

# JPMorgan European Investment Trust plc

Annual Report & Financial Statements for the year ended 31st March 2020



## KEY FEATURES

---

### Your Company

The Company has two share classes Growth and Income, each with distinct investment policies, objectives and underlying asset pools. Shareholders in either of the Company's two share classes are able to convert some or all of their shares into shares of the other class without such conversion being treated, under current law, as a disposal for UK capital gains tax purposes. A description of the Company's investment processes can be seen on page 35. Also, see page 99 for further details of the Company's capital structure and annual conversion on 15th March between share classes.

### Objectives

#### Growth Portfolio

The investment objective of the Growth portfolio is to provide capital growth and a rising share price over the longer term from Continental European investments by taking carefully controlled risks through an investment method that is clearly communicated to shareholders. See page 35 for a description of the investment process.

#### Income Portfolio

The investment objective of the Income portfolio is to provide a growing income together with the potential for long term capital growth by investing in a portfolio of investments that is diversified amongst countries, sectors and market capitalisations within the universe of Continental European companies.

### Investment Policies

- To invest in a diversified portfolio of investments in the stockmarkets of Continental Europe.
- To manage liquidity and borrowings to increase returns to shareholders.

#### Growth Portfolio

- To emphasise capital growth rather than income, with the likely result that the level of dividends will fluctuate.

#### Income Portfolio

- To provide a growing income together with the potential for long-term capital growth.

See page 34 for details of the Company's Investment Restrictions and Guidelines.

### Benchmarks

#### Growth and Income

The MSCI Europe ex UK Index (total return) in sterling terms.

### Capital Structure

At 31st March 2020, the Company's share capital comprised 74,259,820 Growth shares and 89,181,557 Income shares.

A share voting number is attributed to each of the Growth and Income shares so that the votes available to each of the two classes of shares equates to the proportion of the net asset value of the Company that the Growth and Income pools represent. See page 43 for details of the share voting number.

In addition to the votes available as referred to above, the Growth and Income shares also have rights in respect of dividends and return of assets as detailed in the Company's Articles of Association.

### Management Company

The Company employs JPMorgan Funds Limited ('JPMF') as its Alternative Investment Fund Manager. 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 European Investment Trust plc can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust. The Company's shares are not classified as 'complex instruments' under the FCA's revised 'appropriateness' criteria adopted in the implementation of MiFID II.

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

The Company is a member of the AIC.

### Website

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

## Strategic Report

- 3 Financial Highlights
- 5 Chairman's Statement
- 10 Investment Managers' Report

## Growth Shares

- 15 Summary of Results
- 16 Ten Year Record
- 17 Portfolio Information
- 22 Statement of Comprehensive Income (Unaudited)
- 23 Statement of Financial Position (Unaudited)

## Income Shares

- 24 Summary of Results
- 25 Ten Year Record
- 26 Portfolio Information
- 32 Statement of Comprehensive Income (Unaudited)
- 33 Statement of Financial Position (Unaudited)
- 34 Investment Objective, Policies and Guidelines
- 38 Principal and Emerging Risks
- 39 Long Term Viability

## Directors' Report

- 42 Board of Directors
- 43 Directors' Report
- 45 Corporate Governance Statement
- 49 Audit Committee Report

## Directors' Remuneration

- 52 Report

## Statement of Directors' Responsibilities

- 56

## Independent Auditor's Report

- 58

## Financial Statements

- 67 Statement of Comprehensive Income
- 68 Statement of Changes in Equity
- 69 Statement of Financial Position
- 70 Statement of Cash Flows
- 71 Notes to the Financial Statements

## Regulatory Disclosures

- 93 Alternative Investment Fund Managers Directive ('AIFMD') Disclosure (Unaudited)
- 95 Securities Financing Transactions Regulation ('SFTR') Disclosure (Unaudited)

## Shareholder Information

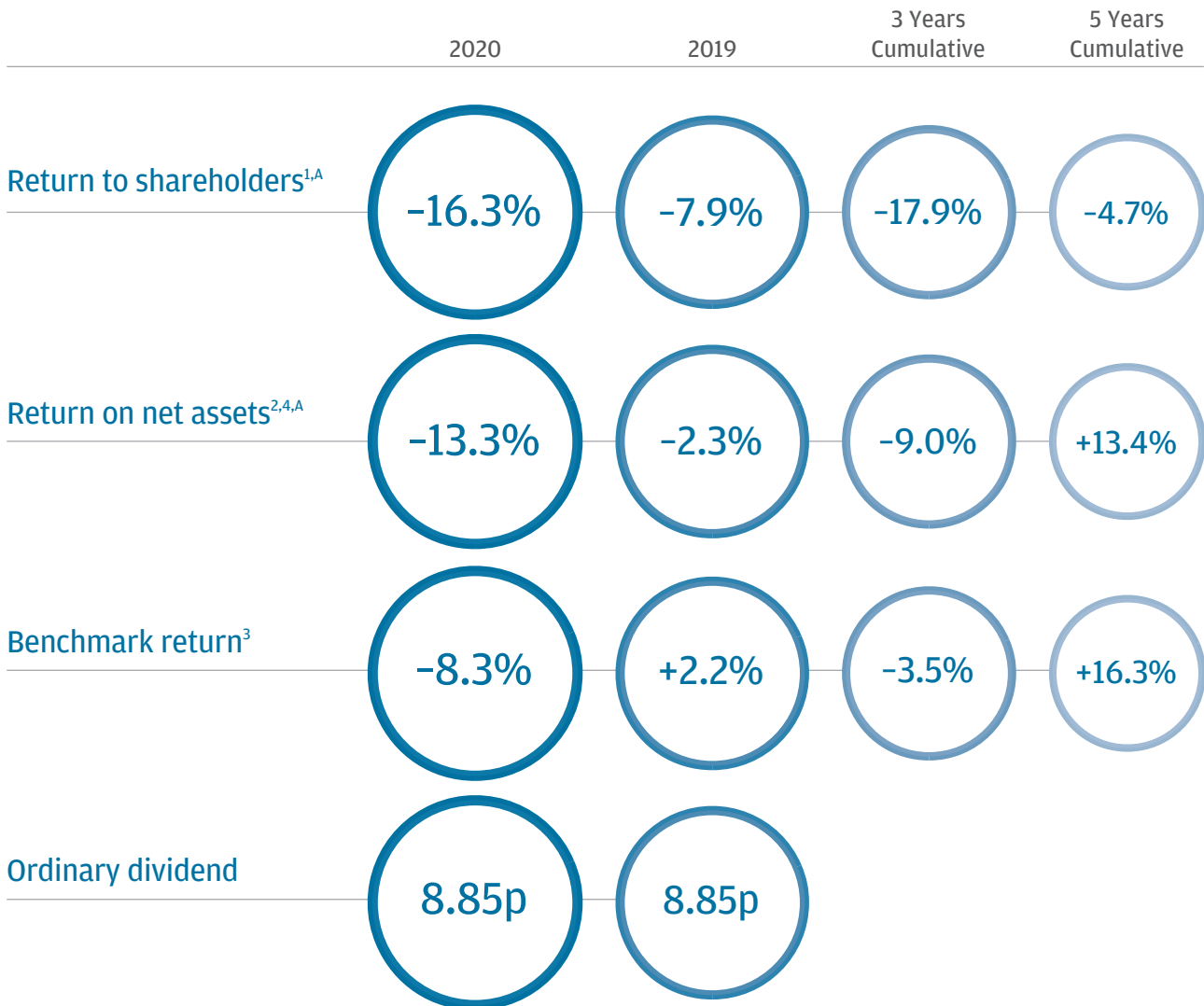
- 99 Capital Structure and conversion between Share Classes
- 100 Notice of Annual General Meeting
- 103 Appendix
- 104 Glossary of Terms and Alternative Performance Measures ('APMs') (Unaudited)
- 108 Where to buy J.P. Morgan Investment Trusts
- 109 Information about the Company

# Strategic Report

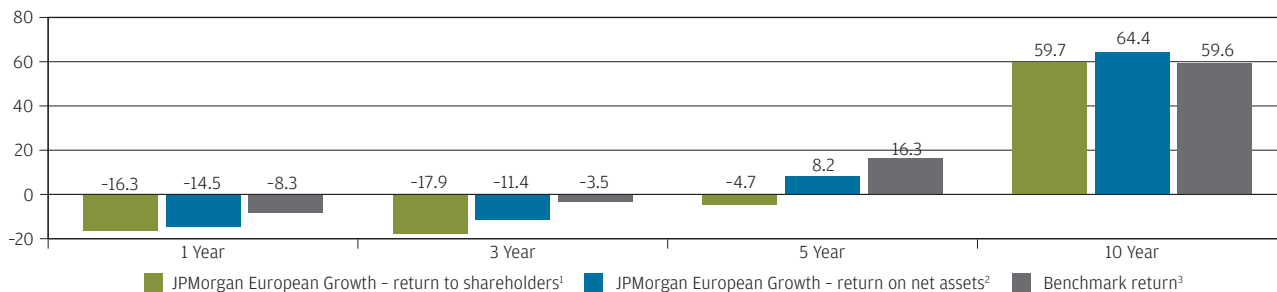
---

GROWTH SHARE CLASS - TOTAL INVESTMENTS £196,186,000

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)



LONG TERM PERFORMANCE (TOTAL RETURNS) FOR PERIODS ENDED 31ST MARCH 2020



<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: MSCI. The Growth portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms.

<sup>4</sup> The net asset value above is calculated on the basis that the Company's private placement debt is valued at par. The net assets value identified in the Company's monthly fact sheet is calculated on the basis that the Company's private placement debt is valued at fair value.

<sup>A</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on page 104.

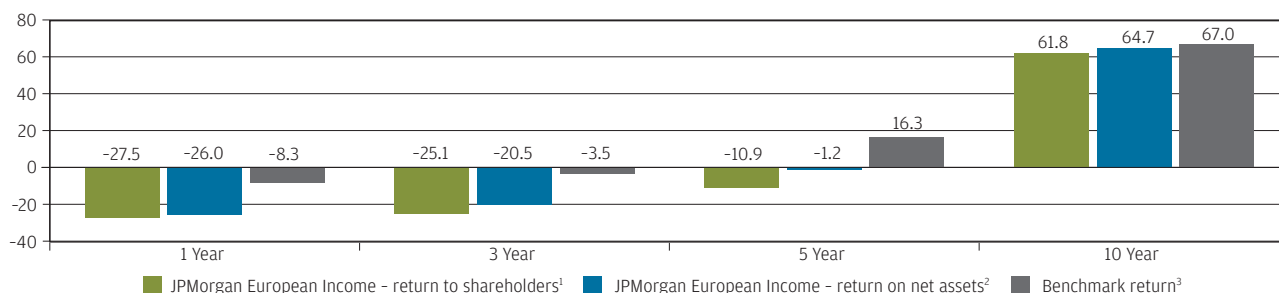
## FINANCIAL HIGHLIGHTS - INCOME

### INCOME SHARE CLASS - TOTAL INVESTMENTS £121,013,000

#### TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)



#### LONG TERM PERFORMANCE (TOTAL RETURNS) FOR PERIODS ENDED 31ST MARCH 2020



<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: MSCI. The Income portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms.

<sup>4</sup> The net asset value above is calculated on the basis that the Company's private placement debt is valued at par. The net assets value identified in the Company's monthly fact sheet is calculated on the basis that the Company's private placement debt is valued at fair value.

<sup>A</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on page 104.



## Introduction

We are living through an unprecedented time in history as a global pandemic has disrupted lives and economies around the globe. The markets your Company invests in have reflected this uncertainty. This unprecedented shock to markets hit income focused funds particularly hard as the threat of widespread cancellation of dividends loomed.

Your Company is facing several headwinds in achieving the objectives set out for each of the share classes. I am saddened to report that the recent results are disappointing and my aim is to explain why, and what steps your Company is taking to address the situation. Before the pandemic struck the negative sentiment towards investing in Europe post the Brexit vote was the headline, that is now dwarfed by the effects of the pandemic. The reality is that there are many good investing opportunities in Europe and your Company will strive in the long term to give shareholders a way of accessing these opportunities.

Throughout the year, and in particular during the Covid-19 period which is still ongoing, the operations and control environment of the Company have worked well despite the unprecedented change to working practices. Despite the disappointing results, as detailed below, dividend pay-out has been maintained for the financial year.

## Performance

The Benchmark return for both share classes is the MSCI Europe ex UK Index in sterling terms and for the year under review this was -8.3%

### *Growth Portfolio*

#### **Return to shareholders and return on net assets**

The total return to shareholders for the Company's Growth shares was -16.3%. This measurement of performance takes into account share price movements and income received by way of dividend.

The total return on net assets for the Company's Growth shares was -14.6%. (debt at fair value) -13.3% (debt at par). The main reason for lower performance than the benchmark is that the investment style for this share class is, and has been, for many years biased towards companies that demonstrate Value characteristics. This style of investing, for little discernible logic is 'out of favour' in the market even though the underlying economics of the investment decisions do not appear flawed. The shares have thus performed well below the index. The return to shareholders was also adversely affected by a widening of the discount.

#### **Dividends**

For the Company's Growth shares, the Board's aim is that annual dividend payments are sufficient to maintain the Company's investment trust status. In the period the dividend paid per Growth share was 8.85 pence (2019: 8.85 pence). On the year-end share price of 215.0 pence (2019: 265.0 pence), this represents a yield of 4.1% (2019: 3.3%). Revenue return per share on the Growth portfolio for the year to 31st March 2020 (calculated by reference to the average number of shares in issue over the period) amounted to 8.77 pence per share (2019: 10.68 pence per share).

### *Income Portfolio*

#### **Return to shareholders and return on net assets**

The total return to shareholders for the Company's Income shares was a very disappointing -27.5%.

The total return on net assets for the Company's Income shares was -25.7% (debt at fair value) -24.0% (debt at par).

The Income style related to the Income portfolio has been severely hit by the market turmoil during the Covid-19 pandemic and the significant drop in performance reflects the market's initial shock reaction to both dividend cuts made by companies and in addition the possibility of future dividends being cancelled.

### **Dividends**

For the Company's Income shares, the Board's aim is to provide a regular stream of dividend income on a quarterly basis, subject to the availability of distributable reserves. In the period under review, the dividend paid per Income share was 6.70 pence (2019: 6.25 pence). On the year-end share price of 99.8 pence (2019: 144.0 pence) this represents a yield of 6.7% (2019: 4.3%). Revenue return per share on the Income portfolio for the 12 months (again, calculated by reference to the average number of shares in issue over the period) amounted to 6.25 pence per share (2019: 6.79 pence per share).

### **General Performance**

The particular timing of the year end, being 31st March, means that the snap shot taken of the portfolio on that date was very close to a low point in the global pandemic sell-off. Both the Income and the Growth shares have since recouped a fair amount of these losses. However, whilst we have seen markets rally since that date the prospect of further turmoil cannot be excluded. Looking through this market volatility the managers have adjusted, but not fundamentally changed, the portfolios and they discuss this in their report.

The Board remain supportive of the style of investing and the thoroughness of the approach taken in investing in both share classes. In the Growth shares the belief is that market sentiment against value investing will change at some point and when that happens this portfolio will be positioned to benefit. In the Income leg, the Managers will endeavour to protect dividends as far as possible and the Board will ensure that the structure of the Company is utilised to its full extent to assist in maintaining dividend flow to investors. Notwithstanding that support, the Board and the Manager cannot ignore that these results are very disappointing. In-depth discussions are taking place as to the best way forward to capitalise on the long term investment opportunities in Europe.

The timing of the dividend payments for both share classes are expected to be maintained with Growth shares dividends paid bi-annually in April and October and Income shares paid quarterly in April, July, October and January.

The Company's Articles permit the Company's dividends to be paid from distributable capital reserves.

In their Report on pages 10 to 14, the Investment Managers comment in more detail on some of the factors underlying the performance of the two portfolios including performance against the benchmark over the Company's financial year, as well as commenting on the economic and market background.

### **Gearing**

There has been no change in the Investment Manager's permitted gearing range, as previously set by the Board, of between 10% net cash to 20% geared. At 31st March 2020 the Growth portfolio was -3.7% geared and the Income portfolio was 7.2% geared. These levels of gearing as quoted in this Annual Report and Financial Statements are before the application of derivatives, such as futures, which can be used by the Investment Managers to either increase or decrease the effective rate of the Company's gearing, according to market conditions. The Company's net gearing including derivatives is included with the Company's daily published net asset value.

### **Conversions**

Annually, the shareholders in either of the two Company's share classes are able to convert some or all of their shares into shares of the other class without such disposal being treated as a disposal for capital gains purposes.

The Company's annual share conversion on 15th March 2020 resulted in a relatively large shift out of Income shares and into Growth shares. See page 37 for further details. The Company's next share

conversion will be in March 2021 and details of the process will be posted on the Company's website in late January 2021.

### Discounts, Share Issuance and Repurchase

At the forthcoming Annual General Meeting (AGM) on 15th July 2020 as referred to below, the Company will seek to renew its permission to allot new equity in order to manage the balance between the supply of and demand for its shares, subject to the requirements and conditions as detailed in the notice to the AGM on page 100. Such allotments benefit all shareholders not least by increasing the liquidity of the Company's shares. The Board has a proactive approach to the use of its share issuance and repurchase powers in normal markets.

The Board remains of the view that it is important to seek to address imbalances in the supply of and demand for the Company's shares and to thereby minimise the volatility and absolute level of the discount to net asset value at which the Company's shares currently trade. The Board does not wish to see the discounts widen beyond 10% under normal market conditions (using the cum-income NAV) on an ongoing basis. The precise level and timing of repurchases pursuant to this policy depend upon prevailing market conditions. Over the year under review the discount levels have averaged 12.5% for the Growth shares and 11.3% for the Income Shares (both at fair value and on a cum-income NAV basis). Accordingly, over the 12 month period the Company repurchased a total of 3,561,284 Growth shares and 987,502 Income shares.

The discount at which the Growth shares were trading below the prevailing net asset value increased during the financial year and remained high, reflecting continuing negative market sentiment towards Europe.

### Board of Directors

As previously referred to in my Chairman's Statement for the Company's Half Year Report and Financial Statements, the Board was pleased to announce that Rita Dhut was appointed to the Board on 4th June 2019. Rita has 18 years' asset management experience in UK and continental European equities with roles including Director of European Equities at M&G and Head of Pan European Equity Value Investing at Aviva Investors.

During the year, the Board carried out its customary evaluation of the Directors, the Chairman, the Committees and the working of the Board as a whole. It was concluded that all aspects of the Board and its procedures were operating effectively. In accordance with corporate governance best practice, all of the Directors retire by rotation at this year's AGM and will offer themselves for re-election.

Following the AIC 2019 Code of Corporate Governance, endorsed by the Financial Reporting Council, the Company has established a separate Management Engagement Committee and appointed a Senior Independent Director, Stephen Russell, who will also chair the Company's Nomination Committee.

The Directors fees remain unchanged since they were last increased on 1st April 2018.

### Investment Managers

The performance of the Investment Managers is formally evaluated by the Board annually. The evaluation of the Manager was undertaken in January 2020 and based on the data available at that time; the Board concluded that the performance of the Manager had been satisfactory and that their services should be retained.

The Board of JPMorgan European Investment Trust plc announced that, effective from 1st April 2020, the Company's investment management fee will be reduced to 0.65% on gross assets in excess of £500m, calculated by aggregating the gross assets of the Growth and Income portfolios. The existing management fee of 0.75% will remain applicable on the aggregated gross assets up to £500m.

### Transfer of Reserves between the Growth and Income Portfolios

As previously referred to in my Chairman's Statement for the Company's Half Year Report and Financial Statements to 30th September 2019, the Board again exercised its power to approve transfers of retained revenue reserves from the Growth portfolio to the Income portfolio in exchange for the equivalent amount of capital reserves from the Income portfolio to the Growth portfolio. £1.348 million, being the amount of the Growth portfolio's retained revenue reserve as at 31st March 2019, after payment of the Growth portfolio's 4.00p dividend paid on 5th April 2019, was transferred to the Income portfolio in exchange for the equivalent amount of capital reserves from the Income portfolio to the Growth portfolio. This transfer is reflected in these Report and Financial Statements.

### Annual General Meeting

The Company's ninety first AGM will take place at J.P.Morgan's offices at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 15th July 2020 at 2.30 p.m.

At the time of writing, the format of the Company's 2020 AGM has had to be changed so that it complies with both the existing Companies Act and the recently introduced legislation which the UK Government introduced to limit the impact of the Covid-19 pandemic, restricting travel and limiting gatherings to no more than two persons. Shareholders are asked to comply with the government's latest Covid-19 pandemic legislation restricting travel and public gatherings and not to attend the AGM. Arrangements will be made by the Company to ensure that the minimum number of two shareholders required to form a quorum for the AGM will attend the meeting in order that the meeting may proceed and the business be concluded. To ensure compliance with Covid-19 pandemic legislation restricting public gatherings, no shareholders (other than the two previously notified shareholders making up the quorum for the AGM) will be permitted to attend the meeting and entry to the building will not be allowed. There will be no presentation at the AGM from the Investment Managers, Stephen Macklow-Smith and Alexander Fitzalan Howard, and no refreshments will be provided.

Despite these legal restrictions, the Board is keen to ensure shareholders have the opportunity to hear from the Manager and accordingly, a presentation from the investment managers will be placed on the Company's website shortly after the AGM. In addition, shareholders are encouraged to raise any questions in advance of the meeting via the contact section of the Company's website [www.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk).

The Board strongly encourages all shareholders to submit their votes in advance of the meeting, so that these are registered and recorded at the AGM. Proxy votes can be lodged in advance of the AGM either by post or electronically; detailed instructions are included in the Notes to the Notice of Annual General Meeting on pages 100 to 103 and on the proxy form that accompanies it.

If there are any changes to the above AGM arrangements, the Company will update shareholders through the Company's website and, as appropriate, through an announcement on the London Stock Exchange.

The Board would like to thank shareholders for their understanding and co-operation at this difficult time.

We very much hope that you and your families are safe and well and look forward to meeting with you when, as we all hope, normality has returned.

### Adoption of new Articles of Association

Resolution 14, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the '**New Articles**') in order to update the Company's current Articles of Association (the 'Existing Articles'). The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted, and principally include:

- (i) provisions enabling the Company to hold virtual shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings);
- (ii) changes in response to the introduction of international tax regimes (notably to take into account the broader obligations under the Common Reporting Standard) requiring the exchange of information;

A summary of the principal amendments being introduced in the New Articles which the Board considers will be of most interest to shareholders is set out in the appendix to the AGM Notice (on page 103 of this document). Other amendments, which are of a minor, technical or clarifying nature, have not been summarised in the appendix.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

A copy of the New Articles, together with a copy showing all of the proposed changes to the Existing Articles, will be available for inspection on the Company's website, [www.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk) and at the offices of J.P. Morgan Asset Management, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

### Outlook

The turmoil in financial markets caused by the Covid-19 pandemic is ongoing as the virus has not gone away. The US Federal Reserve, European Central Bank and authorities of other leading economies have introduced unprecedented levels of fiscal support to help mitigate the economic effects of this crisis. A global recession is forecast and so the investment challenges remain high. Despite the disappointing results, we remain of the view that an intelligent, rigorous investment process based on fundamental facts will prevail. Whilst we are in uncharted waters there remain significant investment opportunities in Europe and we support the manager's approach to address those in achieving our long term objectives.

For and on behalf of the Board

**Josephine Dixon**

*Chairman*

12th June 2020



**Stephen Macklow-Smith**  
Investment Manager



**Alexander Fitzalan Howard**  
Investment Manager



**Michael Barakos**  
Investment Manager



**Thomas Buckingham**  
Investment Manager

## Introduction

The last ten years have seen an extraordinary period of turbulence in financial markets in the aftermath of the financial crisis of 2008/9, and the last three months of our financial year brought a hitherto unencountered threat in the shape of the coronavirus pandemic.

