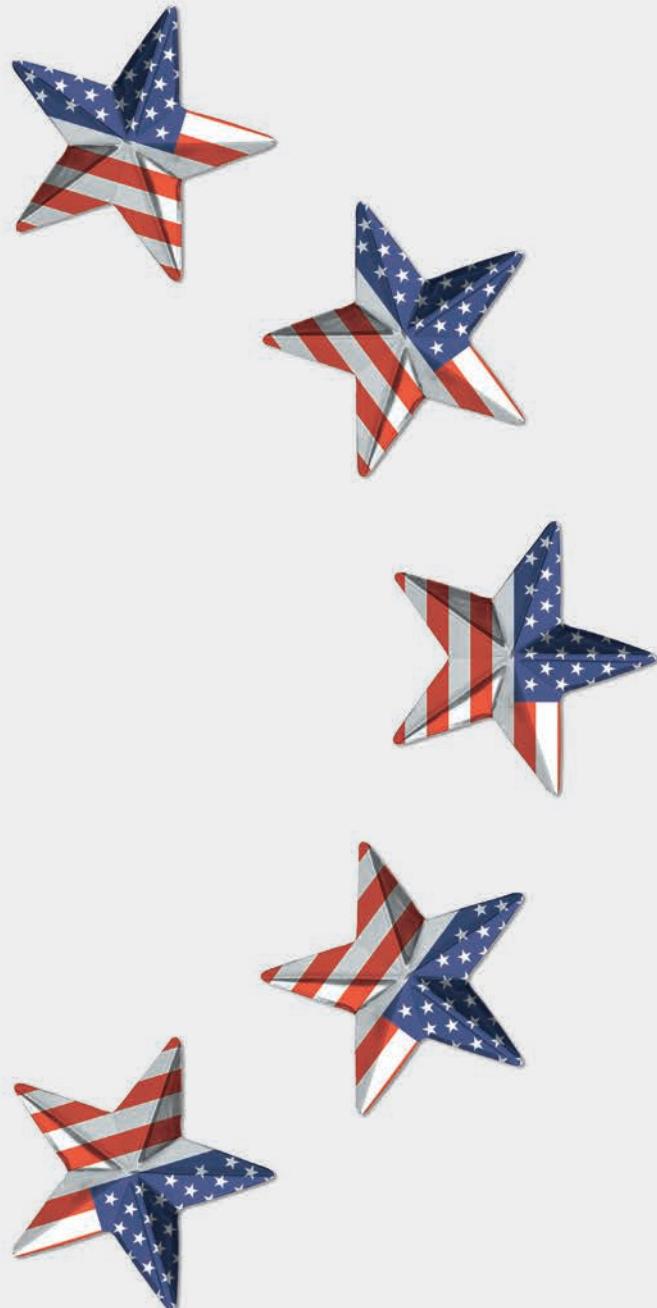
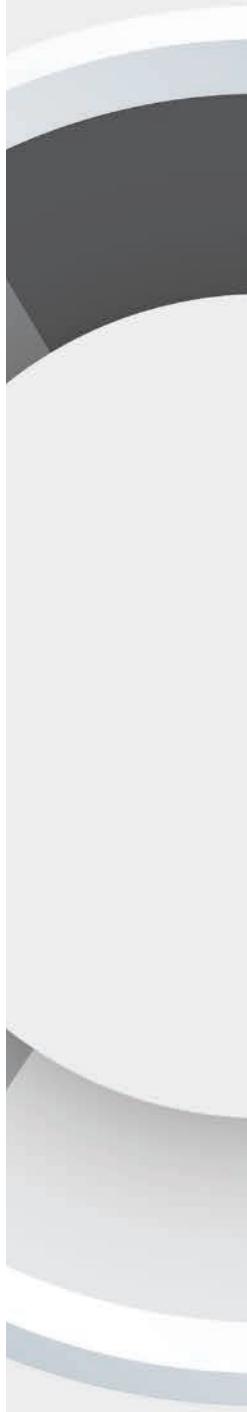


JPMorgan American Investment Trust plc

Annual Report & Financial Statements for the year ended 31st December 2019



KEY FEATURES

Your Company

Investment Objective

To achieve capital growth from North American investments by outperformance of the Company's benchmark. It aims to outperform a benchmark, which is the S&P 500 Index, with net dividends reinvested, expressed in sterling terms.

Investment Policies

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

Please refer to page 21 for full details of the Company's investment policies.

Gearing

- To use short and long term gearing to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. Within this range, the Board reviews and sets a strategic gearing level, which is currently 10%. The Manager is accountable for managing the gearing around a tactical gearing level which is also set by the Board, taking account of shorter term potential market risks and returns. The current tactical level is 10%, plus or minus 2%. In response to the current turbulent market conditions, this range around the 10% level has changed temporarily to plus or minus 4%.

Benchmark Index

The S&P 500 Index, net of appropriate withholding tax, expressed in sterling total return terms.

Capital Structure

As at 31st December 2019, the Company's share capital comprised 281,633,910 ordinary shares of 5p each, including 72,304,852 shares held in Treasury.

The Company's available borrowings are currently made up of two elements: a £80 million floating rate debt facility expiring in August 2022, and a US\$ 65 million fixed-rate 11 year unsecured loan note at an annual coupon of 2.55% which will expire in February 2031. A £25 million floating rate debt facility with National Australia Bank was retired post the year end. When utilised, all the facilities are drawn in US dollars.

Management Fees

The management fee is charged on a tiered basis as follows:

- 0.35% on the first £500 million of net assets;
- 0.30% on net assets above £500 million and up to £1 billion; and
- 0.25% on any net assets above £1 billion.

With effect from 1st June 2019, for a period of nine months through to 29th February 2020, the management fee was waived.

Management Company

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

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 the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust. The Company's shares are not considered to be 'complex instruments' under the FCA's 'appropriateness' rules and guidance in the Conduct of Business sourcebook.

Association of Investment Companies ('AIC')

The Company is a member of the AIC.

Website

More information about the Company can be found online at www.jpmamerican.co.uk.

Strategic Report

- 3** Financial Highlights
- 5** Chair's Statement
- 11** Investment Manager's Report
- 16** Portfolio Information
- 20** Ten Year Record
- 21** Company Purpose, Investment Objective, Policies and Guidelines
- 23** Principal and Emerging Risks
- 25** Long Term Viability

Directors' Report

- 27** Board of Directors
- 28** Directors' Report
- 30** Corporate Governance Statement
- 36** Audit Committee Report

Directors' Remuneration

- 38** Report

Statement of Directors'

- 41** Responsibilities

Independent Auditor's

- 43** Report

Financial Statements

- 51** Statement of Comprehensive Income
- 52** Statement of Changes in Equity
- 53** Statement of Financial Position
- 54** Statement of Cash Flows
- 55** Notes to the Financial Statements

Regulatory Disclosures

- 73** Alternative Investment Fund Managers Directive ('AIFMD') Disclosure (Unaudited)
- 74** Securities Financing Transactions Regulation ('SFTR') Disclosure (Unaudited)

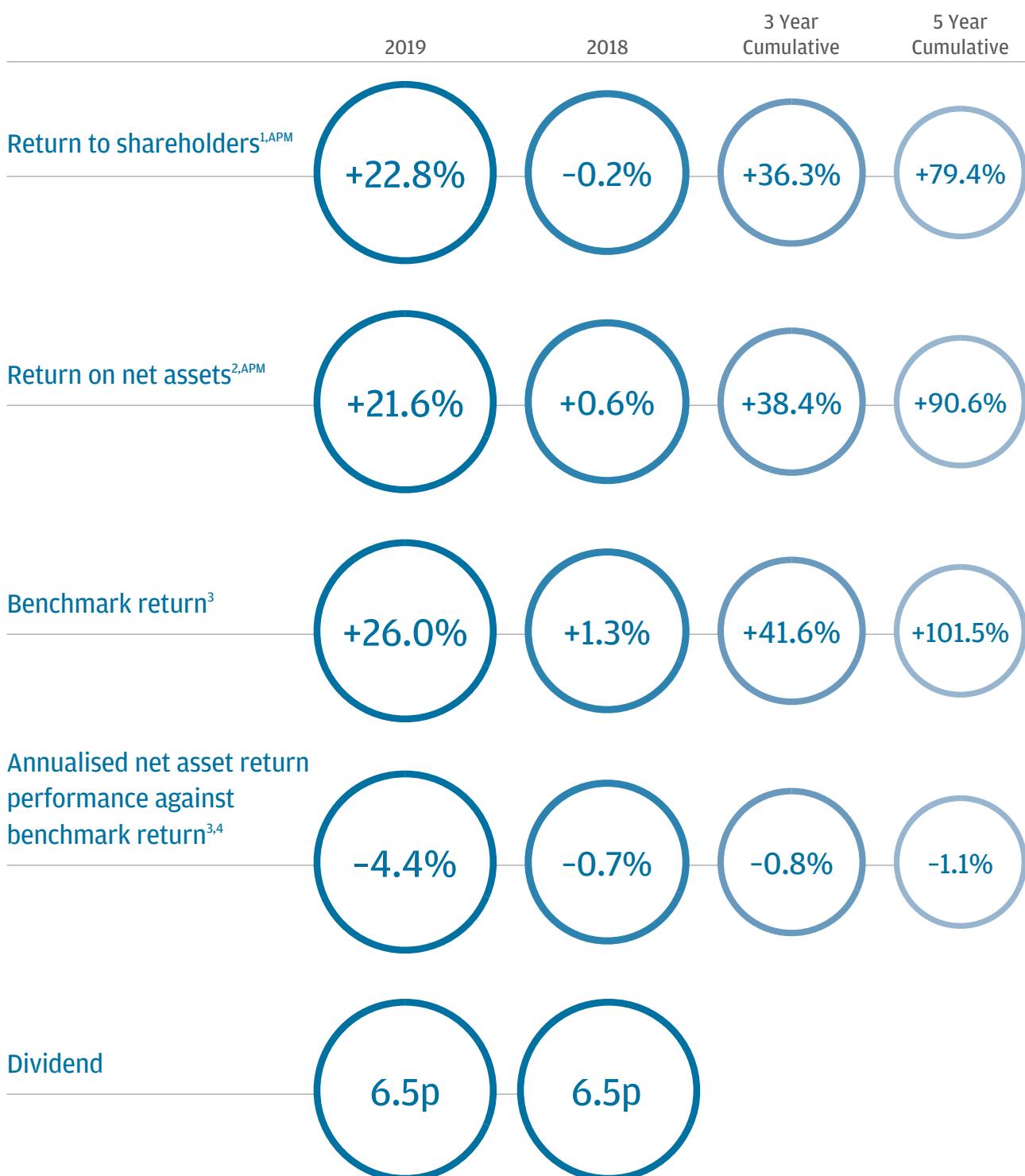
Shareholder Information

- 76** Notice of Annual General Meeting
- 79** Glossary of Terms and Alternative Performance Measures ('APMs') (Unaudited)
- 82** Where to buy J.P. Morgan Investment Trusts
- 83** Information about the Company

NOTE: THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains proposals relating to the Company on which you are being asked to vote. 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. If you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in JPMorgan American Investment Trust plc, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Strategic Report

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)

¹ Source: Morningstar.² Source: Morningstar/J.P. Morgan, using cum income net asset value per share, with debt at fair value.³ The Company's benchmark index is the S&P 500 Index, net of the appropriate withholding tax, expressed in sterling total return terms.⁴ Annualised returns calculated on a geometric basis.

APM Alternative Performance Measures ('APM').

A glossary of terms and APMs is provided on pages 79 to 81.

FINANCIAL HIGHLIGHTS

SUMMARY OF RESULTS

	2019	2018	% change
Total returns for the year ended 31st December			
Return to shareholders ^{1,APM}	+22.8%	-0.2%	
Return on net assets with debt at fair value ^{2,APM}	+21.6%	+0.6%	
Return on net assets with debt at par value ^{2,APM}	+21.6%	+0.5%	
Benchmark return ^{1,3}	+26.0%	+1.3%	
Net asset value, share price, discount and market data at 31st December			
Net asset value per share ^{APM}	504.8p	420.7p	+20.0
S&P 500 Index expressed in sterling (capital only) ⁴	2,438.8	1,968.3	+23.9
Share price	483.0p	399.0p	+21.1
Share price discount to net asset value per share ^{APM}	4.3%	5.2%	
Shareholders' funds (£'000)	1,056,796	919,176	+15.0
Market capitalisation (£'000)	1,011,059	871,738	+16.0
Exchange rate	1 ⚡ = ⚡ 1.3247	1 ⚡ = ⚡ 1.2736	+4.0
Shares in issue (excluding shares held in Treasury)	209,329,058	218,480,648	-4.2
Revenue for the year ended 31st December			
Net revenue attributable to shareholders (£'000)	16,124	17,250	-6.5
Return revenue per share	7.54p	7.71p	-2.2
Dividend per share	6.5p	6.5p	—
Gearing/(net cash) at 31st December ^{APM}	2.8%	(1.0)%	
Ongoing Charges Ratio ^{5,APM}	0.18%	0.38%	
Management Fee:			
On the first £500 million of net assets	0.35%	0.35%	
On net assets above £500 million and up to £1 billion	0.30%	0.30%	
On any net assets above £1 billion	0.25%	0.25%	

¹ Source: Morningstar.

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

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

⁴ Source: Datastream.

⁵ Ongoing Charges Ratio decreased from the prior year due to nine month management fee waiver starting from 1st June 2019. Without the management fee waiver, the ongoing charges ratio would be 0.39%.

^{APM} Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 79 to 81.



Dr Kevin Carter
Chair

Any review of 2019 must begin with the recognition that events associated with COVID-19 have caused unprecedented turmoil in global equity markets, rendering 2019 performance and market levels looking like ancient history in a very short space of time. Indeed the speed and extent of downward collapse in the US stock market has been literally unprecedented, drawing comparisons only with the most dramatic of past declines. At the time of writing historically large daily movements in the US stock market are continuing as investors attempt to understand and assess the ultimate impact of COVID-19. This volatility is likely to persist for some time until the resolution of the global pandemic is much clearer.

Nevertheless, investors in US equities enjoyed strong returns in the year to 31st December 2019 with the S&P 500 Index on a total return basis producing a return of +31.5% to US investors in dollar terms. Taking account of the effect of withholding taxes and a strengthening of sterling over the period, this return translated into a return of +26.0% for UK investors.

Over the year, your Company underperformed its benchmark returning +21.6%. The discount of the share price to NAV tightened from 5.2% to 4.3%, producing a total return to shareholders for the year of +22.8%. More information is provided in the attribution report detailed on page 12 in the Investment Manager's Report.

The Large Cap Investment Process

As was reported to shareholders during the year, after considerable due diligence, the Board decided to change the large cap process offered by the Manager. This change has resulted in a new focussed approach including a reduction in the number of holdings in the large cap portfolio and a reduction in the size of the portfolio tail, resulting in a higher-conviction portfolio. Shareholders approved this new investment policy at the Annual General Meeting last year, and it was implemented with effect from 1st June 2019.

This investment approach has co-lead investment managers, Jonathan Simon and Tim Parton, and sees the large cap element of your Company's asset base invested in a portfolio typically around 40 stocks. The growth and value components of the portfolio are approximately equal, with a maximum tilt in either direction of 60:40. We were pleased that we could quickly and easily transition the portfolio. This transition resulted in \$1.68 billion of trading activity with all but one stock traded over a three day period. This trading represented about 4.5% of the average daily volume of the traded stocks. The Manager had agreed in advance to recompense the Company for all costs involved in transitioning the portfolio, which it has done.

The Small Cap Portfolio

The Company has the benefit of exposure to small cap stocks, which is achieved through exposure to the JPM US Small Cap Growth Strategy. The Company's flexibility to invest a component of its asset base in a portfolio of small cap equities managed by Eytan Shapiro has remained unchanged.

Over the year under review, the exposure to small cap stocks has been very much at the lower end of the 0% to 10% range permitted by the Company's investment policies, closing the year at close to 1.0% of the Company's portfolio having reached approximately 2.8% in June. The JPM US Small Cap Growth portfolio outperformed its own Russell 2000 Growth benchmark and the Company's benchmark, adding 0.1% to performance.

The Board continues to work with the Manager in the development and review of tools to guide its allocation to small cap stocks, which have had a record of adding value for shareholders in recent years.

Liquidity

At the year end, analysis provided by the Manager suggests that in normal market conditions 80% of the portfolio could be liquidated in one day, 96.5% in five days and 99% in ten days. Furthermore, as we have demonstrated, the transition of the large cap portfolio at the beginning of June was carried out in a short time. Shareholders can take comfort that in normal market conditions the Company's portfolio is highly liquid. In a recent Board call with the investment managers they confirmed that even in these current stressed market conditions they are not experiencing any material liquidity constraints in the portfolio activity they are undertaking for the Company.

Gearing

The use of gearing to enhance returns is another key differentiating feature of investment trusts. As gearing can introduce risk as well as enhancing returns, the Board maintains strong oversight of the Company's gearing policy and the source and use of available leverage.

The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. The Board considers the present strategic level, and the expected long term gearing level in normal market conditions, to be 10% plus or minus 2%. In response to the turbulent market conditions that can cause reported gearing levels to change as market levels change, the Board announced that the range around the present 10% level would be changed temporarily to plus or minus 4%. This change was announced to the stock exchange on 16th March 2020 and gives the investment managers more flexibility to manage the portfolio in shareholders' best interests.

