

# JPMorgan Claverhouse Investment Trust plc

Annual Report & Financial Statements for the year ended 31st December 2018



*Awarded to investment companies that have increased their dividends each year for 20 years or more*

## KEY FEATURES

---

### Your Company

#### Objective

Capital and income growth from UK investments.

#### Investment Policy

- To invest in a diversified portfolio consisting mostly of leading companies listed on the London Stock Exchange. The Company's portfolio consists of between 60 and 80 investments in which the Manager has high conviction.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).
- To invest no more than 15% of gross assets in any individual investment (including unit trusts and open ended investment companies).
- The Company uses short and long term gearing to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. The Investment Managers have discretion to vary the gearing level between 5% net cash and 17.5% geared.
- The Board permits the Manager to use FTSE index futures to effect changes in the level of the Company's gearing.

Further details on investment policies and risk management are given on pages 16 to 20.

#### Benchmark

The FTSE All-Share Index (total return).

#### Capital Structure

At 31st December 2018, the Company's share capital comprised 56,765,653 ordinary shares of 25p each, including nil shares held in Treasury (2017: 2,206,674).

The Company has a £30 million debenture in issue, which carries a fixed interest rate of 7% per annum, repayable on 30th March 2020. The Company has agreed to issue £30 million fixed rate 25 year unsecured notes in March 2020 at an annualised coupon of 3.22%. The notes are intended to replace the debenture. The Company also has a £50 million three year floating rate loan facility with National Australia Bank, which expires on 27th April 2020.

#### Management Company and Company Secretary

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

#### Financial Conduct Authority ('FCA') regulation of 'non-mainstream pooled investments' and MiFID II 'complex instruments'

The Company currently conducts its affairs so that the shares issued by JPMorgan Claverhouse Investment Trust plc can be recommended by 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.

The Company's ordinary shares are not considered to be 'complex instruments' under the FCA's 'Appropriateness' rules and guidance in the COB sourcebook.

#### Association of Investment Companies ('AIC')

The Company is a member of the AIC.

#### AIC Dividend Heroes

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

#### Website

The Company's website, which can be found at [www.jpmlclaverhouse.co.uk](http://www.jpmlclaverhouse.co.uk), includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.

## Strategic Report

- 3 Financial Highlights
- 5 Chairman's Statement
- 8 Investment Managers' Report
- 12 Portfolio Information
- 14 Ten Year Record
- 16 Investment Objective, Policies and Guidelines
- 19 Principal Risks
- 20 Long Term Viability

## Directors' Report

- 22 Board of Directors
- 23 Directors' Report
- 25 Corporate Governance Statement
- 30 Audit Committee Report

## Directors' Remuneration Report

- 35 Statement of Directors' Responsibilities

## Independent Auditor's Report

37

## Financial Statements

- 45 Statement of Comprehensive Income
- 46 Statement of Changes in Equity
- 47 Statement of Financial Position
- 48 Statement of Cash Flows
- 49 Notes to the Financial Statements

## Regulatory Disclosures

- 66 Alternative Investment Fund Managers Directive ('AIFMD') Disclosures (Unaudited)
- 67 Securities Financing Transactions Regulation ('SFTR') Disclosures (Unaudited)

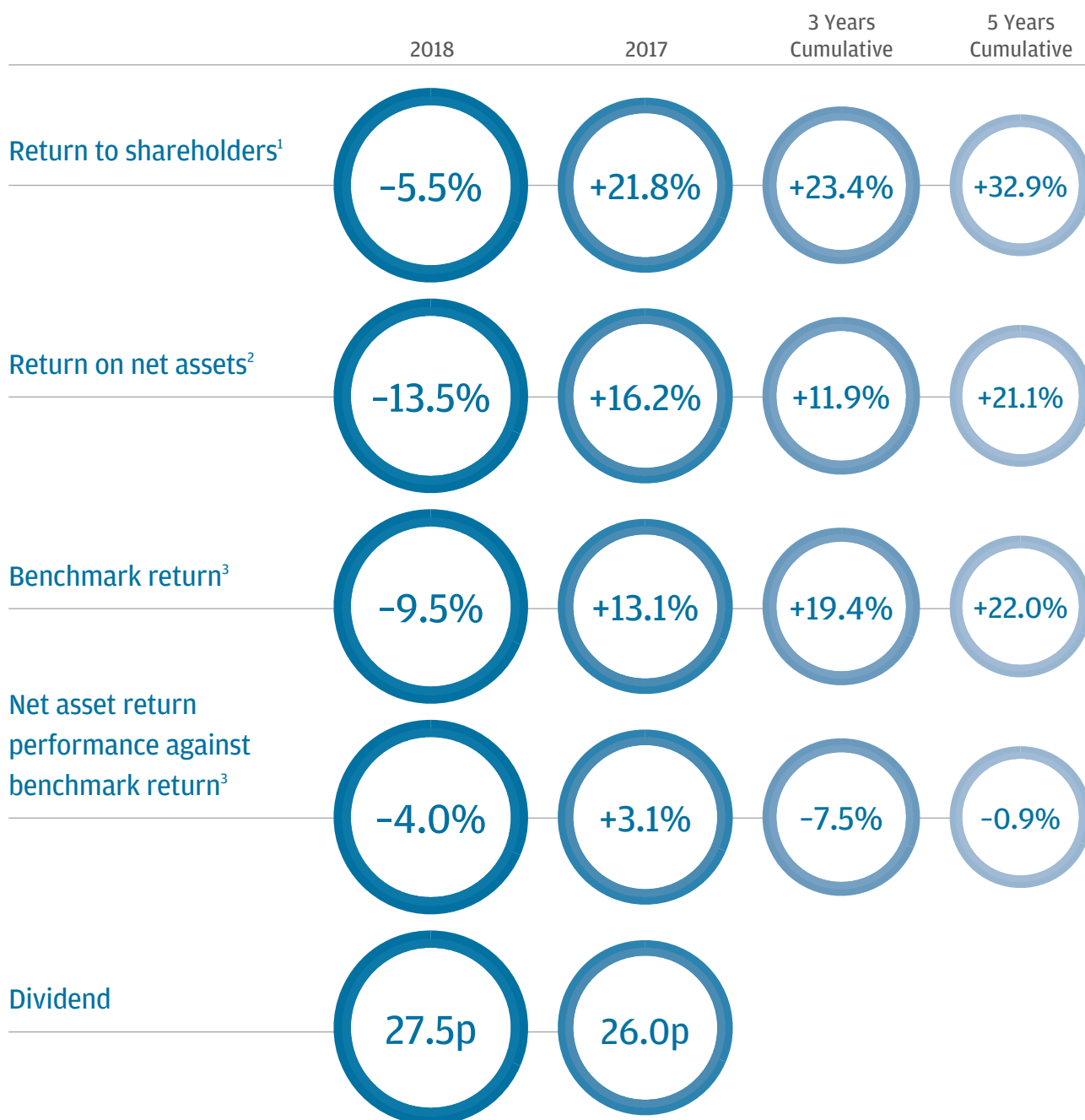
## Shareholder Information

- 69 Notice of Annual General Meeting
- 72 Alternative Performance Measures ('APMs') and Glossary of Terms (Unaudited)
- 75 Where to buy J.P. Morgan Investment Trusts
- 77 Information about the Company

# Strategic Report

---

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED) TO 31ST DECEMBER



<sup>1</sup> Source: Morningstar.

<sup>2</sup> Source: Morningstar/J.P. Morgan, using cum income net asset value per share with debt at par value.

<sup>3</sup> Source: Morningstar. The Company's benchmark is the FTSE All-Share Index (total return).

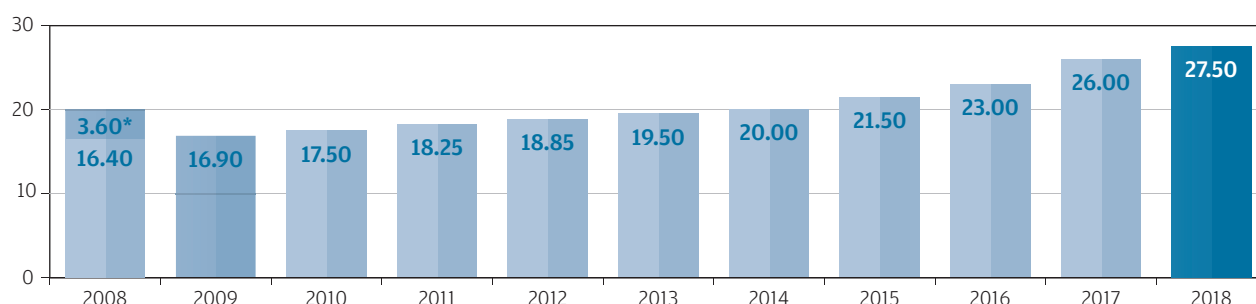
A list of alternative performance measures ('APMs'), with explanations and calculations, and a glossary of terms are provided on pages 72 to 74.

# FINANCIAL HIGHLIGHTS

## SUMMARY OF RESULTS

	2018	2017	% change
<b>Total returns for the year ended 31st December</b>			
Return to shareholders <sup>1</sup>	-5.5%	+21.8%	
Return on net assets with debt at par value <sup>2</sup>	-13.5%	+16.2%	
Return on net assets with debt at fair value <sup>2</sup>	-13.1%	+16.9%	
Benchmark return <sup>3</sup>	-9.5%	+13.1%	
<b>Net asset value, share price and discount at 31st December</b>			
Shareholders' funds (£'000)	372,033	428,498	-13.2
Net asset value per share with debt at par value <sup>4</sup>	655.4p	785.4p	-16.6
Net asset value per share with debt at fair value <sup>4,5</sup>	651.0p	777.3p	-16.2
Share price	665.0p	730.5p	-9.0
Share price premium/(discount) to net asset value with debt at par value <sup>6</sup>	3.3%	(5.4)%	
Shares in issue (excluding shares held in Treasury)	56,765,653	54,558,979	
<b>Revenue for the year ended 31st December</b>			
Gross revenue return (£'000)	19,158	18,531	+3.4
Net revenue return on ordinary activities after taxation (£'000)	16,623	15,997	+3.9
Revenue return per share	30.09p	29.32p	+2.6
Total dividend per share	27.5p	26.0p	+5.8
<b>Gearing at 31st December</b>			
	2.5%	11.3%	
<b>Ongoing Charges</b>			
	0.76%	0.77%	

## HISTORICAL DIVIDEND



<sup>1</sup> Source: Morningstar.

<sup>2</sup> Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

<sup>3</sup> Source: Morningstar. The Company's benchmark is the FTSE All-Share Index (total return).

<sup>4</sup> Includes the current year revenue account balance.

<sup>5</sup> The fair value of the £30m (2017: £30m) debenture issued by the Company has been calculated using discounted cash flow techniques using the yield on a similarly dated gilt plus a margin based on the 5 year average yield for the AA Barclays Corporate Bond.

<sup>6</sup> Source: J.P.Morgan. The premium/(discount) is calculated using the net asset value at 31st December 2018 of 643.6p (2017: 772.5p), which does not include the current year revenue account balance.

\*Special dividend.

A list of alternative performance measures ('APMs'), with explanations and calculations, and a glossary of terms are provided on pages 72 to 74.



**Andrew Sutch**  
Chairman

## Performance and Manager Review

2018 proved to be a disappointing year for investors in equities. Whilst I was able to report a positive return on the Company's net assets for the first half of 2018, an outperformance compared to the benchmark index (FTSE All-Share Index, total return) of +1.7%, this performance was not sustained in the second half of the year. Stock markets generally were under pressure in the latter months of 2018, reflecting, amongst other things, concerns of a US trade war with China and the 'Brexit' outcome. Against this backdrop the Company's net asset total return for the full financial year to 31st December 2018 was -13.5%. This compares with a total return for the same period from the Company's benchmark index of -9.5%, an underperformance of 4.0%. The reasons for this are explained in detail in the Investment Manager's report. On a positive note the discount to net asset value at which the shares trade narrowed over the period, from a discount of 5.4% to a premium of 3.3%. As a result the total return to shareholders showed an outperformance compared to the Company's benchmark index of 4.0%.

I would again emphasise the long term performance of our Investment Managers. There has been a cumulative outperformance against the Company's benchmark since the change of Investment Manager in March 2012 of 2.1% per annum.

The Investment Managers' report on pages 8 to 11 reviews the market and provides more detail on performance and the stocks in which the Company is invested.

## Revenue and Dividends

Revenue for the year to 31st December 2018 increased to 30.09p per share (2017: 29.32p). The Directors have declared a fourth quarterly interim dividend of 9.5p per share for the year ended 31st December 2018 which will bring the total dividend per share for the year to 27.5p (2017 total: 26.0p). This represents the 46th successive year in which the dividend has been raised and is an increase of 5.8% over the previous year, following a 13.0% increase in respect of 2017. The dividend was more than covered by the revenue generated by the Company's portfolio and this once again allowed us to make a transfer to the Company's revenue reserves.

The Board's dividend policy remains to seek to increase the dividend each year and, taking a run of years together, to increase dividends at a rate close to or above the rate of inflation. Given the Company's strong revenue reserves, the Board currently expects future dividend increases to continue to exceed the rate of inflation. The Board also intends to increase the first three quarterly interim dividends in 2019 from 6.00p per share to 6.25p per share. The Company continues to benefit from a high level of revenue reserves and the ability to utilise these, if necessary, to support the dividend.

## Discount and Share Repurchases

At the beginning of the year the Directors resolved to implement a more active discount and premium management policy in order to bring the share price more into line with the net asset value. At the Annual General Meeting in April 2018 shareholders authorised the sale of shares from Treasury at a discount of no more than 2% to the prevailing net asset value per share. The Company's discount narrowed significantly during the year and I can report that all of the shares held in Treasury (2,206,674) were sold, the final sale being in November 2018.