The world has had hints of new epidemics in the past few years with MERS and SARS, but these were largely contained. The novel coronavirus, referred to as Covid-19, spread globally at a frightening rate and was met with draconian government measures in most countries to restrict interactions between people and reduce the rate of infection. In economic terms this amounted to a dramatic hit to demand as the volume of transactions dropped at a precipitous rate. This demand shock created a supply shock as companies raced to cut capacity, shutting outlets and factories and taking advantage of government schemes to furlough staff. In the background there was a financial shock to contend with as companies and individuals sought to delay payment of rents, interest on debt, and short-term liabilities and this had knock-on effects in the banking system.

Governments and central banks responded with commendable swiftness to mitigate the damage, but the inevitable corollary was an expansion of government debt (in many cases by up to 15% or 20% of GDP) and of central bank balance sheets, and it is unclear how this debt will be serviced in the years to come. In the short term, rates of interest on government debt plunged as sovereign bonds played their role as a safe haven. In the equity world there was a very sharp sell-off – the Europe index took 16 days to fall 37% to an intraday low on the 16th March 2020. This was sparked by uncertainty about the scale of the problem and by fears that corporate profitability would be dramatically impacted by the external shock. At the same time we saw a positive oil price shock as tension between global producers sent the oil price tumbling to unheard-of lows (at one point the price was briefly negative) and while this is good news for consumers, it is very bad news for the Energy sector, which is a large source of dividend income.

## Sector Performance

Performance in our financial year was dominated by defensive stocks, with Pharmaceuticals showing particular relative strength, along with Technology (especially companies which supply remote working solutions) and interest rate sensitive sectors such as Utilities. Laggard sectors have been Energy and Financials, with other cyclical sectors such as Autos also being hit. Our investment style is always to be overweight Value and Momentum in the Growth portfolio, while we are always overweight Dividend Yield (which is a Value sector) in the Income portfolio. This was a year in which our underlying process failed to deliver positive relative returns by virtue of the continual downdraft in Value. This continues a pattern that began in 2017, when valuations spreads (the gap between the valuation of expensive and of cheap stocks) were in the 50th percentile of their history. The previous peak in valuation spreads was the TMT bubble of 1999/2000. Most commentators thought at the time that we would never see such a disparity between cheap and expensive stocks again: in the event it took only 20 years to be surpassed.

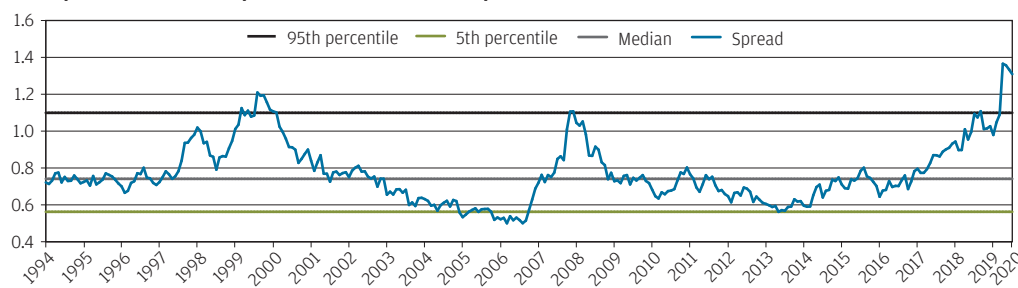
Yield stocks were especially badly hit in the pandemic, and this emanated from a variety of causes. First is the fact that the higher-yielding areas of the market (Energy, Financials, Real Estate) were at the epicentre of the downturn. By contrast the sectors with lower yields (Pharmaceuticals, Food & Beverages, Semiconductors) were deemed beneficiaries of what happened, and this sector effect had a marked impact on the performance of both Value and Yield stocks. In addition the fact that interest rates continued to plumb new depths boosted the value of growth sectors, which tend to be highly correlated with falling yields on the basis that a lower cost of capital boosts the present value of their future cashflows.

When we talk about growth sectors it is important to be clear about the term we are using. Very broadly the stock market divides into financial sectors, growth sectors, and cyclical sectors. The term financial speaks for itself, but growth sectors are those industries where there is a secular growth dynamic in play which means they are growing faster than the economy as a whole. These sectors include technology, pharmaceuticals, and food manufacturing. Cyclical sectors are those areas where revenue growth is closely related to the vagaries of the economic cycle and include oil and gas, mining, temporary employment, auto production, engineering, and traditional retail. It was a feature of the coronavirus downturn that pharmaceuticals and food manufacturing prospered, while cyclical sectors took a beating as the twin demand and supply shocks outlined above hit economic growth.

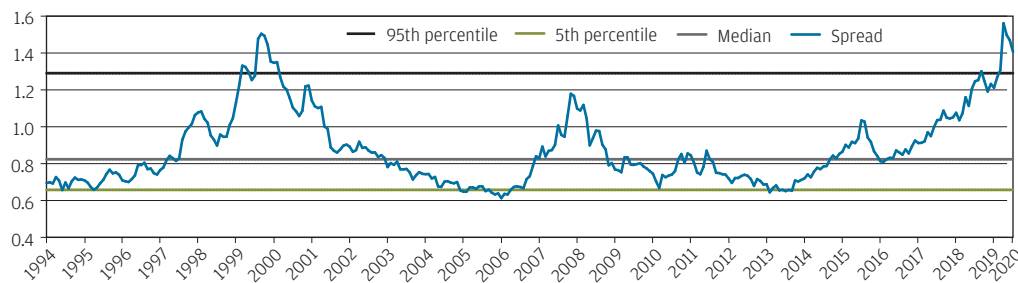
This outperformance by growth sectors was in fact a continuation of a trend which has been in place more or less constantly since the financial crisis. The trend for long term interest rates during that period has been broadly uninterrupted lower, leading to negative yields on government debt in many European countries. The direction of interest rates can be viewed as a proxy for sentiment about economic growth, although in recent years there has been the distorting factor of central banks purchasing government debt. When growth is sluggish the likelihood of rising rates is deemed lower and bond markets reflect that. This in turn means that companies with dependable earnings streams see their value rise, as those earnings are discounted at lower rates. By the same token, an environment in which growth is sluggish is tough for cyclical stocks, who need a certain amount of volume growth to derive the kind of operating leverage that can drive up their profitability.

As can be seen in the two charts below, recent underperformance by Value has taken spreads past where they were in the TMT bubble. The reason for providing the two charts, the upper showing the market as a whole and the lower showing spreads on an industry-neutral effect, is to emphasise that this is not just about individual sectors such as Banks and Energy lagging the market. The divide between cheap and expensive stocks is at historic highs within as well as across sectors.

**The spread between expensive stocks and cheap stocks - the market as a whole**



**The spread between expensive stocks and cheap stocks - industry neutral**



Source JPMAM:

The other unpalatable piece of information within the charts is the trend in valuation spreads (and consequent underperformance of Value) since 2015. With one brief reversal in 2016/17 the trend has been for spreads to widen, meaning that Value (and Yield) has struggled as an investment style for five years, and this is a hill which we have had to climb in both share classes, since both keep an exposure to the cheaper end of the stock market.

We feel very strongly, however, that this is not the moment at which to give up on Value altogether. If we look at other markets where growth has been a challenge, in Japan, for instance, Value investing has actually done very well in the last three decades, and specifically between 1995 and 2008 it was Value which led the market rather than growth or momentum. The theoretical background to this is to think of growth stocks as having a low imputed cost of capital and value stocks as having a high imputed cost of capital. For growth to outperform value that gap between the two costs of capital has to continue to grow. If it stands still or narrows then arithmetically value stocks will outperform. In addition, there are specific areas of the market that have faced something of a perfect storm in the last ten years: Banks, with the challenges after the financial crisis, Energy, with two successive positive oil price shocks in 2014/15 and 2019/20, or Autos, with the diesel emissions scandal. These problems tend, though, to be self-healing, as failures in business models weed out the weaker players, and the consequent cut in capacity benefits the survivors.

**GROWTH PERFORMANCE ATTRIBUTION**

FOR THE YEAR ENDED 31ST MARCH 2020

	%	%
Contributions to total returns		
Benchmark return		-8.3
Asset allocation	-1.6	
Stock selection	-2.4	
Gearing/cash	-0.6	
Investment manager contribution		-4.6
Portfolio return		-12.9
Management fee/other expenses	-1.0	
Share buyback	0.6	
Other effects		-0.4
Return on net assets with debt at par value <sup>A</sup>		-13.3
Impact of debt at fair value <sup>1</sup>		-1.3
Return on net assets with debt at fair value <sup>A</sup>		-14.6
Effect of movement in discount		-1.7
Return to shareholders <sup>A</sup>		-16.3

Source: B-One/JPMAM/AIC/Morningstar.

All figures are on a total return basis. Performance attribution analyses how the Growth portfolio achieved its recorded performance relative to its benchmark.

<sup>1</sup> See note 14 on page 80 for reference to fair value of debt.<sup>A</sup> Alternative Performance Measure ('APM').**A glossary of terms and APMS is provided on page 104.****Stock Contributors – Growth**

Within the growth portfolio some of the most successful holdings were in the healthcare sector. Despite correcting sharply in the Covid-19 sell off, Roche's share price ended the year up 26% as the market started to appreciate its new product launches and strong pipeline, while coming to terms with the ongoing threat to its oncology portfolio from biosimilars. Although it is too early to quantify the outcome the news that Actemra, a drug for treating rheumatoid arthritis, had entered Phase 3 trials for Covid-19 pneumonia gave further support to the share price. At the opposite end of the market cap spectrum Eckert & Ziegler operates in the radiopharmaceutical industry specializing in, for example, producing radio isotopes for prostate seed implants. Expectation of strong earnings growth led to the share price rising more than 90% during the year.

Technology stocks continued to perform well. The growth portfolio benefitted in particular from buying Teamviewer when it came to the market in September. The company specialises in global connectivity platforms and has seen demand for its technology accelerate during the lockdown period faster than was expected at the launch of its IPO. The stock was up more than 40% in the year under review and at the time of writing had appreciated 75%.

The severe correction caused by the Covid-19 pandemic hit the growth portfolio's holdings in cyclically sensitive companies. Airbus, which makes aeroplanes, saw demand for new planes virtually disappear as fleets were grounded around the world. Safran which makes aircraft engines and other systems fared little

better despite its aftermarket and service business which should have been more defensive. The stocks fell 48% and 32% respectively. Anything auto or construction related was hit as badly with investors having no visibility on the severity or length of the global recession. For example Peugeot declined more than 40% and Heidelbergcement 36%.

## INCOME PERFORMANCE ATTRIBUTION

FOR THE YEAR ENDED 31ST MARCH 2020

	%	%
<b>Contributions to total returns</b>		
<b>Benchmark return</b>		<b>-8.3</b>
Asset allocation	-6.6	
Stock selection	-5.8	
Gearing/cash	-2.4	
Currency	-	
<b>Investment manager contribution</b>		<b>-14.8</b>
<b>Portfolio return</b>		<b>-23.1</b>
Management fee/other expenses	-1.0	
Share buy-back/issuance	0.1	
<b>Other effects</b>		<b>-0.9</b>
<b>Return on net assets with debt at par value<sup>A</sup></b>		<b>-24.0</b>
<b>Impact of debt at fair value<sup>1</sup></b>		<b>-1.7</b>
<b>Return on net assets with debt at fair value<sup>A</sup></b>		<b>-25.7</b>
<b>Effect of movement in discount</b>		<b>-1.8</b>
<b>Return to shareholders</b>		<b>-27.5</b>

Source: B-One/JPMAM/AIC/Morningstar.

All figures are on a total return basis. Performance attribution analyses how the Income portfolio achieved its recorded performance relative to its benchmark.

<sup>1</sup> See note 14 on page 80 for reference to fair value of debt.

<sup>A</sup> Alternative Performance Measure ('APM').

**A glossary of terms and APMs is provided on page 104.**

## Stock Contributors – Income

Turning to the income portfolio the headwind of not owning or being underweight some of the mega-cap defensive stocks that did not yield enough to merit inclusion in the portfolio was highly detrimental to performance in the period under review. The worst offenders were Roche and Novo Nordisk in the pharmaceutical sector, Nestle, and ASML in the technology space. Taken together they accounted for 3.4% of the underperformance.

Holdings in the income portfolio that did well included Iberdrola, a Spanish electric utility, and Fjordkraft, a Norwegian electricity generator and distributor, which benefitted from declining interest rates, as did Elisa the Finnish Telecom company which rose 50% over the year. Elsewhere Galenica, a Swiss pharmaceutical retailer, saw analysts continually raise their earnings estimates throughout the year before extra demand from customers stockpiling as the Covid-19 virus took hold in February and March. The share price rose 50% over the year.

### Outlook

While we can feel some comfort that the extraordinary effort to find a cure or a vaccine is likely to bear fruit we still have the after-effects of the shock to live through, notably to company business plans. The burden of enforcing social distancing is likely to fall on companies, and although transactions are likely to recover they will struggle for many months to get back to the levels they saw in 2019. There will also be longer-lasting effects on sectors such as Transportation (air traffic is down 90%), Energy (where companies need a \$40 oil price to restart dividend payments), and Retail (online shopping and delivery is likely to have taken an unassailable lead over the High St and this has implications not only for retailers but also for Real Estate companies who act as retail landlords).

The scale of monetary expansion is likely to provide support for risk assets, as is valuation - even at reduced levels of dividend the yield attractions of equities over cash and fixed income are manifestly obvious. We have to take into account, though, an increased volume of issuance as companies seek to shore up their balance sheet - this means that where companies were net buyers of their own stock the flow will reverse for the foreseeable future. We also have to see just how bad the hit to profits will be, and given the levels of unemployment the purchasing power of the consumer will have been damaged. Furthermore we have the political threat of the US Presidential campaign, in which there is likely to be a lot of sabre-rattling about trade relations with China, and then the likelihood that if neither side in the EU/UK trade negotiation asks for an extension there will be disruption to trade flows.

For all our confidence about recovery in the medium term we are likely to have a volatile few months in prospect. In the medium term, however, the sell-off in equity markets has brought an end to one cycle and heralded the start of a new one. At the same time the fact that interest rates are at or near record lows means that investors looking for income are forced to take on more risk, either by buying corporate bonds or by buying equities. The end of the cycle also means that as growth recovers so will profits, and we are likely to see at least a few years of economic expansion. As confidence in growth recovers so will confidence among investors, and accordingly we feel that the next period may see equity returns which are markedly higher than the thin gruel of the last five years.

**Stephen Macklow-Smith**  
**Alexander Fitzalan Howard**  
**Michael Barakos**  
**Thomas Buckingham**  
*Investment Managers*

12th June 2020

## SUMMARY OF RESULTS

	2020	2019	% change
<b>Total returns for the year ended 31st March</b>			
Return to shareholders <sup>1,A</sup>	-16.3%	-7.9%	
Return on net assets <sup>2,A</sup>	-13.3%	-2.3%	
Benchmark return <sup>3</sup>	-8.3%	+2.2%	
<b>Net asset value, share price and discount at 31st March</b>			
Total net assets (£'000)	203,703	234,291	-13.1
Net asset value per share with debt at par value	274.3p	324.0p	-15.3
Net asset value per share with debt at fair value	261.0p	313.5p	-16.7
Share price	215.0p	265.0p	-18.9
Share price discount to net asset value per share with debt at par value <sup>4,A</sup>	21.6%	18.2%	
Share price discount to net asset value per share with debt at fair value <sup>A</sup>	17.6%	15.5%	
Shares in issue	74,259,820 <sup>6</sup>	72,306,030	
<b>Revenue for the year ended 31st March</b>			
Gross revenue (£'000)	7,932	9,208	-13.9
Net revenue attributable to shareholders (£'000)	6,173	7,747	-20.3
Return per share <sup>5</sup>	8.77p	10.68p	-17.9
Dividend per Growth share	8.85p	8.85p	
<b>(Net cash)/gearing at 31st March<sup>A</sup></b>	<b>(3.7)%</b>	<b>7.7%</b>	
<b>Ongoing Charges<sup>A</sup></b>	<b>1.00%</b>	<b>1.01%</b>	

<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: MSCI. The Growth portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms.

<sup>4</sup> Source: J.P.Morgan. The share price discount on capital-only net asset value was 20.5% (2019: 16.7%).

<sup>5</sup> Return per share is calculated on the basis of weighted average number of shares in issue. See Note 9 on page 77.

<sup>6</sup> The main reason for the increase in shares in issue is due to the Company's annual share conversion.

<sup>A</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on page 104.

## TEN YEAR RECORD - GROWTH

### TEN YEAR FINANCIAL RECORD

At 31st March	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total assets less current liabilities (€m)	315.7	249.9	187.7	206.3	241.2	230.3	228.5	274.6	272.4	259.3	231.8
Net asset value per share (p) <sup>1A</sup>	207.2	222.9	186.3	215.3	257.3	270.2	253.3	315.4	331.2	313.5	274.3
Share price (p)	183.8	193.0	164.0	194.0	233.0	259.0	230.5	285.0	297.0	265.0	215.0
Discount (%) <sup>2A</sup>	11.3	13.4	12.0	9.9	9.4	4.1	9.0	9.6	10.3	15.5	21.6
Gearing/(net cash) (%) <sup>3A</sup>	3.6	8.1	3.1	5.4	8.1	7.7	11.0	5.9	6.0	7.7	(3.7)

#### Year ended 31st March

Gross revenue (£'000)	9,146	8,083	9,634	7,452	8,018	8,597	6,476	7,678	8,068	9,208	7,932
Revenue per share (p)	4.79	4.93	7.28	6.00	6.64	7.90	5.37	6.75	8.56	10.68	8.77
Dividend per share (p)	4.85	4.90	6.75	5.95	6.70	6.70	5.85	6.85	6.85	8.85	8.85
Ongoing Charges (%) <sup>3A</sup>	1.05	0.98	0.74	0.87	0.86	1.04	1.06	1.04	0.96	1.01	1.00

#### Rebased to 100 at 31st March 2010

Total return to shareholders <sup>4A</sup>	100.0	108.1	96.1	117.9	146.3	167.6	152.9	194.4	207.1	190.7	159.7
Total return on net assets <sup>4A</sup>	100.0	110.4	95.3	114.4	140.8	151.9	145.8	185.6	198.9	192.2	164.4
Benchmark total return <sup>5</sup>	100.0	106.9	94.0	109.6	128.3	137.2	130.0	165.4	170.3	174.0	159.6

<sup>1</sup> Source: Morningstar/J.P. Morgan, using cum income net asset value per share, with debt at fair value.

<sup>2</sup> Share price discount to net asset value per share with debt at fair value.

<sup>3</sup> Management fee and all other operating expenses, excluding finance costs expressed as a percentage of the average of the daily net assets during the year (2010 to 2012: Total Expense Ratio ('TER'): the average of the month end net assets).

<sup>4</sup> Source: J.P. Morgan/Morningstar. Total return basis, using cum income net asset value per share, with debt at fair value.

<sup>5</sup> Source: MSCI. The Growth portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms. Prior to 26th March 2013 the Growth portfolio's benchmark was the FTSE All World Developed Europe (ex UK) Index in sterling terms.

<sup>A</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on page 104.

**TEN LARGEST INVESTMENTS**

AS AT 31ST MARCH

Company	Country	Sector	2020 Valuation		2019 Valuation	
			£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
Nestlé	Switzerland	Consumer Staples	14,644	7.5	14,726	5.8
Roche	Switzerland	Health Care	12,524	6.4	10,969	4.3
Novartis	Switzerland	Health Care	9,838	5.0	11,672	4.6
JPMorgan European Smaller Companies Trust	European Funds	Financials	6,311	3.2	8,750	3.5
Novo Nordisk	Denmark	Health Care	6,278	3.2	5,220	2.1
Allianz	Germany	Financials	5,158	2.6	7,102	2.8
ASML <sup>2</sup>	Netherlands	Information Technology	4,887	2.5	514	0.2
Schneider Electric <sup>2</sup>	France	Industrials	4,618	2.4	3,441	1.4
Sanofi	France	Health Care	4,344	2.2	4,996	2.0
SAP <sup>2</sup>	Germany	Information Technology	3,897	2.0	2,270	0.9
<b>Total<sup>3</sup></b>			<b>72,499</b>	<b>37.0</b>		

<sup>1</sup> Based on total investments of £196.2m (2019: £252.4m) see page 21.

<sup>2</sup> Not included in ten largest equity investments at 31st March 2019.

<sup>3</sup> At 31st March 2019, the value of the ten largest investments amounted to £76.7m, representing 30.3% of total investments of £252.4m.

**PORTFOLIO ANALYSIS**

**Geographical**

	31st March 2020		31st March 2019	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Switzerland	26.3	22.8	20.3	19.4
France	21.1	23.0	21.5	24.6
Germany	17.6	17.6	17.7	18.7
Netherlands	10.3	8.9	10.5	7.8
Italy	5.3	4.6	3.9	5.2
Denmark	4.0	4.7	3.9	3.9
Sweden	3.0	5.9	4.3	5.8
Norway	2.7	1.2	3.1	1.6
Austria	2.7	0.3	3.0	0.5
Spain	2.5	5.5	6.3	6.5
Belgium	1.8	1.9	1.4	2.2
Finland	1.6	2.1	2.9	2.2
United Kingdom <sup>2</sup>	0.5	–	0.5	–
Russia	0.3	–	0.3	–
Poland	0.1	–	0.1	–
Ireland	0.1	1.1	–	1.2
Hungary	0.1	–	–	–
Portugal	–	0.4	0.3	0.4
<b>Total Portfolio<sup>3</sup></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 £196.2m (2019: £252.4m) see page 21.

<sup>2</sup> The Company has a holding in JPMorgan Europe Dynamic Small Cap, which holds some UK stocks. This gives rise to the 0.5% holding in the UK identified above.

<sup>3</sup> Includes investments in Collective Investment Schemes which are reclassified in accordance with the domicile of the underlying assets in the fund.

**PORTFOLIO ANALYSIS**

**Sector**

Sector	31st March 2020		31st March 2019	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1,2</sup>	Benchmark %
Health Care	19.6	17.7	13.5	14.3
Financials	15.5	14.5	21.5	17.5
Industrials	14.0	13.6	17.4	14.6
Consumer Staples	12.8	14.4	11.7	13.6
Information Technology	12.3	8.4	6.9	7.2
Utilities	6.9	5.2	4.8	4.5
Consumer Discretionary	6.8	10.5	8.4	10.4
Materials	4.6	6.7	5.3	6.8
Communication Services	3.6	4.2	3.0	4.7
Energy	3.3	3.4	6.0	4.8
Real Estate	0.6	1.4	1.5	1.6
<b>Total Portfolio<sup>2</sup></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 £196.2m (2019: £252.4m) see page 21.

<sup>2</sup> Includes investments on Collective Investment Schemes which are reclassified in accordance with the industry of the underlying asset in the fund.

