

NEW STAR INVESTMENT TRUST PLC

INTERIM REPORT

For the six months ended 31st December 2018

NEW STAR INVESTMENT TRUST PLC

INVESTMENT OBJECTIVE

The Company's objective is to achieve long-term capital growth.

REGISTERED OFFICE

1 Knightsbridge Green, London, SW1X 7QA
Company Number: 03969011

COMPANY INFORMATION

DIRECTORS

G Howard-Spink (Chairman)
J L Duffield (Deputy Chairman)
D J Gamble

INVESTMENT MANAGER

Brompton Asset Management LLP
1 Knightsbridge Green, London SW1X 7QA
(Authorised and regulated by the Financial Conduct Authority)

SECRETARY AND ADMINISTRATOR

Maitland Administration Services Limited
Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY
Telephone: 01245 398950 Facsimile: 01245 398951

SOLICITORS

CMS Cameron McKenna Nabarro
Olswang LLP
Cannon Place, 78 Cannon Street, London EC4N 6AF

AUDITORS

Ernst & Young LLP
25 Churchill Place, London E14 5EY

CUSTODIAN

Brown Brothers Harriman & Co
Park House, 16 – 18 Finsbury Circus, London EC2M 7EB

REGISTRARS

Equiniti Limited
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone: 0371 384 2549
Website: www.shareview.co.uk

WEBSITE

www.nsitplc.com

The Company's shares are traded on the London Stock Exchange and their prices are shown in the Financial Times under "Investment Companies".

NEW STAR INVESTMENT TRUST PLC

FINANCIAL HIGHLIGHTS

	31st December 2018	30th June 2018	% Change
PERFORMANCE			
Net assets (£'000)	105,502	111,366	(5.3)
Net asset value per Ordinary share	148.54p	156.80p	(5.3)
Mid-market price per Ordinary share	105.00p	113.00p	(7.1)
Discount of price to net asset value	29.3%	27.9%	n/a
	Six months ended 31st December 2018	Six months ended 31st December 2017	
Total Return*	-4.63%	5.38%	n/a
IA Mixed Investment 40-85% Shares (total return)	-6.62%	4.34%	n/a
MSCI AC World Index (total return, sterling adjusted)	-5.47%	7.02%	n/a
MSCI UK Index (total return)	-10.04%	6.79%	n/a
	Six months ended 31st December 2018	Six months ended 31st December 2017	
REVENUE			
Return (£'000)	607		438
Return per Ordinary share	0.85p		0.61p
Proposed dividend per Ordinary share	-		-
Dividend paid per Ordinary share	1.00p		0.80p
TOTAL RETURN			
Return (£'000)	(5,154)		5,656
Net assets	-5.3%		4.8%
Net assets (dividend added back)	-4.6%		5.4%

* The total return figure for the Group represents the revenue and capital return shown in the consolidated statement of comprehensive income before dividends paid as a percentage of opening NAV (the alternative performance measure).

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CHAIRMAN'S STATEMENT

PERFORMANCE

Your Company's negative total return was 4.63% over the six months to 31st December 2018, leaving the net asset value (NAV) per ordinary share at 148.54p. By comparison, the Investment Association's Mixed Investment 40-85% Shares Index fell 6.62%. The MSCI AC World Total Return Index fell 5.47% while the MSCI UK Total Return Index fell 10.04%. Over the same period, UK government bonds returned 0.24%. Further information is provided in the investment manager's report.

Your Company made a revenue return for the six months of £607,000 (2017: £438,000).

GEARING AND DIVIDENDS

Your Company has no borrowings. It ended the period under review with cash representing 20.79% of its NAV and is likely to maintain a significant cash position. Your Company has small retained revenue reserves and your Directors do not recommend the payment of an interim dividend (2017: nil). Your Company paid a dividend of 1p per share (2017: 0.8p) in November 2018 in respect of the previous financial year.

DISCOUNT

During the period under review, the Company's shares continued to trade at a significant discount to their NAV. Your Board has explored ways of reducing this discount but no satisfactory solution has been found. The position is, however, kept under continual review.

OUTLOOK

The combination of share price falls in late 2018 despite rising global corporate earnings left equities trading in early 2019 on lower earnings multiples and higher dividend yields than a year previously. Global economic growth has, however, slowed and is likely to slow further during 2019 and this may put corporate profitability under pressure. Such developments may dictate caution in making further commitments to global equity markets.

INTERIM REPORT

CHAIRMAN'S STATEMENT

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Buying opportunities may, however, emerge over the coming months in selected markets. A successful resolution of the Brexit crisis may make UK equities, which trade on below-average valuation multiples and above-average yields, appear more attractive, particularly small and medium-sized companies, which tend to be more sensitive to domestic UK political and economic developments. A positive outcome to the Sino-US trade talks may also improve the prospects for equities in some emerging markets.

