

City Merchants High Yield Trust Limited

Half-Yearly Financial Report for the Six Months to 30 June 2014

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.

Objective of the Company

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.

The Company seeks to provide a high level of dividend income relative to prevailing interest rates through investment in fixed-interest securities, various equity-like securities within fixed-income markets and equity-linked securities such as convertible bonds and in direct equities that have a high income yield. It also seeks to enhance total returns through capital appreciation generated by investments which have equity-related characteristics.

Performance Statistics

	FOR SIX MONTHS TO 30 JUN 2014	FOR YEAR TO 31 DEC 2013
Net Asset Value		
Total return	+4.4%	+13.3%
Capital return	+1.7%	+7.5%
Movement in share price*	+3.5%	+11.9%
Dividend for the period	5p	10p

Period End Information

	AT 30 JUN 2014	AT 31 DEC 2013
Net asset value per share	187.28p	184.12p
Share price*	190.50p	184.00p
(Premium)/discount per share	(1.7%)	0.1%
Gearing		
Gross gearing	nil	nil
Net cash	6.0%	5.5%

* Source: Thomson Reuters Datastream.

INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

Chairman's Statement

I am pleased to report that the Company has continued to operate satisfactorily through the first half of 2014.

In the six months to 30 June 2014, the total return net asset value was +4.4% which compares favourably with the average return of 4.1% from the funds in the Investment Management Association Sterling Strategic Bond sector.

The Manager's Investment Report, which follows, provides some background on how this was achieved and how the portfolio is positioned.

I commented in the last annual report that subsequent to the year end the Company's shares had begun to trade at a premium to net asset value (NAV). I am pleased to report that this has continued, indicating heightened demand for the Company's shares. Consequently the Company was able to issue 5,075,000 shares in the six months to 30 June 2014, at an average price of 187.87p, and a further 850,000 shares have been issued prior to the date of this report. Altogether, this represents approximately £11.1 million of capital raised so far this year. These shares were issued at a premium to NAV, which has enhanced net assets by approximately £85,000, in aggregate net of costs.

The Company continues to produce an attractive level of income for shareholders and the first and second interim dividends for this year, each of 2.5p, are in line with our target of matching last year's total dividends.

The Board believes the portfolio remains well positioned to continue to provide an attractive level of income for shareholders with some limited potential for capital appreciation.

In order to comply with the Alternative Investment Fund Managers Directive (AIFMD) it has been necessary for the Company to make some new administrative arrangements:

Your Board has appointed Invesco Fund Managers Limited (IFML) as the Company's Alternative Investment Fund Manager (AIFM), by way of a new investment management agreement between the Company and IFML that became effective on 22 July 2014. IFML is an affiliate of the Company's previous investment manager, Invesco Asset Management Limited (IAML) and has been authorised as an AIFM by the UK's Financial Conduct Authority. The previous investment management agreement between the Company and IAML has been terminated, although IAML continues to manage the Company's investment portfolio under delegated authority from IFML. The management fee and notice period remain unchanged.

The Company has also appointed BNY Mellon Trust & Depositary (UK) Limited to act as the Company's depositary under the terms of a depositary agreement also dated 22 July 2014 and entered into between the Company, the AIFM and the Depositary. The Depositary has delegated safe keeping of the Company's investments to the Company's previous custodian, The Bank of New York Mellon (London Branch). It is not expected or intended that these new arrangements will result in any change to the way the Company's assets are invested.

Clive Nicholson

Chairman

19 August 2014

Manager's Investment Report

Market Background

The high yield bond market achieved positive returns in the first half of the year. With inflation data lower than expected in the major developed markets, falling core government yields supported the wider market. Demand for income-bearing assets was strong. This helped high yield bonds to outperform both core government bonds and investment grade corporate bonds.

Coming into 2014, it was a widely held view that government yields in the major developed markets would be pushed higher by improving economic growth and anticipation of monetary tightening. This has not happened. Instead, bond yields have fallen. US growth in the first quarter was negative, which surprised the market but was largely ascribed to the impact of severe winter weather, an effect that is expected to unwind quickly. Growth in the UK has not disappointed, with business sentiment, employment and retail sales data suggesting the recovery is continuing to strengthen. The eurozone economy, particularly in the earlier part of the period, also showed encouraging signs of growth. But the weakness of inflation has been a surprise. Headline CPI readings well below 2% have been recorded in the US and the UK, while in the eurozone the rate fell from 0.8% in January to just 0.5% in June.