## PORTFOLIO INFORMATION - GROWTH

### LIST OF INVESTMENTS

Company	Valuation £'000	Company	Valuation £'000	Company	Valuation £'000
<b>SWITZERLAND</b>		<b>GERMANY</b>		<b>ITALY</b>	
Nestlé	14,644	Allianz	5,158	Enel	2,414
Roche	12,524	SAP	3,897	Snam	1,470
Novartis	9,838	Deutsche Telekom	3,589	Unipol	1,406
LafargeHolcim	3,201	Deutsche Boerse	2,581	Sesa	886
Zurich Insurance	2,709	adidas	2,568	Prysmian	772
UBS	2,402	TeamViewer	2,068	Fiat Chrysler Automobiles	616
Swiss Life	1,904	Dialog Semiconductor	1,691	Azimut	566
Adecco	1,390	Hannover Rueck	1,668	UniCredit	432
Landis+Gyr	425	Volkswagen Preference	1,611	Banca Generali	323
Vetropack	325	Muenchener Rueckversicherungs Gesellschaft	1,204	Buzzi Unicem	200
Julius Baer	154	Deutsche Pfandbriefbank	1,020	Falck Renewables	124
Sonova	56	RWE	968	Rizzoli Corriere Della Sera Mediagroup	100
	<b>49,572</b>	Bayer	922		<b>9,309</b>
		Uniper	809		
<b>FRANCE</b>				<b>DENMARK</b>	
Schneider Electric	4,618	Eckert & Ziegler Strahlen- und Medizintechnik	793	Novo Nordisk	6,278
Sanofi	4,344	HeidelbergCement	651	Carlsberg	1,108
LVMH Moët Hennessy Louis Vuitton	3,280	Befesa	596	Scandinavian Tobacco	96
BNP Paribas	2,521	Varta	589		<b>7,482</b>
Vinci	2,071	Hornbach	336		
Eiffage	2,014	Hamburger Hafen und Logistik	249	<b>AUSTRIA</b>	
Peugeot	1,960	MTU Aero Engines	213	OMV	1,914
Capgemini	1,824	Amadeus Fire	206	Wienerberger	1,377
Danone	1,766	Carl Zeiss Meditec	112	Raiffeisen Bank International	999
Airbus	1,758		<b>33,499</b>	BAWAG	764
Safran	1,708	<b>NETHERLANDS</b>		EVN	261
TOTAL	1,652	ASML	4,887		<b>5,315</b>
Kaufman & Broad	1,300	Unilever	3,853	<b>SWEDEN</b>	
Cie de Saint-Gobain	1,231	Wolters Kluwer	3,518	Swedish Match	1,432
L'Oreal	1,168	ASM International	2,283	Sandvik	1,370
Verallia	1,084	Signify	1,603	Skanska	725
Sopra Steria	984	Koninklijke Philips	938	Hennes & Mauritz	490
Gaztransport Et Technigaz	978	Adyen	904	Volvo	373
Credit Agricole	909	ING	457	Evolution Gaming	239
Quadient	640	Koninklijke Ahold Delhaize	426	Clas Ohlson	237
Vivendi	594	NIBC	139	Eolus Vind	201
Voltaia	437		<b>19,008</b>	Nobia	122
Metropole Television	376				<b>5,189</b>
Atos	333				
Arkema	331				
CGG	84				
	<b>39,965</b>				

**LIST OF INVESTMENTS**

Company	Valuation £'000	Company	Valuation £'000
<b>NORWAY</b>		<b>FINLAND</b>	
Fjordkraft	2,090	Neste	1,381
Selvaag Bolig	718	Elisa	1,007
SpareBank 1 SMN	613	UPM-Kymmene	577
Crayon	472		<b>2,965</b>
Scatec Solar	454	<b>IRELAND</b>	
Norwegian Finans	342	CRH	136
DNB	298		<b>136</b>
SpareBank 1 Nord Norge	105	<b>COLLECTIVE INVESTMENT SCHEMES</b>	
BW LPG	58	JPMorgan European Smaller Companies Trust	6,311
	<b>5,150</b>	JPMorgan Funds - Europe Dynamic Small Cap Fund	3,284
<b>SPAIN</b>		JPMorgan Funds - Emerging Europe Equity Fund	971
Endesa	3,208	<b>TOTAL COLLECTIVE INVESTMENT SCHEMES</b>	
Mediaset Espana Comunicacion	466		<b>10,566</b>
Telefonica	419	<b>TOTAL INVESTMENTS</b>	
Vidrala	317		<b>196,186</b>
Acciona	176		
ACS Actividades de Construccion y Servicios	22		
	<b>4,608</b>		
<b>BELGIUM</b>			
Galapagos	1,449		
Barco	1,007		
KBC	966		
	<b>3,422</b>		

## STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - GROWTH

### FOR THE YEAR ENDED 31ST MARCH 2020

	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Losses on investments and derivatives held at fair value through profit or loss	–	(35,487)	(35,487)	–	(12,016)	(12,016)
Foreign exchange gains/(losses) on liquidity fund	–	584	584	–	(99)	(99)
Net foreign currency (losses)/gains	–	(1,283)	(1,283)	–	434	434
Income from investments	7,887	–	7,887	9,158	–	9,158
Interest receivable and similar income	45	–	45	50	–	50
<b>Gross return/(loss)</b>	<b>7,932</b>	<b>(36,186)</b>	<b>(28,254)</b>	<b>9,208</b>	<b>(11,681)</b>	<b>(2,473)</b>
Management fee	(571)	(1,334)	(1,905)	(584)	(1,362)	(1,946)
Other administrative expenses	(439)	–	(439)	(478)	–	(478)
<b>Net return/(loss) before finance costs and taxation</b>	<b>6,922</b>	<b>(37,520)</b>	<b>(30,598)</b>	<b>8,146</b>	<b>(13,043)</b>	<b>(4,897)</b>
Finance costs	(222)	(517)	(739)	(223)	(522)	(745)
<b>Net return/(loss) before taxation</b>	<b>6,700</b>	<b>(38,037)</b>	<b>(31,337)</b>	<b>7,923</b>	<b>(13,565)</b>	<b>(5,642)</b>
Taxation	(527)	–	(527)	(176)	–	(176)
<b>Net return/(loss) after taxation</b>	<b>6,173</b>	<b>(38,037)</b>	<b>(31,864)</b>	<b>7,747</b>	<b>(13,565)</b>	<b>(5,818)</b>
<b>Return/(loss) per Growth share</b>	<b>8.77p</b>	<b>(54.03)p</b>	<b>(45.26)p</b>	<b>10.68p</b>	<b>(18.71)p</b>	<b>(8.03)p</b>

All revenue and capital items in the above statement derive from continuing operations.

## STATEMENT OF FINANCIAL POSITION (UNAUDITED) - GROWTH

AT 31ST MARCH 2020

	2020 £'000	2019 £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss	196,186	252,446
<b>Current assets</b>		
Derivative financial assets	345	99
Debtors	1,957	1,416
Cash and cash equivalents	42,155	13,408
	44,457	14,923
<b>Current liabilities</b>		
<b>Creditors:</b> amounts falling due within one year	(8,676)	(7,669)
Derivative financial liabilities	(120)	(419)
<b>Net current assets</b>	<b>35,661</b>	<b>6,835</b>
<b>Total assets less current liabilities</b>	<b>231,847</b>	<b>259,281</b>
<b>Creditors:</b> amounts falling due after more than one year	(28,144)	(24,990)
<b>Net assets</b>	<b>203,703</b>	<b>234,291</b>
<b>Net asset value per Growth share</b>	<b>274.3p</b>	<b>324.0p</b>

## FINANCIAL HIGHLIGHTS - INCOME

### SUMMARY OF RESULTS

	2020	2019	% change
<b>Total returns for the year ended 31st March</b>			
Return to shareholders <sup>1,A</sup>	-27.5%	-4.7%	
Return on net assets <sup>2,A</sup>	-24.0%	+1.4%	
Benchmark return <sup>3</sup>	-8.3%	+2.2%	
<b>Net asset value, share price and discount at 31st March</b>			
Total net assets (£'000)	112,834	173,539	-35.0
Net asset value per share with debt at par value	126.5p	172.0p	-26.4
Net asset value per share with debt at fair value	120.3p	167.4p	-28.1
Share price	99.8p	144.0p	-30.7
Share price discount to net asset value per share with debt at par value <sup>4,A</sup>	21.1%	16.3%	
Share price discount to net asset value per share with debt at fair value <sup>A</sup>	17.0%	14.0%	
Shares in issue	89,181,557 <sup>6</sup>	100,914,066	
<b>Revenue for the year ended 31st March</b>			
Gross revenue (£'000)	7,943	8,776	-9.5
Net revenue attributable to shareholders (£'000)	6,250	6,898	-9.4
Return per share <sup>5</sup>	6.25p	6.79p	-8.0
Dividend per Income share	6.70p	6.25p	
<b>Gearing at 31st March<sup>A</sup></b>	<b>7.2%</b>	<b>2.5%</b>	
<b>Ongoing Charges<sup>A</sup></b>	<b>1.02%</b>	<b>1.06%</b>	

<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: MSCI. The Income portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms.

<sup>4</sup> Source: J.P.Morgan. share price discount on capital-only net asset value was 19.7% (2019: 14.8%).

<sup>5</sup> Return per share is calculated on the basis of weighted average number of shares in issue. See Note 9 on page 77.

<sup>6</sup> The main reason for the decrease in shares in issue is due to the Company's annual share conversion.

<sup>A</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on page 104.

## TEN YEAR FINANCIAL RECORD

At 31st March	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total assets less current liabilities (£m)	76.9	63.5	61.9	68.3	86.3	114.7	141.8	175.9	197.3	191.4	128.7
Net asset value per share (p) <sup>1,A</sup>	106.3	109.6	96.9	110.4	134.6	143.6	134.4	166.5	173.0	167.4	126.5
Share price (p)	94.5	97.3	86.5	99.8	123.0	136.5	127.0	150.5	157.5	144.0	99.8
Discount (%) <sup>2,A</sup>	8.8	11.3	10.7	9.6	8.6	4.9	5.5	9.6	9.0	14.0	17.0
Gearing (%) <sup>A</sup>	5.3	10.0	7.1	14.4	5.4	7.5	8.1	8.2	5.6	2.5	7.2

## Year ended 31st March

Gross revenue (£'000)	2,986	2,827	3,375	3,255	3,818	4,127	4,877	7,258	7,535	8,776	7,943
Revenue per share (p)	3.92	3.87	4.56	4.29	4.82	4.60	4.67	5.94	6.65	6.79	6.25
Dividend per share (p)	4.00	4.00	4.20	4.25	4.75	4.75	4.75	5.00	5.80	6.25	6.70
Ongoing Charges (%) <sup>3,A</sup>	1.21	1.18	1.12	1.06	1.06	1.08	1.08	1.07	1.00	1.06	1.02

## Rebased to 100 at 31st March 2020

Return to shareholders <sup>4,A</sup>	100.0	107.7	100.9	122.3	157.6	181.7	175.4	216.1	234.3	223.3	161.8
Return on net assets <sup>4,A</sup>	100.0	107.6	99.6	118.7	150.5	166.6	161.5	207.2	221.5	222.4	164.7
Benchmark return <sup>5</sup>	100.0	106.6	98.9	114.7	134.2	143.6	136.0	173.1	178.2	182.1	167.0

<sup>1</sup> Source: Morningstar/J.P.Morgan, using cum income net asset value per share, with debt at fair value.

<sup>2</sup> Share price discount to net asset value per share with debt at fair value.

<sup>3</sup> Management fee and all other operating expenses, excluding finance costs expressed as a percentage of the average of the daily net assets during the year (2010 to 2012: Total Expense Ratio ('TER'): the average of the month end net assets).

<sup>4</sup> Source: J.P. Morgan/Morningstar. Total return basis, using cum income net asset value per share, with debt at fair value.

<sup>5</sup> Source: MSCI. The Income portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms. Prior to 26th March 2013 the Income portfolio's benchmark was the MSCI Europe Index (total return) in sterling terms.

<sup>A</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on page 104.

TEN LARGEST INVESTMENTS

AS AT 31ST MARCH

Company	Country	Sector	2020 Valuation		2019 Valuation	
			£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
Nestlé <sup>2</sup>	Switzerland	Consumer Staples	6,368	5.3	–	–
Roche	Switzerland	Health Care	4,964	4.1	5,866	3.3
Novartis	Switzerland	Health Care	4,492	3.7	5,255	3.0
Sanofi	France	Health Care	2,888	2.4	3,329	1.9
TOTAL	France	Energy	2,225	1.8	4,502	2.5
Allianz	Germany	Financials	2,208	1.8	3,465	1.9
Iberdrola	Spain	Utilities	2,078	1.7	2,159	1.2
Enel	Italy	Utilities	1,850	1.5	2,051	1.2
Zurich Insurance <sup>3</sup>	Switzerland	Financials	1,563	1.3	1,982	1.1
Bayer <sup>2</sup>	Germany	Health Care	1,530	1.3	–	–
<b>Total<sup>4</sup></b>			<b>30,166</b>	<b>24.9</b>		

<sup>1</sup> Based on total investments of £121.0m (2019: £177.9m) see page 31.

<sup>2</sup> Not held in the portfolio at 31st March 2019.

<sup>3</sup> Not included in ten largest equity investments at 31st March 2019.

<sup>4</sup> At 31st March 2019 the value of the ten largest investments amounted to £34.8m, representing 19.6% of total investments of £177.9m.

**PORTFOLIO ANALYSIS**

**Geographical**

	31st March 2020		31st March 2019	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Switzerland	20.0	22.8	9.2	19.4
France	18.8	23.0	17.3	24.6
Germany	12.3	17.6	12.7	18.7
Italy	10.5	4.6	9.7	5.2
Sweden	8.1	5.9	10.5	5.8
Spain	7.7	5.5	7.5	6.5
Finland	5.3	2.1	5.3	2.2
Norway	5.0	1.1	8.7	1.6
Netherlands	4.2	8.9	7.8	7.8
Belgium	2.5	1.9	3.9	2.2
Austria	2.1	0.3	1.8	0.5
Portugal	1.3	0.4	1.7	0.4
Ireland	1.1	1.2	1.2	1.2
Denmark	1.1	4.7	2.7	3.9
<b>Total Portfolio<sup>1</sup></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 £121.0m (2019: £177.9m) see page 31.

**PORTFOLIO ANALYSIS**

**Sector**

	31st March 2020		31st March 2019	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Financials	28.3	14.5	23.8	17.5
Health Care	12.2	17.7	10.3	14.3
Industrials	12.0	13.6	9.4	14.6
Utilities	11.4	5.2	10.1	4.5
Consumer Staples	8.1	14.4	6.7	13.6
Communication Services	7.8	4.2	8.7	4.7
Consumer Discretionary	7.1	10.5	9.2	10.4
Energy	4.3	3.4	8.6	4.8
Real Estate	4.2	1.4	8.0	1.6
Materials	4.0	6.7	3.3	6.8
Information Technology	0.6	8.4	1.9	7.2
<b>Total Portfolio<sup>1</sup></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 £121.0m (2019: £177.9m) see page 31.

## LIST OF INVESTMENTS

Company	Valuation £'000	Company	Valuation £'000	Company	Valuation £'000
<b>SWITZERLAND</b>		<b>FRANCE - CONTINUED</b>		<b>GERMANY - CONTINUED</b>	
Nestlé	6,368	Natixis	333	HOCHTIEF	251
Roche	4,964	Valeo	319	TAG Immobilien	249
Novartis	4,492	CNP Assurances	309	Deutsche Pfandbriefbank	246
Zurich Insurance	1,563	Suez	307	Hamburger Hafen und Logistik	221
UBS	1,167	Klepierre	305	DIC Asset	201
ABB	1,017	Rothschild	289	Schaeffler Preference	199
Swiss Re	810	SCOR	271	Bijou Brigitte	163
Credit Suisse	733	Carmila	263		<b>14,806</b>
LafargeHolcim	656	Rexel	261		
Swisscom	629	Kaufman & Broad	255	<b>ITALY</b>	
Swiss Life	527	APERAM	241	Enel	1,850
Adecco	367	ALD	228	Intesa Sanpaolo	818
Sunrise Communications	341	Television Francaise 1	218	Assicurazioni Generali	782
Galenica	339	Metropole Television	217	Terna Rete Elettrica Nazionale	659
Mobilezone	165	Altea	203	Snam	639
	<b>24,138</b>	Coface	196	UniCredit	557
		SPIE	173	Poste Italiane	512
<b>FRANCE</b>		HEXAOM	114	Italgas	404
Sanofi	2,888		<b>22,782</b>	Telecom Italia	400
TOTAL	2,225	<b>GERMANY</b>		Unipol Gruppo	387
Schneider Electric	1,433	Allianz	2,208	ACEA	380
Vinci	1,259	Bayer	1,530	Fiat Chrysler Automobiles	357
AXA	1,075	Deutsche Telekom	1,296	RAI Way	333
BNP Paribas	1,030	Muenchener Rueckversicherungs-		Mediobanca Banca di Credito Finanziario	330
Orange	873	Gesellschaft	954	Zignago Vetro	320
Engie	732	Deutsche Post	932	Azimut	319
Cie Generale des Etablissements Michelin	652	E.ON	890	Enav	314
Veolia Environnement	619	Volkswagen Preference	821	Banca Generali	286
Cie de Saint-Gobain	519	RWE	692	Banca Farmafactoring	286
La Francaise des Jeux SAEM	503	Bayerische Motoren Werke	688	A2A	277
Societe Generale	499	Hannover Rueck	492	Ascopiave	269
Gaztransport Et Technigaz	465	Evonik Industries	390	Iren	267
Bouygues	429	Telefonica Deutschland	352	ERG	256
Amundi	404	Porsche Automobil Preference	341	Banca Mediolanum	252
Publicis Groupe	402	HeidelbergCement	324	Anima	248
Peugeot	401	Freenet	313	Rizzoli Corriere Della Sera Mediagroup	239
Credit Agricole	400	DWS	280	Societa Cattolica di Assicurazioni	232
Gecina	389	Aroundtown	263	ASTM	222
Covivio	389	Talanx	258	Cerved	208
Eiffage	358	Siltronic	252	Cairo Communication	186
ICADE	336			COIMA RES	133
					<b>12,722</b>

## PORTFOLIO INFORMATION - INCOME

### LIST OF INVESTMENTS

Company	Valuation £'000	Company	Valuation £'000	Company	Valuation £'000
<b>SWEDEN</b>		<b>SPAIN - CONTINUED</b>		<b>NORWAY</b>	
Volvo	717	Acciona	307	DNB	501
Nordea Bank	676	CIE Automotive	278	Frontline	482
Sandvik	638	Bankia	267	Fjordkraft	452
Svenska Handelsbanken	630	Cia de Distribucion Integral Logista	255	Telenor	426
Swedish Match	545	Acerinox	252	SpareBank 1 Nord Norge	396
Skandinaviska Enskilda Banken	536	Euskaltel	248	Gjensidige Forsikring	378
Hennes & Mauritz	499	Bankinter	241	Europris	358
Tele2	464	Banco de Sabadell	229	SpareBank 1 SMN	332
Telia	403	Mediaset Espana Comunicacion	213	Selvaag Bolig	332
SKF	387	Unicaja Banco	205	Sparebanken More	294
Inwido	352	Merlin Properties Socimi	203	SpareBank 1 SR-Bank	290
Holmen	334		<b>9,328</b>	SpareBank 1	281
Skanska	333	<b>FINLAND</b>		Veidekke	274
Axfood	323	Kone	665	Sparebanken Vest	266
Peab	290	UPM-Kymmene	641	Sparebank 1 Oestlandet	265
JM	283	Elisa	563	Entra	247
Clas Ohlson	283	Orion	490	Storebrand	228
Bilia	273	TietoEVRY	436	Grieg Seafood	205
EQT	272	Stora Enso	402	BW LPG	75
Nordic Waterproofing	270	Musti	377		<b>6,082</b>
Betsson	261	Fortum	364	<b>NETHERLANDS</b>	
Dios Fastigheter	252	Tokmanni	363	Koninklijke Ahold Delhaize	1,013
Tethys Oil	220	Kesko	302	ING Groep	645
Nobia	203	Aktia Bank	284	NN	464
Intrum	189	Valmet	278	Coca-Cola European Partners	450
Cloetta	160	Sanoma	267	Koninklijke KPN	398
	<b>9,793</b>	Kemira	263	NSI	360
<b>SPAIN</b>		Uponor	237	NIBC	339
Iberdrola	2,078	Raisio	203	Flow Traders	334
Banco Santander	1,183	Konecranes	158	ASR Nederland	321
Banco Bilbao Vizcaya Argentaria	726	CapMan	121	Randstad	301
Repsol	558	Cargotec	51	Signify	260
Red Electrica	522		<b>6,465</b>	Van Lanschot Kempen	214
Endesa	502				<b>5,099</b>
Enagas	383				
CaixaBank	362				
ACS Actividades de Construccion y Servicios	316				

**LIST OF INVESTMENTS**

Company	Valuation £'000	Company	Valuation £'000
<b>BELGIUM</b>		<b>PORTUGAL</b>	
KBC	548	EDP - Energias de Portugal	648
Ageas	486	Galp Energia	412
Euronav	434	REN - Redes Energeticas Nacionais	301
Solvay	383	Semapa-Sociedade de Investimento e Gestao	233
Proximus	362		<b>1,594</b>
Befimmo	273		
Telenet	267		
Cofinimmo	166		
Home Invest Belgium	93		
	<b>3,012</b>		
<b>AUSTRIA</b>		<b>IRELAND</b>	
OMV	323	Smurfit Kappa	440
Erste Group Bank	323	Greencoat Renewables	337
Oesterreichische Post	322	Irish Residential Properties REIT	239
UNIQA Insurance	276	Bank of Ireland	217
Raiffeisen Bank International	270	FBD	151
Vienna Insurance	260		<b>1,384</b>
BAWAG	256		
Strabag	240		
UBM Development	215		
	<b>2,485</b>		
		<b>DENMARK</b>	
		Tryg	351
		Scandinavian Tobacco	284
		Pandora	278
		Spar Nord Bank	270
		Matas	140
			<b>1,323</b>
		<b>TOTAL INVESTMENTS</b>	<b>121,013</b>

## STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - INCOME

### FOR THE YEAR ENDED 31ST MARCH 2020

	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Losses on investments and derivatives held at fair value through profit or loss	–	(41,837)	(41,837)	–	(4,486)	(4,486)
Foreign exchange gains/(losses) on liquidity fund	–	43	43	–	(227)	(227)
Net foreign currency gains	–	2,159	2,159	–	1,158	1,158
Income from investments	7,853	–	7,853	8,706	–	8,706
Interest receivable and similar income	90	–	90	70	–	70
<b>Gross return/(loss)</b>	<b>7,943</b>	<b>(39,635)</b>	<b>(31,692)</b>	<b>8,776</b>	<b>(3,555)</b>	<b>5,221</b>
Management fee	(599)	(898)	(1,497)	(602)	(903)	(1,505)
Other administrative expenses	(283)	–	(283)	(362)	–	(362)
<b>Net return/(loss) before finance costs and taxation</b>	<b>7,061</b>	<b>(40,533)</b>	<b>(33,472)</b>	<b>7,812</b>	<b>(4,458)</b>	<b>3,354</b>
Finance costs	(203)	(305)	(508)	(218)	(328)	(546)
<b>Net return/(loss) before taxation</b>	<b>6,858</b>	<b>(40,838)</b>	<b>(33,980)</b>	<b>7,594</b>	<b>(4,786)</b>	<b>2,808</b>
Taxation	(608)	–	(608)	(696)	–	(696)
<b>Net return/(loss) after taxation</b>	<b>6,250</b>	<b>(40,838)</b>	<b>(34,588)</b>	<b>6,898</b>	<b>(4,786)</b>	<b>2,112</b>
<b>Return/(loss) per Income share</b>	<b>6.25p</b>	<b>(40.86)p</b>	<b>(34.61)p</b>	<b>6.79p</b>	<b>(4.71)p</b>	<b>2.08p</b>

All revenue and capital items in the above statement derive from continuing operations.

## STATEMENT OF FINANCIAL POSITION (UNAUDITED) - INCOME

AT 31ST MARCH 2020

	2020 £'000	2019 £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss	121,013	177,920
<b>Current assets</b>		
Derivative financial assets	242	298
Debtors	1,700	3,142
Cash and cash equivalents	12,477	15,779
	14,419	19,219
<b>Current liabilities</b>		
<b>Creditors:</b> amounts falling due within one year	(4,859)	(5,500)
Derivative financial liabilities	(1,832)	(206)
<b>Net current assets</b>	<b>7,728</b>	<b>13,513</b>
<b>Total assets less current liabilities</b>	<b>128,741</b>	<b>191,433</b>
<b>Creditors:</b> amounts falling due after more than one year	(15,907)	(17,894)
<b>Net assets</b>	<b>112,834</b>	<b>173,539</b>
<b>Net asset value per Income share</b>	<b>126.5p</b>	<b>172.0p</b>

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. The following Business Review aims to assist shareholders with this assessment.