Your Company ended the period positioned cautiously with respect to bond investments because of the likelihood of rising inflation. Instead, diversification away from equities is being maintained through your Company's holdings in dollar-denominated cash, lower-risk multi-asset funds and gold equities.

NET ASSET VALUE

Your Company's unaudited NAV at 28th February 2019 was 153.10p.

Geoffrey Howard-Spink
Chairman
28th March 2019

INTERIM REPORT

INVESTMENT MANAGER'S REPORT

MARKET REVIEW

Global equities fell 5.47% in sterling terms over the six months to 31st December 2018. The 10.57% fall in sterling terms during the final quarter of 2018 more than erased the rise in the third quarter. Investors' risk-aversion rose as the Federal Reserve responded to low unemployment and strong US economic growth by raising the Fed Funds Target Rate by a quarter percentage point in September and a further quarter point in December, taking its range to 2.25-2.50%. Interest rate rises are, however, not the only means by which the Fed has tightened monetary policy. The process of shrinking the Fed's swollen balance sheet is also underway, with the proceeds of maturing bonds no longer wholly reinvested in further purchases, allowing the Fed's bond holdings to reduce steadily. This is monetary tightening by another means.

In October, the Fed chairman, Jerome Powell, said US interest rates had a long way to go to reach their neutral rate, stoking fears that the pace of monetary tightening would choke off growth. Following sharp share price falls, Powell revised his guidance in late-November, saying interest rates were close to neutral. In early 2019, the Fed adopted a "patient" or more dovish approach to monetary policy.

US gross domestic product growth slowed from an annualised 3.4% in the third quarter of 2018 to 2.6% in the fourth quarter as the impact of President Trump's fiscal stimulus faded and growth is expected to slow further in 2019. In January 2019, US headline inflation fell to 1.6% as oil prices fell but core inflation excluding energy and food prices held steady at 2.2%. The Fed's progress towards monetary normalisation resulted in a positive real interest rate in contrast to the negative real interest rates that typically prevailed in the aftermath of the 2008-09 credit crisis.

INTERIM REPORT

INVESTMENT MANAGER'S REPORT

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Growth also slowed in China and Beijing policy makers took measures to stimulate activity such as cutting the reserve requirement ratio for bank lending. In December, Sino-US trade discussions adjourned without resolution although the US extended by 90 days the deadline for raising tariffs from 10% to 25% on \$200 billion of imports. Talks continued in early 2019. Failure to avert the impending tariff hike would most likely lead to weaker growth and higher inflation.

The economic weakness in the eurozone was more pronounced. Italy went into recession during the period and Germany narrowly avoided the same fate. As result, equities in Europe excluding the UK underperformed, falling 8.19%. In March 2019, the European Central Bank announced more monetary support, delaying any interest rate rises until 2020 at the earliest.

Equities in Asia excluding Japan and emerging markets fell 6.63% and 4.92% respectively in sterling during the period. There was, however, a wide disparity of returns. Brazilian shares gained 24.99% in sterling following presidential elections but Chinese equities fell 14.33% because of slowing growth and tariff concerns. Indian equities rose 3.90% in sterling but Russian equities declined 0.57%.

UK equities underperformed, falling 10.04% on Brexit fears. The UK stockmarket and sterling recovered after the period end, however, despite two defeats for the government's Brexit deal because the likelihood of "no deal" also diminished. Brexit uncertainty may have weighed on the UK economy. Growth slowed from 1.6% to 1.3% year-on-year over the third and fourth quarters of 2018.

In an environment of slowing growth and stable inflation, global bonds and sterling government bonds rose 3.94% and 0.24% respectively in sterling over the period. Safe-haven assets were in demand during the final quarter of 2018 when equity markets fell. Gold rose 5.60% in sterling over the period. The yen and the dollar also proved defensive, rising 4.65% and 3.66% respectively against sterling.

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INVESTMENT MANAGER'S REPORT

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PORTFOLIO REVIEW

Your Company's negative return was 4.63% during the period under review. By comparison, the Investment Association's Mixed Investment 40-85% Shares Index, which measures a peer group of funds with a multi-asset approach to investing and a typical investment in global equities in the 40-85% range, fell 6.62%. The MSCI AC World Total Return Index fell 5.47% in sterling while the MSCI UK Total Return Index fell 10.04%. Your Company proved relatively defensive because of its significant holdings in safe-haven assets including dollars, gold securities and lower-risk multi-asset funds.

The significant allocation to the dollar was a major positive contributor to performance over the period. The dollar rose as a result of interest rate increases and, more latterly, safe-haven buying. The holdings in dollar cash increased significantly ahead of the sharp equity market falls during the final quarter of 2018. Profits were taken through sales of FP Crux European Special Situations, Polar Capital Global Technology and the iShares S&P Financials exchange-traded fund (ETF). An investment in Fundsmith Equity, which has a concentrated portfolio of quality stocks, was the only significant purchase during the period. At the period end, cash represented 20.79% of your Company's net asset value.