Combined with signs later in the reporting period that the eurozone recovery could weaken again, this low level of inflation was enough to prompt the European Central Bank to cut interest rates in June. The bank also announced a number of measures aimed at stimulating lending to the business and consumer sectors and made clear its preparedness to initiate a programme of outright asset purchases. Conversely, the strength of economic data in the UK and the US has led to increased anticipation of interest rate hikes in these economies. This bifurcation of monetary policy expectations across the major central banks has been an important influence on yields in recent weeks, with Bunds and other euro-denominated bonds extending their year-to-date rally while the yields of sterling and dollar-denominated bonds have risen.

According to data from Merrill Lynch, the total return for European high yield bonds in the first half of 2014 was 2.2% (in sterling terms). This return was depressed by the appreciation in the value of the pound against the euro over the period. In local currency terms, the return was 5.5%. The aggregate yield for the sector fell 64bps to 4.43%. By comparison, sterling investment grade bonds returned 5.0% and Gilts returned 3.5%. Compared to preceding periods, there was little variance in returns across the sectors of the corporate bond market, with financials and non-financials roughly in line.

High yield bond issuance has been strong throughout this period, as corporates have taken the opportunity offered by current market conditions to raise capital on relatively attractive terms. Barclays estimates there was

£56.6 billion of European high yield supply in the first half of 2014, across all currencies. This is 48% higher than in the same period in 2013. Supply was boosted by the largest high yield offering ever, when Numericable and Altice together issued \$10.7 billion to fund a leveraged buyout. Wind, the Italian telecom, raised a total of €1.75 billion across euro and dollar bonds. The order book for this deal was reported to be €10 billion.

Defaults remain low. According to Moody's, the trailing 12 month global high yield default rate was 2.3% in May 2014, down from 2.5% in April 2014 and 2.8% in May 2013.

Portfolio Strategy

The net asset value of the Company ended June 2014 at 187.28p, up from 184.12p at the close of 2013, an increase of 1.7%. The Company paid a total dividend of 5p over the period, giving rise to a total return net asset value of 4.4%.

The portfolio holds a core of high yield corporate bonds, focused on seasoned issuers that we consider to be default-remote. In addition, we have significant exposure to areas of the market which we believe still offer relatively attractive yield. Approximately one quarter of the portfolio is invested in bank capital, predominantly in the subordinated debt of large European banks. The valuations of these instruments have risen strongly but we think that this reflects the increased creditworthiness of a sector whose fundamentals have continued to improve. We also have holdings in hybrid capital instruments, across sectors including telecoms and utilities. We believe the subordination risk of these more junior debt instruments is attractive in the context of the companies' relatively strong balance sheets. We continue to seek opportunities to add yield to the portfolio where we consider that the balance of reward to risk is attractive.

Outlook

The high yield bond market has continued to deliver strong positive returns in recent quarters, but we have not seen the level of spread tightening that occurred in 2012 and 2013. In our opinion, the market is now fully valued and we see little potential for further capital appreciation. Yields and spreads are low by historical standards. We are seeking to provide an attractive level of income while focusing our portfolio on issuers with low default risk and on bonds where we think the balance of reward to risk remains relatively good.

Invesco Asset Management Limited

Manager

Paul Read **Paul Causer** **Rhys Davies**
Portfolio Managers Deputy Portfolio Manager

19 August 2014

PRINCIPAL RISKS AND UNCERTAINTIES

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

- Investment Objective – the success of the Company depends on the Portfolio Managers' ability to achieve the Company's 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 – global markets have been experiencing volatility, disruption and instability. 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.
- Dividends – the ability of the Company to pay dividends quarterly is dependent on the level and timing of receipt of income on its investments.
- Ordinary Shares – the shares may trade at a discount to NAV and

shareholders may be unable to realise their investments through the secondary market at NAV. The existence of a liquid market in the shares cannot be guaranteed.

- Gearing of Returns through Borrowings – performance maybe geared by means of a bank 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.
- Resources: 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.
- 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.

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 AND TRANSACTIONS WITH THE MANAGER

Note 20 of the 2013 annual financial report gives details of related party transactions and transactions with the Manager. The basis of these has not changed for the six months being reported. The 2013 annual financial report is available on the Manager's website at www.invescopetual.co.uk/investmenttrusts.