Having utilised the majority of the existing shareholder authority, and in anticipation of being able to issue new shares at some time in the near future, the Board sought shareholder approval in November 2018 to renew the authority to allot new shares and dis-apply pre-emption rights up to 10% of the issued share capital. Since the renewed authority was granted I am pleased to report that in the current financial year 105,000 new shares have been issued, the first issue of new shares by the Company for over 20 years. In total since April 2018 over £16.0 million has been raised from the sale of Treasury shares and issuance of new shares. Renewal of the authority to issue new shares and repurchase shares will be sought at the AGM in April this year.

**The Board intends to increase the first three quarterly interim dividends in 2019 to 6.25p per share**

As agreed in 2018, the Company intends to continue its more active discount and premium management policy and intends in normal market conditions to repurchase shares offered on the market at prices representing discounts to NAV of 5% or more, with such shares to be held in Treasury. In response to market demand the Company will be willing to sell shares from Treasury at a discount to NAV, subject to a maximum discount of 2%. Additionally, new shares will be available for issue at a premium to NAV, after the costs of issue.

### **Gearing/Long Term Borrowing**

The Company's gearing policy is to operate within a range of 5% net cash and 20% geared and the Investment Managers have discretion to vary the gearing level between 5% net cash and 17.5% geared. The level of gearing reduced from approximately 11.3% at the beginning of the year to 2.5% at 31st December 2018. In addition to its 7% 2020 debenture the Company has a revolving credit facility of £50 million, none of which was drawn down as at 31st December 2018. Since the year end £10 million of the revolving credit facility has been drawn down.

### **Board of Directors**

Mr Humphrey van der Klugt has indicated that he intends to retire as a Director of the Company at the Annual General Meeting in 2020 and as part of the Board's succession planning Mr David Fletcher replaced Mr van der Klugt as Audit Committee Chairman with effect from 1st December 2018. The Board will start a recruitment process with a view to appointing a new director over the coming year.

In accordance with UK Corporate Governance requirements all Directors will stand for re-appointment at the Annual General Meeting.

### **Board Apprentice**

The Board has continued to support the Board Apprentice initiative that it joined in 2016. Harish Bhayani's term will come to an end in April this year and we are in the process of appointing the replacement for Harish, Caroline Troy, by the time of the Annual General Meeting. We hope that the new Board Apprentice will find the experience as valuable as Harish has found it and I look forward to introducing Caroline at the AGM.

### **Annual General Meeting**

This year's Annual General Meeting will, as usual, be held at JPMorgan's offices at 60 Victoria Embankment, London EC4Y 0JP, on Thursday 25th April 2019 at 12.00 noon. William Meadon and Callum Abbot will give a presentation to shareholders, reviewing the past year and commenting on the outlook for the current year. The meeting will be followed by a sandwich lunch, thus providing shareholders with the opportunity to meet the Directors and representatives of the Manager. We look forward to seeing as many shareholders as possible at the AGM.

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

### **Outlook**

While Brexit has continued to dominate the headlines in the UK and has adversely affected business and investor confidence, the fall in global markets in 2018 was caused by a number of factors. These included a slowing of growth in China, Europe and elsewhere, and political upheavals in a number of countries. Many of the Company's portfolio companies operate internationally and will continue to be affected by such global issues.



At the time of writing, the Brexit political endgame is still uncertain and the risks of falls, or at least volatility, in sterling and the UK equity market will remain for some time. However, these risks have to an extent already been priced in and there are a number of opportunities for investment at acceptable valuations. Since the year end there has been some recovery in stockmarkets and, as at 28th February 2019, the Company's share price was 702.0p, a 5.6% increase on its closing price on 31st December 2018.

The Company has strong revenue reserves and a good record of dividend growth. It is also structured, with its diversified portfolio and risk controls, to help it withstand challenging market conditions. With these strengths I am hopeful that the Company will provide strong performance over the years to come.

**Andrew Sutch**

*Chairman*

7th March 2019



**William Meadon**  
Investment Manager



**Callum Abbot**  
Investment Manager

## Market Review

It was only recently that investor talk was of global economies being in a 'Goldilocks' period of synchronised growth (not too hot, not too cold). Interest rates were low, employment was rising, confidence indicators were high and tax cuts in the US were spurring on global equity markets. By mid-year many equity markets, including the UK, were hitting new highs and investor confidence was buoyant. However, by the autumn the mood had darkened and Goldilocks was greeted by the bears.

The change in market sentiment was driven by growing concern that the economic environment was not strong enough to stand up to tightening monetary policy at the same time as several geopolitical situations flared. Market concerns included weaker Chinese growth, a broad slowdown in European business confidence, escalating trade wars between the US and China, Italian politics, US central bank rate rises and, of course, Brexit. 'Safety first' became the over-riding theme and few asset classes were spared the down draught. By the end of 2018, 90% of global investable assets had fallen in value, the highest of any year on record.

UK equities were not spared the sell-off with the lack of progress in Brexit negotiations adding to the nervousness. With the UK parliament unable to agree what – if any – sort of exit deal it wanted, sterling fell and the Brexit clock continued to tick. By the year end, sentiment was poor indeed with both bonds and equities pricing in a global recession.

## Performance Review

In the year to 31st December 2018, your Company delivered a total return on net assets (capital plus dividends re-invested) of -13.5%, compared to the benchmark FTSE All-Share Index return of -9.5%. However, with the Company's shares moving from a discount of 5.4% to a 3.3% premium over the course of the year, the total return for shareholders was limited to a fall of 5.5%. A detailed breakdown of the performance is given in the accompanying table.

It was a frustrating year, with the portfolio performing relatively well for the first half of the year. However, in the fourth quarter, as the market became fixated with a number of macro-economic and political concerns, the portfolio performed poorly absolutely and relatively, leading to the fund underperforming over the twelve month period.

Your fund owns stocks in reasonably valued, good quality companies with improving prospects. Going into the fourth quarter this led to a cyclical positioning in the portfolio. As fear of a global recession spread through the market there was a rapid change in market sentiment. The fundamentals we target were overlooked in favour of defensive stocks. The speed and extent of this sell-off led to the portfolio struggling towards the end of the year with the fall in many stock prices often being indiscriminate and driven largely by fear and emotion rather than fundamentals. Thankfully, the new year has seen a marked improvement in sentiment and your Company's performance has benefitted accordingly.

Our most positive contributor to performance during 2018 was our underweight position in **British American Tobacco (BAT)**. BAT generates just over 40% of its profit in the US and roughly half this comes from menthol cigarettes. In 2018, the US's Food & Drug Agency targeted tobacco and particularly menthol cigarettes, with a view to banning menthol cigarettes completely. This has come at a time when next generation products have vastly increased in popularity and new entrants have surged into this market leaving incumbent tobacco companies, like BAT, looking flat-footed. Against this challenging backdrop, concerns over the company's growth expectations, together with the extensive debt it is carrying, saw the share price halve during the year.

**Fever-Tree** was again a positive contributor to the portfolio. The company's profits continued to beat market expectations, with growth in the UK and Europe continuing apace while the opportunity to expand their range into the much larger US market showed early signs of promise. As the share price has risen we have taken profits along the way, so when the shares fell sharply in the fourth quarter market sell-off, our position was not outsized.

**Our most positive contributor to performance during 2018 was our underweight position in British American Tobacco**

## The biggest detractor from performance during 2018 was our position in Jupiter Fund Management

The biggest detractor from performance during 2018 was our position in **Jupiter Fund Management**. Poor performance in their Dynamic Bond Fund and Merlin fund of funds product led to outflows, which was compounded by weak markets, leading to falling revenues. Costs also rose due to the increased regulatory burden on asset managers post MiFID II.

**Thomas Cook**, the package holiday company, was another detractor. The hot British summer and World Cup kept customers at home while management made frequent errors in their communications with the market that led to a loss of credibility. We sold out of the stock before its capitulation in September but the share price had fallen materially already.

### Top Contributors and Detractors to Performance vs FTSE All Share Index

Top Five Contributors		Top Five Detractors	
British American Tobacco*	+0.50%	Jupiter	-0.53%
Fenner	+0.33%	Thomas Cook Group	-0.40%
Fever-Tree	+0.32%	Smurfit Kappa	-0.33%
John Laing Group	+0.29%	Astra Zeneca*	-0.32%
Softcat	+0.27%	Tesco	-0.24%

Source: JPMAM, as at 31st December 2018.

\*underweight position

### PERFORMANCE ATTRIBUTION

YEAR ENDED 31ST DECEMBER 2018

	%	%
Contributions to total returns		
Benchmark return		-9.5
Stock & Sector selection	-1.3	
Gearing & cash	-0.8	
Investment Managers' contribution	-2.1	
Cost of Debt (debenture)	-0.6	
Portfolio return		-12.2
Management fee/other expenses	-0.8	
Share buyback/share issuance	-0.1	
Sub total	-0.9	
Return on net assets with debt at fair value		-13.1
Change in the fair value of the debenture		-0.4
Return on net assets with debt at par value		-13.5

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

All figures are on a total return basis.

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

**A list of alternative performance measures ('APMs'), with explanations and calculations, and a glossary of terms are provided on pages 72 to 74.**

## Portfolio Review

The portfolio held 60 stocks at the year end.

Given the volatility in the year and the change in market sentiment, turnover in the portfolio was higher than usual. Part of this was to gradually bring down gearing from a February high of 14% to much lower levels by the end of the year. Reducing risk in the portfolio as market volatility picked up also led to increased turnover.

New holdings included some blue chip defensive holdings like **BT Group**, which after several years of warring with the regulator seems to have found a stable footing. We also added to the catering and outsourcing company **Compass Group** and the supermarket **Tesco**, both of which we view as stable businesses with visible earnings growth.

Other new holdings were started in companies which we believe to have a structural growth driver that underpins their earnings for the long term. **Segro**, for example, is a real estate investment trust that has around 90% of its assets in big box and urban warehouses across Europe. Demand for these properties is rising as they help accommodate rising urbanisation and the increasing complexity of online retailing. A tight supply of land, driven by other demands such as housing, has enabled Segro to charge higher rents.

Other new holdings included **Burford Capital**, a first mover in the nascent litigation finance market, and **Unite Group**, the market leader in student accommodation with sites in many of the UK's best university towns.

Throughout the year we added to our position in **Diageo**, the global spirits company, making it our biggest overweight position. The company has a strong portfolio of premium brands across a number of markets which gives it both considerable resilience and a high degree of pricing authority. The result is consistent organic growth and sufficient cash generation to enable it to buy back its own shares. We added to another consumer staples company, **Unilever**, as its defensive growth characteristic is attractive in this uncertain market environment.

We built an overweight position in global pharmaceutical company, **GlaxoSmithKline** (GSK). Investors had fallen out of love with GSK due to its lack of research and development success leading to it being the cheapest European major pharmaceutical company with a dividend yield of over 5%. However, a change in management of the pharmaceutical business should over time improve perceptions. Further, the recent joint venture with Pfizer's consumer health business demonstrates the ability of GSK's management to create value from the company's assets. We also purchased an overweight position in pharmaceutical company **AstraZeneca** as their new drugs are selling well and their future pipeline should support growth in the medium term.

Through the year we added to the large integrated oil companies **Royal Dutch Shell** and **BP**. In recent years the low oil price has forced both companies to vastly improve their cost control, capital allocation and efficiency. This means even in an environment where the oil price remains depressed they can generate significant cash to fund dividends and buybacks.

Over the year we meaningfully reduced our exposure to financials as we felt the cycle was maturing. We reduced exposure to Asian exposed companies including selling down to an underweight position in **HSBC** and selling out of **Prudential**, where we felt the slowing Chinese economy was impacting trading. We also sold stock in the other large banks, **Lloyds Banking Group**, **RBS** and **Barclays**. We sold out of non-life insurers **Beazley** and **Direct Line Group**; the former's valuation had become too expensive while the latter faces considerable competitive pressure in its key lines which is keeping pricing under pressure.

As economies slowed we sold out of some of the portfolio's cyclical holdings such as industrial conglomerate **Melrose**, which has considerable exposure to the autos market following its recent acquisition of **GKN**. The automotive market is currently facing considerable pressure, which will make the job of improving **GKN**'s margins difficult.

We also sold our holding in the luxury fashion company **Burberry**. The Chinese market is a key end market and the Chinese consumer is under pressure as the country's economic growth has slowed over the past year. Burberry is also in the process of reinvigorating its range under a new designer, which carries risks if it is not successfully executed.

New holdings included some blue chip defensive holdings like **BT Group**

The recent joint venture with **Pfizer's** consumer health business demonstrates **GSK's** ability to create value from the company's assets.

During the year we regularly trimmed our position in **Fever-Tree** taking substantial profits as we did. The sales were partly due to risk control, as the stock materially outperformed in the first half of the year but also to reflect the increased risk of future growth. We believe that the company can repeat its UK success in the much larger US market but acknowledge that this will not be without its attendant risks. We therefore viewed a smaller position as logical.

We also exited positions in **Fenner**, **Shire** and **Sky** as they were taken over at material premiums. We purchased Shire and Sky opportunistically as the former was trading at a material discount to terms and the latter was being bid up by two rival suitors.

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

#### Top Five Overweight Positions

Diageo	+1.9%
Unilever	+1.9%
GlaxoSmithKline	+1.8%
Legal & General	+1.5%
Rio Tinto	+1.4%

#### Top Five Underweight Positions

Prudential	-1.8%
British American Tobacco	-1.4%
Barclays	-1.3%
Vodafone	-1.0%
CRH	-0.8%

Source: JPMAM, as at 31st December 2018.

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

We actively managed the gearing of the fund through the year, reducing it from a peak of 14% in February to low single digits during the fourth quarter sell off. Since markets are likely to remain volatile in the year ahead, we will continue to manage gearing in a flexible manner.

FTSE 100 futures can be used to manage the level of gearing, but we did not employ any in 2018.

### Market Outlook

The world economy is slowing and profit forecasts for many companies are being trimmed accordingly. However, we do not believe that the world is about to enter the recession which equities have recently priced in. Consequently, we believe that the risk/reward in UK equities for medium term investors like us is now looking much more attractive. Indeed, for those prepared to weather the new levels of stock and market volatility, a prospective yield on the FTSE 100 of 5% looks very appealing in a world where inflation remains low.