## Structure and Objective of the Company

JPMorgan European Investment Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. It has two share classes whose objectives are set out below. In seeking to achieve those objectives the Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') which in turn delegates portfolio management to JPMorgan Asset Management (UK) Limited ('JPMAM') to actively manage the Company's assets. The Board has determined investment policies and related guidelines and limits, as described below.

The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the UKLA Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules, Market Abuse Regulations, 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). The Directors have no reason to believe that approval will not continue to be retained. The Company is not a close company for taxation purposes.

## The Company's Purpose, Values, Strategy and Culture

The purpose of the Company is to provide a cost effective, sustainable investment vehicle for investors who seek capital growth and a rising share price in the Growth portfolio and growing income together with potential for long term capital growth in the Income portfolio, taking account of wider issues including environmental, social and governance. To achieve this, the Board of Directors is responsible for employing and overseeing an investment management company that has appropriate investment expertise, resources and controls in place to meet the Company's investment objective. To ensure that it is aligned with the Company's purpose, values and strategy, the Board comprises Directors from a diverse background who have a breadth of relevant experience and contribute in an open boardroom culture that both supports and challenges the investment management company and its other third party suppliers.

## Investment Objective

### Growth Portfolio

The investment objective of the Growth portfolio is to provide capital growth and a rising share price over the longer term from Continental European investments by out-performance of the benchmark and taking carefully controlled risks through an investment method that is clearly communicated to shareholders.

### Income Portfolio

The investment objective of the Income portfolio is to provide a growing income together with the potential for long term capital growth by investing in a portfolio of investments that is diversified amongst countries, sectors and market capitalisations within the universe of Continental European companies.

## Investment Policies

- To invest in a diversified portfolio of investments in the stockmarkets of Continental Europe.
- To manage liquidity and borrowings to increase returns to shareholders.

### Growth

- To emphasise capital growth rather than income, with the likely result that the level of dividends will fluctuate.

### Income

- To provide a growing income together with the potential for long-term capital growth.

## Investment Restrictions and Guidelines

- The portfolio will not invest more than 15% (Growth)/6% (income) of the assets in any one individual stock at the time of acquisition.
- The portfolio will be no more than 20% geared in normal market conditions.
- The portfolio does not normally invest in unquoted investments and to do so requires prior Board approval.
- Except for the transactions referred to in the following paragraph, the portfolio does not normally enter into derivative transactions, and to do so requires prior Board approval. However, the Investment Manager has authority to carry out currency hedging transactions in order to mitigate currency risk relative to the benchmark index.
- Index Futures to ensure market exposure is maintained where there are significant cash in/out flows and Covered Call Options are permitted, subject to restrictions included in the Company's Investment Restrictions and Guidelines. All other derivative transactions are subject to approval by the Board.

- In accordance with the Listing Rules of the UK Listing Authority, the portfolio will not invest more than 15% of its gross assets in other UK listed closed-ended investment funds and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed closed-ended investment funds.

The Board has set no minimum or maximum limits on the number of investments in the Company's portfolios. To gain the appropriate exposure, the Investment Managers are permitted to invest in pooled funds.

Compliance with the Company's Investment Restrictions and Guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

## Investment Processes

The Growth share class and the Income share class both represent actively managed portfolios.

The Growth share class focuses on identifying companies with a combination of attractive valuations (Value), strong balance sheets and capital discipline (Quality), and good business momentum (Momentum). The investment process for the Growth share class includes initially screening of a large number of stocks for various Value, Quality and Momentum characteristics before undertaking fundamental research. In constructing the portfolio the Managers seek to maximise exposure to these characteristics while minimising country and sector risk.

The portfolio construction process for the Income share class stock selection starts by screening large number of stocks in order to identify the top 30% of the market by yield, before focusing on the sustainability of dividends, cash flow and earnings, as well as momentum characteristics. Those stocks that do qualify for inclusion in the portfolio are held at equal active weights. Exposure to country and sector is more loosely constrained than in the Growth share class, but the overall intention for the Income shares is to maximise exposure to Income as a style while controlling for other risks.

## Performance

### Growth:

In the year to 31st March 2020, the Growth portfolio produced a total return to shareholders of -16.3% and a total return on net assets of -13.3%. This compares with the total return on the benchmark index of -8.3%. As at 31st March 2020, the value of the Company's Growth portfolio was £196.2 million.

### Income:

In the year to 31st March 2020, the Income portfolio produced a total return to shareholders of -27.5% and a total return on net assets of -24.0%. This compares with the total return on the benchmark index of -8.3%. As at 31st March 2020, the value of the Company's Income portfolio was £121.0 million.

The Investment Managers' Report on pages 10 to 14 includes a review of developments during the year as well as information on investment activity within the Company's portfolios, together with an explanation of the performance relative to the benchmark.

## Total Return, Revenue and Dividends

### Company:

Gross total loss for the year amounted to £59.9 million (2019: £2.7 million return) and net total loss after deducting finance costs, management expenses, other administrative expenses and taxation amounted to £66.5 million (2019: £3.7 million loss). Distributable income for the year amounted to £12.4 million (2019: £14.6 million).

### Growth:

Gross total loss for the year amounted to £28.3 million (2019: £2.5 million loss) and net total loss, after deducting finance costs, management expenses, other administrative expenses and taxation, amounted to £31.9 million (2019: £5.8 million loss). Distributable income for the year totalled £6.2 million (2019: £7.7 million). Dividends totalling 8.85 pence (2019: 8.85 pence) per Growth share were declared in respect of the year under review. Those distributions cost £6.2 million (2019: £6.4 million) and the revenue reserve after allowing for those dividends amounts to £0.2 million (2019: £1.3 million).

### Income:

Gross total loss for the year amounted to £31.7 million (2019: £5.2 million loss) and net total loss, after deducting finance costs, management expenses, other administrative expenses and taxation, amounted to £34.6 million (2019: £2.1 million return). Distributable income for the year totalled £6.3 million (2019: £6.9 million). Dividends totalling 6.70 pence (2019: 6.25 pence) per Income share were declared in respect of the year under review. Those distributions cost £6.7 million (2019: £6.4 million) and the revenue reserve after allowing for those dividends amounts to £6.3 million (2019: £5.4 million).

## Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The Board is provided with performance indicators monthly and in addition, during quarterly Board Meetings, more detailed reviews are undertaken. The principal KPIs are:

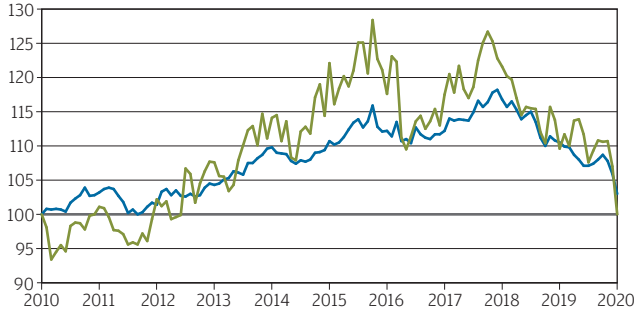
- **Performance against the benchmark index:**

This is the most important KPI by which performance is judged. The following graphs illustrate performance against benchmark indicators and these are further discussed in the Chairman's Statement on page 5 and can be read together with the financial records for ten years on pages 16 and 25.

**Growth:**

**Performance Relative to Benchmark Index**

FIGURES HAVE BEEN REBASED TO 100 AT 31ST MARCH 2010

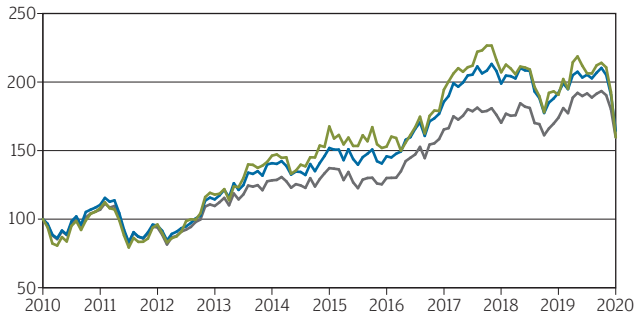


Source: Morningstar.

- JPMorgan European Growth - share price total return.
- JPMorgan European Growth - net asset value per share total return (based on cum income NAV).
- The benchmark is represented by the grey horizontal line (see page 74 note 3).

**Ten Year Performance**

FIGURES HAVE BEEN REBASED TO 100 AT 31ST MARCH 2010



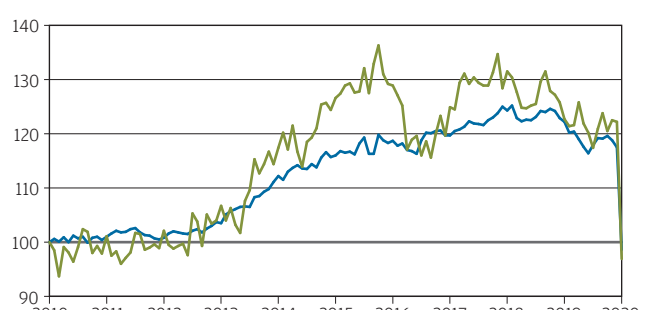
Source: Morningstar.

- JPMorgan European Growth - share price total return.
- JPMorgan European Growth - net asset value per share total return (based on cum income NAV).
- Benchmark (see page 74 note 3).

**Income:**

**Performance Relative to Benchmark Index**

FIGURES HAVE BEEN REBASED TO 100 AT 31ST MARCH 2010

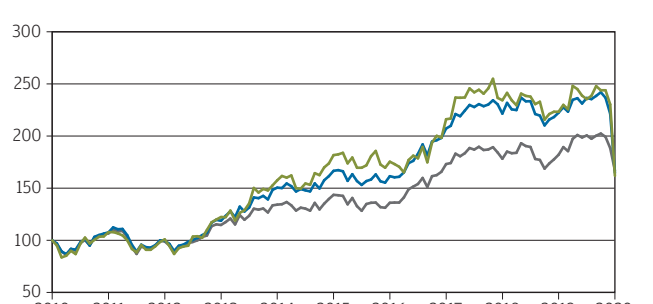


Source: Morningstar.

- JPMorgan European Income - share price total return.
- JPMorgan European Income - net asset value per share total return (based on cum income NAV).
- The benchmark is represented by the grey horizontal line (see page 74 note 3).

**Ten Year Performance**

FIGURES HAVE BEEN REBASED TO 100 AT 31ST MARCH 2010



Source: Morningstar/MSCI.

- JPMorgan European Income - share price total return.
- JPMorgan European Income - net asset value per share total return (based on cum income NAV).
- Benchmark (see page 74 note 3).

• **Performance against the Company’s peers**

The principal objective of the Growth portfolio is to achieve capital growth by consistent outperformance of the benchmark. The principal objective of the Income portfolio is to provide a growing income together with the potential for long-term capital growth. However, the Board also monitors the performance of both portfolios relative to a broad range of competitor funds. The Company’s performance is measured regularly against 10 of its peers and its performance is comparable.

**Performance attribution**

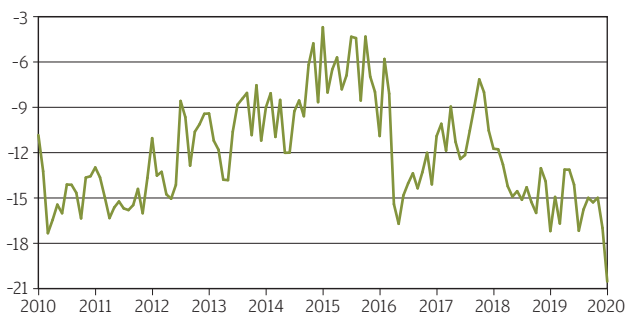
The purpose of performance attribution analysis is to assess how each portfolio achieved its performance relative to its benchmark index, i.e. to understand the impact on each portfolio's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analyses for the year ended 31st March 2020 are given in the Investment Managers' Report on pages 10 to 14.

**Discount to net asset value ('NAV')**

The Board has for several years operated a share repurchase programme 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 at which the Company's shares trade. In the year to 31st March 2020, the discount on the Growth shares (using cum-income NAV, with debt valued at fair value) ranged between 9.0% and 22.7% and the discount on the Income shares (using cum-income NAV, with debt valued at fair value) ranged between 1.4% and 25.0%. For details of the Board's approach to managing the discount for both the Growth and Income shares, please refer to the Chairman's Statement on page 5.

**Growth:**

**Discount on cum-income NAV to Fair Value**

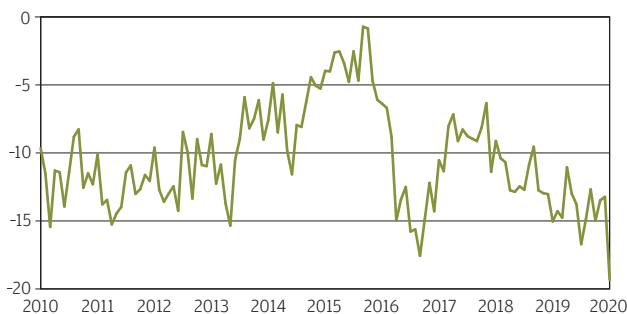


Source: Datastream.

— JPMorgan European Growth - share price discount on cum-income only net asset value with debt at fair value.

**Income:**

**Discount on cum-income NAV to Fair Value**



Source: Datastream.

— JPMorgan European Income - share price discount on cum-income net asset value with debt at fair 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 of the daily net assets during the year. The Growth portfolio's Ongoing charges for the year ended 31st March 2020 were 1.00% (2019: 1.01%). The Income portfolio's Ongoing charges for the year ended 31st March 2020 were 1.02% (2019: 1.06%).

**Share Capital**

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

During the year 3,561,284 Growth shares and 987,502 Income shares were repurchased for cancellation (2019: Growth 992,424, Income 342,064).

Since the year end, the Board implemented its buyback policy and purchased a total of nil Growth shares and nil Income shares.

Excepting the requirement arising due to the Company's annual share conversion, no new shares of either share class were issued during the year, or since the year end (2019: nil).

Resolutions to renew the authorities to allot new shares and to repurchase shares for cancellation will be put to shareholders at the forthcoming AGM. The full text of the resolutions is set out in the Notice of Meeting on pages 103 and 104.

**Conversions**

During the year, the Company's annual share conversions took place on 16th March 2020. The net result of those conversions was an increase in the Growth issued share capital of 5,515,074 shares, and a decrease in the Income issued share capital of 10,745,007 shares.

**Borrowing**

The Company has issued a €50 million Private Placement Note with MetLife repayable on 26th August 2035 with a fixed coupon rate of 2.69%. The Company also had a €15 million 364 day committed revolving credit facility with National Australia Bank which expires on 24th August 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. As regards the gender diversity of the Board as at 31st March 2020, there were two male Directors and two female Directors on the Board. A third female director was appointed on 4th June 2019.

### Employees, Social, Community, Environmental, Human Rights Issues and Greenhouse Gas Emissions

An increasingly broad spectrum of investors now rightly focus on 'ESG' issues for their portfolios. They want to know that their managers are aware of these issues, that they take them into account in building their portfolios and that they raise issues directly with investee companies. The Company is aware of the focus on these issues with the Managers and how they integrate them into their investment process.

Companies that address ESG issues and adopt sustainable business practices are better placed to maximise their performance and create enduring value for shareholders. Corporate governance issues have the most direct bearing on the risk/reward profile of the Company's portfolio; as such it is the area most integrated into the Manager's investment process. However, environmental concerns and social issues are relevant and again the focus is on the economic impact of the involvement. The Manager engages in meaningful interactions with investee companies through dedicated meetings and exercises the Company's proxy votes in a prudent and diligent manner in the interests of our shareholders. Also see the Company's Corporate Governance and Voting Policy in the Directors Report on page 48 for further details on Proxy Voting and Stewardship/Engagement.

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 Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. The Board notes the JPMAM policy statements in respect of Social, Community and Environmental and Human Rights issues and Greenhouse Gas Emissions and that JPMAM, 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. See [www.jpmorganinvestmenttrusts.co.uk/governance](http://www.jpmorganinvestmenttrusts.co.uk/governance) for further details.

### 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

Shares in the Company are purchased through intermediaries or brokers, therefore no funds flow directly into the Company. The Company maintains a zero tolerance for tax evasion.

### Principal and Emerging Risks

The Directors have carried out a robust assessment of the principal and emerging risks facing the Company including the Covid-19 pandemic and 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 emerging and key risks to the Company. These key risks fall broadly under the following categories:

#### • Investment

The Board recognises that performance of the trust's investment portfolio is fundamental to the success of the Company. In order to achieve the objectives given the risks inherent in investment such as market, gearing, currency and interest rates, investment guidelines, policies and processes are in place which aim to mitigate these risks. They are designed to ensure that the portfolios are managed in a way which is aimed at identifying the best stocks and diversifying risk. Regular reports are received by the Board from the Manager on stock selection, asset allocation, gearing, hedging and costs of running the Company and these are reviewed at each Board meeting in detail. Compliance with investment guidelines and policies are reviewed by the Manager and the Board, and discussed at each board meeting in detail together with an analysis of market parameters affecting the business.

Investment includes market risk and this arises from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. 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 JPMF. The Board monitors the implementation and results of the investment process with the Manager.

Further details regarding financial instruments are disclosed in note 22 on pages 84 to 90.

#### • Operational

In common with most investment trusts the Board delegates the operation of the business to third parties, the principal delegate being the Manager JPFM. Disruption to, failure of, or fraud in JPMF's accounting, dealing or payments systems or the Depository or Custodian's records could prevent timely

implementation of investment decisions, and potentially shortfalls in the accuracy of reporting and monitoring of the Company's financial position and loss. Cyber crime is a threat to businesses continuity and security. The Board has received the cyber security policies of its key third party service providers and JPMF has provided assurance to the Directors that the Company benefits directly or indirectly from all elements of JPMorgan's cyber security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and trading applications are tested and reported on every six months against the AAF standard. Details of how the Board monitors the services provided by JPMF and its associates and the Depositary and Custodian and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 47.

- **Regulatory**

The Company operates in an environment with significant regulation including the UKLA Listing Rules, The UK Companies Act, the Corporation Taxes Act, Market Abuse Regulation, Disclosure Guidance and Transparency Regulations and the Alternative Investment Fund Managers Directive (AIFMD). Uncertainty continues regarding the impact of Brexit on the Company.

There has been no significant change to this risk during the year though the environment as a whole is considered to be one of increasing costs for compliance. The Company also operates under the requirements of the Bribery Act 2010 as referred to in the Directors Report on page 43.

- **Discount premium to NAV**

Share price discount or premium to net asset value per share could lead to high levels of uncertainty and reduced shareholder confidence. For further details of the Company's action in addressing this risk and its buyback activity and discount, please see the Share Issuance and Repurchase section of the Chairman's Statement on page 5.

- **Strategy**

The Board reviews the overall strategy and structure of the Company in comparison to performance against benchmark, peer group and share activity. The Board holds a separate meeting devoted to strategy each year which includes consideration of whether the Company's objectives and structures are appropriate for the long term interests of shareholders.

- **Pandemic Risk**

Covid-19 has developed rapidly to become a pandemic which has delivered a major shock to the global economy and become a principal risk. The Company is exposed to the risk of market volatility and falling equity markets brought about

by the pandemic. The resilience of the operational services to the Company could be reduced as a result of the effects of the pandemic, representing a risk to the Company. The Board regularly reviews the mitigation measures which JPMorgan Asset Management and other key service providers have in place to maintain operational resilience and is satisfied that these are appropriate even in the current conditions. Relevant business continuity plans have been invoked at those service providers and the Board had been given updates. Working from home arrangements have been implemented where appropriate and government guidance is being followed. The Board does not anticipate a fall in the level of service.

The pandemic has triggered a sharp fall in global stock markets and created uncertainty around future dividend income. Whilst the Board notes the fall in the Company's NAV per share and share price it also notes the Investment Managers' investment process is unaffected by the Covid-19 pandemic and they continue to focus on long-term company fundamentals and detailed analysis of current and future investments.

Further information on Covid-19 is set out in the Chairman's statement on page 5, the Investment Managers' report on page 10 and Note 1 (a) on page 71.

## Long Term Viability

The Company was established in 1929 and has now been in existence for 91 years. This year it will be hosting its 91st AGM.

The Company is an investment trust and has the objective of achieving long term capital growth and income investing in Continental European investments. The Company has been investing over many economic cycles and some difficult market conditions.

Although past performance and a long historic track record is no guide to the future, the Directors believe that the Company has an attractive future for investors as a long term investment proposition. Unfortunately, it is impossible to predict too far into the future, so the Directors have adopted a somewhat shorter time horizon to assess the Company's viability, which is five years.

The Board continue to consider five years to be a suitable time horizon as it is regarded by many as a reasonable time for investing in equities. The Directors have considered the Company's prospects over the next five years, its principal and emerging risks and the outlook for the European economy, its equity market and the market for investment trusts, including the current Covid-19 crisis and the potential impact and the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience. Equity markets have fallen significantly due primarily to concerns around the scale of its impact on the global economy. Although the total cost of Covid-19 is currently hard to predict with any certainty, we do not believe that it calls into question the long term viability of the

## LONG TERM VIABILITY

---

Company, particularly as the Company has no loan covenants or liabilities that cannot be readily met. The Board have reviewed income and expense projections, and the liquidity of the investment portfolio i making their assessment. Moreover, the existence of a 20 year private placement illustrates the confidence that the Directors have placed in the long term viability of the Company.

The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years until 31st March 2025.

By order of the Board  
Paul Winship, for and on behalf of  
JPMorgan Funds Limited  
Secretary

12th June 2020

## Directors' Report

---

## BOARD OF DIRECTORS



### Josephine Dixon\*‡†# (Chair of the Board of Directors)

A Director since 1st October 2013.

Last reappointed to the Board: 2019.

Josephine Dixon is a Non-Executive Director of BB Healthcare Trust plc, Strategic Capital Trust plc, BMO Global Smaller Companies plc, Ventus VCT plc and Alliance Trust plc. Previously held a number of senior positions within the NatWest Group and was Finance Director of Newcastle United plc. She was Commercial Director, UK, Europe and the Middle East at Serco Group and sat on various advisory boards in the education and charity sector. She is a Chartered accountant.

Shared directorships with other Directors: None.

Shareholding in Company: 7,000 Growth Shares.



### Rita Dhut \*‡†#

A Director since 4th June 2019

Last reappointed to the Board: 2019

Rita Dhut is currently a Non-Executive Director of Ashoka India Equity Investment Trust plc and a member of the Investment Committee for Newable Private Investing. She has over 25 years of varied and award winning investment experience including in UK and continental European equities with previous roles including Director of European Equities at M&G and Head of Pan European Equity Value Investing at Aviva Investors.

Shared directorships with other Directors: None

Shareholding in the Company: 6,625 Income Shares.



### Stephen Goldman\*‡†#

A Director since 1st September 2008.

Last reappointed to the Board: 2019.

Stephen Goldman is a director of Cavendish Asset Management Limited. He has a wide experience of investing in European equities, having spent 12 years at NM Rothschild Asset Management, where he led the UK Equity Research team. Formerly Head of the UK Portfolio Management and the European Client Portfolio Management teams at JPMorgan and Head of Equities for the European Region at Credit Suisse Asset Management.

Shared directorships with other Directors: None.

Shareholding in Company: 10,000 Growth Shares.



### Jutta af Rosenborg\*‡†# (Chair of the Audit Committee)

A Director since 1st February 2015.

Last reappointed to the Board: 2019.

Jutta af Rosenborg is a Non-Executive Director of Standard Life Aberdeen plc and a Director of NKT A/S, Nilfisk Holdings A/S and BGGI SICAV S.A. She has held a number of senior auditing and consulting roles with firms including Deloitte in addition to directorships of listed Danish Companies. She has considerable business experience gained as a Financial Director of several large industrial enterprises and their subsidiaries operating in Continental Europe. She is a qualified accountant.

Shared directorships with other Directors: None.

Shareholding in Company: nil.



### Stephen Russell\*‡†# (Senior Independent Director)

A Director since 1st June 2005.

Last reappointed to the Board: 2019.