In the latter part of 2018, the Company reduced gearing from the 10% level to the point where it was essentially ungeared, operating with a tactical gearing range of 0% (plus or minus 2%). Although this decision to reduce gearing was value-enhancing for shareholders in 2018, in 2019 the returns were held back. Over the course of 2019, gearing levels remained low, with gearing being reintroduced into the Company's structure late in the year with the result that the Company ended the year with gearing of approximately 3%.

The Company's gearing strategy is implemented through the use of bank borrowing facilities, with the Company currently having access to a £80 million floating rate debt facility with ING Bank following a decision taken by the Board to increase the amount available by £40 million post the year end. A further post year end decision was taken to retire a £25 million floating rate loan facility with National Australia Bank, at no cost, ahead of its original expiry date of April 2020.

As announced on 27th February 2020, the leverage available to the Company has been increased further through the issue of \$65 million of fixed-rate 11 year unsecured loan notes via a private placement with a UK based life assurance company at a fixed interest rate of 2.55% per annum. The ability to borrow money for investment is a key differentiating feature of investment trusts. Further, the long-term fixed rate borrowings negotiated by the Board offer an attractive source of debt for the Company at rates that we believe will look competitive over the term of the notes.

These notes, which are due for repayment in February 2031, provide the Company with long-dated, fixed-rate financing at an attractive rate of interest, diversifying the source, tenor and rate of the leverage available to the Company. Together with the £80 million revolving credit facility, these loan notes provide the Company with sufficient debt to ensure that it can operate at the Board's expected strategic gearing level.

As at 31st March 2020 the gearing level of the Company was 10.3% calculated in line with the Association of Investment Companies ('AIC') methodology. The Board continues to review the appropriate gearing level on a regular basis using a variety of qualitative and quantitative tools.

Board Review of the Manager

As in prior years, the Board visited the Manager's offices in New York. In addition to the meetings held as part of the exercise to review and amend the large cap investment process held early in 2019, it held meetings in the last quarter of the year with the new investment managers, Jonathan Simon and Tim Parton and also the investment manager of the smaller companies' portfolio, Eytan Shapiro. The Board further met with JPMorgan's senior management team to discuss the transition of the portfolio arising from the change in investment strategy.

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

Ongoing Charges

The Board continues to closely monitor the Company's cost base. Following the change in investment approach for the large cap portfolio, approved by shareholders at the 2019 Annual General Meeting, the Company has enjoyed the benefits of a negotiated fee waiver from 1st June 2019 through to 29th February 2020, saving the Company £2.0 million over the year ended 31st December 2019. At the same time the fee arrangements were simplified with the removal of the performance fee that had previously been in place.

As management fees are the Company's biggest cost, the fee waiver has had a material effect on the Company's ongoing charges ratio, which has fallen from 0.38% in 2018 to 0.18% in 2019. This effect is temporary and, had the management fee been in effect for the full year, the Company's ongoing charges ratio would have been 0.39%. Next year's ongoing charges will be reduced to a lesser extent by the two months remaining of the fee waiver.

This means the Company remains one of the most competitively priced US actively managed funds, in either closed-ended or open-ended form, available to UK investors. However, the Board is aware that the major competition for investors' attention and funds remain passively invested exchange traded funds and open-ended funds which represent the largest pools of capital invested into US equity markets.

In line with recent years, we repeat the table below illustrating the movements in the capital base of the Company, showing the returns generated from our investing activities and the effect of costs, dividends and buy-backs. By combining items found in the revenue statement and items charged to capital, we believe this analysis provides a clear summary of your Company's affairs over the course of the year.

	2019 £'000s	Percentage of opening net assets	2018 £'000s	Percentage of opening net assets
Net assets at start of year	919,176	100.00	980,430	100.00
Increase/(decrease) in net assets during the year				
from investing	178,426	19.41	(4,886)	(0.50)
Brokerage fees/commissions and other dealing charges	(214)	(0.02)	(164)	(0.02)
Net investment performance	1,097,388	119.39	975,380	99.48
Income received from investing –				
net of withholding tax	16,787	1.83	18,722	1.91
Interest received	317	0.03	452	0.05
Dividends paid to shareholders	(13,954)	(1.52)	(12,862)	(1.31)
Interest paid on borrowings	(245)	(0.03)	(3,242)	(0.33)
Currency gains/(losses) on hedge	(660)	(0.07)	532	0.05
Currency gains/(losses) on US\$ loans	1,371	0.15	(3,471)	(0.35)
Management fee ¹	(1,318)	(0.14)	(3,191)	(0.33)
Directors' fees	(172)	(0.02)	(172)	(0.02)
Other costs of the Company	(547)	(0.06)	(465)	(0.05)
Repurchase of shares into Treasury	(42,171)	(4.59)	(52,507)	(5.36)
Net assets at end of year	1,056,796	114.97	919,176	93.75

¹ Includes transaction costs of £169,000 relating to the transition of the portfolio following the change in investment policy.

Share Price and Premium/Discount

Throughout the year, the Company's shares have traded at a discount to the NAV. Consistent with our statements made in previous years and because share buy-backs at a discount to NAV are enhancing to the

net assets per share for remaining shareholders, the Board is committed to buy-back shares when they stand at anything more than a small discount. This commitment has operated for several years and applies to normal markets conditions. As a result, the Company has continued with its buy-back policy, repurchasing 9,151,590 shares into Treasury, at a cost of £42.2 million, representing 4.2% of the Company's issued share capital at the beginning of 2019.

This is a reduction in the amount repurchased in the previous year when £52.5 million was spent repurchasing 5.5% of the issued share capital, which itself was approximately one half of the amount spent on buy-backs in 2017. This reduction does not represent any reduction in the Board's commitment to buy-back shares, but rather reflects the balance of supply and demand for the Company's shares in the period. Indeed, the average discount over the year of 4.95% is near identical to the average discount in 2018. Since the year end and at the time of writing the Company has repurchased a further 1,807,055 shares into Treasury, at a cost of £8.6 million.

The Company will again ask shareholders to approve the repurchase of up to 14.99% of its capital at a discount to estimated NAV of the Company's shares at the forthcoming Annual General Meeting. We will also be seeking shareholder permission to issue shares, where Directors are confident of sustainable market demand. The authority, if approved, will allow the Company to issue up to 10% of its issued share capital from Treasury. The Company will only issue shares at a price in excess of the estimated NAV, including income with the value of the debt deducted at market price.

Dividends

As highlighted to shareholders in my Half-Year statement, the Company's new investment policy is likely to reduce the revenue per share generated by the portfolio. Whilst capital growth is the primary aim of the Company, the Board is aware that dividend receipts can be an important element of shareholder returns. Alongside this, investment trust rules mean the Company is obliged to retain no more than 15% of its income in any accounting period.

As predicted, the net revenue for the full year ending 31st December 2019 was lower than 2018, at 7.54p per share compared with 7.71p in 2018. This year's earnings includes the effect of five months in which the old higher-yielding large cap process was followed and of seven months of the fee waiver, both of which contributed positively to earnings. This means that we can expect net revenue to fall again in the 2020 financial year as the Company sees the adverse revenue effects of a full year of the new investment process and the expiry of the fee waiver at the end of February 2020.

The Company paid an interim dividend in respect of the 2019 financial year of 2.5p on 4th October 2019. Historically the Company has paid an interim and a final dividend each year, with the final dividend being subject to a shareholder vote (by ordinary resolution) at the Annual General Meeting each year. In light of the potential adjournment of the Company's Annual General Meeting due to the ongoing COVID-19 crisis (see below for more detail), the Board has resolved to pay an additional interim dividend, in lieu of the usual final dividend, so that in the event of the Company's Annual General Meeting not being able to take place on 7th May 2020, the payment of the dividend will not be delayed. Accordingly, the Directors are announcing that an interim dividend of 4.0p will be paid on 18th May 2020 to shareholders on the register on 24th April 2020, resulting in a total dividend of 6.5p per share for the year ended 31st December 2019, unchanged from last year's total of 6.5p per share. As this dividend will be announced as an interim dividend, shareholders will not have an opportunity to approve the dividend by ordinary resolution. To ensure that shareholders can still have a say on the Company's dividend distributions, and in line with good corporate governance practice where shareholders do not have an opportunity to approve a final dividend, a resolution will be included in the forthcoming Notice of Annual General Meeting seeking shareholder approval of the Company's general dividend policy.

After the payment of this additional interim dividend, the Company will have a balance in the revenue reserves of £23.5 million which is equivalent to 9.6p per share or 1.5 times the current dividend – both measures being materially the same as at the end of 2018, reflecting a dividend policy which has seen the Board retain an element of earned revenue in recent years. This prudent approach in building up revenue reserves provides the Board with a means of supporting dividend levels in the future should earnings per share drop materially in any financial year.

Subject to the effects of the expected US recession arising from the COVID-19 pandemic and associated events, the Board aims to maintain the aggregate 2019 dividend in the forthcoming year.

Corporate Governance

The Board is committed to maintaining and demonstrating high standards of corporate governance. The Board has considered the principles and provisions of the 2019 Association of Investment Companies Code of Corporate Governance (the 'AIC Code'). The AIC Code addresses all the principles and provisions set out in the UK Corporate Governance Code which applies for the year ended 31st December 2019, as well as setting out additional principles and provisions on issues that are of specific relevance to investment companies. The Board considers that reporting in accordance with the principles and provisions of the AIC Code provides more relevant and comprehensive information to shareholders.

I am pleased to report that throughout the year ended 31st December 2019, the Company complied with the recommendations of the AIC Code except, as explained in the Directors' Report, where it was not appropriate for the Company to comply.

Environmental, Social and Governance ('ESG') Update

The Board continues to discuss with the Manager the integration of ESG issues into the investment process followed by the Company, reflecting the growing importance of these issues to the Board and the Company's shareholders. As well as being an important issue for society as a whole, we believe that ESG considerations are important in identifying the sustainable and durable businesses we look to invest in.

The Manager is in the process of a formal integration of ESG factors into its investment process which we understand will be completed over the course of the year. We look forward to discussing this approach in more detail with them and reporting more fully on ESG matters in next year's Report.

The Board

There has been no change to the composition of the Board during the year. The Board continues to manage succession so that it has an appropriate balance of skills and diverse approaches to its tasks. As mentioned last year, the Board has decided to increase its size to six directors and has been in the process of appointing an additional director. Following a search exercise conducted by Ridgeway Partners, I am delighted to report that Ms Claire Binyon will be joining the Board with effect from 1st June 2020. Claire is a qualified Chartered Accountant and has had a varied career in global businesses with roles in strategy, corporate development, mergers and acquisitions. She will bring wide-ranging international expertise to Board discussions, combined with business appraisal, financial and public markets experience. More details on the Board can be found on page 27. The Board will continue to manage succession and refresh its own composition over time.

Annual General Meeting and Shareholder Contact

This year's Annual General Meeting is the Company's 104th and it will be held on Thursday, 7th May 2020 at 11.00 a.m. at 60 Victoria Embankment, London EC4Y 0JP.

Due to the ongoing situation surrounding COVID-19, and in the light of the compulsory 'Stay at Home' measures that have been implemented by the UK Government, the Board has, in order to ensure compliance with applicable Government guidance and to ensure the safety of the Company's shareholders, resolved to amend the format of the Annual General Meeting for this year. Whilst the formal business of the Annual General Meeting will be considered, the meeting will be purely functional and will follow only the minimum legal requirements for an Annual General Meeting. There will be no presentation from the investment managers, Tim Parton and Jonathan Simon and no refreshments. The Board intends to comply with prevailing Government guidance in relation to the pandemic at all times and therefore shareholders will be refused entry to the meeting if the current Stay at Home measures are extended and/or if prevailing Government guidance so requires. Arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business concluded.

However, the Board is keen to ensure shareholders are not denied the opportunity to hear from the Manager and therefore, a presentation with the investment managers will be placed on the Company's website shortly after the Annual General Meeting. In addition, shareholders are encouraged to raise any questions in advance of the meeting with the Company Secretary at 60 Victoria Embankment, London EC4Y 0JP or via the 'Ask Us A Question' link which can be found in the 'Contact Us' section on the Company's website. Any questions received will be replied to by either the Manager or Board via the Company Secretary after the Annual General Meeting.

In addition, it is the intention of the Board to hold an investor forum at the Manager's 60 Victoria Embankment offices later in the year when it is hoped that Stay at Home and social distancing measures will have been relaxed and shareholders can attend safely. Shareholders will be able to meet the Directors and the investment managers at this event. Such notification will also be posted on the Company's website and given via an announcement on the London Stock Exchange.

Given the Stay at Home measures currently in place, the Board strongly encourages all shareholders to submit their votes in advance of the meeting, so that these are registered and recorded at the Annual General Meeting. Proxy votes can be lodged in advance of the Annual General Meeting either by post or electronically by 5th May 2020: detailed instructions are included in the Notes to the Notice on pages 76 to 78 of the Notice of Annual General Meeting and on the proxy form that accompanies it.

If there are any changes to the above Annual General Meeting 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 later in the year when we hope normality has returned.

Outlook

2019 was a remarkable year for investors in the US stock market. 2020 looks like being even more remarkable for entirely different reasons. At the close of business on 31st March 2020, the Company's benchmark, the S&P 500 index, was down 14.2% in sterling terms year to date, while the Company's NAV calculated on the same basis had declined by 19.0%. It seems clear that there will be a sharp and deep global recession in 2020, including in the US, while measures are progressively introduced to combat the virus. The Federal Reserve and US government respectively have introduced extreme monetary and fiscal responses to the economic impact of the health related measures. What is presently unclear is how long and deep this recession could be, or how successful the measures to counteract COVID-19 will turn out to be. Profitability of some businesses will certainly be adversely affected as economic growth declines. Investor assessment of these matters will oscillate and we must expect considerable bouts of market turbulence and volatility to result.

The Manager has introduced special work practices, in common with most businesses, as the crisis progresses through and beyond its anticipated peak later this year. The Board held a recent call with senior representatives at the Manager, along with the two lead investment managers for the Company, and was comforted by the Manager about its resilience to function through this period.

Notwithstanding the present extraordinary situation, it is worth remembering that the US remains home to large numbers of exceptional companies and that the Company's Manager has a brief to construct a concentrated portfolio from amongst them. The Company has been in existence through various reinventions for nearly 140 years, so a long term perspective comes naturally to the Company and those who serve it.

No investment process can avoid bouts of extreme market volatility and your Company's investment approach will be no exception. Following its adoption last year, I am hopeful that the new investment process will serve shareholders well in the years ahead.

Dr Kevin Carter

Chair

7th April 2020



Timothy Parton



Jonathan Simon

Market Review

The S&P 500 Index ended 2019 with a return of +31.5% in US dollar terms and +26.0% in sterling terms. It was a strong performance but came from a low base as 2018 finished on a very weak note. Relative to other major markets, the US outperformed Europe as well as emerging markets in 2019, a trend that has now been in place over the last ten years.

Despite the strong market performance in 2019, it was certainly not all smooth sailing as investors faced plenty of concerns, including an inverted Treasury yield curve in the early part of the year which prompted fears of slowdown or even recession. Also adding to volatility was the escalation in trade tensions between the US and China. The summer brought with it a significant change in direction by the Federal Reserve as it moved from interest rate raising to rate cutting. In spite of this more accommodative policy shift, further trade fears and weakening global manufacturing data prompted a sharp but brief August pullback (as is quite often seen in the slow summer months).

These and other potential headwinds were nevertheless absorbed by the market and overall economic data remained quite resilient, supported by stimulative fiscal and monetary policy, both unusual to see at this later stage of the economic cycle with such historically low levels of unemployment. The consequent market rally was powerful and steady, an acknowledgement that the Fed effectively had the market's back, and a Goldilocks environment could continue. In such a liquidity-driven phase, and with profit growth subdued, the big driver of stock price gains was an expansion in valuations, as the S&P 500 ended the year with a forward P/E of 18.2x, rising above its 25-year average of 16.3x. Valuations in sought-after higher growth areas inflated considerably more.

While all sectors of the S&P 500 posted positive returns for the year, the clear leader was the information technology sector which surged nearly 20 percentage points more than the S&P 500 with a gain of 50%, and was also far ahead of the next best performing sector, communication services, which includes Google, Facebook and Netflix and posted a gain of 33%. Energy and health care names were significant laggards as oil prices and election rhetoric weighed on these two sectors.

In terms of style and market capitalisation, growth strongly outperformed value by almost ten percentage points, a trend that has been in place for several years; and large cap stocks outperformed their small cap peers.

Performance and Overall Asset Allocation

The Company's net asset value rose by +21.6% in total return terms for the full year ending 2019. The return was below the benchmark, the S&P 500, which rose +26.0% in sterling terms.

As mentioned in the half-year report, management of the Company's large cap portfolio was transitioned to a higher conviction approach combining the best ideas from the Manager's value and growth investment teams on 1st June 2019. This investment approach resulted in a reduction in the number of stocks in the large cap portfolio. The rationale for amending the Company's investment process, together with full details of the new strategy, was set out in detail in the Chair's statement which accompanied the Company's results for the year ended 31st December 2018.

With regards to the small cap growth allocation, the vast majority of the Company's assets remain in the large companies portfolio. After several years of extremely strong performance, 2019 began with a nominal allocation of 1% to our small cap growth portfolio, which is at the bottom of our historical range. It was modestly increased during the middle part of the year based on the valuation data from our asset allocation tool, but ended the year back where it started.

In 2019, the Company's gearing increased from -1% at the beginning of the year to 3% at year end. The level of gearing has been adjusted at regular intervals within the gearing guidelines laid down by the Board. Given the market concerns during the first half of the year, the Company did not deploy gearing during the period. With the rising market environment in the first six months of 2019, this decision saw us forego the opportunity to earn higher returns. However, we increased our gearing in two tranches during the second half of the year.

