
JPMorgan Claverhouse Investment Trust plc

Annual Report & Financial Statements for the year ended 31st December 2017



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

KEY FEATURES

Your Company

Objective

Capital and income growth from UK investments.

Investment Policy

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

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

Benchmark

The FTSE All-Share Index.

Capital Structure

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

The Company has a £30 million debenture in issue, which carries a fixed interest rate of 7% per annum, repayable on 30th March 2020. The Company also has a £50 million three year floating rate loan facility with National Australia Bank, which expires on 27th April 2020.

Management Company and Company Secretary

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

FCA Regulation of 'Non-Mainstream Pooled Investments' and 'Complex Instruments'

The Company currently conducts its affairs so that the shares issued by JPMorgan Claverhouse Investment Trust plc can be recommended by financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

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

AIC

The Company is a member of the Association of Investment Companies.

AIC Dividend Heroes

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

Website

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

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Strategic Report

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED) TO 31ST DECEMBER

	2017	2016	3 Year	5 Year
Return to shareholders ¹	+21.8%	+7.2%	+35.3%	+101.0%
Return on net assets ²	+16.2%	+11.3%	+37.0%	+87.2%
Benchmark return ³	+13.1%	+16.7%	+33.3%	+62.9%
Net asset return out/ underperformance against benchmark return ³	+3.1%	-5.4%	+3.7%	+24.3%
Dividend	26.0p	23.0p		

¹ Source: Morningstar.² Source: Morningstar/J.P. Morgan, using cum income net asset value per share, with debt at par value.³ Source: Morningstar. The Company's benchmark is the FTSE All-Share Index.

A glossary of terms and alternative performance measures is provided on pages 73 and 74.

FINANCIAL HIGHLIGHTS

SUMMARY OF RESULTS

	2017	2016	% change
Total returns for the year ended 31st December			
Return to shareholders ¹	+21.8% 	+7.2% 	
Return on net assets ²	+16.2% 	+11.3% 	
Benchmark return ³	+13.1% 	+16.7% 	
Net asset value, share price and discount at 31st December			
Shareholders' funds (£'000)	428,498 	382,307 	+12.1 
Net asset value per share with debt at par value ⁴	785.4p 	698.9p 	+12.4 
Net asset value per share with debt at fair value ^{4,5}	777.3p 	687.6p 	+13.0 
Share price	730.5p 	622.0p 	+17.4 
Share price discount to net asset value with debt at par value ⁶	5.4% 	9.7% 	
Shares in issue (excluding shares held in Treasury)	54,558,979 	54,703,979 	
Revenue for the year ended 31st December			
Gross revenue return (£'000)	18,531 	16,308 	+13.6 
Net revenue return on ordinary activities after taxation (£'000)	15,997 	13,833 	+15.6 
Revenue return per share	29.32p 	25.28p 	+16.0 
Total dividend per share	26.0p 	23.0p 	+13.0 
Gearing at 31st December			
	11.3% 	12.0% 	
Ongoing charges			
	0.77% 	0.77% 	

HISTORICAL DIVIDEND

¹ Source: Morningstar.

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

³ Source: Morningstar. The Company's benchmark is the FTSE All-Share Index

⁴ Includes the current year revenue account balance.

⁵ The fair value of the £30m (2016: £30m) debenture issued by the Company has been calculated using discounted cash flow techniques using the yield on a similarly dated gilt plus a margin based on the 5 year average yield for the AA Barclays Corporate Bond.

⁶ Source: Bloomberg. The discount is calculated using the net asset value at 31st December 2017 of 772.5p (2016: 688.5p), which does not include the current year revenue account balance.

* Special dividend.

A glossary of terms and alternative performance measures is provided on pages 73 and 74.

Andrew Sutch
Chairman

Performance and Manager Review

I am pleased to report that the strong performance in the first half of 2017 continued into the second half and that for the year to 31st December 2017 the Company's net asset total return was +16.2%. This compares with a total return for the same period from the Company's benchmark, the FTSE All-Share Index, of +13.1%, reflecting a good year for equity markets and giving shareholders a welcome outperformance of +3.1%. The long-term performance continues to be strong and in the period from the change in investment process and strategy on 1st March 2012 to 28th February 2018 there has been a cumulative total return on net assets of +92.5%, an out-performance of +30.5% against the Company's benchmark total return over the same period.

The share price rose from 622.0p as at 31st December 2016 to 730.5p as at the year end, reflecting the rise in net asset value (NAV) and a narrowing of the discount. During the year, the shareholder total return for the period was +21.8% (2016: +7.2%). Since the year end the Company has not been immune from the volatility affecting global stockmarkets and, as at 28th February 2018, the share price was 722.0p.

The Investment Managers' report on pages 8 to 10 reviews the market and provides more detail on performance.

Investment Manager

It was with sadness that in December we had to report the untimely death of Sarah Emly who had been co-manager of the Company's portfolio since 2006. Sarah had battled with ill health for a number of years with a courage, humour and determination that was truly inspirational. She was a key part of the team that manages the Company's investments and has provided shareholders with the investment returns mentioned above; and every shareholder owes her a debt of gratitude.

Callum Abbot has now been appointed as a co-investment manager on the portfolio. Callum joined JPMorgan's European Equity Behavioural Finance team in 2012 and has been working with William Meadon on the management of the portfolio since then.

The Board's dividend policy remains to seek to increase the dividend each year

Revenue and Dividends

Revenue for the year to 31st December 2017 increased to 29.32p per share (2016: 25.28p). The Directors have declared a fourth quarterly interim dividend of 9.5p per share for the year ended 31st December 2017 which will bring the total dividend per share for the year to 26.0p (2016 total: 23.0p). This represents the 45th successive year in which the dividend has been raised and is a significant increase of 13.0% over the previous year, following a 7.0% increase in respect of 2016. The dividend was more than covered by the Company's net income, after taking account of the special dividends received on the portfolio, and once again a transfer has been made to the Company's revenue reserves for the year ended 31st December 2017.

The Board's dividend policy remains to seek to increase the dividend each year and, taking a run of years together, to pay dividends that at least match the rate of inflation. Given the Company's strong revenue reserves, the Board currently expects future dividend increases to continue to exceed the rate of inflation. The Board also intends to increase the first three quarterly interim dividends in 2018 from 5.5p per share to 6.0p per share, to even out dividend payments more through the year.

Discount and Share Repurchases

Discounts in the investment trust sector have narrowed generally over the year reflecting market demand. During the year the discount on the Company's shares (based on the capital-only NAV, with debt at par) ranged between 2.2% and 9.7%, averaging 7.0%. As at 31st December 2017 the share price discount was 5.4%, broadly in line with the peer group, and in absolute terms significantly lower on average than in 2016. The Board has continued to monitor the discount closely and during the year 145,000 shares (2016: 20,000) were repurchased for holding in Treasury.

Your Directors continue to be concerned that, notwithstanding the Company's good performance over the last few years, the share price discount has often been greater than that of many of its peer group. The Directors have therefore resolved to implement a more active discount and premium management policy, an aspect of which will be subject to shareholder approval at the Annual General Meeting.

In future, the Company intends in normal market conditions to repurchase shares offered on the market at prices representing discounts to NAV (capital only) of 5% or more, with such shares to be held in Treasury. In response to market demand the Company will be willing to sell shares from Treasury (including the existing 2.2 million shares currently held in Treasury) at a discount to NAV (cum income debt at par), subject to a maximum discount of 2%. Additionally, new shares will be available for issue at a premium to NAV (cum income debt at par), after the costs of issue.

Shareholder approval is required for a sale of shares out of Treasury by the Company at a discount to NAV and Resolution 13 in the Notice of Annual General Meeting on page 71 sets out this authority. The Directors consider that the round trip of buying in Treasury shares at a discount to NAV per share, and then selling them at a lower discount, is, and will be, asset-accretive to shareholders, should improve liquidity in the Company's shares and is in the interests of the Company's shareholders.

Gearing/Long Term Borrowing

Taking into account borrowings, net of cash balances held, the Company ended the year approximately 11.3% geared. During the year gearing varied between 9.4% and 13.2%. Borrowing consisted of a combination of the £30 million 7% 2020 debenture and a revolving credit facility of £50 million, of which £35 million was drawn at the year end. Gearing is a key differentiator for investment companies compared to open-ended funds, and the Company's gearing contributed 0.9% to performance relative to its benchmark.

The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. However, in consultation with the Manager, the Board has reviewed the gearing guidelines that they give the Manager and has decided to increase the Manager's flexibility to change gearing levels depending on market conditions. As a result, the Board has agreed with the Investment Managers that they have discretion to vary the gearing level between 5% net cash and 17.5% geared.

The Company's existing £30 million 7% 2020 debenture matures in March 2020. On 2nd November 2017 the Board announced that it has agreed to issue in 2020 by way of private placement £30 million fixed rate 25 year unsecured notes (the 'Notes') at an annualised coupon of 3.22%. The Board agreed to issue the Notes at a future date in order to take advantage of the opportunity to lock in long term funding at rates which are low relative to historic levels, at a cost which is lower than the current yield on the Company's portfolio. The Notes will be unsecured which gives the Company increased flexibility to manage its borrowings in the future. The Notes are due to be repaid on 30th March 2045 and the funding date is expected to be 30th March 2020, the maturity date of the 7% debenture.

Board of Directors

All Directors will stand for re-appointment at the Annual General Meeting.

Board Apprentice

The Board has continued to support the Board Apprentice initiative that it joined in 2016. Jon Dinnis's term will come to an end in April this year and we are in the process of interviewing candidates with the intention of appointing a replacement for Jon by the time of the Annual General Meeting. We hope that the new Board Apprentice will find the experience as valuable as Jon has found it and I look forward to introducing him or her at the Annual General Meeting.

PRIIPs/KID

You may be aware that an EU regulation, the Packaged Retail and Insurance-based Investment Products Regulation (the 'PRIIPs Regulation'), came into force on 1st January 2018. The PRIIPs Regulation requires the Investment Managers to prepare a Key Information Document (KID) in respect of the Company. The KID must be made available by the Investment Managers to retail investors prior to them making any investment decision and it is also available on the Company's website. However, the Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Annual General Meeting

This year's Annual General Meeting will be held at JPMorgan's offices at 60 Victoria Embankment, London EC4Y 0JP on Wednesday 18th April 2018 at 12.00 noon. William Meadon and Callum Abbot will give a presentation to shareholders, reviewing the past year and commenting on the outlook for the current year. The meeting will be followed by a sandwich lunch, thus providing shareholders with the opportunity to meet the Directors and representatives of the Manager. We look forward to seeing as many shareholders as possible at the Annual General Meeting.

