

City Merchants High Yield Trust Limited

Half-Yearly Financial Report for the Six Months to 30 June 2017

KEY FACTS

City Merchants High Yield Trust Limited is a Jersey incorporated investment company listed on the London Stock Exchange. The Company commenced trading on 2 April 2012 as a successor company to City Merchants High Yield Trust plc.

Investment Objective

The Company's investment objective is to seek to obtain both high income and capital growth from investment, predominantly in high-yielding fixed-interest securities.

Investment Policy

The Company seeks to provide a high level of dividend income relative to prevailing interest rates mainly through investment in bonds and other fixed-interest securities. The Company also invests in equities and other equity-like investments consistent with the overall objective.

Performance Statistics

	FOR SIX MONTHS TO 30 JUN 2017	YEAR ENDED 31 DEC 2016
Total Return		
Net asset value	+5.8%	+11.8%
Share price*	+6.9%	+11.6%
Ongoing Charges	0.98%	1.01%
Dividend for the period/year	5p	10p

Period End Information

	AT 30 JUN 2017	AT 31 DEC 2016
Net asset value per share	195.23p	189.32p
Share price*	199.00p	191.00p
Premium	1.9%	0.9%
Gearing		
Gross gearing	nil	nil
Net cash	7.4%	8.4%

* Source: Thomson Reuters Datastream.

INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

Chairman's Statement

For the benefit of those shareholders who did not attend the AGM or see the announcement of my appointment on the same day, I was appointed as a Director and have been Chairman of the Board since 15 June 2017. I look forward to working with my fellow Directors, the Manager and shareholders in guiding the Company into the future.

I am pleased to report that the Company's net asset value (NAV) total return for the six months to 30 June 2017 was +5.8%. This compares favourably with a total return of +3.3% for the Merrill Lynch European High Yield Index and an average return of +3.1% for funds in the Investment Association Sterling Strategic Bond sector.

Improving economic data combined with continued monetary stimulus and easing political uncertainty provided a supportive environment for high yield bond markets during the first half of 2017. Despite yields continuing to fall the Company remains on course to match last year's total dividend with first and second interim dividends of 2.5p each declared in respect of the year ending 31 December 2017. The Manager's Investment Report provides further information on the market background and portfolio strategy during the review period.

Demand for the Company's shares continued to be strong during the six months. The Company's share price remained at a premium to NAV for most of the period under review and a total of 1.88 million shares were issued to satisfy demand. The average price of these shares issued was 197.83p. A further 775,000 shares have been issued since the half year end. The growth in the size of the Company provides two important benefits to shareholders. First, stock market liquidity is improved and secondly the Company's fixed costs as a percentage of the NAV are reduced.

The supportive environment enjoyed by high yield markets in the first half of the year might suggest that prospects are set fair. However, the Board agrees

with the Manager's view that a note of caution is appropriate. Yields and credit spreads are at exceptionally low levels and history suggests that in this type of environment there is growing risk that prices might not fully reflect an issuer's long-term fundamental prospects. Moreover, low yields owe much to the exceptionally easy monetary conditions maintained by central banks since the global financial crisis and toward the end of the period under review we were reminded of the challenges markets may well face when this largesse eventually starts to be unwound.

The Board is confident that the Manager's disciplined and rigorous approach ensures that it is well equipped to navigate the challenges of the current market environment; patience should ultimately be rewarded and the portfolio remains well placed to take advantage of any opportunities provided by any future market volatility.

Finally, I would like to take this opportunity on behalf of the Board and shareholders to thank my predecessor Clive Nicholson for his long and successful contribution both as Chairman of this Company and prior to that as a Director and Chairman of its predecessor. Clive retired as Chairman at the 2017 AGM having served the Company and its predecessor for a combined total of 12 years.

Tim Scholefield

Chairman

15 August 2017

Manager's Investment Report

Market Background

Accommodative monetary policy from central banks combined with a broadly supportive economic and political backdrop helped high yield bond markets to deliver positive returns during the first six months of 2017.

In the European high yield market, returns were driven by a further decline in yields – which move inversely to a bond's price. This fall in yields occurred despite the European high yield market having entered 2017 with its lowest ever starting yield (3.3% on the Merrill Lynch European High Yield index). At the end of June the yield on the index had fallen to 2.7%.

