

NEW STAR INVESTMENT TRUST PLC

INTERIM REPORT

for the six months ended 31st December 2017



NEW STAR INVESTMENT TRUST PLC

## INVESTMENT OBJECTIVE

The Company's objective is  
to achieve long-term capital growth.

REGISTERED OFFICE

1 Knightsbridge Green, London SW1X 7QA

Company Number: 03969011

## COMPANY INFORMATION

DIRECTORS

G Howard-Spink (*Chairman*)

J L Duffield (*Deputy Chairman*)

D J Gamble

INVESTMENT MANAGER

Brompton Asset Management LLP

1 Knightsbridge Green, London SW1X 7QA

(*Authorised and regulated by the Financial Conduct Authority*)

SECRETARY AND ADMINISTRATOR

Maitland Administration Services Limited

Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW

*Telephone: 01245 398950 Facsimile: 01245 398951*

SOLICITORS

CMS Cameron McKenna Nabarro Olswang LLP

Cannon Place, 78 Cannon Street, London EC4N 6AF

AUDITORS

Ernst & Young LLP

25 Churchill Place, London E14 5EY

CUSTODIAN

Brown Brothers Harriman & Co

Park House, 16-18 Finsbury Circus, London EC2M 7EB

REGISTRARS

Equiniti Limited

Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

*Telephone: 0371 384 2549*

*Website: [www.shareview.co.uk](http://www.shareview.co.uk)*

WEBSITE

[www.nsitplc.com](http://www.nsitplc.com)

The Company's shares are traded on the London Stock Exchange and their prices are shown in the Financial Times under "Investment Companies".

## FINANCIAL HIGHLIGHTS

	31st December 2017	30th June 2017	% Change
PERFORMANCE			
Net assets (£'000)	110,144	105,056	4.8
Net asset value per Ordinary share	155.08p	147.92p	4.8
Mid-market price per Ordinary share	110.00p	105.00p	4.8
Discount of price to net asset value	29.1%	29.0%	n/a
	Six months ended 31st December 2017	Six months ended 31st December 2016	
Total Return*	5.38%	10.35%	n/a
IA Mixed Investment 40-85% Shares (total return)	4.34%	10.37%	n/a
MSCI AC World Index (total return, sterling adjusted)	7.02%	15.55%	n/a
MSCI UK Index (total return)	6.79%	11.52%	n/a
	Six months ended 31st December 2017	Six months ended 31st December 2016	
REVENUE			
Return (£'000)	438		495
Return per Ordinary share	0.61p		0.70p
Proposed dividend per Ordinary share	–		–
Dividend paid per Ordinary share	0.80p		0.30p
TOTAL RETURN			
Return (£'000)	5,656		9,241
Net assets	4.8%		10.1%
Net assets (dividend added back)	5.4%		10.4%

\* The total return figure for the Group represents the revenue and capital return shown in the consolidated statement of comprehensive income before dividends paid as a percentage of opening NAV (the alternative performance measure).

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CHAIRMAN'S STATEMENT

**Performance**

Your Company generated a total return of 5.38% over the six months to 31st December 2017, leaving the net asset value (NAV) per ordinary share at 155.08p. By comparison, the Investment Association's Mixed Investment 40-85% Shares Index rose 4.34%. The MSCI AC World Total Return Index gained 7.02% while the MSCI UK Total Return Index gained 6.79%. Over the same period, UK government bonds returned 1.63%. Further information is provided in the investment manager's report.

Your Company made a revenue profit for the six months of £438,000 (2016: £495,000).

**Gearing and dividends**

Your Company has no borrowings. It ended the period under review with cash representing 11.62% of its NAV and is likely to maintain a significant cash position. Your Company has small retained revenue reserves and your Directors do not recommend the payment of an interim dividend (2016: nil). Your Company paid a dividend of 0.8p per share (2016: 0.3p) in November 2017 in respect of the previous financial year.

**Discount**

During the period under review, the Company's shares continued to trade at a significant discount to their NAV. Your Board has explored ways of reducing this discount but no satisfactory solution has been found. The position is, however, kept under continual review.

**Outlook**

In March 2018, economic growth looked healthy and inflation had risen modestly from subdued levels. Equity market weakness and volatility in January and February were signs of investor fears that stronger data would lead to more rapid US interest rate rises. If this occurs, some investors may switch from equities into cash and short-dated bonds. Monetary tightening increases the importance of having a strong valuation discipline. Your Company ended the period with a relatively low allocation to US equities, which appeared expensive, in favour of cheaper equities in Europe excluding the UK and emerging markets, where monetary policy was looser.

NEW STAR INVESTMENT TRUST PLC

INTERIM REPORT

CHAIRMAN'S STATEMENT

*continued*

Rising inflation may also lead to rotation from high-quality "growth" companies, which have outperformed since the credit crisis, into cyclical "value" stocks. Some "growth" companies have suffered margin pressure as inflation increases costs, which may not easily be recovered from consumers. Yet their valuations have remained high and earnings disappointments may generate share price falls.