FP Crux European Special Situations was your Company's largest investment at the beginning of the period. Through sales in August and October, the investment more than halved. The manager of FP Crux European Special Situations has historically delivered strong relative returns as a result of a bias toward small and medium-sized companies. Europe ex-UK smaller companies underperformed larger peers, however, falling 15.27% in sterling over the period. FP Crux European Special Situations and Standard Life European Equity Income fell 13.42% and 10.94% respectively. Blackrock Continental European Income, with its large-cap focus, fell only 6.85%.

INTERIM REPORT

INVESTMENT MANAGER'S REPORT

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In late 2018, UK equities traded on lower valuation multiples and higher dividend yields than overseas equities. UK stocks fell over the period because this valuation support proved insufficient in the face of investors' Brexit fears and general risk aversion. Your Company's holdings in income-oriented UK equity funds, however, provided some resilience, with Trojan Income, Schroder Income and Man GLG UK Income all outperforming. Smaller companies, with their greater sensitivity to the domestic economy, underperformed larger peers, however, falling 14.84%. As a result, Aberforth Split Level Income Trust, which represents a geared investment in smaller stocks, fell 20.99%. A favourable outcome to Brexit negotiations may provide an attractive buying opportunity for UK equities as a whole and smaller companies in particular. In the meantime, these investments generate significant income for your Company.

Among the holdings in Asia ex-Japan and emerging markets, Stewart Investors Indian Subcontinent lagged the gain by Indian equities but still rose 0.31%. The 33.99% oil price fall in sterling supported India's economy, which is heavily dependent on imported oil. Volatility may increase, however, as the 2019 general election approaches. The HSBC Russia Capped ETF rose 0.37% over the period, at the end of which it yielded more than 7%. Russia's equity market in early 2019 was lowly valued relative to other emerging markets. JP Morgan Emerging Market Income was your Company's best performer over the period, rising 5.04%. A favourable resolution of the Sino-US trade dispute may lead to strong performance for some emerging markets.

Diversification across different asset classes provided some protection during the period. In response to the rising gold price, Blackrock Gold & General proved relatively resilient, falling only 2.09%. The lower-risk EF Brompton Global Conservative and Trojan funds fell 3.07% and 1.31% respectively. Global bonds posted gains and Franklin Templeton Emerging Market Bond, your Company's highest-yielding investment, returned 0.27%.

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INVESTMENT MANAGER'S REPORT

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Your Company's investments in private companies helped to mitigate the impact of equity market falls. Embark, the largest private equity investment, continued on its growth path and increased its market share. Following two fundraisings in the final quarter of 2018, the valuation increased although it is held at a discount to the prices at which new shares were issued.

The bias towards income funds and the interest income from dollar deposits will enhance your Company's ability to pay distributions because the majority of this income will be paid out as dividends.

OUTLOOK

Global corporate earnings rose during 2018 and this, when combined with share price falls, left stocks trading on lower earnings multiples at the start of 2019. Global economic growth is likely to slow in 2019, however, putting earnings under pressure. The fall in valuations may not have fully reflected the deterioration in economic prospects and your Company has not increased its allocation to equities in the wake of the falls at the end of the period. A successful outcome to the Sino-US trade negotiations and an end to the Brexit impasse may, however, provide buying opportunities for equities, particularly in the UK and emerging markets.

Your Company has minimal direct investment in bond funds. Diversification is achieved through investments in dollar cash, gold equities and lower-risk multi-asset funds. Investments in a small number of unquoted companies may provide an additional and uncorrelated source of potential returns.

Brompton Asset Management LLP
28th March 2019

INTERIM REPORT

DIRECTORS' REPORT

PERFORMANCE

In the six months to 31st December 2018 the total return per Ordinary share was a negative 4.6% and the NAV decreased to 148.54p, whilst the share price decreased by 7.1% to 105.00p. This compares to a decrease of 6.6% in the IA Mixed Investment 40-85% Shares Index.

INVESTMENT OBJECTIVE

The Company's investment objective is to achieve long-term capital growth.

INVESTMENT POLICY

The Company's investment policy is to allocate assets to global investment opportunities through investment in equity, bond, commodity, real estate, currency and other markets. The Company's assets may have significant weightings to any one asset class or market, including cash.

The Company will invest in pooled investment vehicles, exchange traded funds, futures, options, limited partnerships and direct investments in relevant markets. The Company may invest up to 15% of its net assets in direct investments in relevant markets.

