JPMorgan American Investment Trust plc

Annual Report & Financial Statements for the year ended 31st December 2016

J.P.Morgan
Asset Management

Features

Objective

To achieve capital growth from North American investments by outperformance of the Company's benchmark.

Investment Policies

- To invest in North American quoted companies including, when appropriate, exposure to smaller capitalisation companies.
- To emphasise capital growth rather than income.

Please refer to page 18 for full details of the Company's investment policies.

Gearing and Hedging Policies

- To use 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 Manager is accountable for tactically managing the gearing, within a +/– 2.0% range around a 'normal' gearing level. The normal gearing level, which is set by the Board and kept under review, is currently 10%.
- To hedge the currency risk only in respect of the Company's sterling debenture. All other debt is drawn in dollars.

Benchmark Index

The S&P 500 Index expressed in sterling total return terms.

Capital Structure

As at 31st December 2016, the Company's share capital comprised 281,633,910 ordinary shares of 5p each, including 23,060,507 shares held in Treasury.

The Company has a £50 million debenture in issue, carrying a fixed interest rate of 6.875%, per annum, repayable in June 2018. The Company currently also has two floating rate debt facilities totalling £65 million.

Management and Performance Fees

The management fee is charged at a rate of 0.5% per annum, paid quarterly in arrears, on the Company's total assets less current liabilities. The performance fee is calculated at the rate of 10% of the difference between the cum-income debt at par net asset value total return and the total return of the S&P 500 Index, expressed in sterling terms. The performance fee is capped in any one year at 0.25% of the cum-income debt at par net asset value at the Company's latest year end, with any unpaid excess being carried forward until paid in full. Any negative fee resulting from underperformance is deducted from any unpaid fees brought forward from prior years with any remaining amount of the negative fee carried forward to be absorbed in future years. Please refer to page 24 for full details.

Management Company

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management ('JPMAM') which further delegates the management to JPMorgan Asset Management, Inc. All of these entities are wholly owned subsidiaries of J.P. Morgan Chase & Co.

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares issued by the Company 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.

Website

The Company's website, which can be found at www.jpmamerican.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

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

+34.9%
Return to shareholders[1]
(2015: –2.4%)

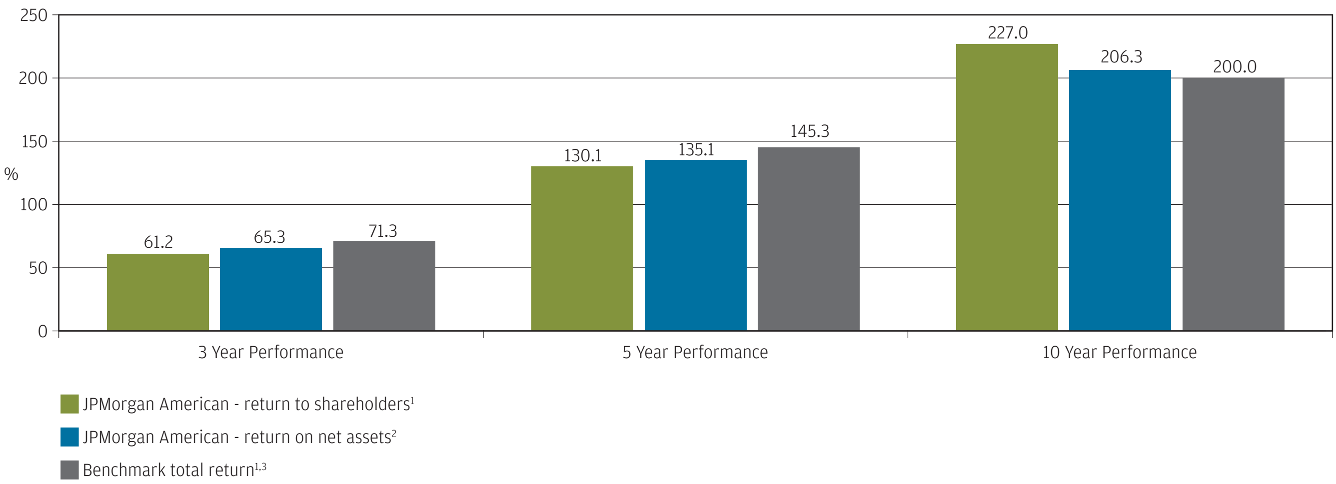
+30.8%
Return on net assets[2]
(2015: +4.7%)

+33.1%
Benchmark total return[1,3]
(2015: +6.9%)

5.0p
Dividend[4]
(2015: 4.0p)

Long Term Performance (total returns)

FOR PERIODS ENDED 31ST DECEMBER 2016



[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, using net asset value per share, cum income, with debt at par value. The 10 year performance is using capital only net asset values with debt at par value, due to a lack of historic cum income net asset values.

[3] The Company's benchmark index is the S&P 500 Index, net of the appropriate withholding tax, expressed in sterling total return terms.

[4] Subject to the approval by Shareholders at the Annual General Meeting of the final dividend of 2.75p.

CHAIR'S STATEMENT

In 2016, the US equity market, as measured by the S&P 500 total return Index, provided a return of 11.6% to US investors. This strength was considerably boosted to UK investors by the steep decline in sterling following the result of the Brexit referendum. That decline, of 16.6% over the period, resulted in an overall return in sterling terms, from the US equity market, of just over 33%. In money terms, gains on investments of approximately £153 million were a consequence of sterling weakness following the result of the UK referendum.

Absolute Return

The absolute return for shareholders has been very strong, despite a number of major surprises on the political front. The share price total return for the period was also very strong at 34.9%, which was in addition, ahead of the market return. The discount at which the shares trade narrowed over the year, as the Board stepped up its buyback activities. This return has been influenced significantly by the strength of the dollar compared with sterling and by the strength of the US equity market itself. The Company's gearing also provided a small benefit.

Relative Returns

Over the longer term, your Company has performed well: the net asset value per share has more than trebled over ten years and has also outperformed its benchmark. However, in relative terms, the past two years have been more challenging for the Company's investment approach which has led to recent underperformance. Although the share price total return was ahead of the benchmark S&P 500 Index over the last year, the net asset value total return (based on the NAV calculated including income and taking the debt at par value) was below by just over 2 percentage points. This follows a prior year of underperformance of 2.2 percentage points. However, the 10 year performance record (over which period Garrett Fish has been responsible for investment management) remains ahead of the Index.

Board Review of the Fund Management Process

The Company's objective is to achieve capital growth from North American investments by outperformance of the Company's benchmark, which is the S&P 500 Index (with both net asset value and benchmark measured in sterling total return terms).

In 2016, the Board again visited the Manager's offices in New York where it held meetings with the Investment Management team to include both Garrett and the manager of the small companies portfolio, Eytan Shapiro. The Board further met with senior management, the behavioural finance team of which Garrett is a member, the corporate engagement and the dealing teams. The Board also attended a seminar arranged with New York University, the week after the election, and received the benefit of a wide range of economic, political and social analysis, to help put the Investment Manager's views into context.

Given shorter term performance concerns, this year the Board commissioned a consultancy firm called Inalytics to assist the Board with its understanding of how the Investment Manager's investment style and actions have impacted upon performance, both in terms of contributing to, and detracting from, performance returns against benchmark. Inalytics advise the trustees of large pension funds and other institutional investors and have many years' experience of working with active managers.

The initial findings were then developed further by the Investment Manager, who completed a forensic review of his investment decisions going back over 14 years. The results suggest that the Investment Manager has demonstrated considerable skill in buying shares, over a long period, and with statistical significance. However, some of the gains derived from buying shares which then outperformed, were being given away by holding on too long to shares which did not perform well or selling shares disadvantageously.

CHAIR'S STATEMENT *CONTINUED*

This exercise provided both the Board and Investment Manager with useful information, which we hope will assist with shaping investment behaviour going forward. We have worked with the Investment Manager to take the lessons from the findings, as Garrett describes in his report. We also discussed the approach with the head of US equity fund management in New York. Garrett has begun to implement changes, which are likely to result in a slightly more concentrated portfolio with a greater active share, and a more ruthless approach to underperforming holdings. At the same time, the valuation bias of the portfolio has been a benefit in relative terms in more recent months.

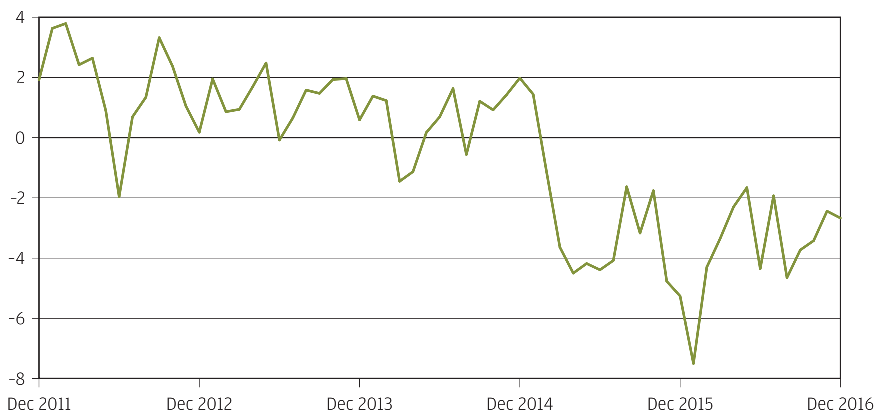
In addition to investment management, the Manager provides other services to the Company, including marketing, accounting and company secretarial services. These have been formally assessed through the annual manager evaluation process. The Board concluded that it was generally satisfied with JPMorgan's performance. Thus, taking all factors into account, the Board concluded that the ongoing appointment of the Manager is in the continuing interests of shareholders.

Share Price and Premium/Discount

Apart from three days in June ahead of the Brexit referendum, the Company's shares have traded at a discount to the NAV throughout 2016. The Company has continued with its buy back policy, increasing levels of activity in February 2017 after persisting with the buyback programme throughout 2016. This resulted in the purchase of a total of 17,709,623 shares into Treasury over 2016, at a cost of £54.1 million. From the emergence of the discount in the first quarter of 2015, we have now repurchased 29,963,323 shares into Treasury as at the date of this statement, representing 10.7% of the Company's issued share capital at the beginning of 2015, which has also had the benefit of enhancing the Company's NAV by 0.5%.

As evidenced above, and to repeat our statements in previous years, the Board has this year demonstrated its willingness to buy shares back when they stand at anything more than a small discount. The Board continues to remain aware of its responsibility not to let the discount widen significantly and therefore the Company will again be asking shareholders to approve the repurchase of up to 14.99% of the Company's shares at the Annual General Meeting. We will also be seeking shareholder permission to issue shares, where Directors are confident of sustainable market demand. The authority, if approved, will allow the Company to issue up to 10% of its issued share capital. The Company will only issue shares at a price in excess of the estimated NAV including income with the value of the debt deducted at market price.

(Discount)/Premium level



Source: Morningstar.

(Discount)/Premium level (month end data calculated with debt at fair value and including income).

Dividends

US companies continued to provide a growing dividend flow and when converted to sterling the income we received last year showed further gains. The increase in your Company's income received from the portfolio was approximately 17%. Our analysis shows that, just over 13% of the income increase over the year came from the strengthening of the US dollar vs. sterling as the dividend receipts are converted into sterling through the year as the underlying stocks trade ex-dividend. The remainder was due to an increase in dividends paid out by portfolio companies.

The Company paid an interim dividend in respect of the 2016 financial year of 2.25p on 11th October 2016. Subject to shareholder approval at the Annual General Meeting, a final dividend of 2.75p will be paid on 15th May 2017 to shareholders on the register on 18th April 2017, making a total of 5.0p per share, compared with last year's total of 4.0p per share.

After the payment of the proposed final dividend, we will have a balance in the revenue reserves of £16.0 million (equivalent to 6.2p per share or 1.2 times the current dividend). It is our intention that such reserves be used to support dividend payments when corporate pay outs are less healthy for a shorter term period, or if there are other fluctuations in the revenue account which we also assess to be temporary.

Gearing

Bar the occasional one day dip below 8% over the review period, gearing has remained within the Board's strategic gearing level of 10%, plus or minus 2% over the year. Our Investment Manager has the ability to hold cash of up to 5% of net assets if he feels there is a real risk of capital loss and we have indicated that our highest level of gearing would be 20%. Having increased its borrowing capacity in December 2016, the Company has dollar bank facilities totalling £65 million, together with a £50 million debenture. Repayment dates for the bank debt are November 2018 and April 2020; the debenture matures in June 2018. Given that the maturity of the debenture is now only 15 months away, the Board is considering replacement options carefully.

Costs and Directors' Fees

The Board continues its focus on costs and continues to consider ways to enhance shareholder value. The Board resolved again not to raise Directors' fees, so they remain at the 2015 level. However, the amount of work demanded of an investment trust director only increases year on year and hence an increase is likely for next year to ensure that the Company can continue to attract good quality candidates and reflect the workload and responsibilities involved.

The table set out below is in the same format as we have used for a number of years. It aims to shows the returns generated on the Company's investments, the extent to which the capital base of the Company has grown or shrunk through share issuance and buy-backs, and the full costs of the Company's operations. The Company's biggest cost remains the management fees at £4.5 million (2015: £4.3 million). As this fee is calculated as a percentage of assets it varies with the size of the Company and therefore rose. No performance fee was payable and a second year of NAV underperformance against the benchmark results in an increase in the negative performance fee offset. We note that the Company's Ongoing Charges remain unchanged from the prior year at 0.62% (2015: 0.62%).