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

Outlook

Notwithstanding the ongoing Brexit uncertainty and the political upheavals which the UK experienced during 2017, with the Government losing its absolute majority in the June general election, the UK stock market performed strongly in 2017, reaching an all-time high. Since the beginning of 2018 we have seen considerable volatility in stock markets but the global economic outlook remains fairly robust.

The consensus forecasts appear to be for lower UK GDP growth over the coming few years, compared with other developed markets. This is largely because of the disruption that is expected to be caused by Brexit, whatever the outcome of the negotiations prior to the UK's departure from the EU in March 2019. We should also expect some modest interest rate rises in the UK over the coming year or so.

However, in my view UK equities continue to be an attractive asset class in which to invest for the medium to long term. While we should be prepared for continuing volatility in share prices, many UK companies will benefit from the growth in the global economy. The Investment Managers will continue to look for opportunities to invest in well-managed companies that exhibit between them a mixture of good earnings growth and reasonable valuations.

Andrew Sutch
Chairman

13th March 2018

William Meadon
Investment Manager

Market Review

Politics dominated investors' thoughts for much of the year. In late Spring, in a remarkable six week period, the UK government went from being genuinely strong and stable to weak and divided. By contrast, the resounding victory by Emmanuel Macron in the French Presidential Elections gave Europe a new-found confidence.

The same opinion polls which gave David Cameron the false confidence to call the EU referendum also led to the fateful decision of Prime Minister May to risk her parliamentary majority by calling a snap June Election. The campaign was shambolic and proved to be a humiliating experience for the Prime Minister, who not only failed to increase her majority but actually lost it altogether. It was only a hasty supply and confidence agreement with the Democratic Unionist Party that enabled Mrs May to form a government.

The uncertainty caused by both this and the ticking Brexit clock (which was started in March) hurt consumer confidence which was already suffering from a prolonged fall in real wages. However, continuing low unemployment levels and a low savings ratio, gave some support to consumer spending.

Despite UK GDP growth of only 1.7% during the year (the lowest in the G7), UK business confidence remained buoyant since the global economy continued to improve and the lower level of sterling provided an opportunity for UK exporters and a fillip for companies with overseas operations. US growth was sufficiently strong for the Fed to start to raise interest rates.

Callum Abbot
Investment Manager

The UK stock market shrugged off many of the political and Brexit uncertainties and took heart from an accelerating global economy and the likelihood that both inflation and interest rates were likely to stay low for the foreseeable future. The UK stock market gave a total return for 2017 of 13.1% and finished the year at an all-time high.

Performance Review

In the year to 31st December 2017, your Company delivered a total return on net assets (capital plus dividends re-invested) of +16.2%, compared to the benchmark FTSE All-Share Index total return of +13.1%. A detailed breakdown of the performance is given in the accompanying table.

Our most positive contributor was again Fever-Tree

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

Top Five Contributors

Fever-Tree	+1.35%
3i Group	+0.34%
Beazley	+0.31%
Synthomer	+0.29%
Rentokil Initial	+0.28%

Top Five Detractors

ITV	-0.37%
Anglo American	-0.27%
GKN	-0.22%
Royal Dutch Shell	-0.21%
Unilever	-0.20%

Source: JPMAM, as at 31st December 2017.

Our most positive contributor to performance during 2017 was again our holding in the remarkable Fever-Tree, the leading player within the premium segment of the drinks mixer market, which we introduced to the portfolio in 2015. The shares doubled (again!) during the year. Whilst we remain very positive on the outlook for the company as it starts its international roll out, we thought it prudent to take some profits. Our top slicing of the position in August was in excess of £24.00 per share, which was exactly six times the level at which we had made our initial purchases just two years previously.

Another positive contributor was our long term holding in 3i Group. The company provides an attractive way of investing in a diversified portfolio of private equity, infrastructure and debt. The fund's largest holding Action, the Dutch-based discount, non-food retailer continues to expand rapidly with sales up 28% in 2017 with

244 new store openings bringing the total to 1,100. The non-life insurer Beazley also had an excellent year and provided us with another handsome dividend increase and another special dividend. The equipment hirer, Ashtead had another very good year as it benefited from a booming US economy and continued to make market share gains. We were pleased with the performance of all of our more recent purchases. The shares of Morgan Sindall the specialist construction group and the electronics distributor, Electrocomponents (bought at the end of 2016) were particularly strong. We continued to benefit from our overweight position in the mining sector with Rio Tinto our biggest holding performing very well again on the back of rising commodity prices.

By contrast, the biggest detractor from performance during 2017 was again our long term position in the television broadcaster ITV. We continue to believe that this company will play a role in the consolidating global broadcasting sector. While we wait, we are happy to collect the very attractive dividend which the stock pays. On the subject of bids it was interesting to see that GKN, which performed poorly for the portfolio in 2017 was, shortly after the year end, bid for by Melrose, another of our holdings.

Portfolio Review

The portfolio held 64 stocks at the year end.

New holdings introduced during the year included many industrial and engineering stocks as we increased the cyclical exposure of the portfolio in the light of improving global growth. Such new holdings included Renishaw, Fenner and Morgan Sindall.

We also increased our exposure to technology stocks. Computacenter and Softcat are both providers of IT infrastructure and offer attractive earnings growth and strong cash flow. The UK, however, has a very limited number of quoted technology stocks. We therefore started what we anticipate to be a long term holding in Scottish Mortgage, the very successful global investment trust with a high technology weighting. The trust has an excellent record and gives the Company exposure to stocks such as Amazon, Apple and Microsoft which we expect to add value to the portfolio over the medium to long term.

In terms of sales, we sold out of our final utility holdings through disposals of both Centrica and National Grid as we believed that the onset of tighter regulation would be damaging for their prospects. We also sold our holdings in Reckitt Benckiser, Smith and Nephew and Intercontinental Hotels Group. We took considerable profits on WS Atkins, the engineering consultancy group, which was subject to an agreed cash bid from a Canadian rival SNC-Lavalin.

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

Top Five Overweight Positions

Ashtead	+2.2%
Synthomer	+2.0%
Fever-Tree	+1.9%
Electrocomponents	+1.8%
3i Group	+1.8%

Top Five Underweight Positions

Reckitt Benckiser	-1.8%
Vodafone	-1.6%
Barclays	-1.5%
National Grid	-1.2%
AstraZeneca	-1.2%

Source: JPMAM, as at 31st December 2017.

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

We kept gearing at double digits for the whole year as we continued to find many attractive opportunities in which to invest.

FTSE 100 futures can be used to hedge the portfolio, but we did not employ any in 2017.

We increased our exposure to technology stocks

We kept gearing at double digits as we continued to find many attractive opportunities in which to invest

PERFORMANCE ATTRIBUTION

YEAR ENDED 31ST DECEMBER 2017

	%	%
Contributions to total returns		
Benchmark return		13.1
Stock & Sector selection	3.1	
Tactical Gearing	0.9	
Cash	-0.5	
Investment Managers' contribution		3.5
Structural gearing		0.5
Portfolio total return		17.1
Management fee/other expenses	-0.8	
Residual	-0.1	
Other effects		-0.9
Return on net assets		16.2
Return to shareholders		21.8

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

All figures are on a total return basis.

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

A glossary of terms and alternative performance measures is provided on pages 73 and 74.

The yield and growth in dividends on UK equities continues to attract

Market Outlook

The current bull market, which has been running since March 2009, is one of the longest on record. Moreover, the exceptional returns that equity investors have enjoyed recently have been delivered with very little volatility. For example, the MSCI World index rose in every month last year, which is without precedent. This benign backdrop will not last. Global inflation and growth are both picking up with long bond yields rising in response. After almost a decade of continuous monetary stimulus, central banks are pulling in their horns and starting to pass risk from themselves to investors. This will cause some degree of volatility in equity prices, which investors should be prepared for.

Moreover, the continuing Brexit negotiations and a fragile government at home are both likely to magnify the volatility in UK equities in the year ahead. We aim, however, to use such volatility to our advantage by picking up more of the shares we like at lower prices. The yield and growth in dividends on UK equities continues to appeal and the many UK companies which have international exposure will benefit from the improving global economic backdrop.

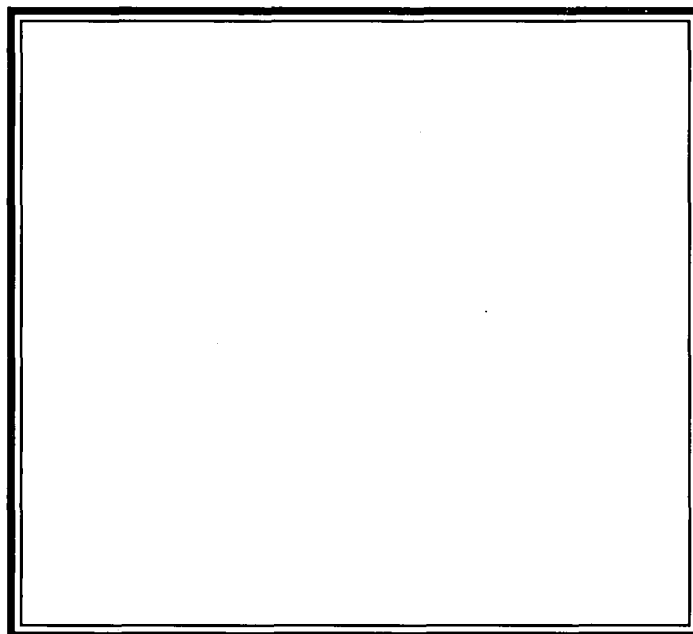
We are fortunate indeed to have many long-standing shareholders who are wise enough to look through short term price movements to the medium term opportunities that still exist in a well-diversified portfolio of strong, reasonably-priced UK equities.

At the time of writing we are approximately 10.1% geared.

William Meadon**Callum Abbot***Investment Managers*

13th March 2018

Sarah Emly



As the Chairman has reported, the year was tragically marked by the very sad death of my colleague and friend Sarah Emly. Sarah and I worked together for more than 20 years and on the Company's portfolio for the past five and a half years or so. Over that period your Company's NAV total return delivered a cumulative total return of 98.1%. This represents outperformance of the benchmark total return of +2.8% per annum. Moreover, the Trust maintained its enviable record of dividend increases. This year's increase was the 45th consecutive increase. With Sarah's passing we have not only lost a fun, gracious, courageous friend, we have also lost a talented colleague. We will all miss her terribly.

