663**
Net return on ordinary activities	–	–	–	6,655	14,168	20,823
Dividends paid in the year	–	–	–	–	(11,760)	(11,760)
At 31st December 2015	**14,192**	**149,641**	**6,680**	**167,612**	**17,601**	**355,726**
Repurchase of the Company's shares into Treasury	–	–	–	(115)	–	(115)
Net return on ordinary activities	–	–	–	24,621	13,833	38,454
Dividends paid in the year	–	–	–	–	(11,758)	(11,758)
At 31st December 2016	**14,192**	**149,641**	**6,680**	**192,118**	**19,676**	**382,307**

[1] This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

The notes on pages 42 to 59 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	428,242	402,792
Current assets	12		
Debtors		882	1,117
Cash and cash equivalents[1]		11,771	32,691
		12,653	33,808
Current liabilities			
Creditors: amounts falling due within one year	13	(28,696)	(2,509)
Net current (liabilities)/assets		(16,043)	31,299
Total assets less current liabilities		412,199	434,091
Creditors: amounts falling due after more than one year	14	(29,892)	(74,865)
Provision for liabilities and charges	15	–	(3,500)
Net assets		382,307	355,726
Capital and reserves			
Called up share capital	16	14,192	14,192
Share premium	17	149,641	149,641
Capital redemption reserve	17	6,680	6,680
Capital reserves	17	192,118	167,612
Revenue reserve	17	19,676	17,601
Total shareholders' funds		382,307	355,726
Net asset value per share	18	698.9p	650.0p

[1] This line item combines the two lines of 'Investment in liquidity fund held at fair value through profit or loss' and 'Cash and short term deposits' in the financial statements for the year ended 31st December 2015 into one. Under FRS 102, liquidity funds are considered cash equivalents as they are held for cash management purposes.

The financial statements on pages 38 to 41 were approved and authorised for issue by the Directors on 10th March 2017 and were signed on their behalf by:

Andrew Sutch
Director

The notes on pages 42 to 59 form an integral part of these financial statements.

Company registration number: 754577.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Net cash outflow from operations before dividends and interest	19	(4,437)	(4,137)
Dividends received		16,405	16,488
Interest received		69	98
Interest paid		(2,673)	(2,856)
Overseas tax recovered		2	1
Net cash inflow from operating activities		**9,366**	**9,594**
Purchases of investments		(162,447)	(104,473)
Sales of investments		163,025	117,697
Settlement of futures contracts		(1,999)	(353)
Settlement of foreign currency contracts		7	–
Net cash (outflow)/inflow from investing activities		**(1,414)**	**12,871**
Dividends paid		(11,758)	(11,760)
Repurchase of the Company's shares into Treasury		(115)	–
Repayment of bank loans		(25,000)	(5,000)
Drawdown of bank loans		8,000	–
Net cash outflow from financing activities		**(28,873)**	**(16,760)**
(Decrease)/increase in cash and cash equivalents		**(20,921)**	**5,705**
Cash and cash equivalents at start of year		32,691	26,986
Unrealised gain on foreign currency cash		1	–
Cash and cash equivalents at end of year		11,771	32,691
(Decrease)/increase in cash and cash equivalents		**(20,921)**	**5,705**
Cash and cash equivalents consist of:			
Cash and short term deposits		159	1,989
Cash held in JPMorgan Sterling Liquidity Fund		11,612	30,702
Total		**11,771**	**32,691**

The notes on pages 42 to 59 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2016

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014.

All of the Company's operations are of a continuing nature.

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 27 of the Directors' Report form part of these financial statements.

The policies applied in these financial statements are consistent with those applied in the preceding year, except for the following matters:

The investment in liquidity fund has been presented as a cash and cash equivalent in the current year to better reflect the fact that the position is held as an alternative to cash. It was previously held as a non-current asset, and the comparative figures in the relevant primary financial statements and notes have been similarly amended.

In March 2016, the FRC published amendments to FRS 102 concerning the fair value hierarchy disclosures. These amendments are effective for accounting periods beginning on or after 1st January 2017. Full disclosure is given in note 22 on page 53.

(b) Valuation of investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company' Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as held at fair value through profit or loss. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments and derivatives, any performance fee realised, management fee and finance costs allocated to capital and any other capital charges, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Gains and losses on sales of investments'.

Increases and decreases in the valuation of investments and derivatives held at the year end and any performance fee provision, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Investment holding gains and losses'.