CHAIR'S STATEMENT *CONTINUED*

	2016 £'000s	2016 Percentage of opening net assets	2015 £'000s	2015 Percentage of opening net assets
Net assets at start of year	816,700	100.00	804,150	100.00
Increase in net assets during the year from investing	87,077	10.67	8,567	1.06
Increase in net assets during the year due to sterling weakness	153,000	18.73	25,000	3.11
Brokerage fees/commissions and other dealing charges	(238)	(0.03)	(236)	(0.03)
Net investment performance	**1,056,539**	**129.37**	**837,481**	**104.14**
Income received from investing – net of withholding tax	17,617	2.16	15,260	1.90
Interest received	77	0.01	34	0.00
Dividends paid to shareholders	(12,658)	(1.55)	(10,448)	(1.30)
Interest paid on borrowings	(4,016)	(0.49)	(3,907)	(0.49)
Currency losses on hedge	(7,174)	(0.88)	(1,968)	(0.24)
Currency losses on USD loans	(5,678)	(0.69)	(1,744)	(0.22)
Management fee	(4,545)	(0.56)	(4,266)	(0.53)
Performance fee write back/(charged)	–	–	507	0.06
Directors' fees	(177)	(0.02)	(165)	(0.02)
Other costs of the Company	(625)	(0.08)	(582)	(0.07)
Issue of new shares (net of costs)	–	–	1,708	0.21
Repurchase of shares into Treasury (net of costs)	(54,144)	(6.63)	(15,176)	(1.89)
Net assets at end of year	**985,216**	**120.6**	**816,700**	**101.56**

Performance Fee

In relation to the Company's financial year ended 31st December 2016, the Company's NAV total return underperformed the total return of the S&P 500 Index, expressed in sterling terms, resulting in a negative performance fee calculation of £2,028,063. This amount when added to the negative £1,311,633 performance fee offset brought forward leaves a total negative offset of £3,339,696. This entire amount will be carried forward and offset against future outperformance. Full details of the mechanics of the performance fee payments are detailed on page 24.

The Board

The Board has procedures in place to ensure that the Company complies fully with the AIC Code on Corporate Governance and the UK Corporate Governance Code. In accordance with corporate governance best practice, all Directors will be retiring and seeking re-appointment at the Company's forthcoming Annual General Meeting. The Nomination & Remuneration Committee met formally to evaluate the effectiveness of the Board as a whole and of each individual Director and is satisfied that all retiring Directors possess the experience and attributes required of a Director for this Company. Accordingly, the re-appointment of all Directors at the forthcoming Annual General Meeting is recommended to shareholders.

The Board continues to manage succession so that it has an appropriate balance of skills and diverse approaches to its tasks. Having served as a Director since 2005, Kate Bolsover retired from the Board in September. Kate contributed enormously to the deliberations of the Board over her tenure and we wish her well for the future. Nadia Manzoor joined the Board with effect from 1st June 2016. Nadia commenced her career as a corporate lawyer at Slaughter & May and currently works for S.W. Mitchell Capital, a specialist European equities investment management house, where she is a Partner, Head of Business Development and General Counsel to the firm. Nadia is a scholar of Downing College, Cambridge University where she read Law. The Board will continue to manage succession and refresh its own composition over time.

As previously announced, I will be standing down from the Board in July 2017. I will be seeking reappointment at the Annual General Meeting, but will be handing over the Chair to Dr Kevin Carter at the conclusion of that meeting. My reappointment will permit me to stay on the Board for a two month period to assist with a smooth handover.

Annual General Meeting and Shareholder Contact

This year's Annual General Meeting is the Company's 101st and it will be held on Thursday, 11th May 2017 at 2.30 p.m. at 60 Victoria Embankment, London EC4Y 0JP. As in previous years, in addition to the formal part of the meeting, there will be a presentation from our Investment Manager, Garrett Fish, who will answer questions on the portfolio and performance. There will also be an opportunity to meet the Board, Garrett, and representatives of JPMF after the meeting. I look forward to welcoming as many shareholders as possible to this meeting. Throughout the year and in addition to the opportunity to hear from shareholders at the Annual General Meeting, I very much encourage shareholders to get in touch to share their views. I can be contacted through our Company Secretary, whose details are set out on page 69.

Outlook

Given the extraordinary political surprises of 2016, making predictions for 2017 seems a little foolhardy. At the time of writing there is evidence of continued growth in the US economy and indeed the Federal Reserve has now raised rates thrice since December 2015. Sections of the US equity market remain apparently vulnerable to swings in sentiments as the new President unveils policy on Twitter but the reality of implementation is far from clear. As the academics at New York University pointed out to us, the checks and balances within the US system are many and perhaps less will change than the headlines suggest. In the meantime, US equities are not at their cheapest, but the economy is looking reasonably resilient. We have been working closely with the investment manager this year on his investment process. Delivering outperformance is not easy but we do believe we have the analysis to support a view that a return to favour of the characteristics of value, momentum and quality is likely over time. This together with an improvement in technique gives us grounds for optimism.

This is my last report as Chair and I am grateful for the commitment and support of all my colleagues over the years. I am pleased to be handing over to Dr Kevin Carter who brings considerable experience of US equities, investment trusts and chairmanship, to the role.

Sarah Bates
Chair

24th March 2017

INVESTMENT MANAGER'S REPORT

Market Review

US equity markets in 2016 can be best described as a tale of two halves. In the first half, volatility was attributable to several factors including the devaluation of the Chinese renminbi (RMB), crude oil prices falling below US dollar 30.00/bbl. and fears of a global economic slowdown. As a result, the S&P 500 Index (S&P 500) reached a closing low of 1829.08 on 11th February, down more than 10% in dollar terms. Equity markets were quite choppy through the spring as investors remained on edge over the sub-par growth of the US economy. As the summer months approached, investor focus turned towards the British referendum on European Union (EU) membership. The outcome caught investors by surprise as a majority of British voters voted in favour of leaving the EU which initially threw global equity markets, bond yields and the British pound into a tailspin. Once investors realised that the potential economic impact would be more localised to the United Kingdom, global equity markets rebounded. The S&P 500 rallied on June's final three trading days to finish the year's first six months with a gain of 3.8% in US dollar terms. While the market's resilience was impressive, overall the tone of the market remained defensive.

However, improvement in global economic growth, recovering commodity prices and the realisation that 'Brexit' was a political crisis rather than a financial crisis contributed to equity markets stabilising during the second half of the year. Improving sentiment led to a shift in market leadership from the defensive to the cyclical sectors. The rotation into cyclicals intensified when in another surprising turn of events, Mr Donald J. Trump was elected the 45th President of the United States. As investors anticipated a pro-growth, pro-business agenda to be put forth by the incoming president, equity markets rallied, bond yields rose and the US dollar, which had been stable for most of the year, strengthened. The yield on the 10-year US Treasury bond which had been rising steadily from its July low of 1.36% climbed to 2.45% at year end, with the majority of the increase coming after the election. With the post-Presidential election rally the S&P 500 managed to return a very respectable 11.6% (US dollar) return. The outcome looked even better in sterling terms due to the weakness of the pound after the Brexit vote, resulting in a total return of 33.1%. From a sector point of view, financials and technology bounced back from the worst performing sectors in the first half to the best in the second half. Above all, the energy sector was the winner given the recovery in crude oil prices which closed out 2016 at US dollar 53.72/bbl. On the other hand, real estate was the worst performing sector due to the considerable rise in bond yields.

Overall Asset Allocation and Performance

The investment management team is responsible for managing the allocation between the large and the small cap growth portfolios, together with the levels of cash and gearing. In 2016, the Company's gearing ranged between 7.8% and 9.2% of shareholders' funds, with the level at the year-end being 8.5%. The level of gearing has been adjusted at regular intervals within the gearing guidelines laid down by the Board. With the strong finish to the year, gearing, minus the cost of the debt, was beneficial to the portfolio. The weighting in the small cap portfolio ranged between 3.7% and 5.9% of the Company's total assets less current liabilities and ended the year at 4.8%. Our allocation model prompted us to add and trim from our small cap allocation during the year. We believe that our ability to move between the two segments enhances returns to shareholders over the long term and also helps to balance our overall risk. Attribution data for 2016 shows that both our large cap portfolio and our smaller companies portfolio detracted for the period.

In the quest to improve upon our management of the portfolio we embarked upon on project during the year that should prove beneficial in the years to come. It began with utilising the analysis received from Inalytics, the firm mentioned in the Chair's statement.

We took this to a more granular level which consisted of running a multi-faceted analysis of the purchasing and selling of securities in the portfolio. The primary take aways from this analysis were that the performance of the new purchases were more beneficial than the sales of the portfolio. In order to increase the positive effect we learned that our new

PERFORMANCE ATTRIBUTION
FOR THE YEAR ENDED 31ST DECEMBER 2016

	%	%
Contributions to total returns		
Net asset value total return (in sterling terms)		30.8
Benchmark total return (in sterling terms)		33.1
Excess return		-2.3
Contributions to total returns		
Large cap portfolio		-2.4
Allocation effect	-0.9	
Selection effect	-1.5	
Small cap portfolio		-0.2
Allocation and selection effect	-0.2	
Gearing		2.7
Cost of debt		-0.7
Currency hedge		-1.3
Share issuance/buy back		0.2
Management fee/expenses		-0.6
Total		-2.3

Source: JPMAM and Morningstar. All figures are on a total return basis.

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

A glossary of terms and definitions is provided on page 66.

purchases should be larger than they have in the most recent past and smaller holdings that do not rank well in our ranking methodology should be exited more quickly. Also in order to decrease the drag from the securities that have started to underperform we need to be more diligent in removing those securities from the portfolio in a more timely fashion and place the proceeds into more attractive and better performing securities. One of the end results will be a portfolio with a smaller amount of securities but these securities obviously have a higher weighting. In technical terms this adaptation will also increase the portfolio's 'active share'. This term in relatively new in the past few years and shows the amount of overlap a portfolio has with its respective benchmark. For example if a security has a 2% weighting in the benchmark and we hold a 4% position in the same security, the active share

INVESTMENT MANAGER'S REPORT *CONTINUED*

contribution will be 2%. Simplistically, a portfolio that mimics the benchmark completely will have an active share of 0 while a fund that has zero holdings in its respective benchmark will have an active share of 100. Our active share for the large cap portfolio ended the year at 67.1 and has ranged between the mid 60's and the low 70's over the past decade. With these enhancements we expect the active share of the large cap portfolio to be at the higher end of this range more consistently.

Large Companies Portfolio

Our investment methodology continues to focus on investing in high quality, reasonably valued companies. This style leads us to invest in companies that exhibit good growth characteristics with growing earnings, strong cash flows and reasonable valuations. When constructing our portfolio, we use the core tenets of behavioural finance to narrow our investment universe. Behavioural finance theory indicates that on average, high quality, fast growing, cheap stocks with good news-flow outperform lower quality, slow growing, and expensive stocks with bad news-flow. Taking this approach, we rank the stocks in our universe to uncover those companies that are high quality, attractively valued and are also exhibiting improving sentiment (momentum). We then undertake fundamental research to validate the rankings. This leads us to invest in quality companies that exhibit good growth characteristics with growing earnings, strong cash flows and reasonable valuations.

2016 was a difficult investment environment for our strategy. The year started with a double-digit decline in the S&P 500 and ended the year with a positive 12% return. We have a valuation bias throughout our portfolio and this proved to be poor year based on that sole criterion. A 'valuation bias' means that our portfolio has securities that are less expensive using our valuation criteria relative to the benchmark. Our portfolio has generally the same, if not better growth characteristics, while being more reasonably valued than the benchmark. In 2016 it was those securities that were more expensive than the benchmark that performed the best, a rare occurrence. We know that valuation does not work all of the time but that it has been, and we continue to believe will be, the most powerful attribute to performance over the longer term. Economically not much changed throughout the year as the US witnessed a continuation of employment growth, low to stable unemployment rate, low inflation, modest GDP growth and modest earnings growth. Prior to the Presidential election the market was marginally higher (in US dollar terms) than the beginning of the year. What changed is the perception that the Trump administration will be much more pro-business which could lead to an acceleration of growth. This is the return of the 'animal spirits' to the markets. The real test for 2017 will be what policies the new President will be able to enact working with both the House of Representatives and the Senate.

The large companies' portfolio posted a positive return, but underperformed the benchmark for the period under review. This underperformance was mainly driven by weak stock selection in financials, energy and telecom services sectors. Within financials selling Voya Financials and Bank of America during the year had the largest negative impact on our performance in that sector. These two companies, along with many other financials, struggled to perform in a market with low interest rates. In the run up to the Presidential election interest rates began to move higher and this led to financials regaining traction relative to the rest of the market. By reducing our position too early we missed the sharp rally in the last quarter of the year. Given increased confidence in the health of the US economy in the second half of the year, the yield on the 10 year US treasury started to increase, coinciding with the Fed expressing confidence in rate increases. This move in rates accelerated post the US election. Since Bank of America is one of the most interest rate sensitive US banks with high leverage to the US economy, the stock outperformed. Additionally, the company's various restructuring initiatives started to bear fruit with investors expressing increased confidence in management. Finally, the hope of roll-back of some banking regulations post the US elections contributed to the banks' outperformance.

While financial names benefited from the post election rhetoric, health care names bore much of the brunt mainly due to concerns about drug pricing as well as the future of the Affordable Healthcare Act. As a result, health care was the worst performing sector in the S&P 500 in 2016. We have several overweight positions in the sector which were negatively impacted, with the worst impact coming from Gilead Sciences and Cigna. Shares of Gilead Sciences declined on pricing pressure concerns within their US Hepatitis-C business. The company also experienced a few small setbacks in its pipeline. Volumes in Hepatitis-C have started to show some stabilisation but overall results continue to be mixed. We continue to hold the name due, to the strength of the management team, their capital allocation policies as well as the stock's attractive valuation. Shares of Cigna struggled to perform during the year as the US Department of Justice was taking a harsh view of the proposed merger between Anthem and Cigna.

In the energy sector, negative stock selection was driven by names such as Marathon Petroleum and Valero Energy. After being significant contributors in the prior year, both securities were hurt by the recovery in the oil price during the year. Their input costs (crude oil) rose more quickly than their selling prices of refined products (diesel, petrol, jet fuel) which hurt their margins and earnings. On the other hand, our stock selection in the information technology, consumer discretionary and consumer staples sectors proved beneficial. Within information technology our overweight positions in Qualcomm, Hewlett Packard Enterprise and HP Inc. were among the largest contributors. Shares of Qualcomm rose due to a widely anticipated accretive buyout of NXP Semiconductors. Hewlett Packard Enterprise and HP Inc. rose sharply during the year after the two companies split from the old Hewlett Packard. The management teams were newly reinvigorated to cost cuts and to position both companies onto a growth trajectory. We have very large positions in both Microsoft and Apple and both companies marginally beat the benchmark during the calendar year. We believe that both companies are positioned for success in some of the faster growing areas of technology and are trading at reasonable prices.