After the very low levels of issuance during the first half of 2016, European high yield bond gross issuance (total amount of bonds issued) in 2017 has been much higher, with data from Barclays indicating a 69% increase in European currency issuance. Net issuance (gross issuance less bonds that have redeemed), however, remains low with companies redeeming bonds at a relatively rapid pace. Although there has been a deterioration in the quality of issuance we do not believe that lending standards within the European high yield market have yet deteriorated to the levels seen prior to the financial crisis.

Toward the end of June, a change to a more hawkish tone in central bank rhetoric weighed on government bond markets. High yield bonds were less influenced by interest rate expectations than their investment grade counterparts. Nonetheless, with yields so low, the high yield market is left more exposed to a rise in government bond yields than has historically been the case.

Company Results

The NAV of the Company ended June 2017 at 195.23p, an increase of 5.91p on the close of 2016 NAV of 189.32p. The Company paid a total dividend of 5p over the period. The NAV total return for the 6 months was 5.8%.

Portfolio Strategy

The portfolio holds a core (36%) of non-financial high yield corporate bonds, focused on seasoned issuers that we consider have a low likelihood of default. In addition, we have significant exposure to areas of the market which we believe offer relatively attractive yields. Approximately 25% of the portfolio is invested in bank capital, predominantly in the subordinated debt of large European banks (Additional Tier 1 and Legacy Tier 1). We also have around a 10% allocation to subordinated bonds in the insurance sector. Elsewhere we have holdings in hybrid capital instruments (subordinated bonds with some equity-like characteristics). These instruments are held across various sectors including telecoms and utilities. We believe the subordination risk of these more junior debt instruments is attractive in the context of those companies' relatively strong balance sheets.

Borrowings and Gearing

The Company has borrowing facilities and the authority to use borrowings in order to gear the portfolio up to 30% of NAV. We can employ borrowings as a

form of additional liquidity during a market sell-off or during an extended period of low yields, or to take advantage of market opportunities. However, we did not feel it appropriate to employ borrowings during the first half of the year.

Outlook

Our view on the high yield market remains cautious. Yields are exceptionally low and credit spreads (the difference in yield between corporate and government bonds) are relatively tight. However, default rates remain low and, all else being equal, we would expect the default outlook to remain benign in the months ahead.

The focus of markets has now switched to the tapering of the European Central Bank's asset purchase programme. Discussion around this will be an important factor for markets and could cause yields to rise. Meanwhile other risks have reduced. Politics in Europe is now supportive of markets and the Eurozone economy continues to show signs of strength. Furthermore, the rescue of troubled banks in Italy, Spain and the UK has taken some of the risk out of the banking sector.

Our overall approach in this ongoing low yield environment remains focused on seeking to deliver a consistent and attractive level of income.

Rhys Davies Paul Read Paul Causer
Portfolio Managers

15 August 2017

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk factors relating to the Company can be summarised as follows:

- Investment Objective – there is no guarantee that the Company's investment objective will be achieved or will provide the returns sought by the Company.
- Investment Risk – material changes affecting global capital markets may have a negative effect on the Company's business, financial condition and results of operations. The poor performance of any individual portfolio investment has a negative effect on the value of the portfolio and consequently the Net Asset Value (NAV) per share. A majority of the portfolio comprises high-yield fixed-interest securities – these are subject to credit, interest rate, liquidity and duration risks, and a significant proportion of these are non-investment grade securities.
- Foreign Exchange Risk – the movement of exchange rates may have unfavourable or favourable impact on returns as the majority of the assets are non-sterling.
- Derivatives – the Company may enter into derivative transactions for efficient portfolio management. Derivative instruments can be highly volatile and expose investors to a high risk of loss.
- Dividends – the ability of the Company to pay dividends is dependent on the level of income generated from the portfolio.
- Ordinary Shares and Discount – the shares may trade at a discount to NAV and shareholders may be unable to realise their investment through the secondary market at NAV. The existence of a liquid market in the shares cannot be guaranteed.
- Gearing of Returns through Borrowings – performance may be geared by means of the Company's credit facility. Whilst gearing will be used with the aim of enhancing returns on the portfolio when the value of the Company's assets is rising, it will have the opposite effect when the value is falling. There is no guarantee that any credit facility would be renewable at maturity on terms acceptable to the Company.
- Operational Risk, including Reliance on Third Party Providers – failure by any service provider to carry out its obligations in accordance with the terms of its appointment could have a materially detrimental impact on the effective operation of the Company and on the ability of the Company to pursue its investment policy successfully.
- Regulatory and Tax Related – whilst compliance with rules and regulations is closely monitored, breaches could affect returns to shareholders. Changes to regulation or to the Company's tax status or tax treatment might adversely affect the Company.