My colleague, Callum Abbot has joined me in managing your portfolio. I have worked with Callum for several years and hold him in very high regard. Callum and I will continue to manage the Company's portfolio in the same manner, focusing on our most favoured stocks whilst ensuring that the portfolio is not exposed to undue stock, sector or thematic risk. This approach has and will continue, we believe, to deliver good and consistent returns for our shareholders.

William Meadon

13th March 2018

PORTFOLIO INFORMATION

TEN LARGEST EQUITY INVESTMENTS

AT 31ST DECEMBER

Company	Sector	2017 Valuation		2016 Valuation	
		£'000	% ¹	£'000	% ¹
Royal Dutch Shell 'B'	Oil & Gas	37,241	7.8	37,592	8.8
HSBC	Financials	32,303	6.8	23,325	5.5
British American Tobacco	Consumer Goods	26,813	5.6	20,562	4.8
JPMorgan Smaller Companies Investment Trust	Financials	17,872	3.8	11,281	2.6
Rio Tinto	Basic Materials	16,208	3.4	14,120	3.3
BP	Oil & Gas	15,604	3.3	21,592	5.0
Prudential	Financials	15,546	3.3	13,259	3.1
Lloyds Banking	Financials	15,335	3.2	10,609	2.5
Unilever ²	Consumer Goods	13,886	2.9	10,128	2.4
Diageo ²	Consumer Goods	13,547	2.8	8,516	2.0
Total		204,355	42.9		

¹ Based on total investments of £476.8m (2016: £428.2m).

² Not included in the ten largest investments at 31st December 2016.

As at 31st December 2016, the value of the ten largest investments amounted to £177.7 million representing 41.5% of total investments.

SECTOR ANALYSIS

	31st December 2017		31st December 2016	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Financials ²	29.9	26.6	25.1	25.7
Consumer Goods	18.4	15.6	18.6	14.4
Industrials	13.0	10.8	7.2	10.6
Basic Materials	11.4	7.6	9.6	6.9
Oil & Gas	11.1	12.9	13.8	13.2
Consumer Services	8.7	11.1	10.1	11.7
Health Care	3.8	8.0	8.5	9.1
Technology	2.8	1.2	3.2	0.8
Telecommunications	0.9	3.6	2.1	4.0
Utilities	–	2.6	1.8	3.6
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £476.8m (2016: £428.2m).

² Includes the Company's investment in JPMorgan Smaller Companies Investment Trust plc: 3.8% (2016: 2.6%) of the portfolio.

LIST OF INVESTMENTS AT 31ST DECEMBER 2017

Company	Valuation £'000	Company	Valuation £'000	Company	Valuation £'000
FINANCIALS		INDUSTRIALS		CONSUMER SERVICES	
HSBC	32,303	Ashtead	11,136	International Consolidated Airlines	7,487
JPMorgan Smaller Companies Investment Trust	17,872	Electrocomponents	8,394	RELX	6,450
Prudential	15,546	Rentokil Initial	6,887	ITV	6,368
Lloyds Banking	15,335	Morgan Sindall	6,153	Thomas Cook	5,009
3i	9,366	DS Smith	5,663	JD Sports Fashion	4,356
Legal & General	8,443	Bodycote	4,916	Inchcape	3,820
Jupiter Fund Management	8,042	BAE Systems	4,652	Card Factory	3,125
Beazley	6,791	Renishaw	4,359	SSP	2,465
Direct Line Insurance	5,579	Fenner	3,531	Carnival	2,297
Royal Bank of Scotland	5,361	Melrose Industries	2,493		41,377
Scottish Mortgage Investment Trust	5,241	Spirax-Sarco Engineering	2,370		
Aviva	5,141	De La Rue	1,432	HEALTH CARE	
John Laing	3,153		61,986	GlaxoSmithKline	8,769
Intermediate Capital	2,904	BASIC MATERIALS		AstraZeneca	6,626
St James's Place	1,739	Rio Tinto	16,208	Shire	2,616
	142,816	Glencore	9,980		18,011
CONSUMER GOODS		Synthomer	8,670	TECHNOLOGY	
British American Tobacco	26,813	BHP Billiton	7,668	Sage	4,769
Unilever	13,886	Anglo American	5,720	Softcat	3,111
Diageo	13,547	Evraz	2,763	Micro Focus International	2,945
Imperial Brands	8,794	Centamin	1,813	Computacenter	2,752
Fever-Tree	8,249	Polymetal International	1,368		13,577
Bellway	4,749		54,190	TELECOMMUNICATIONS	
Taylor Wimpey	3,643	OIL & GAS		Vodafone	4,223
Barratt Developments	3,125	Royal Dutch Shell 'B'	37,241		4,223
GKN	2,690	BP	15,604	TOTAL INVESTMENTS	
Burberry	2,298		52,845		476,819
	87,794				

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

TEN YEAR RECORD

TEN YEAR PERFORMANCE

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2007

Source: Morningstar.

¹ Using cum income net asset value per share, with debt at fair value. Prior to 30th June 2008, capital only net asset value.

TEN YEAR PERFORMANCE RELATIVE TO BENCHMARK

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2017

Source: Morningstar.

¹ Using cum income net asset value per share, with debt at fair value. Prior to 30th June 2008, capital only net asset value.

TEN YEAR FINANCIAL RECORD

At 31st December	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Shareholders' funds (£'000)	327,912	211,087	254,330	281,172	248,418	271,871	350,366	346,663	355,726	382,307	428,498
Net asset value per share (p)	562.1	371.7	451.3	507.8	453.9	496.8	640.2	633.5	650.0	698.9	785.4
Share price (p)	521.5	340.0	425.0	470.0	416.0	437.0	599.0	602.5	602.5	622.0	730.5
Share price discount (%)	6.3	5.2	4.9	7.0	7.1	10.7	5.4	3.4	5.9	9.7	5.4
Gearing/(net cash) (%)	7.7	9.7	10.3	8.6	7.6	15.0	15.1	11.9	13.2	12.0	11.3

Year ended 31st December

Revenue attributable to											
shareholders (£'000)	9,714	13,426	8,377	7,611	9,226	9,821	12,195	12,754	14,168	13,833	15,997
Revenue return per share (p)	16.28	23.38	14.77	13.63	16.73	17.95	22.28	23.31	25.89	25.28	29.32
Total dividend per share (p)	15.30	20.00 ¹	16.90	17.50	18.25	18.85	19.50	20.00	21.50	23.00	26.00
Ongoing charges (%)	0.79	0.75	0.83	0.72	0.72	0.74	0.71	0.74	0.74	0.77	0.77

Rebased to 100 at 31st December 2007

Return to shareholders ²	100.0	67.5	89.5	103.0	94.9	104.0	148.7	154.5	160.1	171.6	209.0
Return on net assets ²	100.0	66.4	86.4	101.4	92.2	105.0	143.2	145.4	154.7	172.5	201.6
FTSE All-Share return ²	100.0	70.1	91.2	104.4	100.8	113.2	136.8	138.4	139.7	163.1	184.4
Retail Price Index ²	100.0	100.9	103.3	108.3	113.5	117.0	120.2	122.1	123.6	126.7	131.9

¹ Includes a special dividend of 3.60p.² Source: J.P. Morgan/Morningstar/ONS.

A glossary of terms and alternative performance measures is provided on pages 73 and 74.

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

Structure and Objective of the Company

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

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

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

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 5 to 7, and in the Investment Managers' Report on pages 8 to 10.

Investment Policies and Risk Management

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

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

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

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

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

Investment Restrictions and Guidelines

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

- The Company will not invest more than 15% of its assets in other UK listed investment companies.
- The Company will not invest more than 10% of assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.
- The Company will not invest more than 15% of its assets in any one individual stock at the time of acquisition.
- The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. During the year the level of gearing varied between 9.4% and 13.2% (using month end data). The Company's borrowings comprise a £30 million debenture and a £50 million revolving credit facility.
- The use of derivative instruments is subject to the prior approval of the Board, which sets appropriate limits and restrictions. The Investment Managers are permitted to use Index Futures to manage the level of gearing within the range set by the Board.

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

Performance

In the year to 31st December 2017, the Company produced a total return to shareholders of +21.8% and a total return on net assets of +16.2%. This compares with the total return on the Company's benchmark of +13.1%. At 31st December 2017, the value of the Company's investment portfolio was £476.8 million (2016: £428.2 million). The Investment Managers' Report on pages 8 to 10 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross return for the year amounted to £66,220,000 (2016: £40,343,000) and net return after accounting for the management fee, performance fee, other administrative expenses, finance costs and taxation amounted to £60,464,000 (2016: £38,454,000). Distributable income for the year totalled £15,997,000 (2016: £13,833,000). The Directors declared a fourth quarterly interim dividend of 9.5 pence per share which was paid on 1st March 2018 to shareholders on the register at the close of business on 2nd February 2018. This, when added to the three quarterly interim dividends paid during 2017, made a total dividend for the year of 26.0 pence (2016: 23.0 pence), costing £14.2 million (2016: £12.6 million). Following payment of the fourth quarterly interim dividend, the revenue reserve will amount to £17.1 million (2016: £15.3 million), equivalent to approximately 31.4 pence (2016: 28.0 pence) per share.

Key Performance Indicators ('KPIs')

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

- **Performance against the benchmark index**
Charts of the Company's performance relative to its benchmark index over 10 years and 10 year record are shown on pages 14 and 15.
- **Performance against the Company's peers**
The principal objective is to achieve capital and income growth and outperformance relative to the benchmark. However, the Board also monitors, and is satisfied with, the Company's performance relative to a broad range of competitor funds.
- **Performance attribution**
The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as stock selection. Details of the attribution analysis for the year ended 31st December 2017 are given in the Investment Managers' Report on page 10.

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

The Board has for several years operated a share repurchase policy that seeks to address imbalances in supply and demand for the Company's shares within the market and thereby seek to manage the volatility and absolute level of the discount to NAV per share at which the Company's shares trade. In the year to 31st December 2017, the Company's shares traded at a discount of between 2.2% and 9.7% (using month end data, capital net asset value, with debt at par value).

(Discount)/Premium

Source: Datastream (month end data).