In the consumer discretionary sector shares of our overweight position in Time Warner rose after AT&T offered to acquire the company. In the consumer staples space, our investments in Tyson Foods and Energizer Holdings proved beneficial. Shares in Tyson Foods outperformed for the year as the positive impact from their Hillshire Farms acquisition began to pay off in improved margins and faster growth. Their results were further aided by lowered input costs due to the ample supplies of grain. Our position in Wal Mart Stores also added to performance as it has started to reap the benefits of it prior year's investments into increasing its online presence and its renewed commitment to having the lowest prices for its customers.

Among individual names, overweight positions in UGI and Northrop Grumman contributed to relative performance. In 2016, UGI continued to execute on its strategy to drive core gas utility growth and make opportunistic acquisitions and investments at attractive returns. Earnings reports were solid throughout the year driven by better international propane performance and growth at the US gas utility. Northrup Grumman continued its strong performance in 2016 as prior contract wins and disciplined expense management contributed to continued strong earnings, cash flow and dividend growth. Several large contract wins from the US and foreign governments during the year also contributed to the share price performance. Research and development costs will now begin to increase to support these long term contracts.

INVESTMENT MANAGER'S REPORT *CONTINUED*

In terms of portfolio positioning, we added to our health care exposure and trimmed from consumer staples. Consumer staples is now the third largest overweight after health care. Our largest overweight remains in the information technology sector. We are overall optimistic on the technology sector due to its growth profile and we are currently overweight the hardware and semiconductors areas. On the other hand, we retain our underweight in the materials sector, as we are less excited about the long term growth prospects as well as unappealing valuation levels relative to other sectors. We have also shifted to a larger underweight in industrials during the year.

Sector Weightings of the Large Cap Portfolio versus S&P 500 as at 31st December 2016

Sector	Large company portfolio %*	S&P 500 %
Information Technology	25.4	20.8
Health Care	17.6	13.6
Financials	13.3	14.8
Consumer Staples	11.1	9.4
Consumer Discretionary	10.4	12.0
Industrials	8.2	10.3
Energy	7.6	7.5
Utilities	3.6	3.2
Telecommunication Services	2.8	2.7
Real Estate	–	2.9
Materials	–	2.8

*Does not include small cap stocks and net current assets.

Source: Wilshire. Based on the MSCI Global Industry Classification Standards.

The table below shows the largest positive and negative stock contributors to the Company's portfolio performance in 2016:

Stock	Stock return (based on average weight over the year) %	Average position relative to Benchmark over year %	Impact on performance %
Positive Contributors			
UGI Corporation	66.4	1.6	0.43
Northrop Grumman Corporation	49.3	2.9	0.40
Allergan Plc	0.0	(0.5)	0.34
Qualcomm Incorporated	48.6	1.8	0.29
FMC Technologies	38.1	0.6	0.26
Negative Contributors			
Gilead Sciences	(13.7)	2.0	(1.02)
Voya Financial	(27.1)	0.5	(0.57)
Cigna Corporation	8.8	1.0	(0.34)
Bank Of America Corporation	(12.6)	(0.6)	(0.34)
Marathon Petroleum Corporation	20.1	1.1	(0.27)

Smaller Companies Portfolio

US small cap growth names came under pressure in 2016 and ended the period lagging their large cap peers for the third year in a row. The year presented a challenging environment for our investment style and our US small cap growth portfolio posted a positive return, however, underperformed the benchmark during the period.

In particular, our stock selection in information technology, consumer discretionary and consumer staples proved unsatisfactory and was the main driver behind our results. While several of our small cap information technology stocks did well, our earlier stage investments and some overweights materially hindered performance. On the positive side, stock selection was strong in the real estate and materials space. For our smaller companies portfolio we believe that long-term investments in companies with leading competitive positions, run by highly motivated and talented management that can sustain growth over a period of many years, will lead to stock market outperformance.

Outlook

We believe that many of President Trump's stated polices are pro-growth and the prospect of corporate tax reform, increased infrastructure spending and less regulation are positives for equities. Given that one of his top priorities is the repeal and replacement of the Affordable Care Act, we would expect heightened volatility in the health care sector. We believe caution is warranted regarding the post-election enthusiasm as there remains a large degree of uncertainty as to what the final outcome of President Trump's broad agenda will be and to the timing of when proposals will become law. It could be a strong possibility that the President's ambitious proposals may be scaled back and implemented later than expected as the legislative process unfolds.

While the recent time period has not lived up to our expectations in terms of performance, we still firmly believe that our investment process of purchasing and holding attractively valued securities with positive operating momentum will pay off through time. While a frustrating period, we believe that patience will be rewarded with better outperformance in the future.

Garrett Fish
Investment Manager

24th March 2017

SUMMARY OF RESULTS

	2016	2015	
Total returns for the year ended 31st December			
Return to shareholders[1]	+34.9%	-2.4%	
Return on net assets with debt at par value[2]	+30.8%	+4.7%	
Return on net assets with debt at fair value[2]	+31.2%	+5.0%	
Benchmark[1,3]	+33.1%	+6.9%	
Net asset value, share price, discount and market data at 31st December			**% change**
Net asset value per share with debt at par value	381.0p	295.6p	+28.9
Net asset value per share with debt at fair value[4]	379.3p	293.4p	+29.3
Share price	369.2p	277.9p	+32.9
Share price discount to net asset value per share with debt at par value	(3.1)%	(6.0)%	
Share price discount to net asset value per share with debt at fair value	(2.7)%	(5.3)%	
Shareholders' funds (£'000)	985,216	816,700	+20.6
Market capitalisation (£'000)	954,653	767,791	+24.3
S&P 500 Index expressed in sterling (capital only)[5]	1,811.9	1,386.8	+30.7
Exchange rate	£1=$1.2356	£1=$1.4819	-16.6
Shares in issue (excluding shares held in Treasury)	258,573,403	276,283,026	-6.4
Revenue for the year ended 31st December			
Net revenue attributable to shareholders (£'000)	15,180	12,911	+17.6
Return per share	5.70p	4.64p	+22.8
Dividend per share	5.00p	4.00p	+25.0
Gearing at 31st December[6]	**8.5%**	**8.4%**	
Ongoing Charges[7]	**0.62%**	**0.62%**	
Ongoing Charges including any performance fee payable[8]	**0.62%**	**0.62%**	
Management Fee[9]	**0.50%**	**0.50%**	

1 Source: Morningstar.

2 Source: J.P. Morgan.

3 The Company's benchmark is the S&P 500 Index expressed in sterling total return terms.

4 The fair value of the £50m debenture issued by the Company has been calculated using discounted cash flow techniques, using the yield from a similarly dated gilt plus a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread.

5 Source: Datastream.

6 The methodology to calculate gearing has been amended during the year therefore the comparative figure has been recalculated for comparative purposes. Please refer to the glossary of terms and definitions on page 66 for the revised calculation.

7 Ongoing charges represent the management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the daily net assets during the year. The ongoing charges are calculated in accordance with guidance issued by the Association of Investment Companies (the 'AIC') in May 2012.

8 Ongoing charges including any performance fee payable represents the management fee, performance fee and all other operating expenses excluding interest, expressed as a percentage of the average of the daily net assets during the year.

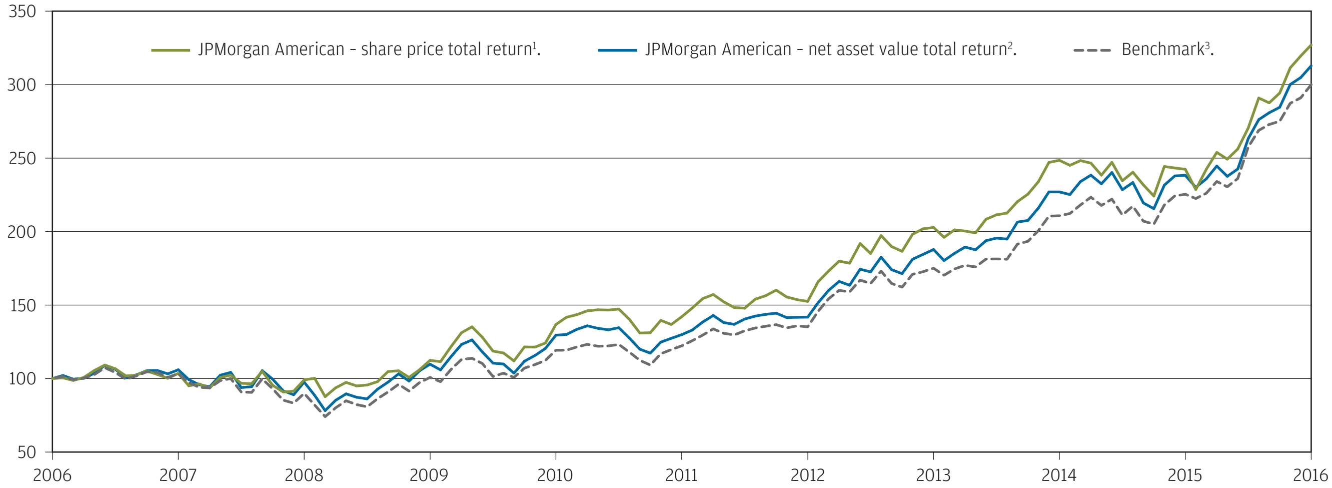
9 The level of the management fee, excluding any performance fee payable.

A glossary of terms and definitions is provided on page 66.

TEN YEAR PERFORMANCE

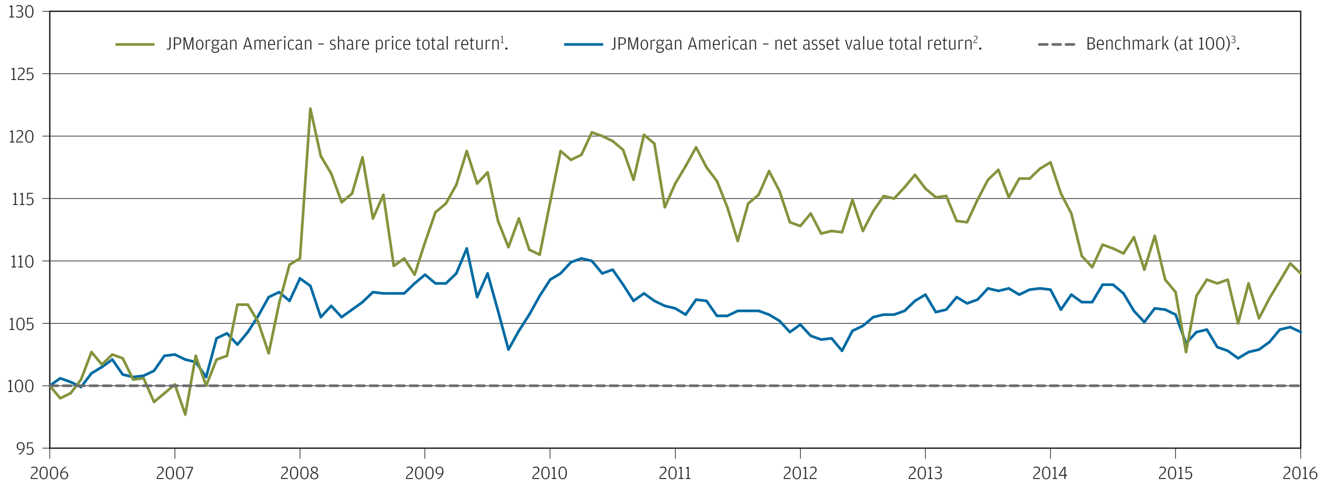
Total Return

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2006



Performance Relative to Benchmark

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2006



[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan using net asset value per share, cum income with debt at fair value. Prior to 30th June 2008, capital only net asset value with debt at par value.

[3] The Company's benchmark index is the S&P 500 Index, net of the appropriate withholding tax, expressed in sterling total return terms.

TEN YEAR FINANCIAL RECORD

At 31st December	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Shareholders' funds (£m)	312.0	321.5	293.7	321.5	374.0	400.4	464.7	642.2	804.2	816.7	985.2
Net asset value per share with debt at par value (p)[1]	144.2	150.5	137.5	150.5	174.6	173.3	185.0	239.4	286.1	295.6	381.0
Net asset value per share with debt at fair value (p)[1]	141.8	147.5	132.4	146.3	170.2	168.6	180.9	236.6	283.1	293.4	379.3
Share price (p)[1]	130.8	133.1	125.2	139.4	167.4	171.8	181.2	238.2	288.7	277.9	369.2
Share price (discount)/premium with debt at fair value (%)	(7.7)	(9.8)	(5.5)	(4.7)	(1.6)	1.9	0.2	0.7	2.0	(5.3)	(2.7)
Gearing/(net cash) (%)[2]	4.3	(2.9)	12.8	11.3	4.2	(2.8)	(0.6)	9.1	8.7	8.4	8.5
Exchange rate (£1=$)	1.96	1.99	1.44	1.61	1.57	1.55	1.63	1.66	1.56	1.48	1.24
Year ended 31st December											
Earnings per share (p)[1]	2.26	2.14	2.27	2.13	2.11	2.24	2.76	3.00	3.76	4.64	5.70
Dividend per share (p)[1]	2.20	2.20	2.20	2.20	2.20	2.20	2.50	2.70	3.25	4.00	5.00
Ongoing charges (%)	0.76	0.69	0.71	0.75	0.70	0.69	0.68	0.63	0.62	0.62	0.62
Ongoing charges (%) including any performance fee payable	0.76	0.69	0.82	0.86	0.81	0.69	0.68	0.66	0.64	0.62	0.62
Rebased to 100 at 31st December 2006											
Share price total return[3]	100.0	103.5	99.1	112.4	136.8	142.1	152.5	202.8	248.5	242.4	327.0
Net asset value per share - total return[4]	100.0	106.0	96.6	109.8	129.5	129.9	141.8	187.8	227.0	238.3	312.8
Net asset value per share - total return[5]	100.0	106.0	98.3	109.7	129.2	129.8	141.0	184.6	222.9	233.4	306.3
Benchmark - total return[3,6]	100.0	103.4	89.9	100.8	119.3	122.3	135.2	175.1	210.8	225.4	300.0

[1] 2006-2013 comparative figures have been restated due to the sub-division of each existing ordinary share of 25p into five ordinary shares of 5p each on 8th May 2014.

