



Annual Report 09  
JPMorgan American  
Investment Trust plc

Annual Report & Accounts for the Year Ended 31st December 2009

# Features

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### Objective

To achieve capital growth from North American investments by outperformance of the Company's benchmark.

### Investment Policies

- To invest in quoted companies including, when appropriate, exposure to small and micro capitalisation sectors.
- To emphasise capital growth rather than income.
- To use gearing when appropriate to increase potential returns to shareholders.
- To hedge the currency risk only in respect of the geared portion of the portfolio.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Further details of the Company's investment policy and risk management are given in the Directors' Report on page 19.

### Benchmark

The S&P 500 Index expressed in sterling total return terms.

### Capital Structure

The Company has an authorised share capital of 90,904,952 ordinary shares of 25p each, of which 42,725,949 were in issue at the year end.

The Company has a £50 million debenture at a fixed interest rate of 6.875%, repayable in June 2018.

### Management Company

The Company employs J.P. Morgan Asset Management ('JPMAM' or the 'Manager') to manage its assets.

The US equity management team consists of 100 investment professionals and manages around \$122 billion for its clients worldwide.

### AIC

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

# Financial Results

Total Returns (capital plus income)

**+13.5%**

Return to shareholders<sup>1</sup>

(2008: -4.1%)

**+11.6%**

Return on net assets<sup>2</sup>

(2008: -7.3%)

**+12.2%**

Benchmark return<sup>1,3</sup>

(2008: -13.1%)

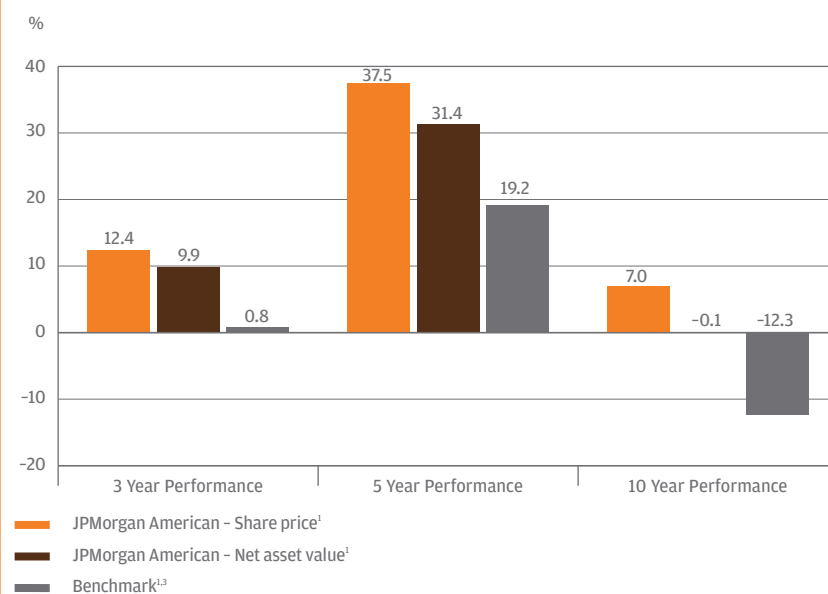
**11.0p**

Dividend

(2008: 11.0p)

## Long Term Performance (total returns)

for periods ended 31st December 2009



A glossary of terms and definitions is provided on page 64.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P. Morgan.

<sup>3</sup>The Company's benchmark is the S&P 500 Index expressed in sterling total return terms.

# Chairman's Statement



## Investment Performance

Investors in US equities enjoyed a rollercoaster ride during 2009, with the rise in the S&P 500 Index of 26.0%, in Dollar terms, over the course of the year, disguising the dramatic fall and subsequent rebound that took place. Hampered by the strength of Sterling, your Company produced a total return on net assets, in Sterling terms, of 11.6% for the year to 31st December 2009, marginally underperforming the Sterling total return of the S&P 500 Index (our benchmark) of 12.2%. The Company's total return to shareholders was stronger, at 13.5%. Over the longer term, as can be seen from charts and the data on pages 1, 10 and 11 the Company's record is strong, particularly since 2002.