A detailed explanation of these principal risks and uncertainties can be found on pages 11 to 13 of the Company's 2016 annual financial report.

In the view of the Board, these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the period under review.

RELATED PARTIES

Note 22 of the 2016 annual financial report gives details of related party transactions. The basis of these has not changed for the six months being reported. The 2016 annual financial report is available on the Company's section of the Manager's website at www.invescoperpetual.co.uk/citymerchants.

GOING CONCERN

The financial statements are prepared on a going concern basis. The Directors consider that going concern is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion, the Directors have taken into account the Company's investment objective, its risk management policies, the diversified nature of its investment portfolio, the borrowing facility which can be used to meet short-term funding requirements, the liquidity of most of its investments which could be used to repay any borrowings in the event that the facility could not be renewed or replaced and the ability of the Company to meet all of its liabilities and ongoing expenses.

BOND RATING ANALYSIS (STANDARD AND POOR'S RATINGS)

The definitions of these ratings are set out on page 58 of the 2016 annual financial report.

RATING	30 JUN 2017		31 DEC 2016	
	% OF PORTFOLIO	CUMULATIVE TOTAL %	% OF PORTFOLIO	CUMULATIVE TOTAL %
Investment Grade:				
AA+	2.5	2.5	2.7	2.7
A-	0.7	3.2	0.7	3.4
BBB+	4.0	7.2	5.1	8.5
BBB	2.9	10.1	3.7	12.2
BBB-	5.2	15.3	5.1	17.3
Non-investment Grade:				
BB+	15.8	31.1	15.8	33.1
BB	4.5	35.6	6.1	39.2
BB-	12.4	48.0	9.8	49.0
B+	12.7	60.7	13.6	62.6
B	12.3	73.0	10.6	73.2
B-	5.9	78.9	5.7	78.9
CCC+	2.3	81.2	2.9	81.8
CCC	1.5	82.7	1.2	83.0
D	0.3	83.0	—	83.0
NR *(including equity)	17.0	100.0	17.0	100.0
	100.0		100.0	
Summary of Analysis				
Investment Grade	15.3		17.3	
Non-investment Grade	67.7		65.7	
NR (including equity)	17.0		17.0	
	100.0		100.0	

* NR: not rated.

DIRECTORS' RESPONSIBILITY STATEMENT

in respect of the preparation of the half-yearly financial report.

The Directors are responsible for preparing the financial report, using accounting policies consistent with applicable law and International Financial Reporting Standards.

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements contained within the half-yearly financial report have been prepared in accordance with International Accounting Standards 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the FCA's *Disclosure Guidance and Transparency Rules*; and
- the interim management report includes a fair review of the information required on related party transactions.

The half-yearly financial report has not been audited or reviewed by the Company's auditor.

Signed on behalf of the Board of Directors.