[2] 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 66 for the revised calculation.

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

[4] Source: Morningstar/J.P. Morgan using net asset value per share, cum income, with debt at fair value.

[5] Source: Morningstar/J.P. Morgan using net asset value per share, cum income, with debt at par value.

[6] The Company's benchmark is the S&P 500 Index expressed in sterling total return terms.

A glossary of terms and definitions is provided on page 66.

TEN LARGEST EQUITY INVESTMENTS AT 31ST DECEMBER

For a full list of the Company's investments please refer to the Company's website at www.jpmamerican.co.uk, where the portfolio is available a month in arrears.

Company	Sub sector	2016 Valuation £'000	2016 Valuation %[1]	2015 Valuation £'000	2015 Valuation %[1]
Apple	Information Technology	62,694	5.9	50,618	5.7
Microsoft	Information Technology	57,412	5.4	45,527	5.1
Citigroup	Financials	35,622	3.3	28,248	3.2
Northrop Grumman	Industrials	31,442	2.9	24,775	2.8
Qualcomm[2]	Information Technology	28,502	2.7	9,470	1.1
Gilead Sciences	Health Care	25,289	2.4	23,496	2.7
McDonald's[2]	Consumer Discretionary	21,774	2.0	6,925	0.8
Wal-Mart Stores	Consumer Staples	20,767	2.0	15,380	1.7
Amgen[2]	Health Care	20,627	1.9	14,259	1.6
American International Group[2]	Financials	20,558	1.9	12,117	1.4
Total		**324,687**	**30.4**		

[1] Based on total investments of £1,068.8m (2015: £885.4m).

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

At 31st December 2015 the value of the ten largest equity investments amounted to £260.3m representing 29.4% of total investments.

INVESTMENT ACTIVITY DURING THE YEAR ENDED 31ST DECEMBER 2016

	Value at 31st December 2015 £'000	Value at 31st December 2015 % of portfolio	Purchases £'000	Sales £'000	Changes in value £'000	Value at 31st December 2016 £'000	Value at 31st December 2016 % of portfolio
Large Companies	847,630	95.7	286,293	(344,453)	225,792	1,015,262	95.0
Small Companies[1]	37,753	4.3	27,398	(25,622)	14,057	53,586	5.0
Total investments	**885,383**	**100.0**	**313,691**	**(370,075)**	**239,849**	**1,068,848**	**100.0**

[1] This includes investments in unquoted companies.

Portfolio turnover was 36% (2015: 42%). This is based on the average purchases and sales expressed as a percentage of average opening and closing portfolio values.

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.

Structure and Objective of the Company

JPMorgan American Investment Trust plc is an investment trust and has a premium listing on the London Stock Exchange. Its objective is to provide shareholders with capital growth from North American investments. In seeking to achieve this objective, the Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') which, in turn, delegates portfolio management to JPMorgan Asset Management ('JPMAM') which further delegates to JPMorgan Asset Management, Inc., to manage the Company's assets actively. The Board has determined an investment policy and related guidelines and limits, as described below. It aims to outperform a benchmark, which is the S&P 500 Index, with net dividends reinvested, expressed in sterling terms.

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

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). 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 retained. The Company is not a close company for taxation purposes.

Investment Policies and Risk Management

In order to achieve its investment objectives and to seek to manage risk, the Company mainly invests in a diversified portfolio of quoted companies including, when appropriate, exposure to smaller capitalisation stocks. The Company currently has separate portfolios dedicated to larger capitalisation and smaller capitalisation companies. The number of investments in the larger capitalisation portfolio will normally range between 60-100 stocks representing between 80-100% of the Company's equity portfolio. The number of investments in the smaller capitalisation portfolio will normally range between 100-120 stocks representing between 0-20% of the Company's equity portfolio. The Company may invest in pooled funds to achieve its aims.

Investment Limits and Restrictions (all at time of investment)

- The Company will not normally invest more than 8% of its gross assets in any one individual stock.
- The Company will normally limit its five largest investments to 40% of its gross assets.
- The Company will not invest more than 10% of its gross assets in liquidity funds in normal market conditions.
- The Company will not invest more than 10% of gross assets in companies that themselves may invest more than 15% of gross assets in listed closed-ended funds.
- The Company will not invest more than 15% of its gross assets in other listed closed-ended funds.
- The Company will use gearing when appropriate 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 Manager is accountable for tactically managing the gearing, within a +/-2.0% range around a 'normal' gearing level. The normal gearing level, which is set by the Board and kept under review, is currently 10%.
- The Company only hedges its currency risk in respect of the full value of the sterling debenture.

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

Performance

In the year ended 31st December 2016, the Company produced a total return to shareholders of +34.9% and a total return on net assets of +30.8%. This compares with the return on the Company's benchmark in sterling terms of +33.1%. At 31st December 2016, the value of the Company's investment portfolio was £1,068.8 million. The Investment Manager's Report on pages 8 to 13 includes a review of developments during the year as well as information on investment activity within the Company's portfolio and the factors likely to affect the future performance of the Company.

Total Return, Revenue and Dividends

As detailed on page 39, gross total return for the year amounted to £247.6 million (2015: £47.4 million) and net total return after deducting finance costs, administrative expenses and taxation, amounted to £235.3 million (2015: £36.5 million). Distributable income for the year totalled £15.2 million (2015: £12.9 million).

The Company paid an interim dividend of 2.25p per share on 11th October 2016. Directors recommend a final dividend of 2.75p per share, payable on 15th May 2017 to shareholders on the register at the close of business on 18th April 2017. The total dividend distribution for 2016 of 5.0p per share represents an increase of 25% on last year's 4.0p distribution. These distributions total £13.0 million (2015: £11.1 million). After payment of the final dividend the revenue reserve will amount to £16.0 million (2015: £13.7 million).

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 an important KPI by which performance is judged.

  Please refer to the graphs on page 15 for details of the Company's performance relative to its benchmark index over 10 years.

- **Performance against the Company's peers**
  The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors performance relative to a broad range of appropriate competitor funds both in the UK and the US.

- **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 asset allocation, gearing and stock selection. Details of the attribution analysis for the year ended 31st December 2016 are given in the Investment Manager's Report on page 9.

- **Share price relative to net asset value ('NAV') per share with debt at fair value**
  The Board has adopted a share issuance and repurchase policy that seeks to address imbalances in supply of and demand for the Company's shares in the market. In the year to 31st December 2016, the shares traded between a discount of 0.4% and 7.5% (month end figures calculated with debt at fair value and including income). Please refer to the Chair's Statement on pages 3 and 7 for further information.

- **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 ongoing charges excluding any performance fee for the year ended 31st December 2016 were 0.62% (2015: 0.62%). Since no performance fee was payable in 2016 the ongoing charges including performance fee payable for the year ended 31st December 2016 were also 0.62% (2015: 0.62%).

Share Capital

The Company has authority to both purchase shares for cancellation or holding in Treasury, and issue new shares in the market for cash at a premium to net asset value.

During the financial year, the Company repurchased 17,709,623 shares, into Treasury, for a total consideration of £54,144,000. Since the year end, the Company has repurchased 6,902,816 shares, into Treasury, for a total consideration of £26.2 million.

No shares were issued during the year or since the year end.

Special Resolutions to renew the authorities to issue and repurchase shares will be put to shareholders for approval at the Annual General Meeting.

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 and an assessment is made of the qualities and skills of the existing Board before appointing new directors. When completing a review of the skills and experience of Directors, the Board feels that they are equipped with the necessary attributes required for the sound stewardship of the Company and that their knowledge sets allow for lively and engaging debates. Full details of the skills and experience of the Directors can be found on pages 22 and 23. At 31st December 2016, there were three male Directors and two female Directors on the Board. Please refer to pages 27 and 28 for more information on the workings of the Nomination and Remuneration Committee.

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 being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board notes JPMAM's policy statements in respect of Social, Community, Environmental and Human Rights issues, as outlined below, in italics. The Board also discusses JPMAM's policies in this area with corporate engagement personnel during the course of its annual visits to the Manager's New York office.

BUSINESS REVIEW *CONTINUED*

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 diesel fuel and consequently does not have a measurable carbon footprint. *JPMAM is also a signatory to Carbon Disclosure Project. JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.*

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. The risks identified and the ways in which they are managed or mitigated are summarised below.

With the assistance of JPMF, the Risk Committee has drawn up a risk matrix, which identifies the key risks to the Company. These are reviewed and noted by the Board. These key risks fall broadly under the following categories:

- Market: Market risk arises from uncertainty about the future prices of the Company's investments. This market risk comprises three elements – equity market risk, currency risk and interest rate risk. The Board considers the split in the portfolio between small and large companies, sector and stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMF. The Board monitors the implementation and results of the investment process with the Manager. However, the fortunes of the portfolio are significantly determined by market movements in US equities, the rate of exchange between the US dollar and sterling and interest rate changes. This is a risk that investors take having invested into a single country fund.

- Investment and Strategy: An inappropriate investment strategy, poor asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and its peer companies, resulting in the Company's shares trading on a wider discount. The Board mitigates this risk by insisting on diversification of investments through its investment restrictions and guidelines which are monitored and reported on regularly by the Managers. 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 manager, who attends the majority of Board meetings, and reviews data which details the portfolio's risk profile. The investment manager employs the Company's gearing within a strategic range set by the Board.

- Operational and Cybercrime: Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the custodian's or depositary's records could prevent accurate reporting and monitoring of the Company's financial position. On 1st July 2014, the Company appointed BNY Mellon Trust & Depositary (UK) Limited to act as its depositary, responsible for overseeing the operations of the custodian, JPMorgan Chase Bank, N.A., and the Company's cash flows. 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 in the Internal Control section of the Corporate Governance report on pages 29 and 30. 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 Board has received the cyber security policies for its key third party service providers and JPMF has assured the Directors that 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 every six months against the AAF Standard.

- Loss of Investment Team or Investment Manager: The sudden departure of the investment manager or several members of the wider investment management team could result in a short term deterioration in investment performance. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team based approach. The Board continues to stress to JPMF the importance of retaining the current investment manager.

- Share Price Relative to Net Asset Value ('NAV') per Share: If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. Throughout the majority of 2016, the Company's shares traded at a discount. The Board monitors the Company's premium/discount level and, although the rating largely depends upon the relative attractiveness of the trust, the Board will seek, where deemed prudent, to address imbalances in the supply and demand of the Company's shares through a programme of share issuance and buybacks.

- Accounting, 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 18. Were the Company to breach Section 1158, it might lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by JPMF and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure & Transparency Rules ('DTRs'). A breach of the Companies Act 2006 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 Directors seek to comply with all relevant regulation and legislation in the UK, Europe and the US and rely on the services of its Company Secretary, JPMF, and its professional advisers to monitor compliance with all relevant requirements.

- Political and Economic: Changes in financial or tax legislation, including in the US, UK and the European Union, may adversely effect the Company either directly or because of restrictions or enforced changes on the operations of the Manager. JPMF makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate. In addition, the Company is subject to political risks, such as the imposition of restrictions on the free movement of capital. The Company is therefore at risk from changes to the regulatory, legislative and taxation framework within which it operates, whether such changes were designed to affect it or not. The Board will continue to keep under review the impact of the UK's decision to leave the European Union. The negotiations between the UK and European Union will likely introduce further currency volatility to the Company's affairs.

Long Term Viability

The Company was established in 1881 and has now been in existence for 136 years. The Company is an investment trust and has the objective of achieving long term capital growth investing in US equities. The Company has been investing over many economic cycles and some difficult market conditions.

Although past performance and a long historic track record is no guide to the future, the Directors believe that the Company has an attractive future for investors as a long term investment proposition. Unfortunately, it is impossible to look too far into the future, so the Directors have adopted a somewhat shorter time horizon to assess the Company's viability, which is five years. This is regarded by many as the minimum time for investing in equities. This exceeds the terms of the Company's indebtedness.

The Directors have considered the Company's prospects, principal risks and the outlook for the US economy, its equity market and the market for investment trusts. They have examined the robustness of these base case estimates using further more cautious scenarios, including in one case repeating some of the returns data for the (1929-1934) Wall Street Crash.

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 next five years until 31st December 2021.

By order of the Board
Alison Vincent for and on behalf of
JPMorgan Funds Limited
Company Secretary

24th March 2017

BOARD OF DIRECTORS

Sarah Bates (Chair of the Board and Nomination & Remuneration Committee)†
A Director since 2005.

Last reappointed to the Board: 2016.

Remuneration: £43,000.

Chair of St. James's Place plc and Witan Pacific Investment Trust plc. A Director of Polar Capital Technology Trust plc and Worldwide Healthcare Trust. She sits on or is advisor to various pension fund and charitable investment committees including that of the Universities Superannuation Scheme. She was previously a director and chair of the Association of Investment Companies.

Shared appointments with other Directors: Universities Superannuation Scheme Limited Investment Committee with Dr Kevin Carter.

Shareholding in Company: 25,000.

Simon Bragg (Chairman of the Audit Committee)* †
A Director since 2012.

Last reappointed to the Board: 2016.

Remuneration: £34,500.

Mr Bragg is Chief Executive of JSB Energy Partners Limited, Chairman and a non-executive Director of You Group Limited (parent of Youhome), non-executive Director of Intralink Limited and Bridge Petroleum 1 Limited. Having qualified as a Chartered Accountant at KPMG, Mr Bragg previously worked at Hoare Govett, Cargill, HSBC, Oriel Securities and Stifel.