(d) Income

Dividends receivable are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

UK dividends are included net of tax credits. Overseas dividends are included gross of any withholding tax.

Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as income or capital.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Underwriting commission is recognised in revenue where it relates to shares that the Company is not required to take up. Where the Company is required to take up a proportion of the shares underwritten, the same proportion of commission received is deducted from the cost of the shares taken up, with the balance taken to revenue.

Deposit interest receivable is taken to revenue on an accruals basis.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the following exceptions:

- any performance fee is allocated 100% to capital. With effect from 1st July 2016, the performance fee was terminated.
- the management fee is allocated 35% to revenue and 65% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 49.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest rate method.

Finance costs are allocated 35% to revenue and 65% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash and cash equivalents may comprise cash including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Liquidity funds are considered cash equivalents as they are held for cash management purposes as an alternative to cash.

Derivative financial instruments, including futures contracts, are valued at fair value and are included in current assets or current liabilities. Any profits or losses on the closure or revaluation of positions are recognised in the Statement of Comprehensive Income and taken to capital reserves. Financial instruments are initially recognised and derecognised on a trade date basis.

The debenture in issue is classified as financial liabilities at amortised cost. It was initially measured at the proceeds net of direct issue costs and subsequently measured at amortised cost. The amortisation of direct issue costs is accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method.

Bank loans are classified as financial liabilities measured at amortised cost. They are initially measured as proceeds and subsequently measured at amortised cost. Interest payable on the bank loan is accounted for on an accruals basis in the Statement of Comprehensive Income.

Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

(h) Taxation

Current tax is provided at the amounts expected to be paid or recovered.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

1. Accounting policies *continued*

(i) Value Added Tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

(j) Functional currency

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates.

The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets and liabilities and equity investments held at fair value denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature. Gains and losses on investments arising from a change in exchange rates are included in 'Investment holding gains and losses' for investments still held at year end, and in 'Gains and losses on sales of investments' for investments sold during the year.

(k) Dividends payable

Dividends are included in the financial statements in the year in which they are approved by shareholders.

(l) Repurchase of the Company's ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to 'Capital reserves' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

(m) Repurchase of the Company's shares into Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to capital reserves and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of called up share capital and into capital redemption reserve.

Should shares held in Treasury be reissued, the sales proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any significant accounting judgements or estimates have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Gains on investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Gains on investments held at fair value through profit or loss based on historic cost	23,407	5,395
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(42,658)	(10,759)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(19,251)	(5,364)
Realised losses on close out of futures	(1,999)	(353)
Net movement in investment holding gains and losses	45,283	18,472
Unrealised gains on futures held at fair value through profit or loss	–	600
Other capital charges	(4)	(3)
Total capital gains on investments held at fair value through profit or loss	**24,029**	**13,352**

4. Income

	2016 £'000	2015 £'000
Income from investments		
Franked investment income	15,386	15,720
Overseas dividends	750	617
Property income distribution from UK REITS	100	255
	16,236	**16,592**
Interest receivable and similar income		
Interest from liquidity fund	70	95
Deposit interest	2	3
	72	**98**
Total income	**16,308**	**16,690**

5. Management and performance fees

	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	650	1,208	1,858	616	1,145	1,761
Performance fee (write back)/charge	–	(3,500)	(3,500)	–	3,660	3,660
	650	**(2,292)**	**(1,642)**	**616**	**4,805**	**5,421**

Details of the management and performance fees are given in the Directors' Report on page 22. Further details on the performance fee are given in note 15 on page 50.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

6. Other administrative expenses

	2016 £'000	2015 £'000
Administration expenses	306	271
Savings scheme costs[1]	289	358
Directors' fees[2]	130	135
Depositary fees[3]	84	90
Auditors' remuneration for audit services[4]	30	29
Auditors' remuneration for other services[5]	1	1
	840	**884**

[1] Paid to the Manager for marketing and administration of saving scheme products. Includes £48,000 (2015: £60,000) irrecoverable VAT.

[2] Full disclosure is given in the Directors' Remuneration Report on page 30.

[3] Includes £14,000 (2015: £15,000) irrecoverable VAT.

[4] Includes £5,000 (2015: £5,000) irrecoverable VAT.

[5] Includes £nil (2015: £nil) irrecoverable VAT. The other services provided comprise a review of compliance with the debenture trust deed.