The Company will not follow any index with reference to asset classes, countries, sectors or stocks. Aggregate asset class exposure to any one of the United States, the United Kingdom, Europe ex UK, Asia ex Japan, Japan or Emerging Markets and to any individual industry sector will be limited to 50% of the Company's net assets, such values being assessed at the time of investment and for funds by reference to their published investment policy or, where appropriate, their underlying investment exposure.

The Company may invest up to 20% of its net asset value in unlisted securities (excluding unquoted pooled investment vehicles) such values being assessed at the time of investment.

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DIRECTORS' REPORT

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The Company will not invest more than 15% of its net assets in any single investment, such values being assessed at the time of investment.

Derivative instruments and forward foreign exchange contracts may be used for the purposes of efficient portfolio management and currency hedging. Derivatives may also be used outside of efficient portfolio management to meet the Company's investment objective. The Company may take outright short positions in relation to up to 30% of its net assets, with a limit on short sales of individual stocks of up to 5% of its net assets, such values being assessed at the time of investment. The Company may borrow up to 30% of net assets for short-term funding or long-term investment purposes. No more than 10%, in aggregate, of the value of the Company's total assets may be invested in other closed-ended investment funds except where such funds have themselves published investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds.

SHARE CAPITAL

The Company's share capital comprises 305,000,000 Ordinary shares of 1p each, of which 71,023,695 (2017: 71,023,695) have been issued and fully paid. No Ordinary shares are held in treasury, and none were bought back or issued during the six months to 31st December 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks identified by the Board, and the steps the Board takes to mitigate them, are as follows:

Investment strategy: Inappropriate long-term strategy, poor asset allocation and manager selection could lead to underperformance. The Board discusses investment performance at each of its meetings and the Directors receive reports detailing asset allocation, investment selection and performance.

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DIRECTORS' REPORT

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Business conditions and general economy: The Company's future performance is heavily dependent on the performance of different equity and currency markets. The Board cannot mitigate the risks arising from adverse market movements. However, diversification within the portfolio will reduce the impact. Further information is given in portfolio risks below.

Portfolio risks - market price, foreign currency and interest rate risks: The twenty largest investments are listed on page 19. Investment returns will be influenced by interest rates, inflation, investor sentiment, availability/cost of credit and general economic conditions in the UK and globally. A proportion of the portfolio is in investments denominated in foreign currencies and movements in exchange rates could significantly affect their sterling value. The Investment Manager takes all these factors into account when making investment decisions but the Company does not normally hedge against foreign currency movements. The Board's policy is to hold a spread of investments in order to reduce the impact of the risks arising from the above factors by investing in a spread of asset classes and geographic regions.

Net asset value discount: The discount in the price at which the Company's shares trade to net asset value means that shareholders cannot realise the real underlying value of their investment. For a number of years the Company's share price has been at a significant discount to the Company's net asset value. The Directors review regularly the level of discount, however given the investor base of the Company, the Board is very restricted in its ability to control the discount to net asset value.

Investment Manager: The quality of the team employed by the Investment Manager is an important factor in delivering good performance and the loss of key staff could adversely affect returns. A representative of the Investment Manager attends each Board meeting and the Board is informed if any changes to the investment team employed by the Investment Manager are proposed.

Tax and regulatory risks: A breach of The Investment Trust (Approved Company) (Tax) Regulations 2011 (the 'Regulations') could lead to capital gains realised within the

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DIRECTORS' REPORT

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portfolio becoming subject to UK capital gains tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of company law could lead to criminal proceedings, financial and/or reputational damage. The Board employs Brompton Asset Management LLP as Investment Manager, and Maitland Administration Services Limited as Secretary and Administrator, to help manage the Company's legal and regulatory obligations.

Operational: disruption to, or failure of, the Investment Manager's or Administrator's accounting, dealing or payment systems or the Custodian's custody systems could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service. The Company receives regular reports from its contracted third parties.

INVESTMENT MANAGEMENT ARRANGEMENTS AND RELATED PARTY TRANSACTIONS

In common with most investment trusts the Company does not have any executive directors or employees. The day-to-day management and administration of the Company, including investment management, accounting and company secretarial matters, and custodian arrangements are delegated to specialist third party service providers.

Details of related party transactions are contained in the Annual Report. There have been no material transactions with related parties during the period which have had a significant impact on the performance of the Company.

GOING CONCERN

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities that are readily realisable or cash and it has no significant liabilities. Investment income exceeds annual expenditure and current liquid net assets cover current annual expenses

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DIRECTORS' REPORT

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for many years. Accordingly, the Company is of the opinion that it has adequate financial resources to continue in operational existence for the foreseeable future which is considered to be in excess of five years. Five years is considered a reasonable time for investors when making their investment decisions. In reaching this view the Directors reviewed the anticipated level of annual expenditure against the cash and liquid assets within the portfolio. The Directors have also considered the risks the Company faces.