Tim Scholefield
Chairman

15 August 2017

THIRTY LARGEST INVESTMENTS AT 30 JUNE 2017

ISSUER/ISSUE	MOODY'S&P RATING	INDUSTRY	COUNTRY OF INCORPORATION	MARKET VALUE £'000	% OF PORTFOLIO	ISSUER/ISSUE	MOODY'S&P RATING	INDUSTRY	COUNTRY OF INCORPORATION	MARKET VALUE £'000	% OF PORTFOLIO
Lloyds Banking Group		Financials	UK			Catlin Insurance		Financials	USA		
7.875% Perpetual	NA/BB-			4,573		7.249% FRN Perpetual	NA/BBB+			2,339	1.4
7% Var Perpetual	NA/BB-			3,178		Koninklijke KPN		Telecommunications	Netherlands		
				7,751	4.6	6.875% FRN 14 Mar 2073	Ba2/BB			2,230	1.3
Aviva		Financials	UK			HSBC		Financials	UK		
6.125% Perpetual	Baa1/BBB			4,077		5.25% 14 Mar 2044	A2/BBB+			540	
8.875% Preference	NA/NR			1,817		4.25% 14 Mar 2024	A2/BBB+			511	
				5,894	3.5	6.375% FRN Perpetual	Baa3/NR			497	
Intesa Sanpaolo		Financials	Italy			6% FRN Perpetual	Baa3/NR			406	
8.375% FRN Perpetual	Ba3/B+			3,234		6.375% Cnv Perpetual	Baa3/NR			210	
7% Perpetual	Ba3/B+			1,017						2,164	1.3
7.75% Perpetual	Ba3/B+			719		Virgin Media Finance		Consumer Services	UK		
				4,970	3.0	7.0% 15 Apr 2023 (SNR)	B2/B			1,598	
Société Générale		Financials	France			6.25% 28 Mar 2029	Ba3/BB-			520	
8.875% FRN Perpetual	Ba2/BB+			4,333	2.6					2,118	1.3
US Treasury		Government Bonds	USA			Pizza Express		Consumer Services	UK		
2.5% 15 Feb 2046	Aaa/AA+			4,167	2.5	8.625% 01 Aug 2022	Caa1/CCC+			1,112	
Standard Chartered		Financials	UK			6.625% 01 Aug 2021	B2/B			994	
5.125% 06 Jun 2034	Baa1/BBB-			2,049						2,106	1.3
5.7% 26 Mar 2044	Baa1/BBB-			1,728		Iron Mountain		Financials	USA		
				3,777	2.2	6.125% 15 Sep 2022	Ba3/BB-			2,058	1.2
Telefonica Europe		Telecommunications	Netherlands			Pension Insurance		Financials	UK		
6.75% Perpetual	Ba2/BB+			2,320		8% 23 Nov 2016	NA/NR			1,997	1.2
5.875% Perpetual	Ba2/BB+			1,409		Electricite De France		Utilities	France		
				3,729	2.2	6% Perpetual	Baa3/BB			1,364	
Santos Finance		Oil and Gas	Australia			5.875% Perpetual	Baa3/BB			611	
8.25% FRN 22 Sep 2070	NR/BB+			3,541	2.1					1,975	1.2
SFR		Telecommunications	France			Marfrig		Consumer Goods	Netherlands		
7.375% 01 May 2026 (SNR)	B1/B+			3,491	2.1	8.375% 09 May 2018	B2/B+			1,654	
Premier Foods Finance		Consumer Goods	UK			6.875% 24 June 2019 (SNR)	B2/B+			317	
6.5% 15 Mar 2021 (SNR)	B2/B			2,533						1,971	1.2
FRN 15 Jul 2022 (SNR)	B2/B			783		TVL Finance		Consumer Services	UK		
				3,316	2.0	8.5% 15 May 2023 (SNR)	B3/B-			1,197	
Barclays		Financials	UK			FRN 15 May 2023 (SNR)	B3/B-			750	
9.25% Perpetual	Ba1/BB+			1,208						1,947	1.1
7% Perpetual	NR/B+			1,020		Citigroup Capital		Financials	USA		
8% Perpetual	NR/B+			337		6.829% FRN 28 Jun 2067	Ba1/BB+			1,926	1.1
7.875% Var Perpetual	Ba2/B+			233		Constellium		Basic Materials	Netherlands		
				2,798	1.7	7% 15 Jan 2023 (SNR)	Caa1/CCC+			903	
Balfour Beatty		Industrials	UK			4.625% 15 May 2021	Caa1/CCC+			612	
10.75p Convertible Preference	NA/NR			2,772	1.6	5.75% 15 May 2024	Caa1/CCC+			355	
Virgin Money		Financials	UK							1,870	1.1
8.75% Perpetual	NA/NR			2,721	1.6	Ocado		Consumer Goods	UK		
Enterprise Inns		Consumer Services	UK			4% 15 Jun 2024 (SNR)	Ba3/NR			1,868	1.1
6.375% 15 Feb 2022 (SNR)	NR/BB-			1,365		Greenko		Utilities	Netherlands		
6% 06 Oct 2023	NR/BB-			1,082		8% 01 Aug 2019	NR/B+			1,861	1.0
6.5% 06 Dec 2018 (SNR)	NR/BB-			256						89,556	53.2
				2,703	1.6	Other investments				78,808	46.8
Drax Finco		Electrical & Electronics	Luxembourg			Total investments				168,364	100.00
4.25% 01 May 2022 (SNR)	NR/BB+			2,050							
FRN 01 May 2022	NR/BB+			638							
				2,688	1.6						
Enel		Utilities	Italy								
7.75% 10 Sep 2075	Ba1/BB+			1,627							
6.625% Var 15 Sep 2076	Ba1/BB+			848							
				2,475	1.5						