Rising inflation and interest rates may also affect bond markets. Your Company ended the period with no direct investments in longer-duration bonds or commercial property, which are typically more sensitive to rising interest rates and inflation. Diversification was instead maintained through holdings in dollar-denominated cash, gold equities and lower-risk multi-asset funds.

**Net asset value**

Your Company's unaudited NAV at 28th February 2018 was 153.03p.

Geoffrey Howard-Spink  
Chairman  
29th March 2018

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INVESTMENT MANAGER'S REPORT

**Market review**

Global equities gained 7.02% in sterling over the six months to 31st December 2017. Stronger-than-expected economic growth driven by buoyant manufacturing and a modest inflation pick-up supported equities. By contrast, global bonds fell 1.23% in sterling as the Federal Reserve raised interest rates in December for the fifth time since 2015 and the pound rose 4.14% against the dollar. Sterling bonds fared better although the Bank of England did raise rates in November for the first time in more than a decade. UK government bonds and sterling corporate bonds returned 1.63% and 2.24% respectively during the period.

US business investment rose and consumer spending and confidence stayed strong. Against this backdrop, Donald Trump's tax cuts and jobs act should stimulate an already strong economy, leading to higher 2018 economic growth forecasts. Consumers benefit from rationalised tax brackets, lower business income taxes and changes to benefits and allowances. These measures should sustain consumer spending, which may otherwise have faced pressure. The savings ratio fell to historic lows, reaching 3.2% in January 2018 as investors saved less to maintain living standards. The corporation tax cut from a 35% maximum to a flat 21% should encourage companies to invest. The cut lowers the hurdle return rate for capital spending, increasing the number and value of viable investment opportunities.

Fiscal stimulus so late in the cycle, with unemployment down at 4.1%, may, however, prove inflationary and generate speedier interest rate rises. Real wage declines and low productivity have been hallmarks of the US economy in the wake of the credit crisis. Some commentators have conjectured that secular trends such as technological progress and falling unionisation explain workers' lack of bargaining power. Janet Yellen, the outgoing Fed chair, believes, however, that low inflation will prove transitory and that the historically strong relationship between employment and inflation will persist. In February 2018, equity markets fell and volatility rose because US wages increased more than anticipated. In March 2018, President Trump fulfilled campaign pledges to protect US heavy industry and imposed import tariffs on steel and aluminium of 25% and 10% respectively. Protectionist policies of this nature may also foster inflation.



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INVESTMENT MANAGER'S REPORT

*continued*

The recovery in manufacturing over the period under review was particularly evident in the eurozone. In December, the manufacturing purchasing managers' index, a key leading indicator, hit its highest level since its 1997 launch. Unemployment fell while consumer spending and business investment rose. The European Central Bank (ECB) president, Mario Draghi, commented on the "solid and broad based growth momentum" in the region. Wage growth is likely to remain subdued for some time because, in contrast to the US, there is still significant excess capacity in the eurozone economy. In January 2018, eurozone unemployment was 8.6% against 4.1% in the US. Regional variances were high, with 16.4% unemployment in Spain compared to 3.6% in Germany. The ECB has said asset purchases will continue until September 2018 or beyond if necessary.

Some eurozone political risks apparent in early 2017 receded after Emmanuel Macron's new centrist En Marche! party won the French election. Macron's programme, including about €50 billion of state spending and lower corporate taxes, should soften the impact of labour market reforms.

UK equities marginally underperformed, with the stronger pound proving a headwind. Returns were, however, buoyed by some progress in the Brexit talks, which moved forward to issues such as trade. The Bank maintained its ultra-loose monetary policy amid fears of a damaging "hard" Brexit, merely reversing the emergency quarter-point cut after the Brexit vote. Unemployment fell to historic lows and inflation rose to 3.1% in November, more than a percentage point above the Bank's 2% target, necessitating an explanatory letter from the governor to the chancellor. Inflation moderated, however, to 3.0% in December and January. Stronger commodity prices and imported inflation driven by sterling's fall in 2016 generated higher retail price pressures. Wage growth was weak but may accelerate in response to near full employment, minimum wage increases and the removal of the 1% public sector wage rise cap and the pound may strengthen.

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INVESTMENT MANAGER'S REPORT

*continued*

Equities in Asia excluding Japan and emerging markets posted strong gains as trade expanded, the dollar weakened and the prices of some industrial commodities rose significantly. Oil and copper, for example, gained 23.08% and 16.42% respectively in sterling. Russian and Chinese equities did particularly well, rising 19.06% and 18.59% respectively in sterling. Indian equities gained 10.55% in sterling despite the impact of higher oil prices on this energy-importing nation. The latest World Bank ease-of-doing-business survey lifted India 30 places thanks to Narendra Modi's reforms. It is now easier to start a company, obtain building permits and bank loans, trade across regions, enforce contracts and resolve insolvencies. During the period, Modi announced a road-building programme and Indian sovereign debt was upgraded.