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

Ongoing charges

The ongoing charges represent the Company's management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 31st December 2017, were 0.77% (2016: 0.77%). The Board reviews each year an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers. The analysis showed that the Company's ongoing charges compare reasonably with those of its peers.

Discount Control Policy

The Company has authority both to repurchase shares in the market (for cancellation or to be held in Treasury) and to issue shares from Treasury. Resolutions to renew these authorities will be put to shareholders at the forthcoming Annual General Meeting. During the year 145,000 shares were repurchased (2016: 20,000) and are held in Treasury. At the year end, a total of 2,206,674 shares were held in Treasury.

The Directors have resolved to implement a more active discount and premium management policy, an aspect of which will be subject to shareholder approval at the Annual General Meeting. The Board will continue to monitor closely the level of discount and will buy back shares when it believes it is in the best interests of the shareholders as a whole to do so but, in future, the Board intends in normal market conditions to repurchase shares offered on the market at prices representing discounts to NAV (capital only) of 5% or more, with such shares to be held in Treasury. In response to market demand the Company will be willing to sell

PRINCIPAL RISKS

shares from Treasury (including the existing 2.2 million shares currently held in Treasury) at a discount to NAV (cum income debt at par), subject to a maximum discount of 2%. Shareholder approval is required for a sale of shares out of Treasury by the Company at a discount to NAV and Resolution 13 in the Notice of Annual General Meeting on page 71 sets out this authority.

Borrowings

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

On 2nd November 2017 the Company entered an agreement to authorise the issue and sale, by way of private placing, of £30 million 3.22% fixed rate 25 year unsecured notes (the 'Notes'). The sale and purchase of the notes will occur on 30th March 2020 and are expected to fund the maturity of the Debenture.

The Company also has a £50 million unsecured loan facility with National Australia Bank, of which £35 million was drawn down at the year end. The facility was renewed in April 2017 for a further three year term, maturing on 27th April 2020.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board. At 31st December 2017, there were three male Directors and two female Directors on the Board.

Employees, Social, Community and Human Rights Issues

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

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

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

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

Greenhouse Gas Emissions

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

The Modern Slavery Act 2015 (the 'MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. JPMorgan's statement on the MSA can be found on the following website: <https://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/modern-slavery-act.pdf>

Criminal Corporate Offence

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

Principal Risks

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

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

- **Investment and Strategy**

An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. JPMF provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.

- **Market**

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

The Company invests in UK equities and as such market risk includes those relating to uncertainties in the 'Brexit' process. These risks are mitigated in part by the extensive overseas operations and earnings of many companies in which the Company invests.

- **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 16. Were the Company to breach Section 1158, it

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

- **Corporate Governance and Shareholder Relations**

Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 26 to 29.

- **Operational and Cybercrime**

Loss of key staff by the Manager such as the Investment Managers, could affect the performance of the Company. Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the depositary's or custodian's records could prevent accurate reporting and monitoring of the Company's financial position.

Details of how the Board monitors the services provided by the Manager and its associates and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Corporate Governance report on pages 26 to 29.

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

- **Financial**

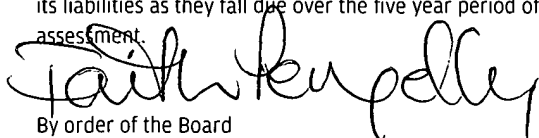
The financial risks arising from the Company's financial instruments include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 23 on pages 60 to 64.

Long Term Viability

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

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

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



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

13th March 2018

Directors' Report

BOARD OF DIRECTORS

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

A Director since 2013. Appointed Chairman in 2015.

Last reappointed to the Board: 2017.

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

Shared directorships with other Directors: None.

Shareholding in Company: 7,414.

David Fletcher*‡†

A Director since 2015.

Last reappointed to the Board: 2017.

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

Shared directorships with other Directors: None.

Shareholding in Company: 2,440.

Humphrey van der Klugt*‡† (Chairman of the Audit Committee, Senior Independent Director)

A Director since 2008

Last reappointed to the Board: 2017.

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

Shared directorships with other Directors: None.

Shareholding in Company: 5,000.

Jill May*‡†

A Director since February 2017.

Last reappointed to the Board: 2017.

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

Shared directorships with other Directors: None.

Shareholding in Company: 3,755.

Jane Tufnell*‡†

A Director since 2013

Last reappointed to the Board: 2017.

Independent non-executive director of The Diverse Income Trust Plc and Record plc. She co-founded Ruffer LLP, a privately-owned investment management firm, in 1994.

Shared directorships with other Directors: None.

Shareholding in Company: 1,000.

* Member of the Audit Committee.

‡ Member of the Nomination Committee.

† Considered independent by the Board.

The Directors present their review and the audited financial statements for the year ended 31st December 2017.

Management of the Company

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

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

The Board conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. No separate management engagement committee has been established as all of the Directors are considered to be independent of the Manager. Over the five years to 28th February 2018 the Company outperformed its benchmark index and in light of this the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board also considered the support that the Company receives from JPMF.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF'). JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM. The Company has appointed BNY Mellon Trust and Depositary (UK) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows. With effect from 3rd April 2018 the legal entity of the depositary will change to Bank of New York Mellon (International) Limited, by way of a Deed of Novation.

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

have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

JPMF's remuneration disclosures are set out on pages 67 and 68.

Management and Performance Fees

The management fee is charged at the annual rate of 0.60% of the Company's net assets on the first £500 million and at 0.50% of net assets above that amount (until 30th June 2016 it was charged at 0.55% of the Company's market capitalisation). Investments on which JPMAM earns a management fee are excluded from the calculation and therefore attract no additional management fee. The fee is calculated and paid monthly in arrears. In addition, the Company reimburses JPMF for the costs of administering its shareholders who hold their shares through the JPMAM savings products.

With effect from 1st July 2016 the performance fee was terminated and the brought forward accrual was written back. Further details are set out in note 15 of the Financial Statements on page 56.

Directors

With the exception of Jill May, who was appointed a Director of the Company with effect from 1st February 2017, all other Directors of the Company, detailed on page 22, held office throughout the year to 31st December 2017. Mr John Scott retired as a Director at the Annual General Meeting in April 2017. Details of Directors' beneficial shareholdings can be found in the Directors' Remuneration Report on page 33. No Director reported an interest in the Company's debenture during the year.

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

Director Indemnification and Insurance

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

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain

liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Disclosure of information to Auditors

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

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

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

Independent Auditors

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

Capital Structure and Voting Rights

Capital Structure

At 31st December 2017, the Company's share capital comprised 56,765,653 ordinary shares of 25p each. During the year, the Company repurchased 145,000 shares (2016: 20,000) for holding in Treasury. At the year end, 2,206,674 shares were held in Treasury, representing 3.9% of the issued share capital. The Company did not issue any new shares during the year or since the year end.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 72.

Notifiable Interests in the Company's Voting Rights

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

Shareholders	% of voting rights
JPMorgan Asset Management Holdings Inc.	7.06

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

The Company is also aware that approximately 37% of the Company's total voting rights are held by individuals through savings products managed by JPMAM and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances JPMorgan has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting.

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

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

Listing Rule 9.8.4R

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

Annual General Meeting

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

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

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

The Directors will seek renewal of the authority at the Annual General Meeting to issue new ordinary shares for cash of up to 2,727,948 ordinary shares (representing 5% of the Company's issued ordinary capital excluding Treasury shares as at the latest practicable date before the publication of this document). The authority conferred by Resolution 10 will expire at the conclusion of the Annual General Meeting to be held in 2019 unless renewed at a prior general meeting.

Resolution 11 will enable the allotment of new ordinary shares, pursuant to Resolution 10 or the sale of Treasury shares otherwise than by way of a pro-rata issue or sale to existing shareholders. This authority will also expire at the conclusion of the Annual General Meeting to be held in 2019 unless renewed at a prior general meeting.

The full text of resolutions 10 and 11 is set out in the Notice of Meeting on page 70.

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 is in the best interests of shareholders to do so. The proceeds of any such issue or sale will be available for investment in line with the Company's investment policies.

The Board believes that the Company's strong investment performance may result in the share price narrowing or moving to a premium to NAV. The Board is seeking to renew the authority to issue up to 5% of the Company's issued share capital excluding Treasury shares in order to provide flexibility to issue shares at a premium and manage share price volatility to NAV.

In accordance with the Company's new discount and premium management policy (as described in the Chairman's Statement), in response to market demand the Company will be willing to sell shares from Treasury at a discount to NAV, subject to shareholders approving Resolution 13 at the Annual General Meeting. In addition, the Company may also issue new ordinary shares at a premium to NAV (cum income debt at par), after the costs of issue.

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

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2017 AGM, will expire on 20th October 2018 unless renewed at the forthcoming AGM. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

Resolution 12 will give the Company authority to buy-back its own issued ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of ordinary shares that could be purchased to a maximum of 8,178,390 shares or, if less, that number of ordinary shares which is equal to 14.99% of the Company's issued ordinary shares as the date of passing Resolution 12 (excluding Treasury shares). The authority also sets the minimum and maximum prices which will be paid on any buy-back of shares. The authority will expire on 17th October 2019, unless renewed at the Annual General Meeting to be held in 2019.

The full text of resolution 12 is set out in the Notice of Meeting on pages 70 and 71.

If resolution 12 is passed at the Annual General Meeting, the Company intends in normal market conditions to repurchase shares offered on the market at prices representing discounts to NAV (capital only) of 5% or more and to hold in Treasury any shares it may repurchase pursuant to this authority for possible reissue in accordance with the Company's new discount and premium management policy, subject to the passing of Resolution 13 described below.

(iii) Sale of Treasury shares (resolution 13)

Subject to the passing of Resolution 13 which will be proposed as an Ordinary Resolution, the Directors will be authorised to sell out of Treasury any ordinary shares which have been repurchased by the Company pursuant to the authority conferred by Resolution 12, or currently held in Treasury at a discount to the prevailing net asset value per ordinary share. This authority will expire at the conclusion of the Company's Annual General Meeting to be held in 2019, unless renewed at a prior general meeting.

The full text of resolution 13 is set out in the Notice of Meeting on page 71.

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

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

Recommendation

The Board considers that resolutions 10 to 13 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 19,738 shares, representing approximately 0.05% of the voting rights in the Company.

Corporate Governance Statement

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 36, indicates how the Company has applied the principles of good governance of the Financial Reporting Council UK Corporate Governance Code (the 'UK Corporate Governance Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the UK Corporate Governance Code, insofar as they are relevant to the Company's business, and the AIC Code throughout the year under review.