CONDENSED STATEMENT OF CHANGES IN EQUITY

	STATED CAPITAL £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
FOR THE SIX MONTHS ENDED 30 JUNE 2017				
At 31 December 2016	148,609	22,174	3,410	174,193
Net proceeds from issue of new shares – note 6	3,700	—	—	3,700
Total comprehensive income for the period	—	5,403	4,619	10,022
Dividends paid – note 4	(10)	—	(4,602)	(4,612)
At 30 June 2017	152,299	27,577	3,427	183,303
FOR THE SIX MONTHS ENDED 30 JUNE 2016				
At 31 December 2015	138,323	12,802	2,851	153,976
Net proceeds from issue of new shares	2,233	—	—	2,233
Total comprehensive income for the period	—	(1,038)	4,560	3,522
Dividends paid – note 4	(17)	—	(4,323)	(4,340)
At 30 June 2016	140,539	11,764	3,088	155,391

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE SIX MONTHS TO 30 JUN 2017			FOR THE SIX MONTHS TO 30 JUN 2016		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Profit on investments held at fair value	—	4,991	4,991	—	5,377	5,377
Exchange differences	—	(344)	(344)	—	(252)	(252)
Profit/(loss) on derivative financial instruments						
– currency hedges	—	1,003	1,003	—	(5,953)	(5,953)
Income – note 5	5,317	—	5,317	5,242	—	5,242
Investment management fee – note 2	(440)	(237)	(677)	(374)	(202)	(576)
Other expenses	(224)	(2)	(226)	(212)	—	(212)
Profit/(loss) before finance costs and taxation	4,653	5,411	10,064	4,656	(1,030)	3,626
Finance costs	(15)	(8)	(23)	(14)	(8)	(22)
Profit/(loss) before taxation	4,638	5,403	10,041	4,642	(1,038)	3,604
Taxation	(19)	—	(19)	(82)	—	(82)
Profit/(loss) after taxation	4,619	5,403	10,022	4,560	(1,038)	3,522
Return per ordinary share	5.0p	5.8p	10.8p	5.2p	(1.2)p	4.0p
Weighted average number of shares in issue			92,499,048			87,090,536

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards as adopted by the EU. The profit after taxation is the total comprehensive income. The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

CONDENSED BALANCE SHEET

Registered in Jersey No. 109714

	AT 30 JUN 2017 £'000	AT 31 DEC 2016 £'000
Non-current assets		
Investments held at fair value through profit or loss	168,364	155,718
Current assets		
Other receivables – accrued income	2,953	3,056
Amounts due from brokers	459	—
Proceeds due from issue of new shares	258	—
Derivative financial instruments		
– unrealised net profit	—	1,251
Cash and cash equivalents	13,550	14,593
	17,220	18,900
Current liabilities		
Other payables	(429)	(425)
Amount due to brokers	(1,774)	—
Derivative financial instruments		
– unrealised net loss	(78)	—
	(2,281)	(425)
Net assets	183,303	174,193
Capital and reserves		
Stated capital – note 6	152,299	148,609
Capital reserve	27,577	22,174
Revenue reserve	3,427	3,410
Shareholders' funds	183,303	174,193
Net asset value per ordinary share	195.23p	189.32p
Number of shares in issue at the period end – note 6	93,891,204	92,011,204