However, some patience will be required, since the subdued market sentiment may linger for some time. A clear path to resolve many of the macro and geo-political issues will be needed before many investors are prepared to commit new money to volatile equities. A failure by politicians and policy-makers to deal successfully with them may lead to further market falls but this will simply throw up even more opportunities for us to take advantage of.

Whilst the new year has seen us adding to a few stocks, we are moving gently, cautiously and selectively. We still have relatively low levels of gearing which will put us in a strong position to take advantage of any further falls.

As markets oscillate, pricing in new perceived levels of risk, Claverhouse shareholders can take comfort from being invested in a company with fortress revenue reserves which, even under the bleakest of scenarios, will continue to provide shareholders with one of the most secure dividends in the UK stock market.

At the time of writing gearing is 5.8%.

**William Meadon**

**Callum Abbot**

*Investment Managers*

7th March 2019

## PORTFOLIO INFORMATION

### TEN LARGEST EQUITY INVESTMENTS

AT 31ST DECEMBER

Company	Sector	2018 Valuation		2017 Valuation	
		£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
Royal Dutch Shell 'B'	Oil & Gas	40,188	10.5	37,241	7.8
HSBC	Financials	22,745	6.0	32,303	6.8
GlaxoSmithKline <sup>2</sup>	Health Care	19,903	5.2	8,769	1.8
Diageo	Consumer Goods	19,658	5.2	13,547	2.8
BP	Oil & Gas	19,555	5.1	15,604	3.3
AstraZeneca <sup>2</sup>	Health Care	16,837	4.4	6,626	1.4
Unilever	Consumer Goods	15,444	4.1	13,886	2.9
JPMorgan Smaller Companies Investment Trust	Financials	14,659	3.8	17,872	3.8
Rio Tinto	Basic Materials	12,752	3.3	16,208	3.4
Imperial Brands <sup>2</sup>	Consumer Goods	8,784	2.3	8,794	1.8
<b>Total</b>		<b>190,525</b>	<b>49.9</b>		

<sup>1</sup> Based on total investments of £381.4m (2017: £476.8m).

<sup>2</sup> Not included in the ten largest investments at 31st December 2017.

<sup>3</sup> As at 31st December 2017, the value of the ten largest investments amounted to £204.4 million representing 42.9% of total investments.

### SECTOR ANALYSIS

	31st December 2018		31st December 2017	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Financials <sup>2</sup>	22.7	26.2	29.9	26.6
Consumer Goods	18.3	13.9	18.4	15.6
Oil & Gas	16.7	14.3	11.1	12.9
Consumer Services	10.7	11.5	8.7	11.1
Health Care	9.9	8.5	3.8	8.0
Basic Materials	8.8	7.8	11.4	7.6
Industrials	7.7	10.9	13.0	10.8
Telecommunications	2.8	3.1	0.9	3.6
Technology	1.4	1.0	2.8	1.2
Utilities	1.0	2.8	–	2.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £381.4m (2017: £476.8m).

<sup>2</sup> Includes the Company's investment in JPMorgan Smaller Companies Investment Trust plc: 3.8% (2017: 3.8%) of the portfolio.

## LIST OF INVESTMENTS AT 31ST DECEMBER 2018

Company	Valuation £'000	Company	Valuation £'000	Company	Valuation £'000
<b>FINANCIALS</b>		<b>OIL &amp; GAS</b>		<b>INDUSTRIALS</b>	
HSBC	22,745	Royal Dutch Shell 'B'	40,188	Experian	5,360
JPMorgan Smaller Companies Investment Trust	14,659	BP	19,555	Ashtead	5,105
Lloyds Banking	8,637	Tullow Oil	2,458	Smurfit Kappa	4,054
Legal & General	7,987	Hunting	1,453	Ferguson	3,800
Scottish Mortgage Investment Trust	5,429		<b>63,654</b>	Electrocomponents	3,614
John Laing	4,734	<b>CONSUMER SERVICES</b>		Bodycote	2,647
Burford Capital <sup>1</sup>	4,073	Compass	8,399	Spirax-Sarco Engineering	2,428
UNITE	4,051	Tesco	6,398	Morgan Sindall	2,365
3i	3,636	RELX	5,999		<b>29,373</b>
Segro	2,677	International Consolidated Airlines	4,675	<b>TELECOMMUNICATIONS</b>	
Intermediate Capital	2,153	JD Sports Fashion	3,760	BT	6,736
Land Securities	2,071	SSP	3,556	Vodafone	3,778
Royal Bank of Scotland	1,843	ITV	3,123		<b>10,514</b>
Aviva	1,841	Cineworld	1,946	<b>TECHNOLOGY</b>	
	<b>86,536</b>	Wm Morrison Supermarkets	1,874	Softcat	3,064
<b>CONSUMER GOODS</b>		Next	1,014	Computacenter	2,393
Diageo	19,658		<b>40,744</b>		<b>5,457</b>
Unilever	15,444	<b>HEALTH CARE</b>		<b>UTILITIES</b>	
Imperial Brands	8,784	GlaxoSmithKline	19,903	Centrica	1,991
British American Tobacco	5,316	AstraZeneca	16,837	National Grid	1,885
Barratt Developments	4,659	Smith & Nephew	1,221		<b>3,876</b>
Reckitt Benckiser	3,989		<b>37,961</b>	<b>TOTAL INVESTMENTS</b>	
Bellway	3,353	<b>BASIC MATERIALS</b>			<b>381,377</b>
Persimmon	3,302	Rio Tinto	12,752		
Fevertree Drinks <sup>1</sup>	3,056	BHP Billiton	6,810		
Taylor Wimpey	2,237	Anglo American	6,457		
	<b>69,798</b>	Glencore	4,804		
		Synthomer	2,641		
			<b>33,464</b>		

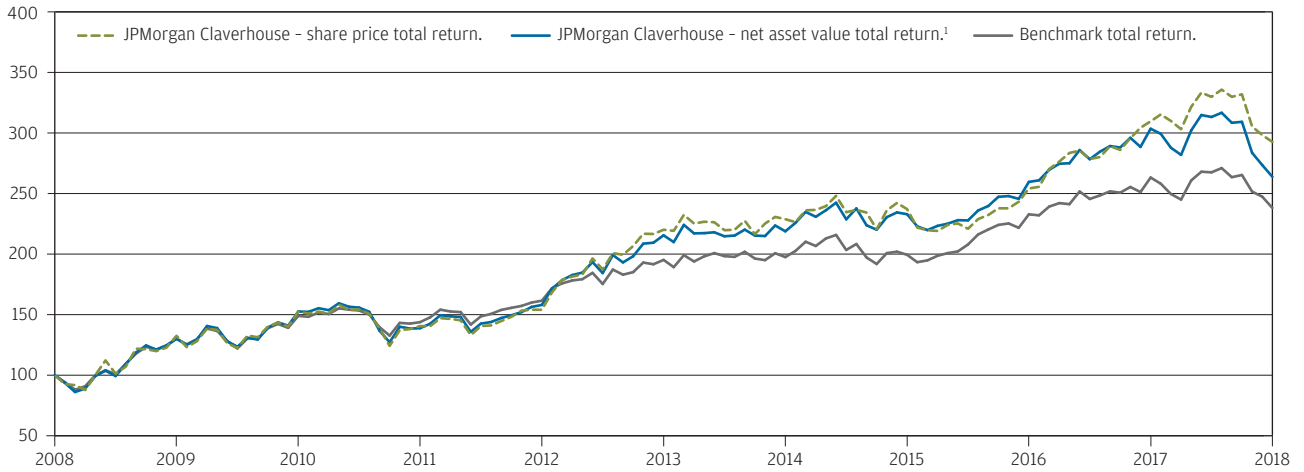
<sup>1</sup> AIM listed companies.

The above companies have been classified into sectors based on the Industry Classification Benchmark (ICB).

# TEN YEAR RECORD

## TEN YEAR PERFORMANCE

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2008

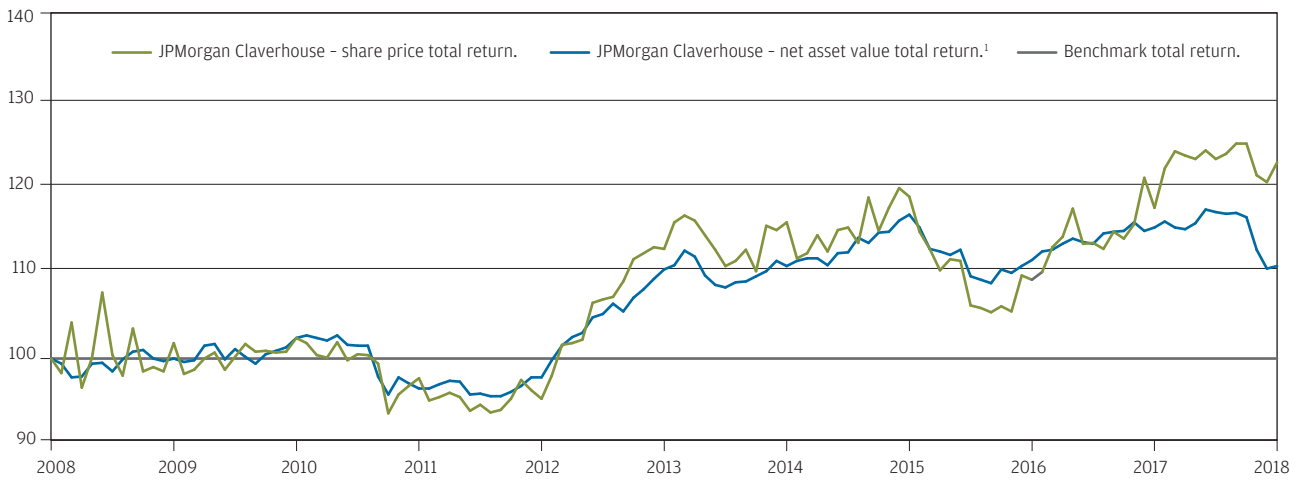


Source: J.P.Morgan/Morningstar.

<sup>1</sup> Using cum income net asset value per share, with debt at fair value.

## TEN YEAR PERFORMANCE RELATIVE TO BENCHMARK

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2008



Source: J.P.Morgan/Morningstar.

<sup>1</sup> Using cum income net asset value per share, with debt at fair value.



## TEN YEAR FINANCIAL RECORD

At 31st December	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Shareholders' funds (£'000)	211,087	254,330	281,172	248,418	271,871	350,366	346,663	355,726	382,307	428,498	372,033
Net asset value per share (p)	371.7	451.3	507.8	453.9	496.8	640.2	633.5	650.0	698.9	785.4	655.4
Share price (p)	340.0	425.0	470.0	416.0	437.0	599.0	602.5	602.5	622.0	730.5	665.0
Share price (discount)/premium (%) <sup>1</sup>	(5.2)	(4.9)	(7.0)	(7.1)	(10.7)	(5.4)	(3.4)	(5.9)	(9.7)	(5.4)	3.3
Gearing (%)	9.7	10.3	8.6	7.6	15.0	15.1	11.9	13.2	12.0	11.3	2.5

## Year ended 31st December

Revenue attributable to											
shareholders (£'000)	13,426	8,377	7,611	9,226	9,821	12,195	12,754	14,168	13,833	15,997	16,623
Revenue return per share (p)	23.38	14.77	13.63	16.73	17.95	22.28	23.31	25.89	25.28	29.32	30.09
Total dividend per share (p)	20.00 <sup>2</sup>	16.90	17.50	18.25	18.85	19.50	20.00	21.50	23.00	26.00	27.50
Ongoing charges (%)	0.75	0.83	0.72	0.72	0.74	0.71	0.74	0.74	0.77	0.77	0.76

## Rebased to 100 at 31st December 2008

Total return to shareholders <sup>2</sup>	100.0	132.5	152.5	140.5	154.0	220.1	228.8	237.1	254.2	309.6	292.6
Total return on net assets <sup>3</sup>	100.0	130.1	152.6	138.8	158.0	215.5	218.8	232.9	259.6	303.5	263.8
Benchmark total return <sup>4</sup>	100.0	130.1	149.0	143.8	161.5	195.2	197.5	199.4	232.8	263.2	238.1
Retail Price Index <sup>3</sup>	100.0	102.4	107.3	112.4	115.9	119.0	120.8	122.4	125.5	130.6	134.1

<sup>1</sup> The (discount)/premium is calculated using the capital-only net asset value with debt at par value. This does not include the current year revenue account balance.

<sup>2</sup> Includes a special dividend of 3.60p.

<sup>3</sup> Source: J.P. Morgan/Morningstar/ONS.

<sup>4</sup> The Company's benchmark is the FTSE All-Share Index (total return).

A list of alternative performance measures ('APMs'), with explanations and calculations, and a glossary of terms are provided on pages 72 to 74.

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report, amongst other matters, sets out the structure and objective of the Company, its investment policies and risk management, investment restrictions and guidelines, performance and key performance indicators, borrowings, the Company's Environmental, Social, Community and Human Rights policy, principal risks and how the Company seeks to manage those risks and finally its long term viability.

### Structure and Objective of the Company

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

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

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

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 5 to 7, and in the Investment Managers' Report on pages 8 to 11.

### Investment Policies and Risk Management

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

The Company seeks to manage its risk relative to its benchmark index by limiting the active portfolio exposure to individual stocks

and sectors. The maximum exposure to an investment will normally range between +/-3% relative to its weight in the benchmark index. The maximum exposure to a sector will normally range between +/-5% relative to the benchmark index. Total exposure to small cap companies will normally range between +/-5% of the FTSE Small Cap Index weighting within the FTSE All-Share Index. A maximum of 5% of the Company's assets may be invested in companies outside the FTSE All-Share Index. These limits and restrictions may be varied by the Board at any time at its discretion. To gain the appropriate exposure, the Investment Managers are permitted to invest in pooled funds. The Company's assets are managed by two Investment Managers based in London, supported by a 41-strong team of investment professionals.