Role of the Board

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

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

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

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

Board Composition

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

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

Tenure

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

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

Induction and Training

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

Meetings and Committees

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

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

Meetings Attended

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

¹ Jill May was appointed to the Board on 1st February 2017.

Audit Committee

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

Nomination Committee

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

The Board's policy on diversity, including age, gender, educational and professional background is to take account of the benefits of these during the appointment process. However, the Board remains committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity. 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 the Board, with the assistance of JPMF are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chairman. The Senior Independent Director leads the evaluation of the Chairman's performance.

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

Terms of Reference

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

Relations with Shareholders

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

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

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

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

Risk Management and Internal Control

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

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard

Corporate Governance Statement continued

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMF and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by JPMF and its associates, including the operating of controls established by them, to ensure they meet the Company's business objectives. In addition, the Company's depositary is responsible for overseeing the operations of the custodian and the Company's cash flows. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on pages 18 and 19). This process, which was in place during the year under review and up to the date of the approval of the Annual Report and Financial Statements accords with the Financial Reporting Council's guidance. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of the Manager. This arrangement is kept under review. The key elements designed to provide effective internal control are as follows:

- **Financial Reporting**

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

- **Information Technology Systems**

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

- **Management Agreement**

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

- **Management Systems**

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

Manager's Compliance department which regularly monitors compliance with FCA rules.

- **Investment Strategy**

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

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

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

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st December 2017 and to the date of approval of this Annual Report and Accounts.

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

Corporate Governance and Voting Policy

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

Corporate Governance

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

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

Proxy Voting

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

Stewardship/Engagement

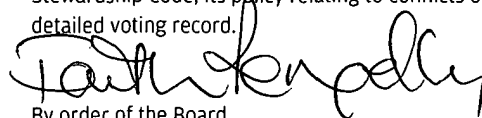
JPMAM recognises its wider FRC stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

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

- have a clear policy on proxy voting and disclose their voting record; and
- report to clients.

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

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



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

13th March 2018

DIRECTORS' REPORT

Audit Committee Report

I am pleased to present my formal report to shareholders as Chairman of the Audit Committee, for the year ended 31st December 2017.

Composition

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

Role and Responsibility

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

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st December 2017, the Committee considered the following significant issues, in particular those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1 to the accounts on page 49. The audit includes the determination of the existence and ownership of the investments. The Company has appointed BNY Mellon Trust and Depositary (UK) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A., as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on page 49. Income recording is conducted by the Manager and the methodology is reported upon to the Board within a six monthly independent report on the operations of the Manager.

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

Internal Audit

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

Going Concern

The Directors believe that, having considered the Company's investment objective (see page 16), risk management policies (see pages 60 to 64), capital management policies and procedures (see page 64), the nature of the portfolio and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Company's financial statements. They have not identified any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these financial statements.

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

Risk Management and Internal Control

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

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

Auditor Appointment and Tenure

The Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external Auditors. Representatives of the Company's Auditors attended the Committee meeting at which the draft Annual Report and Financial Statements were considered and also engage with Directors as and when required. Having reviewed the performance of the external Auditor, including assessing the quality of work, timing of communications and work with JPMF, the Committee considered it appropriate to recommend its reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Company's year ended 31st December 2017 is the current Audit Partner's second year of a maximum five year term. The current audit firm has audited the Company's financial statements for over 20 years and the Company will be required to appoint a new audit firm no later than 2020.

Fair, Balanced and Understandable

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31st December 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 36.

Humphrey van der Klugt
Audit Committee Chairman
13th March 2018

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st December 2017, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 38 to 43.

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

Directors' Remuneration Policy

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

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

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

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold

options to acquire shares in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

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

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

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

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

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st December 2016 and no changes are proposed for the year ending 31st December 2018.

At the Annual General Meeting held on 21st April 2017, of votes cast, 98% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration policy and the remuneration report and less than 2.0% voted against. Abstentions were received from less than 2.0% of the votes cast.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Report at the 2017 Annual General Meeting will be given in the annual report for the year ending 31st December 2018.

DIRECTORS' REMUNERATION REPORT

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

Single total figure of remuneration

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

Single total figure table¹

Directors' Name	2017			2016		
	Fees	Taxable expenses ²	Total	Fees	Taxable expenses ²	Total
Andrew Sutch	37,000	–	37,000	34,000	–	34,000
Humphrey van der Klugt	29,500	640	30,140	27,000	–	27,000
David Fletcher	24,500	–	24,500	23,000	–	23,000
John Scott ³	7,538	1,895	9,433	23,000	1,943	24,943
Jane Tufnell	24,500	–	24,500	23,000	–	23,000
Jill May ⁴	22,458	–	22,458	–	–	–
Total	145,496	2,535	148,031	130,000	1,943	131,943

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.

³ Retired 21st April 2017.

⁴ Appointed 1st February 2017.

A table showing the total remuneration for the Chairman over the five years ended 31st December 2017 is below:

Remuneration for the Chairman over the five years ended 31st December 2017

Year ended 31st December	Fees
2017	£37,000
2016	£34,000
2015	£34,000
2014	£34,000
2013	£32,000

Directors' Shareholdings¹

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

Directors' Name	31st December 2017	31st December 2016
Andrew Sutch	7,414	7,160
David Fletcher	2,440	2,356
Humphrey van der Klugt	5,000	5,000
Jill May	3,755	–
Jane Tufnell	1,000	1,000
Total	19,609	15,516

¹ Audited information.

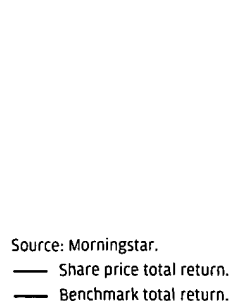
² Appointed 1st February 2017.

Since the year end, David Fletcher and Andrew Sutch have acquired 32 and 97 shares in the Company respectively.

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

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

Ten Year Share Price and Benchmark Total Return Performance to 31st December 2017



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

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st December	
	2017	2016
Remuneration paid to all Directors	£148,031	£131,943
Distribution to shareholders		
– by way of dividends paid	£13,355,000	£11,758,000
– by way of share repurchases	£918,000	£115,000

For and on behalf of the Board

Andrew Sutch

Chairman

13th March 2018

Statement of Directors' Responsibilities

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

and the Directors confirm that they have done so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies

Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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

For and on behalf of the Board
Andrew Sutch
Chairman

13th March 2018

Independent Auditor's Report

Opinion

We have audited the financial statements of JPMorgan Claverhouse Investment Trust Plc for the year ended 31st December 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31st December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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.

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures as set out on page 19 in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation as set out on page 18 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement as set out on page 30 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 20 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

- Key audit matters**
- Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment.
 - Incorrect valuation and existence of the investment portfolio.
- Materiality**
- Materiality of £4.3 million which represents 1% of total shareholders' funds of the Company (2016: £3.8 million).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment (as described on page 30 in the Report of the Audit Committee).

Substantially all of the Company's income is received in the form of dividends being £18.5 million for the year (2016: £16.2 million).

The investment income receivable by the Company during the period directly drives the Company's ability to pay a dividend to shareholders.

Given the manual and judgemental element in allocating special dividends between revenue and capital, we considered there to be a fraud risk in accordance with Auditing Standards, in this area of our audit.

During the year the Company received 14 special dividends with a value of £2.15 million.

We reviewed the processes in place at both the Manager and Administrator in relation to the recognition of investment income including the identification and accounting for special dividends.

We agreed a sample of dividends received from the income report to an independent pricing source.

We agreed a sample of investee company dividends from an independent source to the income report.

We agreed 100% of accrued dividends to an independent source.

We reviewed the income report for material dividends and checked a sample of these against an independent source to determine if any were special. We also reviewed the acquisitions and disposals report for any potential special dividends treated as capital to assess if any should be treated as revenue. Two of the special dividends received during the year were above our testing threshold. We reviewed the appropriateness of the accounting treatment of the said special dividends as revenue.

We agreed, on a sample basis, revenue journal entries for the year back to the income report and the details from the income report to the corresponding announcements made by the investee company.

We have no matters to communicate with respect to our review of the processes and controls in relation to recognition of investment income including the identification and accounting for special dividends.

We noted no issues in agreeing a sample of dividends received from the income report to an independent pricing source.

We noted no issues in agreeing a sample of investee company dividends from an independent source to the income report.

We noted no issues in agreeing 100% accrued dividends to an independent source.

We noted no issues in reviewing the accounting treatment of the special dividends that were above our testing thresholds.

We noted no issues in agreeing the sample of income journal entries back to the income report and details to an independent source.

Incorrect valuation and existence of the investment portfolio (as described on page 30 in the Report of the Audit Committee).

The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. The value of the Company's investment portfolio which consists entirely of listed equities was £476.8 million (2016: £428.2 million) as at 31st December 2017.

Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.

We reviewed the processes in place at the Administrator in relation to the valuation and existence of investments.

We agreed 100% of investment valuations and exchange rates to a relevant independent source and assessed any differences between the prices obtained and those quoted by the Company.

We obtained independent confirmation from the Custodian and Depositary of all securities held at the year end and agreed all securities held from the Company's records to the confirmations received.

We have no matters to communicate with respect to our review of the processes and controls in relation to the valuation and existence of investments.

We noted immaterial differences, below our reporting threshold, while agreeing 100% of prices used in the valuation of the investment portfolio and exchange rates to a relevant independent source.

We noted no issues agreeing all securities held at year-end in the Company's records to those of the Custodian and Depositary.

Tailoring the scope

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

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £4.3 million (2016: £3.8 million) which is 1% (2016: 1%) of shareholders' funds of the Company. We believe that net assets of the Company provides us the basis for setting materiality since it is the basis for the key measurement of the Company's performance.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £3.2 million (2016: £2.9 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £0.8 million (2016: £0.7 million) for the revenue column of the Income Statement being 5% of profit before tax.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2 million (2016: £0.2 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

The other information comprises the information included in the annual report as set out on page 34, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable [set out on page 31]** - the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting [set out on page 30]** - the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code [set out on page 27]** - 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.

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
- 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 light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

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

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

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

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.