AUDITORS

The half year financial report has been reviewed, but not audited, by Ernst & Young LLP pursuant to the Auditing Practices Board guidance on the Review of Interim Financial Information.

RESPONSIBILITY STATEMENT

The Directors named on page 2 confirm that to the best of their knowledge:

The financial statements contained within the half year financial report to 31st December 2018 has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting';

The Chairman's statement, Directors' report or the Investment Manager's report include a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements;

The Chairman's statement, Directors' report or the Investment Manager's report include a fair review of the potential risks and uncertainties for the remaining six months of the year;

NEW STAR INVESTMENT TRUST PLC

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DIRECTORS' REPORT

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The Director's report and note 8 to the half year financial report include a fair review of the information concerning transactions with the investment manager and changes since the last annual report.

By order of the Board

Maitland Administration Services Limited
28th March 2019

INDEPENDENT REVIEW REPORT TO NEW STAR INVESTMENT TRUST PLC

INTRODUCTION

We have been engaged by New Star Investment Trust plc ('the Company') to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 31 December 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, and related notes 1 to 8. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual consolidated financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of consolidated financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Group a conclusion on the consolidated financial statements in the half-yearly report based on our review.

INDEPENDENT REVIEW REPORT TO NEW STAR INVESTMENT TRUST PLC

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SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 31 December 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
28th March 2019

NEW STAR INVESTMENT TRUST PLC

SCHEDULE OF TOP TWENTY INVESTMENTS

at 31st December 2018

Holding	Activity	Bid-market value £ '000	% of Net Assets
Fundsmith Equity Fund	Investment Fund	6,323	5.99
Embark Group	Unquoted investment	5,007	4.75
Schroder Income Fund	Investment Fund	4,773	4.53
FP Crux European Special Situations Fund	Investment Fund	4,353	4.13
Polar Capital - Global Technology Fund	Investment Fund	4,246	4.02
EF Brompton Global Conservative Fund	Investment Fund	3,979	3.77
Aberforth Split Level Income Trust	Investment Company	3,644	3.46
Artemis Global Income Fund	Investment Fund	3,486	3.30
BlackRock Continental European Income Fund	Investment Fund	3,400	3.22
Aquilus Inflection Fund	Investment Fund	3,081	2.92
Lindsell Train Japanese Equity Fund	Investment Fund	2,920	2.77
BlackRock Gold & General Fund	Investment Fund	2,843	2.69
Stewart Investors Indian Subcontinent Fund	Investment Fund	2,714	2.57
Man GLG UK Income Fund	Investment Fund	2,584	2.45
EF Brompton Global Opportunities Fund	Investment Fund	2,572	2.44
Liontrust Asia Income Fund	Investment Fund	2,571	2.44
EF Brompton Global Equity Fund	Investment Fund	2,482	2.35
EF Brompton Global Growth Fund	Investment Fund	2,448	2.32
MI Brompton UK Recovery Trust	Investment Fund	2,406	2.28
Trojan Income Fund	Investment Fund	2,168	2.05
		<hr/>	<hr/>
Balance held in 21 investments		15,561	14.75
		<hr/>	<hr/>
Total investments (excluding cash)		83,561	79.20
Net current assets (including cash)		21,941	20.80
Net Assets		<hr/>	<hr/>
		105,502	100.00

The investment portfolio can be further analysed as follows:

	£'000
Investment funds	68,803
Unquoted investments, including interest bearing loans of £250,000	7,424
Investment companies and exchange traded funds	6,505
Other quoted investments	832
	<hr/>
	83,561
	<hr/>

The Company's investments are either unlisted or are unit trust/OEIC funds with the exception of Aberforth Split Level Income Trust, JP Morgan Emerging Markets Income Trust, Miton Group, Immedia Group, iShares S&P 500 Financials Sector UCITS and HSBC MSCI Russia Capped UCITS ETF.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31st December 2018
(unaudited)

		Six months ended 31st December 2018 (unaudited)		
	Notes	Revenue Return £ '000	Capital Return £ '000	Total Return £ '000
INCOME				
Investment income		930	-	930
Other operating income		147	-	147
Total income	2	1,077	-	1,077
GAINS AND LOSSES ON INVESTMENTS				
Losses on investments at fair value through profit or loss	5	-	(6,168)	(6,168)
Other exchange gains		-	405	405
Trail rebates		-	2	2
		1,077	(5,761)	(4,684)
EXPENSES				
Management fees	3	(339)	-	(339)
Other expenses		(131)	-	(131)
		(470)	-	(470)
PROFIT /(LOSS) BEFORE TAX		607	(5,761)	(5,154)
Tax		-	-	-
PROFIT /(LOSS) FOR THE PERIOD		607	(5,761)	(5,154)
EARNINGS PER SHARE				
Ordinary shares (pence)	4	0.85p	(8.11)p	(7.26)p

The total return column of this statement represents the Group's profit and loss account, prepared in accordance with IFRS. The supplementary Revenue Return and Capital Return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

All income is attributable to the equity holders of the parent company. There are no minority interests.