The Dollar, having begun 2009 at a rate of 1.44 to the pound, weakened over the year, ending at 1.61. This Sterling strength has meant that UK based investors saw their returns reduced by around 11.0%. In order to protect against currency fluctuations in respect of the Company's existing £50 million debenture, a currency hedge was put in place on 3rd October, 2001 at a \$/£ rate of 1.46.

The Company's net asset value in Sterling total return terms thus underperformed its benchmark index by 0.6 percentage points over the year. Performance attribution data shows that the larger companies' portfolio underperformed by 2.7%, with the smaller companies' portfolio outperforming by 0.6% along with a positive contribution from gearing and the currency hedge (for full details of the performance attribution see page 6). The investment management team has continued its policy of investing in larger, blue chip growth companies on attractive valuations. Full details of the activities of the investment managers are set out in their report on pages 5 to 8.

## Revenue Account and Dividends

Net revenue after taxation for the year was £4,540,000 (2008: £4,853,000) and earnings per share were 10.63p (2008: 11.36p). Revenue stood up well in what was a difficult year for dividend paying companies, with the Manager's underweight position in financial services proving particularly provident.

The Company's dividend policy has been to distribute all, or substantially all, of the available income in each year. Despite the modest decline in earnings, the Board is proposing to maintain last year's dividend of 11.0p per share and, in doing so, will be drawing around £160,000 from revenue reserves. Shareholders should note that income streams can vary significantly, and the Company's dividend payouts are likely to reflect those variations. After accounting for the payment of the proposed final dividend, this leaves a balance in revenue reserves of £10.0m (equivalent to 23.4p per share or 2.1 times our current payout). The dividend will be paid on 6th May 2010 to shareholders on the register on 9th April 2010.

## Gearing

The Board of Directors sets the overall gearing strategy and guidelines and reviews these at each meeting. The investment management team manages the gearing levels actively within these agreed guidelines. At present, there is an upper limit of 20% of shareholders' funds and this can only be increased with Board consent. The £50 million debenture provides the potential to gear up to around 17%. As at the year end, the Company's net gearing level (offsetting cash and near cash against our debenture) was 111% of shareholders' funds, having ranged between 107% and 113% during the year.

### **Management of the Discount**

The Company's discount (based on the NAV with debt at fair value and excluding income) narrowed by 0.6 percentage points over the course of the year, finishing at 3.3%. During the year the shares traded between a 5.0% discount and a 8.5% premium. Whilst the Company did not repurchase any shares during the year, your Board believes that such a facility is an important tool in the management of discount volatility. A resolution to renew the authority to allow the Company to repurchase up to 14.99% of its share capital will be submitted to the Annual General Meeting.

### **Investment Manager**

The Company's objective is to provide shareholders with capital growth from a broad portfolio of North American investments. Your Board has once again thoroughly reviewed the capabilities of the Investment Manager in order to assess whether J.P.Morgan Asset Management remains the most appropriate manager of the Company's assets. In addition to scheduled Board Meetings, your Directors have undertaken additional strategy and investment meetings with the named investment managers, conducted comparisons with the peer group both in the UK and the US (with regard to performance, fee rates and costs of management) and spent time reviewing the investment management operation whilst in New York for a Board Meeting. We have concluded that the ongoing appointment of the existing Investment Manager is in the best interests of shareholders.

### **The Board**

Your Board has put in place procedures to ensure that the Company complies fully with the revised Combined Code and the AIC Code on Corporate Governance™. Details are given in the Corporate Governance section of this report on pages 25 to 29.

