# THE CITY OF LONDON INVESTMENT TRUST PLC

Portfolio positioning and outlook: **Investor Forum**

June 2023

**Job Curtis**
**Fund Manager**

# The City of London Investment Trust

## Background

- Objective: “To provide long-term growth in income and capital, principally by investment in equities listed on the London Stock Exchange. The Board fully recognises the importance of dividend income to shareholders”.
- Independent board of directors (Sir Laurie Magnus, Chairman, since October 2020)
- £2026m net assets (at 30 April 2023)
- 221 million new shares issued (at premium to NAV) over ten years (to 30 June 2022) increasing share capital by 92%
- 1.2 million shares bought back in September 2020 (at a 2% discount to NAV)

Source: Janus Henderson Investors, as 30 April 2023.
Note: Net asset value, The total value of a fund's assets less its liabilities.
**Past performance does not predict future returns.**

# The City of London Investment Trust

## Management

- Job Curtis
  - City of London's Portfolio Manager since July 1991
  - David Smith Deputy Portfolio Manager since July 2021

- Investment management fee: 0.325% of net assets[1]

- On-going charge ratio of 0.37%[2]
  - (Lowest in the AIC UK Equity Income sector[3])

- Long-term debt
  - £30m 2.67% secured notes 2046
  - £50m 2.94% secured notes 2049

Source: [1] City of London Trust Annual Report 30 June 2022. [2] RNS announcement 21 September 2022. [3] JPMorgan Cazenove as at 21 September 2022.

Note: Ongoing Charge – Ongoing charge represent the total investment management fee and other administrative expenses expressed as a percentage of the average net asset values with debt at fair value throughout the year. Fund charges will impact the value of your investment. In particular, the ongoing charges applicable to each fund will dilute investment performance, particularly over time. For further explanation of charges please visit our Fund Charges page at www.janushenderson.com.

# Global Equity Income Team

## Highly experienced, dedicated equity income team managing £14.0bn

**Alex Crooke, ASIP**

Head of  Equities
EMEA & Asia Pacific Portfolio Manager
33 years' experience

**Ben Lofthouse, CFA**

Head of Global Equity Income
Portfolio Manager
25 years' experience

**Job Curtis, ASIP**

Portfolio Manager
40 years' experience

**Andrew Jones**

Portfolio Manager
28 years' experience

**Laura Foll, CFA**

Portfolio Manager
14 years' experience

**James Henderson**

Portfolio Manager
41 years' experience

**Faizan Baig, CFA**

Portfolio Manager
16 years' experience

**Charlotte Greville, CFA**

Associate Portfolio Manager
12 years' experience

**David Smith, CFA**

Portfolio Manager
21 years' experience

**Stephen Payne, ASIP**

Portfolio Manager
28 years' experience

**Jane Shoemake, ASIP**

Client Portfolio Manager
29 years' experience

**Amber  Milam**

Client Portfolio Manager
26 years' experience

**Olivia Vernall**

Associate Analyst Research & ESG
6 years' experience

**Chris Murphy, CFA**

Portfolio Analyst
7 years' experience

**Callum Rushforth, CFA**

Associate Client Portfolio Manager
7 years' experience

**We believe that over the long term, dividend-paying stocks that exhibit consistent dividend growth could outperform the broader market**

Source: Janus Henderson Investors, as at 30 April 2023.

# The City of London Investment Trust

## Investment philosophy

- Valuation driven stock selection but taking notice of macro factors
- Dividend yield most important but other measures of share price valuation considered
- Conservative approach:
  - Cash generation to support dividends and capital expenditure
  - Strong balance sheets, especially for cyclical companies
  - “Margin of safety” sought

**Idea generation**

- Value:
  - Snapshots
  - Models
  - Screens
- External brokers
- Team interaction
- Cross-team information sharing

**Stock analysis**

- Profit and loss/cashflow
- Balance sheet
- Competitive position
- Company meetings
- ESG factors

**Portfolio construction**

- Income tilt
- Risk screening
- Sector concentration
- Size bias
- Macro factors

