

## RNS Announcement: Preliminary Results

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# The Independent Investment Trust PLC

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The following is the unaudited preliminary statement of annual results for the year to 30 November 2019 which was approved by the board on 15 January 2020.

## Chairman's Statement

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Over the year to 30 November 2019, our Company produced a net asset value (NAV) total return of 8.5%. Over the same period, theoretical investments in the FTSE All-Share Index and the FTSE World Index would have produced total returns of 11% and 13.1% respectively. It is particularly disappointing that, after an encouraging first half, we failed to match the return on either index. Poor stock selection, notably since the EU referendum, is largely to blame, with the Eddie Stobart debacle a particularly painful example.

A further erosion of the rating of our shares saw the discount move out from 1.2% at 30 November 2018 to 9.4% at 30 November 2019, producing a share price total return of -0.5%. By 14 January 2020 the NAV had risen to 612p and the share price to 589p, reducing the discount to 3.8%.

Economic activity over the last year has tended to disappoint with the result that the nascent tightening of monetary policy highlighted in our report a year ago has given way to renewed stimulus. Markets, in the tradition of Pavlov's dog, have responded well to this. The UK market underperformed the world market over the period as many investors chose to stay out of the market owing to the various uncertainties attending Brexit and the political situation.

We made very few changes to the portfolio over the year: the only significant adjustment to our sector weightings deriving from transactions was in technology, where the sale of Kainos and a reduction in Blue Prism led to a fall in our exposure. Elsewhere, good share price performances boosted our exposure to housebuilding and to travel and leisure, while poor share price performances caused a substantial reduction in our business services exposure. In keeping with our prediction in last year's report, our cash balances were higher than usual and ended at 13.6% on 30 November 2019 as against 8.6% on 30 November 2018. Further comments on the portfolio can be found in the Managing Director's Report below.

At risk of basking in the glow of past glories, we once again draw attention to our longer term record: for the period from inception in October 2000 to 30 November 2019, we produced an NAV total return of 748%, equivalent to a rate of roughly 11.9% per annum, of which 2.8% per annum can be offset by RPI inflation. By comparison, the notional return available from the FTSE All-Share Index over the period amounted to 169%, or 5.3% per annum

Earnings per share for the year were 13.48p (10.53p in 2018). As foreshadowed in our interim report, we are recommending a final dividend of 5p (5p in 2018), making a total regular dividend of 8p (7p in 2018). In addition, we are proposing a special dividend of 5p (3p in 2018). Both will be paid on 6 April with an ex dividend date of 20 February.

Our ongoing charges ratio rose from 0.21% to 0.24%. The only reason for this is that the average daily value of our assets in the year under review was materially lower than in the previous year; our costs actually fell marginally. The ratio remains one of the lowest – if not the lowest – in the industry.

During the year we were able to buy in rather over 650,000 shares at an average discount of 5.9%. We remain keen to buy back shares when this can be done on terms that benefit both leaving and continuing shareholders. Such terms are very much a function of market conditions prevailing at the time.

One of our major concerns throughout the financial year was the risk of adverse political developments. The prospect of continuing stalemate or, worse still, the election of a left wing Labour government tended to overshadow our enthusiasm for the companies in which we are invested. The election of a Conservative government with a substantial majority shortly after our year end has dispelled this concern. There are, of course, plenty of other things to worry about – not least the terms on which we exit the EU – but we believe

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that the removal of a major worry justifies a less cautious stance. Since 30 November, we have reduced our cash balances to £33m (9.8% of our assets at 14 January), largely through investment in domestic UK equities.

Once again, we should like to encourage you to come to the AGM, which is to be held in the Baillie Gifford offices at Calton Square at 4.30pm on 26 March 2020. It will help our planning if we know how many shareholders are likely to attend, and I shall be grateful if you will mark the proxy form accordingly and return it to the Company's registrars. I look forward to seeing as many of you as possible there.