The Company's portfolio consists of between 60 and 80 investments in which the Manager has high conviction.

The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. The Investment Managers have discretion to vary the gearing level between 5% net cash and 17.5% geared. The Board permits the Manager to use FTSE index futures to effect changes in the level of the Company's gearing.

### Investment Restrictions and Guidelines

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

- The Company will not invest more than 15% of its assets in other UK listed investment companies.
- The Company will not invest more than 10% of assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.
- The Company will not invest more than 15% of its assets in any one individual stock at the time of acquisition.
- The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. During the year the level of gearing varied between 1.5% net cash and 15.2% geared. The Company's borrowings comprise a £30 million debenture and a £50 million revolving credit facility.
- The use of derivative instruments is subject to the prior approval of the Board, which sets appropriate limits and restrictions. The Investment Managers are permitted to use Index Futures to manage the level of gearing within the range set by the Board.

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

## Performance

In the year to 31st December 2018, the Company produced a total return to shareholders of -5.5% and a total return on net assets (with debt at par value) of -13.5%. This compares with the total return on the Company's benchmark of -9.5%. At 31st December 2018, the value of the Company's investment portfolio was £381.4 million (2017: £476.8 million). The Investment Managers' Report on pages 8 to 11 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

## Total Return, Revenue and Dividends

Gross return for the year amounted to a loss of £51,180,000 (2017: £66,220,000 profit) and net return after accounting for the management fee, other administrative expenses, finance costs and taxation amounted to a loss of £56,965,000 (2017: £60,464,000 profit). Distributable income for the year totalled £16,623,000 (2017: £15,997,000). The Directors declared a fourth quarterly interim dividend of 9.5 pence per share which was paid on 1st March 2019 to shareholders on the register at the close of business on 8th February 2019. This, when added to the three quarterly interim dividends paid during 2018, made a total dividend for the year of 27.5 pence (2017: 26.0 pence), costing £15.4 million (2017: £14.2 million). Following payment of the fourth quarterly interim dividend, the revenue reserve will amount to £18.4 million (2017: £17.1 million), equivalent to approximately 32.4 pence (2017: 31.4 pence) per share.

## Key Performance Indicators ('KPIs')

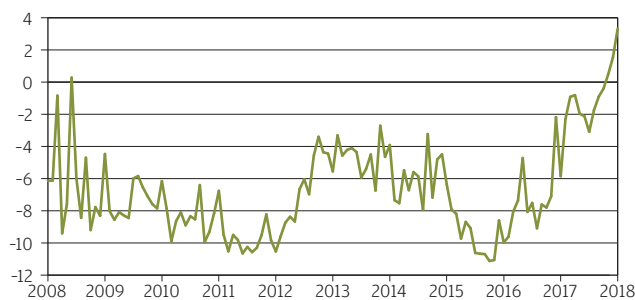
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- Performance against the benchmark index**  
 Charts of the Company's performance relative to its benchmark index over 10 years are shown on pages 14 and 15.
- Performance against the Company's peers**  
 The principal objective is to achieve capital and income growth and outperformance relative to the benchmark. However, the Board also monitors, and is satisfied with, the Company's performance relative to a broad range of competitor funds.
- Performance attribution**  
 The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as stock selection. Details of the attribution analysis for the year ended 31st December 2018 are given in the Investment Managers' Report on page 9.

- Share price discount to net asset value ('NAV') per share**

The Board has for several years operated a share repurchase policy that seeks to address imbalances in supply and demand for the Company's shares within the market and thereby seek to manage the volatility and absolute level of the discount to NAV per share at which the Company's shares trade. In the year to 31st December 2018, the Company's shares traded between a discount of 3.1% and a premium of 3.3% (using month end data, capital-only net asset value, with debt at par value).

### (Discount)/Premium



Source: Datastream (month end data).

— JPMorgan Claverhouse - (Discount)/Premium (capital-only) net asset value, with debt at par value.

- Ongoing charges**

The ongoing charges represent the Company's management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 31st December 2018, were 0.76% (2017: 0.77%). The Board reviews each year an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers. The analysis showed that the Company's ongoing charges compare reasonably with those of its peers.

## Discount and Premium Management Policy

The Board's policy is to actively manage the discount and premium at which the Company's shares trade in relation to net asset value. At the Annual General Meeting in 2018 Directors obtained shareholder approval for the sale of shares from Treasury at a discount of no more than 2% (cum income debt at par). In addition the Directors were authorised to issue new shares at a premium to net asset value (cum income debt at par), after the costs of issue.

The Directors have resolved to continue with its more active discount and premium management policy, an aspect of which will be subject to shareholder approval at the Annual General Meeting. The Board intends in normal market conditions to repurchase shares offered on the market at prices representing discounts to NAV of 5% or more, with such shares to be held in Treasury.

In response to market demand the Company will be willing to sell shares from Treasury, subject to a maximum discount of 2%. In addition new shares will be available for issue at a premium to NAV, after costs of issue. The NAV to be used will be cum income debt at fair value, as opposed to the current basis of cum income debt at par value, this being the NAV basis calculated daily by the Company and most commonly used by market participants. The Directors are seeking authority to renew the authorities to issue new shares as well as to sell share out of Treasury at the Annual General Meeting in April. The required resolutions are set out in the Notice of Annual General Meeting on pages 69 and 70.

The Company has authority both to repurchase shares in the market for cancellation or to be held in Treasury. Resolutions to renew this authority will be put to shareholders at the forthcoming Annual General Meeting. During the year no shares were repurchased (2017: 145,000) and 2,206,674 shares were issued from Treasury. At the year end there were no shares held in Treasury.

### Borrowings

The Company has a £30 million debenture (the 'Debenture'), which carries a fixed interest rate of 7% per annum and matures on 30th March 2020.

In November 2017 the Company entered an agreement to authorise the issue and sale, by way of private placing, of £30 million 3.22% fixed rate 25 year unsecured notes (the 'Notes'). The sale and purchase of the notes will occur on 30th March 2020 and are expected to fund the maturity of the Debenture.

The Company also has a £50 million unsecured loan facility with National Australia Bank, of which none was drawn down at the year end. The facility was renewed in April 2017 for a further three year term, maturing on 27th April 2020.

### Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board. At 31st December 2018, there were three male Directors and two female Directors on the Board.

### Employees, Social, Community and Human Rights Issues

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

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

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

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

### Greenhouse Gas Emissions

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

### 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 the MSA can be found on the following website: <https://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/modern-slavery-act.pdf>

### Criminal Corporate Offence

The Company has zero tolerance for tax evasion. Shares in the Company are purchased through intermediaries or brokers, and no funds have flowed directly into the Company. As the Company has no employees, the Board's focus is to ensure that the risk of the Company's service providers facilitating tax evasion is also low. To this end it seeks assurance from its Service providers that effective policies and procedures are in place to prevent this.

## Principal Risks

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

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

- **Cybercrime**

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

- **Share price discount**

If the Company's share price lags the NAV by a significant level, this may result in lower returns to shareholders. The Board seeks to manage the volatility and absolute level of the discount by judicious use of its share repurchase authority taking account of market conditions and having established explicit guidelines.

- **Political**

The Board has considered, and continues to keep under review, the political, economic and regulatory risks to the Company associated with the UK's decision to leave the European Union and the Brexit process, including the effect of Brexit on the business and economic environment in which the companies in the portfolio operate; the effect of volatility in sterling on the portfolio companies and the dividends received from them; possible changes in regulation affecting the listing and promotion of shares in UK companies, including the Company itself; and possible changes in direct and indirect taxes which may affect the Company's returns.

- **Investment and Strategy**

An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks

by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. JPMF provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.

- **Market**

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

- **Operational**

Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the depositary's or custodian's records could prevent accurate reporting and monitoring of the Company's financial position.

Details of how the Board monitors the services provided by the Manager and its associates and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Corporate Governance report on pages 27 and 28.

The risk of fraud or other control failures or weaknesses within the Manager or other service providers could result in losses to the Company. The Audit Committee receives independently audited reports on the Manager's and other service providers' internal controls, as well as report from the Manager's Compliance function. The Company's management agreement obliges the Manager to report on the detection of fraud relating to the Company's investments and the Company is afforded protection through its various contracts with suppliers, of which one of the key protections is the Depositary's indemnification for loss or misappropriation of the Company's assets held in custody.

- **Loss of Investment Team**

Loss of key staff by the Manager, such as the Investment Managers, could affect the performance of the Company. 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.

- **Legal and Regulatory/Corporate Governance**

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

Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 25 to 29.

- **Financial**

Poor control of expenses can lead to an escalation of costs and high ongoing charges. The Board monitors the expenses of the Company and is provided with detailed information.

The financial risks arising from the Company's financial instruments include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 22 on pages 59 to 63.

### Long Term Viability

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

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

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

By order of the Board  
Faith Pengelly, for and on behalf of  
JPMorgan Funds Limited  
Secretary

7th March 2019

## Directors' Report

---

## BOARD OF DIRECTORS



**Andrew Sutch\*‡† (Chairman of the Board and Nomination Committee)**

A Director since 2013. Appointed Chairman in 2015.

Last reappointed to the Board: 2018.

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

Shared directorships with other Directors: None.

Shareholding in Company: 7,693.



**David Fletcher\*‡† (Chairman of the Audit Committee)**

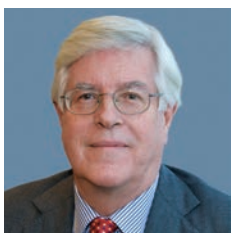
A Director since 2015.

Last reappointed to the Board: 2018.

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

Shared directorships with other Directors: None.

Shareholding in Company: 2,532.



**Humphrey van der Klugt\*‡† (Senior Independent Director)**

A Director since 2008

Last reappointed to the Board: 2018.

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

Shared directorships with other Directors: None.

Shareholding in Company: 5,000.



**Jill May\*‡†**

A Director since 2017.

Last reappointed to the Board: 2018.

External Member of the Prudential Regulation Committee of The Bank of England. A non-executive director of Ruffer Investment Company Limited, Sirius Real Estate Limited and the Institute of Chartered Accountants. She was a non-executive director of the Competition and Markets Authority (CMA) from its inception in 2013 until October 2016 and a panel member until 2018. Prior to this she spent 25 years in investment banking, 13 years in M&A with S.G. Warburg & Co and 12 years at UBS AG.

Shared directorships with other Directors: None.

Shareholding in Company: 3,755.



**Jane Tufnell\*‡†**

A Director since 2013

Last reappointed to the Board: 2018.

Non-executive director of The Diverse Income Trust Plc, Record plc and Chairman of Odyssean Investment Trust Plc. She co-founded Ruffer Investment Management Limited in 1994.

Shared directorships with other Directors: None.

Shareholding in Company: 1,000.

\* Member of the Audit Committee.

‡ Member of the Nomination Committee.

† Considered independent by the Board.



The Directors present their review and the audited financial statements for the year ended 31st December 2018.

### Management of the Company

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

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

The Board has conducted a formal evaluation of the performance of, and contractual relationship with, the Manager. This has been the practice to date. To be more in line with market practice the Board has decided to establish a Management Engagement Committee for the purpose of reviewing the performance of the Manager. All Directors will be members of the new committee. The Board confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board also considered the support that the Company receives from JPMF.

### The Alternative Investment Fund Managers Directive ('AIFMD')

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

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available

on the Company's website at [www.jpmlclaverhouse.co.uk](http://www.jpmlclaverhouse.co.uk). There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

JPMF's remuneration disclosures are set out on pages 66 and 67.

### Management Fee

The management fee is charged at the annual rate of 0.60% of the Company's net assets on the first £500 million and at 0.50% of net assets above that amount. Investments on which JPMAM earns a management fee are excluded from the calculation and therefore attract no additional management fee. The fee is calculated and paid monthly in arrears. In addition, the Company reimburses JPMF for the costs of administering its shareholders who hold their shares through the JPMAM savings products.

### Directors

All Directors of the Company, detailed on page 22, held office throughout the year to 31st December 2018. Details of Directors' beneficial shareholdings can be found in the Directors' Remuneration Report on page 33. No Director reported an interest in the Company's debenture during the year.

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

### Director Indemnification and Insurance

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

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

### Disclosure of information to Auditors

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

- (a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's Auditors are unaware; and
- (b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's Auditors are aware of that information.

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

## Independent Auditors

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

## Capital Structure and Voting Rights

### Capital Structure

At 31st December 2018, the Company's share capital comprised 56,765,653 ordinary shares of 25p each. No shares were repurchased during the year. During the year the Company issued 2,206,674 shares from Treasury and as at 31st December 2018 no shares were held in Treasury. The Company did not issue any new shares during the year. Since the year end 105,000 new ordinary shares were issued.

### 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 71.

## Notifiable Interests in the Company's Voting Rights

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

Shareholders	% of voting rights
JPMorgan Asset Management Holdings Inc.	6.79

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

The Company is also aware that approximately 35.00% of the Company's total voting rights are held by individuals through savings products managed by JPMAM and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances JPMorgan has the right to exercise those voting

rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting.

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

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

## Listing Rule 9.8.4R

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

## Annual General Meeting

**Note: This section is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.**

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

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

The Directors will seek renewal of the authority at the Annual General Meeting to issue new ordinary shares for cash of up to 5,687,065 ordinary shares (representing 10% of the Company's issued ordinary capital, excluding Treasury shares, as at the latest practicable date before the publication of this document). The authority conferred by Resolution 10 will expire at the conclusion of the Annual General Meeting to be held in 2020 unless renewed at a prior general meeting.

Resolution 11 will enable the allotment of new ordinary shares, pursuant to Resolution 10 or the sale of Treasury shares otherwise than by way of a pro-rata issue or sale to existing shareholders. This authority will also expire at the conclusion of the Annual General Meeting to be held in 2020 unless renewed at a prior general meeting.

The full text of resolutions 10 and 11 is set out in the Notice of Meeting on page 69.