**Portfolio review**

Your Company's total return over the period under review was 5.38%. By comparison, the Investment Association's Mixed Investment 40-85% Shares Index, which measures a peer group of funds with a multi-asset approach to investing and a typical investment in global equities in the 40-85% range, rose 4.34%. The MSCI AC World Total Return Index gained 7.02% in sterling terms while the MSCI UK Total Return Index rose 6.79%. Your Company benefited from its high allocation to equity funds during the period but could not keep pace with the strong gains from equity indices given the diversified nature of the portfolio, whose holdings include cash in dollars, gold equities and lower-risk multi-asset funds such as EF Brompton Global Conservative and Trojan. The weakness of the dollar, which fell 3.98% against sterling, and a 0.71% fall by BlackRock Gold & General detracted from performance. These investments may, however, prove defensive in less buoyant equity markets.

During the period, profits were taken from a number of holdings and reinvested in equity income funds, a high-yielding local-currency emerging market sovereign bond fund and in modest additional investments in the Embark Group and another private UK company. The increased bias towards income funds should enhance your Company's capacity to pay dividends.

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INVESTMENT MANAGER'S REPORT

*continued*

Your Company has a significant investment in funds investing in equities in Europe excluding the UK, including FP Crux European Special Situations, its largest holding. Equities in Europe ex-UK lagged, rising 3.73% in sterling as the euro strengthened 1.10% against the pound. FP Crux European Special Situations outperformed, rising 5.02%. The smaller Standard Life European Income holding marginally outperformed, rising 3.75%. The investment in Europe ex-UK equities increased through the purchase of BlackRock Continental European Income. Aquilus Inflection, which takes both long and short positions in European equities, rose 3.71%.

Amongst your Company's global equity funds, Fundsmith Equity and Artemis Global Income outperformed, rising 7.61% and 7.16% respectively. Partial profits were taken in Fundsmith Equity. Newton Global Income, which is more defensively positioned, underperformed, rising 2.42%, but Polar Capital Global Technology gained 11.96% as technology shares outperformed.

Equities in Asia excluding Japan and emerging markets gained 10.98% and 11.53% respectively in sterling. Your Company benefited from a significant allocation to these markets although fund selection detracted from performance. Liontrust Asia Income and Stewart Investors Indian Subcontinent lagged, rising 8.48% and 8.15% respectively. Wells Fargo China and Neptune Russia & Greater Russia were sold in November following strong gains for Chinese and Russian equities and the proceeds reinvested in the JP Morgan Emerging Markets Income Trust and the HSBC Russia Capped exchange-traded fund (ETF).

UK equities marginally underperformed, rising 6.79%, with sterling's strength proving a headwind despite some progress in Brexit negotiations. Man GLG UK Income outperformed, rising 10.30%, but Trojan Income rose just 0.89%. The Man GLG UK Income manager has a "value" investment approach, which may generate outperformance as inflation and interest rates rise. By contrast, Trojan Income's manager typically invests in high-quality growth stocks. Since the credit crisis, "bond proxies" or companies with dependable business models and strong cash flows have been in demand because of strong bond markets. Some of these companies ended the period on high valuations relative to the market and history. UK smaller companies outperformed larger peers, rising 8.50% and contributing to a 8.07% gain for MI Brompton UK Recovery.

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With interest rates rising, relatively-high US equity valuations were a concern over the period. In isolation, high valuations may not precipitate a fall but when fundamental circumstances do, however, deteriorate, Wall Street may fall substantially before cheaper valuations support share prices. Your Company began the period with a relatively low US equity allocation, which reduced further through the sale of the iShares S&P 500 ETF. The iShares S&P 500 Financials ETF was, however, retained because financial companies should benefit from higher long-term interest rates and President Trump's deregulation plans. US equities rose 6.99% in sterling and the iShares S&P Financials ETF outperformed, rising 10.78%.

All six EF Brompton Global funds outperformed their respective benchmarks over the period under review. EF Brompton Global Equity did best, rising 7.94%. EF Brompton Global Conservative, up 2.86%, delivered the lowest return as a result of its low-risk mandate.

Within your Company's private equity allocation, one company is due to make a capital distribution to its shareholders of 500p per share after the period-end. This will result in a £2.8 million distribution to your Company. Shares in this long-held investment were purchased at an average price of 205p and were previously valued at 225p. Your Company retains its investment in the core business of this company.

**Outlook**

In March 2018, global economic prospects were positive; growth remained steady and inflation had recovered modestly from subdued levels. Equity market weakness and increased volatility in January and February were, however, evidence of investor fears that stronger economic data would lead to a more rapid tightening of US monetary conditions. After recent Fed rate rises and reductions in the size of its balance sheet, further monetary tightening is expected in 2018. President Trump's newly signed tax cuts and jobs act should stimulate consumer spending and business investment but may also encourage Fed policy makers to tighten monetary conditions more rapidly. There were few signs in early spring 2018 that monetary policy had become restrictive. Increasing real interest rates may, however, lead some investors to sell equities in favour of safer assets such as cash and short-dated bonds.

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INVESTMENT MANAGER'S REPORT

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The gradual withdrawal of liquidity introduces a greater degree of moral hazard for investors and increases the importance of investing in accordance with a strong valuation discipline. Your Company ended the period with a relatively low allocation to US equities, which appeared expensive, in favour of equities in Europe ex-UK and some emerging markets, where valuations were lower and where monetary policy remained more accommodative.