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

Our approach was as follows:

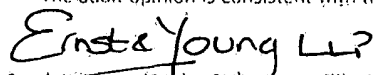
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition relating to the allocation of special dividends. Further discussion of our approach is set out in the section on key audit matters above.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

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

Other matters we are required to address

- We were appointed by the Company to audit the financial statements for the year ended 31st December 1963 and subsequent financial periods. The period of total uninterrupted engagement is 55 years, covering the years ending 31st December 1963 to 31st December 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Ernst & Young LLP

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

13th March 2018

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Notes	Revenue £'000	2017 Capital £'000	Total £'000	Revenue £'000	2016 Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	3	–	47,672	47,672	–	24,029	24,029
Net foreign currency gains		–	17	17	–	6	6
Income from investments	4	18,484	–	18,484	16,236	–	16,236
Interest receivable and similar income	4	47	–	47	72	–	72
Gross return		18,531	47,689	66,220	16,308	24,035	40,343
Management fee	5	(813)	(1,511)	(2,324)	(650)	(1,208)	(1,858)
Performance fee write back	5	–	–	–	–	3,500	3,500
Other administrative expenses	6	(780)	–	(780)	(840)	–	(840)
Net return on ordinary activities before finance costs and taxation		16,938	46,178	63,116	14,818	26,327	41,145
Finance costs	7	(921)	(1,711)	(2,632)	(919)	(1,706)	(2,625)
Net return on ordinary activities before taxation		16,017	44,467	60,484	13,899	24,621	38,520
Taxation	8	(20)	–	(20)	(66)	–	(66)
Net return on ordinary activities after taxation		15,997	44,467	60,464	13,833	24,621	38,454
Return per share	9	29.32p	81.50p	110.82p	25.28p	44.99p	70.27p
Dividends declared and payable in respect of the year	10	26.00p			23.00p		
Dividends paid during the year	10	24.50p			21.50p		

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

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

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

The notes on pages 49 to 65 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve ¹ £'000	Total £'000
At 31st December 2015	14,192	149,641	6,680	167,612	17,601	355,726
Repurchase of the Company's shares into Treasury	–	–	–	(115)	–	(115)
Net return on ordinary activities	–	–	–	24,621	13,833	38,454
Dividends paid in the year	–	–	–	–	(11,758)	(11,758)
At 31st December 2016	14,192	149,641	6,680	192,118	19,676	382,307
Repurchase of the Company's shares into Treasury	–	–	–	(918)	–	(918)
Net return on ordinary activities	–	–	–	44,467	15,997	60,464
Dividends paid in the year	–	–	–	–	(13,355)	(13,355)
At 31st December 2017	14,192	149,641	6,680	235,667	22,318	428,498

¹ This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

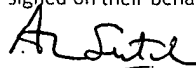
The notes on pages 49 to 65 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	476,819	428,242
Current assets	12		
Debtors		877	882
Cash and cash equivalents		16,489	11,771
		17,366	12,653
Current liabilities			
Creditors: amounts falling due within one year	13	(768)	(28,696)
Net current assets/(liabilities)		16,598	(16,043)
Total assets less current liabilities		493,417	412,199
Creditors: amounts falling due after more than one year	14	(64,919)	(29,892)
Net assets		428,498	382,307
Capital and reserves			
Called up share capital	16	14,192	14,192
Share premium	17	149,641	149,641
Capital redemption reserve	17	6,680	6,680
Capital reserves	17	235,667	192,118
Revenue reserve	17	22,318	19,676
Total shareholders' funds		428,498	382,307
Net asset value per share	18	785.4p	698.9p

The financial statements on pages 45 to 48 were approved and authorised for issue by the Directors on 13th March 2018 and were signed on their behalf by:



Andrew Sutch
Director

The notes on pages 49 to 65 form an integral part of these financial statements.

Company registration number: 754577.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Net cash outflow from operations before dividends and interest	19	(3,055)	(4,437)
Dividends received		18,422	16,405
Interest received		43	69
Interest paid		(2,560)	(2,673)
Overseas tax recovered		37	2
Net cash inflow from operating activities		12,887	9,366
Purchases of investments		(135,101)	(162,447)
Sales of investments		134,197	163,025
Settlement of futures contracts		–	(1,999)
Settlement of foreign currency contracts		8	7
Net cash outflow from investing activities		(896)	(1,414)
Dividends paid		(13,355)	(11,758)
Repurchase of the Company's shares into Treasury		(918)	(115)
Repayment of bank loan		–	(25,000)
Drawdown of bank loan		7,000	8,000
Net cash outflow from financing activities		(7,273)	(28,873)
Increase/(decrease) in cash and cash equivalents		4,718	(20,921)
Cash and cash equivalents at start of year		11,771	32,691
Exchange movements		–	1
Cash and cash equivalents at end of year		16,489	11,771
Increase/(decrease) in cash and cash equivalents		4,718	(20,921)
Cash and cash equivalents consist of:			
Cash and short term deposits		302	159
Cash held in JPMorgan Sterling Liquidity Fund		16,187	11,612
Total		16,489	11,771

The notes on pages 49 to 65 form an integral part of these financial statements.

FOR THE YEAR ENDED 31ST DECEMBER 2017

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014, and updated in January 2017.

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 pages 30 to 31 of the Directors' Report form part of these financial statements.

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

(b) Valuation of investments

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

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

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

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

(c) Accounting for reserves

Gains and losses on sales of investments and derivatives, 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 and derivatives held at the year end 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'.

(d) Income

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

Overseas dividends are included gross of any withholding tax.

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

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

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

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

1. Accounting policies *continued*

(e) Expenses

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

- any performance fee is allocated 100% to capital. With effect from 1st July 2016, the performance fee was terminated.
- the management fee is allocated 35% to revenue and 65% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 55.

(f) Finance costs

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

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

(g) Financial instruments

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

Derivative financial instruments, including futures contracts, are valued at fair value and are included in current assets or current liabilities. Any profits or losses on the closure or revaluation of positions are recognised in the Statement of Comprehensive Income and taken to capital reserves. Financial instruments are initially recognised and derecognised on a trade date basis.

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

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

(h) Taxation

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

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

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

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

(i) Value Added Tax ('VAT')

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

(j) 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. Gains and losses on investments arising from a change in exchange rates are included in 'Investment holding gains and losses' for investments still held at year end, and in 'Gains and losses on sales of investments' for investments sold during the year.

(k) Dividends payable

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

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

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

Should shares held in Treasury be reissued, the sales proceeds up to the purchase price of the shares will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

2. Significant accounting judgements, estimates and assumptions

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

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

3. Gains on investments held at fair value through profit or loss

	2017 £'000	2016 £'000
Gains on investments held at fair value through profit or loss based on historic cost	14,721	23,407
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(19,990)	(42,658)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(5,269)	(19,251)
Realised losses on close out of futures	—	(1,999)
Net movement in investment holding gains and losses	52,945	45,283
Other capital charges	(4)	(4)
Total capital gains on investments held at fair value through profit or loss	47,672	24,029

NOTES TO THE FINANCIAL STATEMENTS

4. Income

	2017 £'000	2016 £'000
Income from investments		
Franked investment income	17,438	15,386
Overseas dividends	1,046	750
Property income distribution from UK REITS	–	100
	18,484	16,236
Interest receivable and similar income		
Interest from liquidity fund	47	70
Deposit interest	–	2
	47	72
Total income	18,531	16,308

5. Management and performance fees

	Revenue £'000	2017 Capital £'000	Total £'000	Revenue £'000	2016 Capital £'000	Total £'000
Management fee	813	1,511	2,324	650	1,208	1,858
Performance fee write back	–	–	–	–	(3,500)	(3,500)
	813	1,511	2,324	650	(2,292)	(1,642)

Details of the management and performance fees are given in the Directors' Report on page 23. Further details on the performance fee are given in note 15 on page 56.

6. Other administrative expenses

	2017 £'000	2016 £'000
Administration expenses	357	306
Savings scheme costs ¹	172	289
Directors' fees ²	145	130
Depositary fees ³	75	84
Auditors' remuneration for audit services ⁴	30	30
Auditors' remuneration for other services ⁵	1	1
	780	840

¹ Paid to the Manager for the administration of saving scheme products. Includes £29,000 (2016: £48,000) irrecoverable VAT.

² Full disclosure is given in the Directors' Remuneration Report on page 34.

³ Includes £12,000 (2016: £14,000) irrecoverable VAT.

⁴ Includes £5,000 (2016: £5,000) irrecoverable VAT.

⁵ Includes £nil (2016: £nil) irrecoverable VAT. The other services provided comprise a review of compliance with the debenture trust deed.

NOTES TO THE FINANCIAL STATEMENTS

7. Finance costs

	Revenue £'000	2017 Capital £'000	Total £'000	Revenue £'000	2016 Capital £'000	Total £'000
Interest on bank loan and overdrafts	177	328	505	174	323	497
Debenture interest	744	1,383	2,127	745	1,383	2,128
	921	1,711	2,632	919	1,706	2,625

8. Taxation

(a) Analysis of tax charge in the year

	2017 £'000	2016 £'000
Overseas withholding tax	20	66
Total tax charge for the year	20	66

(b) Factors affecting total tax charge for the year

The tax charge for the year is lower (2016: lower) than the Company's applicable rate of corporation tax of 19.25% (2016: 20%). The factors affecting the total tax charge for the year are as follows:

	Revenue £'000	2017 Capital £'000	Total £'000	Revenue £'000	2016 Capital £'000	Total £'000
Net return on ordinary activities before taxation	16,017	44,467	60,484	13,899	24,621	38,520
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 19.25% (2016: 20%)	3,083	8,560	11,643	2,780	4,924	7,704
Effects of:						
Non taxable capital gains	–	(9,180)	(9,180)	–	(4,807)	(4,807)
Non taxable UK dividends	(3,357)	–	(3,357)	(3,077)	–	(3,077)
Non taxable overseas dividends	(201)	–	(201)	(150)	–	(150)
Excess capital expenses arising in the year	–	620	620	–	(117)	(117)
Unrelieved expenses	475	–	475	447	–	447
Overseas withholding tax	20	–	20	66	–	66
Total tax charge for the year	20	–	20	66	–	66

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £19,076,000 (2016: £18,110,000) based on a prospective corporation tax rate of 17% (2016: 17%). The UK Government announced in July 2015 that the corporation tax rate is set to be cut to 19% in 2017 and 18% in 2020. In March 2016 a further cut to 17% in 2020 was announced. These reductions in the standard rate of corporation tax were substantively enacted on 15th September 2016 and became effective from 1st April 2017. 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 per share

	2017 £'000	2016 £'000
Revenue return	15,997	13,833
Capital return	44,467	24,621
Total return	60,464	38,454
Weighted average number of shares in issue during the year	54,564,897	54,720,755
Revenue return per share	29.32p	25.28p
Capital return per share	81.50p	44.99p
Total return per share	110.82p	70.27p

10. Dividends

(a) Dividends paid and proposed

	2017 £'000	2016 £'000
Dividends paid		
Unclaimed dividends refunded to the Company ¹	(13)	(7)
2016 fourth quarterly dividend of 8.00p (2015: 6.50p) paid in March 2017	4,365	3,557
First quarterly dividend of 5.50p (2016: 5.00p) paid in June 2017	3,001	2,736
Second quarterly dividend of 5.50p (2016: 5.00p) paid in September 2017	3,001	2,736
Third quarterly dividend of 5.50p (2016: 5.00p) paid in December 2017	3,001	2,736
Total dividends paid in the year of 24.50p (2016: 21.50p)	13,355	11,758
Dividend proposed		
Fourth quarterly dividend proposed of 9.50p (2016: 8.00p) paid in March 2018	5,183	4,365

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

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

The fourth quarterly dividend has been declared and paid in respect of the year ended 31st December 2017. This dividend will be reflected in the financial statements for the year ending 31st December 2018.