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 63 of the 2013 annual financial report.

RATING	30 JUN 2014		31 DEC 2013	
	% OF PORTFOLIO	CUMULATIVE TOTAL %	% OF PORTFOLIO	CUMULATIVE TOTAL %
Investment Grade:				
AA+	0.4	0.4	—	—
A-	3.9	4.3	1.2	1.2
BBB+	6.2	10.5	4.6	5.8
BBB	6.8	17.3	7.0	12.8
BBB-	10.8	28.1	10.0	22.8
Non-investment Grade:				
BB+	9.3	37.4	12.2	35.0
BB	9.3	46.7	8.5	43.5
BB-	11.7	58.4	6.0	49.5
B+	8.2	66.6	9.8	59.3
B	8.3	74.9	11.6	70.9
B-	2.7	77.6	2.6	73.5
CCC+	2.0	79.6	1.9	75.4
CCC	0.1	79.7	0.3	75.7
NR (including equity)	20.3	100.0	24.3	100.0
	100.0		100.0	

THIRTY LARGEST INVESTMENTS AT 30 JUNE 2014

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 – Lloyds Bank & LBG Capital		Financials	UK			Balfour Beatty 10.75p Convertible Preference	NR/NR	Industrials	UK	2,176	1.63
7.875% Var Perpetual	NR/BB–			4,258		Citigroup 6.829% FRN 28 Jun 2067	Ba1/BB+	Financials	USA	2,135	1.60
7% Var Perpetual	NR/BB–			2,126		Koninklijke KPN 6.875% FRN 14 Mar 2073	Ba2/BB	Telecommunications	Netherlands	2,111	1.59
6.385% 12 May 2020	Baa3/BBB–			1,309		REA Finance 9.5% 31 Dec 2017	NR/NR	Consumer Goods	Netherlands	2,090	1.57
				7,693	5.79	Gala Finance 8.875% 01 Sep 2018	B2/B+	Consumer Services	UK	1,917	1.44
Aviva & General Accident		Financials	UK			Virgin Media Finance 8.875% 15 Oct 2019	B2/B	Consumer Services	UK	708	
6.125% Perpetual	Baa1/BBB			3,887		6% 15 Apr 2021	Ba3/BB–			682	
8.875% Preference	NR/NR			1,541		6.25% 28 Mar 2029	Ba3/BB–			510	
				5,428	4.09					1,900	1.43
Société Générale		Financials	France			Catlin Insurance 7.249% FRN Perpetual	NR/BBB+	Financials	USA	1,897	1.42
8.875% FRN Perpetual	Ba2/BBB–			4,641		Santos Finance 8.25% FRN 22 Sep 2070	NR/BBB	Oil and Gas	Australia	1,838	1.38
8.25% Perpetual	Ba3/BB+			229		Obrascon Huarte Lain 8.75% 15 Mar 2018	Ba3/NR	Industrials	Spain	1,740	1.31
7.875% FRN Perpetual	Ba3/BB+			177		Origin Energy 7.875% 16 Jun 2071	Ba1/BB+	Oil and Gas	Australia	1,728	1.30
				5,047	3.79	BPCE 9% FRN Perpetual	Ba2/BBB–	Financials	France	1,666	1.25
General Motors		Consumer Goods	USA			AXA 5.25% FRN 16 Apr 2040	A3/BBB	Financials	France	900	
Wts 10 Jul 2019	Equity			4,448		6.379% FRN Perpetual	Baa1/BBB–			634	
Wts 10 Jul 2016	Equity			495						1,534	1.15
				4,943	3.71	UniCredit International Bank		Financials	Luxembourg	952	
Premier Farnell		Industrials	UK			8.125% FRN Perpetual	B1/BB			548	
89.2p Convertible Preference	NR/NR			4,142	3.11	8.5925% FRN Perpetual	B1/BB			1,500	1.13
Credit Agricole		Financials	France			Standard Life 6.75% Perpetual	A3/A–	Financials	UK	1,122	
7.589% FRN Perpetual	Ba2/BBB–			2,394		5.5% 04 Dec 2042	Baa2/BBB			368	
7.5% Var Perpetual	NR/NR			958						1,490	1.12
8.125% FRN Perpetual	Ba2/BBB–			574		Commerzbank 7.75% 16 Mar 2021	Ba2/BB+	Financials	Germany	993	
				3,926	2.94	8.125% 19 Sep 2023	Ba2/BB+			428	
Telefonica Europe		Telecommunications	Netherlands							1,421	1.07
6.75% Perpetual	Ba1/BB+			2,226		Iron Mountain 6.75% 15 Oct 2018	B1/B	Support Services	USA	1,415	1.06
5.875% Perpetual	Ba1/BB+			1,201							
				3,427	2.57					81,752	61.40
Standard Chartered		Financials	UK			Other investments				51,387	38.60
5.125% 06 Jun 2034	A3/A–			1,848							
5.7% 26 Mar 2044	A3/A–			1,211		Total investments				133,139	100.00
9.5% FRN Perpetual	A3/A–			302							
				3,361	2.52						
Intesa Sanpaolo		Financials	Italy								
8.375% FRN Perpetual	Ba3/BB			3,108	2.33						
Enterprise Inns		Consumer Goods	UK								
6.5% 06 Dec 2018 (SNR)	NR/BB–			2,705	2.03						
Electricite De France		Utilities	France								
6% Perpetual	A3/BBB+			1,382							
5.875% Perpetual	A3/BBB+			1,039							
				2,421	1.82						
UPC		Consumer Services	Germany								
9.625% 01 Dec 2019	B3/B			1,719							
5.625% 15 Apr 2023	Ba3/BB–			699							
				2,418	1.82						
ENEL		Utilities	Italy								
7.75% 10 Sep 2075	Ba1/BB+			1,589							
6.625% 15 Sep 2076	Ba1/BB+			796							
				2,385	1.79						
Barclays		Financials	UK								
9.25% Perpetual	Ba1/BBB–			1,193							
6.625% 30 Mar 2022	Baa3/BBB			997							
				2,190	1.64						