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. The proceeds of any such issue or sale will be available for investment in line with the Company's investment policies. The Board is seeking to renew the authority to issue up to 10% of the Company's issued share capital (excluding Treasury shares) in order to provide flexibility to issue shares at a premium and manage share price volatility to NAV.

In accordance with the Company's discount and premium management policy introduced last year the Company will be willing to sell any shares held in Treasury at a discount to NAV, subject to shareholders approving Resolution 13 at the Annual General Meeting. In addition, the Company may also issue new ordinary shares at a premium to NAV (cum income debt at fair), after the costs of issue.

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

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2018 Annual General Meeting, will expire on 17th October 2019 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

Resolution 12 will give the Company authority to buy-back its own issued ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of ordinary shares that could be purchased to a maximum of 8,524,910 shares or, if less, that number of ordinary shares which is equal to 14.99% of the Company's issued ordinary shares as the date of passing Resolution 12 (excluding Treasury shares). The authority also sets the minimum and maximum prices which will be paid on any buy-back of shares. The authority will expire on 24th October 2020, unless renewed at the Annual General Meeting to be held in 2020.

The full text of resolution 12 is set out in the Notice of Meeting on pages 69 and 70.

If resolution 12 is passed at the Annual General Meeting, the Company intends in normal market conditions to repurchase shares offered on the market at prices representing discounts to NAV (capital only) of 5% or more and to hold in Treasury any shares it may repurchase pursuant to this authority for possible reissue in accordance with the Company's discount and premium

management policy, subject to the passing of Resolution 13 described below.

**(iii) Sale of Treasury shares (resolution 13)**

Subject to the passing of Resolution 13 which will be proposed as an Ordinary Resolution, the Directors will be authorised to sell out of Treasury any ordinary shares which have been repurchased by the Company pursuant to the authority conferred by Resolution 12, or currently held in Treasury, at a discount to the prevailing net asset value per ordinary share. This authority will expire at the conclusion of the Company's Annual General Meeting to be held in 2020, unless renewed at a prior general meeting.

The full text of resolution 13 is set out in the Notice of Meeting on page 70.

In accordance with the Company's discount and premium management policy, shares will only be sold or transferred out of Treasury at a discount which is lower than the average discount to the net asset value per share at which the Company acquired the shares it then holds in Treasury. In addition, the discount will not be more than a 2% discount to the prevailing net asset value per share (cum income debt at par).

The authorities conferred by Resolutions 10, 11, 12 and 13 will be used to implement the Company's new discount and premium management policy and the Board intends to seek renewal of these authorities from shareholders at each subsequent Annual General Meeting. In the event that the Directors exhaust any of the authorities required to implement the discount and premium management policy before the next Annual General Meeting, the Board will consider seeking shareholder approval to renew the relevant authorities at an earlier general meeting.

**Recommendation**

The Board considers that resolutions 10 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 20,115 shares, representing approximately 0.05% of the voting rights in the Company.

**Corporate Governance Statement**

**Compliance**

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 36, indicates how the Company has applied the principles of good governance of the

Financial Reporting Council UK Corporate Governance Code (the 'UK Corporate Governance Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

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 as well as the AIC Code, throughout the year under review.

The revised UK Corporate Governance Code ('the 2018 Code') was published in July 2018 and applies to companies with accounting periods commencing on or after 1st January 2019. The Board will report on compliance with the 2018 code, and the revised code published by the AIC, in 2020.

### Role of the Board

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

The Board has procedures in place to deal with potential conflicts of interest and, following the introduction of The Bribery Act 2010, has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

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

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

### Board Composition

The Board, chaired by Andrew Sutch, currently consists of five non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager, including the Chairman. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 22. There have been no changes to the Chairman's other significant commitments during the year under review.

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

### Tenure

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

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the 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 the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

### Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of Committees are shown with the Directors' profiles on page 22. Directors who are not members of Committees may attend at the invitation of the Chairman of the relevant Committee.

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

**Meetings Attended**

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

**Audit Committee**

The report of the Audit Committee is set out on pages 30 and 31.

**Nomination Committee**

The Nomination Committee, chaired by Andrew Sutch, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary.

The Board's policy on diversity, including age, gender, educational and professional background is to take account of the benefits of these during the appointment process. The Board remains committed to appointing the most appropriate candidate and is cognisant of the need to have a diverse representation amongst its Directors. As a result the appointment process takes account of this need.

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

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

**Terms of Reference**

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

**Relations with Shareholders**

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

All shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. During the year the Company's brokers, the Investment Managers and JPMF hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 77. Humphrey van der Klugt, as Senior Independent Director, may be contacted by shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

The Company's Annual Report and Financial Statements are published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 77.

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

**Risk Management and Internal Control**

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

## Corporate Governance Statement continued

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMF and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by JPMF and its associates, including the operating of controls established by them, to ensure they meet the Company's business objectives. In addition, the Company's depository is responsible for overseeing the operations of the custodian and the Company's cash flows. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on pages 19 and 20). This process, which was in place during the year under review and up to the date of the approval of the Annual Report and Financial Statements accords with the Financial Reporting Council's guidance. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of the Manager. This arrangement is kept under review. The key elements designed to provide effective internal control are as follows:

- **Financial Reporting**

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

- **Information Technology Systems**

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

- **Management Agreement**

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

- **Management Systems**

The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control

procedures and systems. These are monitored by the Manager's Compliance department which regularly monitors compliance with FCA rules.

- **Investment Strategy**

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

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

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

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st December 2018 and to the date of approval of this Annual Report and Accounts.

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

## Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager. The following is a summary of the Manager's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 18.

### Corporate Governance

*JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business*

practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

**Proxy Voting**

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

**Stewardship/Engagement**

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

- publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;
- disclose their policy on managing conflicts of interest;
- monitor their investee companies;
- establish clear guidelines on how they escalate engagement;

- be willing to act collectively with other investors where appropriate;
- have a clear policy on proxy voting and disclose their voting record; and
- report to clients.

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

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

By order of the Board  
 Faith Pengelly, for and on behalf of  
 JPMorgan Funds Limited,  
 Secretary

7th March 2019

## Audit Committee Report

I am pleased to present my first formal report to shareholders as Chairman of the Audit Committee, for the year ended 31st December 2018, after assuming the role from Mr Humphrey van der Klugt.

### Composition

The membership of the Audit Committee (the 'Committee') is set out on page 22, and the Committee meets on at least two occasions each year. In addition the Audit Committee meets the Auditors at least annually, without any other party present, for a private discussion. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. As a Chartered Accountant, I have recent and relevant financial experience, and the Committee as a whole has competence relevant to the sector.

### Role and Responsibility

The Committee is responsible for monitoring and reviewing the principles, policies and practices adopted in the preparation and audit of the accounts of the Company and the integrity of the financial statements. The Committee is also responsible for monitoring the effectiveness of the internal controls and the risk management framework. The Committee reviews the actions and judgements of the Manager in relation to the half year report and annual report and financial statements and the Company's compliance with the UK Corporate Governance Code.

### Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st December 2018, the Committee considered the following significant issues, in particular those communicated by the Auditors during their 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(b) to the accounts on page 49. The audit includes the determination of the existence and ownership of the investments. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A., as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on page 49. 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.

Significant issue	How the issue was addressed
Calculation of management fee	The management fees are calculated in accordance with the Investment Management Agreement. The Audit Committee reviews controls reports and expense schedules. The auditor independently recalculates the management fees as part of the audit and has not reported any exceptions.
Compliance with Sections 1158 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

### Internal Audit

The Committee continues to believe that the Company does not require an internal audit function, as it delegates its day-to-day operations to third parties from whom it receives internal control reports. The Board considers it sufficient to rely on the internal audit department of the Manager.

### Going Concern

The Directors believe that, having considered the Company's investment objective (see page 16), risk management policies (see pages 63 and 64), capital management policies and procedures (see page 64), the nature of the portfolio and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Company's financial statements. They have not identified any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these financial statements.

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

### Risk Management and Internal Control

The Committee examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. In the Directors' opinion the Auditors are independent. A risk matrix has been developed which covers all key risks the Company faces, the likelihood of their occurrence and their potential impact, how these risks are monitored and mitigating controls in place. The Board has delegated to the Committee the responsibility for the review and maintenance of the risk matrix.



The Company also engages the Auditors to undertake agreed-upon procedures to review the Company's compliance with the debenture trust deed. The Board does not consider that the fee for this non-audit service undermines the Auditors' independence as it is regarded as an immaterial sum.

### **Auditor Objectivity and Independence**

The Committee has implemented safeguards to ensure that the provision of non-audit services does not impair the external Auditors' objectivity or independence. All non-audit fees are approved by the Committee and an assessment of the safeguards is carried out on an annual basis.

### **Auditor Appointment and Tenure**

The Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external Auditors. Representatives of the Company's Auditors attended the Committee meeting at which the draft Annual Report and Financial Statements were considered and also engage with Directors as and when required. Having reviewed the performance of the external Auditor, including assessing the quality of work, timing of communications and work with JPMF, the Committee is satisfied with the effectiveness of the external audit process and considered it appropriate to recommend its reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting.

The Company's year ended 31st December 2018 is the current Audit Partner Sarah Williams' third year of a maximum five year term. The current audit firm has audited the Company's financial statements for over 20 years and the Company will be required to appoint a new audit firm no later than 2020. A tender process will be undertaken in 2019 with a view to another audit firm being appointed in 2020.

### **Fair, Balanced and Understandable**

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31st December 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and 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 36.

David Fletcher  
Audit Committee Chairman

7th March 2019



The Board presents the Directors' Remuneration Report for the year ended 31st December 2018, 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 38 to 43.

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

## Directors' Remuneration Policy

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

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

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

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

than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

The current fees, which were effective from 1st January 2017, are paid at the following rates and reflect the additional responsibilities of any particular role: Chairman £37,000; Chairman of the Audit Committee £29,500; and other Directors £24,500.

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

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

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 26.

## Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st December 2017 and no changes are proposed for the year ending 31st December 2018.

At the Annual General Meeting held on 18th April 2018, of votes cast, 98.7% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration policy and the remuneration report and 1.3% voted against. Abstentions were received from less than 1.0% of the votes cast.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Report at the 2019 Annual General Meeting will be given in the annual report for the year ending 31st December 2019.

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

## Single total figure of remuneration

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

# DIRECTORS' REMUNERATION REPORT

## Single total figure table<sup>1</sup>

Directors' Name	2018 Taxable		2017 Taxable		Total	
	Fees	expenses <sup>2</sup>	Fees	expenses <sup>2</sup>		
	£	£	£	£	£	
Andrew Sutch	37,000	–	37,000	37,000	–	37,000
Humphrey van der Klugt <sup>3</sup>	29,075	306	29,381	29,500	640	30,140
David Fletcher <sup>3</sup>	24,925	–	24,925	24,500	–	24,500
John Scott <sup>4</sup>	–	–	–	7,538	1,895	9,433
Jane Tufnell	24,500	–	24,500	24,500	–	24,500
Jill May <sup>5</sup>	24,500	–	24,500	22,458	–	22,458
<b>Total</b>	<b>140,000</b>	<b>306</b>	<b>140,306</b>	<b>145,496</b>	<b>2,535</b>	<b>148,031</b>

<sup>1</sup> 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.

<sup>2</sup> Taxable travel and subsistence expenses incurred in attending Board and Committee meetings.

<sup>3</sup> David Fletcher assumed the position of Audit Committee Chairman from Humphrey van der Klugt with effect from 1st December 2018.

<sup>4</sup> Retired 21st April 2017.

<sup>5</sup> Appointed 1st February 2017.

A table showing the total remuneration for the Chairman over the five years ended 31st December 2018 is below:

## Remuneration for the Chairman over the five years ended 31st December 2018

Year ended 31st December	Fees
2018	£37,000
2017	£37,000
2016	£34,000
2015	£34,000
2014	£34,000

## Directors' Shareholdings<sup>1</sup>

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

Directors' Name	31st December 2018	31st December 2017
Andrew Sutch	7,693	7,414
David Fletcher	2,532	2,440
Humphrey van der Klugt	5,000	5,000
Jill May <sup>2</sup>	3,755	3,755
Jane Tufnell	1,000	1,000
<b>Total</b>	<b>19,980</b>	<b>19,609</b>

<sup>1</sup> Audited information.

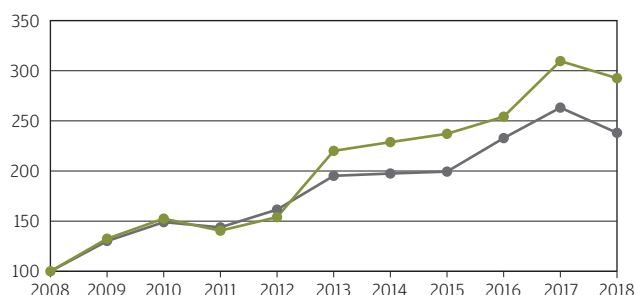
<sup>2</sup> Appointed 1st February 2017.

Since the year end, David Fletcher and Andrew Sutch have acquired 33 and 102 shares in the Company respectively.

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

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

## Ten Year Share Price and Benchmark Total Return Performance to 31st December 2018



Source: Morningstar.

— Share price total return.  
— Benchmark total return.

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

## Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st December	
	2018	2017
Remuneration paid to all Directors	£140,306	£148,031
Distribution to shareholders		
– by way of dividends paid	£15,141,000	£13,355,000
– by way of share repurchases	–	£918,000

For and on behalf of the Board  
Andrew Sutch  
*Chairman*

7th March 2019



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

---

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

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

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

and the Directors confirm that they have done so.

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

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

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.

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

Each of the Directors, whose names and functions are listed on page 22, confirm that, to the best of their knowledge, the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and return or loss of the Company.

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

For and on behalf of the Board  
Andrew Sutch  
Chairman

7th March 2019



### To the Members of JPMorgan Claverhouse Investment Trust Plc

#### Opinion

We have audited the financial statements of JPMorgan Claverhouse Investment Trust plc (the 'Company') for the year ended 31st December 2018 which 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 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31st December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 19 and 20 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 19 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 49 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 20 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.