The rise in inflation and interest rates may lead to a change in equity market leadership. High-quality "growth" companies have outperformed more cyclical "value" stocks since the credit crisis as investors have sought out companies with strong and relatively dependable cash flows and dividends. Some of these companies have been experiencing margin pressure as rising inflation leads to increased costs, which may not easily be passed on to consumers. The high valuations of some of these stocks means that any disappointment in earnings expectations may lead to sharp falls in share prices.

Rising inflation and interest rates may also lead to falls in bond markets. Your Company ended the period with no direct investments in longer-duration bonds or other long-duration assets such as commercial property, which are typically more sensitive to increases in longer-term interest rates and inflation expectations. Diversification was instead maintained through allocations to cash held in dollars, gold equities and lower-risk multi-asset funds.

Brompton Asset Management LLP  
29th March 2018

## INTERIM REPORT

### DIRECTORS' REPORT

#### **Performance**

In the six months to 31st December 2017 the total return per Ordinary share increased by 5.4% and the NAV increased to 155.08p, whilst the share price increased by 4.8% to 110.00p. This compares to an increase of 4.3% in the IA Mixed Investment 40-85% Shares Index.

#### **Investment objective**

The Company's investment objective is to achieve long-term capital growth.

#### **Investment policy**

The Company's investment policy is to allocate assets to global investment opportunities through investment in equity, bond, commodity, real estate, currency and other markets. The Company's assets may have significant weightings to any one asset class or market, including cash.

The Company will invest in pooled investment vehicles, exchange traded funds, futures, options, limited partnerships and direct investments in relevant markets. The Company may invest up to 15% of its net assets in direct investments in relevant markets.

The Company will not follow any index with reference to asset classes, countries, sectors or stocks. Aggregate asset class exposure to any one of the United States, the United Kingdom, Europe ex UK, Asia ex Japan, Japan or Emerging Markets and to any individual industry sector will be limited to 50% of the Company's net assets, such values being assessed at the time of investment and for funds by reference to their published investment policy or, where appropriate, their underlying investment exposure.

The Company may invest up to 20% of its net asset value in unlisted securities (excluding unquoted pooled investment vehicles) such values being assessed at the time of investment.

The Company will not invest more than 15% of its net assets in any single investment, such values being assessed at the time of investment.

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### DIRECTORS' REPORT

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Derivative instruments and forward foreign exchange contracts may be used for the purposes of efficient portfolio management and currency hedging. Derivatives may also be used outside of efficient portfolio management to meet the Company's investment objective. The Company may take outright short positions in relation to up to 30% of its net assets, with a limit on short sales of individual stocks of up to 5% of its net assets, such values being assessed at the time of investment. The Company may borrow up to 30% of net assets for short-term funding or long-term investment purposes. No more than 10%, in aggregate, of the value of the Company's total assets may be invested in other closed-ended investment funds except where such funds have themselves published investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds.

#### **Share capital**

The Company's share capital comprises 305,000,000 Ordinary shares of 1p each, of which 71,023,695 (2016: 71,023,695) have been issued and fully paid. No Ordinary shares are held in treasury, and none were bought back or issued during the six months to 31st December 2017.

#### **Principal risks and uncertainties**

The principal risks identified by the Board, and the steps the Board takes to mitigate them, are as follows:

*Investment strategy:* Inappropriate long-term strategy, asset allocation and manager selection could lead to underperformance. The Board discusses investment performance at each of its meetings and the Directors receive reports detailing asset allocation, investment selection and performance.

*Business conditions and general economy:* The Company's future performance is heavily dependent on the performance of different equity and currency markets. The Board cannot mitigate the risks arising from adverse market movements. However, diversification within the portfolio will reduce the impact. Further information is given in portfolio risks below.

*Portfolio risks – market price, foreign currency and interest rate risks:* The twenty largest investments are listed on page 19. Investment returns will be influenced by interest rates, inflation, investor sentiment, availability/cost of credit and general economic conditions in the UK and globally.

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DIRECTORS' REPORT

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A proportion of the portfolio is in investments denominated in foreign currencies and movements in exchange rates could significantly affect their sterling value. The Investment Manager takes all these factors into account when making investment decisions but the Company does not normally hedge against foreign currency movements. The Board's policy is to hold a spread of investments in order to reduce the impact of the risks arising from the above factors by investing in a spread of asset classes and geographic regions.

*Net asset value discount:* The discount in the price at which the Company's shares trade to net asset value means that shareholders cannot realise the real underlying value of their investment. Over the last few years the Company's share price has been at a significant discount to the Company's net asset value. The Directors review regularly the level of discount, however given the investor base of the Company, the Board is very restricted in its ability to control the discount to net asset value.

*Investment Manager:* The quality of the team employed by the Investment Manager is an important factor in delivering good performance and the loss of key staff could adversely affect returns. A representative of the Investment Manager attends each Board meeting and the Board is informed if any changes to the investment team employed by the Investment Manager are proposed.

*Tax and regulatory risks:* A breach of The Investment Trust (Approved Company) (Tax) Regulations 2011 (the 'Regulations') could lead to capital gains realised within the portfolio becoming subject to UK capital gains tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of company law could lead to criminal proceedings, financial and/or reputational damage. The Board employs Brompton Asset Management LLP as Investment Manager, and Maitland Administration Services Limited as Secretary and Administrator, to help manage the Company's legal and regulatory obligations.