7. Finance costs

	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loan and overdrafts	174	323	497	269	500	769
Debenture interest	745	1,383	2,128	745	1,382	2,127
	919	**1,706**	**2,625**	**1,014**	**1,882**	**2,896**

8. Taxation

(a) Analysis of tax charge in the year

	2016 £'000	2015 £'000
Overseas withholding tax	66	8
Total tax charge for the year	**66**	**8**

(b) **Factors affecting total tax charge for the year**

The tax charge for the year is lower than (2015: lower) the Company's applicable rate of corporation tax of 20% (2015: 20.25%). The factors affecting the total tax charge for the year are as follows:

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Net return on ordinary activities before taxation	13,899	24,621	38,520	14,176	6,655	20,831
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 20% (2015: 20.25%)	2,780	4,924	7,704	2,871	1,348	4,219
Effects of:						
Non taxable capital gains	–	(4,807)	(4,807)	–	(2,702)	(2,702)
Non taxable UK dividends	(3,077)	–	(3,077)	(3,183)	–	(3,183)
Non taxable overseas dividends	(150)	–	(150)	(125)	–	(125)
Excess capital expenses arising in the year	–	(117)	(117)	–	1,354	1,354
Unrelieved expenses	447	–	447	437	–	437
Overseas withholding tax	66	–	66	8	–	8
Total tax charge for the year	**66**	**–**	**66**	**8**	**–**	**8**

(c) **Deferred taxation**

The Company has an unrecognised deferred tax asset of £18,110,000 (2015: £18,878,000) based on a prospective corporation tax rate of 17% (2015: 18%). The UK Government announced in July 2015 that the corporation tax rate is set to be cut to 19% in 2017 and 18% in 2020. In March 2016 a further cut to 17% in 2020 was announced. These reductions in the standard rate of corporation tax were substantively enacted on 15th September 2016 and became effective from 1st January 2017. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

Given the Company's status as an investment trust company and the intention to continue meeting the conditions required to obtain approval, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

9. Return per share

	2016 £'000	2015 £'000
Revenue return	13,833	14,168
Capital return	24,621	6,655
Total return	**38,454**	**20,823**
Weighted average number of shares in issue during the year	54,720,755	54,723,979
Revenue return per share	25.28p	25.89p
Capital return per share	44.99p	12.16p
Total return per share	**70.27p**	**38.05p**

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

10. Dividends

(a) Dividends paid and proposed

	2016 £'000	2015 £'000
Dividends paid		
Unclaimed dividends refunded to the Company[1]	(7)	(5)
2015 fourth quarterly dividend of 6.50p (2014: 6.50p) paid in March 2016	3,557	3,557
First quarterly dividend of 5.00p (2015: 5.00p) paid in June 2016	2,736	2,736
Second quarterly dividend of 5.00p (2015: 5.00p) paid in September 2016	2,736	2,736
Third quarterly dividend of 5.00p (2015: 5.00p) paid in December 2016	2,736	2,736
Total dividends paid in the year	**11,758**	**11,760**
Dividend proposed		
Fourth quarterly dividend proposed of 8.00p (2015: 6.50p) paid in March 2017	4,365	3,557

[1] Represents dividends which remain unclaimed after a period of 12 years and thereby become the property of the Company.

All dividends paid and declared in the period have been funded from the Revenue Reserve.

The fourth quarterly dividend has been declared and paid in respect of the year ended 31st December 2016. This dividend will be reflected in the financial statements for the year ending 31st December 2017.

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year, shown below. The revenue available for distribution by way of dividend for the year is £13,833,000 (2015: £14,168,000). The minimum distribution required under Section 1158 is £11,387,000 (2015: £11,664,000). Brought forward revenue reserves amounting to £nil (2015: £nil) have been utilised in order to finance the dividend.

	2016 £'000	2015 £'000
First quarterly dividend of 5.00p (2015: 5.00p) paid in June 2016	2,736	2,736
Second quarterly dividend of 5.00p (2015: 5.00p) paid in September 2016	2,736	2,736
Third quarterly dividend of 5.00p (2015: 5.00p) paid in December 2016	2,736	2,736
Fourth quarterly dividend of 8.00p (2015: 6.50p) paid on 1st March 2017	4,365	3,557
Total dividend declared in respect of the year of 23.00p (2015: 21.50p)	**12,573**	**11,765**

The revenue reserve after payment of the final dividend will amount to £15,311,000 (2015: £14,044,000).