Stephen Russell is Investment Director at Ruffer LLP. He has wide practical experience of investment in Europe and knowledge of both the institutional and private client markets. He spent 11 years at SLC Asset Management (now CSAM), most notably as Fund Manager of £5 billion of equities, before joining HSBC Investment Bank as Head of Europe & UK Equity Strategy.

Shared directorships with other Directors: None.

Shareholding in Company: 2,856 Growth Shares.

\* Member of the Audit Committee.

‡ Member of the Nomination Committee.

# Member of Management Engagement Committee

† Considered independent by the Board.

The Directors present their report and the audited financial statements for the year ended 31st March 2020.

Reference to Financial Instruments and Future Developments are included in the Strategic Report on pages 38 and 39.

## Management of the Company

The Manager and Secretary is JPMorgan Funds Limited (JPMF). Portfolio management is delegated to JPMorgan Asset Management (UK) Limited (JPMAM). JPMF is employed under a contract terminable on one year's notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

JPMF and JPMAM are wholly owned subsidiaries of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing, marketing and custodian services to the Company.

The Board conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. Part of this evaluation includes a consideration of the management fees and whether the service received is value for money for shareholders.

The Board has thoroughly reviewed the performance of the Manager in the course of the year. The review covered the performance of the Manager, its management processes, investment style, resources and risk controls and the quality of support that the Company receives from the Manager including the marketing support provided. The Board is of the opinion that the continuing appointment of the Manager is in the best interests of shareholders as a whole. Such a review is carried out on an annual basis.

A newly established separate Management Engagement Committee has been created and will undertake these tasks in the current year.

## Management Fee

The annual management fee for both the Growth and Income share class is charged at 0.75% per annum on total assets less current liabilities and is calculated and paid monthly in arrears. Effective from 1st April 2020, the Company's investment management fee will be reduced to 0.65% on gross assets in excess of £500 million, calculated by aggregating the gross assets of the Growth and Income portfolios. The existing management fee of 0.75% will remain applicable on the aggregated gross assets up to £500 million. If the Company invests in funds managed or advised by JPMAM or any of its associated companies, those investments are excluded from the calculation and therefore attract no fee.

## Directors

In accordance with corporate governance best practice, all Directors will retire by rotation at the forthcoming Annual General Meeting and, being eligible, all will offer themselves for reappointment. The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed.

## Director Indemnification and Insurance

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

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:

- 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
- each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself 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 of the Companies Act 2006.

## Section 992 Companies Act 2006

The following disclosures are made in accordance with Section 992 Companies Act 2006.

### Capital Structure

The Company's capital structure is summarised on page 99 of this report.

### Voting Rights in the Company's shares

The percentage of total voting rights is calculated by reference to the share voting numbers which as at 31st March 2020 were as follows:

Growth shares:	2.743
Income shares:	1.265

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of AGM on page 102.

### 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 total voting rights
Wells Capital Management	6.1
1607 Capital Partners LLC	10.2

There were no changes after the year end to report.

### Miscellaneous Information

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back 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 affects its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

### Independent Auditor

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

### Annual General Meeting

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

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

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

The Directors will seek renewal of the authority at the AGM to issue up to 7,425,982 new Growth shares and 8,918,156 new Income shares for cash up to an aggregate nominal amount of £371,299 and £222,954 respectively, such amount being equivalent to 10% of the present issued share capital of each share class as at the last practicable date before the publication

of this document, and to disapply pre-emption rights in relation to such issues. The full text of the resolutions is set out in the Notice of Meeting on page 100. This authority will expire at the conclusion of the AGM of the Company in 2020 unless renewed at a prior general meeting.

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

#### (ii) Authority to repurchase the Company's Shares (resolution 12 special)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2019 AGM, will expire on 15th January 2020 unless renewed at the forthcoming AGM. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole as the repurchase of shares at a discount to NAV enhances the NAV of the remaining shares. The Board will therefore seek shareholder approval at the AGM to renew this authority, which will last until 14th January 2022 or until the whole of the 14.99% has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on pages 100 and 101. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares, as and when market conditions are appropriate.

#### (iii) Authority to make off-market purchases (resolution 13 special)

This resolution gives the Company authority to buy its deferred shares arising on conversion of any of the Growth or Income shares into the other class of shares. This resolution follows the requirements of Section 694 of the Companies Act 2006. The Deferred shares are repurchased for nominal consideration (as they have no economic value) in order to keep the balance sheet manageable. By law the Company can only purchase these shares off-market if such purchase is pursuant to a contract in the form approved at a general meeting of the Company.

#### (iv) Adoption of New Articles of Association (resolution 14 special)

Resolution 14, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Existing Articles'). The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted. See Appendix to AGM Notes on page 103 for further details.

## Recommendation

The Board considers that resolutions 10 to 14 to be proposed at the forthcoming AGM, are in the best interests of 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 approximately 0.4% of the voting rights of the Company.

## Corporate Governance Statement

### Compliance

The Board is committed to high standards of corporate governance. It has considered the principles and provisions of the AIC Code of Corporate Governance published in 2019 (the 'AIC Code'), which addresses the principles and provisions set out in the UK Corporate Governance Code (the 'UK Code') published in 2018, as they apply to investment trust companies. It considers that reporting against the AIC Code, therefore, provides more appropriate information to the Company's shareholders. The Board confirms that the Company has complied with the principles and provisions of the AIC Code, in so far as they apply to the Company's business, throughout the year under review. As all of the Company's day-to-day management and administrative functions are outsourced to third parties, it has no executive directors, employees or internal operations and therefore has not reported in respect of the following:

- the role of the executive directors and senior management;
- executive directors' and senior management remuneration; and
- the workforce.
  - Internal audit function as the Company relies on the internal audit department of the Manager; and
  - Establishment of a separate Remuneration Committee, as this role is undertaken by the Nomination Committee chaired by the Senior Independent Director.

### Directors' Duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires that a Director must act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members (i.e. shareholders) as a whole and in doing so, have regard (amongst other matters) to the likely consequences of any decision in the long term; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining

a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

The Board ensures that it promotes the success of the Company by engaging specialist third party suppliers with appropriate performance records, resources and controls in place to deliver the services that the Company requires. Their performance is monitored by the Board and its committees, who have oversight of the Company's operations. The principle supplier is the Manager, in particular the investment management team who are responsible for managing the Company's assets in order to achieve its stated investment objective. The Board maintains a good working relationship with the Manager, who also provides administrative support and promotes the Company through its investment trust sales and marketing teams. Whilst strong long term investment performance is essential, the Board recognises that to provide an investment vehicle that is sustainable over the long term, both it and the Manager must have regard to ethical and environmental issues that impact society. Hence environmental, social and governance considerations are integrated into the Manager's investment process and will continue to evolve. The Board has sought to engage with and understand the views of the Company's shareholders including via the Company's Broker and other key stakeholders (the Manager, Registrar) as it regards an understanding of their views as essential in being able to fulfil its duty. The feedback obtained affirms the Board's approach to maintaining the Investment Objectives of both Growth and Income Portfolios. The Directors have considered this duty when making the strategic decisions during the year that impact shareholders, including the new Director appointment, a review of the loan facilities and the recommendation that shareholders vote in favour of the resolutions to renew the allotment and buy back authorities at the Annual General Meeting.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review.

### Role of the Board

A management agreement between the Company and JPMF sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administrative, 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.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company, which arose during the year.

Following the introduction of the Bribery Act 2010 the Board has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

The Board meets on at least five occasions during the year and additional meetings are arranged as necessary. Full and timely information is provided in Board Papers and correspondence to the Board by JPMF 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

At the date of signing this Report the Board, chaired by Josephine Dixon, 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. Brief biographical details of each Director are set out on page 42.

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. During the year a Senior Independent Director was appointed to lead the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

### Reappointment of Directors

The Directors of the Company and their brief biographical details are set out on page 42. The skills and experience that each Director brings to the Board, and hence why their contributions are important to the long term success of the Company, are summarised on page 42. All of the Directors held office throughout the year under review will stand for reappointment at the forthcoming AGM. See page 100 for further details regarding the AGM.

Resolution 4 is for the reappointment of Josephine Dixon. She joined the Board in October 2013 and has served for seven years firstly as a Director and then Chairman.

Resolution 5 is for the reappointment of Stephen Goldman. He joined the Board in September 2008 and has served for 11 years as a Director.

Resolution 6 is for the reappointment of Stephen Russell. He joined the Board in June 2005 and has served for 14 years as Director.

Resolution 7 is for the reappointment of Jutta af Rosenborg. She joined the Board in February 2015 and has served for five years as a Director.

Resolution 8 is for the reappointment of Rita Dhut. She joined the Board in June 2019 and has served as a Director for one year.

The Board confirms that each of the Directors standing for reappointment at the forthcoming AGM continue to contribute effectively and recommends that shareholders vote in favour of their reappointment.

### 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, Directors are subject to annual reappointment by shareholders, in line with corporate governance best practice. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. Notwithstanding that Stephen Russell will have served as a director for 14 years and Stephen Goldman for 11 years at the date of the 2020 AGM, the Nomination Committee agree that they continue to remain independent in character and judgement. Accordingly, due to their significantly positive contribution to the Company and knowledge of the industry, and in order to help maintain continuity since the sad loss of the Company's Chairman in January 2019 and subsequent appointment of a new director, the Nomination Committee agreed that it would be in the best interest of the Company that their appointment continue. However, the Company's Board Succession Plan includes the expectation that Stephen Russell will retire at the AGM in 2022 and Stephen Goldman in 2023.

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

### Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and

**Corporate Governance Statement** continued

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. A Management Engagement Committee has also been established and will sit for the first time in the current year. Details of membership of committees are shown with the Directors' profiles on page 42.

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

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Josephine Dixon	5	2	1
Rita Dhut	5	2	1
Stephen Goldman	5	2	1
Jutta af Rosenborg	5	2	1
Stephen Russell	5	2	1

**Board Committees**

**Nomination Committee**

The Nomination Committee, chaired by Stephen Russell, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender. A variety of sources, including the use of external search consultants, may be used to ensure that a wide range of candidates is considered.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together. Questionnaires, drawn up by the Board, with the assistance of JPMF, 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. Consideration was given to the appointment of an external consultant to evaluate the performance of the Chairman and the Board, but it was not

regarded as necessary as the existing evaluation process was regarded as sufficient.

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

**Audit Committee**

The Audit Committee Report is set out on page 58.

The Nomination Committee, Audit Committee and the Management Engagement Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection at 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 each year by way of the annual report and Financial Statements, and half year financial report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

Normally, all shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Managers are available in person to meet with shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. However, this year the Covid-19 pandemic legislation has made it necessary to amend arrangements for the Company's 2020 Annual General Meeting. Please see the Chairman's Statement for further details. 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 109. Questions can also be raised through the link on the Company's website [www.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk).

The Company's Annual Report and Financial Statements is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 109. 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; business, financial, operational, compliance and risk management.

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMF and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by JPMF and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. Given the foregoing, and in common with most investment trust companies, the Company does not have an internal audit function of its own. The Manager's internal audit department conducts regular and rigorous reviews of the various functions within its asset management business. Any significant findings that are relevant to the Company and/or the Manager's investment trust business are reported to the Board. The key elements designed to provide effective risk management and internal control are as follows:

- **Financial Reporting**

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

- **Management Agreement**

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

- **Management Systems**

The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMF'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 Managers and its associates as follows:

- the Board, through the Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMF's Compliance department;
- the Board reviews reports on the risk management and internal controls and the operations of its Depositary, The Bank of New York Mellon (International) Limited and Custodian, JPMorgan Chase Bank, which are themselves independently reviewed; and
- every six months the Directors review an independent report on the risk management and internal controls and the operations of JPMF.

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 March 2020 and that systems have been in place during the year under review and up to the date of approval of this Annual Report and Financial Statements. Moreover, the controls accord with the Financial Reporting Council, Guidance on Risk Management, internal control and related Financial and Business Reporting, September 2014.

### Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager. The following is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board.

#### 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 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 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.jpmmorganassetmanagement.co.uk/Institutional/CommentaryAndAnalysis/CorporateGovernance>, 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.

## Audit Committee Report

### Composition and Role

The Audit Committee presents its report for the year ended 31st March 2020.

The Audit Committee, chaired by Jutta af Rosenborg, meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. The Chairman of the Board is deemed to be independent and therefore is permitted to be a member of the Audit Committee under corporate governance rules.

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

The Audit Committee also examines the effectiveness of the Company's internal control systems. It monitors the Company's Principal and Emerging risks and the controls relating to Key risks it receives information from the Manager's Compliance department, see page 47 Risk Management and Internal Controls, and also reviews the scope and results of the external audit, its

cost effectiveness and the independence and objectivity of the external auditors. In the Directors' opinion the Auditors are independent. The Company also engages the Auditors to undertake a review of the annual share conversion that it processes for a total fee of £3,750 per annum (2019: £3,750). The Board do not consider that the fee for this non-audit service undermines the auditor's independence as it is regarded as an immaterial sum.

## Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st March 2020, the Audit 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 and derivatives	The valuation of investments and derivatives are undertaken in accordance with the accounting policies, disclosed in note 1(b) and (g) to the accounts on pages 71 and 72. 100% of the portfolio can be verified against daily published prices. Controls are in place to ensure valuations are appropriate and existence is verified through custodian and depositary reconciliations. The Board monitors controls and significant movements in the underlying portfolio by reviewing reports regularly in Board Meetings.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on page 71. The Board regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment. Reference is made to a Revenue Estimate during the reviews.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis by the Manager on behalf of the Board.
Covid-19 Pandemic	The Audit Committee has reviewed the appropriateness of the adoption of the Going Concern basis in preparing the accounts, particularly in view of the impact of the Covid-19 pandemic. The Audit Committee recommended that the adoption of the Going Concern basis is appropriate (see Going Concern statement on page 50 which also details how the issue was addressed).

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

### Going Concern

The Directors believe that, having considered the Company's investment objectives (see page 34), future cash flow projections, risk management policies (see page 47), liquidity risk (see note 22(b) on page 84), principal and emerging risks (see page 38) capital management policies and procedures (see page 91), nature of the portfolios 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, which is at least 12 months from approving this annual report and financial statements. We considered as part of our risk assessment the nature of the Company, its business model and related risks including where relevant the impact of Brexit, the impact of the Covid-19 pandemic, the requirements of the applicable financial reporting framework the covenants in respect of the Company's private placement debt and bank borrowing and the system of internal control. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the report.

### Audit Appointment and Tenure

The Audit Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external Auditors. Representatives of the Company's Auditors attended the Audit Committee meeting at which the draft Annual Report and Financial Statements including the Auditor's Results Report were considered and also engage with Directors as and when required. The Audit Committee received confirmations from the Auditors in regard of their independence and objectivity during the review of their services. Having reviewed the performance of the external Auditors, including

assessing the quality of work, independence, timing of communications and work with JPMF, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The current audit firm has audited the Company's financial statements for more than 20 years. The Company's year ended 31st March 2020 is Caroline Mercer's fourth year of a five year maximum term as the Company's Audit Partner. Following advice from the Company's Auditors regarding the requirements of EU public interest entity regulations, the Committee is planning to arrange a tender for the Company's audit services with a view to appointing a new auditor effective from 1st April 2021.

### Fair Balanced and Understandable

Having discussed the content of the annual report and financial statements with the Alternative Investment Fund Manager (JPMF), Investment Managers, Company Secretary and other third party service providers, the Audit Committee has concluded that the Annual Report for the year ended 31st March 2020, taken as a whole, is fair, balanced and understandable and provides the information both positive and negative necessary for shareholders to assess the Company's performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 56.

By order of the Board  
Paul Winship, for and on behalf of  
JPMorgan Funds Limited,  
Secretary

12th June 2020



## DIRECTORS' REMUNERATION REPORT

---

The Board presents the Directors' Remuneration Report for the year ended 31st March 2020, 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 58 to 66.

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

### Directors' Remuneration Policy

The Directors' Remuneration Policy is subject to a triennial binding vote, however, a decision has been taken to seek approval annually 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.

At the AGM on 15th July 2019 99.52% votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the Remuneration Policy and 0.48% voted against. Abstentions were received from less than 0.14% of votes cast.

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

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award or

pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

In the year under review, Directors' fees were paid at the following rates: Chairman £40,000; Chairman of the Audit Committee £31,500; and other Directors £27,500.

As referred to in the Chairman's Statement, there has been no increase in the Directors remuneration since the previous increase was made on 1st April 2018. The maximum aggregate Directors' fees payable are £225,000 per annum, as specified in the Company's Articles of Association. Any increase in the maximum aggregate annual limit on Directors' fees, requires both Board and shareholder approval.

The Company's Articles of Association provide for additional remuneration to be paid to the Company's Directors for duties or services performed outside their ordinary duties, not limited by the maximum aggregate, referred to above.

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 46.

### 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 March 2019.

At the Annual General Meeting held on 15th July 2019, of votes cast, 99.47% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration report and 0.53% voted against. Abstentions were received from less than 0.13% of the votes cast.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Report from the 2020 Annual General Meeting will be given in the annual report for the year ending 31st March 2021.

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

### Single total figure of remuneration

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

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

Directors' Name	2020 Taxable		Total	2019 Taxable		Total
	Fees expenses <sup>2</sup> £	£		Fees expenses <sup>2</sup> £	£	
Andrew Adcock <sup>3</sup>	–	–	–	32,889	67	32,956
Josephine Dixon <sup>4</sup>	40,000	2,164	42,164	34,059	936	34,995
Rita Dhut <sup>5</sup>	22,688	–	22,688	–	–	–
Stephen Goldman	27,500	–	27,500	27,500	–	27,500
Jutta af Rosenberg <sup>6</sup>	31,500	–	31,500	30,704	–	30,704
Stephen Russell	27,500	–	27,500	27,500	–	27,500
<b>Total</b>	<b>149,188</b>	<b>2,164</b>	<b>151,352</b>	<b>152,652</b>	<b>1,003</b>	<b>153,655</b>

<sup>1</sup> Audited information.

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

<sup>3</sup> Deceased 26th January 2019.

<sup>4</sup> Assumed role of Chairman from 13th December 2018.

<sup>5</sup> Rita Dhut was appointed on 4th June 2019.

<sup>6</sup> Assumed role of Audit Committee Chairman from 13th December 2018.

Effective from 1st April 2020:

	2020 £
Josephine Dixon	40,000
Jutta af Rosenberg	31,500
Rita Dhut	27,500
Stephen Goldman	27,500
Stephen Russell	27,500
<b>Total</b>	<b>154,000</b>

A table showing the total remuneration for the role of Chairman over the five years ended 31st March 2020 is below:

### Remuneration for the role of Chairman over the five years ended 31st March 2020

Year ended 31st March	Fees
2020	–
2019	£40,000
2018	£38,000
2017	£38,000
2016	£34,000

### Directors' Shareholdings

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors beneficial shareholdings in the Company's Growth shares, are detailed below:

Directors	31st March <sup>1</sup> 2020	1st April <sup>1</sup> 2019 or date of appointment
Josephine Dixon	7,000	7,000
Rita Dhut	6,625	–
Stephen Goldman	10,000	10,000
Jutta af Rosenberg	–	–
Stephen Russell	2,856	2,856

<sup>1</sup> Audited information.

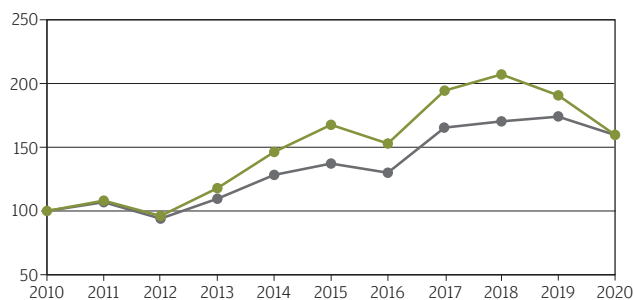
There have been no changes to the above details since the year end and the date of signing these report and financial statements.

## DIRECTORS' REMUNERATION REPORT

Graphs showing each portfolio's share price total return compared with the relevant benchmark are shown below.

### Growth:

#### Ten Year Share Price and Benchmark Total Return to 31st March 2020

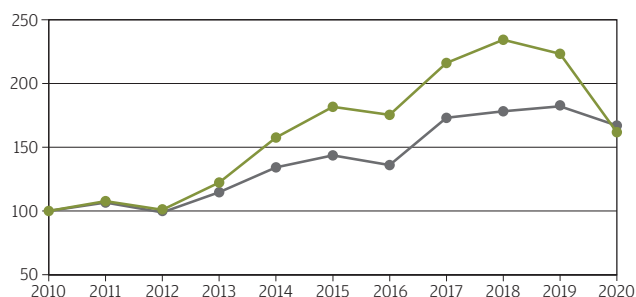


Source: Morningstar/FTSE.

— Share price total return.  
— Benchmark total return.

### Income:

#### Ten Year Share Price and Benchmark Total Return to 31st March 2020



Source: Morningstar/FTSE.

— Share price total return.  
— Benchmark total return.

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

	Year ended 31st December	
	2020	2019
Remuneration paid to all Directors	£151,352	£153,655
Distribution to shareholders		
– by way of dividend	£13,034,000	£11,220,000
– by way of share repurchases	£11,807,000	£3,381,000

For and on behalf of the Board  
Josephine Dixon  
Chair

12th June 2020



## 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) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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;
- 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 annual report and financial statements are published on the [www.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk) website, which is maintained by the

Company's Manager, JPMorgan Funds Limited. 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 annual report and financial statements are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, a Directors' Report and a Directors' Remuneration Report that comply with that law. The Strategic Report and the Directors' report include a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Each of the Directors, whose names and functions are listed on page 42 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 financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the strategy and business model of the Company.