CONDENSED STATEMENT OF CASH FLOW

	SIX MONTHS TO 30 JUN 2017 £'000	SIX MONTHS TO 30 JUN 2016 £'000
Cash flow from operating activities		
Profit before tax	10,041	3,604
Taxation	(19)	(82)
Adjustment for:		
– Purchases of investments	(29,362)	(18,067)
– Sales of investments	23,022	12,011
	(6,340)	(6,056)
Profit on investments at fair value	(4,991)	(5,377)
Exchange differences	1	2
Net cash movement from derivative instruments – currency hedges	1,329	2,663
Finance costs	23	22
Operating cash flows before movements in working capital	44	(5,224)
Decrease/(increase) in receivables	103	(96)
Increase/(decrease) in payables	4	(50)
Net cash flows from operating activities after taxation	151	(5,370)
Cash flow from financing activities		
Finance cost paid	(23)	(22)
Net proceeds from issue of shares	3,442	2,233
Net equity dividends paid – note 4	(4,612)	(4,340)
Net cash flow from financing activities	(1,193)	(2,129)
Net decrease in cash and cash equivalents	(1,042)	(7,499)
Exchange differences	(1)	(2)
Cash and cash equivalents at the beginning of the period	14,593	10,730
Cash and cash equivalents at the end of the period	13,550	3,229
Cash flow from operating activities includes:		
– Dividends	282	403
– Interest	5,113	4,606

NOTES TO THE INTERIM FINANCIAL RESULTS

1. Basis of Preparation

The condensed financial statements have been prepared using the same accounting policies as those adopted in the 2016 annual financial report. They have been prepared on an historical cost basis, in accordance with the applicable International Financial Reporting Standards and in accordance with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in November 2014, as amended in January 2017.

2. Management Fees

Investment management fees and finance costs are allocated 35% to capital and 65% to revenue.

The management fee is payable quarterly in arrears and is equal to 0.1875% of the value of the Company's total assets under management less current liabilities at the end of each quarter.

In addition, the Manager is paid a fixed administration fee of £25,000, based on £22,500 plus RPI per annum.

3. Taxation

The Company is subject to Jersey income tax at the rate of 0% (2016: 0%). The overseas tax charge consists of irrecoverable withholding tax.

4. Dividends Paid

SIX MONTHS TO 30 JUNE	2017		2016	
	PENCE	£'000	PENCE	£'000
Interim dividends in respect of previous period	2.5	2,300	2.5	2,158
First interim dividend	2.5	2,312	2.5	2,182
	5.0	4,612	5.0	4,340

Dividends paid in the period have been charged to revenue except for £10,000 (six months to 30 June 2016: £17,000) which was charged to stated capital. This amount is equivalent to the income accrued on the new shares issued in the period (see note 6).

A second interim dividend of 2.5p (2016: 2.5p) has been declared and will be paid on 25 August 2017 to ordinary shareholders on the register on 21 July 2017.

5. Income

SIX MONTHS TO 30 JUNE	2017 £'000	2016 £'000
Investment income – interest:		
– UK	1,911	1,856
– Overseas	3,165	3,086
Dividends:		
– UK	224	283
– Overseas	16	14
Deposit interest	1	3
	5,317	5,242

6. Stated Capital, including Movements

Allotted ordinary shares of no par value.

	SIX MONTHS TO 30 JUN 2017	YEAR TO 31 DEC 2016
Stated capital:		
Brought forward	£148,609,000	£138,323,000
Net issue proceeds	£3,700,000	£10,401,000
Dividend paid from stated capital	£(10,000)	£(115,000)
Carried forward	£152,299,000	£148,609,000
Number of ordinary shares:		
Brought forward	92,011,204	86,337,459
Issued in period	1,880,000	5,673,745
Carried forward	93,891,204	92,011,204
Per share:		
– average issue price	197.83p	184.51p

Of the net issue proceeds of £3,700,000, an aggregate amount of £10,000 represented the accrued income element of the net asset value attributed to the new shares.

Subsequent to the period end 775,000 shares have been issued at an average price of 198.83p.

7. Classification Under Fair Value Hierarchy

Note 19 of the 2016 annual financial report sets out the basis of classification.

There were no Level 3 holdings at any period end, and the total (not shown) is therefore the aggregated of Level 1 and Level 2.