Large Cap Portfolio

The large companies portfolio posted a positive return, but underperformed the benchmark over the 12 months to the end of December 2019. A poor start to the year relative to the market proved difficult to overcome. Looking at relative performance, our stock selection was disappointing during the period, with the largest detractors coming from the information technology and real estate sectors. It is worth mentioning that the US market is now dominated by five mega cap companies, Apple, Microsoft, Alphabet (better known as Google), Amazon and Facebook, together comprising almost 17% of the index at year end. Remarkably, the combined market capitalisation of these five companies is 2.5 times that of the entire Russell 2000 small cap universe (comprising 2,000 companies).

While the information technology sector is a significant component of the portfolio, we are moderately underweight the sector relative to the S&P 500, especially many of the 'old tech' companies that are in the process of being disrupted by cloud upstarts. We also reduced exposure to some of the higher-flyers as the year progressed. With the sector rising approximately 50% for the year, in aggregate our names lagged a little returning 44%. There were however a number of bright spots, notably our significant exposure to Microsoft as well as at Qualcomm and Advanced Micro Devices.

PERFORMANCE ATTRIBUTION

FOR THE YEAR ENDED 31ST DECEMBER 2019

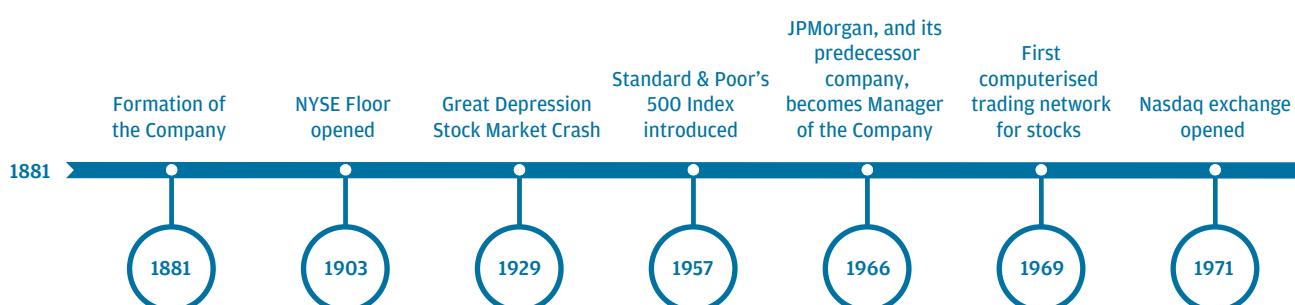
	%	%
Contributions to total returns		
Net asset value total return (in sterling terms) ^{APM}	21.6	
Benchmark total return (in sterling terms)	26.0	
Excess return	-4.4	
Contributions to total returns		
Large cap portfolio	-3.7	
Allocation effect	-0.4	
Selection effect	-3.3	
Small cap portfolio	0.1	
Allocation and selection effect	0.1	
Gearing	-0.8	
Share issuance/buyback	0.2	
Management fee/expenses	-0.2	
Total	-4.4	

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

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

^{APM} Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 79 to 81.



Microsoft is one of the few 'old tech' software companies that has successfully executed a transition to a cloud-based subscription model. New leadership has been the key to this outcome, along with the power of their existing enterprise relationships. The market was very open to a strong alternative to the dominant Amazon Web Services, and Microsoft Azure seized that mantle. Qualcomm was added to the portfolio last year after it resolved long-standing conflicts with major customers, who now need their expertise to execute a 5G wireless roll-out. The stock was also very attractive on a valuation basis after several years of underperformance. In another dramatic turnaround Advanced Micro Devices, so long Intel's punch-bag in the CPU space, has sprinted to a position of technological leadership under new management, while Intel has struggled to catch up. This feels quite durable to us, and we see considerable earnings upside for Advanced Micro Devices.

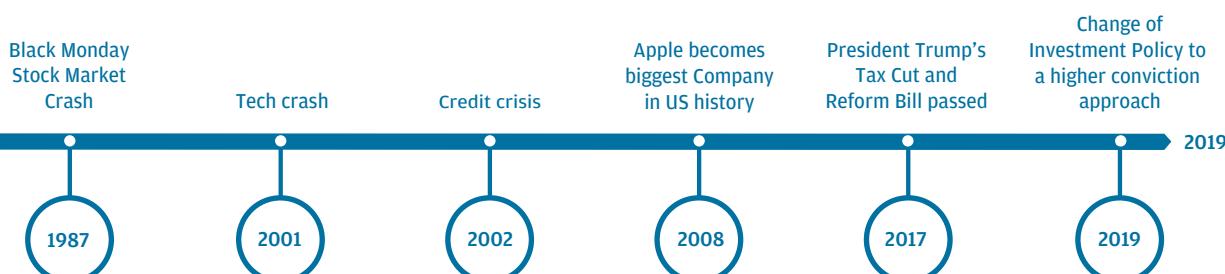
With regards to the real estate sector, our position in Public Storage, a REIT that owns and operates self-storage facilities, was an underperformer. Its share price came under pressure after this long time winner reported disappointing earnings in the later part of the year. Another REIT holding, Federal Realty, was also a laggard during the year. Nevertheless, we continue have conviction in these names and also believe these positions can provide stability and ballast when we inevitably encounter less favourable market conditions.

At the individual stock level, our overweight position in the consumer staples name Walgreens Boots Alliance was the largest detractor from relative performance for the year. The company faced pressures in both its retail and wholesale pharmacy businesses, and these are likely to persist. However, we retain confidence in the management and hold on to a more modest-sized position, especially given that we are already significantly underweight the staples area that today offers little enticement to either growth or value investors. For Walgreens, we believe a lot of negative news is priced in as the name trades at less than nine times earnings and a free cash flow yield of almost 10%, which makes it a very attractive holding from a valuation perspective.

Our strongest stock selection came in the materials, financials and consumer discretionary sectors which are three of the biggest overweight sectors in the portfolio. In materials Martin Marietta Materials, which supplies aggregates for roads and commercial construction, was a strong performer. The aggregates industry is characterised by high barriers to entry, local oligopolies and strong pricing power which give it the potential for strong returns. The sector is a late cycle performer and has only recently really started to work as some Federal, state and local funding has been unlocked for much-needed infrastructure projects.

Within financials, our overweight position in Bank of America was among the largest contributors. The company performed well on the heels of strong earnings, broadly beating lowered expectations. Banks are one of the cheapest areas of the market, and have been managed very conservatively since the financial crisis, now over a decade ago. However they have been pressured by persistently low interest rates that have squeezed their net interest margins, and have been forced to cut costs to compensate. We appreciate Bank of America's diversified business mix with a demonstrated ability to post healthy top line growth, steadily manage margins and return capital to shareholders via dividends and buybacks.

On an individual stock basis, the best performing stock in the portfolio for the year was DexCom, a medical device company that is helping to transform the diabetes market with its continuous glucose monitoring (CGM) systems. The diabetes market is very large and growing, partly a consequence of poor western diets, and still relies on quite primitive techniques to measure blood sugar and administer insulin. With continuous monitoring, and also automated wearable pumps, the disease can be managed much more



precisely, and the consumption of expensive insulin reduced. DexCom's latest G6 model has seen strong acceptance and its even more compact G7, developed in conjunction with Alphabet's Verily division, should be available later this year, further extending their lead in this space.

In terms of portfolio positioning, our sector weights remain a by-product of our bottom-up stock picking and our disciplined approach to portfolio construction. Financials and information technology remain the largest allocations in the portfolio and represent nearly 40% of the overall portfolio. However their representation relative to the S&P 500 diverge. Financials is the largest overweight in the portfolio as we continue to find a number of compelling investments in the space and the valuations remain attractive. For example, Bank of America traded at about 1.3x book value and a forward P/E of 12x at year end, compared with the market at 18x forward multiple. Information technology is by far the largest sector in the S&P500 now and our allocation in the portfolio is about 2% underweight that, as mentioned previously.

Our large underweight to the consumer staples sector reflects the better risk/reward opportunities that we have identified in other sectors. In particular, we have found names with similar defensive characteristics such as Ball Corp., the leading manufacturer of aluminium beverage cans, in the materials space. Ball benefits from tight industry capacity, and the prospect of more beverages moving from single-use plastic and heavy glass to aluminium.

The construction of the large cap portfolio allocates between value and growth stocks, with the allocation allowed to vary between 60:40 and 40:60. At the year end, value stocks comprised some 51% of the large-cap portfolio and growth stocks comprised the remaining 49%. Below is an overview of the split between value and growth in the strategy over the long term. At times in the past growth names have been prominent, but today we are more inclined to take profits in that area and reallocate to value. The trigger for a growth-to-value rotation is impossible to predict, but will come eventually, and it may be swift.



We combine our separate growth and value 'sleeves' in the large cap portfolio but we think about the portfolio holistically and we review the key characteristics, and manage risk, at the portfolio level. The large cap portfolio is trading at about a 25% discount to the market on a free cash flow basis as we are clearly not paying a premium for good cash flow. Additionally, we believe our holdings can deliver better earnings per share growth than the market over the next few years.

Characteristics	Large Cap Portfolio	S&P 500
Weighted Average Market Cap	USD 287.3bn	USD 291.5bn
Predicted Beta	1.06	—
Predicted Tracking Error	2.88	—
Number of holdings	40	500
Active Share	75%	

Source: Factset, BARRA, J.P. Morgan Asset Management. Data as of 31st December 2019.

Small Cap Portfolio

While US smaller companies lagged their large cap brethren in 2019, our small cap growth allocation positively contributed to the Company's overall results as our stock positions outperformed the S&P 500 Index in 2019.

The primary driver of our strong performance was our stock selection with a number of sectors proving beneficial. Our stock selection in the health care, producer durables and consumer staples sectors contributed to performance. Within health care, several names emerged among the top contributors, including Spark Therapeutics and Nevro. Shares of Spark Therapeutics, a company developing gene therapies rose during the year after Roche announced the acquisition of Spark Therapeutics at a hefty premium. Shares of Nevro rose throughout the year after the company reported strong quarterly results and also raised its revenue guidance for 2019. The company is well-poised for growth, backed by strong international presence, solid prospects in the spinal cord stimulation market and commitment toward innovation.

On the other hand, our stock selection in the consumer discretionary and technology sectors detracted. Within consumer discretionary, our exposure to Farfetch, a luxury e-commerce platform, detracted after the company reported wider than expected losses, a disappointing outlook and a decision to limit promotional activity. For now we maintain a very modest position in that stock.

Market Outlook

We continue to focus on the fundamentals of the economy and of company earnings. Our expectation entering the year was for moderate economic expansion and continued earnings growth predicated in particular on a healthy US consumer. The outbreak of the COVID-19 virus in China, and subsequent rapid expansion globally has injected significant uncertainty into our near term outlook in particular, though we believe the economy entered this period of uncertainty in a strong fundamental position. While impossible to quantify at this point, we expect economic growth to be materially impacted in the first half of 2020, despite an emergency rate cut by the Fed and growing fiscal and monetary stimulus globally. If the virus is contained in the near term, there's a possibility for re-acceleration in the second half of the year as pent up demand is released, though the bottom is unclear at this point.

We continue to monitor COVID-19 developments closely, and remain steadfast in our focus on owning high quality businesses with durable competitive advantages and robust cash flow generation, which we believe will continue to provide investors with downside protection should uncertainty persist and economic fundamentals deteriorate.

Timothy Parton
Jonathan Simon
Investment Managers

7th April 2020

PORTFOLIO INFORMATION

TEN LARGEST EQUITY INVESTMENTS

AT 31ST DECEMBER

Company	Sector	2019 Valuation		2018 Valuation	
		£'000	% ¹	£'000	% ¹
Microsoft	Information Technology	73,002	6.7	46,994	5.2
Loews ²	Consumer Discretionary	44,627	4.1	17,364	1.9
UnitedHealth	Health Care	43,882	4.0	23,457	2.6
Apple	Information Technology	43,768	4.0	51,703	5.7
Alphabet ²	Communication Services	42,540	3.9	15,601	1.7
Capital One Financial ²	Financials	42,427	3.9	8,863	1.0
Mastercard ³	Information Technology	37,429	3.4	—	—
Bank of America	Financials	36,450	3.4	22,741	2.5
Delta Air Lines ²	Industrials	35,737	3.3	12,455	1.4
Amazon.com ²	Consumer Discretionary	34,466	3.2	4,958	0.5
Total		434,328	39.9		

¹ Based on total investments of £1,086.6m (2018: £910.4m).

² Not included in the ten largest equity investments at 31st December 2018.

³ Not included in the total investments at 31st December 2018.

At 31st December 2018 the value of the ten largest equity investments amounted to £281.1 million representing 30.9% of total investments.

INVESTMENT ACTIVITY

DURING THE YEAR ENDED 31ST DECEMBER 2019

	Value at 31st December 2018				Changes in value £'000	Value at 31st December 2019		
	£'000	% of net assets	Purchases £'000	Sales £'000		£'000	% of net assets	
Large Companies	901,385	98.1%	1,037,788	(1,036,112)	172,621	1,075,682	101.8%	
Small Companies	9,053	1.0%	39,973	(43,562)	5,438	10,902	1.0%	
Total investments	910,438	99.0%	1,077,761	(1,079,674)	178,059	1,086,584	102.8%	
Net current assets	8,738	1.0%	—	—	159	8,897	0.8%	
Bank loans	—	0.0%	—	—	(38,685)	(38,685)	-3.7%	
Net asset value	919,176	100.0%	1,077,761	(1,079,674)	139,553	1,056,796	100.0%	

Portfolio turnover was 108% (2018: 47%). The 2019 portfolio turnover includes the transition of the portfolio following the change in investment policy. This is based on the average of purchases and sales expressed as a percentage of average opening and closing portfolio values.

LIST OF INVESTMENTS AT 31ST DECEMBER 2019

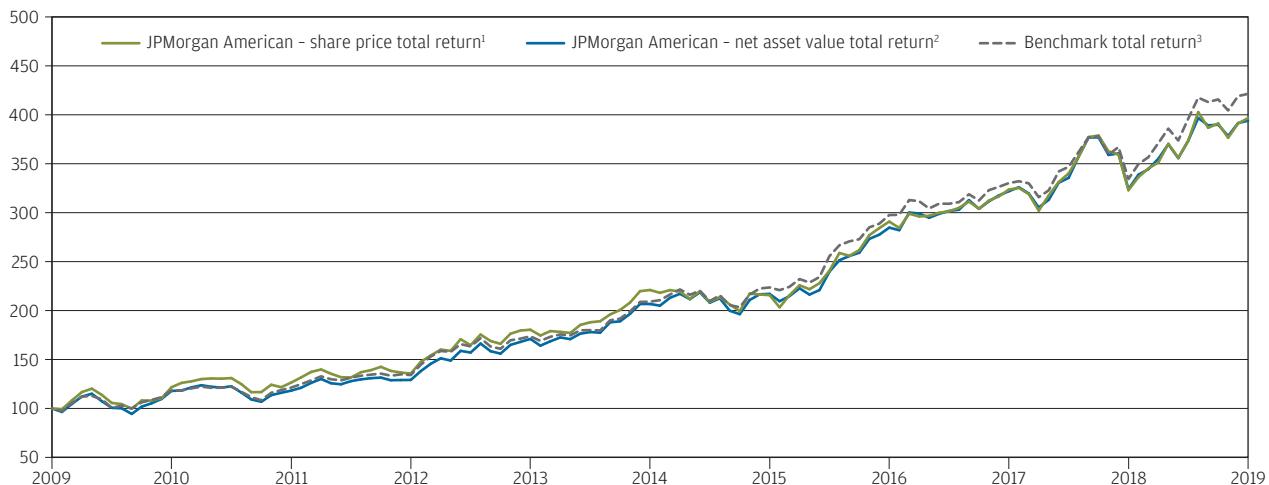
Company	Valuation £'000	Company	Valuation £'000	Company	Valuation £'000		
LARGE COMPANIES							
These are generally defined as companies which have a market capitalisation of more than US\$3 billion.							
Microsoft	73,002	Synopsys	15,744	SiteOne Landscape Supply	142		
Loews	44,627	PayPal	15,209	Semtech	135		
UnitedHealth	43,882	DexCom	14,039	Winnebago Industries	134		
Apple	43,768	Amgen	13,543	Texas Roadhouse	133		
Alphabet	42,540	Walgreens Boots Alliance	12,357	Pool	133		
Capital One Financial	42,427	Parker-Hannifin	10,413	New York Times	132		
Mastercard	37,429		1,075,682	Brink's	127		
Bank of America	36,450	SMALL COMPANIES					
Delta Air Lines	35,737	These are generally defined as companies which, at the date of investment, have a market capitalisation of less than US\$3 billion. The investments within the Small Companies portfolio are listed separately as they are managed as a discrete portfolio.					
Amazon.com	34,466	Performance Food	231	Anaplan	119		
Xcel Energy	29,996	Generac	221	Insulet	116		
Marathon Petroleum	29,745	Teladoc Health	205	Wix.com	115		
Kinder Morgan	29,037	MSA Safety	204	iRhythm Technologies	113		
Federal Realty Investment Trust	28,989	Amedisys	187	Monolithic Power Systems	113		
Martin Marietta Materials	28,213	National Vision	184	Halozyme Therapeutics	111		
Pfizer	28,206	John Bean Technologies	184	CyberArk Software	111		
Public Storage	28,154	ManTech International	173	Intercept Pharmaceuticals	110		
Berkshire Hathaway	27,977	Trex	167	Planet Fitness	110		
Charles Schwab	26,565	Simpson Manufacturing	165	FibroGen	109		
AutoZone	25,101	Nevro	164	Bright Horizons Family Solutions	109		
S&P Global	23,333	Envestnet	164	Hudson	107		
Home Depot	23,287	Horizon Therapeutics	163	Red Rock Resorts	106		
Packaging Corp. of America	23,192	Boyd Gaming	162	First Financial Bankshares	102		
DISH Network	21,963	Advanced Drainage Systems	162	Biohaven Pharmaceutical	102		
Advanced Micro Devices	21,790	MKS Instruments	157	Littelfuse	101		
T Rowe Price	20,290	Saia	157	Evercore	98		
Intuitive Surgical	20,268	Freshpet	156	Smartsheet	98		
Take-Two Interactive Software	20,040	ITT	149	eHealth	98		
Tesla	18,946	Entegris	146	World Wrestling Entertainment	97		
Kohl's	18,593	Inphi	143	Applied Industrial Technologies	97		
Stanley Black & Decker	16,811	Lithia Motors	142	EastGroup Properties	93		
Ball	16,800			Hexcel	93		
Spotify Technology	16,529			Chart Industries	92		
QUALCOMM	16,224			Graco	92		