Douglas McDougall

15 January 2020

Past performance is not a guide to future performance.

For a definition of terms see Glossary of Terms and Alternative Performance Measures (APM).

Total return information is sourced from Baillie Gifford /Refinitiv and relevant underlying index providers. See disclaimer at the end of this announcement.

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## Managing Director's Report

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Our performance over the year has been covered in the Chairman's Statement.

A poor second half performance from our once large holding in Blue Prism restrained the overall performance of our technology and telecommunications stake: worth £72.7m at 30 November 2018, it had fallen in value to £64.9m at 30 November 2019 after net sales of £12.5m. Blue Prism's share price was hurt by poor interim results but staged a partial recovery when a year end trading statement provided reassurance that the company continues to grow strongly. It still appears to have great potential, but we have learnt that perceptions of the strength of its market position can change significantly over short periods of time. Other disappointments included Zoo Digital, whose legacy subtitling business came under pressure, and Alfa Financial Software, which continues to experience weak conditions in its markets. We sold out of Kainos at a good price and participated in the Seeing Machines equity issue, since which the share price has staged a worthwhile recovery. Holdings in Herald, Gamma and FDM all performed well in response to generally pleasing results.

Growing investor enthusiasm for our three computer games companies, Team 17, Codemasters and Frontier Developments, was the main factor behind the strong performance of our large stake in the travel and leisure sector: worth £50.3m at 30 November 2018, it had grown in value to £60.6m at 30 November 2019 after net sales of £0.5m. The advent of cloud computing has transformed the economics of the computer games industry and our holdings all appear to be benefiting in much the way we had hoped. Elsewhere in the sector, mildly disappointing share price performances from The Gym Group (on the back of competition concerns) and our new holding Loungers (largely attributable to a subdued consumer spending environment) were outweighed by good recoveries in the prices of On the Beach and Hollywood Bowl. We took advantage in each case to reduce the holdings – Hollywood Bowl on grounds of valuation and On the Beach in anticipation of more difficult trading conditions.

The year under review was a happier one for our housebuilders. Although there were signs of continued weakness at the high end of the housing market, demand for reasonably priced houses, the principal market for most quoted builders, remained strong. Margins have come back from abnormally high levels, but profitability has remained at attractive levels and the land market, a vital component of future profits, has remained benign. Despite the recovery in share prices, these stocks are still pricing in a subdued trading outlook. Following the Conservative election victory, we think there is a good chance that trading conditions will improve rather than deteriorate. Meanwhile our confidence in the long term outlook remains as high as ever. Our only activity during the year comprised a small purchase of Redrow (£1.0m), made to counteract the effect of the company's share consolidation, and a brief investment in Galliford Try which yielded a profit of £0.2m. The valuation of our position in the sector rose from £41.3m at 30 November 2018 to £53.6m at 30 November 2019. We have made significant additions to our stake since the General Election.

Our business services stake performed terribly during the year. A disastrous investment in the conference call company, LoopUp, was sold at a big loss and we wrote down our holding in Eddie Stobart to a nominal valuation to reflect the company's untenable financial position; the shares remain suspended pending the long overdue publication of the company's interim figures. On a happier note Midwich, the distributor of audiovisual equipment, continued to trade satisfactorily and saw this reflected in its share price; we reduced the holding to take account of the illiquidity in the market for its shares. Overall, our business service holdings fell in value from £29.1m at 30 November 2018 to £14.8m at 30 November 2019 after sales of £4.4m.

Our retail holdings also had a difficult year. We sold our holding in the clothing retailer, Quiz, at a big loss and the share price of The Works fell sharply as trading deteriorated. Fortunately, our big holding in the second hand car retailer, Motorpoint, performed well as the company continued to trade resiliently in a tough second hand car market; as with Midwich, we reduced the holding on grounds of illiquidity. Overall, a retail stake worth £16.8m at 30 November 2018 had fallen in value to £14.0m by 30 November 2019 after sales of £2.0m.