(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 £15,997,000 (2016: £13,833,000). The minimum distribution required under Section 1158 is £13,220,000 (2016: £11,387,000). Brought forward revenue reserves amounting to £nil (2016: £nil) have been utilised in order to finance the dividend.

	2017 £'000	2016 £'000
First quarterly dividend of 5.50p (2016: 5.00p) paid in June 2017	3,001	2,736
Second quarterly dividend of 5.50p (2016: 5.00p) paid in September 2017	3,001	2,736
Third quarterly dividend of 5.50p (2016: 5.00p) paid in December 2017	3,001	2,736
Fourth quarterly dividend of 9.50p (2016: 8.00p) paid on 1st March 2018	5,183	4,365
Total dividend declared in respect of the year of 26.00p (2016: 23.00p)	14,186	12,573

The revenue reserve after payment of the final dividend will amount to £17,135,000 (2016: £15,311,000).

NOTES TO THE FINANCIAL STATEMENTS

11. Investments

	2017 £'000	2016 £'000
Opening book cost	331,852	309,027
Opening investment holding gains	96,390	93,765
Opening valuation	428,242	402,792
Movements in the year:		
Purchases at cost	135,101	162,447
Sales – proceeds	(134,200)	(163,029)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(5,269)	(19,251)
Net movement in investment holding gains and losses	52,945	45,283
	476,819	428,242
Closing book cost	347,474	331,852
Closing investment holding gains	129,345	96,390
Total investments held at fair value through profit or loss	476,819	428,242

Transaction costs on purchases during the year amounted to £724,000 (2016: £789,000) and on sales during the year amounted to £93,000 (2016: £102,000). These costs comprise mainly brokerage commission and stamp duty.

During the year, prior year investment holding gains amounting to £19,990,000 have been transferred to gains on sales of investments as disclosed in note 17.

12. Current assets

Debtors

	2017 £'000	2016 £'000
Dividends and interest receivable	768	722
Overseas tax recoverable	87	124
Other debtors	22	36
	877	882

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

	2017 £'000	2016 £'000
Creditors: amounts falling due within one year		
Bank loan	–	28,000
Fixed loan interest	109	64
Debenture interest	525	525
Other creditors and accruals	134	107
	768	28,696

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

	2017 £'000	2016 £'000
Bank loan	35,000	–
£30,000,000 7% debenture 30th March 2020	29,919	29,892
	64,919	29,892

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

The Company had a £50 million unsecured loan facility with National Australia Bank which expired on 28th April 2017. This facility was renewed for a further three years, maturing on 27th April 2020. As at the year end £35 million was drawn down. Interest is payable at a margin over LIBOR as offered in the market for the loan period, plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements. The facility is subject to covenants and restrictions which are customary for a facility of this nature, including that the total borrowings do not exceed 30% of the Company's adjusted net asset value at any time and that its adjusted net asset value does not fall below £200 million at any time, all of which have been met during the year.

15. Provisions for liabilities and charges

	2017 £'000	2016 £'000
Performance fee payable		
Opening balance	–	3,500
Performance fee written back	–	(3,500)
	–	–

With effect from 1st July 2016 the performance fee was terminated. As a result of the negative performance relative to the benchmark to 30th June 2016, the performance fee accrual brought forward of £3,499,906 was written back.

NOTES TO THE FINANCIAL STATEMENTS

16. Called up share capital

	2017 £'000	2016 £'000
Ordinary shares allotted and fully paid		
Opening balance of 54,703,979 (2016: 54,723,979) shares excluding shares held in Treasury	13,676	13,681
Repurchase of 145,000 shares into treasury (2016: 20,000)	(36)	(5)
Subtotal of 54,558,979 (2016: 54,703,979) shares of 25p each excluding shares held in Treasury	13,640	13,676
2,206,674 (2016: 2,061,674) shares held in Treasury	552	516
Closing balance of 56,765,653 (2016: 56,765,653) shares of 25p each including shares held in Treasury	14,192	14,192

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

17. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves		Revenue reserve ¹ £'000	Total £'000
				Gains and losses on sales of investments £'000	Investment holding gains and losses £'000		
Opening balance	14,192	149,641	6,680	95,728	96,390	19,676	382,307
Net foreign currency gains	–	–	–	17	–	–	17
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	(5,269)	–	–	(5,269)
Net movement in investment holding gains and losses	–	–	–	–	52,945	–	52,945
Transfer on disposal of investments	–	–	–	19,990	(19,990)	–	–
Repurchase of the Company's shares into Treasury	–	–	–	(918)	–	–	(918)
Management fee and finance costs charged to capital	–	–	–	(3,222)	–	–	(3,222)
Other capital charges	–	–	–	(4)	–	–	(4)
Dividends paid in the year	–	–	–	–	–	(13,355)	(13,355)
Retained revenue for the year	–	–	–	–	–	15,997	15,997
Closing balance	14,192	149,641	6,680	106,322	129,345	22,318	428,498

¹ This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

18. Net asset value per share

	2017	2016
Net assets (£'000)	428,498	382,307
Number of shares in issue (excluding shares held in Treasury)	54,558,979	54,703,979
Net asset value per share	785.4p	698.9p

19. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

	2017 £'000	2016 £'000
Net return on ordinary activities before finance costs and taxation	63,116	41,145
Less capital return on ordinary activities before finance costs and taxation	(46,178)	(26,327)
(Increase)/decrease in accrued income and other debtors	(32)	233
Increase/(decrease) in accrued expenses	26	(2)
Performance fee paid	–	(1,736)
Management fee charged to capital	(1,511)	(1,208)
Overseas withholding tax	(20)	(66)
Dividends received	(18,422)	(16,405)
Interest received	(43)	(69)
Realised gains/(losses) on foreign currency transactions	9	(2)
Net cash outflow from operations before dividends and interest	(3,055)	(4,437)

20. Contingent liabilities and capital commitments

At the balance sheet date there were no capital commitments (2016: same), but one contingent liability (2016: none).

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

21. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 23. The management fee payable to the Manager for the year was £2,324,000 (2016: £1,858,000) of which £nil (2016: £nil) was outstanding at the year end.

During the year £172,000 (2016: £289,000), including VAT, was payable to the Manager for the administration of savings scheme products, of which £nil (2016: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 52 are safe custody fees amounting to £7,000 (2016: £6,000) payable to JPMorgan Chase Bank N.A. of which £2,000 (2016: £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 £142,000 (2016: £94,000) of which £nil (2016: £nil) was outstanding at the year end.

The Company holds an investment in JPMorgan Smaller Companies Investment Trust plc which is managed by JPMorgan. At the year end this was valued at £17.9 million (2016: £11.3 million) and represented 3.8% (2016: 2.6%) of the Company's investment portfolio. During the year the Company made £2,519,000 (2016: £nil) purchases of this investment and sales with a total value of £nil (2016: £nil). Dividend income amounting to £380,000 (2016: £252,000) was receivable during the year of which £nil (2016: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan Sterling Liquidity Fund, which is managed by JPMorgan. At the year end this was valued at £16.2 million (2016: £11.6 million). Interest amounting to £47,000 (2016: £70,000) was receivable during the year of which £7,000 (2016: £3,000) was outstanding at the year end.

Handling charges on dealing transactions amounting to £4,000 (2016: £4,000) were payable to JPMorgan Chase Bank N.A. during the year of which £1,000 (2016: £nil) was outstanding at the year end.

At the year end, total cash of £302,000 (2016: £159,000) was held with JPMorgan Chase Bank N.A. A net amount of interest of £nil (2016: £2,000) was receivable by the Company during the year from JPMorgan Chase Bank N.A. of which £nil (2016: £nil) was outstanding at the year end.

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

22. 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

The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

(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

When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

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

If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b) on page 49.

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

	2017		2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	476,819	–	428,242	–
Total	476,819	–	428,242	–

There were no transfers between Level 1, 2 or 3 during the year (2016: nil).

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

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

These financial risks include market risk (comprising other price risk and interest rate risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company has no significant direct exposure to foreign exchange risk. A proportion of the dividends received by the Company are paid in currencies other than sterling. Therefore a significant movement in exchange rates could impact the portfolio yield, however the Board considers this to be a relatively low risk. The Company Secretary, in close co-operation with the Board and the Manager, co-ordinates the Company's risk management strategy.

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

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

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

(a) Market risk

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

(i) Other price risk

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

Management of other price risk

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

NOTES TO THE FINANCIAL STATEMENTS

Other price risk exposure

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

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	476,819	428,242

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

Concentration of exposure to other price risk

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

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2016: 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.