CONDENSED STATEMENT OF CHANGES IN EQUITY

	STATED CAPITAL £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
FOR THE SIX MONTHS ENDED 30 JUNE 2014				
At 31 December 2013	113,410	18,368	2,239	134,017
Net proceeds from issue of shares	9,479	—	—	9,479
Total comprehensive income for the period	—	2,541	3,512	6,053
Dividends paid - note 4	(98)	—	(3,634)	(3,732)
At 30 June 2014	122,791	20,909	2,117	145,817
FOR THE SIX MONTHS ENDED 30 JUNE 2013				
At 31 December 2012	113,410	9,336	1,929	124,675
Total comprehensive income for the period	—	2,970	3,807	6,777
Dividends paid - note 4	—	—	(3,640)	(3,640)
At 30 June 2013	113,410	12,306	2,096	127,812
FOR THE YEAR ENDED 31 DECEMBER 2013				
At 31 December 2012	113,410	9,336	1,929	124,675
Total comprehensive income for the year	—	9,032	7,589	16,621
Dividends paid - note 4	—	—	(7,279)	(7,279)
At 31 December 2013	113,410	18,368	2,239	134,017

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE SIX MONTHS TO 30 JUN 2014			FOR THE SIX MONTHS TO 30 JUN 2013			FOR THE YEAR ENDED 31 DEC 2013
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000	TOTAL £'000
Profit on investments held at fair value	—	1,153	1,153	—	5,034	5,034	10,272
Exchange differences	—	(241)	(241)	—	(51)	(51)	(500)
Profit/(loss) on derivative financial instruments – currency hedges	—	1,822	1,822	—	(1,835)	(1,835)	(384)
Income							
UK dividends	184	—	184	301	—	301	720
UK investment income – interest	1,421	—	1,421	1,508	—	1,508	2,987
Overseas investment income – interest	2,512	—	2,512	2,525	—	2,525	4,966
Overseas dividends	8	—	8	4	—	4	11
Deposit interest	1	—	1	1	—	1	2
	4,126	2,734	6,860	4,339	3,148	7,487	18,074
Investment management fee – note 2	(346)	(186)	(532)	(312)	(168)	(480)	(972)
Other expenses	(188)	—	(188)	(172)	(1)	(173)	(362)
Profit before finance costs and taxation	3,592	2,548	6,140	3,855	2,979	6,834	16,740
Finance costs	(12)	(7)	(19)	(16)	(9)	(25)	(44)
Profit before tax	3,580	2,541	6,121	3,839	2,970	6,809	16,696
Taxation	(68)	—	(68)	(32)	—	(32)	(75)
Profit after tax	3,512	2,541	6,053	3,807	2,970	6,777	16,621
Return per ordinary share – note 5	4.7p	3.4p	8.1p	5.2p	4.1p	9.3p	22.8p

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards. The profit after tax is the total comprehensive income. The supplementary revenue and capital columns are presented for information 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 and the Company has no other gains or losses. No operations were acquired or discontinued in the period.