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Elsewhere in the portfolio, the Ashtead share price staged a strong recovery as the company continued to trade well, but the Fever-Tree share price fell as the company delivered disappointing sales in the important UK market; sales elsewhere were ahead of expectations. The Medica share price was unchanged in reaction to results that met reduced expectations, while Polar Capital continued to make satisfactory progress and NAHL staged a muted recovery as signs emerged that trading was bottoming out. Our energy holdings performed very poorly in reaction to disappointing results caused principally by difficult operating conditions in the Permian Basin. A short lived investment in NewRiver REIT was sold at a significant loss and, finally, our new holding in the biotechnology company Oxford Biomedica made a promising debut.

Max Ward

15 January 2020

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## List of Investments as at 30 November 2019 (unaudited)

Sector	Name	2018 Value £'000	Net transactions £'000	Gains/ (losses) £'000	2019 Value £'000	%
Housing	Bellway	5,082	-	1,596	6,678	2.1
	Crest Nicholson	13,688	-	1,688	15,376	4.9
	Galliford Try	-	(214)	214	-	-
	Persimmon	3,800	-	1,316	5,116	1.6
	Redrow	18,728	1,044	6,668	26,440	8.5
		41,298	830	11,482	53,610	17.1
Industrials	Ashtead Group	17,590	-	5,900	23,490	7.5
Retailing	Joules Group	3,510	-	(60)	3,450	1.1
	Motorpoint	9,450	(1,496)	2,030	9,984	3.2
	Quiz	1,461	(496)	(965)	-	-
	TheWorks.co.uk	2,345	-	(1,826)	519	0.2
		16,766	(1,992)	(821)	13,953	4.5
Consumer Services	NAHL Group	2,575	-	425	3,000	1.0
Travel and Leisure	Codemasters Group Holdings	5,950	1,012	2,156	9,118	2.9
	Frontier Developments	5,590	-	2,327	7,917	2.6
	Hollywood Bowl Group	7,800	(2,342)	1,682	7,140	2.3
	Loungers	-	3,245	(125)	3,120	1.0
	On the Beach Group	19,228	(2,367)	1,011	17,872	5.7
	Team 17 Group	6,150	-	3,900	10,050	3.2
	The Gym Group	5,580	-	(200)	5,380	1.7
		50,298	(452)	10,751	60,597	19.4
Business Services	Eddie Stobart Logistics*	7,910	-	(7,840)	70	-
	Loop Up	5,003	(1,808)	(3,195)	-	-
	Midwich	16,200	(2,631)	1,181	14,750	4.7
		29,113	(4,439)	(9,854)	14,820	4.7
Technology and Telecommunications	Alfa Financial Software	3,300	-	(665)	2,635	0.8
	Blue Prism	23,596	(9,235)	(1,942)	12,419	4.0
	FDM Group	12,735	-	1,830	14,565	4.7
	Gamma Communications	4,020	-	2,230	6,250	2.0
	Herald Investment Trust	17,325	-	3,735	21,060	6.7
	Kainos Group	4,240	(4,395)	155	-	-
	Seeing Machines	4,800	1,082	461	6,343	2.0
	Zoo Digital Group	2,660	-	(1,040)	1,620	0.5
		72,676	(12,548)	4,764	64,892	20.7
Beverages	Fever-Tree Drinks	23,920	(6,109)	(307)	17,504	5.6
Property	NewRiver REIT	-	2,317	(2,317)	-	-
Healthcare	Medica Group	5,640	-	-	5,640	1.8
	Oxford Biomedica	-	3,171	357	3,528	1.1
		5,640	3,171	357	9,168	2.9
Financials	Polar Capital Global Insurance Fund – Ireland	5,051	-	715	5,766	1.9
Energy/Oilfield Services	Concho Resources – USA	5,107	-	(2,300)	2,807	0.9
	RPC - USA	2,050	-	(1,455)	595	0.2
		7,157	-	(3,755)	3,402	1.1
<b>Total Investments</b>		272,084	(19,222)	17,340	270,202	86.4
Net Liquid Assets		25,489	17,178	-	42,667	13.6
<b>Shareholders' Funds</b>		297,573	(2,044)	17,340	312,869	100.0

All holdings are in equities domiciled in the UK unless otherwise stated.