The notes on pages 25 to 30 form an integral part of these accounts.

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31st December 2017 and the year ended 30th June 2018

		Six months ended 31st December 2017 (unaudited)			Year ended 30th June 2018 (audited)		
	Notes	Revenue Return £'000	Capital Return £'000	Total Return £'000	Revenue Return £'000	Capital Return £'000	Total Return £'000
INCOME							
Investment income		856	-	856	1,654	-	1,654
Other operating income		37	-	37	122	-	122
Total income	2	893	-	893	1,776	-	1,776
GAINS AND LOSSES ON INVESTMENTS							
Gains on investments at fair value through profit or loss	5	-	5,601	5,601	-	6,218	6,218
Other exchange losses		-	(386)	(386)	-	(176)	(176)
Trail rebates		-	3	3	-	5	5
		893	5,218	6,111	1,776	6,047	7,823
EXPENSES							
Management fees	3	(331)	-	(331)	(668)	-	(668)
Other expenses		(122)	-	(122)	(272)	-	(272)
		(453)	-	(453)	(940)	-	(940)
PROFIT BEFORE TAX		440	5,218	5,658	836	6,047	6,883
Tax		(2)	-	(2)	(5)	-	(5)
PROFIT FOR THE PERIOD		438	5,218	5,656	831	6,047	6,878
EARNINGS PER SHARE							
Ordinary shares (pence)	4	0.61p	7.35p	7.96p	1.17p	8.51p	9.68p

The total return column of this statement represents the Group's profit and loss account, prepared in accordance with IFRS. The supplementary Revenue Return and Capital Return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the periods.

All income is attributable to the equity holders of the parent company. There are no minority interests. The notes on pages 25 to 30 form an integral part of these accounts.

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31st December 2018

(unaudited)

	Share capital £ '000	Share premium £ '000	Special reserve £ '000	Retained earnings £ '000	Total £ '000
At 30th JUNE 2018	710	21,573	56,908	32,175	111,366
Total comprehensive income for the period	-	-	-	(5,154)	(5,154)
Dividend paid	-	-	-	(710)	(710)
At 31st DECEMBER 2018	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>26,311</u>	<u>105,502</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31st December 2017

(unaudited)

	Share capital £ '000	Share premium £ '000	Special reserve £ '000	Retained earnings £ '000	Total £ '000
At 30th JUNE 2017	710	21,573	56,908	25,865	105,056
Total comprehensive income for the period	-	-	-	5,656	5,656
Dividend paid	-	-	-	(568)	(568)
At 31st DECEMBER 2017	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>30,953</u>	<u>110,144</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2018

(audited)

	Share capital £ '000	Share premium £ '000	Special reserve £ '000	Retained earnings £ '000	Total £ '000
At 30th JUNE 2017	710	21,573	56,908	25,865	105,056
Total comprehensive income for the year	-	-	-	6,878	6,878
Dividend paid	-	-	-	(568)	(568)
At 30th JUNE 2018	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>32,175</u>	<u>111,366</u>

The notes on pages 25 to 30 form an integral part of these accounts.

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED BALANCE SHEET

at 31st December 2018

	<i>Notes</i>	31st December 2018 (unaudited) £ '000	31st December 2017 (unaudited) £ '000	30th June 2018 (audited) £ '000
NON-CURRENT ASSETS				
Investments at fair value through profit or loss	5	83,561	97,445	96,301
CURRENT ASSETS				
Other receivables		213	103	272
Cash and cash equivalents		21,938	12,804	15,027
		22,151	12,907	15,299
TOTAL ASSETS		105,712	110,352	111,600
CURRENT LIABILITIES				
Other payables		(210)	(208)	(234)
TOTAL ASSETS LESS CURRENT LIABILITIES		105,502	110,144	111,366
NET ASSETS		105,502	110,144	111,366
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS				
Called-up share capital		710	710	710
Share premium		21,573	21,573	21,573
Special reserve		56,908	56,908	56,908
Retained earnings	6	26,311	30,953	32,175
TOTAL EQUITY		105,502	110,144	111,366
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	7	148.54p	155.08p	156.80p

The interim report was approved and authorised for issue by the Board on 28th March 2019.

The notes on pages 25 to 30 form an integral part of these accounts.