**Overview of our audit approach**

<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• Risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income.</li> <li>• Risk of incorrect valuation and defective title to the investment portfolio.</li> </ul>
<b>Materiality</b>	• Overall materiality of £3.72 million which represents 1% of shareholders' funds (2017: £4.28 million).

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall 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 our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Audit Committee</b>
<p><b>Risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income</b> (as described on page 30 in the Report of the Audit Committee and as per accounting policy set out on page 49).</p> <p>The income received for the year to 31st December 2018 was £19.16 million (2017: £18.53 million), consisting primarily of dividend and interest income from listed investments.</p> <p>The income receivable by the Company during the year directly affects the Company's revenue return. There is a risk of incomplete or inaccurate recognition of income through the failure to recognise proper income entitlements or applying appropriate accounting treatment.</p> <p>In addition to the above, the directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'.</p>	<p><b>We have performed the following procedures:</b></p> <p>We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition and allocation of special dividends by reviewing their internal controls report and performing our walkthrough procedures to evaluate the design and implementation of controls.</p> <p>We reviewed the income report and the acquisition and disposal report produced by the Administrator to identify special dividends received or accrued during the year. The Company received 14 special dividends, amounting to £1.83 million, all of which were classified as revenue. There was only one special dividend in excess of our testing threshold. To incorporate unpredictability in our testing, we also reviewed eight special dividends, below our testing threshold. For the nine special dividends we reviewed, we confirmed that the classification as revenue was consistent with the underlying nature of the payment.</p> <p>We agreed a sample of dividends received from the income report to the corresponding announcement made by the investee company. We recalculated the dividend amount receivable using exchange rates obtained from an independent data vendor and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount.</p>	<p><b>The results of our procedures are:</b></p> <p>We have no issues to communicate with respect to our procedures performed over the risk of incorrect valuation and defective title to the investment portfolio.</p>

## INDEPENDENT AUDITOR'S REPORT

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Risk of incorrect valuation and defective title to the investment portfolio</b> (as described on page 30 in the Report of the Audit Committee and as per the accounting policy set out on page 49).</p> <p>The valuation of the investment portfolio at 31st December 2018 was £381.38 million (2017: £476.82 million) consisting of quoted equities.</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>The fair value of quoted investments is determined by reference to stock exchange quoted market bid prices at the reporting date.</p>	<p><b>We performed the following procedures:</b></p> <p>For all investments in the portfolio, we compared the market values and exchange rates applied to an independent pricing vendor.</p> <p>We reviewed the price exception and stale pricing reports produced by the Administrator to highlight and investigate any unexpected price movements in investments held as at the year-end.</p> <p>We agreed the Company's investments to the independent confirmation received from the Company's Custodian and Depository at 31st December 2018.</p>	<p><b>The results of our procedures are:</b></p> <p>We have no issues to communicate with respect to our procedures performed over the risk of incorrect valuation and defective title to the investment portfolio.</p>

There have been no changes to the areas of key focus raised in the above risk table from the prior year.

### An overview of the scope of our audit

#### Tailoring the scope

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

**Our application of materiality**

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

**Materiality**

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

We determined materiality for the Company to be £3.72 million (2017: £4.28 million) which is 1% (2017: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

**Performance materiality**

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely £2.79 million (2017: £3.21 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate revenue testing threshold of £0.83 million (2017: £0.80 million) for the revenue column of the Statement of Comprehensive Income, being 5% of the revenue profit before taxation.

**Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.19 million (2017: £0.21 million) which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

**Other information**

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

## INDEPENDENT AUDITOR'S REPORT

---

- **Fair, balanced and understandable set out on page 31** - the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 30** - the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 25 and 26** - the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Other matters we are required to address

- We were appointed by the Company to audit the financial statements for the year ended 31st December 1963 and subsequent financial periods.  
The period of total uninterrupted engagement is 56 years, covering the years ending 31st December 1963 to 31st December 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

## Use of our report

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.

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

7th March 2019

### Notes:

<sup>1</sup> The maintenance and integrity of the JPMorgan Claverhouse Investment Trust plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

<sup>2</sup> Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Financial Statements

---

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31ST DECEMBER 2018

	Notes	Revenue £'000	2018 Capital £'000	Total £'000	Revenue £'000	2017 Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	3	–	(70,369)	(70,369)	–	47,672	47,672
Net foreign currency gains		–	31	31	–	17	17
Income from investments	4	19,039	–	19,039	18,484	–	18,484
Interest receivable and similar income	4	119	–	119	47	–	47
<b>Gross return/(loss)</b>		<b>19,158</b>	<b>(70,338)</b>	<b>(51,180)</b>	<b>18,531</b>	<b>47,689</b>	<b>66,220</b>
Management fee	5	(840)	(1,559)	(2,399)	(813)	(1,511)	(2,324)
Other administrative expenses	6	(739)	–	(739)	(780)	–	(780)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>		<b>17,579</b>	<b>(71,897)</b>	<b>(54,318)</b>	<b>16,938</b>	<b>46,178</b>	<b>63,116</b>
Finance costs	7	(911)	(1,691)	(2,602)	(921)	(1,711)	(2,632)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>16,668</b>	<b>(73,588)</b>	<b>(56,920)</b>	<b>16,017</b>	<b>44,467</b>	<b>60,484</b>
Taxation	8	(45)	–	(45)	(20)	–	(20)
<b>Net return/(loss) on ordinary activities after taxation</b>		<b>16,623</b>	<b>(73,588)</b>	<b>(56,965)</b>	<b>15,997</b>	<b>44,467</b>	<b>60,464</b>
<b>Return/(loss) per share</b>	9	<b>30.09p</b>	<b>(133.20)p</b>	<b>(103.11)p</b>	<b>29.32p</b>	<b>81.50p</b>	<b>110.82p</b>
<b>Dividends declared and payable in respect of the year</b>	10	<b>27.50p</b>			<b>26.00p</b>		
<b>Dividends paid during the year</b>	10	<b>27.50p</b>			<b>24.50p</b>		

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

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

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

The notes on page 49 to 64 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31ST DECEMBER 2018

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve <sup>1</sup> £'000	Total £'000
<b>At 31st December 2016</b>	<b>14,192</b>	<b>149,641</b>	<b>6,680</b>	<b>192,118</b>	<b>19,676</b>	<b>382,307</b>
Repurchase of the Company's shares into Treasury	–	–	–	(918)	–	(918)
Net return on ordinary activities	–	–	–	44,467	15,997	60,464
Dividends paid in the year	–	–	–	–	(13,355)	(13,355)
<b>At 31st December 2017</b>	<b>14,192</b>	<b>149,641</b>	<b>6,680</b>	<b>235,667</b>	<b>22,318</b>	<b>428,498</b>
Issuance of the Company's shares from Treasury	–	5,821	–	9,898	–	15,719
Expenses related to listing of shares	–	(78)	–	–	–	(78)
Net (loss)/return on ordinary activities	–	–	–	(73,588)	16,623	(56,965)
Dividends paid in the year	–	–	–	–	(15,141)	(15,141)
<b>At 31st December 2018</b>	<b>14,192</b>	<b>155,384</b>	<b>6,680</b>	<b>171,977</b>	<b>23,800</b>	<b>372,033</b>

<sup>1</sup> This reserve forms the distributable reserve of the Company and may be used to fund distributions to investors via dividend payments.

The notes on pages 49 to 64 form an integral part of these financial statements.



# STATEMENT OF FINANCIAL POSITION

**AT 31ST DECEMBER 2018**

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	11	381,377	476,819
<b>Current assets</b>			
Debtors	12	869	877
Cash and cash equivalents		20,436	16,489
		21,305	17,366
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	13	(703)	(768)
<b>Net current assets</b>		<b>20,602</b>	<b>16,598</b>
<b>Total assets less current liabilities</b>			
<b>Creditors:</b> amounts falling due after more than one year	14	(29,946)	(64,919)
<b>Net assets</b>		<b>372,033</b>	<b>428,498</b>
<b>Capital and reserves</b>			
Called up share capital	15	14,192	14,192
Share premium	16	155,384	149,641
Capital redemption reserve	16	6,680	6,680
Capital reserves	16	171,977	235,667
Revenue reserve	16	23,800	22,318
<b>Total shareholders' funds</b>		<b>372,033</b>	<b>428,498</b>
<b>Net asset value per share</b>	17	<b>655.4p</b>	<b>785.4p</b>

The financial statements on pages 45 to 48 were approved and authorised for issue by the Directors on 7th March 2019 and were signed on their behalf by:

**Andrew Sutch**

Director

The notes on pages 49 to 64 form an integral part of these financial statements.

**Company registration number: 754577.**

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31ST DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Net cash outflow from operations before dividends and interest	18	(3,096)	(3,055)
Dividends received		18,928	18,422
Interest received		120	43
Interest paid		(2,649)	(2,560)
Overseas tax recovered		69	37
<b>Net cash inflow from operating activities</b>		<b>13,372</b>	<b>12,887</b>
Purchases of investments		(206,973)	(135,101)
Sales of investments		232,047	134,197
Settlement of foreign currency contracts		–	8
<b>Net cash inflow/(outflow) from investing activities</b>		<b>25,074</b>	<b>(896)</b>
Dividends paid		(15,141)	(13,355)
Issuance of the Company's shares from Treasury		15,719	–
Repurchase of the Company's shares into Treasury		–	(918)
Repayment of bank loans		(45,000)	–
Drawdown of bank loans		10,000	7,000
Expenses related to listing of shares		(78)	–
<b>Net cash outflow from financing activities</b>		<b>(34,500)</b>	<b>(7,273)</b>
<b>Increase in cash and cash equivalents</b>		<b>3,946</b>	<b>4,718</b>
Cash and cash equivalents at start of year		16,489	11,771
Exchange movements		1	–
Cash and cash equivalents at end of year		20,436	16,489
<b>Increase in cash and cash equivalents</b>		<b>3,946</b>	<b>4,718</b>
<b>Cash and cash equivalents consist of:</b>			
Cash and short term deposits		359	302
Cash held in JPMorgan Sterling Liquidity Fund		20,077	16,187
<b>Total</b>		<b>20,436</b>	<b>16,489</b>

The notes on pages 49 to 64 form an integral part of these financial statements.

**FOR THE YEAR ENDED 31ST DECEMBER 2018****1. Accounting policies****(a) Basis of accounting**

The financial statements are prepared under historical cost convention, modified to include fixed asset investments at fair value, and 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, and updated in February 2018.

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 30 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 purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

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

**(c) Accounting for reserves**

Gains and losses on sales of investments, 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 are included in the Statement of Comprehensive Income and dealt with in Capital reserves within 'Investment holding gains and losses'.

**(d) Income**

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

Overseas dividends are included gross of any withholding tax.

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

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

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

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

## 1. Accounting policies *continued*

### (e) Expenses

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

- the management fee is allocated 35% to revenue and 65% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 55.

### (f) Finance costs

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

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

### (g) Financial instruments

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

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

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

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

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

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

**(k) Dividends payable**

Dividends are included in the financial statements in the year in which they are paid.

**(l) Repurchase of ordinary shares for cancellation or to be held in Treasury**

The cost of repurchasing shares 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 are cancelled or held in Treasury and 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 up to the purchase price of the shares 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. (Losses)/gains on investments held at fair value through profit or loss**

	2018 £'000	2017 £'000
Gains on investments held at fair value through profit or loss based on historic cost	28,799	14,721
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(54,648)	(19,990)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(25,849)	(5,269)
Net movement in investment holding gains and losses	(44,513)	52,945
Other capital charges	(7)	(4)
<b>Total capital (losses)/gains on investments held at fair value through profit or loss</b>	<b>(70,369)</b>	<b>47,672</b>

**4. Income**

	2018 £'000	2017 £'000
<b>Income from investments</b>		
Franked investment income	16,607	16,149
Overseas dividends	809	1,046
Property income distribution from UK REITS	37	–
Special dividends	1,586	1,289
	<b>19,039</b>	<b>18,484</b>
<b>Interest receivable and similar income</b>		
Interest from liquidity fund	113	47
Underwriting commission	6	–
	<b>119</b>	<b>47</b>
<b>Total income</b>	<b>19,158</b>	<b>18,531</b>

**5. Management fee**

	Revenue £'000	2018 Capital £'000	Total £'000	Revenue £'000	2017 Capital £'000	Total £'000
Management fee	840	1,559	2,399	813	1,511	2,324

Details of the management fee are given in the Directors' Report on page 23.

**6. Other administrative expenses**

	2018 £'000	2017 £'000
Administration expenses	308	352
Savings scheme costs <sup>1</sup>	185	172
Directors' fees <sup>2</sup>	144	150
Depositary fees <sup>3</sup>	68	75
Auditors' remuneration for audit services <sup>4</sup>	32	30
Auditors' remuneration for other services <sup>5</sup>	2	1
	<b>739</b>	<b>780</b>

<sup>1</sup> Paid to the Manager for the administration of saving scheme products. Includes £31,000 (2017: £29,000) irrecoverable VAT.

<sup>2</sup> Full disclosure is given in the Directors' Remuneration Report on page 34. Includes £4,000 (2017: £2,000) irrecoverable VAT.

<sup>3</sup> Includes £11,000 (2017: £12,000) irrecoverable VAT.

<sup>4</sup> Includes £6,000 (2017: £5,000) irrecoverable VAT.

<sup>5</sup> The other services provided comprise a review of compliance with the debenture trust deed. Includes £nil (2017: £nil) irrecoverable VAT.