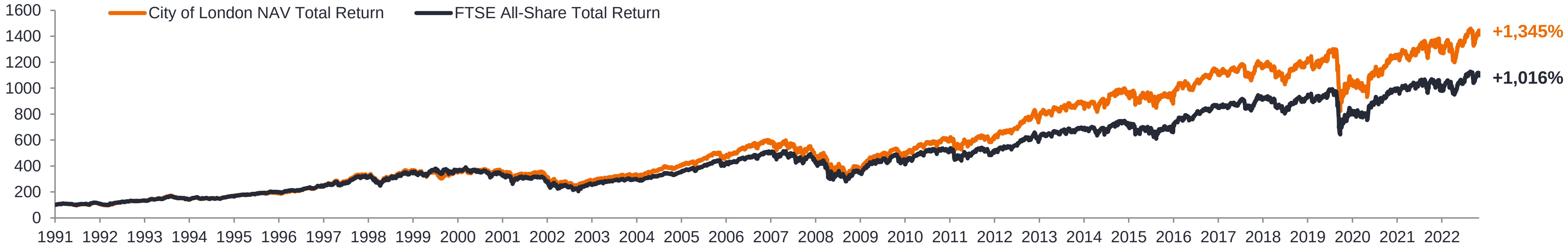
Note: Yield – The level of income on a security, typically expressed as a percentage rate. For equities, a common measure is the dividend yield, which divides recent dividend payments for each share by the share price. For a bond, this is calculated as the coupon payment divided by the current bond price.
Capital Expenditure – Spending on fixed assets such as buildings, machinery, equipment and vehicles in order to increase the capacity or efficiency of a company.
Cyclical – Companies that sell discretionary consumer items, such as cars, or industries highly sensitive to changes in the economy, such as miners. The prices of equities and bonds issued by cyclical companies tend to be strongly affected by ups and downs in the overall economy, when compared to non-cyclical companies.
Balance sheet – A financial statement that summarises a company's assets, liabilities and shareholders' equity at a particular point in time. Each segment gives investors an idea as to what the company owns and owes, as well as the amount invested by shareholders. It is called a balance sheet because of the accounting equation: assets = liabilities + shareholders’ equity. ESG – Environmental, social and governance are three key criteria used to evaluate a company’s ethical impact and sustainable practices.

# Trust overview and performance

# The City of London Investment Trust

## Total return performance to 30 April 2023

### 31 year performance (%)




Source: Refinitiv Datastream, Janus Henderson Investors Analysis, as at 30 April 2023. Rebased to 100, as at 1 July 1991.

| Cumulative performance (%) | 1 year | 3 year | 5 year | 10 year |
|---|---|---|---|---|
| City of London NAV | 6.4 | 48.9 | 27.5 | 90.6 |
| FTSE All-Share Index | 6.0 | 45.2 | 24.1 | 80.7 |
| AIC UK Equity Income | 6.6 | 48.5 | 26.2 | 93.5 |
| UK Equity Income OEIC sector | 2.4 | 37.8 | 15.7 | 72.0 |

Source: Morningstar, Janus Henderson Investors Analysis, as at 30 April 2023.
Note: The City of London Investment Trust, net of fees in GBP.
**Past performance does not predict future returns.**

# The City of London Investment Trust

## Revenue

Year to 30 June 2022:

- Dividend per share 19.6p (+2.6%)
- 56th consecutive annual increase
- Earnings per share: 20.72p (+21.2%)
- Revenue reserve per share at 30 June 2022: 9.5p

| Revenue | 30/06/22 | 30/06/21 | 30/06/20 | 30/06/19 | 30/06/18 |
|---|---|---|---|---|---|
| Earnings Per Share (EPS) | 20.72p | 17.09p | 15.73p | 19.76p | 18.69p |
| Dividends Per Share (DPS) | 19.60p | 19.10p | 19.00p | 18.60p | 17.70p |
| Payout ratio (DPS/EPS as a %) | 94.6% | 111.8% | 121.0% | 94.1% | 94.7% |

Source: Janus Henderson Investors / Association of Investment Companies, as at 30 June 2022.

Note: Payout Ratio – The percentage of earnings distributed to shareholders in the form of dividends in a year.