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31st December 2018

	Six months ended 31st December 2018 (unaudited) £ '000	Six months ended 31st December 2017 (unaudited) £ '000	Year ended 30th June 2018 (audited) £ '000
NET CASH INFLOW FROM OPERATING ACTIVITIES	644	421	673
INVESTING ACTIVITIES			
Purchase of investments	(2,023)	(9,516)	(16,016)
Sale of investments	8,595	9,402	17,663
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	6,572	(114)	1,647
FINANCING			
Equity dividend paid	(710)	(568)	(568)
NET CASH INFLOW/(OUTFLOW) AFTER FINANCING	6,506	(261)	1,752
INCREASE /(DECREASE) IN CASH	6,506	(261)	1,752
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase/(Decrease) in cash resulting from cash flows	6,506	(261)	1,752
Exchange movements	405	(386)	(176)
Movement in net funds	6,911	(647)	1,576
Net funds at start of period/year	15,027	13,451	13,451
NET FUNDS AT END OF PERIOD/YEAR	21,938	12,804	15,027
RECONCILIATION OF (LOSS)/PROFIT BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/Profit before finance costs and taxation *	(5,154)	5,658	6,883
Loss/(gains) on investments	6,168	(5,601)	(6,218)
Exchange differences	(405)	386	176
Management fee rebates	(2)	(3)	(5)
Revenue profit before finance costs and taxation	607	440	836
Decrease/(Increase) in debtors	59	(7)	(187)
(Decrease)/increase in creditors	(24)	(2)	24
Taxation	-	(13)	(5)
Management fee rebates	2	3	5
NET CASH INFLOW FROM OPERATING ACTIVITIES	644	421	673

The notes on pages 25 to 30 form an integral part of these accounts.

* Includes dividends received in cash of £788,000 (30th June 2018: £1,164,000) (2017: £542,000), accumulation income of £255,000 (30th June 2018: £381,000) (2017: £335,000) and interest income of £84,000 (30th June 2018: £42,000) (2017: £30,000)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 31st December 2018

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements comprise the unaudited results of the Company and its subsidiary, JIT Securities Limited (together “the Group”), for the six months to 31st December 2018. The comparative information for the six months to 31st December 2017 and the year to 30th June 2018 are a condensed set of accounts and do not constitute statutory accounts under the Companies Act 2006. Full statutory accounts for the year to 30th June 2018 included an unqualified audit report, did not contain any statements under section 498 of the Companies Act 2006, and have been filed with the Registrar of Companies.

The half year financial statements have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’, and are presented in pounds sterling, as this is the Group’s functional currency.

The same accounting policies have been followed in the interim financial statements as applied to the accounts for the year ended 30th June 2018, which were prepared in accordance with IFRSs as adopted by the European Union, as updated for the adoption of IFRS 9 and IFRS 15. These standards have not had a material effect since:

- a. The majority of the financial instruments of the Group were previously designated at fair value through profit or loss under IAS 39 and continue to be classified as carried at fair value through profit or loss under IFRS 9. The accounting for the financial instruments carried at fair value through profit or loss has not changed under the new standard.
- b. The revenue earned by the Group is not under the scope of IFRS 15.

No segmental reporting is provided as the Group is engaged in a single segment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

continued

2. TOTAL INCOME

	Six months ended 31st December 2018 £'000	Six months ended 31st December 2017 £'000	Year ended 30th June 2018 £'000
Income from Investments			
UK net dividend income	792	765	1,481
Unfranked investment income	138	91	173
	<u>930</u>	<u>856</u>	<u>1,654</u>
Other Income			
Bank interest receivable	140	31	111
Loan interest income	7	6	11
	<u>147</u>	<u>37</u>	<u>122</u>
	Six months ended 31st December 2018 £'000	Six months ended 31st December 2017 £'000	Year ended 30th June 2018 £'000
Total income comprises			
Dividends	930	856	1,654
Other income	147	37	122
	<u>1,077</u>	<u>893</u>	<u>1,776</u>

3. MANAGEMENT FEES

	Six months ended 31st December 2018 £'000	Six months ended 31st December 2017 £'000	Year ended 30th June 2018 £'000
Investment management fee	339	331	668
Performance fee	-	-	-
	<u>339</u>	<u>331</u>	<u>668</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

continued

The Investment Manager receives a management fee, payable quarterly in arrears, equivalent to an annual 0.75 per cent of total assets after the deduction of the value of any investments managed by the Investment Manager or its associates (as defined in the investment management agreement). The Investment Manager is also entitled to a performance fee of 15% of the growth in net assets over a hurdle of 3-month Sterling LIBOR plus 1% per annum, payable six monthly in arrears, subject to a high water mark. The aggregate of the Company's management fee and any performance fee is subject to a cap of 4.99% of net assets in any financial year (with any performance fee in excess of this cap capable of being earned in subsequent periods). The performance fee will be charged 100% to capital, in accordance with the Board's expectation of how any out-performance will be generated. No performance fee is payable for the period.