	AT 30 JUN 2017		AT 31 DEC 2016	
	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 1 £'000	LEVEL 2 £'000
<i>Financial assets designated at fair value through profit or loss:</i>				
– Fixed interest securities ⁽¹⁾	—	159,618	—	145,998
– Convertibles	—	2,727	—	3,310
– Preference	3,247	—	2,990	—
– Convertible preference	2,772	—	2,856	—
– Warrants	—	—	564	—
– Derivative financial instruments:				
Currency hedges	—	—	—	1,251
Total for financial assets	6,019	162,345	6,410	150,559
<i>Financial liabilities designated at fair value through profit or loss:</i>				
– Derivative financial instruments: Currency hedges	—	78	—	—
Total for financial liabilities	—	78	—	—

(1) Fixed interest securities include both fixed and floating rate securities.

8. Status of Half-yearly Financial Report

The financial information contained in this half-yearly report, which has not been audited by the Companies auditor and does not constitute statutory accounts as defined in Article 104 of Companies (Jersey) Law 1991. The financial information for the half year ended 30 June 2017 and the half year ended 30 June 2016 have not been audited. The figures and financial information for the year ended 31 December 2016 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year.

By order of the Board
R&H Fund Services (Jersey) Limited
 Company Secretary

15 August 2017

DIRECTORS, ADVISERS AND EXTERNAL SERVICE PROVIDERS

Directors

Tim Scholefield (Chairman)
Philip Taylor (Audit Committee Chairman)
Philip Austin
John Boothman
Winifred Robbins

Manager and Alternative Investment Fund Manager

Invesco Fund Managers Limited
Perpetual Park, Perpetual Park Drive
Henley-on-Thames, Oxfordshire RG9 1HH
☎ 01491 417 000

Manager's Website

Information relating to the Company can be found on the Manager's website, at www.invescoperpetual.co.uk/investmenttrusts.

The contents of websites referred to in this document, or accessible from links within those websites, are not incorporated into, nor do they form part of, this interim report.

Company Secretary, Administrator and Registered Office

R&H Fund Services (Jersey) Limited
P.O. Box 83, Ordnance House
31 Pier Road, St. Helier
Jersey JE4 8PW

Company Secretarial Contact: Hilary Jones
☎ 01534 825 200

Registered in Jersey No: 109714

Invesco Perpetual Client Services

Invesco Perpetual has a Client Services Team available from 8.30am to 6pm, Monday to Friday (excluding bank holidays). Current valuations, statements and literature can be obtained, however, no investment advice can be given.

☎ 0800 085 8677

🌐 www.invescoperpetual.co.uk/investmenttrusts

Dividend Re-Investment Plan

Capita Registrars manage a Dividend Re-Investment Plan for the Company. Shareholders wishing to re-invest their dividends should contact the registrar.

Corporate Broker

Winterflood Securities Limited
The Atrium Building, Cannon Bridge
25 Dowgate Hill, London EC4R 2GA

Depository

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

Registrar

Capita Registrars
12 Castle Street
St Helier
Jersey JE2 3RT

Shareholders who hold shares directly and in their own name and have queries relating to their shareholding should contact the Registrar's call centre on:

☎ 0871 664 0300

Calls cost 12p per minute plus your phone company's access charge.

☎ +44 371 664 0300 (from outside the UK).

Calls from outside the United Kingdom will be charged at the applicable international rate.

Lines are open 9.00 am to 5.30 pm Monday to Friday (excluding public holidays in England and Wales).

Shareholders holding shares directly can also access their holding details via Capita's website:

www.signalshares.com

The Registrar provides an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling on:

☎ 0371 664 0445

www.capitadeal.com

Calls are charged at the standard geographic rate and will vary by provider.

Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open 8.00am to 4.30pm Monday to Friday (excluding UK public holidays in England and Wales).

☎ +44 371 664 0300 (from outside the UK).

The Company's shares qualify to be considered as a mainstream product suitable for promotion to retail investors.



Invesco Fund Managers Limited is a wholly owned subsidiary of Invesco Limited and is authorised and regulated by the Financial Conduct Authority

Invesco Perpetual is a business name of Invesco Fund Managers Limited.