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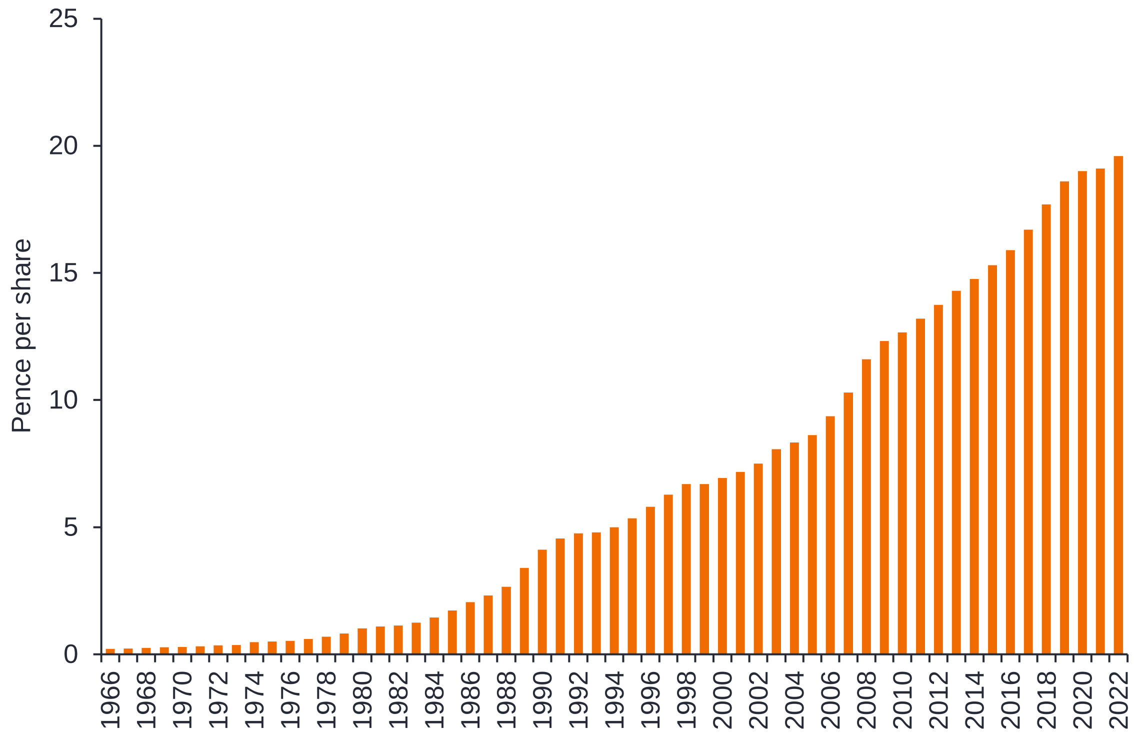
# The City of London Investment Trust