11. Investments

	2016 £'000	2015[1] £'000
Opening book cost	309,027	316,860
Opening investment holding gains	93,765	86,052
Opening valuation	402,792	402,912
Movements in the year:		
Purchases at cost	162,447	104,473
Sales – proceeds	(163,029)	(117,701)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(19,251)	(5,364)
Net movement in investment holding gains and losses	45,283	18,472
	428,242	402,792
Closing book cost	331,852	309,027
Closing investment holding gains	96,390	93,765
Total investments held at fair value through profit or loss	**428,242**	**402,792**

[1] Relevant figures have been amended in line with the current presentation adopted. Under FRS 102, liquidity funds are classified as cash equivalents.

Transaction costs on purchases during the year amounted to £789,000 (2015: £1,316,000) and on sales during the year amounted to £102,000 (2015: £194,000). These costs comprise mainly brokerage commission and stamp duty.

During the year, prior year investment holding gains amounting to £42,658,000 have been transferred to gains on sales of investments as disclosed in note 17.

12. Current assets

Debtors

	2016 £'000	2015 £'000
Dividends and interest receivable	722	954
Overseas tax recoverable	124	126
Other debtors	36	37
	882	**1,117**

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, short term deposits and liquidity funds. The carrying amount of these represents their fair value.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

13. Current liabilities

	2016 £'000	2015 £'000
Creditors: amounts falling due within one year		
Bank loan	28,000	–
Fixed loan interest	64	139
Debenture interest	525	525
Performance fee	–	1,736
Other creditors and accruals	107	109
	28,696	2,509

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

The Company has a £50 million unsecured loan facility with National Australia Bank, of which £28 million was drawn at the year end. The agreement expires on 28th April 2017. Interest is payable at a margin over LIBOR as offered in the market for the loan period, plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements. The facility is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been met during the year.

14. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Bank loan	–	45,000
£30,000,000 7% debenture 30th March 2020	29,892	29,865
	29,892	74,865

The debenture is secured by a floating charge over the assets of the Company.

15. Provisions for liabilities and charges

	2016 £'000	2015 £'000
Performance fee payable		
Opening balance	3,500	1,576
Performance fee for the year	–	3,660
Performance fee written back	(3,500)	–
Amount realised during the year	–	(1,736)
	–	3,500

With effect from 1st July 2016 the performance fee was terminated. As a result of the negative performance relative to the benchmark to 30th June 2016, the performance fee accrual brought forward of £3,499,906 was written back. Further details on the terms of the performance fee are given in the Directors' Report on page 22.

16. Called up share capital

	2016 £'000	2015 £'000
Ordinary shares allotted and fully paid		
Opening balance of 54,723,979 (2015: 54,723,979) shares excluding shares held in Treasury	13,681	13,682
Repurchase of 20,000 shares into treasury (2015: nil)	(5)	–
Subtotal of 54,703,979 (2015: 54,723,979) shares of 25p each excluding shares held in Treasury	13,676	13,682
2,061,674 (2015: 2,041,674) shares held in Treasury	516	510
Closing balance of 56,765,653 (2015: 56,765,653) shares of 25p each including shares held in Treasury	**14,192**	**14,192**

Further details of transactions in the Company's shares are given in the Business Review on page 17.

17. Capital and reserves

				Capital reserves			
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	14,192	149,641	6,680	77,347	90,265	17,601	355,726
Net foreign currency gains	–	–	–	6	–	–	6
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	(19,251)	–	–	(19,251)
Net movement in investment holding gains and losses	–	–	–	–	45,283	–	45,283
Transfer on disposal of investments	–	–	–	42,658	(42,658)	–	–
Realised losses on close out of futures	–	–	–	(1,999)	–	–	(1,999)
Repurchase of the Company's shares into Treasury	–	–	–	(115)	–	–	(115)
Performance fee for the year	–	–	–	–	3,500	–	3,500
Management fee and finance costs charged to capital	–	–	–	(2,914)	–	–	(2,914)
Other capital charges	–	–	–	(4)	–	–	(4)
Dividends paid in the year	–	–	–	–	–	(11,758)	(11,758)
Retained revenue for the year	–	–	–	–	–	13,833	13,833
Closing balance	**14,192**	**149,641**	**6,680**	**95,728**	**96,390**	**19,676**	**382,307**