Shared directorships with other Directors: None.

Shareholding in Company: 74,565.

Dr Kevin Carter * †
A Director since 2014.

Last reappointed to the Board: 2016.

Remuneration: £28,500.

Currently Chairman and Director of Murray International Trust PLC, a Director of Lowland Investment Company plc, and Aspect Capital Limited, Chairman of the Investment Committee and a trustee director of the BBC Pension Scheme. He is also a trustee director of Universities Superannuation Scheme Limited and Chairman of its Investment Committee. Dr Carter is a CFA charter holder and has a doctorate awarded in mathematical statistics with a research subject in financial economics.

Shared appointments with other Directors: Universities Superannuation Scheme Limited Investment Committee with Mrs Sarah Bates.

Shareholding in Company: 24,000.

Sir Alan Collins (Chairman of the Risk Committee and Senior Independent Director)* †
A Director since 2012.

Last reappointed to the Board: 2016.

Remuneration: £32,500.

Sir Alan had a successful career in the British Diplomatic Service where he held a number of Ambassador and High Commissioner appointments and was until August 2011 the Consul General New York and the Director General for Trade and Investment USA. He was also the managing director in United Kingdom Trade and Investment responsible for the business legacy from the London 2012 Olympic and Paralympic Games, having been part of the team that won the bid to bring the Olympics to London. He is now a non-executive Director of Prudential Assurance Singapore Ltd, Prudential Hong Kong Ltd, Prudential General Insurance Hong Kong Ltd and ICICI Bank UK plc. He is also an advisor to a number of other limited companies, including St. James's Place plc, and a member of the Advisory Council of the London Philharmonic Orchestra.

Shared directorships with other Directors: None.

Shareholding in Company: 5,493.

Nadia Manzoor* †
A Director since 2016.

Last reappointed to the Board: N/A.

Remuneration: £16,625.

Ms Manzoor is a Partner, Head of Business Development and General Counsel for S.W. Mitchell Capital, a specialist European equities investment management house. Ms Manzoor commenced her career as a corporate lawyer at Slaughter & May in 2009. During this time she worked in London, Hong Kong and also spent six months seconded to a FTSE 100 client. Ms Manzoor is a law scholar of Downing College, Cambridge University.

Shares directorships with other Directors: None.

Shareholding in Company: nil.

* Member of the Audit Committee.

† Member of the Risk Committee.

All Directors are considered independent by the Board and are members of the Nomination & Remuneration and Risk Committees.

DIRECTORS' REPORT

The Directors present their Annual Report and the Audited Financial Statements for the year ended 31st December 2016.

Management of the Company

The Manager and Company Secretary is JPMorgan Funds Limited ('JPMF'), a company authorised and regulated by the Financial Conduct Authority ('FCA'). JPMF is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides marketing, banking and dealing services to the Company. Custodian services are provided by a JPMorgan Chase Bank subsidiary, via a contract with the Company's depositary.

The Manager is employed under a contract which can be terminated on six months' notice, 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 Manager on an annual basis. The evaluation includes consideration of the investment strategy and the process of the Manager, performance against the benchmark and a relevant peer group over the long term and the support the Company receives from the Manager. As a result of the evaluation process, the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interest of shareholders as a whole.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). JPMF has been 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 JPMorgan Asset Management (UK) Limited ('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 remains 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.jpmamerican.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.

The Company's leverage and JPMF's remuneration disclosures are set out on page 62.

Management and Performance Fees

The basic management fee is calculated and paid quarterly in arrears and is charged at a rate of 0.5% per annum of the Company's total assets less current liabilities. Investments in funds on which the Manager or any of its associated companies earn a management fee are excluded from the calculation and therefore attract no further fee. In addition, a performance fee may be payable. The Company's investment in the JPMorgan US Dollar Liquidity Fund is not subject to a management fee and therefore not excluded from the calculation.

The performance fee is calculated at the rate of 10% of the difference between the cum-income debt at par net asset value total return and the total return of the S&P 500 Index, expressed in sterling terms. The performance fee due in respect of any single year is divided into equal parts payable over three years.

Any negative fee resulting from underperformance is deducted from any unpaid fees brought forward from prior years with any remaining amount of the negative fee carried forward to be absorbed in future years.

The performance fee paid in any one year will not exceed 0.25% of the cum-income debt at par net asset value at the Company's latest year end, with any unpaid excess being carried forward until paid in full.

In the year ended 31st December 2016 the Company's cum-income debt at par net asset value total return underperformed the total return of the S&P 500 Index, expressed in sterling terms, by 2.32 percentage points. This resulted in a negative performance fee calculation of £2,028,063. This amount when added to the £1,311,633 performance fee offset brought forward from 2015 leaves a negative balance of £3,339,696, which will be carried forward and offset against any future outperformance.

Directors

The Directors of the Company who held office at the end of the year are detailed on pages 22 and 23. In accordance with corporate governance best practice, all Directors will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment. The Nomination and Remuneration Committee, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed. For further details on the experience and skills of each Director please refer to pages 22 and 23.

Director Indemnification and Insurance

As permitted by the Articles of Association, the Directors have 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.

During the year an insurance policy has been 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 Auditor

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 2006) of which the Company's auditor is unaware; and

(b) each of the Directors has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of S418(2) of the Companies Act 2006.

Independent Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor to the Company and a resolution proposing its reappointment and authorising the Directors to determine its remuneration for the ensuing year will be put to shareholders at the Annual General Meeting.

Capital Structure and Voting Rights

Capital Structure

The Company's capital structure is summarised on the inside cover of this report.

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 Annual General Meeting on page 65.

Notifiable Interests in the Company's Voting Rights

At the date of this report, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
Brewin Dolphin Limited	36,583,963	14.54
Investec Wealth & Investment Limited	28,359,067	11.30
Quilter Cheviot Limited	16,921,384	6.72
Rathbone Brothers PLC	12,549,767	4.98

The Company is also aware that approximately 3.5% of the Company's total voting rights are held by individuals through savings products managed by JPMAM, 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 the Manager 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.

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:

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 11 and 12)

At the Annual General Meeting the Directors will seek authority to issue up to 25,167,058 new shares or shares held in Treasury for cash up to an aggregate nominal amount of £1,258,352 (such amount being equivalent to 10% of the issued share capital) and disapply pre-emption rights upon such issues. The full text of the resolutions is set out in the Notice of Meeting on pages 63 and 64. This authority will expire at the conclusion of the Annual General Meeting of the Company in 2018 unless renewed at a prior general meeting.

[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

DIRECTORS' REPORT *CONTINUED*

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 administrative expenses, other than the management fee which is charged on the value of the Company's assets, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

(ii) Authority to repurchase the Company's shares (Resolution 13)

At the Annual General Meeting held on 11th May 2016, shareholders gave authority to the Company to purchase up to 14.99% of its then issued share capital. At that time, shareholders were informed that this authority would expire on 10th October 2017 but could be renewed by shareholders at any time at a general meeting of the Company. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying net asset value ('NAV') enhances the NAV of the remaining shares and helps to control the discount and its volatility. Resolution 13 gives the Company authority to buy back its own issued 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 37,725,420 shares representing approximately 14.99% of the Company's issued shares as at 23rd March 2017 (being the latest practicable date prior to the publication of this document). The authority also sets minimum and maximum prices.

If resolution 13 is passed at the Annual General Meeting, shares repurchased might not be cancelled but rather held as Treasury shares. The Company does not have authority to re-issue shares from Treasury at a discount to NAV, therefore any reissue of shares from Treasury would be at a premium to the prevailing NAV.

The full text of the resolution is set out in the Notice of Meeting on pages 63 and 64. 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.

Recommendation

The Board considers that resolutions 11 to 13 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 130,076 shares representing approximately 0.1% of the existing issued share capital of 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 33, indicates how the Company has applied the principles of good governance of the Financial Reporting Council's 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 delegated authority. This includes management of the Company's assets within the guidelines established by the Board from time to time 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 met seven times 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. Further information on meetings and committees can be found on page 27.

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

There is an agreed procedure for Directors to take independent professional advice in the furtherance of their duties 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 adherence to

Board procedures and compliance with applicable rules and regulations.

Board Composition

The Board consists of five non-executive Directors, chaired by Sarah Bates, all of whom are considered to be independent of the Company's Manager. 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 22 and 23.

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. Sir Alan Collins, the Senior Independent Director, leads the evaluation of the performance of the Chair and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chair.

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. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for Directors to seek annual reappointment 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 ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees.

A list of potential conflicts of interest for each Director is maintained by the Company. These are considered carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved.

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 Annual General Meeting.

The Company has a succession plan in place. To ensure adequate succession planning and continuity it has been agreed that, barring any unforeseen circumstances, Sarah Bates will retire in July 2017 with a new Director being appointed during 2017. Kevin Carter will replace Sarah Bates as Chair at the conclusion of the Company's Annual General Meeting.

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 Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts. Regular reviews of the Directors' training needs are carried out by the Board 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 22 and 23.

The table below details the number of formal Board and Committee meetings attended by each Director. During the year there were seven Board meetings, including a private meeting of the Directors to evaluate the Manager. In addition, two Audit Committee meetings, two Risk Committee meetings and four Nomination & Remuneration Committee meetings were held.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Risk Committee Meetings Attended	Nomination & Remuneration Committee Meetings Attended
Sarah Bates	7	2	2	4
Kate Bolsover[1]	6	2	2	4
Simon Bragg	7	2	2	4
Dr Kevin Carter	7	2	2	4
Sir Alan Collins	7	2	2	4
Nadia Manzoor[2]	3	1	1	1

[1] Retired from the Board on 30th September 2016.
[2] Joined the Board on 1st June 2016.

As well as the formal meetings detailed above, the Board communicates frequently by email or telephone to deal with day to day matters as they arise. Directors also visited the investment management team in New York and spent time with a number of longer term strategists as well as with senior management, governance personnel and the dealing desk in JPMAM's offices.

Board Committees

Nomination & Remuneration Committee

The Nomination & Remuneration Committee, chaired by Sarah Bates, 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. A variety of sources, including external search consultants, may be used to ensure that a wide range of candidates is considered. In relation to the appointment of Nadia Manzoor, the Board engaged a recruitment consultant, Trust Associates, a firm with no other connections to the Company. Open advertising was not used as part of the process as the use of a recruitment consultant was deemed sufficient.

The Board's policy on diversity, including gender, is to take account of the benefits of this during the appointment process. The Board remains committed to appointing the most appropriate candidate

DIRECTORS' REPORT *CONTINUED*

and seeks to ensure that it does not unwittingly exclude any group. Therefore, no targets have been set against which to report.

The Directors commissioned Lintstock, a firm of independent consultants, to facilitate the evaluation of the Board. The process involved the completion of questionnaires by the Board. The resulting written report was discussed by Directors under the remit of the Nomination & Remuneration Committee. The evaluation of individual Directors is led by the Chair and the Chair is evaluated by the Senior Independent Director. An externally facilitated Board evaluation was conducted by Lintstock in respect of the Company's year ended 31st December 2014. The next Board evaluation to be externally facilitated will be in respect of the Company's year ending 31st December 2017.

The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

Audit Committee

The Audit Committee, chaired by Simon Bragg, consists of all the Directors, except the Chair of the Board, and meets at least twice each year. The Chair of the Board attends by invitation of the Committee. The members of the Audit Committee consider that they have recent and relevant financial expertise and 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. At the request of the Board, the Audit Committee provides confirmation to the Board as to how it has discharged its responsibilities so that the Board may ensure that information presented to it is fair, balanced and understandable, together with details of how it has done so.

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 auditor during its reporting:

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. 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 remains responsible for the oversight of the custody of the Company's assets.
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.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(e) to the accounts. 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.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st October 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis by the Manager, who reports on a monthly basis to the Board on the Company's continuing compliance.

The Board is required to be 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 position, 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 33.

The Audit Committee also examines the effectiveness of the Company's risk management and 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 auditor. In the Directors' opinion the auditor is independent.

The Audit Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of the external auditor. Representatives of the Company's auditor 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 the Manager, 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 current tenure of the external auditor dates from 10th August 2006. The Board opened the external auditor position up to tender in 2015 and three firms, including the incumbent, pitched for the position. Based upon the presentations, the Board approved the continuing appointment of Deloitte as auditor to the Company.

Risk Committee

The Risk Committee, chaired by Sir Alan Collins, consists of all the Directors and meets at least twice each year. The Committee discusses the Company's overall risk appetite, tolerance and strategy, taking into account the current and prospective macroeconomic and financial environment. It further reviews the Company's key risks and identifies and manages any new risks that arise during the year. Finally, the Committee reviews compliance with the Company's investment restrictions and guidelines.

Terms of Reference

The Nomination & Remuneration Committee, Audit Committee and Risk Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available on the Company's website and for inspection on request at the Company's registered office and at the Annual General Meeting.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 18), risk management policies (see pages 55 to 60), capital management policies and procedures (see page 61), the nature of the portfolio and expenditure projections that 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 continue 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 twice a year by way of the Annual Report and Accounts and the Half Year Report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with shareholders and answer questions. In addition, a presentation is given by the investment manager who reviews the Company's performance. During the year the investment management team, JPMF and the Company's brokers held regular discussions with larger shareholders. The Directors are made aware of their views. The Chair further writes to the Company's largest shareholders each year to offer a meeting with herself and other members of the Board, with or without representatives from the Manager. The Chair met independently with shareholders in 2016. The Chair 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 69.

The Company's Annual Report and Accounts is 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 69.

Details of the proxy voting position on each resolution will be published on the Company 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 to include 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 JPMorgan and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by JPMorgan and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on pages 20 and 21). The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMF which reports any material failings or weaknesses. 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.

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

DIRECTORS' REPORT *CONTINUED*

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 JPMorgan's Compliance department which regularly monitors compliance with FCA rules and reports to the Board.