For and on behalf of the Board

Josephine Dixon  
Chairman

12th June 2020



## To The Members of JPMorgan European Investment Trust Plc

### Opinion

We have audited the financial statements of JPMorgan European Investment Trust PLC (the 'Company') for the year ended 31st March 2020 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, 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 March 2020 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 38 and 39 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 38 in the annual report that they have carried out a robust assessment of the emerging and 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 71 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 39 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 and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income</li><li>• Risk of inappropriate valuation and/or defective title to the investment portfolio</li><li>• Impact of COVID-19</li></ul>
<b>Materiality</b>	<ul style="list-style-type: none"><li>• Overall materiality of £3.17 million which represents 1% of shareholders' funds</li></ul>

---

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, 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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Incomplete and/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 49 in the Audit Committee's Report and as per the accounting policy set out on page 71).</p> <p>The total revenue for the year to 31st March 2020 was £15.88 million, consisting primarily of dividend income from listed investments.</p> <p>The total amount of special dividends recognised by the Company was £0.80 million (2019: £0.12 million), (2019: £0.12 million) was classified as revenue and £0.44 million (2019: nil) was classified as capital.</p> <p>The income receivable by the Company during the year directly affects the Company's revenue return. There is a risk of incomplete and/or inaccurate recognition of revenue 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 judgement 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 and Administrator's processes and controls surrounding revenue recognition and the recognition and classification of special dividends by reviewing their internal controls reports (which have been externally audited) and by performing walkthrough procedures to, in the case of special dividends, evaluate the design and implementation of controls.</p> <p>We agreed 100% of dividends received from the income report to an independent data vendor. We recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share as agreed to an external source. We agreed a sample to bank statements and, where applicable, we also agreed the exchange rates to an external source.</p> <p>To test completeness of recorded income, we tested that all expected dividends had been recorded as income with reference to investee company announcements obtained from an independent data vendor.</p> <p>For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the obligation arose prior to 31st March 2020. We agreed the dividend rate to dividend rates from an independent data vendor. We recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post period end bank statements to ensure that the accrued dividends had subsequently been received.</p>	<p><b>The results of our procedures are:</b></p> <p>Based on our testing we are satisfied that income is complete accurate and, appropriately classified.</p>

## INDEPENDENT AUDITOR'S REPORT

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Inappropriate valuation and/or defective title of the investment portfolio</b> (as described on page 49 in the Audit Committee's Report and as per the accounting policy set out on page 72).</p> <p>The valuation of the portfolio at 31st March 2020 was £317.20 million consisting of listed investments.</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. Inappropriate 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 listed investments is determined by reference to stock exchange quoted market bid prices at close of business on the reporting date.</p>	<p>Recognising that a number of companies have responded to the COVID-19 pandemic by cancelling or adjusting their dividend payments, we traced 100% of cash receipts of the accrued dividend income to post year end bank statements.</p> <p>We performed a review of the income and acquisition and disposal reports to identify all dividends received and accrued during the period that are above our testing threshold.</p> <p>We identified which of the dividends above our testing threshold were special dividends with reference to an external source. There were two special dividends above our testing threshold with a cumulative value of £0.44 million.</p> <p>We recalculated and assessed the appropriateness of management's classification of the special dividends which were above our testing threshold and agreed with their allocation to capital.</p> <p><b>We performed the following procedures:</b></p> <p>We obtained an understanding of the Administrator's processes surrounding investment pricing of listed securities by reviewing their internal controls report (which have been externally audited) and by performing walkthrough procedures.</p> <p>For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end.</p> <p>We assessed the liquidity of the investment portfolio through analysing the monthly average trading volume of the investments. We also reviewed the year end price exception and stale pricing reports to identify any prices that have not changed since the previous day and tested whether the listed price is a valid fair value.</p> <p>We agreed the Company's investments to the independent confirmation received from the Company's Custodian and Depository at 31st March 2020.</p>	<p><b>The results of our procedures are:</b></p> <p>Based on our testing we are satisfied that the investment portfolio has been appropriately valued and that the existence has been confirmed.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Impact of COVID-19</b> (as described on page 39 in the Strategic Report, page 49 in the Audit Committee's Report and as per the accounting policy set out on page 71).</p> <p>The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets, but as of the date of our audit report, the longer term impact remains uncertain. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the financial statements.</p> <p>The COVID-19 pandemic and resultant uncertainties had the most significant impact on our audit of the financial statements in the following areas:</p> <p><b>Going concern</b></p> <p>There is increased risk due to the degree of uncertainty in the assumptions underlying management's assessment of future prospects, including the impact of COVID-19 on the Company continuing to meet its stated objective.</p> <p><b>Revenue recognition</b></p> <p>There is risk that revenue could be incorrectly stated due to dividends accrued at year end from underlying investments being subsequently cancelled or altered.</p> <p><b>Financial statement disclosures</b></p> <p>There is a risk that the impact of COVID-19 is not adequately disclosed in the financial statements.</p>	<p><b>We performed the following procedures:</b></p> <p><b>Going concern</b></p> <p>We obtained and reviewed the assessment of going concern which includes consideration of the impact of COVID-19.</p> <p>We reviewed the revenue forecast which takes account of the impact COVID-19 may have on the Company and which supports the Directors' assessment of going concern and challenged the assumptions made by the Manager in the preparation of the forecast.</p> <p>We assessed the liquidity of the portfolio as set out in our response to the risk on inappropriate valuation and/or defective title of the investment portfolio above. We also assessed the concentration risk of the investment portfolio.</p> <p>We reviewed the Board's assessment of the risk of breaching the debt covenants including in stressed scenarios. We recalculated the debt covenants which are set out in the loan agreement and which do not involve any subjectivity to confirm there were no covenant breaches as at the year end.</p> <p>We confirmed through discussion with the Company Secretary and the Directors that they are in close contact with key service providers and that Business Continuity Plans are in place with no significant deterioration of service being experienced.</p> <p><b>Revenue recognition</b></p> <p>In response to a number of Companies cancelling or altering their dividend payments due to COVID-19, we have performed our audit procedures on the recoverability of accrued dividend income up to the date of the approval of the Annual Report and Financial Statements, as set out in our response to the risk on incomplete and/or inaccurate revenue recognition.</p> <p><b>Financial statements disclosures</b></p> <p>We reviewed the disclosures contained within the Financial Statements.</p>	<p><b>The results of our procedures are:</b></p> <p>Based on the procedures performed, we are satisfied that the Directors have appropriately considered the impact of COVID-19 on the going concern assessment, and revenue recognition and that adequate disclosures have been presented in the financial statements.</p>

We have included a risk in relation to the impact of COVID-19 which was not included in our prior year audit report. This has been included to set out our approach in addressing this new and developing risk.

### 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 £3.17 million (2019: £4.08 million) which is 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% (2019: 75%) of our planning materiality, namely £2.38 million (2019: £3.06 million).

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.68 million (2019: £0.78 million) million being 5% of profit before tax.

#### 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 £0.16 million (2019: £0.20 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 set out on pages 91 to 109, 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:

- **Fair, balanced and understandable set out on page 50** - 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 pages 49 and 50** - 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 page 45** - 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 56, 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 and/or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital in the Statement of Comprehensive Income. 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 of the Company for the period ending 31st March 1930 and subsequent financial periods.

Our total uninterrupted period of engagement is 91 years, covering periods from our appointment through to the period ending 31st March 2020.

- 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.

Caroline Mercer (Senior Statutory Auditor)  
for and on behalf of  
Ernst & Young LLP, Statutory Auditor  
Edinburgh

12th June 2020

---

### Notes:

1. The maintenance and integrity of the JPMorgan European 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.
2. 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 MARCH 2020

	Notes	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Losses on investments and derivatives held at fair value through profit or loss	3	–	(77,324)	(77,324)	–	(16,502)	(16,502)
Foreign exchange gains/(losses) on liquidity fund		–	627	627	–	(326)	(326)
Net foreign currency gains		–	876	876	–	1,592	1,592
Income from investments	4	15,740	–	15,740	17,864	–	17,864
Interest receivable and similar income	4	135	–	135	120	–	120
<b>Gross return/(loss)</b>		<b>15,875</b>	<b>(75,821)</b>	<b>(59,946)</b>	<b>17,984</b>	<b>(15,236)</b>	<b>2,748</b>
Management fee	5	(1,170)	(2,232)	(3,402)	(1,186)	(2,265)	(3,451)
Other administrative expenses	6	(722)	–	(722)	(840)	–	(840)
<b>Net return/(loss) before finance costs and taxation</b>		<b>13,983</b>	<b>(78,053)</b>	<b>(64,070)</b>	<b>15,958</b>	<b>(17,501)</b>	<b>(1,543)</b>
Finance costs	7	(425)	(822)	(1,247)	(441)	(850)	(1,291)
<b>Net return/(loss) before taxation</b>		<b>13,558</b>	<b>(78,875)</b>	<b>(65,317)</b>	<b>15,517</b>	<b>(18,351)</b>	<b>(2,834)</b>
Taxation	8	(1,135)	–	(1,135)	(872)	–	(872)
<b>Net return/(loss) after taxation</b>		<b>12,423</b>	<b>(78,875)</b>	<b>(66,452)</b>	<b>14,645</b>	<b>(18,351)</b>	<b>(3,706)</b>
<b>Return/(loss) per share:</b>							
Growth share	9	8.77p	(54.03)p	(45.26)p	10.68p	(18.71)p	(8.03)p
Income share	9	6.25p	(40.86)p	(34.61)p	6.79p	(4.71)p	2.08p

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) after taxation represents the profit/(loss) for the year and also Total Comprehensive Income.

The notes on pages 71 to 91 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves <sup>1</sup> £'000	Revenue reserve <sup>1</sup> £'000	Total £'000
<b>At 31st March 2018</b>	<b>5,023</b>	<b>100,773</b>	<b>15,062</b>	<b>296,538</b>	<b>8,741</b>	<b>426,137</b>
Repurchase and cancellation of the Company's own shares (note 15)	(48)	–	48	(3,381)	–	(3,381)
Share conversions during the year (note 15)	–	3,053	39	(3,092)	–	–
Net (loss)/return	–	–	–	(18,351)	14,645	(3,706)
Dividends paid in the year (note 10)	–	–	–	–	(11,220)	(11,220)
<b>At 31st March 2019</b>	<b>4,975</b>	<b>103,826</b>	<b>15,149</b>	<b>271,714</b>	<b>12,166</b>	<b>407,830</b>
Repurchase and cancellation of the Company's own shares (note 15)	(164)	–	164	(11,807)	–	(11,807)
Share conversions during the year (note 15)	(7)	24,001	300	(24,294)	–	–
Net (loss)/return	–	–	–	(78,875)	12,423	(66,452)
Dividends paid in the year (note 10)	–	–	–	–	(13,034)	(13,034)
<b>At 31st March 2020</b>	<b>4,804</b>	<b>127,827</b>	<b>15,613</b>	<b>156,738</b>	<b>11,555</b>	<b>316,537</b>

<sup>1</sup> These reserves form the distributable reserve of the Company and may be used to fund distribution of profits to investors.

The notes on pages 71 to 91 form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH 2020

	Notes	Growth (unaudited) £'000	2020 Income (unaudited) £'000	Total £'000	2019 Total £'000
<b>Fixed assets</b>					
Investments held at fair value through profit or loss	11	196,186	121,013	317,199	430,366
<b>Current assets</b>	12				
Derivative financial assets		345	242	587	397
Debtors		1,957	1,700	3,657	4,558
Cash and cash equivalents		42,155	12,477	54,632	29,187
		44,457	14,419	58,876	34,142
<b>Current liabilities</b>					
<b>Creditors:</b> amounts falling due within one year	13a	(8,676)	(4,859)	(13,535)	(13,169)
Derivative financial liabilities	13b	(120)	(1,832)	(1,952)	(625)
<b>Net current assets</b>		<b>35,661</b>	<b>7,728</b>	<b>43,389</b>	<b>20,348</b>
<b>Total assets less current liabilities</b>		<b>231,847</b>	<b>128,741</b>	<b>360,588</b>	<b>450,714</b>
<b>Creditors:</b> amounts falling due after more than one year	14	(28,144)	(15,907)	(44,051)	(42,884)
<b>Net assets</b>		<b>203,703</b>	<b>112,834</b>	<b>316,537</b>	<b>407,830</b>
<b>Capital and reserves</b>					
Called up share capital	15	2,948	1,856	4,804	4,975
Share premium	16	35,530	92,297	127,827	103,826
Capital redemption reserve	16	13,912	1,701	15,613	15,149
Capital reserves	16	148,535	8,203	156,738	271,714
Revenue reserve	16	2,778	8,777	11,555	12,166
<b>Total shareholders' funds</b>		<b>203,703</b>	<b>112,834</b>	<b>316,537</b>	<b>407,830</b>
<b>Net asset values</b>					
<b>Net asset value per Growth share</b>	17			274.3p	324.0p
<b>Net asset value per Income share</b>	17			126.5p	172.0p

The financial statements on pages 67 to 70 were approved and authorised for issue by the Directors on 12th June 2020 and were signed on their behalf by:

**Josephine Dixon**  
Director

The notes on pages 71 to 91 form an integral part of these financial statements.

**JPMorgan European Investment Trust plc**  
Company registration number: 237958

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31ST MARCH 2020

	Notes	2020 £'000	2019 £'000
Net cash outflow from operations before dividends and interest	18	(3,663)	(4,526)
Dividends received		14,613	14,277
Interest received		5	4
Overseas tax recovered		988	1,388
<b>Net cash inflow from operating activities</b>		<b>11,943</b>	<b>11,143</b>
Purchases of investments		(250,538)	(248,805)
Sales of investments		281,685	251,740
Settlement of future contracts		5,696	424
Settlement of foreign currency contracts		2,225	438
<b>Net cash inflow from investing activities</b>		<b>39,068</b>	<b>3,797</b>
Dividends paid		(13,034)	(11,220)
Repayment of bank loans		(3,354)	(13,477)
Drawdown of bank loans		3,354	13,528
Interest paid		(1,230)	(1,291)
Repurchase and cancellation of the Company's own shares		(11,807)	(3,381)
<b>Net cash outflow from financing activities</b>		<b>(26,071)</b>	<b>(15,841)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>24,940</b>	<b>(901)</b>
Cash and cash equivalents at the start of the year		29,187	30,078
Exchange movements		505	10
Cash and cash equivalents at the end of the year		54,632	29,187
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>24,940</b>	<b>(901)</b>
<b>Cash and cash equivalents consist of:</b>			
Cash and short term deposits		45,155	6,547
JPMorgan Euro Liquidity Fund		9,477	22,640
<b>Total</b>		<b>54,632</b>	<b>29,187</b>

The notes on pages 71 to 91 form an integral part of these financial statements.

## RECONCILIATION OF NET DEBT

	As at 31st March 2019 £'000	Cash flows £'000	Exchange movements £'000	Other non-cash charges £'000	As at 31st March 2020 £'000
<b>Cash and cash equivalents</b>					
Cash	6,547	38,898	(290)	–	45,155
Cash equivalents	22,640	(13,958)	795	–	9,477
	29,187	24,940	505	–	54,632
<b>Borrowings</b>					
Debt due within one year	(12,926)	–	(348)	–	(13,274)
Debt due after one year	(42,884)	–	(1,155)	(12)	(44,051)
	(55,810)	–	(1,503)	(12)	(57,325)
<b>Total</b>	<b>(26,623)</b>	<b>24,940</b>	<b>(998)</b>	<b>(12)</b>	<b>(2,693)</b>

**FOR THE YEAR ENDED 31ST MARCH 2020****1. Accounting policies****(a) Basis of accounting**

The financial statements are prepared under the 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 'the Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') 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 October 2019.

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

The financial statements have been prepared on a going concern basis. In forming this opinion, the directors have considered any potential impact of Covid-19 pandemic on the going concern and viability of the Company. They have considered the potential impact of Covid-19 and the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience particularly in light of Covid-19. The Directors have reviewed income and expense projections and the liquidity of the investment portfolio in making their assessment.

**(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 classified 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 including the related foreign exchange gains and losses, realised gains and losses on foreign currency contracts, management fee and finance costs allocated to capital and any other capital charges, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Gains and losses on sales of investments'.

Increases and decreases in the valuation of investments held at the year end including the related foreign exchange gains and losses, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Investment holding gains and losses'. Unrealised gains and losses on foreign currency contracts (including futures and forwards) or foreign currency loans and private placements are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Unrealised reserve'.

**(d) Income**

Dividends receivable from equity shares are included in revenue on an ex-dividend basis. 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 revenue 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.

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

## 1. Accounting policies *continued*

### (e) Expenses

All expenses are accounted for on an accruals basis.

Expenses charged to the Company that are common to both share classes are allocated between those classes in the same proportion as the net assets of each share class on a half yearly basis.

Expenses charged to the Company in relation to a specific share class are charged directly to that share class, with the other share class incurring no charge. Losses of one share class are not borne by the other.

Shareholders converting some or all of their shares into shares of the other class will bear the costs of the conversion up to a maximum of 2% of the value of the shares being converted. Any costs in excess of this cap will be borne by all the shareholders of the Company and will be accounted for under capital reserves.

Expenses are allocated wholly to revenue with the following exceptions:

- the management fee of the Growth pool of assets is allocated 30% to revenue and 70% to capital in line with the Board's expected split of revenue and capital return from the Growth investment portfolio.
- the management fee of the Income pool of assets is allocated 40% to revenue and 60% to capital in line with the Board's expected split of revenue and capital return from the Income investment portfolio.
- expenses incidental to the purchase of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission.

### (f) Finance costs

Finance costs, including any premium payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method.

- Finance costs on the Growth pool of assets are allocated 30% to revenue and 70% to capital in line with the Board's expected split of revenue and capital return from the Growth investment portfolio.
- Finance costs on the Income pool of assets are allocated 40% to revenue and 60% to capital in line with the Board's expected split of revenue and capital return from the Income investment portfolio.

### (g) Financial instruments

Financial instruments are recognised only when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or are settled. Financial liabilities are derecognised when the obligation specified in the contract is discharged, is cancelled or expires.

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. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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.

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

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

Derivative financial instruments, including short term forward currency contracts are classified as 'held for trading' and are valued at fair value, which is the net unrealised gain or loss, and are included in current assets or current liabilities in the Statement of Financial Position. Changes in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income as capital.

**(h) Taxation**

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

Tax is computed for each pool separately. A pool which generates taxable revenues in excess of tax deductible expenses may benefit from the excess of tax deductible expenses in the other pool. In this instance compensation amounting to half the tax savings in the taxable pool will be transferred to the non taxable pool.

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 of the Company's long term financing and expense payments, 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, 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.

**(k) Dividends payable**

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

**(l) Share capital transactions**

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

**(m) Segmental Reporting**

The Company has a single operating segment, being that of carrying out investment activity.

**2. Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements on occasion requires management 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 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 on investments and derivatives held at fair value through profit or loss**

	2020 £'000	2019 £'000
Realised (losses)/gains on sales of investments	(15,847)	4,771
Net change in unrealised gains and losses on investments	(66,017)	(21,383)
Realised gains on close out of future contracts	5,695	424
Unrealised losses on futures contracts	(1,096)	(245)
Other capital charges	(59)	(69)
<b>Total capital losses on investments and derivatives held at fair value through profit or loss</b>	<b>(77,324)</b>	<b>(16,502)</b>

**4. Income**

	2020 £'000	2019 £'000
<b>Income from investments</b>		
Overseas dividends	15,571	17,516
UK dividends	169	169
Scrip dividends	–	179
	<b>15,740</b>	<b>17,864</b>
<b>Other interest receivable and similar income</b>		
Securities lending	130	116
Deposit interest	5	4
	135	120
<b>Total income</b>	<b>15,875</b>	<b>17,984</b>

**5. Management fee**

	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Management fee	1,170	2,232	3,402	1,186	2,265	3,451

Details of the management fee are given in the Directors' Report on page 43.

## 6. Other administrative expenses

	2020 £'000	2019 £'000
Administration expenses	414	512
Directors' fees <sup>1</sup>	151	154
Depositary fee <sup>2</sup>	63	66
Savings scheme costs <sup>3</sup>	48	68
Auditors' remuneration for audit services <sup>4</sup>	41	35
Auditors' remuneration for all other services <sup>5</sup>	5	5
	<b>722</b>	<b>840</b>

<sup>1</sup> Full disclosure is given in the Directors' Remuneration Report on pages 53 and 54.

<sup>2</sup> Includes £9,000 (2019: £10,000) irrecoverable VAT.

<sup>3</sup> Paid to the Manager for the administration of saving scheme products. Includes £7,000 (2019: £10,000) irrecoverable VAT.

<sup>4</sup> Includes £6,000 (2019: £5,000) irrecoverable VAT.

<sup>5</sup> Review annual conversion calculations, includes £2,000 (2019: £2,000) irrecoverable VAT.

## 7. Finance Costs

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	19	38	57	31	58	89
Interest on private placement	406	784	1,190	410	792	1,202
	<b>425</b>	<b>822</b>	<b>1,247</b>	<b>441</b>	<b>850</b>	<b>1,291</b>

## 8. Taxation

### (a) Analysis of tax charge for the year

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	1,135	–	1,135	872	–	872
<b>Total tax charge for the year</b>	<b>1,135</b>	<b>–</b>	<b>1,135</b>	<b>872</b>	<b>–</b>	<b>872</b>

## 8. Taxation *continued*

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

The tax charge for the year is higher (2019: higher) than the Company's applicable rate of corporation tax for the year of 19% (2019: 19%). The factors affecting the total tax charge for the year are as follows:

	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Net return/(loss) before taxation	13,558	(78,875)	(65,317)	15,517	(18,351)	(2,834)
Net return/(loss) before taxation multiplied by the Company's applicable rate of corporation tax of 19% (2019: 19%)	2,576	(14,986)	(12,410)	2,948	(3,486)	(538)
Effects of:						
Non taxable capital losses	–	14,406	14,406	–	2,894	2,894
Non taxable scrip dividends	–	–	–	(34)	–	(34)
Non taxable UK dividend income	(32)	–	(32)	(32)	–	(32)
Non taxable overseas dividends	(2,923)	–	(2,923)	(3,286)	–	(3,286)
Excess expenses over taxable income	968	–	968	1,006	–	1,006
Overseas withholding tax	1,135	–	1,135	872	–	872
Tax attributable to expenses and finance costs charged to capital	(580)	580	–	(592)	592	–
Double taxation relief expensed	(9)	–	(9)	(10)	–	(10)
<b>Total tax charge for the year</b>	<b>1,135</b>	<b>–</b>	<b>1,135</b>	<b>872</b>	<b>–</b>	<b>872</b>

### (c) Deferred taxation

The Company has an unrecognised deferred tax asset of £10,383,000 (2019: £8,424,000) based on a prospective corporation tax rate of 19% (2019 17%). 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. (Loss)/return per share**

	2020 £'000	2019 £'000
<b>Growth share</b>		
Return per share is based on the following:		
Revenue return	6,173	7,747
Capital loss	(38,037)	(13,565)
<b>Total loss</b>	<b>(31,864)</b>	<b>(5,818)</b>
Weighted average number of shares in issue	70,394,443	72,515,547
Revenue return per share	8.77p	10.68p
Capital loss per share	(54.03)p	(18.71)p
<b>Total loss per share</b>	<b>(45.26)p</b>	<b>(8.03)p</b>
<b>Income share</b>		
Return per share is based on the following:		
Revenue return	6,250	6,898
Capital loss	(40,838)	(4,786)
<b>Total (loss)/return</b>	<b>(34,588)</b>	<b>2,112</b>
Weighted average number of shares in issue	99,944,665	101,651,495
Revenue return per share	6.25p	6.79p
Capital loss per share	(40.86)p	(4.71)p
<b>Total (loss)/return per share</b>	<b>(34.61)p</b>	<b>2.08p</b>

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

	2020 £'000	2019 £'000
<b>Dividends paid</b>		
Unclaimed Growth dividends refunded to the Company	(17)	(1)
Growth 2019 second interim dividend of 4.00p (2018: 2.00p) per share	2,879	1,544
Growth first interim dividend of 4.85p (2019: 4.85p) per share	3,413	3,520
Income 2019 fourth quarterly dividend of 2.50p (2018: 2.50p) per share	2,538	2,344
Income first quarterly dividend of 1.40p (2019: 1.25p) per share	1,413	1,272
Income second quarterly dividend of 1.40p (2019: 1.25p) per share	1,409	1,271
Income third quarterly dividend of 1.40p (2019: 1.25p) per share	1,399	1,270
<b>Total dividends paid in the year</b>	<b>13,034</b>	<b>11,220</b>
<b>Dividends declared</b>		
Growth second interim dividend of 4.00p (2019: 4.00p) per share	2,750	2,879
Income fourth quarterly dividend of 2.50p (2019: 2.50p) per share	2,498	2,538
<b>Total dividends declared<sup>1</sup></b>	<b>5,248</b>	<b>5,417</b>

<sup>1</sup> In accordance with the accounting policy of the Company, these dividends will be reflected in the financial statements of the following year.

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

**10. Dividends** *continued*
**(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, as follows:

The revenue available for distribution by way of dividend for the year is £12,423,000 (2019: £14,645,000).

	2020 £'000	2019 £'000
Growth first interim dividend of 4.85p (2019: 4.85p) per share	3,413	3,520
Growth second interim dividend of 4.00p (2019: 4.00p) per share	2,750	2,879
Income first quarterly dividend of 1.40p (2019: 1.25p) per share	1,413	1,272
Income second quarterly dividend of 1.40p (2019: 1.25p) per share	1,409	1,271
Income third quarterly dividend of 1.40p (2019: 1.25p) per share	1,399	1,270
Income fourth quarterly dividend of 2.50p (2019: 2.50p) per share	2,498	2,538
<b>Total</b>	<b>12,882</b>	<b>12,750</b>

The revenue reserve after payment of the final dividend amount to £6,307,000 (2019: £6,749,000).