Three Directors are seeking re-election at this year's Annual General Meeting. The Directors retiring by rotation are James Fox and James Williams, who, being eligible, offer themselves for re-election. In addition, I, having served as a Director for over nine years, also retire and offer myself for re-election. James Fox, who was appointed in 2003, performs the role of Chairman of the Audit Committee extremely efficiently and James Williams, who was also appointed in 2003, contributes significantly on a wide range of issues. Details of their background and experience can be found on page 18 and the Board recommends their re-election. The Board does not believe that length of service in itself should disqualify a director from seeking re-election and, in proposing my own re-election, it has taken into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its Committees. The Nomination Committee has carefully reviewed my performance as Chairman and the merits of my continued Chairmanship and recommends my re-election.

### **Annual General Meeting**

Your Directors and I very much look forward to welcoming shareholders to the Annual General Meeting, which will be held at Trinity House, Tower Hill, London EC3N 4DH on Wednesday 5th May 2010 at 2.30 p.m. Garrett Fish, our lead investment manager, will make a presentation to shareholders, reviewing the year and commenting on the outlook for the current year. It would be helpful if shareholders could submit, in advance and in writing, any detailed or technical questions that they wish to raise at the Annual General Meeting, to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ.

# Chairman's Statement continued

## **Outlook**

The economic recovery in the US is evident in both GDP data and the robust earnings recovery seen from many of the companies in the investment portfolio. Whether this recovery is in a nascent phase that will not be fully realised is a question which is exercising policy makers in America and beyond. The investment management team remains fully invested but has recently reduced the gearing levels employed by the Company.

**Hamish Buchan**  
Chairman

11th March 2010

# Investment Manager's Report



## Market Review

For the US stock market, the last 12 months have arguably been one of the most dramatic periods on record. The first few months of 2009 continued as 2008 had ended - with stock prices falling swiftly - and the decline continued into early March. By the time prices bottomed out, investors had witnessed one of the steepest stock market plunges and the worst economic collapses since the Great Depression of the 1930s. Banks largely stopped lending, layoffs soared, fear spread and consumer confidence declined sharply.

The market rebound was equally dramatic. Driven largely by coordinated efforts by the US Treasury and Federal Reserve to shore up confidence in the financial system and keep credit flowing, stocks, beginning in March, staged a significant 'relief rally' - the biggest since the 1930s - that spanned the entire US equity spectrum. By the end of the year, stocks had recouped significant portions of their losses - though major indices remained well below their highs set in the autumn of 2007. In the meantime, the US economy showed signs of life by expanding at an annualised rate of 2.8% in the third quarter, its first increase since the second quarter of 2008 and showed further improvement in the fourth quarter with an annualized 5.7% rate of growth. Within this volatile market environment, the NAV, despite its 11.6% return, slightly underperformed its benchmark.

## Overall Asset Allocation

The investment management team is responsible for managing the allocation between the two investment portfolios, together with the levels of cash and gearing. In recent years your investment team has worked closely with the Board of Directors to develop modelling tools to assist in both asset allocation and gearing decisions. In 2009, the Company's gearing ranged between 107% and 113% of shareholders' funds, with the level at the year end being 111%. The level of gearing is adjusted at regular intervals within the gearing guidelines laid down by the Board to reflect the outlook on risk and return for both equities and bonds. After increasing the gearing level late in 2008, we maintained a relatively high level throughout 2009 due to our gearing asset allocation model favouring equities and our belief that the overall market provided decent value.

The weighting in the smaller companies portfolio ranged between 6.8% and 8.3% of the Company's total assets less current liabilities and ended the year at 7.7%. We believe that our ability to move between the two segments enhances potential returns to shareholders. Attribution data for 2009 shows that it was the smaller companies portfolio and gearing that gave the greatest contribution towards performance. The large cap underperformance was driven more by stock selection than by sector positioning as we did not shift the portfolio as rapidly as the market changed its appetite for riskier securities. Detailed reports on the larger and smaller companies portfolios are shown below.