[1] This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

18. Net asset value per share

	2016	2015
Net assets (£'000)	382,307	355,726
Number of shares in issue (excluding shares held in Treasury)	54,703,979	54,723,979
Net asset value per share	**698.9p**	**650.0p**

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

19. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

	2016 £'000	2015 £'000
Net return on ordinary activities before finance costs and taxation	41,145	23,727
Less capital return on ordinary activities before finance costs and taxation	(26,327)	(8,537)
Decrease/(increase) in accrued income and other debtors	233	(48)
Decrease in accrued expenses	(2)	(1)
Performance fee paid	(1,736)	(1,468)
Management fee charged to capital	(1,208)	(1,145)
Overseas withholding tax	(66)	(69)
Dividends received	(16,405)	(16,488)
Interest received	(69)	(98)
Realised losses on foreign currency transactions	(2)	(10)
Net cash outflow from operations before dividends and interest	**(4,437)**	**(4,137)**

20. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2015: same).

21 Related party transactions

Details of the management contract are set out in the Directors' Report on page 22. The management fee payable to the Manager for the year was £1,858,000 (2015: £1,761,000) of which £nil (2015: £nil) was outstanding at the year end.

During the year £289,000 (2015: £358,000), including VAT, was payable to the Manager for the marketing and administration of savings scheme products, of which £nil (2015: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 46 are safe custody fees amounting to £6,000 (2015: £7,000) payable to JPMorgan Chase of which £1,000 (2015: £1,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £94,000 (2015: £53,000) of which £nil (2015: £nil) was outstanding at the year end.

The Company holds an investment in JPMorgan Smaller Companies Investment Trust plc which is managed by JPMorgan. At the year end this was valued at £11.3 million (2015: £12.6 million) and represented 2.6% (2015: 3.1%) of the Company's investment portfolio. During the year the Company made £nil (2015: £nil) purchases of this investment and sales with a total value of £nil (2015: £nil). Income amounting to £252,000 (2015: £228,000) was receivable during the year of which £nil (2015: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan Sterling Liquidity Fund, which is managed by JPMorgan. At the year end this was valued at £11.6 million (2015: £30.7 million). Income amounting to £70,000 (2015: £95,000) was receivable during the year of which £nil (2015: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £4,000 (2015: £3,000) were payable to JPMorgan Chase during the year of which £nil (2015: £nil) was outstanding at the year end.

At the year end, total cash of £159,000 (2015: £1,989,000) was held with JPMorgan Chase. A net amount of interest of £2,000 (2015: £3,000) was receivable by the Company during the year from JPMorgan Chase of which £nil (2015: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 30 and in note 6 on page 46.

22. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio and derivative financial instruments.

The investments are categorised into a hierarchy consisting of the following three levels:

(1) The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date

The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

(2) Inputs other than quoted prices included within Level 1 that are observable (i.e.: developed using market data) for the asset or liability, either directly or indirectly

When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

(3) Inputs are unobservable (i.e.: for which market data is unavailable) for the asset or liability

If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(c) on page 42.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31st December.

	2016		2015	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	428,242	–	399,259	–
Level 2	–	–	3,533	–
Total	**428,242**	**–**	**402,792**	**–**

There were no transfers between Level 1, 2 or 3 during the year (2015: nil).

23. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities and other securities for the long term so as to secure its investment objective stated on the 'Features' page. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising other price risk and interest rate risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company has no significant direct exposure to foreign exchange risk.
A proportion of the dividends received by the Company are paid in currencies other than sterling. Therefore a significant movement in exchange rates could impact the portfolio yield, however the Board considers this to be a relatively low risk. The Company Secretary, in close co-operation with the Board and the Manager, co-ordinates the Company's risk management strategy.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

23. Financial instruments' exposure to risk and risk management policies *continued*

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments are as follows:

- investments in UK equity shares and other securities, which are held in accordance with the Company's investment objective;
- cash held within a liquidity fund;
- short term debtors, creditors and cash arising directly from its operations;
- a debenture issued by the Company, the purpose of which is to finance the Company's operations;
- a sterling loan facility, the purpose of which is to finance the Company's operations; and
- derivatives, the purpose of which is to effect changes in the level of the Company's gearing.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements - other price risk and interest rate risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) and (ii) of this note, together with sensitivity analysis where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of equity investments and derivatives.