CONDENSED BALANCE SHEET

Registered in Jersey No. 109714

	AT 30 JUN 2014 £'000	AT 30 JUN 2013 £'000	AT 31 DEC 2013 £'000
Non-current assets			
Investments held at fair value through profit or loss	133,139	121,685	123,775
Current assets			
Other receivables – accrued income	2,580	2,292	2,502
Amounts due from brokers	786	—	526
Derivative financial instruments – unrealised gain on forward currency contracts	899	—	216
Cash and cash equivalents	8,790	4,625	7,365
	13,055	6,917	10,609
Total assets	146,194	128,602	134,384
Current liabilities			
Other payables	(377)	(329)	(367)
Amount due to brokers	—	(300)	—
Derivative financial instruments – unrealised loss on forward currency contract	—	(161)	—
	(377)	(790)	(367)
Net assets	145,817	127,812	134,017
Capital and reserves			
Stated capital – note 7	122,791	113,410	113,410
Capital reserve	20,909	12,306	18,368
Revenue reserve	2,117	2,096	2,239
Shareholders' funds	145,817	127,812	134,017
Net asset value per ordinary share – note 6	187.28p	175.60p	184.12p

CONDENSED STATEMENT OF CASH FLOW

	SIX MONTHS TO 30 JUN 2014 £'000	SIX MONTHS TO 30 JUN 2013 £'000	YEAR TO 31 DEC 2013 £'000
Cash flow from operating activities			
Profit before tax	6,121	6,809	16,696
Taxation	(68)	(32)	(75)
Adjustment for:			
Purchases of investments	(42,388)	(21,302)	(30,182)
Sales of investments	33,918	22,478	33,680
	(8,470)	1,176	3,498
Profit on investments	(1,153)	(5,034)	(10,272)
Exchange differences	241	51	500
(Profit)/loss on derivative financial instruments – currency hedges	(683)	151	(226)
Finance costs	19	25	44
Operating cash flows before movements in working capital	(3,993)	3,146	10,165
(Increase)/decrease in receivables	(78)	115	(95)
Increase/(decrease) in payables	10	(14)	24
Net cash flows from operating activities before and after tax	(4,061)	3,247	10,094
Cash flow from financing activities			
Finance costs paid	(20)	(25)	(44)
Net proceeds from issue of shares	9,479	—	—
Equity dividends paid – note 4	(3,732)	(3,640)	(7,279)
Net cash flows from financing activities	5,727	(3,665)	(7,323)
Net increase/(decrease) in cash and cash equivalents	1,666	(418)	2,771
Exchange differences	(241)	(51)	(500)
Cash and cash equivalents at the beginning of the period	7,365	5,094	5,094
Cash and cash equivalents at the end of the period	8,790	4,625	7,365

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 2013 annual financial report. They have been prepared on an historical cost basis, except for the measurements at fair value of investments and derivatives, and in accordance with the applicable International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee as adopted by the European Union.

Where presentational guidance set out in the Statement of Recommended Practice (SORP): Financial Statements of Investment Trust Companies and Venture Capital Trusts' is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

2. Management Fee

Investment management fees and finance costs are allocated 35% to capital and 65% to revenue. The management fee is payable quarterly in arrear 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 relevant quarter, plus a fixed amount of £24,000 per annum.

3. Taxation

The Company is subject to Jersey income tax at the rate of 0% (2013: 0%). The overseas tax charge consists of irrecoverable withholding tax.

4. Dividends Paid

	SIX MONTHS TO 30 JUN 2014		SIX MONTHS TO 30 JUN 2013		YEAR TO 31 DEC 2013	
	PENCE	£'000	PENCE	£'000	PENCE	£'000
Interim in respect of previous period	2.5	1,828	2.5	1,820	2.5	1,820
First interim	2.5	1,904	2.5	1,820	2.5	1,820
Second interim	—	—	—	—	2.5	1,819
Third interim	—	—	—	—	2.5	1,820
	5.0	3,732	5.0	3,640	10.0	7,279

0.125p of the dividends for the period have been paid from stated capital, representing accrued income attributable to the new shares at the time of issue (see note 7).