*Operational:* disruption to, or failure of, the Investment Manager's or Administrator's accounting, dealing or payment systems or the Custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is



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DIRECTORS' REPORT

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also exposed to the operational risk that one or more of its suppliers may not provide the required level of service. The Company receives regular reports from its contracted third parties.

**Investment management arrangement and related party transactions**

In common with most investment trusts the Company does not have any executive directors or employees. The day-to-day management and administration of the Company, including investment management, accounting and company secretarial matters, and custodian arrangements are delegated to specialist third party service providers.

Details of related party transactions are contained in the Annual Report. There have been no material transactions with related parties during the period which have had a significant impact on the performance of the Company.

**Going concern**

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities that are readily realisable or cash and it has no significant liabilities. Investment income exceeds annual expenditure and current liquid net assets cover current annual expenses for many years. Accordingly, the Company is of the opinion that it has adequate financial resources to continue in operational existence for the foreseeable future which is considered to be in excess of five years. Five years is considered a reasonable time for investors when making their investment decisions. In reaching this view the Directors reviewed the anticipated level of annual expenditure against the cash and liquid assets within the portfolio. The Directors have also considered the risks the Company faces.

**Auditors**

The half year financial report has been reviewed, but not audited, by Ernst & Young LLP pursuant to the Auditing Practices Board guidance on the Review of Interim Financial Information.

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DIRECTORS' REPORT

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**Responsibility statement**

The Directors named on page 2 confirm that to the best of their knowledge:

- The financial statements contained within the half year financial report to 31st December 2017 has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting';
- The Chairman's statement, Directors' report or the Investment Manager's report include a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- The Chairman's statement, Directors' report or the Investment Manager's report include a fair review of the potential risks and uncertainties for the remaining six months of the year;
- The Director's report and note 8 to the half year financial report include a fair review of the information concerning transactions with the investment manager and changes since the last annual report.

By order of the Board

Maitland Administration Services Limited  
29th March 2018

## INDEPENDENT REVIEW REPORT TO NEW STAR INVESTMENT TRUST PLC

### **Introduction**

We have been engaged by New Star Investment Trust plc ('the Group') to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 31st December 2017 which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related explanatory notes 1 to 8. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

This report is made solely to the Group in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Group a conclusion on the condensed set of consolidated financial statements in the interim financial report based on our review.

## INDEPENDENT REVIEW REPORT TO NEW STAR INVESTMENT TRUST PLC

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### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the six months ended 31st December 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Ernst & Young LLP  
London  
29th March 2018

## SCHEDULE OF TOP TWENTY INVESTMENTS

*at 31st December 2017*

Holding	Activity	Bid-market value £'000	% of Net Assets
FP Crux European Special Situations Fund	Investment Fund	11,466	10.41
Newton Global Income Fund	Investment Fund	5,560	5.05
Fundsmith Equity Fund	Investment Fund	4,850	4.40
Aberforth Split Level Income Trust	Investment Company	4,800	4.36
Polar Capital Global Technology Fund	Investment Fund	4,758	4.32
EF Brompton Global Conservative Fund	Investment Fund	4,129	3.75
Artemis Global Income Fund	Investment Fund	4,101	3.72
BlackRock Continental European Income Fund	Investment Fund	3,929	3.57
Aquilus Inflection Fund	Investment Fund	3,527	3.20
Embark Group	Unquoted investment	3,268	2.97
BlackRock Gold & General Fund	Investment Fund	3,200	2.91
Liontrust Asia Income Fund	Investment Fund	2,935	2.66
Man GLG UK Income Fund	Investment Fund	2,906	2.64
Lindsell Train Japanese Equity Fund	Investment Fund	2,886	2.62
All Star Leisure	Unquoted investment	2,843	2.58
EF Brompton Global Opportunities Fund	Investment Fund	2,833	2.57
EF Brompton Global Equity Fund	Investment Fund	2,707	2.46
MI Brompton UK Recovery Unit Trust	Investment Fund	2,698	2.45
EF Brompton Global Growth Fund	Investment Fund	2,667	2.42
Stewart Investors Indian Subcontinent Fund	Investment Fund	2,634	2.39
		78,697	71.45
Balance held in 19 investments		18,748	17.02
Total investments (excluding cash)		97,445	88.47
Net current assets (including cash)		12,699	11.53
Net Assets		110,144	100.00

The investment portfolio can be further analysed as follows:

	£'000
Investment funds	80,729
Investment companies and ETFs	9,475
Unquoted investments, including loans of £250,000	6,550
Other quoted investments	691
	97,445

The Company's investments are either unlisted or are unit trust/OEIC funds with the exception of Aberforth Split Level Income Trust, JP Morgan Emerging Markets Income Trust, Miton Group, Immedia Group, iShares S&P 500 Financials Sector UCITS and HSBC MSCI Russia Capped UCITS ETF.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31st December 2017  
(unaudited)