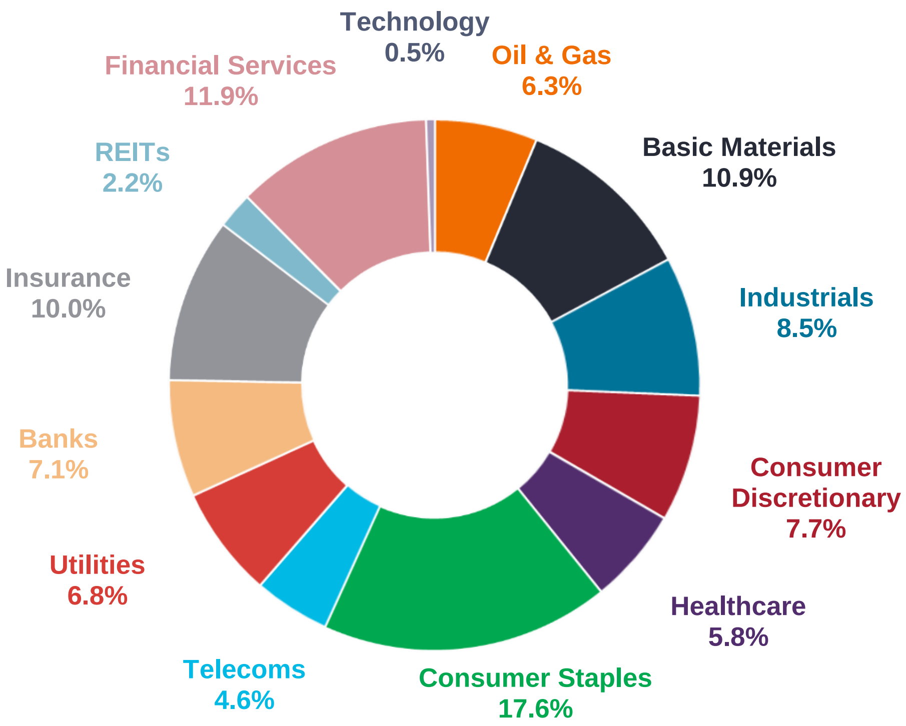
## 56 years of dividend increases

### CTY – dividends (pence per share)




Source: Janus Henderson Investors, as at 30 June 2022.
Note: Yields may vary and are not guaranteed.
**Past performance does not predict future returns.**

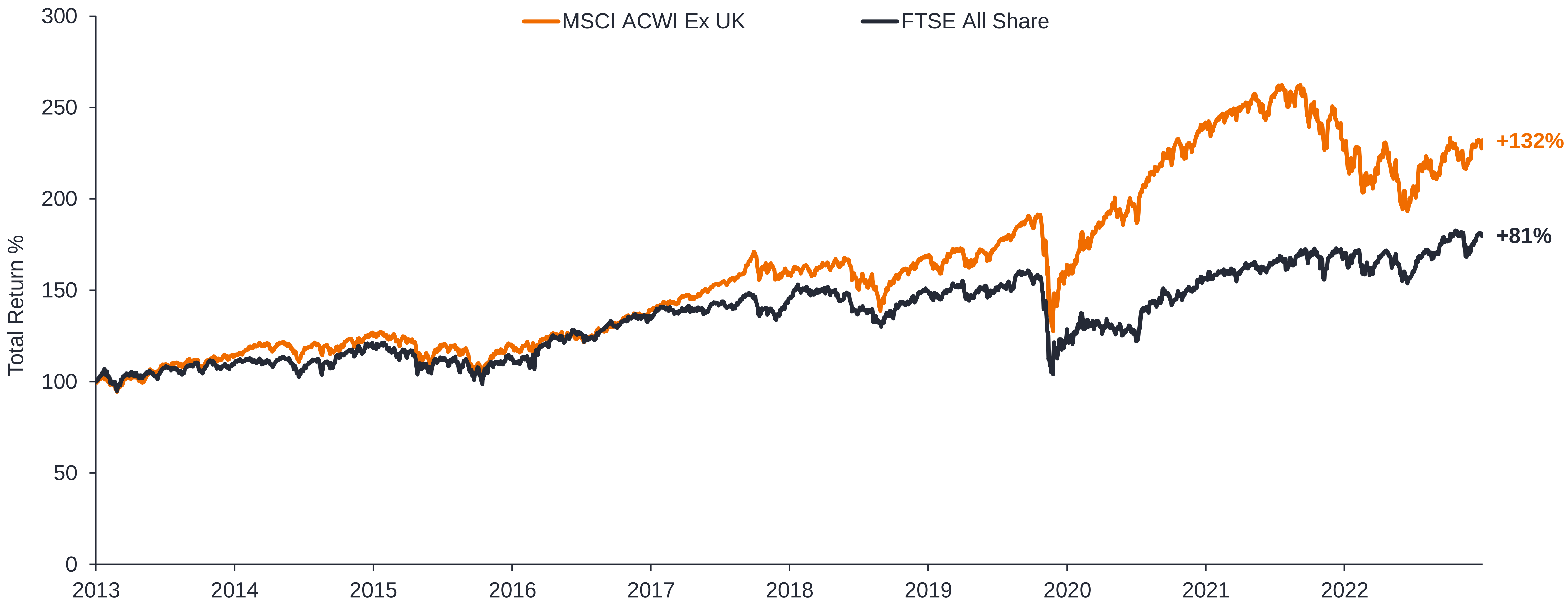
### Income by industry (%)




Source: BNP, Janus Henderson Investors. For the 12 months to 31 January 2023.
Note: ICB Industries shown. Financials split out by ICB Sectors.