\* The shares were suspended from trading on 23 August 2019

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## Income statement

	For the year ended			For the year ended		
	30 November 2019 (unaudited)			30 November 2018 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	-	<b>17,338</b>	<b>17,338</b>	-	(41,752)	(41,752)
Currency losses	-	(4)	(4)	-	(2)	(2)
Income (note 2)	<b>8,178</b>	-	<b>8,178</b>	6,601	-	6,601
Administrative expenses	(740)	-	(740)	(751)	-	(751)
Net return on ordinary activities before taxation	<b>7,438</b>	<b>17,334</b>	<b>24,772</b>	5,850	(41,754)	(35,904)
Tax on ordinary activities	(7)	-	(7)	(11)	-	(11)
<b>Net return on ordinary activities after taxation</b>	<b>7,431</b>	<b>17,334</b>	<b>24,765</b>	5,839	(41,754)	(35,915)
<b>Net return per ordinary share (note 3)</b>	<b>13.48p</b>	<b>31.45p</b>	<b>44.93p</b>	10.53p	(75.27p)	(64.74p)
<b>Note:</b>						
<b>Dividends per share paid and payable in respect of the year (note 4)</b>	<b>13.00p</b>			10.00p		

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in this statement derive from continuing operations.

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return on ordinary activities after taxation is both the profit and comprehensive income for the year.

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## Balance sheet

	At 30 November 2019 (unaudited)		At 30 November 2018 (audited)	
	£'000	£'000	£'000	£'000
<b>Fixed assets</b>				
Investments held at fair value through profit or loss		<b>270,202</b>		272,084
<b>Current assets</b>				
Debtors	<b>266</b>		266	
Cash and cash equivalents	<b>43,446</b>		25,794	
	<b>43,712</b>		26,060	
<b>Creditors</b>				
Amounts falling due within one year	<b>(1,045)</b>		(571)	
<b>Net current assets</b>		<b>42,667</b>		25,489
<b>Total net assets</b>		<b>312,869</b>		297,573
<b>Capital and reserves</b>				
Share capital		<b>13,679</b>		13,842
Share premium account		<b>15,242</b>		15,242
Special distributable reserve		<b>12,465</b>		15,861
Capital redemption reserve		<b>2,853</b>		2,690
Capital reserve		<b>258,771</b>		241,437
Revenue reserve		<b>9,859</b>		8,501
<b>Shareholders' funds</b>		<b>312,869</b>		297,573
<b>Net asset value per ordinary share (note 5)</b>		<b>571.8p</b>		537.4p

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## Statement of changes in equity

For the year ended 30 November 2019 (unaudited)

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 December 2018	13,842	15,242	15,861	2,690	241,437	8,501	297,573
Net return on ordinary activities after taxation	-	-	-	-	17,334	7,431	24,765
Shares bought back for cancellation (note 5)	(163)	-	(3,396)	163	-	-	(3,396)
Dividends paid during the year (note 4)	-	-	-	-	-	(6,073)	(6,073)
<b>Shareholders' funds at 30 November 2019</b>	<b>13,679</b>	<b>15,242</b>	<b>12,465</b>	<b>2,853</b>	<b>258,771</b>	<b>9,859</b>	<b>312,869</b>

For the year ended 30 November 2018 (audited)

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 December 2017	13,867	15,242	16,387	2,665	283,191	7,099	338,451
Net return on ordinary activities after taxation	-	-	-	-	(41,754)	5,839	(35,915)
Shares bought back for cancellation (note 5)	(25)	-	(526)	25	-	-	(526)
Dividends paid during the year (note 4)	-	-	-	-	-	(4,437)	(4,437)
<b>Shareholders' funds at 30 November 2018</b>	<b>13,842</b>	<b>15,242</b>	<b>15,861</b>	<b>2,690</b>	<b>241,437</b>	<b>8,501</b>	<b>297,573</b>

\* The Capital Reserve balance at 30 November 2019 included an investment holding gain on fixed asset investments of £96,327,000 (2018 – gain of £88,310,000).