		Six months ended 31st December 2017 (unaudited)		
	Notes	Revenue Return £'000	Capital Return £'000	Total Return £'000
INCOME				
Investment income		856	–	856
Other operating income		37	–	37
Total income	2	<u>893</u>	<u>–</u>	<u>893</u>
GAINS AND LOSSES ON INVESTMENTS				
Gains on investments at fair value				
through profit or loss	5	–	5,601	5,601
Other exchange (losses)/gains		–	(386)	(386)
Trail rebates		–	3	3
		<u>893</u>	<u>5,218</u>	<u>6,111</u>
EXPENSES				
Management fees	3	(331)	–	(331)
Other expenses		(122)	–	(122)
		<u>(453)</u>	<u>–</u>	<u>(453)</u>
PROFIT BEFORE FINANCE COSTS AND TAX		440	5,218	5,658
Finance costs		–	–	–
PROFIT BEFORE TAX		440	5,218	5,658
Tax		(2)	–	(2)
PROFIT FOR THE PERIOD		<u>438</u>	<u>5,218</u>	<u>5,656</u>
EARNINGS PER SHARE				
Ordinary shares (pence)	4	<u>0.61p</u>	<u>7.35p</u>	<u>7.96p</u>

The total return column of this statement represents the Group's profit and loss account, prepared in accordance with IFRS. The supplementary Revenue Return and Capital Return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

All income is attributable to the equity holders of the parent company. There are no minority interests.

The notes on pages 25 to 30 form an integral part of these accounts.

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31st December 2016 and the year ended 30th June 2017

		Six months ended 31st December 2016 <i>(unaudited)</i>			Year ended 30th June 2017 <i>(audited)</i>		
		Revenue Return	Capital Return	Total Return	Revenue Return	Capital Return	Total Return
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
INCOME							
Investment income		942	–	942	1,686	–	1,686
Other operating income		9	–	9	29	–	29
Total income	2	951	–	951	1,715	–	1,715
GAINS AND LOSSES ON INVESTMENTS							
Gains on investments at fair value through profit or loss							
	5	–	7,899	7,899	–	14,814	14,814
Other exchange (losses)/gains		–	845	845	–	367	367
Trail rebates		–	2	2	–	4	4
		951	8,746	9,697	1,715	15,185	16,900
EXPENSES							
Management fees	3	(300)	–	(300)	(622)	–	(622)
Other expenses		(150)	–	(150)	(276)	–	(276)
		(450)	–	(450)	(898)	–	(898)
PROFIT BEFORE FINANCE COSTS AND TAX							
		501	8,746	9,247	817	15,185	16,002
Finance costs		–	–	–	–	–	–
PROFIT BEFORE TAX							
		501	8,746	9,247	817	15,185	16,002
Tax		(6)	–	(6)	(7)	–	(7)
PROFIT FOR THE PERIOD							
		495	8,746	9,241	810	15,185	15,995
EARNINGS PER SHARE							
Ordinary shares (pence)	4	0.70p	12.31p	13.01p	1.14p	21.38p	22.52p

The total return column of this statement represents the Group's profit and loss account, prepared in accordance with IFRS. The supplementary Revenue Return and Capital Return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the periods.

All income is attributable to the equity holders of the parent company. There are no minority interests.

The notes on pages 25 to 30 form an integral part of these accounts.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the six months ended 31st December 2017**(unaudited)*

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2017	710	21,573	56,908	25,865	105,056
Total comprehensive income for the period	-	-	-	5,656	5,656
Dividend paid	-	-	-	(568)	(568)
AT 31ST DECEMBER 2017	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>30,953</u>	<u>110,144</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the six months ended 31st December 2016**(unaudited)*

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2016	710	21,573	56,908	10,083	89,274
Total comprehensive income for the period	-	-	-	9,241	9,241
Dividend paid	-	-	-	(213)	(213)
AT 31ST DECEMBER 2016	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>19,111</u>	<u>98,302</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 30th June 2017**(audited)*

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2016	710	21,573	56,908	10,083	89,274
Total comprehensive income for the year	-	-	-	15,995	15,995
Dividend paid	-	-	-	(213)	(213)
AT 30TH JUNE 2017	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>25,865</u>	<u>105,056</u>

The notes on pages 25 to 30 form an integral part of these accounts.



NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED BALANCE SHEET

at 31st December 2017

		31st December 2017 <i>(unaudited)</i> £'000	31st December 2016 <i>(unaudited)</i> £'000	30th June 2017 <i>(audited)</i> £'000
	<i>Notes</i>			
NON-CURRENT ASSETS				
Investments at fair value through profit or loss	5	<u>97,445</u>	<u>83,892</u>	<u>91,730</u>
CURRENT ASSETS				
Other receivables		103	25	85
Cash and cash equivalents		<u>12,804</u>	<u>14,580</u>	<u>13,451</u>
		<u>12,907</u>	<u>14,605</u>	<u>13,536</u>
TOTAL ASSETS		110,352	98,497	105,266
CURRENT LIABILITIES				
Other payables		<u>(208)</u>	<u>(195)</u>	<u>(210)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>110,144</u>	<u>98,302</u>	<u>105,056</u>
NET ASSETS		<u>110,144</u>	<u>98,302</u>	<u>105,056</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS				
Called-up share capital		710	710	710
Share premium		21,573	21,573	21,573
Special reserve		56,908	56,908	56,908
Retained earnings	6	<u>30,953</u>	<u>19,111</u>	<u>25,865</u>
TOTAL EQUITY		<u>110,144</u>	<u>98,302</u>	<u>105,056</u>
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	7	<u>155.08p</u>	<u>138.41p</u>	<u>147.92p</u>

The interim report was approved and authorised for issue by the Board on 29th March 2018.