# Portfolio position and analysis

# UK market underperformance over last 10 years




Source: Refinitiv Datastream, Janus Henderson Investors Analysis, as at 28 April 2023.

Note: Indices are total return, GBP, rebased to 100 as at 30 April 2013.

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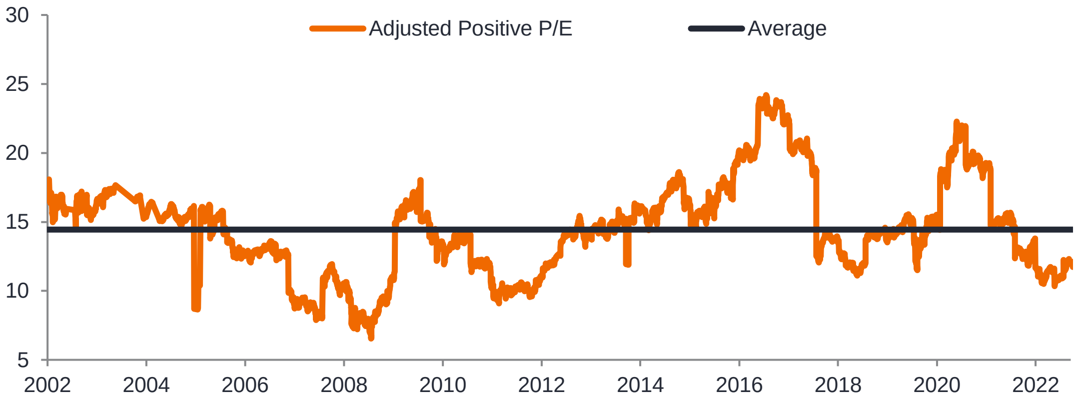
# The City of London Investment Trust

## UK Equity market outlook

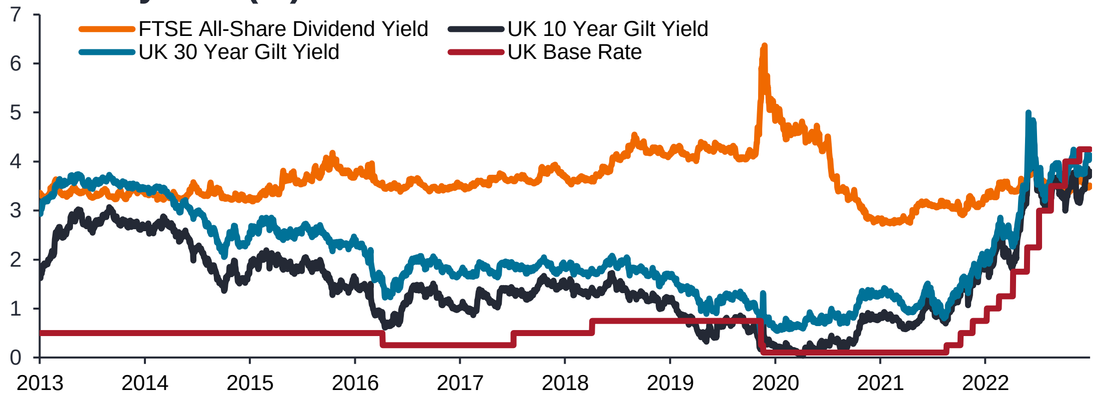
- Inflation falling but likely to stick above government 2% target given wage growth
- Quantitative tightening could cause volatility as do international tensions
- Difficult mixture of weak demand and cost pressures for companies, some help from Chinese reopening
- City of London gearing: 7.2% (as at 30 April 2023)

**FTSE 350 PE (x)**




Source: Refinitiv Datastream, Janus Henderson Investors Analysis, as at 30 April 2023.