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Other price risk exposure

The Company's total exposure to changes in market prices at 31st December comprises its holdings in equity investments as follows:

	2016 £'000	2015 £'000
Equity investments held at fair value through profit or loss	428,242	402,792

The above data is broadly representative of the exposure to other price risk during the current and comparative year.

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 13 and 14. This shows that all of the investments are listed in the UK. Accordingly there is a concentration of exposure to the UK. However, it should also be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2015: 10%) in the market values. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2016		2015	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(88)	88	(78)	78
Capital return	42,662	(42,662)	40,135	(40,135)
Total return after taxation	42,574	(42,574)	40,057	(40,057)
Net assets	**42,574**	**(42,574)**	**40,057**	**(40,057)**

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits, the liquidity fund and the interest payable on variable rate borrowings when interest rates are reset. There is no 'fair value' interest rate risk attached to the Company's fixed rate debenture in issue, as it is carried in the accounts at amortised cost.

Management of interest rate risk

The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the loan facility. However, amounts drawn down on this facility are for short term periods and therefore exposure to interest rate risk is not significant.

Interest rate exposure

The Company has a £30 million 7% debenture in issue which is repayable on 30th March 2020. The Company has no other financial assets or liabilities carrying fixed rates of interest. The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are reset, is shown below.

	2016 £'000	2015 £'000
Exposure to floating interest rates:		
Cash and short term deposits	159	1,989
JPMorgan Sterling Liquidity Fund	11,612	30,702
Bank loan	(28,000)	(45,000)
Total exposure	**(16,229)**	**(12,309)**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2015: same). The target interest rate earned on the JPMorgan Sterling Liquidity Fund is the 7 day sterling London Interbank Bid Rate. Details of the bank loan are given in note 13 on page 50.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

23. Financial instruments' exposure to risk and risk management policies *continued*

(a) Market risk *continued*

(ii) Interest rate risk *continued*

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2015: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2016		2015	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	10	(10)	85	(85)
Capital return	(91)	91	(146)	146
Total return after taxation	(81)	81	(61)	61
Net assets	**(81)**	**81**	**(61)**	**61**

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances, cash held in the liquidity fund and amounts drawn down on the Company's loan facilities.

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital requirements and to gear the Company as appropriate.

Details of the Company's loan facility are given in note 13 on page 50.

Liquidity risk exposure

Contractual maturities of the financial liabilities, based on the earliest date on which payment can be required are as follows:

	2016			
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	Total £'000
Creditors:				
Other creditors and accruals	107	–	–	107
Bank loan, including interest	160	28,030	–	28,190
Debenture, including interest	1,050	1,050	34,725	36,825
	1,317	**29,080**	**34,725**	**65,122**

	2015			
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	Total £'000
Creditors:				
Other creditors and accruals	109	–	–	109
Performance fee	1,736	–	3,500	5,236
Bank loan, including interest	312	530	45,229	46,071
Debenture, including interest	1,050	1,050	36,825	38,925
	3,207	**1,580**	**85,554**	**90,341**

The liabilities shown above represent future contractual payments and therefore may differ from the amounts shown in the Statement of Financial Position.

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

23. Financial instruments' exposure to risk and risk management policies *continued*

(c) Credit risk *continued*

Management of credit risk *continued*

Cash and cash equivalents

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group. The Board regularly reviews the counterparties used by the Manager.

Exposure to JPMorgan Chase

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading.

The Depositary, BNY Mellon Trust and Depositary (UK) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

The amounts shown in the Statement of Financial Position under debtors and cash and cash equivalents represent the maximum exposure to credit risk at the current and comparative year ends.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the Statement of Financial Position at fair value or the carrying amount is a reasonable approximation of fair value except for the debenture which the Company has in issue. The fair value of this debenture has been calculated using discounted cash flow techniques using the yield on a similarly dated gilt plus a margin based on the 5 year average yield for the AA Barclays Sterling Corporate Bond.

	Accounts value		Fair value	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
£30 million 7% debenture March 2020	**29,892**	29,865	**36,060**	36,110

24. Capital management policies and procedures

The Company's debt and capital structure comprises the following:

	2016 £'000	2015 £'000
Debt:		
£50 million Loan facility	28,000	45,000
£30 million 7% debenture March 2020	29,892	29,865
	57,892	74,865
Equity:		
Called up share capital	14,192	14,192
Reserves	368,115	341,534
	382,307	355,726
Total debt and equity	**440,199**	**430,591**

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to its equity shareholders through an appropriate level of gearing.