4. RETURN PER ORDINARY SHARE

	Six months ended 31st December 2018 £'000	Six months ended 31st December 2017 £'000	Year ended 30th June 2018 £'000
Revenue return	607	438	831
Capital return	(5,761)	5,218	6,047
Total return	<u>(5,154)</u>	<u>5,656</u>	<u>6,878</u>
Weighted average number of Ordinary shares	71,023,695	71,023,695	71,023,695
Revenue return per Ordinary share	0.85p	0.61p	1.17p
Capital return per Ordinary share (before dividend)	(8.11)p	7.35p	8.51p
Total return per Ordinary share (before dividend)	<u>(7.26)p</u>	<u>7.96p</u>	<u>9.68p</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued***5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS**

	At 31st December 2018 £'000	At 31st December 2017 £'000	At 30th June 2018 £'000
GROUP AND COMPANY	83,561	97,445	96,301

ANALYSIS OF INVESTMENT**PORTFOLIO – GROUP AND COMPANY****Six months ended 31st December 2018**

	Listed* (level 1 and 2) £'000	Unlisted** (level 3) £'000	Total £'000
Opening book cost	61,574	7,582	69,156
Opening investment holding gains/(losses)	29,351	(2,206)	27,145
Opening valuation	90,925	5,376	96,301
Movement in period:			
Purchase at cost	1,701	322	2,023
Sales			
- Proceeds	(8,595)	-	(8,595)
- Realised gains on sales	4,168	-	4,168
Movement in investment holding gains/(losses)	(12,062)	1,726	(10,336)
Closing valuation at 31 December 2018	76,137	7,424	83,561
Closing book cost	58,848	7,904	66,752
Closing investment holding gains/(losses)	17,289	(480)	16,809
Closing valuation	76,137	7,424	83,561

* Listed investments include unit trust and OEIC funds which are valued at quoted prices. Included within Listed Investments is one monthly valued level 2 investment of £3,081,000 (30th June 2018: £3,562,000) (2017: £3,527,000).

** The Unlisted investments, representing approximately 7% of the Company's NAV, have been valued in accordance with IPEVC valuation guidelines. The largest unquoted investment amounting to £5,007,000 (30th June 2018: £3,268,000) (2017: £3,268,000) was valued at the latest transaction price, discounted. The second largest investment has been valued based on an offer price. A 10% increase or decrease in the earnings of the largest investment would not have a material impact on the valuation of the investment. This investment has not reached maturity and is not valued on the basis of its current earnings.

There were no reclassifications for assets between Level 1, 2 and 3.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

continued

5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS *continued*

	Six months ended 31st December 2018 £'000	Six months ended 31st December 2017 £'000	Year ended 30th June 2018 £'000
ANALYSIS OF CAPITAL GAINS AND LOSSES			
Realised gains on sales of investments	4,168	4,447	7,457
Increase in investment holding (losses)/gains	(10,336)	1,154	(1,239)
	<u>(6,168)</u>	<u>5,601</u>	<u>6,218</u>

6. RETAINED EARNINGS

	At 31st December 2018 £'000	At 31st December 2017 £'000	At 30th June 2018 £'000
Capital reserve - realised	8,339	925	3,764
Capital reserve - revaluation*	16,809	29,155	27,145
Revenue reserve	1,163	873	1,266
	<u>26,311</u>	<u>30,953</u>	<u>32,175</u>

* The Capital reserve-revaluation includes unrealised currency gains/(losses) of £(402,000), £383,000 and £174,000 respectively.

7. NET ASSET VALUE PER ORDINARY SHARE

	31st December 2018 £'000	31st December 2017 £'000	30th June 2018 £'000
Net assets attributable to Ordinary shareholders	<u>105,502</u>	<u>110,144</u>	<u>111,366</u>
Ordinary shares in issue at end of period	<u>71,023,695</u>	<u>71,023,695</u>	<u>71,023,695</u>
Net asset value per Ordinary share	<u>148.54p</u>	<u>155.08p</u>	<u>156.80p</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

continued

8. TRANSACTIONS WITH THE INVESTMENT MANAGER

During the period there have been no new related party transactions that have affected the financial position or performance of the Group.

Since 1st January 2010 Brompton has acted as Investment Manager to the Company. This relationship is governed by an agreement dated 23rd December 2009.

Mr Duffield is the senior partner of Brompton Asset Management Group LLP the ultimate parent of Brompton.

The total investment management fee payable to Brompton for the half year ended 31st December 2018 was £339,000 (30th June 2018: £668,000) (2017: £331,000) and at the half year £164,000 (30th June 2018: £173,000) (2017: £167,000) was accrued. No performance fee was payable in respect of the six months ended 31st December 2018 (30th June 2018: £nil) (2017: £nil).

The Group's investments include seven funds managed by Brompton or its associates valued at £18,001,000 (30th June 2018: £19,331,000) (2017: £19,501,000). No investment management fees were payable directly by the Company in respect of these investments.