PORTFOLIO INFORMATION

Company	Valuation £'000	Company	Valuation £'000
SMALL COMPANIES CONT.			SMALL COMPANIES CONT.
Terreno Realty	84	Medallia	55
Ciena	83	Ollie's Bargain Outlet	55
Tricida	82	Atara Biotherapeutics	51
Revance Therapeutics	81	Global Blood Therapeutics	46
Acadia Healthcare	80	Evolent Health	45
Wolverine World Wide	80	Farfetch	45
Heron Therapeutics	79	Oshkosh	44
H&E Equipment Services	79	Aaron's	43
Natera	78	Trade Desk	43
Coupa Software	77	Glu Mobile	42
ACADIA Pharmaceuticals	76	FTI Consulting	42
Coherus Biosciences	76	TherapeuticsMD	38
HubSpot	76	Ferro	35
Fox Factory	76	Viela Bio	35
Zscaler	75	Sage Therapeutics	35
MongoDB	73	10X Genomics	35
TRI Pointe	71	Optinose	35
Kirby	69	Sciply	34
Signature Bank	68	SailPoint Technologies	34
National Health Investors	67	Bridgebio Pharma	28
CubeSmart	65	RealReal	28
Twist Bioscience	64	PagerDuty	27
REGENXBIO	64	Bill.Com	20
Homology Medicines	61	Personalis	19
Shockwave Medical	60	Adaptive Biotechnologies	19
Grocery Outlet	60	Rubius Therapeutics	15
Webster Financial	58	Adverum Biotechnologies	14
G1 Therapeutics	58		10,902
AvroBio	57		TOTAL INVESTMENTS 1,086,584
Zendesk	56		
Amicus Therapeutics	56		

TEN YEAR PERFORMANCE

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2009



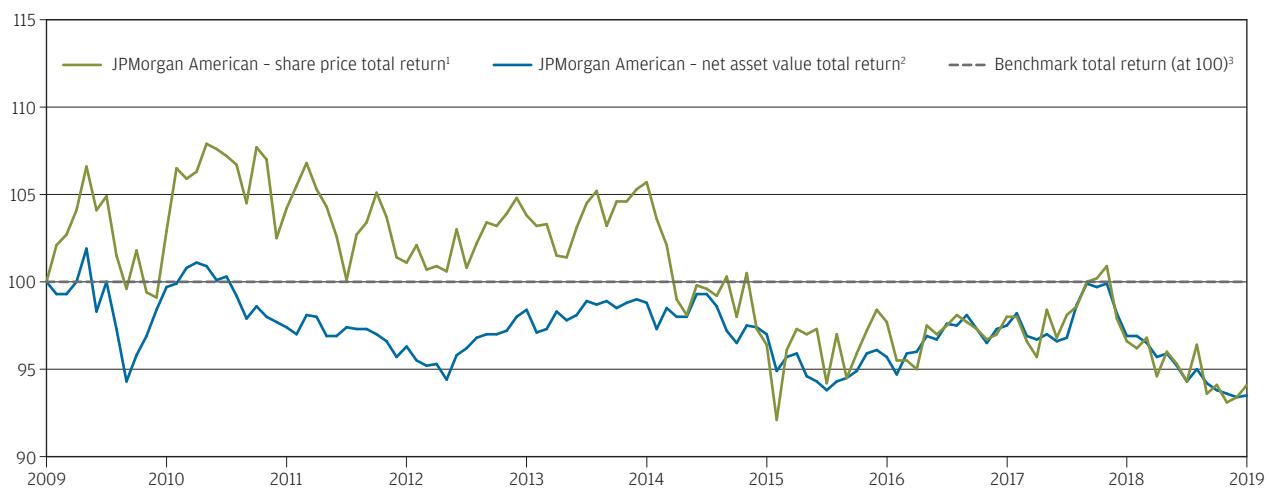
¹ Source: Morningstar.

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

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

PERFORMANCE RELATIVE TO BENCHMARK

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2009



¹ Source: Morningstar.

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

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

TEN YEAR RECORD

TEN YEAR FINANCIAL RECORD

At 31st December	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Shareholders' funds (£m)	321.5	374.0	400.4	464.7	642.2	804.2	816.7	985.2	980.4	919.2	1,056.8
Net asset value per share with debt at fair value (p) ^{1,2,APM}	146.3	170.2	168.6	180.9	236.6	283.1	293.4	379.3	423.6	420.7	504.8
Net asset value per share with debt at par value (p) ^{APM}	150.5	174.6	173.3	185.0	239.4	286.1	295.6	381.0	424.3	420.7	504.8
Share price (p) ¹	139.4	167.4	171.8	181.2	238.2	288.7	277.9	369.2	405.4	399.0	483.0
Share price (discount)/premium (%) ^{3,APM}	(4.7)	(1.6)	1.9	0.2	0.7	2.0	(5.3)	(2.7)	(4.3)	(5.2)	(4.3)
Gearing/(net cash) (%)	11.3	4.2	(2.8)	(0.6)	9.1	8.7	8.4	8.5	9.2	(1.0)	2.8
Exchange rate (£1=\$)	1.61	1.57	1.55	1.63	1.66	1.56	1.48	1.24	1.35	1.27	1.32

Year ended 31st December

Revenue return per share (p) ¹	2.13	2.11	2.24	2.76	3.00	3.76	4.64	5.70	5.93	7.71	7.54
Dividend per share (p) ¹	2.20	2.20	2.20	2.50	2.70	3.25	4.00	5.00	5.50	6.50	6.50
Ongoing charges ratio (%) ^{APM}	0.75	0.70	0.69	0.68	0.63	0.62	0.62	0.62	0.55	0.38	0.18
Ongoing charges ratio (%) including any performance fee payable ^{APM}	0.86	0.81	0.69	0.68	0.66	0.64	0.62	0.62	0.55	0.38	0.18

Rebased to 100 at 31st December 2009

Share price total return ^{4,APM}	100.0	121.7	126.4	135.6	180.4	221.0	215.7	290.9	323.6	322.9	396.6
Net asset value per share with debt at fair value - total return ^{5,APM}	100.0	117.9	118.2	129.1	171.0	206.7	217.0	284.7	321.9	324.0	394.0
Net asset value per share with debt at par value - total return ^{5,APM}	100.0	117.8	118.4	128.6	168.3	203.3	212.9	278.4	314.1	315.6	383.8
Benchmark total return ⁶	100.0	118.3	121.3	134.1	173.7	209.1	223.6	297.6	330.2	334.4	421.4

¹ 2009-2013 comparative figures have been restated due to the sub-division of each existing ordinary share of 25p into five ordinary shares of 5p each on 8th May 2014.

² The debenture of £50m issued by the Company matured in June 2018. The fair value of the £50m debenture issued by the Company was calculated using discounted cash flow techniques, using the yield from a similarly dated gilt plus a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread.

³ Share price (discount)/premium to net asset value per share with debt at fair value.

⁴ Source: Morningstar/J.P. Morgan.

⁵ Source: Morningstar/J.P. Morgan using cum income net asset value per share.

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

APM Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 79 to 81.

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the structure and objective of the Company, its investment policies and risk management, investment restrictions and guidelines, performance, total return, revenue and dividends, key performance indicators, share capital, Board diversity, discount, employees, social, community and human rights issues, principal and emerging risks and how the Company seeks to manage those risks and finally its long term viability.

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 long term capital growth from a portfolio of US quoted companies, which outperforms its benchmark index over the longer term, 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. For more information, please refer to page 27.

Investment Objective

The Company's objective is to provide shareholders with capital growth from North American investments. It aims to outperform a benchmark, which is the S&P 500 Index, with net dividends reinvested, expressed in sterling terms.

Structure of the Company

JPMorgan American Investment Trust plc is an investment trust and has a premium listing on the London Stock Exchange. In seeking to achieve this objective, the Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') which, in turn, delegates portfolio management to JPMorgan Asset Management ('JPMAM') which further delegates to JPMorgan Asset Management, Inc., to manage the Company's assets actively. The Board has determined an investment policy and related guidelines and limits, as described below. The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the UK Listing, Prospectus, Disclosure Guidance and Transparency Rules, the Market Abuse Regulation, taxation law and the Company's own Articles of

Association. The Company's underlying investments are also subject to some US and other worldwide regulations.

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

Investment Policies and Risk Management

In order to achieve its investment objectives and to seek to manage risk, the Company mainly invests in a diversified portfolio of quoted companies including, when appropriate, exposure to smaller capitalisation stocks. The Company currently has separate portfolios dedicated to larger capitalisation and smaller capitalisation companies. The number of investments in the larger capitalisation portfolio will normally range between 30-40 stocks representing between 90-100% of the Company's equity portfolio. The number of investments in the smaller capitalisation portfolio will normally range between 100-120 stocks representing between 0-10% of the Company's equity portfolio. The Company may invest in pooled funds to achieve its aims.

The Board reviews a range of risk indicators to assess whether the level of risk taken by the Manager is consistent with the achievement of the investment objective.

Investment Limits and Restrictions (all at time of investment)

- The Company will not normally invest more than 8% of its gross assets in any one individual stock.
- The Company will normally limit its five largest investments to 40% of its gross assets.
- The Company will not invest more than 10% of its gross assets in liquidity funds in normal market conditions.
- The Company will not invest more than 10% of gross assets in companies that themselves may invest more than 15% of gross assets in listed closed-ended funds.
- The Company will not invest more than 15% of its gross assets in other listed closed-ended funds.
- The Company will use gearing when appropriate to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. The Manager is accountable for tactically managing the gearing, within a +/-2.0% range around a strategic gearing level. The strategic gearing level, which is set by the Board and kept

under review, is currently 10%. Shareholders were informed on 16th March 2020 that in the light of current volatile market conditions caused by the COVID-19 pandemic, the Board temporarily widened the permitted range around the strategic gearing level from plus or minus 2% to plus or minus 4%, allowing gearing to vary between 6% and 14% and thus provide the Manager with greater operating flexibility.

- The Company will only hedge its currency risk in respect of any material long-dated non-dollar gearing it may draw down.

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

Performance

In the year ended 31st December 2019, the Company produced a total return to shareholders of +22.8% and a total return on net assets of +21.6%. This compares with the total return on the Company's benchmark in sterling terms of +26.0%. At 31st December 2019, the value of the Company's investment portfolio was £1,087 million. The Investment Manager's Report on pages 11 to 15 includes a review of developments during the year as well as information on investment activity within the Company's portfolio and the factors likely to affect the future performance of the Company.

Total Return, Revenue and Dividends

As detailed on page 51, gross total return for the year amounted to £198.7 million (2018: £13.6 million) and net total return after deducting finance costs, administrative expenses and taxation, amounted to £193.7 million (2018: £4.1 million). Distributable income for the year totalled £16.1 million (2018: £17.3 million).

The Company paid an interim dividend of 2.5p per share on 4th October 2019. Directors have declared a further interim dividend of 4.0p per share, payable on 18th May 2020 to shareholders on the register at the close of business on 24th April 2020. These distributions total £13.7 million (2018: £14.3 million). After payment of the final dividend, the revenue reserve will amount to £23.5 million (2018: £21.0 million).

Key Performance Indicators ('KPIs')

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

- **Performance against the benchmark index**

This is an important KPI by which performance is judged.

Please refer to the graphs on page 19 for details of the Company's performance relative to its benchmark index over ten years.

- **Performance against the Company's peers**

The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors performance relative to a broad range of appropriate competitor funds, including Exchange Traded Funds ('ETFs') both in the UK and the US.

- **Performance attribution**

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation, gearing and stock selection. Details of the attribution analysis for the year ended 31st December 2019 are given in the Investment Manager's Report on page 12.

- **Share price relative to net asset value ('NAV') per share with debt at fair value**

The Board has adopted a share issuance and repurchase policy and is committed to buy-back shares when they stand at anything more than a small discount to enhance the NAV per share for remaining shareholders. In the year to 31st December 2019, the shares traded between a discount of 3.0% and 6.4% (daily figures calculated with debt at fair value and including income). Please refer to the Chair's Statement on pages 7 and 8 for further information.

- **Ongoing charges ratio**

The ongoing charges ratio represent the Company's management fee and all other operating expenses, excluding finance costs expressed as a percentage of the average daily net assets during the year. The ongoing charges ratio for the year ended 31st December 2019 were 0.18% (2018: 0.38%).

Share Capital

The Directors have authority on behalf of the Company to repurchase shares in the market either for cancellation or into Treasury and to sell Treasury shares or issue new Ordinary shares for cash.

During the financial year, the Company repurchased 9,151,590 shares, into Treasury, for a total consideration of £42.2 million. Since the year end, the Company has repurchased 1,807,055 shares, into Treasury, for a total consideration of £8.6 million.

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

Special Resolutions to renew the Company's authorities to issue and repurchase shares will be put to shareholders at the forthcoming Annual General Meeting.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board and an assessment is made of the qualities and skills of the existing Board before appointing new directors. When completing a review of the skills and experience of Directors, the Board feels that they are equipped with the necessary attributes required for the sound stewardship of the Company and that their knowledge sets allow for lively and engaging debates. Full details of the skills and experience of the Directors can be found on page 27. At 31st December 2019, there were four male Directors and one female Director on the Board. As mentioned in the Chair's statement, Claire Binyon will be joining the Board with effect from 1st June 2020. As a by product of which the number of female Directors on the Board will increase to two and the Company will be compliant with the recommendations and findings of the Hampton-Alexander Review regarding women's representation on FTSE 350 boards. Please refer to page 33 for more information on the workings of the Nomination Committee.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees.

Environmental, Social and Governance ('ESG')

The Board notes JPMAM's global policy statements in respect of Environmental, Social and Governance issues, as highlighted in italics:

JPMAM believes that companies should act in a socially responsible manner. We believe environmental, social and governance ('ESG') considerations, particularly those related to governance, can play a critical role in long-term investment strategy. As an active investment manager, engagement is an important and ongoing component of our investment process, and we view frequent and direct contact with company management as critically important. When considering investment options, we supplement our proprietary thinking with research from a variety of third-party specialist providers and engage directly with companies on a wide array of ESG issues. Our governance specialists regularly attend scheduled one-on-one company meetings alongside investment analysts to help identify and discuss relevant issues. Although our priority at all times is the best economic interests of our clients, we recognise that ESG issues have the potential to impact the share price, as well as the reputation of companies.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting

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

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>

Greenhouse Gas Emissions

The Company has no premises, consumes no electricity, gas or diesel fuel. Carbon emissions incurred by the Board when taking flights to and from New York are offset using a reputable forestry carbon offset scheme. Consequently, the Company does not have a net measurable carbon footprint.

JPMAM is a signatory to Carbon Disclosure Project. JPMorgan Chase is also a signatory to the Equator Principles on managing social and environmental risk in project finance.

Criminal Corporate Offence

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

Principal and Emerging Risks

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The risks identified and the ways in which they are managed or mitigated are summarised below.

With the assistance of JPMF, the Risk Committee, chaired by Sir Alan Collins, has drawn up a risk matrix, which identifies the principal and emerging risks to the Company. These are reviewed and discussed on a regular basis by the Board. These risks fall broadly into the following categories:

- **Investment and Strategy:** An inappropriate investment strategy, poor asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and its peer companies, resulting in the Company's shares trading on a wider discount. The Board mitigates this risk by insisting on diversification of investments through its

investment restrictions and guidelines which are monitored and reported on regularly by the Managers. JPMF provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the investment managers, who attend the majority of Board meetings, and review data which details the portfolio's risk profile. The investment managers employ the Company's gearing within a strategic range set by the Board.

- **Market:** Market risk arises from uncertainty about the future prices of the Company's investments. This market risk comprises three elements - equity market risk, currency risk and interest rate risk. The Board considers the split in the portfolio between small and large companies, sector and stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMF. The Board monitors the implementation and results of the investment process with the Manager. However, the fortunes of the portfolio are significantly determined by market movements in US equities, the rate of exchange between the US dollar and sterling and interest rate changes. This is a risk that investors take having invested into a single country fund.
- **Operational and Cybercrime:** Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the custodian's or depositary's records could prevent accurate reporting and monitoring of the Company's financial position. On 1st July 2014, the Company appointed Bank of New York Mellon (International) Limited to act as its depositary, responsible for overseeing the operations of the custodian, JPMorgan Chase Bank, N.A., and the Company's cash flows. Details of how the Board monitors the services provided by the Manager and its associates and the key elements designed to provide effective internal control are included in the Internal Control section of the Corporate Governance report on pages 34 and 35. The threat of cyber attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security. The Board has received the cyber security policies for its key third party service providers and JPMF has assured the Directors that the Company benefits directly or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested by independent reporting accountants and reported every six months against the AAF Standard.
- **Loss of Investment Team or Investment Managers:** The sudden departure of the investment managers or several members of the wider investment management team could result in a short term deterioration in investment

performance. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team based approach.