The Board's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions.

	2016 £'000	2015 £'000
Investments held at fair value through profit or loss	428,242	402,792
Net assets	382,307	**355,726**
Gearing	**12.0%**	**13.2%**

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium;
- the opportunity for issues of new shares, including issues from Treasury; and
- the level of dividend distributions in excess of that which is required to be distributed.

25. Subsequent events

The Directors have evaluated the period since the year end and have not noted any subsequent events.

Regulatory Disclosures

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (‘AIFMD’) DISCLOSURES (UNAUDITED)

Leverage

For the purposes of the Alternative Investment Fund Managers Directive (‘AIFMD’), leverage is any method which increases the Company’s exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company’s exposure and its net asset value and is calculated on a gross and a commitment method in accordance with AIFMD. Under the gross method, exposure represents the sum of the Company’s positions without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

Alternative Investment Fund Managers – Leverage

The Company’s maximum and actual leverage levels at 31st December 2016 are shown below:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	114%	115%

JPMF Remuneration

JPMF is the authorised manager of the Company and is part of the J.P. Morgan Chase & Co. group of companies. In this disclosure, the terms ‘J.P. Morgan’ or ‘Firm’ refer to that group, and each of the entities in that group globally, unless otherwise specified.

This disclosure has been prepared in accordance with the AIFMD, the European Commission Delegated Regulation supplementing the AIFMD, the ‘Guidelines on Sound Remuneration Policies’ under the AIFMD issued by the European Securities and Markets Authority and the Financial Conduct Authority Handbook (SYSC 19B: The AIFM Remuneration Code and FUND 3.3).

JPMF Remuneration Policy

The current remuneration policy for the EMEA Global Investment business of J.P. Morgan can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/adv/legal/emea-remuneration-policy. This policy includes details of the alignment with risk management, the financial and non-financial criteria used to evaluate performance and the measures adopted to avoid or manage conflicts of interest.

JPMF Quantitative Disclosures

Disclosures in accordance with fund 3.3.5, Article 22(2)e and22(2)f of the AIFMD and Article 107 of the Delegated Regulation are disclosed on the Companys’ website at www.jpmclaverhouse.co.uk

SECURITIES FINANCING TRANSACTIONS REGULATION (‘SFTR’) DISCLOSURES (UNAUDITED)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-selling back transactions or sell-buy back transactions and margin lending transactions) or Total Return Swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st December 2016.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifty fourth Annual General Meeting of JPMorgan Claverhouse Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Friday, 21st April 2017 at 12.00 noon for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st December 2016.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st December 2016.
4. To reappoint David Fletcher as a Director.
5. To reappoint Humphrey van der Klugt as a Director.
6. To reappoint Jill May as a Director.
7. To reappoint Andrew Sutch as a Director.
8. To reappoint Jane Tufnell as a Director.
9. To reappoint Ernst & Young LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

10. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £681,987, representing approximately 5% of the Company's issued Ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2018 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of relevant securities – Special Resolution

11. THAT subject to the passing of Resolution 10 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 10 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £681,987 representing approximately 5% of the issued share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 10 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

12. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of its issued ordinary shares on such terms and in such manner as the Directors may from time to time determine:

    PROVIDED ALWAYS THAT

    (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 8,178,390, or if less, that number of ordinary shares which is equal to 14.99% of the issued share capital as at the date of the passing of this Resolution;

    (ii) the minimum price which may be paid for an ordinary share shall be 25 pence;

    (iii) the maximum price which may be paid for an ordinary share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange

NOTICE OF ANNUAL GENERAL MEETING *CONTINUED*

Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

(iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 20th October 2018 unless the authority is renewed at the Company's Annual General Meeting in 2018 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Funds Limited,
Secretary

20th March 2017

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.

2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.

3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 12.00 noon two business days prior to the Meeting (i.e. excluding weekends and bank holidays).

4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.

5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.

7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

   Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.

10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmclaverhouse.co.uk.

13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.

14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.

15. As an alternative to completing a hard copy Form of Proxy/Voting Instruction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk Full instructions are given on both websites.

16. As at 9th March 2017 (being the latest business day prior to the publication of this Report and Accounts), the Company's issued share capital consists of 56,765,653 ordinary shares (of which 2,206,674 are held in Treasury) carrying one vote each. Therefore the total voting rights in the Company are 54,558,979.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

GLOSSARY OF TERMS AND DEFINITIONS

Return to Shareholders
Total return to the investor, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Return on Net Assets
Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV per share when calculating the return on net assets.