A second interim dividend of 2.5p (2013: 2.5p) has been declared and will be paid 23 August 2014 to ordinary shareholders on the register on 25 July 2014.

5. Basis of Returns

	SIX MONTHS TO 30 JUN 2014	SIX MONTHS TO 30 JUN 2013	YEAR TO 31 DEC 2013
Profit after tax:			
Revenue	£3,512,000	£3,807,000	£7,589,000
Capital	£2,541,000	£2,970,000	£9,032,000
Total	£6,053,000	£6,777,000	£16,621,000
Weighted average number of shares in issue during the period	75,185,220	72,786,327	72,786,327

6. Basis of Net Asset Value per Ordinary Share

	AT 30 JUN 2014	AT 30 JUN 2013	AT 31 DEC 2013
Shareholders' funds	£145,817,000	£127,812,000	£134,017,000
Number of shares in issue at the period end	77,861,327	72,786,327	72,786,327

7. Stated Capital, including Movements

	SIX MONTHS TO 30 JUN 2014	SIX MONTHS TO 30 JUN 2013	YEAR TO 31 DEC 2013
Stated capital:			
Brought forward	£113,410,000	£113,410,000	£113,410,000
Net issue proceeds	£9,479,000	—	—
Dividend paid from stated capital	(£98,000)	—	—
Carried forward	£122,791,000	£113,410,000	£113,410,000
Number of ordinary shares:			
Brought forward	72,786,327	72,786,327	72,786,327
Issued in period	5,075,000	—	—
Carried forward	77,861,327	72,786,327	72,786,327
Per share:			
– average issue price	187.87p	—	—
– average net proceeds	186.78p	—	—

Of the net issue proceeds of £9,479,000, an aggregate amount of £98,000 represented the accrued income element of the net asset value attributed to the new shares.

Subsequent to the period end 850,000 shares have been issued at an average price of 189.17p.

8. Status of Half-yearly Financial Report

The financial information contained in this half-yearly report, which has not been reviewed or audited, 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 2013 and the half year ended 30 June 2014 have not been audited. The figures and financial information for the year ended 31 December 2013 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

19 August 2014

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 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.

Clive Nicholson

Chairman

19 August 2014

DIRECTORS AND ADVISERS

Directors

Clive A. H. Nicholson (Chairman)
Philip Taylor (Audit Committee Chairman)
Philip Austin
John Boothman
Winifred Robbins

Investment Manager

Invesco Fund Managers Limited (from 22 July 2014;
previously Invesco Asset Management Limited)
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH
☎ 01491 417000

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 825323
Registered in Jersey No: 109714

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team available from 8.30am to 6pm,
Monday to Friday (excluding bank holidays) on:
☎ 0800 085 8677
🌐 www.invescoperpetual.co.uk/investmenttrusts

Depositary

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

Savings Scheme and ISA Administrators

For both the Invesco Perpetual Investment Trust Savings Scheme and ISA,
contact:

Invesco Perpetual
P.O. Box 11150
Chelmsford
CM99 2DL
☎ 0800 085 8677

Registrar

Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey JE2 3RT

Shareholders who hold shares direct and not through a savings scheme or ISA
and have queries relating to their shareholding should contact the registrar on:

☎ 0871 664 0300
Calls cost 10p per minute plus network extras.
☎ +44 (0)20 8639 3399 (from outside the UK).
Lines are open Monday to Friday 9.00am to 5.30pm (excluding bank
holidays).

Shareholders holding shares directly can also access their holding details via
Capita's websites:
www.capitaassetservices.com or www.capitashareportal.com

The registrar provides an online and telephone share dealing service
for existing shareholders who are not seeking advice on buying or selling.
The website is: www.capitadeal.com or by ringing ☎ 0871 664 0454
Calls cost up to 10p per minute plus network extras.
☎ +44 (0)20 3367 2699 (from outside the UK).
Lines are open Monday to Friday 8am to 4.30pm (excluding bank holidays).

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 at
the above address.

Corporate Broker

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

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



Invesco Fund Managers Limited
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH

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,
Invesco Asset Management Limited and Invesco Perpetual Life Limited.