## Notes to Financial Statements (unaudited)

1. The unaudited financial statements for the year to 30 November 2019 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out in the Annual Report and Financial Statements are unchanged from the prior year and have been applied consistently. All of the Company's operations are of a continuing nature and the financial statements are expected to be prepared on a going concern basis. The Company has elected not to present a Statement of Cash Flows for the current year as a Statement of Changes in Equity has been provided and substantially all of the Company's investments are highly liquid and are carried at market value.

2. <b>Income</b>	Year to	
	30 November 2019	30 November 2018
	£'000	£'000
Income from investments and interest receivable	<b>8,159</b>	6,582
Other income	<b>19</b>	19
	<b>8,178</b>	6,601

3. <b>Net return per ordinary share</b>	Year to			Year to		
	30 November 2019			30 November 2018		
	Revenue	Capital	Total	Revenue	Capital	Total
Net return on ordinary activities after taxation (£'000)	<b>7,431</b>	<b>17,334</b>	<b>24,765</b>	5,839	(41,754)	(35,915)
Weighted average number of ordinary shares in issue during the year	<b>55,114,893</b>			55,469,725		
Net return per ordinary share	<b>13.48p</b>	<b>31.45p</b>	<b>44.93p</b>	10.53p	(75.27p)	(64.74p)

Returns per ordinary share are based on the return for the financial year and on the weighted average number of ordinary shares in issue during the year as shown above. There are no dilutive or potentially dilutive shares in issue.

4. <b>Ordinary dividends</b>	Year to		Year to	
	30 November 2019		30 November 2018	
	Pence	£'000	Pence	£'000
<b>Amounts recognized as distributions in the year</b>				
Previous year's final dividend paid 8 April 2019	<b>5.00</b>	<b>2,766</b>	4.00	2,219
Previous year's special dividend paid 8 April 2019	<b>3.00</b>	<b>1,660</b>	2.00	1,109
Interim dividend paid 23 August 2019	<b>3.00</b>	<b>1,647</b>	2.00	1,109
	<b>11.00</b>	<b>6,073</b>	8.00	4,437

Set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £7,431,000 (2018 - £5,839,000).

<b>Ordinary dividends</b>	Year to		Year to	
	30 November 2019		30 November 2018	
	Pence	£'000	Pence	£'000
<b>Amounts paid and payable in respect of the year</b>				
Interim dividend paid 23 August 2019	<b>3.00</b>	<b>1,647</b>	2.00	1,109
Final dividend payable 6 April 2020	<b>5.00</b>	<b>2,736</b>	5.00	2,766
Special dividend payable 6 April 2020	<b>5.00</b>	<b>2,736</b>	3.00	1,660
	<b>13.00</b>	<b>7,119</b>	10.00	5,535

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If approved, the recommended final and special dividends will be paid on 6 April 2020 to all shareholders on the register at the close of business on 21 February 2020. The ex-dividend date is 20 February 2020.

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## Notes to Financial Statements (unaudited) (Ctd)

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5. <b>Net asset value per ordinary share</b>	At 30	At 30	At 30	At 30
	November	November	November	November
	2019	2019	2018	2018
	Pence	£'000	Pence	£'000
Net asset value attributable to ordinary shares	<b>571.8</b>	<b>312,869</b>	537.4	297,573

The net asset value per share is based on net assets as shown above and on 54,717,378 shares (2018 – 55,370,000), being the number of shares in issue at the year end. There are no dilutive or potentially dilutive shares in issue.