**11. Investments**

	2020 £'000			2019 £'000		
Investments listed on a recognised investment exchange	317,199			430,366		
	Listed in UK £'000	2020 Listed overseas £'000	Total £'000	Listed in UK £'000	2019 Listed overseas £'000	Total £'000
Opening book cost	502	374,582	375,084	502	373,879	374,381
Opening investment holding gains	8,248	47,034	55,282	9,556	67,109	76,665
Opening valuation	8,750	421,616	430,366	10,058	440,988	451,046
Movements in the year:						
Purchases at cost	–	250,532	250,532	–	248,802	248,802
Sales proceeds	–	(281,835)	(281,835)	–	(252,870)	(252,870)
Losses on investments	(2,439)	(79,425)	(81,864)	(1,308)	(15,304)	(16,612)
Closing valuation	6,311	310,888	317,199	8,750	421,616	430,366
Closing book cost	502	327,433	327,935	502	374,582	375,084
Closing investment holding gains/(losses)	5,809	(16,545)	(10,736)	8,248	47,034	55,282
<b>Total investments held at fair value through profit or loss</b>	<b>6,311</b>	<b>310,888</b>	<b>317,199</b>	<b>8,750</b>	<b>421,616</b>	<b>430,366</b>

Transaction costs on purchases during the year amounted to £501,000 (2019: £586,000) and on sales during the year amounted to £264,000 (2019: £318,000). These costs comprise mainly brokerage commission.

The company received £281,835,000 (2019: £252,870,000) from investments sold in the year. The book cost of these investments when they were purchased was £297,681,000. (2019: £248,099,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

**12. Current assets**

	2020 £'000	2019 £'000
<b>Derivative financial assets</b>		
Future contracts <sup>1</sup>	202	–
Forward foreign currency contracts and spot contracts <sup>2</sup>	385	397
	<b>587</b>	<b>397</b>

<sup>1</sup> As at 31st March 2020: EURO STOXX 50 06/19/2020 futures at a contract cost of £1,297,000 and a market value of £1,499,000 giving an unrealised asset of £202,000.

<sup>2</sup> As at 31st March 2020, there are 22 forward currency contracts and 2 spot contracts in a net asset position. These have a settlement date of 1st April 2020 or 29th April 2020. The gross currency exposure figures are SEK 80,064,767, DKK 36,315,000, NOK 21,000,839, GBP 3,837,811, USD (1,210,378), EUR (1,845,445), CHF (15,918,718).

As at 31st March 2019, there are 20 forward currency contracts and 7 spot contracts in a net asset position. These have a settlement date of 3rd April 2019 or 7th May 2019. The gross currency exposure figures are NOK 203,588,418, USD 7,125,692, EUR 2,185,355, CHF (5,703,836), GBP (7,946,253), DKK (31,570,671), SEK (110,041,860).

	2020 £'000	2019 £'000
<b>Debtors</b>		
Securities sold awaiting settlement	1,646	1,550
Dividends and interest receivable	283	1,180
Overseas tax recoverable	1,683	1,782
Other debtors	45	46
	<b>3,657</b>	<b>4,558</b>

The Directors consider that the carrying amount of debtors approximates to their fair value. No debtors are past due or impaired.

**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.

**13a. Creditors: amounts falling due within one year**

	2020 £'000	2019 £'000
Securities purchased awaiting settlement	–	6
Bank loan	13,274	12,926
Loan interest payable	113	108
Other creditors and accruals	148	129
	<b>13,535</b>	<b>13,169</b>

The Company has a Euro 15 million 0.45% 364 day committed revolving credit facility with National Australia Bank, which expires on 24th August 2020 (2019: The Company had a Euro 15 million 0.45% 364 day committed revolving credit facility with National Australia Bank, which expired 22nd August 2019). The amount of Euro 15 million drawn on the National Australia Bank credit facility referred to above was repaid on 21st May 2020.

As is typical across the industry with such loans, the Company is required to comply with certain restrictions required by the lender regarding the amount of debt as a ratio of net assets and minimum requirements regarding the net asset value of the Company.

The Company comfortably complies with all these requirements.

**13b. Derivative financial liabilities**

	2020 £'000	2019 £'000
<b>Derivative financial liabilities</b>		
Futures contracts <sup>1</sup>	1,560	261
Forward foreign currency contracts and spot contracts <sup>2</sup>	392	364
	<b>1,952</b>	<b>625</b>

<sup>1</sup> As at 31st March 2020: EURO STOXX 50 06/19/2020 futures at a contract cost of £10,178,000 and a market value of £8,617,000 giving an unrealised liability of £1,560,000. As at 31st March 2019: EURO STOXX 50 06/21/2019 futures at a contract cost of £17,023,000 and a market value of £16,762,000 giving an unrealised liability of £261,000.

<sup>2</sup> As at 31st March 2020, there are 19 forward currency contracts and 1 spot contracts in a net liability position. These had a settlement date of 1st April 2020 or 29th April 2020. The gross currency exposure figures were EUR 11,010,654, CHF 10,578,598, USD 2,738,688, GBP (6,954,004), SEK (64,275,663), NOK (117,063,382).

As at 31st March 2019, there are 21 forward currency contracts and 5 spot contracts in a net liability position. These had a settlement date of 3rd April 2019 or 7th May 2019. The gross currency exposure figures were DKK 37,713,653, SEK 27,103,808, CHF 20,601,857, GBP 11,800,482, EUR 3,632,300, USD (3,562,846), NOK (393,417,814).

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

	2020 £'000	2019 £'000
Metlife Private Placement	44,051	42,884

On 26th August 2015 the Company issued a Euro 50 million Private Placement Note with Metlife which has a capital repayment date of 26th August 2035, and an annualised fixed coupon rate of 2.69%. As is typical across the industry with such loans, the Company is required to comply with certain restrictions required by the lender regarding the amount of debt as a ratio of net assets and minimum requirements regarding the net asset value of the Company. The Company comfortably complies with all these requirements. For details regarding the fair valuation of the private placement long term debt, see glossary of terms and APMs on page 104. The negative attributions arising from the fair valuation calculation of the private placement is detailed on pages 12 and 13 in the Investment Management Report. The Directors consider that the impact of the fair valuation calculation of the private placement on attribution is outweighed by the potential benefits offered by the long term debt.

**15. Called up share capital**

Issued and fully paid share capital:	2020		2019	
	Shares in issue	£'000	Shares in issue	£'000
<b>Growth shares - ordinary shares of 5p each<sup>1</sup></b>				
Opening balance of shares	72,306,030	2,872	72,972,275	2,898
Repurchase of shares for cancellation	(3,561,284)	(139)	(992,424)	(39)
Net conversion increase of shares	5,515,074	215	326,179	13
<b>Closing balance</b>	<b>74,259,820</b>	<b>2,948</b>	<b>72,306,030</b>	<b>2,872</b>
<b>Income shares - ordinary shares of 2.5p each<sup>2</sup></b>				
Opening balance of shares	100,914,066	2,103	101,880,214	2,125
Repurchase of shares for cancellation	(987,502)	(25)	(342,064)	(9)
Net conversion decrease of shares	(10,745,007)	(222)	(624,084)	(13)
<b>Closing balance</b>	<b>89,181,557</b>	<b>1,856</b>	<b>100,914,066</b>	<b>2,103</b>

Further details of transactions in the Company's shares are given on page 37.

<sup>1</sup> Fully paid ordinary shares, which have a per value of 5p each, carry one vote per share and carry a right to receive dividends.

<sup>2</sup> Fully paid ordinary shares, which have a per value of 2.5p each, carry one vote per share and carry a right to receive dividends.

**Deferred Shares**

The Company's Articles allow for Deferred shares to be allotted as part of the share conversion to ensure that the conversion does not result in a reduction of the aggregate par value of the Company's issued share capital (in contravention of the Companies Act). The Deferred shares do not confer any rights to the shareholder to receive capital or dividends and will be repurchased by the Company from time to time for a nominal sum. The issue and repurchase of these Deferred shares has no effect on the net asset value attributable to the holders of Growth or Income shares. The shares have no voting rights and no rights on a winding up of the Company or entitlement to dividends.

	2020 £'000	2019 £'000
<b>Deferred Growth shares</b>		
2019 Opening balance of 71,649,318 shares of 0.06491071p each (2018: 707,537 shares of 0.064665p)	47	–
2019 Repurchase of 71,649,318 shares of 0.06491071p each for cancellation (2018: Repurchase of 707,537 shares of 0.064665p each for cancellation)	(47)	–
2020 Issue of 12,664,930 shares of 0.05170309p each (2019: Issue of 71,649,318 shares of 0.06491071p each)	7	47
<b>2020 Closing balance of 71,649,318 shares of 0.06491071p each</b>	<b>7</b>	<b>47</b>
<b>Deferred Income shares</b>		
2019 Opening balance of 303,533 shares of 0.10371430p each (2018: 93,061,957 shares of 0.028445p)	–	26
2019 Repurchase of 303,533 shares of 0.10371430p each for cancellation (2018: Repurchase of 93,061,957 shares of 0.028445p each for cancellation)	–	(26)
2020 Issue of 87,261,634 shares of 0.02096422p each (2019: Issue of 303,533 shares of 0.10371430p each)	18	–
<b>2020 Closing balance of 87,261,634 shares of 0.02096422p each</b>	<b>18</b>	<b>–</b>

**16. Capital and reserves**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves <sup>1</sup>			Revenue reserve <sup>1</sup> £'000	Total £'000
				Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	Unrealised reserve £'000		
Opening balance	4,975	103,826	15,149	222,392	55,282	(5,960)	12,166	407,830
Net foreign currency gains on other balances	–	–	–	820	–	–	–	820
Unrealised foreign currency losses on loan and private placement	–	–	–	–	–	(1,321)	–	(1,321)
Realised losses on sale of investments	–	–	–	(15,847)	–	–	–	(15,847)
Net change in unrealised gains and losses on investments	–	–	–	–	(66,017)	–	–	(66,017)
Realised gains on foreign currency contracts	–	–	–	2,192	–	–	–	2,192
Unrealised gains on forward foreign currency contracts from prior period now realised	–	–	–	–	–	(6)	–	(6)
Realised gains on foreign currency contracts	–	–	–	33	–	(33)	–	–
Realised gains on close out of futures contracts	–	–	–	5,956	–	–	–	5,956
Unrealised losses on futures contracts	–	–	–	–	–	(1,357)	–	(1,357)
Unrealised losses on futures from prior period now realised	–	–	–	(261)	–	261	–	–
Realised losses on repayment of loans	–	–	–	(182)	–	–	–	(182)
Transfer re loans repaid in period	–	–	–	(320)	–	320	–	–
Repurchase and cancellation of the Company's own shares	(164)	–	164	(11,807)	–	–	–	(11,807)
Share conversions during the year	(7)	24,001	300	(24,294)	–	–	–	–
Management fee and finance costs charged to capital	–	–	–	(3,054)	–	–	–	(3,054)
Other capital charges	–	–	–	(59)	–	–	–	(59)
Dividends paid in the year	–	–	–	–	–	–	(13,034)	(13,034)
Retained revenue for the year	–	–	–	–	–	–	12,423	12,423
<b>Closing balance</b>	<b>4,804</b>	<b>127,827</b>	<b>15,613</b>	<b>175,569</b>	<b>(10,735)</b>	<b>(8,096)</b>	<b>11,555</b>	<b>316,537</b>

<sup>1</sup> These reserves form the distributable reserve of the Company and may be used to fund distributions to investors.

**17. Net asset value per share**

	2020	2019
<b>Growth share</b>		
Net assets (£'000)	203,703	234,291
Number of shares in issue	74,259,820	72,306,030
Net asset value per share	274.3p	324.0p
<b>Income share</b>		
Net assets (£'000)	112,834	173,539
Number of shares in issue	89,181,557	100,914,066
Net asset value per share	126.5p	172.0p

**18. Reconciliation of net loss before finance costs and taxation to net cash outflow from operations before dividends and interest**

	2020 £'000	2019 £'000
Net loss before finance costs and taxation	(64,070)	(1,543)
Add capital loss before finance costs and taxation	78,053	17,501
Scrip dividends included in income	–	(179)
Decrease/(increase) in accrued income and other debtors	898	(535)
Increase/(decrease) in accrued expenses	14	(11)
Management fee charged to capital	(2,232)	(2,265)
Overseas withholding tax	(2,024)	(2,883)
Dividends received	(14,613)	(14,277)
Interest received on cash and cash equivalents	(5)	(4)
Realised gain/(loss) on foreign currency transactions	484	(4)
Realised loss on liquidity fund	(168)	(326)
<b>Net cash outflow from operations before dividends and interest</b>	<b>(3,663)</b>	<b>(4,526)</b>

**19. Contingent liabilities and capital commitments**

At the balance sheet date there were no contingent liabilities or capital commitments (2019: none).

**20. Transactions with the Manager and related parties**

Details of the management contract are set out in the Directors' Report on page 43. The management fee payable to the Manager for the year was £3,402,000 (2019: £3,451,000), of which £nil (2019: £nil) was outstanding at the year end.

During the year £48,000 (2019: £68,000) was payable to the Manager for the administration of savings scheme products, of which £nil (2019: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 75 are safe custody fees amounting to £57,000 (2019: £64,000) payable to JPMorgan Chase of which £15,000 (2019: £9,000) 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. Commission amounting to £nil (2019: £nil) was payable to JPMorgan Securities Limited for the year of which £nil (2019: £nil) was outstanding at the year end.

The Company holds investments in funds managed by JPMAM. At 31st March 2020 these were valued at £10.6 million (2019: £13.8 million) and represented 3.3% (2019: 3.2%) of the Company's investment portfolio. During the year the Company made £nil purchases of such investments (2019: £nil) and sales with a total value of £nil (2019: £nil).

Income amounting to £244,000 (2019: £205,000) was receivable from these investments during the year of which £nil (2019: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan Euro Liquidity Fund, managed by JPMF. At the year end this was valued at £9.5 million (2019: £22.6 million). Interest amounting to £nil (2019: £89,000) was payable during the year of which £nil (2019: £nil) was outstanding at the year end.

Stock lending income amounting to £130,000 (2019: £116,000) was receivable by the Company during the year. JPMAM commissions in respect of such transactions amounted to £15,000 (2019: £20,000).

Handling charges on dealing transactions amounting to £59,000 (2019: £69,000) were payable to JPMorgan Chase Bank N.A. during the year of which £13,000 (2019: £8,000) was outstanding at the year end.

At the year end, total cash of £36.7 million (2019: £5.1 million) was held with JPMorgan Chase Bank N.A. A net amount of interest of £5,000 (2019: £4,000) was receivable by the Company during the year from JPMorgan Chase of which £nil (2019: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 42 and in note 6 on page 75.

## 21. Disclosures regarding financial instruments measured at fair value

The fair value hierarchy disclosures required by FRS 102 are given below.

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

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

- (1) **The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date**
- (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 of investments are given in note 1(b) on page 71. Derivative financial instruments, including short term forward currency contracts are valued at fair value, which is the net unrealised gain or loss. Details of the valuation techniques of derivatives are given in note 1(g) on page 72.

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

	2020		2019	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1 <sup>1</sup>	317,401	(1,560)	430,366	(261)
Level 2 <sup>2</sup>	385	(392)	397	(364)
<b>Total</b>	<b>317,786</b>	<b>(1,952)</b>	<b>430,763</b>	<b>(625)</b>

<sup>1</sup> Includes future currency contracts.

<sup>2</sup> Forward foreign currency contracts and spot contracts.

There were no transfers between Level 1, 2 or 3 during the year (2019: nil).

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

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

These financial risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management policy.

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 Continental European equity shares, collective investment funds and 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;
- futures contracts, the purpose of which is to effect changes in the level of the Company's gearing;
- short term forward currency contracts for the purpose of settling short term liabilities and manage working capital requirements; and
- a Euro denominated bank loan and private placement, the purpose of which are 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 three elements - currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) and (ii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

**(i) Currency risk**

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling which is the Company's functional currency and the currency in which it reports. As a result, movements in exchange rates may affect the sterling value of those items.

**Management of currency risk**

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Foreign currency borrowing may be used to limit the Company's exposure to anticipated changes in exchange rates which might otherwise adversely affect the sterling value of the portfolio of investments. This borrowing is limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts for the purpose of settling short term liabilities and to manage working capital requirements.

**Foreign currency exposure**

The fair value of the Company's monetary items that have foreign currency exposure at 31st March are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2020						TOTAL £'m
	EUR £'m	CHF £'m	SEK £'m	DKK £'m	NOK £'m	USD £'m	
Current assets less current liabilities excluding the foreign currency bank loan & private placement	57.5	(4.4)	1.5	4.6	(6.9)	1.2	53.5
Foreign currency bank loan and private placement	(57.3)	–	–	–	–	–	(57.3)
Futures	(1.3)	–	–	–	–	–	(1.3)
Foreign currency exposure on net monetary items	(1.1)	(4.4)	1.5	4.6	(6.9)	1.2	(5.1)
Investments held at fair value through profit or loss	201.7	73.7	15.0	8.8	11.2	0.5	310.9
<b>Total net foreign currency exposure</b>	<b>200.6</b>	<b>69.3</b>	<b>16.5</b>	<b>13.4</b>	<b>4.3</b>	<b>1.7</b>	<b>305.8</b>

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

	2019						TOTAL
	EUR £'m	CHF £'m	SEK £'m	DKK £'m	NOK £'m	USD £'m	£'m
Current assets less current liabilities excluding the foreign currency bank loan & private placement	34.8	11.8	(5.5)	0.9	(16.4)	2.7	28.3
Foreign currency bank loan and private placement	(55.8)	–	–	–	–	–	(55.8)
Futures	(0.3)	–	–	–	–	–	(0.3)
Foreign currency exposure on net monetary items	(21.3)	11.8	(5.5)	0.9	(16.4)	2.7	(27.8)
Investments held at fair value through profit or loss	290.9	66.3	28.0	14.2	22.2	–	421.6
<b>Total net foreign currency exposure</b>	<b>269.6</b>	<b>78.1</b>	<b>22.5</b>	<b>15.1</b>	<b>5.8</b>	<b>2.7</b>	<b>393.8</b>

In the opinion of the Directors, the above year end amounts are broadly representative of the exposure to foreign currency risk during the year. This analysis is presented on an un-hedged basis.

**Foreign currency sensitivity**

The following table illustrate the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2019: 10%) appreciation or depreciation in sterling against the Euro, and the other currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

	2020		2019	
	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000
Statement of Comprehensive Income - return after taxation				
Revenue return	(1,557)	1,557	(1,770)	1,770
Capital return	505	(505)	2,779	(2,779)
Total return after taxation for the year	(1,052)	1,052	1,009	(1,009)
<b>Net assets</b>	<b>(1,052)</b>	<b>1,052</b>	<b>1,009</b>	<b>(1,009)</b>

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

**(ii) Interest rate risk**

Interest rate movements may affect the level of income receivable on cash deposits, the liquidity fund and the interest payable on variable rate borrowings when interest rates are reset.

**Management of interest rate risk**

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company's gearing policy is to operate within a range of 10% net cash to 20% geared in normal market conditions.

**Interest rate exposure**

The Company has a private placement carrying a fixed rate of interest. The exposure of financial assets and liabilities to floating interest rates using the year end figures, giving cash flow interest rate risk when rates are reset, is shown below.

	2020 £'000	2019 £'000
Exposure to floating interest rates:		
Cash and short term deposits	45,155	6,547
JPMorgan Euro Liquidity Fund	9,477	22,640
Bank loan	(13,274)	(12,926)
<b>Total exposure</b>	<b>41,358</b>	<b>16,261</b>

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2019: same).

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

Details of the bank loan and private placement are given in note 13 and 14 on pages 79 and 80.

**Interest rate sensitivity**

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2019: 1%) 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.

	2020		2019	
	1% Increase in rate £'000	1% Decrease in rate £'000	1% Increase in rate £'000	1% Decrease in rate £'000
Statement of Comprehensive Income - return after taxation				
Revenue return	502	(502)	247	(247)
Capital return	(89)	89	(85)	85
Total return after taxation for the year	413	(413)	162	(162)
<b>Net assets</b>	<b>413</b>	<b>(413)</b>	<b>162</b>	<b>(162)</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 facility.

**(iii) Other price risk**

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

**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.

**22. Financial instruments' exposure to risk and risk management policies** *continued*
**(a) Market risk** *continued*
**(iii) Other price risk** *continued*

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

	2020 £'000	2019 £'000
Investments held at fair value through profit or loss	317,199	430,366
Futures	(1,358)	(261)
	<b>315,841</b>	<b>430,105</b>

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

**Concentration of exposure to market price risk**

An analysis of the Company's investments is given on pages 17 and 26. This shows that the majority of the investment portfolio's value is in European equities but there is no concentration of exposure to any one European country. 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% (2019: 10%) in the market value of equity investments. 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.

	2020		2019	
	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	(75)	75	(103)	103
Capital return	30,576	(30,576)	41,110	(41,110)
Total return after taxation	30,501	(30,501)	41,007	(41,007)
Net assets	<b>30,501</b>	<b>(30,501)</b>	<b>41,007</b>	<b>(41,007)</b>

**(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 pre-arranged credit 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.

**Liquidity risk exposure**

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

	2020			
	Three months or less £'000	More than three months but not more than one year £'000	One year or more £'000	Total £'000
<b>Creditors: amounts falling due within one year</b>				
Securities purchased awaiting settlement	–	–	–	–
Bank loan, including interest	5	13,277	–	13,282
Other creditors and accruals	148	–	–	148
Derivative financial instruments	1,952	–	–	1,952
<b>Creditors: amounts falling due after more than one year</b>				
Metlife Private Placement, including interest	406	892	61,131	62,429
	<b>2,511</b>	<b>14,169</b>	<b>61,131</b>	<b>77,811</b>
	2019			
	Three months or less £'000	More than three months but not more than one year £'000	One year or more £'000	Total £'000
<b>Creditors: amounts falling due within one year</b>				
Securities purchased awaiting settlement	6	–	–	6
Bank loan, including interest	5	12,927	–	12,932
Other creditors and accruals	129	–	–	129
Derivative financial instruments	625	–	–	625
<b>Creditors: amounts falling due after more than one year</b>				
Metlife Private Placement, including interest	393	873	60,952	62,218
	<b>1,158</b>	<b>13,800</b>	<b>60,952</b>	<b>75,910</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.

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

**(c) Credit risk** *continued*

**Cash and cash equivalents**

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group. The Board regularly reviews the counterparties used by the Manager. At the year end the cash balance of £39.9 million (2019: £6.5 million) was placed across a range of suitably approved counterparties in line with the Board's concentration guidelines. The JPMorgan Euro Liquidity Fund has a AAA rating.

**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 current assets represent the maximum exposure to credit risk at the current and comparative year ends.

The aggregate value of securities on loan at 31st March 2020 amounted to £51.7 million (2019: £20.0 million) and the maximum value of stock on loan during the year amounted to £84.1 million (2019: £44.8 million). Collateral is obtained by JPMorgan Asset Management and is called in on a daily basis to a value of 102% (2019: same) of the value of the securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% (2019: same) if it is denominated in a different currency. Full details of the collateral is disclosed on pages 94 to 96.

**(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 Metlife Private Placement which the Company has in issue. The fair value of the Private Placement has been calculated using discounted cash flow techniques, using the yield from a similarly dated German government bond plus a margin based on the five year average for the AA Barclays Euro Corporate Bond spread.

	Carrying value		Fair value	
	2020 £m	2019 £m	2020 £m	2019 £m
Euro 50 million 2.69% Metlife Private Placement 25th August 2035	44.1	42.9	59.5	55.1

### 23. Capital management policies and procedures

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

	2020 £'000	2019 £'000
<b>Debt</b>		
Bank loan	13,274	12,926
Private Placement	44,051	42,884
<b>Total debt</b>	<b>57,325</b>	<b>55,810</b>
<b>Equity</b>		
Called up share capital	4,804	4,975
Reserves	311,733	402,855
<b>Total equity</b>	<b>316,537</b>	<b>407,830</b>
<b>Total debt and equity</b>	<b>373,862</b>	<b>463,640</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 Income and Growth shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing within the range of 10% net cash to 20% geared.