**Yield 10 years (%)**




Source: Refinitiv Datastream, Janus Henderson Investors Analysis, as at 30 April 2023.

Source: Janus Henderson Investors, as at 30 April 2023.

Note: Yields may vary and are not guaranteed. The above are the teams views and should not be construed as advice and may not reflect other opinions in the organisation.
Gearing – A measure of a company's leverage that shows how far its operations are funded by lenders versus shareholders. It is a measure of the debt level of a company. Within investment trusts it refers to how much money the trust borrows for investment purposes. Volatility – The rate and extent at which the price of a portfolio, security or index, moves up and down. If the price swings up and down with large movements, it has high volatility. If the price moves more slowly and to a lesser extent, it has lower volatility. It is used as a measure of the riskiness of an investment. PE – A popular ratio used to value a company's shares. It is calculated by dividing the current share price by its earnings per share. In general, a high P/E ratio indicates that investors expect strong earnings growth in the future, although a (temporary) collapse in earnings can also lead to a high P/E ratio. Monetary tightening – Monetary tightening refers to central bank activity aimed at curbing inflation and slowing down growth in the economy by raising interest rates and reducing the supply of money. Gilt Yield – the interest rates paid on British government bonds.
**Past performance does not predict future returns.**

# The City of London Investment Trust

## Portfolio characteristics

| Characteristics | April 2023 | June 2022 | June 2021 | June 2020 | June 2019 | June 2018 |
|---|---|---|---|---|---|---|
| Number of holdings | **88** | 85 | 82 | 90 | 97 | 102 |
| FTSE100 stocks (%) | **75** | 71 | 72 | 75 | 78 | 73 |
| Other UK listed (%) | **10** | 12 | 15 | 11 | 12 | 16 |
| Overseas listed (%) | **15** | 17 | 13 | 14 | 10 | 11 |
| Gearing (%) | **7.2** | 7.1 | 6.9 | 9.7 | 7.9 | 7.7 |

| Industry group | Industry weight % | Largest holding in industry | Stock weight % |
|---|---|---|---|
| 1. Financials | 25.1 | HSBC | 2.8 |
| 2. Consumer Staples | 20.5 | British American Tobacco | 3.5 |
| 3. Industrials | 11.4 | BAE Systems | 3.6 |
| 4. Energy | 8.9 | Shell | 3.8 |
| 5. Health Care | 8.3 | AstraZeneca | 2.9 |
| Total | 74.2 | | |

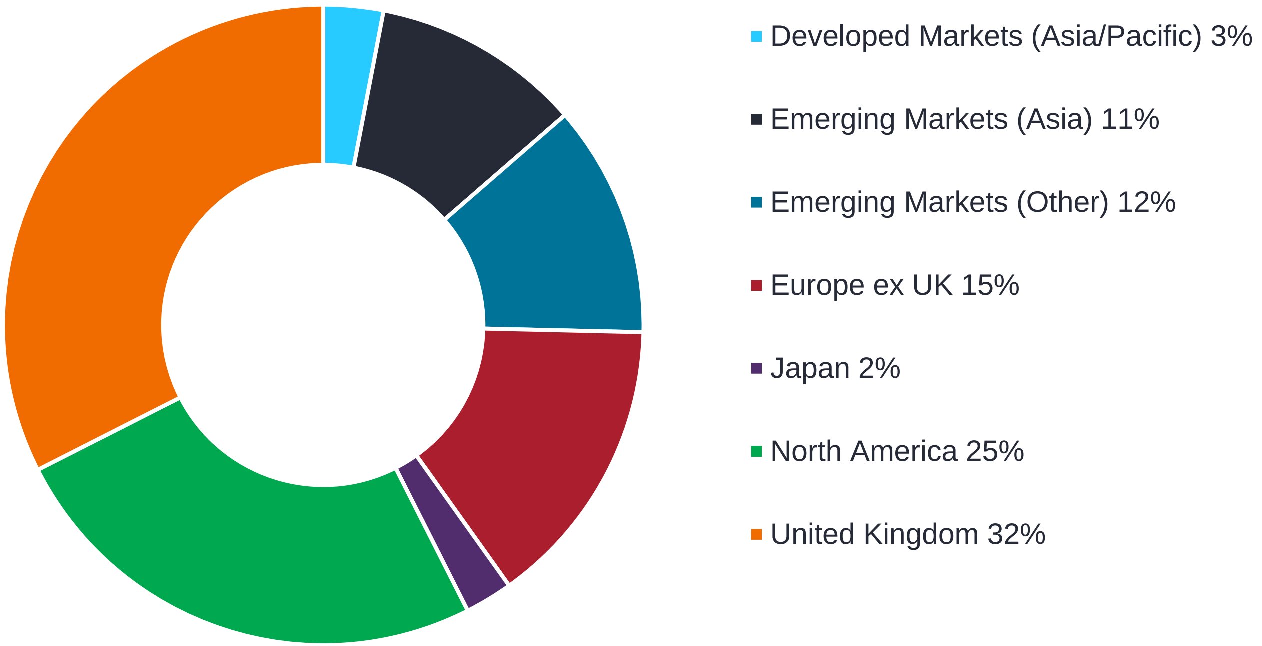
- Diversified approach to income generation and capital returns