**7. Finance costs**

	Revenue £'000	2018 Capital £'000	Total £'000	Revenue £'000	2017 Capital £'000	Total £'000
Interest on bank loans and overdrafts	166	308	474	177	328	505
Debenture interest	745	1,383	2,128	744	1,383	2,127
	<b>911</b>	<b>1,691</b>	<b>2,602</b>	<b>921</b>	<b>1,711</b>	<b>2,632</b>

**8. Taxation**

**(a) Analysis of tax charge in the year**

	2018 £'000	2017 £'000
Overseas withholding tax	45	20
<b>Total tax charge for the year</b>	<b>45</b>	<b>20</b>

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

The tax charge for the year is higher (2017: lower) than the Company's applicable rate of corporation tax of 19% (2017: 19.25%). The factors affecting the total tax charge for the year are as follows:

	Revenue £'000	2018 Capital £'000	Total £'000	Revenue £'000	2017 Capital £'000	Total £'000
Net return/(losses) on ordinary activities before taxation	16,668	(73,588)	(56,920)	16,017	44,467	60,484
Net return/(losses) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 19.00% (2017: 19.25%)	3,167	(13,982)	(10,815)	3,083	8,560	11,643
Effects of:						
Non taxable capital losses/(gains)	–	13,364	13,364	–	(9,180)	(9,180)
Non taxable UK dividends	(3,456)	–	(3,456)	(3,357)	–	(3,357)
Non taxable overseas dividends	(154)	–	(154)	(201)	–	(201)
Excess capital expenses arising in the year	–	618	618	–	620	620
Unrelieved expenses	350	–	350	475	–	475
Disallowed interest	93	–	93	–	–	–
Overseas withholding tax	45	–	45	20	–	20
<b>Total tax charge for the year</b>	<b>45</b>	<b>–</b>	<b>45</b>	<b>20</b>	<b>–</b>	<b>20</b>

**(c) Deferred taxation**

The Company has an unrecognised deferred tax asset of £19,943,000 (2017: £19,076,000) based on a prospective corporation tax rate of 17% (2017: 17%). The UK corporation tax rate is enacted to fall to 17% effective on 1st April 2020. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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

**9. Return/(loss) per share**

	2018 £'000	2017 £'000
Revenue return	16,623	15,997
Capital (loss)/return	(73,588)	44,467
<b>Total (loss)/return</b>	<b>(56,965)</b>	<b>60,464</b>
Weighted average number of shares in issue during the year	55,249,240	54,564,897
Revenue return per share	30.09p	29.32p
Capital (loss)/return per share	(133.20)p	81.50p
<b>Total (loss)/return per share</b>	<b>(103.11)p</b>	<b>110.82p</b>

**10. Dividends**
**(a) Dividends paid and declared**

	2018 £'000	2017 £'000
<b>Dividends paid</b>		
Unclaimed dividends refunded to the Company <sup>1</sup>	(8)	(13)
2017 fourth quarterly dividend of 9.5p (2016: 8.0p) paid in March 2018	5,183	4,365
First quarterly dividend of 6.0p (2017: 5.5p) paid in June 2018	3,281	3,001
Second quarterly dividend of 6.0p (2017: 5.5p) paid in September 2018	3,303	3,001
Third quarterly dividend of 6.0p (2017: 5.5p) paid in December 2018	3,382	3,001
<b>Total dividends paid in the year of 27.50p (2017: 24.50p)</b>	<b>15,141</b>	<b>13,355</b>
<b>Dividend declared</b>		
Fourth quarterly dividend declared of 9.5p (2017: 9.5p) paid in March 2019	5,403	5,183

<sup>1</sup> Represents dividends which remain unclaimed after a period of 12 years and thereby become the property of the Company.

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

The fourth quarterly dividend has been declared and paid in respect of the year ended 31st December 2018. This dividend will be reflected in the financial statements for the year ending 31st December 2019.

**(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 £16,623,000 (2017: £15,997,000). The minimum distribution required under Section 1158 is £13,749,000 (2017: £13,220,000). Brought forward revenue reserves amounting to £nil (2017: £nil) have been utilised in order to finance the dividend.

	2018 £'000	2017 £'000
First quarterly dividend of 6.0p (2017: 5.5p) paid in June 2018	3,281	3,001
Second quarterly dividend of 6.0p (2017: 5.5p) paid in September 2018	3,303	3,001
Third quarterly dividend of 6.0p (2017: 5.5p) paid in December 2018	3,382	3,001
Fourth quarterly dividend of 9.5p (2017: 9.5p) paid in March 2019	5,403	5,183
<b>Total dividend declared in respect of the year of 27.5p (2017: 26.0p)</b>	<b>15,369</b>	<b>14,186</b>

The revenue reserve after payment of the final dividend will amount to £18,397,000 (2017: £17,135,000).



**11. Investments**

	2018 £'000	2017 £'000
Opening book cost	347,474	331,852
Opening investment holding gains	129,345	96,390
Opening valuation	476,819	428,242
Movements in the year:		
Purchases at cost	206,973	135,101
Sales proceeds	(232,053)	(134,200)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(25,849)	(5,269)
Net movement in investment holding gains and losses	(44,513)	52,945
	381,377	476,819
Closing book cost	351,193	347,474
Closing investment holding gains	30,184	129,345
<b>Total investments held at fair value through profit or loss</b>	<b>381,377</b>	<b>476,819</b>

Transaction costs on purchases during the year amounted to £1,080,000 (2017: £724,000) and on sales during the year amounted to £151,000 (2017: £93,000). These costs comprise mainly brokerage commission and stamp duty.

During the year, prior year investment holding gains amounting to £54,648,000 have been transferred to gains on sales of investments as disclosed in note 16.

**12. Current assets**

	2018 £'000	2017 £'000
<b>Debtors</b>		
Dividends and interest receivable	827	768
Overseas tax recoverable	18	87
Other debtors	24	22
	<b>869</b>	<b>877</b>

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**

	2018 £'000	2017 £'000
<b>Creditors: amounts falling due within one year</b>		
Bank loan interest	35	109
Debenture interest	525	525
Other creditors and accruals	143	134
	<b>703</b>	<b>768</b>

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

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

	2018 £'000	2017 £'000
Bank loan	–	35,000
£30,000,000 7% debenture 30th March 2020	29,946	29,919
	<b>29,946</b>	<b>64,919</b>

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

The Company has a £50 million unsecured loan facility with National Australia Bank, of which £35 million drawn down at 31st December 2017 has been repaid entirely and as at the current year end, the entire loan facility is unutilised. Interest is payable at a margin over LIBOR as offered in the market for the loan period, plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements. The facility is subject to covenants and restrictions which are customary for a facility of this nature, including that the total borrowings do not exceed 30% of the Company's adjusted net asset value at any time and that its adjusted net asset value does not fall below £200 million at any time, all of which have been met during the year.

On 2nd November 2017 the Company entered an agreement to authorise the issue and sale, by way of a private placement, of £30 million 3.22% fixed rate 25 year unsecured notes (the 'Notes'). The sale and purchase of the Notes will occur on 30th March 2020 and is subject to certain conditions.

**15. Called up share capital**

	2018 £'000	2017 £'000
<b>Ordinary shares allotted and fully paid</b>		
Opening balance of 54,558,979 (2017: 54,703,979) shares excluding shares held in Treasury	13,640	13,676
Issue of 2,206,674 (2017: nil) shares from Treasury	552	–
Repurchase of nil shares into treasury (2017: 145,000)	–	(36)
Subtotal of 56,765,653 (2017: 54,558,979) shares of 25p each excluding shares held in Treasury	14,192	13,640
Nil (2017: 2,206,674) shares held in Treasury	–	552
<b>Closing balance of 56,765,653 (2017: 56,765,653) shares of 25p each including shares held in Treasury</b>	<b>14,192</b>	<b>14,192</b>

Further details of transactions in the Company's shares are on page 24.

**16. Capital and reserves**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves		Revenue reserve <sup>1</sup> £'000	Total £'000
				Gains and losses on sales of investments £'000	Investment holding gains and losses £'000		
Opening balance	14,192	149,641	6,680	106,322	129,345	22,318	428,498
Net foreign currency gains	–	–	–	31	–	–	31
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	(25,849)	–	–	(25,849)
Net movement in investment holding gains and losses	–	–	–	–	(44,513)	–	(44,513)
Transfer on disposal of investments	–	–	–	54,648	(54,648)	–	–
Re-issue of shares from Treasury	–	5,821	–	9,898	–	–	15,719
Expenses related to listing of shares	–	(78)	–	–	–	–	(78)
Management fee and finance costs charged to capital	–	–	–	(3,250)	–	–	(3,250)
Other capital charges	–	–	–	(7)	–	–	(7)
Dividends paid in the year	–	–	–	–	–	(15,141)	(15,141)
Retained revenue for the year	–	–	–	–	–	16,623	16,623
<b>Closing balance</b>	<b>14,192</b>	<b>155,384</b>	<b>6,680</b>	<b>141,793</b>	<b>30,184</b>	<b>23,800</b>	<b>372,033</b>

<sup>1</sup> This reserve forms the distributable reserve of the Company and may be used to fund distributions to investors via dividend payments.

**17. Net asset value per share**

	2018	2017
Net assets (£'000)	372,033	428,498
Number of shares in issue (excluding shares held in Treasury)	56,765,653	54,558,979
<b>Net asset value per share</b>	<b>655.4p</b>	<b>785.4p</b>

**18. Reconciliation of net (loss)/return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest**

	2018 £'000	2017 £'000
Net (loss)/return on ordinary activities before finance costs and taxation	(54,318)	63,116
Add capital loss/(less capital return) on ordinary activities before finance costs and taxation	71,897	(46,178)
Increase in accrued income and other debtors	(61)	(32)
Increase in accrued expenses	8	26
Management fee charged to capital	(1,559)	(1,511)
Overseas withholding tax	(45)	(20)
Dividends received	(18,928)	(18,422)
Interest received	(120)	(43)
Realised gains on foreign currency transactions	30	9
<b>Net cash outflow from operations before dividends and interest</b>	<b>(3,096)</b>	<b>(3,055)</b>

## 19. Contingent liabilities and capital commitments

At the balance sheet date there were no capital commitments (2017: same) and no contingent liabilities (2017: one).

## 20. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 23. The management fee payable to the Manager for the year was £2,399,000 (2017: £2,324,000) of which £nil (2017: £nil) was outstanding at the year end.

During the year £185,000 (2017: £172,000), including VAT, was payable to the Manager for the administration of savings scheme products, of which £nil (2017: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 52 are safe custody fees amounting to £7,000 (2017: £7,000) payable to JPMorgan Chase Bank N.A. of which £1,000 (2017: £2,000) 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 £39,000 (2017: £142,000) of which £nil (2017: £nil) was outstanding at the year end.

The Company holds an investment in JPMorgan Smaller Companies Investment Trust plc which is managed by JPMorgan. At the year end this was valued at £14.7 million (2017: £17.9 million) and represented 3.8% (2017: 3.8%) of the Company's investment portfolio. During the year the Company made £nil (2017: £2,519,000) purchases of this investment and sales with a total value of £1,305,000 (2017: £nil). Dividend income amounting to £412,000 (2017: £380,000) was receivable during the year of which £nil (2017: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan Sterling Liquidity Fund, which is managed by JPMorgan. At the year end this was valued at £20.1 million (2017: £16.2 million). Interest amounting to £113,000 (2017: £47,000) was receivable during the year of which £nil (2017: £7,000) was outstanding at the year end.

Handling charges on dealing transactions amounting to £7,000 (2017: £4,000) were payable to JPMorgan Chase Bank N.A. during the year of which £2,000 (2017: £1,000) was outstanding at the year end.

At the year end, total cash of £359,000 (2017: £302,000) was held with JPMorgan Chase Bank N.A.. A net amount of interest of £nil (2017: £nil) was receivable by the Company during the year from JPMorgan Chase Bank N.A. of which £nil (2017: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 34 and in note 6 on page 52.

## 21. 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 comprises its investment portfolio.

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

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 49.

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

	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	381,377	–	476,819	–
<b>Total</b>	<b>381,377</b>	<b>–</b>	<b>476,819</b>	<b>–</b>

There were no transfers between Level 1, 2 or 3 during the year (2017: nil).

## 22. Financial instruments' exposure to risk and risk management policies

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

These financial risks include market risk (comprising other price risk and interest rate risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company has no significant direct exposure to foreign exchange risk.

A proportion of the dividends received by the Company are paid in currencies other than sterling. Therefore a significant movement in exchange rates could impact the portfolio yield, however the Board considers this to be a relatively low risk. The Company Secretary, in close co-operation with the Board and the Manager, co-ordinates the Company's risk management strategy.

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

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

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

### (a) Market risk

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

#### (i) Other price risk

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

**22. Financial instruments' exposure to risk and risk management policies** *continued*
**(a) Market risk** *continued*
**(i) Other price risk** *continued*
**Management of other price risk**

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

**Other price risk exposure**

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

	2018 £'000	2017 £'000
Investments held at fair value through profit or loss	381,377	476,819

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

**Concentration of exposure to other price risk**

An analysis of the Company's investments is given on pages 12 and 13. This shows that all of the investments are listed in the UK. Accordingly there is a concentration of exposure to the UK. However, it should also be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

**Other price risk sensitivity**

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2017: 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.

	2018		2017	
	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	(80)	80	(92)	100
Capital return	37,989	(37,989)	47,512	(47,496)
Total return after taxation	37,909	(37,909)	47,420	(47,396)
Net assets	37,909	(37,909)	47,420	(47,396)

**(ii) Interest rate risk**

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

**Management of interest rate risk**

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

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

**Interest rate exposure**

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

	2018 £'000	2017 £'000
Exposure to floating interest rates:		
Cash and short term deposits	359	302
JPMorgan Sterling Liquidity Fund	20,077	16,187
Bank loan	–	(35,000)
<b>Total exposure</b>	<b>20,436</b>	<b>(18,511)</b>

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2017: same). The target interest rate earned on the JPMorgan Sterling Liquidity Fund is the 7 day sterling London Interbank Bid Rate. Details of the bank loan are given in note 14 on page 56.

**Interest rate sensitivity**

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2017: 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.