	2020 £'000	2019 £'000
Investments held at fair value through profit or loss	317,199	430,366
Net assets	316,537	407,830
<b>Gearing</b>	<b>0.2%</b>	<b>5.5%</b>

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

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

# Regulatory Disclosures

---

**ALTERNATIVE INVESTMENT FUND MANAGERS' DIRECTIVE ('AIFMD') DISCLOSURES (UNAUDITED)****Leverage**

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

The Company's maximum and actual leverage levels at 31st March 2020 are shown below:

	Gross Method	Commitment Method
<b>Growth</b>		
Maximum limit	350%	350%
Actual	139%	132%
<b>Income</b>		
Maximum limit	350%	350%
Actual	192%	165%

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPMorgan European 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 2019 Performance Year in June 2019 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 2019 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 30 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 38 sub-funds) as at 31st December 2019, with a combined AUM as at that date of £13.8 billion and £17.1 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (USD\$'000s)	15,972	9,139	25,111	119

The aggregate 2019 total remuneration paid to AIFMD Identified Staff was USD \$57,449,000, of which USD \$4,425,000 relates to Senior Management and USD \$53,024,000 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 Fund engages 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-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to SFTR for the accounting period ended 31st March 2020 are detailed below.

**Global Data****Amount of securities on loan**

The total value of securities on loan as a proportion of the Company's total lendable assets, as at the balance sheet date, is 16.6%. Total lendable assets represents the aggregate value of assets types forming part of the Company's securities lending programme.

**Amount of assets engaged in securities lending**

The following table represents the total value of assets engaged in securities lending:

	Value £'000	% of AUM
Securities lending	51,700	35.0%

**Concentration and Aggregate Transaction Data****Counterparties**

The following table provides details of the counterparties (based on gross volume of outstanding transactions with exposure on a gross absolute basis) in respect of securities lending as at the balance sheet date:

Counterparty	Country of Incorporation	Value £'000
Merrill Lynch	United States of America	13,928
JPMorgan	United States of America	10,911
Goldman Sachs	United States of America	8,966
BNP Paribas	France	8,543
UBS	Switzerland	4,004
Morgan Stanley	United States of America	2,537
Societe Generale	France	1,443
Credit Suisse	Switzerland	852
HSBC	United Kingdom	259
Citigroup	United States of America	191
Deutsche Bank	Germany	66
<b>Total</b>		<b>51,700</b>

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

**Maturity tenure of Security lending transactions**

The Company's securities lending transactions have open maturity.

## REGULATORY DISCLOSURES

### Collateral issuers

The following table lists the issuers by value of non-cash collateral received by the Company by way of title transfer collateral arrangement across securities lending transactions, as at the balance sheet date:

Issuer	Value £'000
French Republic Government	8,470
United States of America Treasury	6,993
Federal Republic of Germany Government	1,962
United Kingdom Treasury	1,318
Kingdom of Belgium Government	976
Kingdom of Netherlands Government	397
Republic of Austria Government	68
Republic of Finland Government	35
<b>Total</b>	<b>20,219</b>

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

### Type, quality and currency of collateral

The following table provides an analysis of the type, quality and currency of collateral received by the Company in respect of securities lending transactions as at the balance sheet date.

Type	Quality	Currency	Value £'000
Sovereign Debt	Investment Grade	EUR	11,909
Treasury Notes	Investment Grade	USD	4,866
Treasury Bonds	Investment Grade	USD	1,934
Sovereign Debt	Investment Grade	GBP	1,317
Treasury Bills	Investment Grade	USD	193
<b>Total</b>			<b>20,219</b>

### Maturity tenure of collateral

The following table provides an analysis of the maturity tenure of collateral received in relation to securities lending transactions as at the balance sheet date.

Maturity	Value £'000
1 day to 1 week	1
1 week to 1 month	397
1 to 3 months	156
3 to 12 months	594
more than 1 year	19,071
<b>Total</b>	<b>20,219</b>

**Settlement and clearing**

The Company's securities lending transactions including related collaterals are settled and cleared either bi-laterally, tri-party or through a central counterparty.

**Re-use of collateral****Share of collateral received that is reused and reinvestment return**

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

Cash collateral received in the context of securities lending transactions may be reused in accordance with the provisions contained within the Prospectus. The Company currently reinvests cash collateral received in respect of securities lending transactions in the overnight cash market.

Counterparty	Quality	Maturity Date	Value £'000
ING Bank	Investment Grade	1st April 2020	14,600
Deutsche Bank	Investment Grade	1st April 2020	10,897
Citigroup	Investment Grade	1st April 2020	7,200
Natwest	Investment Grade	1st April 2020	3,600
Societe Generale	Investment Grade	1st April 2020	1,088
Bank of Nova Scotia	Investment Grade	1st April 2020	200
Bank of America	Investment Grade	1st April 2020	106
<b>TOTAL</b>			<b>37,691</b>

**Safekeeping of collateral**

All collateral received £58,510,000 by the Company in respect of securities lending transactions as at the balance sheet date is held by the Depositary.

**Return and cost**

JPMorgan Chase Bank, N.A (JPMCB), the lending agent, receives a fee of 10% of the gross revenue for its services related to the Stock Lending Transactions. The remainder of the revenue, 90%, is received by the Company i.e. for the benefit of shareholders.

# Shareholder Information

---

## Capital Structure

The Company has two share classes, each with distinct investment policies, objectives and underlying asset pools. Each share class is listed separately and traded on the London Stock Exchange. This capital structure means that shareholders may benefit from greater investment flexibility in a tax-efficient manner.

- **Growth Shares**  
Capital growth from Continental European investments, by consistent out-performance of the benchmark and a rising share price over the longer term by taking carefully controlled risks through an investment method that is clearly communicated to shareholders.
- **Income Shares**  
To provide a growing income together with the potential for long-term capital growth by investing in a portfolio of investments that is diversified amongst countries, sectors and market capitalisations within the universe of Continental European companies.

## Conversion Opportunities

Shareholders in either of the two share classes are able to convert some or all of their shares into shares of the other class without such conversion being treated, under current law, as a disposal for UK capital gains tax purposes. The conversion is annual taking place on the 15th March.

The Company, or its Manager, makes no administrative charge for any of the above conversions.

## Conversion between the share classes

Those who hold shares through the JPM Investment Trust Savings Plans must submit a conversion instruction form which can be found at [www.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk) Instructions for CREST holders can also be found at this address. Those who hold shares in certificated form on the main register must complete the conversion notice printed on the reverse of their certificate.

Instructions must be received in the month of February for the March conversion.

The number of shares that will arise upon conversion will be determined on the basis of the relative net asset values of each share class.

More details concerning conversion instruction forms can be found on the Company's web site: [www.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk)

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the ninety-first Annual General Meeting of JPMorgan European Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 15th July 2020 at 2.30 p.m. for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st March 2020.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st March 2020.
4. To reappoint Josephine Dixon a Director of the Company.
5. To reappoint Stephen Goldman a Director of the Company.
6. To reappoint Stephen Russell a Director of the Company.
7. To reappoint Jutta af Rosenborg a Director of the Company.
8. To reappoint Rita Dhut a Director of the Company.
9. To reappoint Ernst & Young LLP as auditor to the Company and to authorise the Directors to determine their remuneration for the ensuing year.

## Special Business

To consider the following resolutions:

### Authority to allot new shares – Ordinary Resolution

10. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, in substitution of any authorities previously granted to the Directors, pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £594,253, (being approximately 10% of the issued share capital of the Growth and Income share classes of the Company as at 10th June 2020), provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2021 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

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

11. THAT, subject to the passing of Resolution 10 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of

the Act) for cash pursuant to the authority conferred by Resolution 10 as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities in the Company by way of rights issue, open offer or otherwise to holders of Growth shares and Income shares where the equity securities respectively attributable to the interests of all Growth shares and Income shares are proportionate to the respective numbers of Growth shares and Income shares held by them subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange or any territory or otherwise howsoever; and/or
- (b) the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal value of approximately £594,253 (being approximately 10% of the total issued share capital of the Growth and Income share classes of the Company as at 10th June 2020) at a price not less than the net asset value per share; and shall expire upon the expiry of the general authority conferred by Resolution 10 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Board may allot 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 Act to make market purchases (within the meaning of Section 693 of the Act) of its issued Growth shares and Income shares (both being classes of ordinary shares in the capital of the Company)

PROVIDED ALWAYS THAT

- (i) the maximum number of Growth and Income shares hereby authorised to be purchased shall be 11,131,547 or 13,368,315 respectively, or, if different, that number of Growth and Income shares which is equal to 14.99% of the issued share capital of the relevant share class as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for any Growth or Income share shall be 5p or 2.5p respectively;

- (iii) the maximum price which may be paid for any ordinary share shall be an amount equal to: (a) 105% of the average of the middle market quotations for a Growth or Income 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 purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;
- (iv) any purchase of Growth or Income shares will be made in the market for cash at prices below the prevailing net asset value per Growth or Income share (as determined by the Directors) at the date following not more than seven days before the date of purchase;
- (v) the authority hereby conferred shall expire on 14th January 2022 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 Growth or Income shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

**Authority to make off-market purchases – Special Resolution**

13. THAT the proposed Contingent Purchase contract between Winterflood Securities Limited and JPMorgan European Investment Trust plc to enable the Company to make off-market purchases of its own securities pursuant to Section 694 of the Act in the form produced at the meeting and initialled by the Chairman, be and is hereby approved and the Company be and is hereby authorised to enter into and perform such contract, but so that the approval and authority conferred by this resolution shall expire on the day immediately preceding the date which is 18 months after the passing of this resolution or, if earlier, the next Annual General Meeting of the Company.

**Adoption of New Articles of Association**

14. THAT the Articles of Association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

By order of the Board  
 Paul Winship, for and on behalf of  
 JPMorgan Funds Limited,  
 Secretary

12th June 2020

**Notes**

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

1. At the date of this Notice the format of the Company's 2020 AGM has had to be changed so that it complies with both the existing Companies Act and the recently introduced legislation which the UK Government introduced to limit the impact of the Covid-19 pandemic, restricting travel and limiting gatherings to no more than two persons. **Shareholders are asked to comply with the government's latest Covid-19 pandemic legislation restricting travel and public gatherings and not to attend the AGM.** Arrangements will be made by the Company to ensure that the minimum number of two shareholders required to form a quorum for the AGM will attend the meeting in order that the meeting may proceed and the business be concluded. To ensure compliance with Covid-19 pandemic legislation restricting public gatherings, no shareholders (other than the two previously notified shareholders making up the quorum for the AGM) will be permitted to attend the meeting and entry to the building will not be allowed.
2. Subject to compliance with Covid-19 pandemic legislation as detailed in Note 1. above, 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.
3. Subject to compliance with Covid-19 pandemic legislation as detailed in Note 1. above, 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.
4. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
5. 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.
6. 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

# NOTICE OF ANNUAL GENERAL MEETING

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.

7. Subject to compliance with Covid-19 pandemic legislation as detailed in Note 1. above, entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
8. Subject to compliance with Covid-19 pandemic legislation as detailed in Note 1. above, 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.
9. 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.
10. 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.
11. 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.

12. 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.
13. 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.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk).
14. Subject to compliance with Covid-19 pandemic legislation as detailed in Note 1. above, 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.
15. 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.
16. As an alternative to completing a hard copy Form of Proxy/Voting Direction 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.
17. As at 10th June 2020 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 74,259,820 Growth shares and 89,181,557 Income shares. Voting rights are calculated by reference to the share voting numbers which, as at 31st March 2020, were 2.743 (Growth) and 1.265 (Income). Therefore the total voting rights in the Company are 316,509,356.
18. A copy of the proposed new articles of association of the Company, together with a copy showing all of the proposed changes to the existing articles of association, will be available for inspection on the Company's website, [www.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk), and at the offices of J.P. Morgan Asset Management, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

## 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.

## Summary of the principal amendments to the Company's articles of association

Set out below is a summary of the principal amendments which will be made to the Company's Existing Articles through the adoption of the New Articles if Resolution 14 to be proposed at the AGM is approved by shareholders.

**This summary is intended only to highlight the principal amendments which are likely to be of interest to shareholders. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection on the Company's website, [www.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk) and at the offices of J.P. Morgan Asset Management, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.**

### Hybrid/virtual-only shareholder meetings

The New Articles permit the Company to hold shareholder meetings on a virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. This should make it easier for the Company's shareholders to attend shareholder meetings if the Board elects to conduct meetings using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid or virtual-only shareholder meetings.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

### International tax regimes requiring the exchange of information

The Hiring Incentives to Restore Employment Act 2010 of the United States of America (commonly known as the Foreign Account Tax Compliance Act) and all associated regulations and official guidance ('**FATCA**') imposes a system of information reporting on certain entities including foreign financial institutions such as the Company following the enactment of the UK International Tax Compliance (United States of America) Regulations 2013 on 1st September 2013 (as replaced by the International Tax Compliance Regulations 2015 (the '**Regulations**').

The Existing Articles already contain provisions which provide the Company with the ability to require shareholders to co-operate with it so that the Company is able to comply with its obligations under the Regulations in order to avoid being deemed to be a 'Nonparticipating Financial Institution' for the purposes of FATCA (and consequently having to pay withholding tax to the US Internal Revenue Service).

The Board is proposing to make additional amendments to the Existing Articles to ensure that: (i) the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, as such liability would be to the detriment of shareholders as a whole; and (ii) the Company has the ability to require shareholders to co-operate and provide further information in respect of the broader obligations under the OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (the '**Common Reporting Standard**').

### Minor amendments

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including: (i) providing the Directors with the ability to require additional security measures to be put in place at general meetings of the Company; (ii) providing the Directors with the ability to postpone general meetings; (iii) the inclusion of a procedure in the event an insufficient number of Directors are re-elected at an annual general meeting of the Company; (iv) providing the Board with the ability to establish a capital reserve which may be used for any of the purposes to which sums standing to any revenue reserve may be applied (including to fund dividend payments and share buy backs if the Board believes it is in the best interests of the Company to do so); and (v) allowing the Company to pay dividends through bank transfers instead of by way of cheques with the further ability to retain cash payments where bank details are not provided by a shareholder. These changes reflect modern best practice and are intended to relieve certain administrative burdens on the Company.

**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 31st March 2020	Year ended 31st March 2019	
<b>Growth</b>				
Opening share price (p)	15	265.0	297.0	(a)
Closing share price (p)	15	215.0	265.0	(b)
Total dividend adjustment factor <sup>1</sup>		1.032015	1.031755	(c)
Adjusted closing share price (d = b x c)		221.9	273.4	(d)
<b>Total return to shareholders (e = d / a - 1)</b>		<b>-16.3%</b>	<b>-7.9%</b>	<b>(e)</b>
<b>Income</b>				
Opening share price (p)	24	144.0	157.5	(a)
Closing share price (p)	24	99.8	144.0	(b)
Total dividend adjustment factor <sup>1</sup>		1.045575	1.042572	(c)
Adjusted closing share price (d = b x c)		104.3	150.1	(d)
<b>Total return to shareholders (e = d / a - 1)</b>		<b>-27.5%</b>	<b>-4.7%</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.

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.

**Return on Net Assets with Debt at Par Value (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 31st March 2020	Year ended 31st March 2019	
<b>Growth</b>				
Opening cum-income NAV per share (p)	15	324.0	338.5	
(-) the 2nd interim dividend declared but not paid pre year-end date	77	(4.0)	(2.0)	
Adjusted opening cum-income NAV per share (p)		320.0	336.5	(a)
Closing cum-income NAV per share (p)	15	274.3	324.0	
(-) the 2nd interim dividend declared but not paid pre year-end date	77	(4.0)	(4.0)	
Adjusted closing cum-income NAV per share (p)		270.3	320.0	(b)
Total dividend adjustment factor <sup>1</sup>		1.026850	1.027133	(c)
Adjusted closing cum-income NAV per share (d = b x c)		277.6	328.7	(d)
<b>Total return on net assets with debt at par value (e = d / a - 1)</b>		<b>-13.3%</b>	<b>-2.3%</b>	<b>(e)</b>

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

	Page	Year ended 31st March 2020	Year ended 31st March 2019	
<b>Income</b>				
Opening cum-income NAV per share (p)	24	172.0	175.8	
(-) the 4th interim dividend declared but not paid pre year-end date	77	(2.5)	(2.5)	
Adjusted opening cum-income NAV per share (p)		169.5	173.3	(a)
Closing cum-income NAV per share (p)	24	126.5	172.0	
(-) the 4th interim dividend declared but not paid pre year-end date	77	(2.5)	(2.5)	
Adjusted closing cum-income NAV per share (p)		124.0	169.5	(b)
Total dividend adjustment factor <sup>1</sup>		1.039075	1.037146	(c)
Adjusted closing cum-income NAV per share (d = b x c)		128.8	175.8	(d)
<b>Total return on net assets with debt at par value (e = d / a - 1)</b>		<b>-24.0%</b>	<b>1.4%</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 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.

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

The Company's debt (private placement) is valued in the Statement of Financial Position (on page 69) 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'.

This fair value is explained in note 22(d) on page 90 on the accounts. 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 Euro 50.0 million Private Placement issued by the Company has been calculated using discounted cash flow techniques, using the yield from similar dated German government bond plus a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread.

As at 31st March 2020, €31.9 million of the €50.0 million was allocated to the Growth pool with the remaining million allocated to the Income pool.

	Page	Year ended 31st March 2020	Year ended 31st March 2019	
<b>Total return calculation</b>				
<b>Growth</b>				
Opening cum-income NAV per share (p)	15	313.5	331.2	
(-) the 2nd interim dividend declared but not paid pre year-end date	77	(4.0)	(2.0)	
Adjusted opening cum-income NAV per share (p)		309.5	329.2	(a)
Closing cum-income NAV per share (p)	15	261.0	313.5	
(-) the 2nd interim dividend declared but not paid pre year-end date	77	(4.0)	(4.0)	
Adjusted closing cum-income NAV per share (p)		257.0	309.5	(b)
Total dividend adjustment factor <sup>1</sup>		1.027883	1.027883	(c)
Adjusted closing cum-income NAV per share (d = b x c)		264.2	318.1	(d)
<b>Total return on net assets with debt at par value (e = d / a - 1)</b>		<b>-14.6%</b>	<b>-3.4%</b>	<b>(e)</b>

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

	Page	Year ended 31st March 2020	Year ended 31st March 2019	
<b>Income</b>				
Opening cum-income NAV per share (p)	24	167.4	173.0	
(-) the 4th interim dividend declared but not paid pre year-end date	77	(2.5)	(2.5)	
Adjusted opening cum-income NAV per share (p)		164.9	170.5	(a)
Closing cum-income NAV per share (p)	24	120.3	167.4	
(-) the 4th interim dividend declared but not paid pre year-end date	77	(2.5)	(2.5)	
Adjusted closing cum-income NAV per share (p)		117.8	164.9	(b)
Total dividend adjustment factor <sup>1</sup>		1.040629	1.037912	(c)
Adjusted closing cum-income NAV per share (d = b x c)		122.6	171.2	(d)
<b>Total return on net assets with debt at par value (e = d / a - 1)</b>		<b>-25.7%</b>	<b>0.4%</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 cum-income NAV at the ex-dividend date.

### Net asset value per share (APM)

The value of the Company's net assets (total assets less total liabilities) divided by the number of ordinary shares in issue. Please see note 17 on page 82 for detailed calculations.

### 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.

	Page	31st March 2020 £'000	31st March 2019 £'000	
<b>Gearing calculation</b>				
<b>Growth</b>				
Investments held at fair value through profit or loss	69	196,186	252,446	(a)
Net assets	69	203,703	234,291	(b)
<b>Gearing/(net cash) (c = a / b - 1)</b>		<b>(3.7)%</b>	<b>7.7%</b>	<b>(c)</b>
<b>Income</b>				
Investments held at fair value through profit or loss	69	121,013	177,920	(a)
Net assets	69	112,834	173,539	(b)
<b>Gearing (c = a / b - 1)</b>		<b>7.2%</b>	<b>2.5%</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.

	Page	Year ended 31st March 2020 £'000	Year ended 31st March 2019 £'000	
<b>Ongoing charges calculation</b>				
<b>Growth</b>				
Management Fee	22	1,905	1,946	
Other administrative expenses	22	439	478	
Total management fee and other administrative expenses		2,344	2,424	(a)
Average daily cum-income net assets		234,947	240,648	(b)
<b>Ongoing charges (c = a / b)</b>		<b>1.00%</b>	<b>1.01%</b>	<b>(c)</b>
<b>Income</b>				
Management Fee	32	1,497	1,505	
Other administrative expenses	32	283	362	
Total management fee and other administrative expenses		1,780	1,867	(a)
Average daily cum-income net assets		173,995	176,789	(b)
<b>Ongoing charges (c = a / b)</b>		<b>1.02%</b>	<b>1.06%</b>	<b>(c)</b>

**Share Price Discount/Premium 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. It is more common for an investment trust's shares to trade at a discount than at a premium (page 6).

**Performance attribution**

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

**Performance Attribution Definitions:**

**Asset allocation**

Measures the impact of allocating assets differently from those in the benchmark, via the portfolio's weighting in different countries, sectors or asset types.

**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.

**Currency effect**

Measures the impact of currency exposure differences between the Company's portfolio and its 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.

**Share Buyback**

Measures the enhancement to net asset value per share of buying back the Company's shares for cancellation at a price which is less than the Company's net asset value per share.

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

## 1. Via a third party provider

Third party providers include:

AJ Bell	Hargreaves Lansdown
Barclays Smart Investor	Interactive Investor
Charles Stanley Direct	Selftrade
Fidelity FundsNetwork	The Share Centre
Halifax	

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.

The Board encourages all of its shareholders to exercise their rights and notes that many specialist platforms provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies ('AIC') website at [www.theaic.co.uk/aic/shareholder-voting-consumer-platforms](http://www.theaic.co.uk/aic/shareholder-voting-consumer-platforms) for information on which platforms support these services and how to utilise them.

## 2. 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 March
Final results announced	June
Half year end	30th September
Half year results announced	November
Dividends payable - Growth	April and October
Dividends payable - Income	April, July, October and January
Annual General Meeting	July

## History

JPMorgan European Investment Trust plc was formed in 1929 as The London and Holyrood Trust Limited and was a general investment trust until 1982 when the name was changed to The Fleming Universal Investment Trust. Under this name the portfolio became more internationally invested until November 1988, when the Board decided to concentrate on Continental European investments. In 1992 shareholders approved a formal adoption of this specialisation. The Company adopted its current structure and name in August 2006.

## Company Numbers

Company registration number: 237958  
 LEI: 549300D8SPJFHBDGXS57  
 London Stock Exchange Sedol numbers:  
 Growth: B18JK16  
 Income: B17XWW4  
 ISIN numbers:  
 Growth: GB00B18JK166  
 Income: GB00B17XWW44  
 Bloomberg Codes:  
 Growth: JETG LN  
 Income: JETI LN

## Market Information

The Company's net asset value is published daily, via The London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market prices are shown daily in the Financial Times, The Times, the Daily Telegraph, The Scotsman and on the Company website at [www.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk), where the share prices are updated every 15 minutes during trading hours.

## Website

[www.jpmeuropean.co.uk](http://www.jpmeuropean.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.

## Manager and Company Secretary

JPMorgan Funds Limited  
 Company's Registered Office  
 60 Victoria Embankment  
 London EC4Y 0JP  
 Telephone number: 020 7742 4000

Please contact Paul Winship for company secretarial and administrative matters.

## 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 1080  
 Aspect House  
 Spencer Road  
 Lancing  
 West Sussex BN99 6DA  
 Telephone number: 0371 384 2319

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 1080. Registered shareholders can obtain further details on their holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk).

## Independent Auditor

Ernst & Young LLP  
 Chartered Accountants and Statutory Auditor  
 1 More London Place  
 London SE1 2AF

## Brokers

Winterflood Securities Limited  
 The Atrium Building  
 Cannon Bridge  
 25 Dowgate Hill  
 London EC4R 2GA  
 Telephone 020 7621 0004



The Association of  
 Investment Companies

A member of the AIC

---

## CONTACT

60 Victoria Embankment  
London  
EC4Y 0JP  
Tel +44 (0) 20 7742 4000  
Website [www.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk)