The notes on pages 25 to 30 form an integral part of these accounts.

## CONSOLIDATED CASH FLOW STATEMENT

*for the six months ended 31st December 2017*

	Six months ended 31st December 2017 <i>(unaudited)</i> £'000	Six months ended 31st December 2016 <i>(unaudited)</i> £'000	Year ended 30th June 2017 <i>(audited)</i> £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	421	536	808
INVESTING ACTIVITIES			
Purchase of investments	(9,516)	(5,577)	(6,500)
Sale of investments	9,402	9,051	9,051
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	(114)	3,474	2,551
FINANCING			
Equity dividend paid	(568)	(213)	(213)
NET CASH (OUTFLOW)/INFLOW AFTER FINANCING	(261)	3,797	3,146
(DECREASE)/INCREASE IN CASH	(261)	3,797	3,146
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/increase in cash resulting from cash flows	(261)	3,797	3,146
Exchange movements	(386)	845	367
Movement in net funds	(647)	4,642	3,513
Net funds at start of period/year	13,451	9,938	9,938
NET FUNDS AT END OF PERIOD/YEAR	12,804	14,580	13,451
RECONCILIATION OF PROFIT BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Profit before finance costs and taxation *	5,658	9,247	16,002
Gains on investments	(5,601)	(7,899)	(14,814)
Exchange differences	386	(845)	(367)
Management fee rebates	(3)	(2)	(4)
Revenue profit before finance costs and taxation	440	501	817
(Increase)/decrease in debtors	(7)	37	(18)
(Decrease)/increase in creditors	(2)	9	24
Taxation	(13)	(13)	(19)
Management fee rebates	3	2	4
NET CASH INFLOW FROM OPERATING ACTIVITIES	421	536	808

The notes on pages 25 to 30 form an integral part of these accounts.

\* Includes dividends received in cash of £542,000 (2016: £646,000), accumulation income of £335,000 (2016: £296,000) and interest income of £30,000 (2016: £9,000).

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*for the six months ended 31st December 2017***1. Accounting policies**

The condensed consolidated interim financial statements comprise the unaudited results of the Company and its subsidiary, JIT Securities Limited (together “the Group”), for the six months to 31st December 2016. The comparative information for the six months to 31st December 2017 and the year to 30th June 2017 are a condensed set of accounts and do not constitute statutory accounts under the Companies Act 2006. Full statutory accounts for the year to 30th June 2017 included an unqualified audit report, did not contain any statements under section 498 of the Companies Act 2006, and have been filed with the Registrar of Companies.

The half year financial statements have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’, and are presented in pounds sterling, as this is the Group’s functional currency.

The same accounting policies have been followed in the interim financial statements as applied to the accounts for the year ended 30th June 2017, which were prepared in accordance with IFRSs as adopted by the European Union.

No segmental reporting is provided as the Group is engaged in a single segment.

**2. Total income**

	Six months ended 31st December 2017 £'000	Six months ended 31st December 2016 £'000	Year ended 30th June 2017 £'000
<b>Income from Investments</b>			
UK net dividend income	765	847	1,540
Unfranked investment income	91	95	146
	<u>856</u>	<u>942</u>	<u>1,686</u>
<b>Other Income</b>			
Bank interest receivable	31	9	28
Loan interest income	6	–	1
	<u>37</u>	<u>9</u>	<u>29</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued***2. Total income** *continued*

	Six months ended 31st December 2017 £'000	Six months ended 31st December 2016 £'000	Year ended 30th June 2017 £'000
<b>Total income comprises</b>			
Dividends	856	942	1,686
Other income	37	9	29
	<u>893</u>	<u>951</u>	<u>1,715</u>

**3. Management fees**

	Six months ended 31st December 2017 £'000	Six months ended 31st December 2016 £'000	Year ended 30th June 2017 £'000
Investment management fee	331	300	622
Performance fee	–	–	–
	<u>331</u>	<u>300</u>	<u>622</u>

The Investment Manager receives a management fee, payable quarterly in arrears, equivalent to an annual 0.75 per cent of total assets after the deduction of the value of any investments managed by the Investment Manager or its associates (as defined in the investment management agreement). The Investment Manager is also entitled to a performance fee of 15% of the growth in net assets over a hurdle of 3-month Sterling LIBOR plus 1% per annum, payable six monthly in arrears, subject to a high water mark. The aggregate of the Company's management fee and any performance fee are subject to a cap of 4.99% of net assets in any financial year (with any performance fee in excess of this cap capable of being earned in subsequent periods). The performance fee will be charged 100% to capital, in accordance with the Board's expectation of how any out-performance will be generated. No performance fee is payable for the period.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued***4. Return per Ordinary share**