	2018		2017	
	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	102	(102)	21	(21)
Capital return	–	–	(114)	114
Total return after taxation	102	(102)	(93)	93
<b>Net assets</b>	<b>102</b>	<b>(102)</b>	<b>(93)</b>	<b>93</b>

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

**(b) Liquidity risk**

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

**Management of the risk**

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

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

Details of the Company's loan facility are given in note 14 on page 56.

**22. Financial instruments' exposure to risk and risk management policies** *continued*
**(b) Liquidity risk** *continued*
**Liquidity risk exposure**

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

	2018			Total £'000
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	
Creditors:				
Other creditors and accruals	143	–	–	143
Bank loan, including interest	71	109	47	227
Debenture, including interest	1,050	1,050	30,525	32,625
	<b>1,264</b>	<b>1,159</b>	<b>30,572</b>	<b>32,995</b>

	2017			Total £'000
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	
Creditors:				
Other creditors and accruals	134	–	–	134
Bank loan, including interest	232	378	35,663	36,273
Debenture, including interest	1,050	1,050	32,625	34,725
	<b>1,416</b>	<b>1,428</b>	<b>68,288</b>	<b>71,132</b>

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

**(c) Credit risk**

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

**Management of credit risk**
**Portfolio dealing**

The Company invests in markets that operate Delivery Versus Payment ('DVP') 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.

**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, Bank of New York Mellon (International) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

**Credit risk exposure**

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

**(d) Fair values of financial assets and financial liabilities**

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

	Accounts value		Fair value	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
£30 million 7% debenture March 2020	29,946	29,919	32,407	34,333

**23. Capital management policies and procedures**

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

	2018 £'000	2017 £'000
<b>Debt:</b>		
£50 million Loan facility	–	35,000
£30 million 7% debenture March 2020	29,946	29,919
	29,946	64,919
<b>Equity:</b>		
Called up share capital	14,192	14,192
Reserves	357,841	414,306
	372,033	428,498
<b>Total debt and equity</b>	<b>401,979</b>	<b>493,417</b>

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.

**23. Capital management policies and procedures** *continued*

	2018 £'000	2017 £'000
Investments held at fair value through profit or loss	381,377	476,819
Net assets	372,033	428,498
<b>Gearing</b>	<b>2.5%</b>	<b>11.3%</b>

The Company does not have any external capital requirements.

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

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

**24. Subsequent events**

Since the year end, the Company issued 105,000 new shares.

The Directors have evaluated the period since the year end and have not noted any other 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's maximum and actual leverage levels at 31st December 2018 are shown below:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	108%	108%

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPMorgan Claverhouse Investment Trust plc (the '**Company**') and is part of the J.P. Morgan Chase & Co. group of companies. In this section, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This section of the annual report has been prepared in accordance with the Alternative Investment Fund Managers Directive (the 'AIFMD'), the European Commission Delegated Regulation supplementing the AIFMD, and the 'Guidelines on sound remuneration policies' issued by the European Securities and Markets Authority under the AIFMD. The information in this section is in respect of the most recent complete remuneration period ('**Performance Year**') as at the reporting date.

This section has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5).

### Remuneration Policy

A summary of the Remuneration Policy currently applying to the Management Company (the '**Remuneration Policy Statement**') can be found at <https://am.jpmorgan.com/gb/en/asset-management/gim/per/legal/emea-remuneration-policy>. This Remuneration Policy Statement includes details of how remuneration and benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm's Compensation and Management Development Committee, and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company.

The Remuneration Policy applies to all employees of the Management Company, including individuals whose professional activities may have a material impact on the risk profile of the Management Company or the Alternative Investment Funds it manages ('**AIFMD Identified Staff**'). The AIFMD Identified Staff include members of the Board of the Management Company (the '**Board**'), senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. The Board last reviewed and adopted the Remuneration Policy that applied for the 2018 Performance Year in June 2018 with no material changes and was satisfied with its implementation.

**Quantitative Disclosures**

The table below provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2018 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 32 Alternative Investment Funds and 2 UCITS (with 32 sub-funds) as at 31st December 2018, with a combined AUM as at that date of £12,595 million and £13,316 million respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff (\$'000s)	14,408	8,631	23,039	107

The aggregate 2018 total remuneration paid to AIFMD Identified Staff was USD \$64,884,000, of which USD \$12,470,000 relates to Senior Management and USD \$56,414,000 relates to other Identified Staff<sup>1</sup>.

<sup>1</sup> Since 2017, the AIFMD identified staff disclosures includes employees of the companies to which portfolio management has been formally delegated in line with the latest ESMA guidance.

**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 2018.

## Shareholder Information

---

Notice is hereby given that the fifty sixth Annual General Meeting of JPMorgan Claverhouse Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Thursday, 25th April 2019 at 12 noon for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st December 2018.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st December 2018.
4. To reappoint David Fletcher as a Director.
5. To reappoint Humphrey van der Klugt as a Director.
6. To reappoint Jill May as a Director.
7. To reappoint Andrew Sutch as a Director.
8. To reappoint Jane Tufnell as a Director.
9. To reappoint Ernst & Young LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

### Special Business

To consider the following resolutions:

#### Authority to allot new shares – Ordinary Resolution

10. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £1,421,766, representing approximately 10% of the Company's issued Ordinary share capital (excluding Treasury shares) as at the date of the notice convening the meeting at which this resolution is proposed, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2020 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

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

11. THAT, subject to the passing of Resolution 10 set out above, the Directors of the Company be and they are hereby

empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 10 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £1,421,766, representing approximately 10% of the issued share capital (excluding Treasury shares) as at the date of the notice convening the meeting at which this resolution is proposed and shall expire upon the expiry of the general authority conferred by Resolution 10 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and so that the Directors of the Company may allot or sell equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

#### Authority to repurchase the Company's shares – Special Resolution

12. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued ordinary shares of 25 pence each in the capital of the Company ('shares') on such terms and in such manner as the Directors may from time to time determine:

PROVIDED ALWAYS THAT

- (i) the maximum number of shares hereby authorised to be purchased shall be 8,524,910, or if less, that number of shares which is equal to 14.99% of the issued ordinary share capital (excluding Treasury shares) as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for a share shall be 25 pence;
- (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;
- (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);

- (v) the authority hereby conferred shall expire on 24th October 2020 unless the authority is renewed at the Company's Annual General Meeting in 2020 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract.

### **Authority to sell shares from Treasury at a discount to net asset value – Ordinary Resolution**

13. That, subject to the passing of Resolution 11 set out above, the Directors of the Company be authorised for the purposes of paragraph 15.4.11 of the Listing Rules of the Financial Conduct Authority to sell or transfer ordinary shares of 25 pence each in the capital of the Company ('shares') out of Treasury for cash at a price below the net asset value per share of the existing shares in issue (excluding shares held in Treasury), provided always that:
- (a) where any shares held in Treasury are sold pursuant to this power at a discount to the then prevailing net asset value per share such discount must:
    - (i) be lower than the average discount to the net asset value per share at which the Company acquired the shares it then holds in Treasury; and
    - (ii) not be more than a 2% discount to the prevailing net asset value per share (cum income debt at par); and
  - (b) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2020 unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may, at any time prior to the expiry of this authority, make an offer or agreement which would or might otherwise require Treasury shares to be sold after such expiry and the Directors may sell Treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

By order of the Board  
Faith Pengelly, for and on behalf of  
JPMorgan Funds Limited,  
Secretary

14th March 2019

### **Notes**

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

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 12 noon two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.
6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.



7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.  
  
Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website [www.jpmlclaverhouse.co.uk](http://www.jpmlclaverhouse.co.uk).
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hard copy Form of Proxy/Voting Instruction Form, you can appoint a proxy or proxies electronically by visiting [www.sharevote.co.uk](http://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](http://www.shareview.co.uk) Full instructions are given on both websites.
16. As at 4th March 2019 (being the latest business day prior to the publication of this Report and Accounts), the Company's issued share capital consists of 56,870,653 ordinary shares carrying one vote each. Therefore the total voting rights in the Company are 56,870,653 .

#### **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.

**Return to Shareholders (APM)**

Total return to the shareholder, 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.

Total return calculation	Page	Year ended	Year ended	
		31st December 2018	31st December 2017	
Opening share price (p)	4	730.5	622.0	(a)
Closing share price (p)	4	665.0	730.5	(b)
Total dividend adjustment factor <sup>1</sup>		1.038368	1.037020	(c)
Adjusted closing share price (d = b x c)		690.5	757.5	(d)
<b>Total return to shareholders (e = d / a - 1)</b>		<b>-5.5%</b>	<b>21.8%</b>	<b>(e)</b>

<sup>1</sup> The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

**Return on Net Assets (APM)**

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

Total return calculation	Page	Year ended	Year ended	
		31st December 2018	31st December 2017	
Opening cum-income NAV per share (p)	4	785.4	698.9	(a)
Closing cum-income NAV per share (p)	4	655.4	785.4	(b)
Total dividend adjustment factor <sup>2</sup>		1.036910	1.033625	(c)
Adjusted closing cum-income NAV per share (d = b x c)		679.6	811.8	(d)
<b>Total return on net assets with debt at par value (e = d / a - 1)</b>		<b>-13.5%</b>	<b>16.2%</b>	<b>(e)</b>

<sup>2</sup> The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

**Return on Net Assets with Debt at Fair Value (APM)**

The Company's debt (debenture) is valued in the Statement of Financial Position (on page 47) at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par Value'.

The current replacement or market value of the debt, which assumes it is repaid and renegotiated under current market conditions, is often referred to as the 'Debt at Fair Value'.

The difference between fair and par values of the debt is subtracted from the NAV to derive the NAV with debt at fair value.

The fair value of the £30,000,000 debenture issued by the Company has been calculated using discounted cash flow techniques, using the yield from similar dated gilt plus a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread.

As at 31st December 2018, the cum-income NAV with debt at fair value was £369,572,000 (31st December 2017: £424,084,000) or 651.0p per share (31st December 2017: 777.3p).

## ALTERNATIVE PERFORMANCE MEASURES ('APMs') AND GLOSSARY OF TERMS (UNAUDITED)

		Year ended 31st December 2018	Year ended 31st December 2017	
<b>Total return calculation</b>	<b>Page</b>			
Opening cum-income NAV per share (p)	4	777.3	687.6	(a)
Closing cum-income NAV per share (p)	4	651.0	777.3	(b)
Total dividend adjustment factor <sup>2</sup>		1.037221	1.034086	(c)
Adjusted closing cum-income NAV per share (d = b x c)		675.2	803.8	(d)
<b>Total return on net assets with debt at fair value (e = d / a - 1)</b>		<b>-13.1%</b>	<b>16.9%</b>	<b>(e)</b>

<sup>2</sup> The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

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

### Benchmark total 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, in 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 follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

### Gearing/(Net Cash) (APM)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

		Year ended 31st December 2018 £'000	Year ended 31st December 2017 £'000	
<b>Gearing calculation</b>	<b>Page</b>			
Investments held at fair value through profit or loss	47	381,377	476,819	(a)
Net assets	4	372,033	428,498	(b)
<b>Gearing (c = a / b - 1)</b>		<b>2.5%</b>	<b>11.3%</b>	<b>(c)</b>

### Ongoing Charges (APM)

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 cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

		Year ended 31st December 2018 £'000	Year ended 31st December 2017 £'000	
<b>Ongoing charges calculation</b>	<b>Page</b>			
Management Fee	45	2,399	2,324	
Other administrative expenses	45	739	780	
Total management fee and other administrative expenses		3,138	3,104	(a)
Average daily cum-income net assets		415,208	405,373	(b)
<b>Ongoing charges (c = a / b)</b>		<b>0.76%</b>	<b>0.77%</b>	<b>(c)</b>

**Share Price Premium/(Discount) to Net Asset Value ('NAV') per Share (APM)**

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. (page 4).

**Performance attribution**

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

**Performance Attribution Definitions:****Stock Sector selection**

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

**Gearing/(net cash)**

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

**Management fee/Other expenses**

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

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](http://am.jpmorgan.co.uk/investor)

### Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments with a J.P. Morgan ISA. For the 2018/19 tax year, from 6th April 2018 and ending 5th April 2019, the total ISA allowance is £20,000. 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](http://am.jpmorgan.co.uk/investor)

## 2. Via a third party provider

Third party providers include:

AJ Bell	Hargreaves Lansdown
Alliance Trust Savings	Interactive Investor
Barclays Smart Investor	Selftrade
Charles Stanley Direct	The Share Centre
FundsNetwork	

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](http://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](http://fca.org.uk)

## Be ScamSmart

### Investment scams are designed to look like genuine investments

#### Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

### Avoid investment fraud

#### 1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

#### 2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

#### 3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

**Remember: if it sounds too good to be true, it probably is!**

### Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at [www.fca.org.uk/consumers/report-scam-unauthorised-firm](http://www.fca.org.uk/consumers/report-scam-unauthorised-firm). You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

**Find out more at**  
[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)



## FINANCIAL CALENDAR

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

### History

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

### Company Numbers

Company registration number: 754577  
 London Stock Exchange code: 0342218  
 ISIN: GB0003422184  
 Bloomberg Code: JCH LN  
 LEI: 549300NFBZYFSCD52W53

### Market Information

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

### Website

[www.jpmlclaverhouse.co.uk](http://www.jpmlclaverhouse.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 and J.P. Morgan ISA. These products are all available on the online service at [jpmorgan.co.uk/online](http://jpmorgan.co.uk/online)

### Manager and Company Secretary

JPMorgan Funds Limited

### Company's Registered Office

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

For company secretarial and administrative matters, please contact Faith Pengelly at the above address.

### Depository

The Bank of New York Mellon (International) Limited  
 1 Canada Square  
 London E14 5AL

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

### Registrars

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

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

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1079. Registered shareholders can obtain further details on their holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk).

### Independent Auditors

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

### Brokers

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

### Savings Product Administrators

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



The Association of  
 Investment Companies

A member of the AIC

[www.jpmlclaverhouse.co.uk](http://www.jpmlclaverhouse.co.uk)

---

**J.P. MORGAN HELPLINE**

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

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