	2017		2016	
	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	(92)	100	(88)	88
Capital return	47,512	(47,496)	42,662	(42,662)
Total return after taxation	47,420	(47,396)	42,574	(42,574)
Net assets	47,420	(47,396)	42,574	(42,574)

(ii) Interest rate risk

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

Management of interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Market risk *continued*

(ii) Interest rate risk *continued*

Interest rate exposure

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

	2017 £'000	2016 £'000
Exposure to floating interest rates:		
Cash and short term deposits	302	159
JPMorgan Sterling Liquidity Fund	16,187	11,612
Bank loan	(35,000)	(28,000)
Total exposure	(18,511)	(16,229)

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2016: same). The target interest rate earned on the JPMorgan Sterling Liquidity Fund is the 7 day sterling London Interbank Bid Rate. Details of the bank loan are given in note 14 on page 56.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2016: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2017		2016	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Statement of Comprehensive Income - return after taxation				
Revenue return	21	(21)	10	(10)
Capital return	(114)	114	(91)	91
Total return after taxation	(93)	93	(81)	81
Net assets	(93)	93	(81)	81

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

(b) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

Management of the risk

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

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

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

Liquidity risk exposure

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

	2017			Total £'000
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	
Creditors:				
Other creditors and accruals	134	—	—	134
Bank loan, including interest	232	378	35,663	36,273
Debenture, including interest	1,050	1,050	32,625	34,725
	1,416	1,428	68,288	71,132
	2016			Total £'000
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	
Creditors:				
Other creditors and accruals	107	—	—	107
Bank loan, including interest	160	28,030	—	28,190
Debenture, including interest	1,050	1,050	34,725	36,825
	1,317	29,080	34,725	65,122

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

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

(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 DVP (Delivery Versus Payment) 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, BNY Mellon Trust and Depositary (UK) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

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

(d) Fair values of financial assets and financial liabilities

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

	Accounts value		Fair value	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
£30 million 7% debenture March 2020	29,919	29,892	34,333	36,060

24. Capital management policies and procedures

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

	2017 £'000	2016 £'000
Debt:		
£50 million Loan facility	35,000	28,000
£30 million 7% debenture March 2020	29,919	29,892
	64,919	57,892
Equity:		
Called up share capital	14,192	14,192
Reserves	414,306	368,115
	428,498	382,307
Total debt and equity	493,417	440,199

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.

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	476,819	428,242
Net assets	428,498	382,307
Gearing	11.3%	12.0%

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

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

25. Subsequent events

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

Regulatory Disclosures

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD') DISCLOSURES

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 2017 are shown below:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	115%	115%

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

This section of the annual report has been prepared in accordance with the Alternative Investment Fund Managers' Directive (the 'AIFMD'), the European Commission Delegated Regulation supplementing the AIFMD, and the 'Guidelines on sound remuneration policies' issued by the European Securities and Markets Authority under the AIFMD.

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

Remuneration Policy

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

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

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. As at 31st December 2017, the Board last reviewed and adopted the Remuneration Policy in June 2017 with no material changes and was satisfied with its implementation.

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

REGULATORY DISCLOSURES

Quantitative Disclosures

The table below provides an overview of the aggregate 2017 total remuneration paid to staff of the Management Company 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 AUM weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 32 Alternative Investment Funds and 2 UCITS (with 38 sub-funds), with a combined AUM as at 31st December 2017 of £13,204 million and £15,004 million respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff (\$'000s)	14,845	9,801	24,646	117

The aggregate 2017 total remuneration paid to AIFMD Identified Staff was USD 65,309,308, of which USD 7,505,126 relates to Senior Management and USD 57,804,181 relates to other Identified Staff.

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 2017.

Shareholder Information

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifty fifth Annual General Meeting of JPMorgan Claverhouse Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 18th April 2018 at 12 noon for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st December 2017.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st December 2017.
4. To reappoint David Fletcher as a Director.
5. To reappoint Humphrey van der Klugt as a Director.
6. To reappoint Jill May as a Director.
7. To reappoint Andrew Sutch as a Director.
8. To reappoint Jane Tufnell as a Director.
9. To reappoint Ernst & Young LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

10. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £681,987, representing approximately 5% of the Company's issued Ordinary share capital (excluding Treasury shares) as at the date of the notice convening the meeting at which this resolution is proposed, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2019 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

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

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

empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 10 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £681,987, representing approximately 5% of the issued share capital (excluding Treasury shares) as at the date of the notice convening the meeting at which this resolution is proposed and shall expire upon the expiry of the general authority conferred by Resolution 10 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and so that the Directors of the Company may allot or sell equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

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

PROVIDED ALWAYS THAT

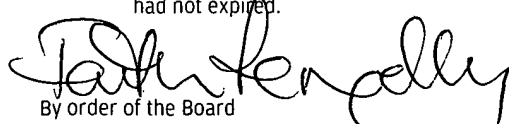
- (i) the maximum number of shares hereby authorised to be purchased shall be 8,178,390, or if less, that number of shares which is equal to 14.99% of the issued ordinary share capital (excluding Treasury shares) as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for a share shall be 25 pence;
- (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;
- (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);

NOTICE OF ANNUAL GENERAL MEETING

- (v) the authority hereby conferred shall expire on 17th October 2019 unless the authority is renewed at the Company's Annual General Meeting in 2019 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract.

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

13. That, subject to the passing of Resolution 11 set out above, the Directors of the Company be authorised for the purposes of paragraph 15.4.11 of the Listing Rules of the Financial Conduct Authority to sell or transfer ordinary shares of 25 pence each in the capital of the Company ('shares') out of Treasury for cash at a price below the net asset value per share of the existing shares in issue (excluding shares held in Treasury), provided always that:
- (a) where any shares held in Treasury are sold pursuant to this power at a discount to the then prevailing net asset value per share such discount must:
 - (i) be lower than the average discount to the net asset value per share at which the Company acquired the shares it then holds in Treasury; and
 - (ii) not be more than a 2% discount to the prevailing net asset value per share (cum income debt at par); and
 - (b) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2019 unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may, at any time prior to the expiry of this authority, make an offer or agreement which would or might otherwise require Treasury shares to be sold after such expiry and the Directors may sell Treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.



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

16th March 2018

Notes

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

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 12.00 noon two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.
6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.

NOTICE OF ANNUAL GENERAL MEETING

7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
- Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmlclaverhouse.co.uk.
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hard copy Form of Proxy/Voting Instruction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. 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.
16. As at 12th March 2018 (being the latest business day prior to the publication of this Report and Accounts), the Company's issued share capital consists of 56,765,653 ordinary shares (of which 2,206,674 are held in Treasury) carrying one vote each. Therefore the total voting rights in the Company are 54,558,979.

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.

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

Return to Shareholders (Alternative Performance Measures (APM))

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

Total return calculation	Page	2017	2016
Opening share price as at 31st December	4	622.0p	602.5p
Closing share price as at 31st December	4	730.5p	622.0p
Total dividend adjustment factor ¹		1.037020	1.038569
Adjusted closing share price (c = a x b)		757.5p	646.0p
Total return to shareholder		21.8%	7.2%

Return on Net Assets (APM)

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Page	2017	2016
Opening cum-income NAV per share with debt at par value as at 31st December	4	698.9p	650.0p
Closing cum-income NAV per share with debt at par value as at 31st December	4	785.4p	698.9p
Total dividend adjustment factor ²		1.033625	1.034773
Adjusted closing cum-income NAV per share (c = a x b)		811.8p	723.2p
Total return on net assets with debt at par value		16.2%	11.3%

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.

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.

Benchmark return

Total return on the benchmark, on a closing-market value to closing-market value basis, assuming that all dividends received were reinvested 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.

Net Assets with Debt at Fair Value (APM)

The Company's debt (debenture) is valued in the Statement of Financial Position (on page 47) at amortised cost, £29,919,000, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par Value'. The current replacement or market value of the debt, which assumes it is repaid and renegotiated under current market conditions, is often referred to as the 'Debt at Fair Value'. The difference between fair and par values of the debt is subtracted from the NAV to derive the NAV with debt at fair value. The fair value of the £30,000,000 Debenture issued by the Company has been calculated using discounted cash flow techniques, using the yield from a similar dated gilt plus a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread. As at 31st December 2017, the cum-income NAV with debt at fair value was £424,084,000 (2016: £376,139,000) or 777.3p (2016: 687.6p) per share.

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

Gearing/Net Cash (APM)

Gearing represents the excess amount above shareholder's 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	2017 £'000	2016 £'000	
Investments held at fair value through profit or loss	47	476,819	428,242	(a)
Net assets	47	428,498	382,307	(b)
Gearing ($c = a / b - 1$)		11.3%	12.0%	(c)

Ongoing Charges (APM)

The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

Ongoing charges calculation	Page	2017 £'000	2016 £'000	
Management fee	45	2,324	1,858	
Other administrative expenses	45	780	840	
Total management fee and other administrative expenses		3,104	2,698	(a)
Average daily cum-income net assets		405,373	348,419	(b)
Ongoing Charges ($c = a / b$)		0.77%	0.77%	(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, meaning there are more sellers than buyers. The discount is shown as a percentage of the NAV per share (see page 4).

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.

Performance attribution

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

Performance Attribution Definitions:

Stock/Sector selection

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

Gearing/Net Cash

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

Management fee/Other expenses

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

WHERE TO BUY J.P. MORGAN INVESTMENT TRUSTS

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

1. Directly from J.P. Morgan

Investment Account

The Company's shares are available in the J.P. Morgan Investment Account, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Investment Account should call J.P. Morgan Asset Management free on 0800 20 40 20 or visit its website at am.jpmorgan.co.uk/investor

Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2017/18 tax year, from 6th April 2017 and ending 5th April 2018, the total ISA allowance is £20,000. The shares are also available in a J.P. Morgan Junior ISA. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at am.jpmorgan.co.uk/investor

2. Via a third party provider

Third party providers include:

AJ Bell	Hargreaves Lansdown
Alliance Trust Savings	Interactive Investor
Barclays Stockbrokers	James Brearley
Bestinvest	James Hay
Charles Stanley Direct	Selftrade
FundsNetwork	The Share Centre

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

3. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk

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

FINANCIAL CALENDAR

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

History

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

Company Numbers

Company registration number: 754577
 London Stock Exchange code: 0342218
 ISIN: GB0003422184
 Bloomberg Code: JCH LN
 LEI: 549300NFZYFSCD52W53

Market Information

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

Website

www.jpmlclaverhouse.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan Junior ISA. These products are all available on the online service at jpmorgan.co.uk/online

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

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

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

Depository

BNY Mellon Trust & Depositary (UK) Limited
 BNY Mellon Centre
 160 Queen Victoria Street
 London EC4V 4LA

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

Registrars

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

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

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1090. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditors

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

Brokers

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

Savings Product Administrators

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



The Association of
 Investment Companies

A member of the AIC

www.jpmlclaverhouse.co.uk

J.P. MORGAN HELPLINE

Freephone 0800 20 40 20 or +44 (0) 1268 444470.

Telephone lines are open Monday to Friday,
9am to 5.30pm.

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