Source: Janus Henderson Investors, as at 30 April 2023.
Note: Gearing – A measure of a company's leverage that shows how far its operations are funded by lenders versus shareholders. It is a measure of the debt level of a company. Within investment trusts it refers to how much money the trust borrows for investment purposes.
Allocations are subject to change without notice. FTSE ICB Industry grouping shown.
References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

# The City of London Investment Trust

## Portfolio characteristics

**Revenue exposure %**




**68%**

**of portfolio revenue exposure is from outside the UK**

Source: Factset, Janus Henderson Investors, as at 30 April 2023.
Note: Totals may not add up to 100 due to rounding.

# The City of London Investment Trust

## Top 10 holdings (as at 30 April 2023)

| % of portfolio | | |
|---|---|---|
| 1. | Shell | 3.8 |
| 2. | BAE Systems | 3.6 |
| 3. | British American Tobacco | 3.5 |
| 4. | Diageo | 3.3 |
| 5. | Unilever | 3.2 |
| 6. | RELX | 3.1 |
| 7. | BP | 3.1 |
| 8. | AstraZeneca | 2.9 |
| 9. | HSBC | 2.8 |
| 10. | Imperial Brands | 2.6 |
| **Total** | | **32.0** |

Source: Janus Henderson Investors, as at 30 April 2023.

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# The City of London Investment Trust

## Top 20 holdings (as at 30 April 2023)

| % of portfolio | | |
|---|---|---|
| 11. | Tesco | 2.6 |
| 12. | Phoenix | 2.4 |
| 13. | National Grid | 2.3 |
| 14. | M&G | 2.3 |
| 15. | Rio Tinto | 2.2 |
| 16. | 3i | 2.1 |
| 17. | SSE | 2.0 |
| 18. | St James's Place | 1.9 |
| 19. | Lloyds Banking | 1.9 |
| 20. | Legal & General | 1.8 |
| **Total** | | **21.4** |

Source: Janus Henderson Investors, as at 30 April 2023.

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# The City of London Investment Trust

## Conclusion

- 56 years of annual dividend increases, the longest record of any investment trust
- Ongoing charge ratio of 0.37% (for year to 30 June 2022) – lowest in the AIC UK Equity Income sector[1]
- Long-term outperformance of FTSE All-Share Index through conservative investment style

| **Discrete performance (%)**[2] | **NAV** | **Price** |
|---|---|---|
| December 2021 – December 2022 | 5.10 | 9.37 |
| December 2020 – December 2021 | 20.07 | 11.78 |
| December 2019 – December 2020 | -13.81 | -11.75 |
| December 2018 – December 2019 | 21.14 | 20.53 |
| December 2017 – December 2018 | -10.12 | -8.48 |

Source: Janus Henderson, as at 31 December 2022.

Note: [1] JPMorgan Cazenove as at 21 September 2022.

[2] Morningstar, as at 31 December 2022. Share price Total Return, net of fees in GBP.

**Past performance does not predict future returns.**

## Contact us

janushenderson.com


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