	Six months ended 31st December 2017 £'000	Six months ended 31st December 2016 £'000	Year ended 30th June 2017 £'000
Revenue return	438	495	810
Capital return	5,218	8,746	15,185
Total return	<u>5,656</u>	<u>9,241</u>	<u>15,995</u>
Weighted average number of Ordinary shares	71,023,695	71,023,695	71,023,695
Revenue return per Ordinary share	0.61p	0.70p	1.14p
Capital return per Ordinary share (before dividend)	<u>7.35p</u>	<u>12.31p</u>	<u>21.38p</u>
Total return per Ordinary share (before dividend)	<u>7.96p</u>	<u>13.01p</u>	<u>22.52p</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued***5. Investments at fair value through profit and loss**

	At 31st December 2017 £'000	At 31st December 2016 £'000	At 30th June 2017 £'000
GROUP AND COMPANY	<u>97,445</u>	<u>83,892</u>	<u>91,730</u>
ANALYSIS OF INVESTMENT PORTFOLIO – GROUP AND COMPANY Six months ended 31st December 2017			
	Listed* (Level 1 and 2) £'000	Unlisted** (Level 3) £'000	Total £'000
Opening book cost	55,791	7,555	63,346
Opening investment holding gains/(losses)	<u>31,129</u>	<u>(2,745)</u>	<u>28,384</u>
Opening valuation	86,920	4,810	91,730
Movement in period:			
Purchase at cost	9,365	151	9,516
Sales			
– Proceeds	(9,402)	–	(9,402)
– Realised gains on sales	4,447	–	4,447
Movement in investment holding gains/(losses)	<u>(435)</u>	<u>1,589</u>	<u>1,154</u>
Closing valuation as at 31st December 2017	<u>90,895</u>	<u>6,550</u>	<u>97,445</u>
Closing book cost	60,201	7,706	67,907
Closing investment holding gains/(losses)	<u>30,694</u>	<u>(1,156)</u>	<u>29,538</u>
Closing valuation	<u>90,895</u>	<u>6,550</u>	<u>97,445</u>

\* Listed investments include unit trust and OEIC funds which are valued at quoted prices. Included within Listed Investments is one monthly valued Level 2 investment of £3,527,000 (2016: £3,117,000).

\*\* The Unlisted investments, representing approximately 6% of the Company's NAV, have been valued in accordance with IPEVC valuation guidelines. The largest unquoted investment amounting to £3,268,000 (2016: £2,400,000) was valued at the latest transaction price. The second largest investment has been valued based on the expected capital distribution.

There were no reclassifications of assets between Level 1, 2 and 3.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued***5. Investments at fair value through profit and loss** *continued*

	Six months ended 31st December 2017 £'000	Six months ended 31st December 2016 £'000	Year ended 30th June 2017 £'000
ANALYSIS OF CAPITAL GAINS AND LOSSES			
Realised gains on sales of investments	4,447	2,739	2,739
Increase in investment holding gains	<u>1,154</u>	<u>5,160</u>	<u>12,075</u>
	<u><u>5,601</u></u>	<u><u>7,899</u></u>	<u><u>14,814</u></u>

**6. Retained earnings**

	At 31st December 2017 £'000	At 31st December 2016 £'000	At 30th June 2017 £'000
Capital reserve – realised	925	(3,046)	(3,522)
Capital reserve – revaluation*	29,155	21,469	28,384
Revenue reserve	<u>873</u>	<u>688</u>	<u>1,003</u>
	<u><u>30,953</u></u>	<u><u>19,111</u></u>	<u><u>25,865</u></u>

\* The Capital reserve-revaluation includes unrealised currency (losses)/gains of £(383,000), £847,000 and £371,000 respectively.

**7. Net asset value per Ordinary share**

	31st December 2017 £'000	31st December 2016 £'000	30th June 2017 £'000
Net assets attributable to Ordinary shareholders	<u>110,144</u>	<u>98,302</u>	<u>105,056</u>
Ordinary shares in issue at end of period	<u>71,023,695</u>	<u>71,023,695</u>	<u>71,023,695</u>
Net asset value per Ordinary share	<u><u>155.08p</u></u>	<u><u>138.41p</u></u>	<u><u>147.92p</u></u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued*

### **8. Transactions with the Investment Manager**

During the period there have been no new related party transactions that have affected the financial position or performance of the Group.

Since 1st January 2010 Brompton has acted as Investment Manager to the Company. This relationship is governed by an agreement dated 23rd December 2009.

Mr Duffield is the senior partner of Brompton Asset Management Group LLP the ultimate parent of Brompton.

The total investment management fee payable to Brompton for the half year ended 31st December 2017 was £331,000 (2016: £300,000) and at the half year end £167,000 (2016: £151,000) was accrued. No performance fee was payable in respect of the half year ended 31st December 2017 (2016: £nil).

The Group's investments include seven funds managed by Brompton or its associates valued at £19,501,000 (2016: £17,828,000). No investment management fees were payable directly by the Company in respect of these investments.