During the year the Company bought back and cancelled 652,622 (2018 – 100,000) ordinary shares with a nominal value of £163,000 (2018 – £25,000) at a cost of £3,396,000 (2018 - £526,000). No shares were allotted during the year. At 30 November 2019 the Company had authority remaining to buy back a further 7,639,846 ordinary shares and to allot new shares up to an aggregate nominal value amount of £4,774,939.

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6. Transaction costs incurred on the purchase and sale of the investments are added to the purchase cost or deducted from the sale proceeds, as appropriate. During the year, transaction costs on purchases amounted to £120,000 (2018 - £95,000) and transaction costs on sales amounted to £96,000 (2018 - £131,000).
7. The financial information set out above does not constitute the Company's statutory accounts for the year ended 30 November 2019. The financial information for 2018 is derived from the financial statements for 2018 which have been delivered to the Registrar of Companies. The auditors have reported on the 2018 accounts; their report was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under sections 498 (2) or 498(3) of the Companies Act 2006. The statutory accounts for 2019 will be finalised on the basis of the financial information presented in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have advised the Company that they do not expect their report on the 2019 statutory accounts to include any modification or emphasis of matter statements.
8. The Report and Accounts will be available on the Company's website [www.independentinvestmenttrust.co.uk](http://www.independentinvestmenttrust.co.uk)<sup>†</sup> on or around 21 February 2020.
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<sup>†</sup> *Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.*

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

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## Glossary of Terms and Alternative Performance Measures (APM)

### **Total Assets**

The total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

### **Net Asset Value**

Net Asset Value (NAV) is the value of all assets held less all liabilities (including liabilities in the form of borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue.

### **Discount/Premium (APM)**

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

### **Net Liquid Assets**

Net liquid assets comprise current assets less current liabilities (excluding borrowings).

### **Total Return (APM)**

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

### **Net Asset Value**

		2019	2018
Opening NAV per share at 1 December 2018 (2017)	(a)	537.43p	610.20p
Closing NAV per share at 30 November	(b)	571.79p	537.43p
Total dividend adjustment factor*	(c)	1.02019	1.01278
Adjusted closing NAV per share (d = b x c)	(d)	583.33p	544.30p
Total return on net asset value (d – a) ÷ a expressed as a percentage		8.5%	(10.8%)

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

### **Share Price**

		2019	2018
Opening share price at 1 December 2018 (2017)	(a)	531.00p	654.00p
Closing share price at 30 November	(b)	518.00p	531.00p
Total dividend adjustment factor*	(c)	1.02046	1.01151
Adjusted closing share price (d = b x c)	(d)	528.60p	537.11p
Total return on net share price (d – a) ÷ a expressed as a percentage		(0.5%)	(17.9%)

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

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## Glossary of Terms and Alternative Performance Measures (APM) (Ctd)

### **Ongoing Charges (APM)**

The total administrative expenses incurred by the Company as a percentage of the average shareholders' funds, calculated on a daily basis.

	2019 £'000	2018 £'000
Total administrative expenses (a)	740	751
Average net asset value (b)	303,015	350,330
Ongoing charges (a) ÷ (b) expressed as a percentage	0.24%	0.21%

### **Available cash**

Cash and cash equivalents as adjusted for investment and share buy-back transactions awaiting settlement.

### **Gearing**

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets. The level of gearing can be adjusted through the use of derivatives which affect the sensitivity of the value of the portfolio to changes in the level of markets.

Net gearing/(cash) is borrowings less available cash (as defined above) and fixed interest securities (ex convertibles) divided by shareholders' funds.

### **Compound Annual Return**

The compound annual return converts the return over a period of longer than one year to a constant annual rate of return applied to the compounded value at the start of each year.

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# The Independent Investment Trust PLC

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