- **Share Price Relative to Net Asset Value ('NAV') per Share:** If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. Throughout 2019, the Company's shares traded at a discount. The Board monitors the Company's premium/discount level and, although the rating largely depends upon the relative attractiveness of the trust, the Board is committed to buy-back shares when they stand at anything more than a small discount to enhance the NAV per share for remaining shareholders.
- **Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given on page 21. Were the Company to breach Section 1158, it might lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by JPMF and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure & Transparency Rules ('DTRs'). A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing, which in turn would breach Section 1158. The Directors seek to comply with all relevant regulation and legislation in the UK, Europe and the US and rely on the services of its Company Secretary, JPMF, and its professional advisers to monitor compliance with all relevant requirements.
- **Political and Economic:** Changes in legislation, including in the US, UK and the European Union, may adversely effect the Company either directly or because of restrictions or enforced changes on the operations of the Manager. JPMF makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate. In addition, the Company is subject to political risks, such as the imposition of restrictions on the free movement of capital. The Company is therefore at risk from changes to the regulatory, legislative and taxation framework within which it operates, whether such changes were designed to affect it or not. The Board will continue to keep under review the impact of the UK's decision to leave the European Union. The negotiations between the UK and European Union may introduce further complexity, risk and currency volatility to the Company's affairs.

- **Climate Change:** Climate change, which barely registered with investors a decade ago, has today become one of the most critical issues confronting asset managers and their investors. Investors can no longer ignore the impact that the world's changing climate will have on their portfolios, with the impact of climate change on returns now inevitable. The Board is pressing its Manager to ensure the formal integration of ESG factors into its investment process over the course of the coming year. Financial returns for long-term diversified investors should not be jeopardised given the investment opportunities created by the world's transition to a low-carbon economy. The Board is also considering the threat posed by the direct impact on climate change on the operations of the Manager and other major service providers. As extreme weather events become more common, the resiliency, business continuity planning and the location strategies of our services providers will come under greater scrutiny.
- **Global Pandemics:** The recent emergence and spread of coronavirus (COVID-19) has raised the emerging risk of global pandemics, in whatever form a pandemic takes. COVID-19 poses a significant risk to the Company's portfolio. At the date of this report, the virus has contributed to significant volatility in trading recently. The global reach and disruption to markets of this pandemic is unprecedented, so we have no direct comparatives from history to learn from. However, seismic events and situations in the past have also been the catalyst for violent market contractions, to include the Great Depression of 1929. Time after time, markets have recovered, albeit over varying and sometimes extended time periods, and so we do have an expectation that the portfolio's holdings will not suffer a material long-term impact and should recover once containment measures ease. Should the virus spread more aggressively or become more virulent than the experts are predicting, it may present risks to the operations of the Company, its Manager and other major service providers. Should efforts to control a pandemic prove ineffectual or meet with substantial levels of public opposition, there is the risk of social disorder arising at a local, national or international level. Even limited or localised societal breakdown may threaten both the ability of the Company to operate, the ability of investors to transact in the Company's securities and ultimately the ability of the Company to pursue its investment objective and purpose.
- **US and China Technology Competition:** Since the end of the second world war, the world has enjoyed a technology and economic hegemony with the US at its core. With the development of China as a political, cultural, technological and economic rival, there is the risk that alongside the trade tensions we have seen in recent years, there may develop

a rival technology and economic infrastructure which is not compatible with or available to the US companies in which we invest. This may limit the ability of US companies to innovate and address large elements of the global market with the result that a Company with an investment objective focused on the United States may find future returns to be muted or find itself eclipsed by the investment opportunities and returns available elsewhere. The Company addresses these global developments in regular questioning of the Manager and external expertise and will continue to monitor these issues, should they develop.

Long Term Viability

The Company was established in 1881 and has now been in existence for almost 140 years. The Company is an investment trust and has the objective of achieving long term capital growth investing in US equities. The Company has been investing over many economic cycles and some difficult market conditions. The current COVID-19 crisis is one of the worst faced in recent times. The impact on the US economy and stock market is already significant. However, the eventual full impact remains hard to predict with any certainty at this stage.

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

The Directors have considered the Company's prospects, principal and emerging risks and the outlook for the US economy, its equity market and the market for investment trusts. They have examined the robustness of these base case estimates using further more cautious scenarios, including in one case repeating some of the returns data for the (1929-1934) Wall Street Crash and the very recent ongoing market contraction caused by the COVID-19 pandemic.

The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years until 31st December 2024.

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

7th April 2020

Directors' Report



Dr Kevin Carter (Chair of the Board, Management Engagement Committee and Nomination Committee)

A Director since 2014.

Last reappointed to the Board: 2019.

Remuneration: £44,000.

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

Shared appointments with other Directors: None



Sir Alan Collins (Chairman of the Risk Committee, Remuneration Committee and Senior Independent Director)

A Director since 2012.

Last reappointed to the Board: 2019.

Remuneration: £33,500.

Sir Alan had a successful career in the British Diplomatic Service where he held a number of Ambassador and High Commissioner appointments and was until August 2011 the Consul General New York and the Director General for Trade and Investment USA. He was also the managing director in United Kingdom Trade and Investment responsible for the business legacy from the London 2012 Olympic and Paralympic Games, having been part of the team that won the bid to bring the Olympics to London. He is now a non-executive Director of ICICI Bank UK plc.

Shared directorships with other Directors: None.



Simon Bragg (Chairman of the Audit Committee)

A Director since 2012.

Last reappointed to the Board: 2019.

Remuneration: £35,500.

Mr Bragg is Chief Executive of JSB Energy Partners Limited and non-executive Director of Intralink Group Limited. Having qualified as a Chartered Accountant at KPMG, Mr Bragg previously worked at Hoare Govett, Cargill, HSBC, Oriel Securities and Stifel. Mr Bragg has a B.Sc in chemistry from Imperial College, London, and is a Fellow of Goodenough College.

Shared directorships with other Directors: None.



Robert Talbut

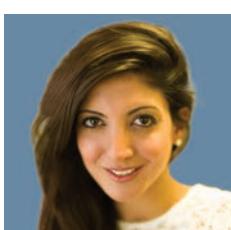
A Director since 2017.

Last reappointed to the Board: 2019.

Remuneration: £29,500.

Mr Talbut was, until 2014, the Chief Investment Officer of Royal London Asset Management and has over 30 years of financial services experience. He has represented the asset management industry through the chairmanship of both the ABI Investment Committee and the Asset Management Committee of the Investment Association. He has also been a member of the Audit & Assurance Council of the Financial Reporting Council and the Financial Conduct Authority's Listing Authority Advisory Panel. He is currently Chairman and Director of Shires Income plc, and Director of Schroder UK Mid Cap Fund plc, EFG Asset Management (UK) Limited and Pacific Assets Trust plc. He is also an independent investment expert on the British Airways Pension Fund investment committee.

Shared directorships with other Directors: None.



Nadia Manzoor

A Director since 2016.

Last reappointed to the Board: 2019.

Remuneration: £29,500.

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

Shared directorships with other Directors: None.

The Directors present their Annual Report & Financial Statements for the year ended 31st December 2019.

Management of the Company

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

The Manager is employed under a contract which can be terminated on six months' notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

The Board conducts a formal evaluation of the Manager on an annual basis. The evaluation includes consideration of the investment strategy and the process of the Manager, performance against the benchmark and a relevant peer group over the long term and the support the Company receives from the Manager. As a result of the evaluation process, the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interest of shareholders as a whole.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). JPMF has been approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF').

JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM which further delegates the management to JPMorgan Asset Management, Inc.. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY remains responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.jpmamerican.co.uk. There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

The Company's leverage and JPMF's remuneration disclosures are set out on pages 73 and 74.

Management Fees

The management fee is charged on a tiered basis as follows:

- With effect from 1st June 2019, for a period of nine months through to 29th February 2020, the management fee was waived.
- 0.35% on the first £500 million of net assets;
- 0.30% on net assets above £500 million and up to £1 billion; and
- 0.25% on any net assets above £1 billion.

With effect from 1st January 2019, the performance fee element of the Manager's fees was removed.

The basic management fee is calculated and paid quarterly in arrears. Investments in funds on which the Manager or any of its associated companies earn a management fee are excluded from the calculation and therefore attract no further fee. The Company's investment in the JPMorgan US Dollar Liquidity Fund was not subject to a management fee and therefore not excluded from the calculation.

Directors

The Directors of the Company who held office at the end of the year are detailed on page 27. In accordance with corporate governance best practice, all Directors will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment. The Nomination 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 Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report.

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

Disclosure of information to Auditor

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

- (a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditor is unaware; and
- (b) each of the Directors has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information (as defined) and to establish that the Company's Auditor is aware of that information.

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

Independent Auditor

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

Capital Structure and Voting Rights

Capital Structure

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

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 17 to the Notice of Annual General Meeting on page 78.

Notifiable Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights	%
Brewin Dolphin Limited	28,343,991	13.7
Quilter PLC	20,916,005	10.0
Rathbone Brothers PLC	16,269,479	7.8
Investec Wealth & Investment Limited	10,373,742	5.0
Charles Stanley	8,680,294	4.2

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

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

Listing Rule 9.8.4R

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

Annual General Meeting

The notice covering the Annual General Meeting of the Company to be held on 7th May 2020 is given on pages 76 to 78. The full text of the Resolutions is set out in this notice.

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 and 11)

At the Annual General Meeting the Directors will seek authority to issue up to 20,752,200 new shares or sell shares held in Treasury for cash up to an aggregate nominal amount of £1,037,610 (such amount being equivalent to 10% of the issued share capital) and disapply pre-emption rights upon such issues. The full text of the resolutions is set out in the Notice of Meeting on pages 76 to 78. This authority will expire at the conclusion of the Annual General Meeting of the Company in 2021 unless renewed at a prior general meeting.

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

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

At the Annual General Meeting held on 2nd May 2019, shareholders gave authority to the Company to purchase up to 14.99% of its then issued share capital. At that time, shareholders were informed that this authority would expire on 1st October 2020 but could be renewed by shareholders at any time at a general meeting of the Company. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying net asset value ('NAV') enhances the NAV of the remaining shares. Resolution 12 gives the Company authority to buy back its own issued shares in the market as permitted by the Companies Act 2006 (the 'Act'). The authority limits the number of shares that could be purchased to a maximum of 31,107,548 shares representing approximately 14.99% of the Company's issued shares as at 6th April 2020 (being the latest practicable date prior to the publication of this document). The authority also sets minimum and maximum prices.

If resolution 12 is passed at the Annual General Meeting, shares repurchased might not be cancelled but rather held as Treasury shares. The Company does not have authority to re-issue shares from Treasury at a discount to NAV, therefore any reissue of shares from Treasury would be at a premium to the prevailing NAV.

The full text of the resolution is set out in the Notice of Meeting on pages 76 to 78. 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) Approval of dividend policy (resolution 13)

The Company paid an interim dividend in respect of the 2019 financial year of 2.5p on 4th October 2019. Historically the Company has paid an interim and a final dividend each year, with the final dividend being subject to a shareholder vote (by ordinary resolution) at the Annual General Meeting each year. In light of the possible adjournment of the Company's Annual General Meeting due to the ongoing COVID-19 crisis, the Board has resolved to pay an additional interim dividend, in lieu of the usual final dividend, so that in the event of the Company's Annual General Meeting not being able to take place on 7th May 2020, the payment of the dividend will not be delayed. As this dividend will be announced as an interim dividend, shareholders will not have an opportunity to approve the dividend by ordinary resolution. To ensure that shareholders can still have a say on the Company's dividend distributions, and in line with good corporate governance practice where shareholders do not have an opportunity to approve a final dividend, a resolution is included in the Notice of Annual General Meeting seeking shareholder approval of the Company's general dividend policy.

Recommendation

The Board considers that resolutions 1 to 13 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 139,534 shares representing approximately 0.1% of the existing issued share capital 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. Through ongoing advice throughout the year from the Company Secretary and the use of a detailed checklist 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.

Copies of the UK Code and the AIC Code may be found on the respective organisations' websites: www.frc.org.uk and www.theaic.co.uk

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 they consider, 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 principal 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. The Manager's investment management function is fundamental to the long term success of the Company through the pursuit of the investment objective. The Board monitors the Company's investment performance at each Board Meeting in relation to its objective and also to its investment policy and strategy. 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 in the process of being 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 and other key stakeholders as it regards an understanding of their views as essential in being able to fulfil its duty.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review. Key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

- the recommendation that shareholders vote in favour of a resolution to change the Company's investment process, as well as the renewal of the allotment and buy back authorities at the 2019 Annual General Meeting; and
- the refinancing of the Company's loan facilities which are utilised in line with the Company's gearing policy. Post the year end the Company issued a US\$ 65 million fixed-rate 11 year unsecured loan note which will expire in February 2031, and a £25 million floating rate debt facility with National Australia Bank was retired. The decision to issue longer-term debt effectively removed any refinancing risk by securing funding at what the Board believes to be attractive pricing levels, with the intention of enhancing shareholder returns and income over the long term.

To ensure continuing engagement with shareholders, a number of shareholder meetings have been held over the last year with Directors in attendance, and in particular, meetings were held with shareholders both ahead of, and post, the change of investment process. The Manager also conducts a significant number of shareholder meetings each year and provides the Board with ongoing feedback. Shareholders are encouraged to attend the Company's Annual General Meeting or contact the Directors via the Company Secretary.

Role of the Board

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

During the year, the Board met on numerous occasions in relation to the Company's new investment policy and held formal Board

Meeting six times. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities. Further information on meetings and committees can be found on page 33.

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

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

Board Composition

The Board consists of five non-executive Directors and is chaired by Dr Kevin Carter. All Directors are considered to be independent of the Company's Manager. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 27.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. Sir Alan Collins, the Senior Independent Director, leads the evaluation of the performance of the Chair and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chair.

Reappointment of Directors

The Directors of the Company and their brief biographical details are set out on page 27. 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 below. All of the Directors held office throughout the year under review and will stand for reappointment at the forthcoming Annual General Meeting.

Resolution 4 concerns the reappointment of Dr Kevin Carter. He joined the Board in July 2014 and has served for five years as a Director. He has held various roles within the investment industry, including that of portfolio manager, Chief Investment Officer and Chief Executive Officer. He has also been a director of listed closed-ended funds for a number of years and brings strong leadership skills gained through a number of Board roles, including chairmanship roles. He brings leadership and considerable in-depth knowledge, expertise and experience in investment management to the Board.

For details of his current directorships, please refer to page 27 of the Report.

Resolution 5 concern the reappointment of Simon Bragg. He joined the Board in May 2012 and has served for seven years as a Director. He has recent and relevant business, financial and investment expertise with a strong accounting background. This has enabled him to identify and manage issues and risks relating to the Company and the financial statements in conjunction with the external service providers. He actively works with the Auditor to ensure a smooth year-end process and audit. He brings a wider understanding and breadth of knowledge to the Company across the investment industry. He also has experience of financial markets in his former role as Chief Executive of a broker dealer and asset manager, and regulation in financial services having been a member of both the Listing Authority Advisory and Wholesale Markets Panels at the Financial Conduct Authority.

For details of his current directorships, please refer to page 27 of the Report.

Resolution 6 concerns the reappointment of Sir Alan Collins. He joined the Board in May 2012 and has served for seven years as a Director. Sir Alan brings a wealth of management, governance and leadership experience and expertise from holding a succession of senior appointments in the British Diplomatic Service and from sitting on several major financial services company Boards including Banking, Insurance, Investment and Wealth Management. His living for nearly five years in New York in charge of Britain's Trade and Investment with the United States gives important insights into the market in which the company invests. He is a geo-political expert and brings this skill to chairing the Risk Committee. His negotiating and people management abilities are utilised as the Senior Independent Director, part of whose job is the smooth running of the company and the effectiveness of the Board.

For details of his current directorships, please refer to page 27 of the Report.

Resolution 7 concerns the reappointment of Nadia Manzoor. She joined the Board in June 2016 and has served for four years as a Director. She has current financial expertise in her role at the specialist investment manager, SW Mitchell. She also has experience in marketing financial services which she brings to bear in assessing the Manager's efforts in promoting the Company. She has strong exposure and experience with the US market as she spends a great deal of her time in the US working almost exclusively with US institutions and investors.

As a qualified lawyer, having trained at Slaughter and May, her contribution to the legal aspects of the Board's role and particularly its relationship with service providers is much appreciated. The Board believes that age diversity leads to cognitive diversity and values her contributions.

For more details, please refer to page 27 of the Report.

Resolution 8 concerns the reappointment of Robert Talbut. He joined the Board in May 2017 and has served for three years as a Director. He has over 30 years of financial services experience

and has represented the asset management industry through the chairmanship of both the ABI Investment Committee and the Asset Management Committee of the Investment Association. As well as experience as an asset manager including evolving best practice in corporate governance and ESG issues, his varied roles with the Financial Reporting Council and the FCA helps him bring broader perspectives to Board discussions.