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

The Board 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:

- the Board, through the Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMorgan's Compliance department;
- the Board reviews a report, which is also independently reviewed, on the internal controls and the operations of its custodian, JPMorgan Chase Bank;
- the Board reviews every six months a report from the Company's Depositary, BNY Mellon Trust and Depositary (UK) Limited, which summarises the activities performed by the Depositary during the reporting period; and
- the Board reviews every six months an independent report on the internal controls and the operations of JPMF's investment trust department.

By 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 nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following information in italics is a summary of JPMAM'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 20.

Corporate Governance

JPMAM believes that corporate governance is integral to its investment process. As part of its commitment to delivering superior investment performance to clients, it expects and encourages the companies in which it invests to demonstrate the highest standards of corporate governance and best business practice. JPMAM examines the share structure and voting structure of the companies in which it invests, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of JPMAM's 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 reasonable judgement of what will best serve the financial interests of clients. So far as is practicable, JPMAM will vote at all of the meetings called by companies in which it is invested.

Stewardship/Engagement

JPMAM recognises its wider stewardship responsibilities to its clients as a major asset owner.

JPMAM is a signatory to the Principles for Responsible Investment, an initiative of the UN Secretary-General and supports the principles of 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.

By order of the Board
Alison Vincent, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

24th March 2017

DIRECTORS' REMUNERATION REPORT

Introduction

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 34 to 38.

Directors' Remuneration Policy

The law requires that the Directors' Remuneration Policy is subject to a triennial binding vote. However, the Board has resolved that for good governance purposes, the policy vote will be put to shareholders every year. Accordingly a resolution to approve the policy will be put to shareholders at the 2017 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. The roles of Chairmen of the Board, Audit Committee, Risk Committee and the Senior Independent Director are paid higher fees than other Directors, reflecting the greater time commitment involved in fulfilling those roles.

The Nomination and Remuneration Committee, comprising all Directors, reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, and includes 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.

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.

In the year under review, Directors' fees were paid at the following rates: Chair £43,000; Audit Committee Chairman £34,500 and £28,500 for other Directors. The roles of Senior Independent Director and Chairman of the Risk Committee both attract an additional fee of £2,000 per role. The fees remain unchanged since 1st January 2015.

The Company's Articles of Association stipulate that aggregate fees must not exceed £225,000 per annum. Any increase in this maximum aggregate amount requires both Board and shareholder approval.

The Company has no Chief Executive Officer and no employees and therefore there was no consultation of employees, and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

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 will take account of these views if appropriate.

The Directors do not have service contracts with the Company. 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 27.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report 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 11th May 2016, of votes cast, 99.8% of votes cast were in favour of (or granted discretion to the Chair who voted in favour of) both the remuneration policy and the remuneration report and 0.2% voted against. Votes withheld were the equivalent of less than 0.1% of votes cast.

Details of the implementation of the Company's remuneration policy are given below. No advice from remuneration consultants was received during the year under review.

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 31st December 2016 was £178,446. The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

There are no performance targets in place for the Directors of the Company and there are no benefits for any of the Directors which will vest in the future. There are no benefits, pension, bonus, long term incentive plans, exit payments or arrangements in place on which to report.

DIRECTORS' REMUNERATION REPORT *CONTINUED*

Single total figure table[1]

Directors' Name	2016 Fees £	2016 Taxable expenses[2] £	2016 Total £	2015 Fees £	2015 Taxable expenses[2] £	2015 Total £
Sarah Bates	43,000	–	43,000	43,000	–	43,000
Kate Bolsover[3]	21,375	506	21,881	28,500	–	28,500
Simon Bragg	34,500	–	34,500	34,500	–	34,500
Dr Kevin Carter	28,500	–	28,500	28,500	–	28,500
Sir Alan Collins	32,500	1,160	33,660	30,000	–	30,000
Nadia Manzoor[4]	16,625	280	16,905	–	–	–
Total	**176,500**	**1,946**	**178,446**	**164,500**	**–**	**164,500**

[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 from the Board on 30th September 2016.

[4] Joined the Board on 1st June 2016.

Expenditure by the Company on remuneration and distributions to shareholders[1]

	Year ended 31st December 2016	2015
Remuneration paid to all Directors	£178,446	£164,500
Distributions to shareholders by way of dividend	£12,658,000	£10,448,000
Share repurchases	£54,144,000	£15,176,000
Percentage of remuneration paid to Directors of Shareholders' funds	0.02%	0.02%

[1] Management and performance fees paid to JPMF in 2016 were £4,545,000 (2015: £4,266,000), or 0.46% (2015: 0.52%) of Shareholders' funds. Please refer to page 24 for more details.

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

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

Year ended 31st December	Fees
2016	£43,000
2015	£43,000
2014	£37,500
2013	£37,500
2012	£37,500

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 Directors' beneficial shareholdings are detailed below. The Directors have no other share interests or share options in the Company and no share schemes are available.

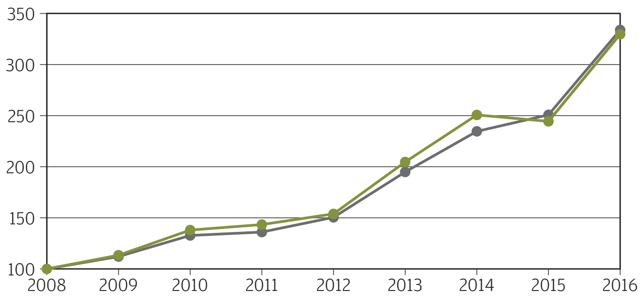
	31st December 2016	1st January 2016
Sarah Bates	25,000	25,000
Simon Bragg	74,565	58,993
Dr Kevin Carter	24,000	24,000
Sir Alan Collins	5,493	5,493
Nadia Manzoor	nil	nil

[1] Audited information.

All of the holdings of the Directors are beneficial. Since the year end, Simon Bragg's beneficial holding has increased by 1,018 ordinary shares.

A graph showing the Company's share price total return compared with its benchmark index, the S&P 500 Index expressed in sterling total returns terms, over the last eight years is shown below:

Eight Year Ordinary Share Price and Benchmark Total Returns to 31st December 2016



Source: Morningstar.

Share price total return.

Benchmark total return.

For and on behalf of the Board
Sarah Bates
Chair

24th 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 position, 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 accounting 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.jpmamerican.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 auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditor accepts 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, Strategic Report, Statement of Corporate Governance and Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed on pages 22 and 23 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; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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.

The Board also confirms that it is satisfied that the Strategic Report and Directors' Report include a fair review of the development and performance of the business, and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For and on behalf of the Board
Sarah Bates
Chair

24th March 2017

Independent Auditor's Report

TO THE MEMBERS OF JPMORGAN AMERICAN INVESTMENT TRUST PLC

Opinion on financial statements of JPMorgan American Investment Trust plc

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 its return for the year then ended;
- the Company's financial statements 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.

The financial statements that we have audited comprise:

- the Statement of Comprehensive Income;
- the Statement of Changes in Equity;
- the Statement of Financial Position;
- the Statement of Cash Flows; and
- the related notes 1 to 25.

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'.

Summary of our audit approach

Key risks
The key risks that we identified in the current year were:

- *Valuation and ownership of investments*
- *Recognition of investment income*
- *Calculation of performance fees*

All risks within this report are in line with prior year.

Materiality
The materiality that we used in the current year was £9.85 million which was determined on the basis of 1% of net asset value.

Scoping
All audit work for the company was performed directly by the audit engagement team.

Significant changes in our approach
There have been no significant changes to our audit approach since the prior year.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Company

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1(a) to the financial statements and the Directors' statement on the long term viability of the Company contained within the Directors' Report on Page 21.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 20 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 on pages 20 and 21 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 1(a) to 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 Company'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 on page 21 as to how they have assessed the prospects of the Company, 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 Company 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 agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and ownership of fixed asset investments

Risk description

The fixed asset investments of the Company at year end were £1,068.8 million (2015: £885.4 million).

There is a risk that investments within the portfolio may not be actively traded and the prices quoted may not be reflective of fair value, or that they may not represent the property of the Company.

How the scope of our audit responded to the risk

- We reviewed and assessed the Global Custody SOC1 controls report of JPMorgan Chase Bank over the valuation of investments and evaluated the design and implementation of the controls in place.
- We agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source.
- We challenged the Manager and Directors regarding their assessment of the portfolio pricing and liquidity.
- We reviewed the completeness and appropriateness of disclosures in relation to fair value measurements and liquidity risk.

We agreed 100% of the Company's investment portfolio at the year end to the confirmation received directly from the independent custodian.

Key observations

No misstatements were identified which required reporting to those charged with governance in regards to the valuation of the portfolio. We also observed the key controls in the latest available SOC1 report and noted that control 10 (page 62 of the latest report) has been assessed as designed and implemented effectively. No deviations were noted in testing the operating effectiveness.

Calculation of performance fees

Risk description

There is no performance fee payable in the current period (2015: write-back £0.5 million).

Performance fees or the performance fee offset is calculated at the rate of 10% of the difference between the cum-income debt at par net asset value total return and the total return of the S&P 500 Index. As this is a complex calculation, there is a risk the performance fee may be calculated incorrectly and not in line with the IMA.

How the scope of our audit responded to the risk

- We re-performed the calculation of the performance fee to confirm that no performance fee was payable in the current period as per the terms of the signed investment management agreement.
- To confirm that performance fee calculation has been subject to Board approval, we have obtained and reviewed the minutes for all Board and Committee meetings in the year ended 31st December 2016.

Key observations

We have not identified any misstatements in the calculation of the performance fee for the year end 31st December 2016. Furthermore we have reviewed the Board minutes for the year then ended and confirmed this calculation has been subject to Board approval.

Revenue Recognition: completeness of investment income

Risk description

Dividends from fixed asset investments of £20.5 million (2015: £17.8 million) are accounted for on an ex-dividend basis.

Dividends are accounted for as revenue, except where, in the opinion of management and the board, the dividend is capital in nature, in which case it is treated as a return of capital.

There is a risk that revenue is incomplete or that it is incorrectly allocated between revenue and capital accounts.

How the scope of our audit responded to the risk

- We evaluated the design and implementation of the controls over revenue recognition, completeness and allocation.
- For a sample of corporate actions and special dividends received, we challenged the Manager's rationale for the allocation between revenue and capital against the requirements of Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') and agreed details of the dividend to a third party source to evidence the nature of the dividend.
- We developed an expectation of the dividends received for the year using market yield to assess the reasonableness of the dividends recorded.

To test the completeness of investment income, for a sample of investments held in the year, we agreed the ex-dividend dates and rates for dividends declared, obtained from an independent pricing source, and traced these to the dividend entitlement report to ensure that investment income has been recorded appropriately.

Key observations
No misstatements were identified which required reporting to those charged with governance in regards to the completeness of dividend income. Accounting policies in relation to revenue recognition were found to be in line with FRS 102, the SORP and industry peers. We also observed the key controls in the latest available SOC1 report and noted that control 12 (page 72 of the latest report) has been assessed as designed and implemented effectively. No deviations were noted in testing the operating effectiveness.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Company to be £9.8 million (2015: £8.17 million), which is 1% (2015: 1%) of net assets. Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £50,000 (2015: £50,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

There were no changes to the scope of our audit since the prior year. Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

As part of our audit we assessed the controls in place at the administrator who prepares the financial statement of the Company by reviewing a controls report over their activities.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

Corporate Governance Statement
Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, 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 consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

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.

Andrew Partridge (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
London, United Kingdom

24th 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[1] £'000	2015 Capital[1] £'000	2015 Total[1] £'000
Gains on investments held at fair value through profit or loss	3	–	239,839	239,839	–	33,331	33,331
Net foreign currency losses[2]		–	(12,852)	(12,852)	–	(3,845)	(3,845)
Income from investments	4	20,533	–	20,533	17,747	–	17,747
Interest receivable	4	77	–	77	34	–	34
Gross return		**20,610**	**226,987**	**247,597**	**17,781**	**29,586**	**47,367**
Management fee	5	(909)	(3,636)	(4,545)	(853)	(3,413)	(4,266)
Performance fee write back	5	–	–	–	–	507	507
Other administrative expenses	6	(802)	–	(802)	(747)	–	(747)
Net return on ordinary activities before finance costs and taxation		**18,899**	**223,351**	**242,250**	**16,181**	**26,680**	**42,861**
Finance costs	7	(803)	(3,213)	(4,016)	(782)	(3,125)	(3,907)
Net return on ordinary activities before taxation		**18,096**	**220,138**	**238,234**	**15,399**	**23,555**	**38,954**
Taxation	8	(2,916)	–	(2,916)	(2,488)	–	(2,488)
Net return on ordinary activities after taxation		**15,180**	**220,138**	**235,318**	**12,911**	**23,555**	**36,466**
Return per share	10	**5.70p**	**82.66p**	**88.36p**	**4.64p**	**8.47p**	**13.11p**

[1] Relevant figures have been restated due to liquidity funds being reclassified as cash equivalents.

[2] Includes gains and losses on forward foreign currency contracts which are used to hedge the currency risk in respect of the geared portion of the portfolio. Details of the Company's hedging strategy are given in note 23(a)(i) on page 55.

The dividends payable in respect of the year ended 31st December 2016 amount to 5.0p (2015: 4.0p) per share, costing £13,043,000 (2015: £11,051,000). Details of dividends paid and proposed are given in note 9 on page 48.

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.

The net return on ordinary activities after taxation represents the profit per share for the year and also the total comprehensive income.

The notes on pages 44 to 61 form an integral 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[1] £'000	Revenue reserve[1] £'000	Total £'000
At 31st December 2014	**14,052**	**150,172**	**8,151**	**613,646**	**18,129**	**804,150**
Issue of ordinary shares net of costs to the market	30	1,678	–	–	–	1,708
Repurchase of shares into Treasury	–	–	–	(15,176)	–	(15,176)
Net return on ordinary activities	–	–	–	23,555	12,911	36,466
Dividends paid in the year	–	–	–	–	(10,448)	(10,448)
At 31st December 2015	**14,082**	**151,850**	**8,151**	**622,025**	**20,592**	**816,700**
Repurchase of shares into Treasury	–	–	–	(54,144)	–	(54,144)
Net return on ordinary activities	–	–	–	220,138	15,180	235,318
Dividends paid in the year	–	–	–	–	(12,658)	(12,658)
At 31st December 2016	**14,082**	**151,850**	**8,151**	**788,019**	**23,114**	**985,216**

[1] These reserves form the distributable reserves of the Company and may be used to fund distribution of profits to investors via dividend payments.