Benchmark Return
Total return on the benchmark, on a closing-market value to closing-market value basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Gearing/Net Cash
Gearing represents the excess amount above shareholders' funds of total investments expressed as a percentage of the shareholders' funds. Previously gearing represented the excess amount above shareholders' funds of total assets expressed as a percentage of shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

Ongoing Charges
The Ongoing Charges represent the Company's management fee and all other operating expenses, excluding finance costs and performance fee payable, expressed as a percentage of the average of the daily net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

Share Price Discount/Premium to net asset value ('NAV')
If the share price of an investment trust is lower than the NAV per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium.

Performance Attribution
Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

Stock/Sector Selection
Measures the effect of investing in securities/sectors to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

Gearing/Net Cash
Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Management Fee/Other Expenses
The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

Repurchases of the Company's shares into Treasury
Measures the positive effect on relative performance of repurchasing shares into Treasury at a share price discount to the net asset value per share.

WHERE TO BUY J.P. MORGAN INVESTMENT TRUSTS

You can invest in a J.P. Morgan investment trust through the following;

1. Directly from J.P. Morgan

Investment Account
The Company's shares are available in the J.P. Morgan Investment Account, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Investment Account should call J.P. Morgan Asset Management free on 0800 20 40 20 or visit its website at am.jpmorgan.co.uk/investor

Stocks & Shares Individual Savings Accounts (ISA)
The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2016/17 tax year, from 6th April 2016 and ending 5th April 2017, the total ISA allowance is £15,240. The shares are also available in a J.P. Morgan Junior ISA. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at am.jpmorgan.co.uk/investor

2. Via a third party provider

Third party providers include;

AJ Bell
Alliance Trust Savings
Barclays Stockbrokers
Bestinvest
Charles Stanley Direct
FundsNetwork
Hargreaves Lansdown
Interactive Investor
James Brearley
James Hay
Selftrade
TD Direct
The Share Centre

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

3. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk

You may also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit fca.org.uk

Financial Conduct Authority

Beware of share fraud

In association with: icsa Registrars Group

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from **www.fca.org.uk** to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at **www.fca.org.uk/scams**.
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. **Remember:** if it sounds too good to be true, it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000

Information about the Company

FINANCIAL CALENDAR

Financial year end	31st December
Half year results announced	July/August
Final results announced	March
Quarterly interim dividends on ordinary shares paid	First business day of June, September, December, March
7% Debenture Stock 2020 interest paid	30th September, 30th March
Annual General Meeting	April

History

The Company was launched as Claverhouse Investment Trust Limited in 1963 with assets of £5 million and managed by Robert Fleming & Co. The Company took its name from Viscount Claverhouse ('Bonnie Dundee') who was killed at the Battle of Killiecrankie in 1689 whilst leading a rebellion against William and Mary. The name was chosen to commemorate the Company's link with Dundee, where Flemings originated in 1873. The Company changed its name to The Fleming Claverhouse Investment Trust plc in 1983, to JPMorgan Fleming Claverhouse Investment Trust plc in 2003 and adopted its present name in 2007.

Company Numbers

Company registration number: 754577
London Stock Exchange code: 0342218

Market Information

The Company's net asset value ('NAV') per share is published daily, via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the Company's website at www.jpmclaverhouse.co.uk where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmclaverhouse.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan Junior ISA. These products are all available on the online service at jpmorgan.co.uk/online

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone: 020 7742 4000

For company secretarial and administrative matters, please contact Jonathan Latter at the above address.

Depositary

BNY Mellon Trust & Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

The Depositary has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrars

Equiniti Limited
Reference 1079
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0371 384 2318

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1090. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditors

Ernst & Young LLP
Statutory Auditor
25 Churchill Place
Canary Wharf
London E14 5EY

Brokers

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Savings Product Administrators

For queries on the J.P. Morgan Investment Account and J.P. Morgan ISA, see contact details on the back cover of this report.

The Association of Investment Companies   A member of the AIC

DIVIDEND HERO

www.jpmclaverhouse.co.uk

J.P. Morgan Helpline

Freephone 0800 20 40 20 or +44 (0) 1268 444470.
Telephone lines are open Monday to Friday, 9.00am to 5.30pm.

GB A105 03/17

J.P.Morgan
Asset Management