For details of his current directorships, please refer to page 27 of the Report.

The Board confirms that each of the Directors standing for reappointment at the forthcoming Annual General Meeting 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, subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for each Director to seek reappointment. In accordance with corporate governance best practice, Directors continuing in office seek annual reappointment and no Director, including the Chair, will normally seek reappointment after having served for nine years on the Board. The Board keeps plans for its orderly succession and refreshment under continual review. The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting.

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

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts. Regular reviews of the Directors' training needs are carried out by the Board by means of the evaluation process described below.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on page 27.

The table below details the number of formal Board and Committee meetings attended by each Director.

Meetings attended during the year

	Board	Audit Committee	Risk Committee	Management Engagement Committee	Nomination & Remuneration Committee ¹
Dr Kevin Carter	6	2	2	1	2
Simon Bragg	6	2	2	1	2
Sir Alan Collins	6	2	2	1	2
Nadia Manzoor	5	1	1	1	2
Robert Talbut	6	2	2	1	2

¹ During the year the Nomination & Remuneration Committee was reconstituted and renamed the Nomination Committee. A Remuneration Committee was constituted and met for the first time in January 2020.

As well as the formal meetings detailed above, the Board meets and communicates frequently by email or telephone to deal with day to day matters as they arise. During the year, the Board met on numerous occasions in relation to the Company's new investment policy and held formal Board Meeting six times. Directors also visited the investment management team in New York and spent time with a number of analysts and strategists as well as with senior management, governance personnel and the dealing desk in JPMAM's offices.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Dr Kevin Carter, consists of all of the Directors and meets at least annually. The Nomination Committee reviews the composition, structure and diversity of the Board, succession planning, the independence of the Directors and whether each Director has sufficient time available to discharge their duties effectively. Having completed the annual evaluation process, the Committee confirms that it believes that the Board has an appropriate balance of skills and experience, that all Directors should be considered as Independent in accordance with the provisions of the AIC Code of Corporate Governance and that all Directors have the time available to discharge their duties effectively.

The Board's policy on diversity, including gender, is to take account of the benefits of this during the appointment process. The Board remains committed to appointing the most appropriate candidate and seeks to ensure that it does not unwittingly exclude any group. Therefore, no targets have been set against which to report.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, and how it works together. Questionnaires, drawn up by Lintstock, an independent advisory firm, are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chair. The Senior

Independent Director leads the evaluation of the Chair's performance, which includes an appraisal of his Board leadership and effectiveness in the role.

In relation to the appointment of Claire Binyon post the year end, the Board engaged a recruitment consultant, Ridgeway Partners, a firm with no other connections to the Company or the individual Directors. Open advertising was not used as part of the process as the use of a recruitment consultant was deemed sufficient.

Remuneration Committee

During the year under review, the Board established a Remuneration Committee, chaired by Sir Alan Collins. The Committee consists of all Directors and meets at least annually. The Committee's remit is to review Directors' fees and makes recommendations to the Board as and when appropriate in relation to the Company's remuneration policy and its implementation. Such activities were previously carried out by the Nomination & Remuneration Committee.

Management Engagement Committee

The Management Engagement Committee, chaired by Dr Kevin Carter, consists of all Directors and meets at least annually. The Committee's remit is to review the terms of the management agreement between the Company and the Manager, to review the performance of the Manager, consider Management fee levels, to review the notice period that the Board has with the Manager and to make recommendations to the Board.

Risk Committee

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

Audit Committee

The report of the Audit Committee is set out on page 36.

Terms of Reference

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

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full

understanding of the Company's activities and performance and reports formally to shareholders twice a year by way of the Annual Report & Financial Statements and the Half Year Report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

In any normal year, all shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with shareholders and answer questions. Due to the ongoing situation surrounding COVID-19, and the developing advice from the UK Government, it may not be possible for shareholders to attend this year's Annual General Meeting. As always shareholders are very much encouraged to contact Directors through the Company Secretary whose details are shown on page 83, but particularly this year if you had planned to ask questions at the Annual General Meeting. Questions can also be submitted via the 'Ask US A Question' link which can be found in the 'Contact Us' section on the Company's website. During the year the investment management team, JPMF and the Company's brokers held regular discussions with larger shareholders. Where possible Directors attend shareholder meetings arranged by the Manager. During the year the Chair and other Directors met with a number of shareholders. The Chair further writes to the Company's largest shareholders each year to offer a meeting with himself and other members of the Board, with or without representatives from the Manager. The Chair and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 83.

The Company's Annual Report & Financial Statements are published in time to give shareholders at least 20 working days' notice of the Annual General Meeting.

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

Significant votes against at the 2019 Annual General Meeting

At the Company's 2019 Annual General Meeting, 20.8% of the total shares voted in respect of Resolution 14: to approve the Company's new Investment Policy, were lodged against the Resolution. In line with Investment Association guidance, these votes against are deemed to be 'significant'. Since 79.2% of the votes cast in respect of Resolution 14 were in favour, the Resolution was passed and the Company announced on 5th June 2019 that the portfolio had been transitioned to a portfolio reflecting the new investment policy.

Since the results of the 2019 Annual General Meeting and in light of the votes against Resolution 14, the Board, via the Chair and the Manager's investor relations team has been in frequent dialogue with major shareholders, including recent meetings with the two

key dissenting shareholders to address their concerns. The Board continues to believe that the change in investment process is in the best interests of the Company and its shareholders. Shareholders are reminded that alongside the changes in investment process, the Board negotiated amendments to the fees paid to the Manager, through the removal of the performance fee element of the fee, and a short-term fee waiver through to the end of February 2020. The Manager also bore the transaction costs associated with the reorganisation of the portfolio to reflect the new investment policy.

In light of the Company's meetings with shareholders since the 2019 Annual General Meeting, the Board will not be taking any further specific action regarding this vote, other than to continue with its ongoing engagement with shareholders.

Risk Management and Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMF and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure that they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal and Emerging Risks on pages 23 to 25). This process has been in place for the year under review and up to the date of the approval of the annual report and accounts and it accords with the Financial Reporting Council's guidance. 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 internal control are as follows:

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

Management Agreement - Evaluation and appointment of a manager and custodian regulated by the 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 JPMorgan's Compliance department which regularly monitors compliance with FCA rules and reports to the Board.

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

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

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

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st December 2019, and to the date of approval of the Annual Report & Financial Statements.

During the course of its review of the system of risk management and internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following information in *italics* is a summary of JPMAM's policy statements on corporate governance, voting policy and stewardship/engagement issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 23.

Corporate Governance

JPMAM believes that corporate governance is integral to its investment process. As part of its commitment to delivering superior investment performance to clients, it expects and encourages the companies in which it invests to demonstrate the highest standards of corporate governance and best business practice. JPMAM examines the share structure and voting structure of the companies in which it invests, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of JPMAM's proxy voting and engagement activity.

Proxy Voting

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

Stewardship/Engagement

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

- *publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;*
- *disclose their policy on managing conflicts of interest;*
- *monitor their investee companies;*
- *establish clear guidelines on how they escalate engagement;*
- *be willing to act collectively with other investors where appropriate;*
- *have a clear policy on proxy voting and disclose their voting record; and*
- *report to clients.*

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

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website:

<https://am.jpmorgan.com/uk/institutional/corporate-governance> which also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

By order of the Board

Alison Vincent, for and on behalf of
JPMorgan Funds Limited,
Secretary

7th April 2020

Audit Committee Report

The Audit Committee, chaired by Simon Bragg, consists of all Directors, and meets at least twice each year. The members of the Audit Committee consider that at least one member has recent and relevant financial experience and that the Committee as a whole has competency relevant to the sector in which the Company operates.

The Committee reviews the actions and judgements of the Manager in relation to the Half Year and Annual Report & Financial Statements and the Company's compliance with the AIC Code. It examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external Auditor. The Audit Committee has reviewed the independence and objectivity of the Auditor and is satisfied that the Auditor is independent. The Audit Committee also has the primary responsibility for making recommendations to the Board on the reappointment and the removal of the external Auditor.

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st December 2019, the Audit Committee considered the following significant issues, including those communicated by the Auditor during its reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1 to the accounts. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A., as the Company's custodian. BNY remains responsible for the oversight of the custody of the Company's assets. A representative from BNY reports directly to the Audit Committee on an annual basis.
Calculation of management fees	The management fees are calculated in accordance with the Investment Management Agreement. The Board reviews controls reports, expense schedules and the management fee calculation.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts. Income recording is conducted by the Manager and the methodology is reported upon to the Board within a six monthly independent report on the operations of the Manager.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st October 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis by the Manager, who reports on a monthly basis to the Board on the Company's continuing compliance.

The Board 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 objective (see page 21), risk management policies (see pages 65 to 70), capital management policies and procedures (see page 71), the nature of the portfolio and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements. They have not identified any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of these financial statements.

Auditor Appointment and Tenure

Representatives of the Company's Auditor, Deloitte LLP, attended the Audit Committee meeting at which the draft Annual Report & Financial Statements were considered and also engage with Directors as and when required. Having reviewed the performance of the external Auditor, including assessing the quality of work, timing of communications and work with the Manager, the Committee considered it appropriate to recommend its reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Board reviews and approves any non-audit services provided by the independent Auditor and assesses the impact of any non-audit work on the ability of the Auditor to remain independent. Details of the Auditor's fees paid for audit and non-audit services are disclosed in note 6 on page 58.

The current tenure of the external Auditor dates from 10th August 2006. The Company's current audit partner has been in the position since 2014, and the Company's 2019 audit will be Andrew Partridge's fifth year of a maximum five years in the role. The Board opened the external auditor position up to tender in 2015 and reappointed Deloitte LLP, following presentations from three firms to include the incumbent. Based upon existing legislation, another tender process is not required until 2025. The Company is therefore in compliance with the provisions of 'The Statutory Audit Services for Large Companies Market Investigation' (Mandatory use of competitive tender processes and audit committee responsibilities) Order 2014 as issued by the Competition & Markets Authority.

Fair, Balanced and Understandable

As a result of the work performed, the Committee has concluded that the Annual Report & Financial Statements for the year ended 31st December 2019, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 41.

Simon Bragg
Audit Committee Chairman

7th April 2020

Introduction

The Board presents the Directors' Remuneration Report for the year ended 31st December 2019 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 43 to 49.

Directors' Remuneration Policy

The law requires that the Directors' Remuneration Policy is subject to a triennial binding vote. However, the Board has resolved that for good governance purposes, the policy vote will be put to shareholders every year. Accordingly a resolution to approve the policy will be put to shareholders at the 2020 Annual General Meeting. The policy, which has not changed this year, and, subject to the vote, is set out in full below and is currently in force.

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

The Remuneration Committee, comprising all Directors, reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, and includes research carried out by third parties on the level of fees paid to the Directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review.

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

In the year under review, Directors' fees were paid at the following rates: Chair £44,000; Audit Committee Chair £35,500 and £29,500 for other Directors. The roles of Senior Independent Director and Chair of the Risk Committee both attract an

additional fee of £2,000 per role. Fees were last increased in January 2018.

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

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

The Remuneration Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and will take account of these views if appropriate.

The Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Since Shareholders might not be able to attend the Annual General Meeting this year, they can request copies through the Company Secretary. Details of the Board's policy on tenure are set out on page 32.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st December 2018 and no changes are proposed for the year ending 31st December 2020.

At the Annual General Meeting held on 2nd May 2019, of votes cast, 99.8% of votes cast were in favour of (or granted discretion to the Chair who voted in favour of) both the remuneration policy and the remuneration report and 0.2% voted against. Votes withheld were 86,798 and 84,023 respectively, the equivalent of less than 0.01% of votes cast.

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

Single total figure of remuneration

The single total figure of remuneration and expenses for the Board as a whole for the year ended 31st December 2019 was £173,064. The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

There are no performance targets in place for the Directors of the Company and there are no benefits for any of the Directors which

will vest in the future. There are no benefits, pension, bonus, long term incentive plans, exit payments or arrangements in place on which to report.

Single total figure table¹

Directors	2019			2018		
	Taxable Fees		Total	Taxable Fees		Total
	£	£	£	£	£	£
Dr Kevin Carter	44,000	—	44,000	44,000	—	44,000
Simon Bragg	35,500	—	35,500	35,500	—	35,500
Sir Alan Collins	33,500	420	33,920	33,500	—	33,500
Nadia Manzoor	29,500	145	29,645	29,500	95	29,595
Robert Talbut	29,500	499	29,999	29,500	225	29,725
Total	172,000	1,064	173,064	172,000	320	172,320

¹ Audited information. Other subject headings for the single figure table as prescribed by regulation are not included because there is nothing to disclose in relation thereto.

² Taxable travel and subsistence expenses incurred in attending Board and Committee meetings.

Expenditure by the Company on remuneration and distributions to shareholders

The table below is provided to enable shareholders to assess the relative importance of expenditure on Directors' remuneration. It compares the remuneration with distributions to shareholders by way of dividends and share repurchases.

	Year ended 31st December	
	2019	2018
Remuneration paid to all Directors	£173,064	£172,320
Percentage of remuneration paid to Directors of Shareholders' funds	0.02%	0.02%
Distributions to shareholders by way of dividends paid	£13,954,000	£12,862,000
by way of share repurchases	£42,171,000	£52,507,000

A table showing the total remuneration for the Chair over the five years ended 31st December 2019 is below:

Remuneration for the Chair over the five years ended 31st December 2019

Year ended 31st December	Fees
2019	£44,000
2018	£44,000
2017	£43,000
2016	£43,000
2015	£43,000

Directors' shareholdings¹

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors' beneficial shareholdings are detailed below. The Directors have no other share interests or share options in the Company and no share schemes are available.

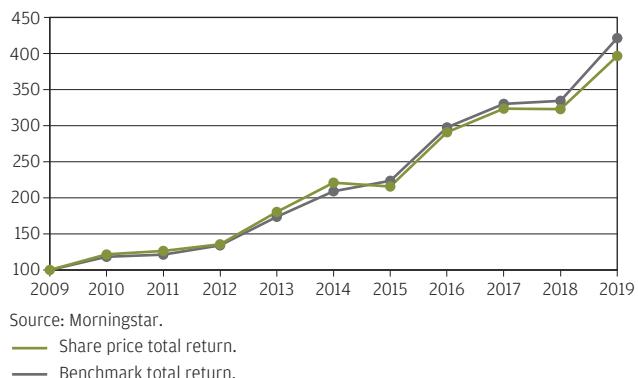
	31st December 2019	1st January 2019
Dr Kevin Carter	35,000	35,000
Simon Bragg	86,053	75,977
Sir Alan Collins	7,956	5,659
Nadia Manzoor	2,643	2,643
Robert Talbut	7,882	7,882

¹ Audited information.

All of the holdings of the Directors are beneficial.

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

Ten Year Ordinary Share Price and Benchmark Total Returns to 31st December 2019



For and on behalf of the Board

Dr Kevin Carter

Chair

7th April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report & Financial Statements in accordance with applicable law and regulations.

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

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

and the Directors confirm that they have done so.

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

The accounts are published on the www.jpmamerican.co.uk website, which is maintained by the Company's Manager. The maintenance and integrity of the website maintained by the

Manager is, so far as it relates to the Company, the responsibility of the Manager. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, Strategic Report, Statement of Corporate Governance and Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed on page 27 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and return or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Board confirms that it is satisfied that the Annual Report & 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.

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

For and on behalf of the Board

Dr Kevin Carter

Chair

7th April 2020

TO THE MEMBERS OF JPMORGAN AMERICAN INVESTMENT TRUST PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of JPMorgan American Investment Trust plc (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31st December 2019 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice issued by the Association of Investment Companies in November 2014 and updated in February 2018 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies ('SORP') in November 2014 and updated in February 2018 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

2. 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.

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 Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Company for the year are disclosed in note 6 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

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

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none">• Valuation and ownership of investments.
Materiality	The materiality that we used in the current year was £10.57 million which was determined as 1% of net assets as at 31st December 2019.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	<p>The Company simplified their fee structure during the year by removing performance fees. As a result, this has no longer been deemed a key audit matter for the year ended 31st December 2019. We also considered the completeness and allocation of investment income as a key audit matter in the prior year however we no longer consider it as a key audit matter due to the outsourced nature of the Company.</p> <p>Further, there are no significant changes in our approach since prior year.</p>

4. Conclusions relating to going concern, principal risks and viability statement

Going Concern

We have reviewed the Directors' statement in note 1(a) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

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 and the system of internal control. We evaluated the Directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 23 to 25 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Viability means the ability of the entity to continue over the time horizon considered appropriate by the Directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

- the Directors' confirmation on page 23 that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 25 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

5. 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Valuation and ownership of investments

Key audit matter description Investments represent the most significant balance on the statement of financial position and are the main driver of the Company's performance. Listed investments represented 99.2% of total assets of the Company at 31st December 2019 (2018:99%) (see detailed disclosure per note 11 of the financial statements).

There is a risk that the prices quoted in respect of the listed investments held by the Company may not be reflective of fair value. There is also a risk of fraud over the recording and custody of listed investments, and whether listed investments recorded are the property of the Company.

This key audit matter is also included in the Report of the Audit Committee within the annual report as a significant audit risk on page 36.

How the scope of our audit responded to the key audit matter

We have performed the following procedures to test the valuation and ownership of the investment portfolio at 31st December 2019:

- reviewed the SOC 1 control reports issued by JPMorgan Chase Bank and obtained an understanding of the relevant controls;
- obtained a bridging letter from JPMorgan Chase Bank which confirmed that there have been no material changes to these controls from the date of the report to 31st December 2019;
- agreed 100% of the Company's investment portfolio at the year end to confirmations received independently from the custodian;
- agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source. JPMorgan Asset Management use a variety of pricing sources with Bloomberg as the primary source;

- tested the recording of a sample of purchases and sales of listed investments; and
- reviewed the completeness and appropriate of disclosures in relation to fair value measurements and liquidity risk.