The notes on pages 44 to 61 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	1,068,848	885,383
Current assets	12		
Derivative financial assets		358	939
Debtors		921	923
Cash and cash equivalents[1]		10,114	18,789
		11,393	**20,651**
Current liabilities	13		
Creditors: amounts falling due within one year		(558)	(36,417)
Derivative financial liabilities		–	(2,990)
Net current assets		**10,835**	**(18,756)**
Total assets less current liabilities		**1,079,683**	**866,627**
Creditors: amounts falling due after more than one year	14	(94,467)	(49,927)
Net assets		**985,216**	**816,700**
Capital and reserves			
Called up share capital	16	14,082	14,082
Share premium	17	151,850	151,850
Capital redemption reserve	17	8,151	8,151
Capital reserves	17	788,019	622,025
Revenue reserve	17	23,114	20,592
Total shareholders' funds		**985,216**	**816,700**
Net asset value per share	18	**381.0p**	**295.6p**

[1] This line item combines the two lines of 'Investments in liquidity funds 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 39 to 61 were approved and authorised for issue by the Directors on 24th March 2017 and signed on their behalf by:

Simon Bragg
Director

The notes on pages 44 to 61 form an integral part of these financial statements.

The Company's registration number is 15543.

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	(3,234)	(4,378)
Dividends received		17,283	15,041
Interest received		70	33
Overseas tax recovered		354	100
Interest paid		(4,020)	(3,865)
Net cash inflow from operating activities		**10,453**	**6,931**
Purchases of investments		(313,586)	(354,123)
Sales of investments		370,087	377,466
Settlement of forward currency contracts		(11,753)	(2,239)
Net cash inflow from investing activities		**44,748**	**21,104**
Dividends paid		(12,658)	(10,448)
Repayment of bank loans		(41,283)	(6,446)
Draw down of bank loans		44,627	10,369
Issue of ordinary shares		–	1,708
Repurchase of shares into Treasury		(54,562)	(14,758)
Net cash outflow from financing activities		**(63,876)**	**(19,575)**
(Decrease)/increase in cash and cash equivalents		**(8,675)**	**8,460**
Cash and cash equivalents at the start of the year		18,789	10,329
Cash and cash equivalents at the end of the year		10,114	18,789
(Decrease)/increase in cash and cash equivalents		**(8,675)**	**8,460**
Cash and cash equivalents consist of:			
Cash and short term deposits		10	305
Cash held in JPMorgan US Dollar Liquidity Fund		10,104	18,484
Total		**10,114**	**18,789**

The notes on pages 44 to 61 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 29 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.

(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's 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 purchases 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 including the related foreign exchange gains and losses, realised exchange gains and losses on cash and cash equivalents, realised gains and losses on foreign currency contracts, 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 held at the year end including the related foreign exchange gains and losses, unrealised gains and losses on forward foreign currency contracts 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 from equity shares 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.

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.

Interest receivable from debt securities together with any premiums or discounts on purchase are allocated to revenue on a time apportionment basis so as to reflect the effective interest rate of those securities.

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

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

1. Accounting policies *continued*

(e) Expenses

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

- any performance fee is allocated 100% to capital.
- the management fee is allocated 20% to revenue and 80% 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 20% to revenue and 80% 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.

Forward foreign currency contracts are included in the Statement of Financial Position as derivative financial instruments and are carried at fair value, which is the cost of closing out those contracts. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Bank loans and debentures are classified as financial liabilities at amortised cost. They are initially measured at proceeds net of direct issue costs and subsequently measured at amortised cost. Interest payable on bank loans is accounted for on an accruals basis in the Statement of Comprehensive Income. The amortisation of direct issue costs are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method.

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.

(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.

(k) Dividends payable

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

(l) Repurchase of 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[1] £'000
Gains on sales of investments held at fair value through profit or loss based on historical cost	81,561	83,234
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(51,898)	(82,093)
Gains on sales of investments based on the carrying value at the previous balance sheet date	29,663	1,141
Net movement in investment holding gains and losses	210,186	32,198
Other capital charges	(10)	(8)
Total capital gains on investments held at fair value through profit or loss	**239,839**	**33,331**

[1] Relevant figures have been restated due to liquidity funds being reclassified as cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

4. Income

	2016 £'000	2015 £'000
Income from investments		
Overseas dividends	20,533	17,747
Interest receivable and similar income		
Interest from liquidity fund	77	33
Deposit interest	–	1
Total income	**20,610**	**17,781**

5. Management fee and performance fee

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Management fee	909	3,636	4,545	853	3,413	4,266
Performance fee	–	–	–	–	(507)	(507)
	909	**3,636**	**4,545**	**853**	**2,906**	**3,759**

Details of the management fee and performance fee are given in the Directors' Report on page 24.

6. Other administrative expenses

	2016 £'000	2015 £'000
Administration expenses	300	258
Directors' fees[1]	177	165
Depository fees[2]	161	157
Savings scheme costs[3]	131	135
Auditor's remuneration for audit services[4]	25	24
Auditor's remuneration for other services[5]	8	8
	802	**747**

[1] Full disclosure is given in the Directors' Remuneration Report on page 32.

[2] Includes £8,000 (2015: £8,000) irrecoverable VAT.

[3] Paid to the Manager for marketing and administration of saving scheme products. Includes £6,000 (2015: £7,000) irrecoverable VAT.

[4] Includes £1,000 (2015: £1,000) irrecoverable VAT.

[5] Comprises the Company's contribution to the review of the Manager's control procedures amounting to £5,000 (2015: £5,000), plus fees payable for the review of the debenture compliance certificate amounting to £3,000 (2015: £3,000).

7. Finance costs

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Bank loans and overdraft interest	121	485	606	87	344	431
Debenture interest	682	2,728	3,410	695	2,781	3,476
	803	**3,213**	**4,016**	**782**	**3,125**	**3,907**

8. Taxation

(a) Analysis of tax charge in the year

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Overseas withholding tax	2,916	–	2,916	2,488	–	2,488
Total tax charge for the year	**2,916**	**–**	**2,916**	**2,488**	**–**	**2,488**

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

The tax charge for the year is lower (2015: lower) than the Company's applicable rate of corporation tax for the year of 20.00% (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	18,096	220,138	238,234	15,399	23,555	38,954
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 20.00% (2015: 20.25%)	3,619	44,028	47,647	3,118	4,770	7,888
Effects of:						
Non taxable overseas dividends	(4,140)	–	(4,140)	(3,551)	–	(3,551)
Non taxable capital gains	–	(45,398)	(45,398)	–	(5,991)	(5,991)
Overseas withholding tax	2,916	–	2,916	2,488	–	2,488
Income tax timing difference	(1)	–	(1)	–	–	–
Unrelieved expenses	522	1,370	1,892	433	1,221	1,654
Total tax charge for the year	**2,916**	**–**	**2,916**	**2,488**	**–**	**2,488**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £13,137,000 (2015: £12,207,000) based on a prospective corporation tax rate of 17% (2015: 20%). 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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

9. Dividends

(a) Dividends paid and proposed

	2016 £'000	2015 £'000
Dividends paid		
Unclaimed dividends refunded to the Company	(2)	–
2015 Final dividend of 2.5p (2014: 2.25p)	6,728	6,304
2016 Interim dividend of 2.25p (2015: 1.5p)	5,932	4,144
Total dividends paid in the year	**12,658**	**10,448**
Dividends proposed		
2016 Final dividend of 2.75p (2015: 2.5p)	7,111	6,907

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

The dividend proposed in respect of the year ended 31st December 2015 amounted to £6,907,000. However the amount paid amounted to £6,728,000 due to shares repurchased after the balance sheet date but prior to the share register record date.

The dividend proposed in respect of the year ended 31st December 2016 is subject to shareholder approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, 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 £15,180,000 (2015: £12,911,000).

	2016 £'000	2015 £'000
2016 Interim dividend of 2.25p (2015: 1.5p)	5,932	4,144
2016 Final dividend of 2.75p (2015: 2.5p)	7,111	6,907
Total	**13,043**	**11,051**

The revenue reserve after payment of the final dividend will amount to £16,003,000 (2015: £13,685,000).

10. Return per share

	2016 £'000	2015 £'000
Revenue return	15,180	12,911
Capital return	220,138	23,555
Total return	**235,318**	**36,466**
Weighted average number of shares in issue during the year	266,333,049	278,231,109
Revenue return per share	5.70p	4.64p
Capital return per share	82.66p	8.47p
Total return per share	**88.36p**	**13.11p**

11. Investments

	2016 £'000	2015[1] £'000
Investments listed on a recognised stock exchange	1,067,400	884,169
Unquoted investments	1,448	1,214
	1,068,848	**885,383**

	2016			2015		
	Listed overseas £'000	Unquoted £'000	Total £'000	Listed overseas £'000	Unquoted £'000	Total £'000
Opening book cost	680,354	116	680,470	620,777	116	620,893
Opening investment holding gains	203,815	1,098	204,913	253,776	1,032	254,808
Opening valuation	884,169	1,214	885,383	874,553	1,148	875,701
Movements in the year:						
Purchases at cost	313,691	–	313,691	353,845	–	353,845
Sales - proceeds	(370,075)	–	(370,075)	(377,502)	–	(377,502)
Gains on sales of investments based on the carrying value at the previous balance sheet date	29,663	–	29,663	1,141	–	1,141
Net movement in investment holding gains and losses	209,952	234	210,186	32,132	66	32,198
Closing valuation	**1,067,400**	**1,448**	**1,068,848**	**884,169**	**1,214**	**885,383**
Closing book cost	705,531	116	705,647	680,354	116	680,470
Closing investment holding gains	361,869	1,332	363,201	203,815	1,098	204,913
Total investments held at fair value through profit or loss	**1,067,400**	**1,448**	**1,068,848**	**884,169**	**1,214**	**885,383**

[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 £104,000 (2015: £112,000) and on sales during the year amounted to £134,000 (2015: £124,000). These costs comprise mainly brokerage commission and stamp duty.

During the year, prior year investment holding gains amounting to £51,898,000 have been transferred to gains on sales of investments as disclosed in note 17.

At the current and comparative year end, the Company held 10% or more of a class of the issued share capital of the following company, which is valued in the accounts at the Company's share of net assets:

	2016 %	2015 %
Kane Holdings	15.8	15.8

The Company does not exercise significant influence over the operating and financial policies of the above company, which is therefore not considered to be an associated company.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

12. Current assets

	2016 £'000	2015 £'000
Derivative financial assets		
Forward foreign currency contracts	358	939

	2016 £'000	2015 £'000
Debtors		
Securities sold awaiting settlement	11	32
Dividends and interest receivable	807	823
Overseas tax recoverable	19	16
Other debtors	84	52
	921	**923**

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.

13. Current liabilities

	2016 £'000	2015 £'000
Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	105	–
Repurchases of Company's own shares awaiting settlement	–	418
Bank loan - ING	–	35,489
Loan interest payable	52	28
Debenture interest payable	282	339
Other creditors and accruals	119	143
	558	**36,417**

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

The £35 million two year floating rate debt facility with ING Bank, had an interest rate of LIBOR as quoted in the market for the loan period, plus a margin of 0.80%, plus mandatory costs. Any undrawn amounts under the facility attracted an interest rate of 0.25%. The facility was subject to covenants and restrictions which are customary for a facility of this nature, all of which were met during the prior year. This facility expired on 2nd December 2016.

	2016 £'000	2015 £'000
Derivative financial liabilities		
Forward foreign currency contracts	–	2,990

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

	2016 £'000	2015 £'000
Bank loan - National Australia Bank	8,093	–
Bank loan - Scotiabank	36,418	–
£50,000,000 6.875% debenture June 2018	49,956	49,927
	94,467	**49,927**

The £50 million debenture, which the Company has in issue, carries a fixed interest rate of 6.875% until the repayment date in June 2018. The debenture is secured by a floating charge over the assets of the Company.

The £25 million five year floating rate debt facility with NAB, has an interest rate of LIBOR as quoted in the market for the loan period, plus a margin of 1.05%, plus mandatory costs. Any undrawn amounts attract a commitment fee of 0.32%. 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. This facility expires in April 2020.

During the year the Company entered into a new £40 million two year floating rate debt facility with Scotiabank which has an interest rate of LIBOR as quoted in the market for the loan period, plus a margin of 0.95%, plus mandatory costs. Any undrawn amounts under the facility attract an interest rate of 0.35% if less than 50% of the facility is drawn or 0.25% if more than 50% of the facility is drawn. 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. This facility expires in November 2018.

15. Provisions for liabilities and charges

	2016 £'000	2015 £'000
Performance fee payable		
Opening balance	–	507
Performance fee for the year	–	(507)
	–	**–**

Further details of the performance fee can be found in the Directors' report on page 24.

16. Called up share capital

	2016 £'000	2015 £'000
Ordinary shares allotted and fully paid:		
Opening balance of 276,283,026 (2015: 281,033,910) shares excluding shares held in Treasury	13,814	14,052
Issue of nil (2015: 600,000) ordinary shares of 5p each to the market	–	30
Repurchase of 17,709,623 (2015: 5,350,884) shares into Treasury	(885)	(268)
Subtotal of 258,573,403 (2015: 276,283,026) shares of 5p each excluding shares held in Treasury	12,929	13,814
23,060,507 (2015: 5,350,884) shares held in Treasury	1,153	268
Closing Balance of 281,633,910 (2015: 281,633,910) shares of 5p each including shares held in Treasury	**14,082**	**14,082**

During the year, 17,709,623 shares of 5p were repurchased from the market into Treasury at an average price of 304.9p per share, for a total net consideration of £54,144,000.