Key observations	Based on the work performed, we conclude that the valuation and ownership of investments is appropriate.
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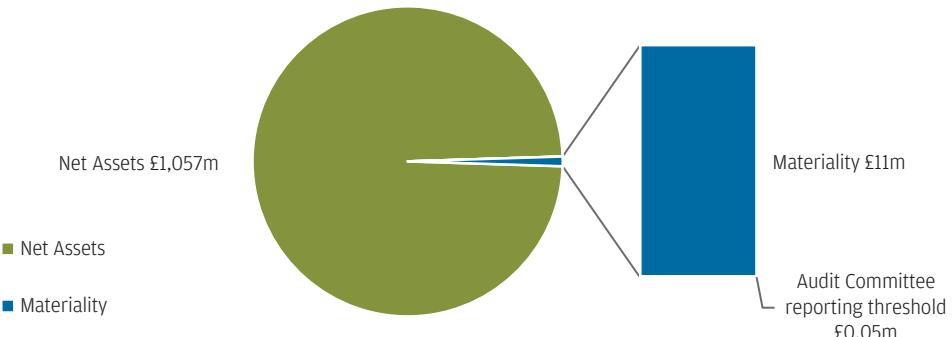
6. Our application of materiality

6.1 Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£10.57 million (2018: £9.19 million)
Basis for determining materiality	1% of net assets as at the year end. This basis was also used in the prior year.
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered factors including:

- our risk assessment, including our assessment of the Company's overall control environment; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £50,000 (2018: £50,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control and assessing the risks of material misstatement through quantitative and qualitative factors relating to each account balance, class of transactions and disclosure. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- ***Fair, balanced and understandable*** - 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 position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- ***Audit Committee reporting*** - 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*** - 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.

We have nothing to report in respect of these matters.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

10. 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation and ownership of investments, given the nature of investments as a key performance indicator and an area of focus to users of the financial statements;

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, as well as the Company qualification as an Investment Trust under UK tax legislation.

11.2 Audit response to risks identified

As a result of performing the above, we identified the valuation and ownership of investments as the key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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 the Directors' report have been prepared in accordance with applicable legal requirements.

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

13. Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

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

We have nothing to report in respect of these matters.

14. Other matters

14.1 Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 10th January 2007 to audit the financial statements for the year ending 31st December 2006 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 14 years, covering the years ending 31st December 2006 to 31st December 2019.

14.2 Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. 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.

Andrew Partridge, CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor,

London, United Kingdom

7th April 2020

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2019

Notes	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss						
3	–	178,043	178,043	–	(5,050)	(5,050)
Net foreign currency gains/(losses)						
	–	711	711	–	(2,939)	(2,939)
Income from investments	4	19,648	–	19,648	21,184	–
Interest receivable	4	317	–	317	452	–
Gross return/(loss)	19,965	178,754	198,719	21,636	(7,989)	13,647
Management fee ¹	5	(230)	(919)	(1,149)	(638)	(2,553)
Other administrative expenses	6	(697)	–	(697)	(637)	–
Net return/(loss) before finance costs and taxation		19,038	177,835	196,873	20,361	(10,542)
Finance costs	7	(53)	(214)	(267)	(649)	(2,593)
Net return/(loss) before taxation		18,985	177,621	196,606	19,712	(13,135)
Taxation	8	(2,861)	–	(2,861)	(2,462)	–
Net return/(loss) after taxation		16,124	177,621	193,745	17,250	(13,135)
Return/(loss) per share	9	7.54p	83.03p	90.57p	7.71p	(5.87)p
						1.84p

¹ Management fee reduced by £169,000 (£34,000 allocated to revenue, £135,000 allocated to capital) due to the reimbursement of transaction costs. This was in relation to the transition of the portfolio following the change in investment policy.

The dividends payable in respect of the year ended 31st December 2019 amount to 6.5p (2018: 6.5p) per share, costing £13,681,000 (2018: £14,275,000). Details of dividends paid and proposed are given in note 10 on page 60.

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

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

The net return/(loss) after taxation represents the profit/(loss) for the year and also the total comprehensive income.

The notes on pages 55 to 71 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2019

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves ¹ £'000	Revenue reserve ¹ £'000	Total £'000
At 31st December 2017	14,082	151,850	8,151	781,018	25,329	980,430
Repurchase of shares into Treasury	—	—	—	(52,507)	—	(52,507)
Net (loss)/return	—	—	—	(13,135)	17,250	4,115
Dividends paid in the year (note 10)	—	—	—	—	(12,862)	(12,862)
At 31st December 2018	14,082	151,850	8,151	715,376	29,717	919,176
Repurchase of shares into Treasury	—	—	—	(42,171)	—	(42,171)
Net return	—	—	—	177,621	16,124	193,745
Dividends paid in the year (note 10)	—	—	—	—	(13,954)	(13,954)
At 31st December 2019	14,082	151,850	8,151	850,826	31,887	1,056,796

¹ These reserves form the distributable reserves of the Company and may be used to fund distributions to investors.

The notes on pages 55 to 71 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	1,086,584	910,438
Current assets	12		
Derivative financial assets		8	–
Debtors		578	1,334
Cash and cash equivalents		8,601	7,919
		9,187	9,253
Current liabilities			
Creditors: amounts falling due within one year	13	(290)	(515)
Net current assets		8,897	8,738
Total assets less current liabilities		1,095,481	919,176
Creditors: amounts falling due after more than one year	14	(38,685)	–
Net assets		1,056,796	919,176
Capital and reserves			
Called up share capital	15	14,082	14,082
Share premium	16	151,850	151,850
Capital redemption reserve	16	8,151	8,151
Capital reserves	16	850,826	715,376
Revenue reserve	16	31,887	29,717
Total shareholders' funds		1,056,796	919,176
Net asset value per share	17	504.8p	420.7p

The financial statements on pages 51 to 71 were approved and authorised for issue by the Directors on 7th April 2020 and signed on their behalf by:

Simon Bragg
Director

The notes on pages 55 to 71 form an integral part of these financial statements.

The Company's registration number is 15543.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Net cash outflow from operations before dividends and interest	18	(2,255)	(2,158)
Dividends received		17,302	18,160
Interest received		317	470
Overseas tax recovered		9	347
Interest paid		(96)	(3,479)
Loan facility agreement fees paid		(22)	—
Net cash inflow from operating activities		15,255	13,340
Purchases of investments		(1,077,761)	(391,851)
Sales of investments		1,079,659	546,604
Settlement of forward currency contracts		(2)	21
Net cash inflow from investing activities		1,896	154,774
Dividends paid		(13,954)	(12,862)
Repayment of bank loans		—	(58,914)
Draw down of bank loans		40,056	—
Redemption of debenture		—	(50,000)
Repurchase of shares into Treasury		(42,571)	(52,107)
Net cash outflow from financing activities		(16,469)	(173,883)
Increase/(decrease) in cash and cash equivalents		682	(5,769)
Cash and cash equivalents at the start of the year		7,919	13,689
Unrealised loss on foreign currency		—	(1)
Cash and cash equivalents at the end of the year		8,601	7,919
Increase/(decrease) in cash and cash equivalents		682	(5,769)
Cash and cash equivalents consist of:			
Cash and short term deposits		24	53
Cash held in JPMorgan US Dollar Liquidity Fund		8,577	7,866
Total		8,601	7,919

RECONCILIATION OF NET DEBT

	As at 31/12/2018 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31/12/2019 £'000
Cash and cash equivalents				
Cash	53	(29)	—	24
Cash equivalents	7,866	1,417	(706)	8,577
	7,919	1,388	(706)	8,601
Borrowings				
Debt due after one year	—	(40,056)	1,371	(38,685)
	—	(40,056)	1,371	(38,685)
Total	7,919	(38,668)	665	(30,084)

The notes on pages 55 to 71 form an integral part of these financial statements.

FOR THE YEAR ENDED 31ST DECEMBER 2019**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, in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in October 2019.

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

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 36 form part of these financial statements.

The policies applied in these financial statements are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors.

Accordingly, upon initial recognition the investments are designated by the Company as held at fair value through profit or loss. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchases which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

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

(c) Accounting for reserves

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

Increases and decreases in the valuation of investments held at the year end including the related foreign exchange gains and losses, unrealised gains and losses on forward foreign currency contracts and any performance fee provision, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Investment holding gains and losses'.

Amounts received in excess of the par value of issued shares are held in Share premium.

Par value of shares repurchased and cancelled by the Company are transferred from Called up share capital to the Capital redemption reserve.

Net revenue return after taxation for the year is accounted for in the Revenue reserve.

1. Accounting policies *continued*

(d) Income

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

Overseas dividends are included gross of any withholding tax.

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

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

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

(e) Expenses

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

- the management fee is allocated 20% to revenue and 80% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11.

(f) Finance costs

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

Finance costs are allocated 20% to revenue and 80% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

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

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

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

Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

(h) Taxation

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

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(i) Value Added Tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

(j) Functional currency

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

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

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

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

(k) Dividends payable

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

(l) Repurchase of shares into Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to capital reserves and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of called up share capital and into capital redemption reserve.

Should shares held in Treasury be reissued, the sales proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any significant accounting judgements or estimates have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Gains/(losses) on investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Realised gains on sale of investments	159,388	160,676
Net change in unrealised gains and losses on investments	18,671	(165,712)
Other capital charges	(16)	(14)
Total capital gains/(losses) on investments held at fair value through profit or loss	178,043	(5,050)

NOTES TO THE FINANCIAL STATEMENTS

4. Income

	2019 £'000	2018 £'000
Income from investments		
Franked investment income	—	90
Overseas dividends	19,648	21,094
	19,648	21,184
Interest receivable		
Interest from liquidity fund	317	443
Interest received on overseas tax recovered	—	8
Deposit interest	—	1
	317	452
Total income	19,965	21,636

5. Management fee

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Management fee ^{1,2}	230	919	1,149	638	2,553	3,191

¹ Management fee is waived for nine months from 1st June 2019.

² Management fee reduced by £169,000 (£34,000 allocated to revenue, £135,000 allocated to capital) due to the reimbursement of transaction costs. This was in relation to the transition of the portfolio following the change in investment policy.

Details of the management fee are given in the Directors' Report on page 28.

6. Other administrative expenses

	2019 £'000	2018 £'000
Administration expenses	363	316
Directors' fees ¹	173	172
Depository fees ²	114	123
Auditor's remuneration for audit services ³	32	26
Auditor's remuneration for non-audit services ⁴	15	—
	697	637

¹ Full disclosure is given in the Directors' Remuneration Report on page 39.

² Includes £4,000 (2018: £5,000) irrecoverable VAT.

³ Includes £1,000 (2018: £1,000) irrecoverable VAT.

⁴ Includes £1,000 (2018: £nil) irrecoverable VAT.

7. Finance costs

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Bank loans and overdraft interest	49	196	245	345	1,379	1,724
Debenture interest	—	—	—	304	1,214	1,518
Loan arrangement fees	4	18	22	—	—	—
	53	214	267	649	2,593	3,242

8. Taxation

(a) Analysis of tax charge for the year

	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	2,861	–	2,861	2,668	–	2,668
Overseas tax from previous years recovered	–	–	–	(206)	–	(206)
Total tax charge for the year	2,861	–	2,861	2,462	–	2,462

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

The tax charge for the year is lower (2018: higher) than the Company's applicable rate of corporation tax of 19.0% (2018: 19.0%).

The factors affecting the total tax charge for the year are as follows:

	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) before taxation	18,985	177,621	196,606	19,712	(13,135)	6,577
Net return/(loss) before taxation multiplied by the Company's applicable rate of corporation tax of 19.0% (2018: 19.0%)	3,607	33,748	37,355	3,745	(2,496)	1,249
Effects of:						
Non taxable UK dividends	–	–	–	(17)	–	(17)
Non taxable overseas dividends	(3,522)	–	(3,522)	(4,005)	–	(4,005)
Non taxable capital (gains)/losses	–	(33,963)	(33,963)	–	1,518	1,518
Overseas withholding tax	2,861	–	2,861	2,668	–	2,668
Income tax timing difference	(45)	–	(45)	–	–	–
Unrelieved expenses	(15)	215	200	277	828	1,105
Disallowable interest	–	–	–	–	150	150
Overseas tax from previous years recovered	–	–	–	(206)	–	(206)
Double taxation relief expensed	(25)	–	(25)	–	–	–
Total tax charge for the year	2,861	–	2,861	2,462	–	2,462

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £15,645,000 (2018: £15,779,000) based on a prospective corporation tax rate of 17% (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

9. Return/(loss) per share

	2019 £'000	2018 £'000
Revenue return	16,124	17,250
Capital return/(loss)	177,621	(13,135)
Total return	193,745	4,115
Weighted average number of shares in issue during the year	213,915,030	223,635,390
Revenue return per share	7.54p	7.71p
Capital return/(loss) per share	83.03p	(5.87)p
Total return/(loss) per share	90.57p	1.84p

10. Dividends

(a) Dividends paid and proposed/declared

	2019 £'000	2018 £'000
Dividends paid		
Unclaimed dividends refunded to the Company	(11)	–
2018 Final dividend of 4.0p (2017: 3.25p)	8,657	7,326
2019 Interim dividend of 2.5p (2018: 2.5p)	5,308	5,536
Total dividends paid in the year	13,954	12,862
Dividends declared		
2019 Interim dividend of 4.0p (2018: 4.0p)	8,373	8,739

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

The dividend proposed in respect of the year ended 31st December 2018 amounted to £8,739,000. However the amount paid amounted to £8,657,000 due to shares repurchased after the balance sheet date but prior to the share register record date.

In accordance with the accounting policy of the Company, the dividend declared in respect of the year ended 31st December 2019, will be reflected in the financial statements for the year ending 31st December 2020.

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year, shown below. The revenue available for distribution by way of dividend for the year is £16,106,000 (2018: £17,250,000).

	2019 £'000	2018 £'000
2019 Interim dividend of 2.5p (2018: 2.5p)	5,308	5,536
2019 Interim dividend of 4.0p (2018: 4.0p)	8,373	8,739
Total	13,681	14,275

The revenue reserve after payment of the final dividend will amount to £23,513,000 (2018: £20,978,000).

11. Investments

	2019			2018		
	Listed overseas £'000	Unquoted £'000	Total £'000	Listed overseas £'000	Unquoted £'000	Total £'000
Opening book cost	780,860	—	780,860	774,928	25	774,953
Opening investment holding gains	129,578	—	129,578	295,315	(25)	295,290
Opening valuation	910,438	—	910,438	1,070,243	—	1,070,243
Movements in the year:						
Purchases at cost	1,077,761	—	1,077,761	391,851	—	391,851
Sales proceeds	(1,079,674)	—	(1,079,674)	(546,620)	—	(546,620)
Gains/(Losses) on investments	178,059	—	178,059	(5,036)	—	(5,036)
Closing valuation	1,086,584	—	1,086,584	910,438	—	910,438
Closing book cost	938,335	—	938,335	780,860	—	780,860
Closing investment holding gains	148,249	—	148,249	129,578	—	129,578
Total investments held at fair value through profit or loss	1,086,584	—	1,086,584	910,438	—	910,438

Transaction costs on purchases during the year amounted to £173,000 (2018: £82,000) and on sales during the year amounted to £194,000 (2018: £82,000). These costs comprise mainly brokerage commission. Transaction costs amounting to £169,000 was reimbursed to the Company via a deduction to management fees. This was in relation to the change in the portfolio following the change in investment policy.

12. Current assets

	2019		2018	
	£'000	£'000	£'000	£'000
Derivative financial assets				
Forward foreign currency contracts	8	—	—	—
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Debtors				
Dividends and interest receivable	506	1,022	506	1,022
Overseas tax recoverable	28	36	28	36
Other debtors	44	276	44	276
	578		1,334	

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, short term deposits and liquidity funds.

The carrying amount of these represents their fair value.

NOTES TO THE FINANCIAL STATEMENTS

13. Current liabilities

	2019 £'000	2018 £'000
Creditors: amounts falling due within one year		
Repurchases of Company's own shares awaiting settlement	—	400
Loan interest and fees payable	151	2
Other creditors and accruals	139	113
	290	515

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

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

	2019 £'000	2018 £'000
Bank loan - ING	38,685	—

The £40 million three year floating rate debt facility with ING Bank has an interest rate of LIBOR as quoted in the market for the loan period, plus a margin of 0.925%, plus mandatory costs. The amount available under this facility was increased to £80 million on 14th February 2020. It expires in August 2022.

The £25 million five year floating rate debt facility with National Australia Bank, had an interest rate of LIBOR as quoted in the market for the loan period, plus a margin of 1.05%, plus mandatory costs. Any undrawn amounts attracted a commitment fee of 0.32%. No amounts were drawn down during the year and this facility was retired early on 25th February 2020.

Post the year end, on 27th February 2020, the Company announced that it had received funds from the sale of US\$65 million fixed-rate 11 year unsecured notes (the 'Notes') at a fixed annualised coupon of 2.55%. The Notes, which will mature on 27th February 2031 and pay interest semi-annually, are senior unsecured obligations of the Company, ranking *pari-passu* with its existing revolving credit facility.

15. Called up share capital

	2019 £'000	2018 £'000
Ordinary shares allotted and fully paid:		
Opening balance of 218,480,648 (2018: 231,085,811) shares excluding shares held in Treasury	10,924	11,554
Repurchase of 9,151,590 (2018: 12,605,163) shares into Treasury	(457)	(630)
Subtotal of 209,329,058 (2018: 218,480,648) shares of 5p each excluding shares held in Treasury	10,467	10,924
72,304,852 (2018: 63,153,262) shares held in Treasury	3,615	3,158
Closing Balance of 281,633,910 (2018: 281,633,910) shares of 5p each including shares held in Treasury	14,082	14,082

During the year, 9,151,590 shares of 5p were repurchased from the market into Treasury at an average price of 459.9p per share, for a total net consideration of £42,171,000.

Further details of transactions in the Company's shares are given in the Strategic Report on page 22.

16. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves ¹			Total £'000
				Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Revenue reserve ¹ £'000	
Opening balance	14,082	151,850	8,151	585,798	129,578	29,717	919,176
Net foreign currency losses on cash and cash equivalents	–	–	–	(668)	–	–	(668)
Unrealised gains on foreign currency contracts	–	–	–	–	8	–	8
Realised gains on sale of investments	–	–	–	159,388	–	–	159,388
Net change in unrealised gains and losses on investments	–	–	–	–	18,671	–	18,671
Repurchase of shares into Treasury	–	–	–	(42,171)	–	–	(42,171)
Unrealised gains on loans	–	–	–	–	1,371	–	1,371
Management fee and finance costs charged to capital	–	–	–	(1,133)	–	–	(1,133)
Other capital charges	–	–	–	(16)	–	–	(16)
Dividends paid in the year	–	–	–	–	–	(13,954)	(13,954)
Retained revenue for the year	–	–	–	–	–	16,124	16,124
Closing balance	14,082	151,850	8,151	701,198	149,628	31,869	1,056,796

¹ These reserves form the distributable reserves of the Company and may be used to fund distributions to investors.

17. Net asset value per share

	2019	2018
Net assets (£'000)	1,056,796	919,176
Number of shares in issue	209,329,058	218,480,648
Net asset value per share	504.8p	420.7p

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

	2019 £'000	2018 £'000
Net return before finance costs and taxation	196,873	9,819
(Less capital return)/add capital loss before finance costs and taxation	(177,835)	10,542
Decrease/(increase) in accrued income and other debtors	748	(404)
Increase in accrued expenses	25	17
Management fee charged to capital ¹	(919)	(2,553)
Overseas withholding tax	(2,862)	(2,820)
Dividends received	(17,302)	(18,160)
Interest received	(317)	(470)
Realised gain on foreign exchange transactions	40	505
Exchange (loss)/gain on liquidity funds	(706)	1,366
Net cash outflow from operations before dividends and interest	(2,255)	(2,158)

¹ Includes the reimbursement of transaction costs of £169,000 (of which £135,000 was allocated to capital). This was in relation to the change in the portfolio following the change in investment policy.

19. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2018: same).

20. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 28. The management fee payable to the Manager for the year was £1,149,000 (includes the reimbursement of transaction costs of £169,000 in relation to the change in the portfolio following the change in investment policy) (2018: £3,191,000) of which £nil (2018: £nil) was outstanding at the year end.

With effect from 1st June 2019, for a period of nine months, the management fee was waived. Therefore, the management fee figure quoted above reflects the five months paid to 31st May 2019.

Included in administration expenses in note 6 on page 58 are safe custody fees amounting to £9,000 (2018: £9,000) payable to JPMorgan Chase Bank N.A. of which £2,000 (2018: £2,000) was outstanding at the year end.

Handling charges on dealing transactions amounting to £16,000 (2018: £14,000) were payable to JPMorgan Chase Bank N.A. during the year of which £2,000 (2018: £1,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £nil (2018: £nil) of which £nil (2018: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan US Dollar Liquidity Fund, which is managed by JPMF. At the year end this was valued at £8.6 million (2018: £7.9 million). Income amounting to £317,000 (2018: £443,000) was receivable during the year of which £nil (2018: £nil) was outstanding at the year end.

At the year end, total cash of £24,000 (2018: £53,000) was held with JPMorgan Chase Bank N.A.. A net amount of interest of £nil (2018: £1,000) was receivable by the Company during the year from JPMorgan Chase of which £nil (2018: £nil) was outstanding at the year end.

Full details of Directors' remuneration can be found on page 39 and in note 6 on page 58.

21. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value 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 used by the Company are given in note 1(b) on page 55.

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

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	1,086,584	—	910,438	—
Level 2 ¹	8	—	—	—
Total	1,086,592	—	910,438	—

¹ Forward foreign currency contracts.

There were no transfers between Level 1, 2 or 3 during the year (2018: nil).

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

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

These financial risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk.

The Directors' policy for managing these risks is set out below.

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

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

- investments in US equity shares, which are held in accordance with the Company's investment objective;
- cash held within a liquidity fund;
- short term debtors, creditors and cash arising directly from its operations;
- bank loans, the purpose of which is to finance the Company's operations; and
- forward foreign currency contracts, the purpose of which is to manage the currency risk arising from the Company's investment activities.

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

(a) Market risk

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

(i) Currency risk

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

Management of currency risk

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

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

Foreign currency exposure

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

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

	2019 US Dollar £'000	2019 Total £'000	2018 US Dollar £'000	2018 Total £'000
Current assets	9,127	9,127	9,180	9,180
Creditors	(437)	(437)	(403)	(403)
Bank loans	(38,685)	(38,685)	–	–
Foreign currency exposure on net monetary items	(29,995)	(29,995)	8,777	8,777
Investments held at fair value through profit or loss	1,086,584	1,086,584	910,438	910,438
Total net foreign currency exposure	1,056,589	1,056,589	919,215	919,215

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

Foreign currency sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets, financial liabilities and equity investments and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments and equity investments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2018: 10%) appreciation or depreciation in sterling against the US Dollar which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

	2019	2018		
	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	(1,997)	1,997	(2,154)	2,154
Capital return	(105,659)	105,659	(91,922)	91,922
Total return after taxation for the year	(107,656)	107,656	(94,076)	94,076
Net assets	(107,656)	107,656	(94,076)	94,076

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

(ii) Interest rate risk

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

	2019 £'000	2018 £'000
Exposure to floating interest rates		
Cash and short term deposits	24	53
JPMorgan US Dollar Liquidity Fund	8,577	7,866
Bank loans	(38,685)	—
Total exposure	(30,084)	7,919

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2018: same).

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

Details of the bank loans are given in note 14 on page 62.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1.0% (2018: 1.0%) 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.

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

(a) Market risk *continued*

(ii) Interest rate risk *continued*

	2019		2018	
	1.0% Increase in rate £'000	1.0% Decrease in rate £'000	1.0% Increase in rate £'000	1.0% Decrease in rate £'000
Statement of Comprehensive Income - return after taxation				
Revenue return	9	(9)	79	(79)
Capital return	(309)	309	–	–
Total return after taxation	(300)	300	79	(79)
Net assets	(300)	300	79	(79)

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

(iii) Other price risk

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

Management of other price risk

The Board considers on a regular basis the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Other price risk exposure

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

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	1,086,584	910,438

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

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2018: 10%) in the market values. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2019		2018	
	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	(54)	57	(54)	55
Capital return	108,441	(108,432)	90,826	(90,825)
Total return after taxation	108,387	(108,375)	90,772	(90,770)
Net assets	108,387	(108,375)	90,772	(90,770)

(b) Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary.

Liquidity risk exposure

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

	2019			
	More than three months or less £'000	three months but less than one year £'000	One year or more £'000	Total £'000
Creditors:				
Other creditors and accruals	139	—	—	139
Bank loan - National Australia Bank, including interest	37	3	—	40
Bank loan - ING Bank, including interest	404	825	40,467	41,696
	590	828	40,467	41,875

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

(b) Liquidity risk *continued*

Liquidity risk exposure *continued*

	2018			
	Three months or less £'000	three months but less than one year £'000	One year or more £'000	Total £'000
Creditors:				
Other creditors and accruals	113	—	—	113
Repurchases of Company's own shares awaiting settlement	400	—	—	400
Bank loans - National Australia Bank, including interest	22	60	23	105
	535	60	23	618

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

(c) Credit risk

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

Management of credit risk

Portfolio dealing

The Company invests in markets that operate Delivery Versus Payment ('DVP') settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash and cash equivalents

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group. The Board regularly reviews the counterparties used by the Manager.

Exposure to JPMorgan Chase

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading.

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

Credit risk exposure

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

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the Statement of Financial Position at fair value or the carrying amount is a reasonable approximation of fair value.

23. Capital management policies and procedures

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

	2019 £'000	2018 £'000
Debt:		
Bank loans	38,685	—
	38,685	—
Equity:		
Equity share capital	14,082	14,082
Reserves	1,042,714	905,094
	1,056,796	919,176
Total debt and equity	1,095,481	919,176

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to its equity shareholders through an appropriate level of gearing.

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

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	1,086,584	910,438
Net assets	1,056,796	919,176
Gearing/(net cash)	2.8%	(1.0)%

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

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

24. Subsequent events

Post the year end, on 27th February 2020, the Company announced that it had received funds from the sale of US\$65 million fixed-rate 11 year unsecured notes (the 'Notes') at a fixed annualised coupon of 2.55%. The Notes, which will mature on 27th February 2031 and pay interest semi-annually, are senior unsecured obligations of the Company, ranking pari-passu with its existing revolving credit facility.

The Company has issued the Notes to take advantage of current market conditions which it considers offer an attractive rate for long-term gearing. The Notes are unsecured and complement the Company's existing revolving credit facility, providing the Company a balance between long-term fixed and flexible variable cost borrowings.

The Directors have considered the period since the year end and have noted the significant impact on the US economy, the US stock market, foreign exchange rates and the Company's net assets, arising from the COVID-19 pandemic. This impact is commented on earlier in this document, and particularly in the Chair and Investment Manager's statements.

Regulatory Disclosures

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

Leverage

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

The Company's maximum and actual leverage levels at 31st December 2019 are shown below:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	103%	103%

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPMorgan American 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 of the Management Company 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.

REGULATORY DISCLOSURES

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 four sub-funds) and two 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 (\$'000s)	15,972	9,139	25,111	119

The aggregate 2019 total remuneration paid to AIFMD Identified Staff was USD \$57,448,000, of which USD \$4,425,000 relates to Senior Management and USD \$53,024,000 relates to other Identified Staff¹.

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

SECURITIES FINANCING TRANSACTIONS REGULATION ('SFTR') DISCLOSURES (UNAUDITED)

The Company does not engage in Securities Financing Transactions - as defined in Article 3 of Regulation (EU) 2015/2365 securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-selling back transactions or sell-buy back transactions and margin lending transactions - or Total Return Swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st December 2019.

Shareholder Information

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and fourth Annual General Meeting of JPMorgan American Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Thursday, 7th May 2020 at 11.00 a.m. for the following purposes:

1. To receive the Directors' Report, the Financial Statements and the Auditor's Report for the year ended 31st December 2019.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st December 2019.
4. To reappoint Dr Kevin Carter as a Director of the Company.
5. To reappoint Simon Bragg as a Director of the Company.
6. To reappoint Sir Alan Collins as a Director of the Company.
7. To reappoint Nadia Manzoor as a Director of the Company.
8. To reappoint Robert Talbut as a Director of the Company.
9. To reappoint Deloitte LLP as Auditor to the Company and to authorise the Directors to determine Deloitte LLP's remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

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 Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to an aggregate nominal amount of £1,037,610, representing approximately 10% of the Company's issued ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2021 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

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 Section 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 10 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £1,037,610, representing approximately 10% of the issued ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 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 so that the Directors of the Company 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 Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued shares in the capital of the Company ('ordinary shares').

PROVIDED ALWAYS THAT

- (i) the maximum number of shares hereby authorised to be purchased shall be that number of shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for a share shall be the nominal value of the share;
- (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

- (iv) any purchase of shares will be made in the market for cash or prices below the prevailing net asset value per share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 6th October 2021 unless the authority is renewed at the Company's Annual General Meeting in 2021 or at any other general meeting prior to such time; and
- (vi) the Company may make or contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

Approval of dividend policy – Ordinary Resolution

- 13. THAT the Company's policy to pay two interim dividends on the Company's ordinary shares be approved.

By order of the Board

Alison Vincent, for and on behalf of
JPMorgan Funds Limited,
Secretary

15th April 2020

Notes

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

1. Given the risks posed by the spread of COVID-19 and in accordance with the provisions of the Articles of Association and Government guidance, including the compulsory Stay at Home measures in place as at the date of this Notice, attendance at the Annual General Meeting may not be possible. If law or Government guidance so requires at the time of the Meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the Meeting. If the current Stay at Home measures are in place at the time of the meeting, such attendance will be limited to two persons. Should the Government guidance change and the Stay at Home measures be relaxed by the time of the meeting, the Company may still impose entry restrictions on certain persons wishing to attend the Annual General Meeting in order to secure the orderly and proper conduct of the Meeting.
2. 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. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chair, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chair or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If the voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.
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 (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
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

NOTICE OF ANNUAL GENERAL MEETING

determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the meeting or adjourned meeting.

7. Entry to the above Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
8. A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

Representatives should bring to the meeting evidence of their appointment, including any authority under which it is signed.

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 Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting ('AGM'); or (b) any circumstances connected with Auditor of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
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.jpmamerican.co.uk.
14. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays and public holidays excepted). It will also be available for inspection at the AGM. 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 Instruction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
17. As at 6th April 2020 (being the latest business day prior to the publication of this Report), the Company's issued share capital consists of 207,522,003 shares, (carrying one vote each). Therefore the total voting rights in the Company are 207,522,003.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

Return to Shareholders (APM)

Total return to the shareholders, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Total return calculation	Page	Year ended	Year ended
		31st December	31st December
Opening share price (p)	4	399.0	405.4
Closing share price (p)	4	483.0	399.0
Total dividend adjustment factor ¹		1.014447	1.014053
Adjusted closing share price (d = b x c)		490.0	404.6
Total return to shareholders (e = d / a - 1)		22.8%	-0.2%
			(e)

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

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

The Company's debt (debenture) is valued in the Statement of Financial Position (on page 53) 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 70) 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 £50.0 million Debenture issued by the Company has been calculated using discounted cash flow techniques, using the yield from similar dated gilt plus a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread.

The £50.0 million Debenture was repaid on 8th June 2018.

Total return calculation	Page	Year ended	Year ended
		31st December	31st December
Opening cum-income NAV per share with debt at fair value (p)	4	420.7	423.6
Closing cum-income NAV per share debt at fair value (p)	4	504.8	420.7
Total dividend adjustment factor ²		1.013694	1.013280
Adjusted closing cum-income NAV per share (d = b x c)		511.8	426.3
Total return on net assets with debt at fair value (e = d / a - 1)		21.6%	0.6%
			(e)

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

Return on Net Assets with Debt at 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	Year ended
		31st December 2019	31st December 2018
Opening cum-income NAV per share with debt at par value (p)	4	420.7	424.3
Closing cum-income NAV per share debt at par value (p)	4	504.8	420.7
Total dividend adjustment factor ²		1.013694	1.013264
Adjusted closing cum-income NAV per share (d = b x c)		511.8	426.3
Total return on net assets with debt at par value (e = d / a - 1)		21.6%	0.5%
			(e)

² 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 63 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.

Gearing calculation	Page	31st December	31st December
		2019 £'000	2018 £'000
Investments held at fair value through profit or loss	53	1,086,584	910,438
Net assets	53	1,056,796	919,176
Gearing/(net cash) (c = a / b - 1)		2.8%	(1.0)%
			(c)

Ongoing charges ratio (APM)

The ongoing charges ratio 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.

Ongoing charges ratio calculation	Page	Year ended	Year ended
		31st December 2019 £'000	31st December 2018 £'000
Management Fee	51	1,149	3,191
Other administrative expenses	51	697	637
Total management fee and other administrative expenses		1,846	3,828
Average daily cum-income net assets		1,023,314	995,024
Ongoing charges ratio (c = a / b)		0.18%	0.38%
			(c)

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 4).

Portfolio Turnover

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

Performance attribution

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

Performance Attribution Definitions:

Allocation effect

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

Selection effect

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

Currency hedge

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 expenses

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

Share issuance/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 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

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

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.

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. 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

Find out more at
www.fca.org.uk/scamsmart

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



FINANCIAL CALENDAR

Financial year end	31st December
Final results announced	March
Half year end	30th June
Half year results announced	August
Dividend on ordinary shares paid	May/October
Annual General Meeting	April/May

History

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

Company Information

Company registration number: 15543

Country of registration: England and Wales

London Stock Exchange number: 08456505

ISIN: GBOOBKZGVH64

SEDOL Code: BKZGVH6

Bloomberg code: JAM LN

LEI: 549300QNAI4XRPEB4G65

Market Information

The Company's net asset value ('NAV') is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange and the price is noted daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the J.P. Morgan website at www.jpmamerican.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.jpmamerican.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf.

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment

London EC4Y 0JP

Telephone number: 020 7742 4000

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

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.

Registrar

Equiniti Limited

Reference 1077

Aspect House

Spencer Road

West Sussex BN99 6DA

Telephone number: 0371 384 2316

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

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1077.

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

Independent Auditor

Deloitte LLP

Statutory Auditor

2 New Street Square

London EC4A 3ZB

Broker

Winterflood Securities Limited

The Atrium Building

Cannon Bridge

25 Dowgate Hill

London EC4R 2GA



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