Further details of transactions in the Company's shares are given in the Business Review on page 19.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

17. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves[1] Gains and losses on sales of investments £'000	Capital reserves[1] Investment holding gains and losses £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	14,082	151,850	8,151	421,642	200,383	20,592	816,700
Transfer of prior period unrealised gain on liquidity[2]	–	–	–	501	(501)	–	–
Net foreign currency losses on cash and cash equivalents	–	–	–	(7,532)	–	–	(7,532)
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	29,663	–	–	29,663
Net movement in investment holding gains and losses	–	–	–	–	210,186	–	210,186
Transfer on disposal of investments	–	–	–	51,898	(51,898)	–	–
Unrealised gain on forward foreign currency contracts	–	–	–	–	358	–	358
Unrealised losses on forward foreign currency contracts from prior period now realised	–	–	–	(2,051)	2,051	–	–
Repurchase of shares into Treasury	–	–	–	(54,144)	–	–	(54,144)
Unrealised currency losses on loans	–	–	–	–	(855)	–	(855)
Realised currency losses on repayment of loans	–	–	–	(4,823)	–	–	(4,823)
Transfer on loans repaid in period	–	–	–	(2,980)	2,980	–	–
Management fee and finance costs charged to capital	–	–	–	(6,849)	–	–	(6,849)
Other capital charges	–	–	–	(10)	–	–	(10)
Dividends paid in the year	–	–	–	–	–	(12,658)	(12,658)
Retained revenue for the year	–	–	–	–	–	15,180	15,180
Closing balance	**14,082**	**151,850**	**8,151**	**425,315**	**362,704**	**23,114**	**985,216**

[1] These reserves form the distributable reserves of the Company and may be used to fund distribution of profits to investors via dividend payments.

[2] Transfer of opening liquidity fund unrealised loss between reserves as a result of the reclassification of liquidity holdings from investments to cash equivalents.

18. Net asset value per share

	2016	2015
Net assets (£'000)	985,216	816,700
Number of shares in issue	258,573,403	276,283,026
Net asset value per share	**381.0p**	**295.6p**

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	242,250	42,861
Less capital return on ordinary activities before finance costs and taxation	(223,351)	(26,680)
Increase in accrued income and other debtors	(16)	(115)
(Decrease)/increase in accrued expenses	(25)	11
Management and performance fee charged to capital	(3,636)	(3,548)
Overseas withholding tax	(3,273)	(2,592)
Dividends received	(17,283)	(15,041)
Interest received	(70)	(33)
Realised loss on foreign exchange transactions	(46)	(435)
Realised gain on liquidity fund and time deposits	2,216	1,194
Net cash outflow from operations before dividends and interest	**(3,234)**	**(4,378)**

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 24. The management fee payable to the Manager for the year was £4,545,000 (2015: £4,266,000) of which £nil (2015: £nil) was outstanding at the year end.

The performance fee for the year was £nil (2015: £507,000 write back) and £nil (2015: £nil) was outstanding at the year end.

During the year £131,000 (2015: £135,000), 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 £9,000 (2015: £8,000) payable to JPMorgan Chase of which £2,000 (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 £nil (2015: £nil) of which £nil (2015: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan US Dollar Liquidity Fund, which is managed by JPMorgan. At the year end this was valued at £10.1 million (2015: £18.5 million). Income amounting to £77,000 (2015: £33,000) was receivable during the year of which £7,000 (2015: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £10,000 (2015: £8,000) were payable to JPMorgan Chase during the year of which £2,000 (2015: £1,000) was outstanding at the year end.

At the year end, total cash of £10,000 (2015: £305,000) was held with JPMorgan Chase. A net amount of interest of £nil (2015: £1,000) 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 32 and in note 6 on page 46.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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(b) on page 43.

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	1,067,400	–	884,169	–
Level 2[1]	358	–	939	(2,990)
Level 3[2]	1,448	–	1,214	–
Total	**1,069,206**	**–**	**886,322**	**(2,990)**

[1] Includes forward foreign currency contracts.

[2] Includes investment in Kane Holdings which had a market value at 31st December 2016 of £1,448,000 (2015: £1,214,000).

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 currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below.

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 US equity shares, 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 and bank loans, the purpose of which is to finance the Company's operations;
- forward foreign currency contracts, the purpose of which is to manage the currency risk arising from the Company's investment activities.

(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 three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) and (iii) of this note, together with sensitivity analyses 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) Currency risk

The majority of the Company's assets and income are denominated in US dollars. Sterling is the Company's functional currency and the currency in which it reports. As a result, movements in exchange rates will affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least five occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed.

The Company has a £50 million debenture in issue which is repayable in June 2018. It is the Company's policy to hedge the currency risk in respect of this geared portion of the portfolio using three month forward contracts. At 31st December 2016 the Company held a number of open contracts with Citibank, Merrill Lynch, State Street and Deutsche Bank. The net effect of these contracts is to purchase £50 million for settlement in $ and the latest settlement date of these contracts was 25th January 2017.

Upon maturity, these contracts were rolled over with Goldman Sachs, Morgan Stanley, HSBC and BNP and the settlement date of these new contracts is 26th April 2017.

Income denominated in foreign currencies is converted to sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(a) Market risk *continued*

(i) Currency risk *continued*

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 31st December are shown below.

Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2016			2015		
	USD £'000	Euro £'000	Total £'000	USD £'000	Euro £'000	Total £'000
Current assets	11,295	3	11,298	19,359	3	19,362
Creditors	(105)	–	(105)	(2,051)	–	(2,051)
Bank loans	(44,511)	–	(44,511)	(35,489)	–	(35,489)
Foreign currency exposure on net monetary items	(33,321)	3	(33,318)	(18,181)	3	(18,178)
Investments held at fair value through profit or loss	1,068,848	–	1,068,848	885,383	–	885,383
Total net foreign currency exposure	**1,035,527**	**3**	**1,035,530**	**867,202**	**3**	**867,205**

The above year end amounts are broadly representative of the exposure to foreign currency risk during the current and comparative year.

Foreign currency sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 20% (2015: 10%) appreciation or depreciation in sterling against the US Dollar which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

	2016		2015	
	If sterling strengthens by 20% £'000	If sterling weakens by 20% £'000	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(4,122)	4,122	(1,778)	1,778
Capital return	6,664	(6,664)	1,818	(1,818)
Total return after taxation for the year	2,542	(2,542)	40	(40)
Net assets	**2,542**	**(2,542)**	**40**	**(40)**

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole year.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the liquidity fund. The Company's exposure to floating interest rates, giving cash flow interest rate risk when rates are reset, is as follows:

	2016 £'000	2015 £'000
Exposure to floating interest rates		
Cash and short term deposits	10	305
JPMorgan US Dollar Liquidity Fund	10,104	18,484
Bank loans	(44,511)	(35,489)
Total exposure	**(34,397)**	**(16,700)**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2015: same).

The target interest earned on the JPMorgan US Dollar Liquidity Fund is the 7 day $ London Interbank Bid Rate.

Details of the bank loans are given in notes 13 and 14 on pages 50 and 51.

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	6	(6)	58	(58)
Capital return	(178)	178	(142)	142
Total return after taxation	(172)	172	(84)	84
Net assets	**(172)**	**172**	**(84)**	**84**

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.

(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(a) Market risk *continued*

(iii) Other price risk *continued*

Management of other price risk

The Board considers on a regular basis 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 other 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	**1,068,848**	**885,383**

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

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	(107)	107	(89)	89
Capital return	106,457	(106,457)	88,184	(88,184)
Total return after taxation	106,350	(106,350)	88,095	(88,095)
Net assets	**106,350**	**(106,350)**	**88,095**	**(88,095)**

(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.

Liquidity risk exposure

Contractual maturities of the financial liabilities at the year end, 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:				
Securities purchased awaiting settlement	105	–	–	105
Other creditors and accruals	119	–	–	119
Bank loans, including interest	262	642	45,519	46,423
Debenture, including interest	–	3,438	51,718	55,156
	486	**4,080**	**97,237**	**101,803**

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

	2015			
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
Repurchases of Company's own shares awaiting settlement	418	–	–	418
Other creditors and accruals	143	–	–	143
Bank loan, including interest	35,592	–	–	35,592
Debenture stock, including interest	–	3,438	55,156	58,594
Forward foreign currency contracts	2,990	–	–	2,990
	39,143	**3,438**	**55,156**	**97,737**

(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 five year average yield for the AA Barclays Sterling Corporate Bond.

	2016		2015	
	Accounts value £m	Fair value £m	Accounts value £m	Fair value £m
£50 million 6.875% debenture June 2018	50.0	54.3	49.9	56.2

24. Capital management policies and procedures

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

	2016 £'000	2015 £'000
Debt:		
Bank loans	44,511	35,489
£50 million 6.875% debenture June 2018	50,000	50,000
	94,511	85,489
Equity:		
Equity share capital	14,082	14,082
Reserves	971,134	802,618
	985,216	816,700
Total debt and equity	**1,079,727**	**902,189**

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	1,068,848	885,383
Net assets	**985,216**	**816,700**
Gearing	**8.5%**	**8.4%**

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

- 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 need for issues of new shares, including issues from Treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

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.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD as at 31st December 2016, which gives the following figures:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	115%	110%

JPMorgan Funds Limited (‘JPMF’) Remuneration

The Alternative Investment Fund Managers’ Directive (the AIFMD), requires certain disclosures to be made with regard to the remuneration policy of the Company’s AIFM.

Details of JPMF’s AIFM Remuneration Policy are disclosed on the Company’s website at www.jpmamerican.co.uk and became applicable to the Manager on 1st January 2015, being the beginning of the first financial year of JPMF following the Manager’s authorisation as an AIFM. The 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 and 22(2)f of the AIFMD and Article 107 of the Delegated Regulation are disclosed on the Company’s website at www.jpmamerican.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 one hundred and first Annual General Meeting of JPMorgan American Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Thursday, 11th May 2017 at 2.30 p.m. for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditor's 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 declare a final dividend on the ordinary shares of 2.75 pence per share.
5. To reappoint Sarah Bates as a Director of the Company.
6. To reappoint Simon Bragg as a Director of the Company.
7. To reappoint Sir Alan Collins as a Director of the Company.
8. To reappoint Dr Kevin Carter as a Director of the Company.
9. To reappoint Nadia Manzoor as a Director of the Company.
10. To reappoint Deloitte LLP as auditor to the Company and to authorise the Directors to determine Deloitte LLP's remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

11. 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 Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to an aggregate nominal amount of £1,258,352, representing approximately 10% 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, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

12. THAT subject to the passing of Resolution 11 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 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 11 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 £1,258,352, representing approximately 10% of the issued ordinary 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 11 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

13. THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued shares in the capital of the Company ('ordinary shares').

    PROVIDED ALWAYS THAT

    (i) the maximum number of shares hereby authorised to be purchased shall be that number of shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this resolution;

    (ii) the minimum price which may be paid for a share shall be the nominal value of the share;

    (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

NOTICE OF ANNUAL GENERAL MEETING *CONTINUED*

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

(v) the authority hereby conferred shall expire on 10th 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 or contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

By order of the Board
Alison Vincent, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

31st 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 Chair, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chair or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If the 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.

4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) 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 above 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 individuals to act as its representatives 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 auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with auditor 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 auditor 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.jpmamerican.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 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 23rd March 2017 (being the latest business day prior to the publication of this Report), the Company's issued share capital consists of 251,670,587 shares, (carrying one vote each). Therefore the total voting rights in the Company are 251,670,587.

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, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

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 included 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 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') per Share
If the share price of an investment trust is lower than the NAV per share, the 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.

Portfolio Turnover
Portfolio turnover is based on the average equity purchases and sales expressed as a percentage of average opening and closing portfolio values (excluding liquidity funds).

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

Performance Attribution Definitions:

Allocation Effect
Measures the effect of allocating assets to sectors or asset types differently to the weighting in the benchmark.

Selection Effect
Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are excluded from the benchmark.

Gearing/(Net Cash)
Measures the impact of borrowings or cash balances on the Company's performance relative to its benchmark.

Currency Hedge
Measures the effect on the Company's performance of a gain or loss arising from the Company's hedging activities.

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

Shares Issued
The issue of shares at a price in excess of the net asset value per share, has a positive effect on the Company's relative performance.

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
Final results announced	March
Half year end	30th June
Half year results announced	August
Dividend on ordinary shares paid	May/October
Interest payments on 6.875% debenture stock 2018	June/December
Annual General Meeting	May

History

The Company has its origins in the Alabama, New Orleans, Texas and Pacific Junction Railways Company Limited which was formed in 1881 to acquire interests in, and to undertake the completion of, three American railroads – the Vicksburg and Meridian, the Vicksburg, Shreveport and Pacific and the New Orleans and North Eastern. In 1917 the Company was reorganised, a proportion of the railroad interests were sold, and the investment powers were widened enabling its assets to be invested in several countries including the United Kingdom. To reflect the new objectives the name was changed to The Sterling Trust. The Company's investment policy reverted to North American securities in 1982 when the name was changed to The Fleming American Investment Trust plc. The name was changed to JPMorgan Fleming American Investment Trust plc in April 2002 and to its present form in 2006. JPMorgan, and its predecessor company, has been the Company's manager and secretary since 1966.

Company Numbers

Company registration number: 15543
London Stock Exchange number: 08456505
ISIN: GB00BKZGVH64
SEDOL Code: BKZGVH6
Bloomberg code: JAM LN

Market Information

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

Website

www.jpmamerican.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

aic
The Association of Investment Companies
A member of the AIC

Company's Registered Office

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

For company secretarial and administrative matters, please contact Alison Vincent.

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 1077
Aspect House
Spencer Road
West Sussex BN99 6DA
Telephone number: 0371 384 2316

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 1077.

Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk

Independent Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London EC4A 3ZB

Brokers

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

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.

www.jpmamerican.co.uk

J.P. Morgan Helpline

Freephone 0800 20 40 20 or +44 (0) 1268 444470.
Telephone lines are open Monday to Friday, 9am to 5.30pm.

Telephone calls may be recorded and monitored for security and training purposes.

J.P. Morgan Asset Management