## Large Companies Portfolio

Our investment methodology continues to focus on investing in high quality, reasonably valued companies. This style leads us to invest in companies that exhibit good growth characteristics with growing earnings, strong cash flows and reasonable valuations. This approach produced mixed results throughout 2009. During the first quarter of the year, our philosophy and process yielded positive results as the market continued its sell off, with our defensive posture aiding the

# Investment Manager's Report continued

## Performance attribution for the year ended 31st December 2009

	Year ended 31st December 2009 %	Year ended 31st December 2008 %
<b>Contributions to Total Returns</b>		
<b>Net Asset Value</b>		
Total Return (in sterling terms)	11.6	-7.3
<b>Benchmark Total Return</b> (in sterling terms)	12.2	-13.1
<b>Excess Return</b>	-0.6	5.8
<b>Contributions to Total Returns</b>		
<i>Large Cap Portfolio</i>	-2.7	9.0
Allocation Effect	0.0	1.2
Selection Effect	-2.7	7.8
<i>Small Cap Portfolio'</i>	0.6	-0.2
Allocation Effect	0.6	-0.2
Selection Effect	0.0	0.0
Gearing/Cash Effect	0.6	-0.4
Currency Hedge	1.7	-2.4
Management Fees/Expenses_	-0.7	-0.7
VAT Recovery	0.0	0.1
Performance Fee	-0.1	-0.4
Residual*	0.0	0.8
<b>Total</b>	-0.6	5.8

Source: JPMAM and Morningstar. All figures are on a total return basis.

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

\*The Residual arises principally from timing differences in the treatment of income flows.

A glossary of terms and definitions is provided on page 64.

returns. Post the market nadir in March, the markets rallied significantly, largely being driven by a 'low quality' rally. Although towards the second half of the year we were largely able to keep pace, the portfolio struggled to keep up during the early stages of the rally.

The over arching theme was 'that which worked in 2008 generally did not in 2009'. Defensive positions in names such as McDonalds, Exxon Mobil and Lockheed Martin detracted from the portfolio's returns. On the flip side, we benefited from active positions in Schering Plough and Wyeth (both of which were acquired) and Dow Chemical.

## Sector Weightings of the Large Cap Portfolio versus S&P 500 as at 31st December 2009

Sector	Large Company Portfolio %	S&P 500 %	Overweight/ Underweight %
Technology	19.4	16.4	3.0
Integrated Oils	9.8	7.7	2.1
Financial Services	15.7	13.7	2.0
Producer Durables	6.7	5.7	1.0
Health Care	14.6	14.0	0.6
Consumer Discretionary	10.7	11.3	-0.6
Auto & Transportation	1.8	2.6	-0.8
Utilities	6.1	7.3	-1.2
Materials & Processing	2.8	4.1	-1.3
Other	0.9	2.4	-1.5
Consumer Staples	8.1	9.7	-1.6
Other Energy	3.3	5.0	-1.7

From a sector perspective, the health care and utilities sectors were the top contributors during the year. We began the year significantly overweight in the health care sector, although we reduced our weighting as the year progressed, due to uncertainty surrounding healthcare reform. Within the sector, we increased our position in Medco Health Solutions, which handles drug benefits for health plan sponsors. As the U.S. government continues to debate healthcare reform, Medco Health Solutions is positioned to be part of the solution. The company expects to profit more from generics in coming years as growing numbers of blockbuster drugs lose patent protection and low-cost generics reach the market; as a benefits manager, Medco makes a larger profit on them. Performance in the utilities sector was positively impacted by CenturyTel. This telecommunications provider has successfully made the transition from a rural phone company to a regional telecommunications company, with a formidable presence in 26 States, following their acquisition of Embarq.

The portfolio's relative performance was hurt by the financial services and consumer discretionary sectors. Results in the financials were hurt by the portfolio's underweight position in American Express. As the financial markets collapsed in 2008, American Express fell further and faster than its big credit card competitors MasterCard and Visa. The company collected \$3.4 billion in Troubled

Asset Relief Program ('TARP') funds amid concerns about rising defaults and debt. This year, the company repaid the money it received from the TARP, and the stock has quadrupled. Performance in the consumer discretionary sector was hindered by our underweight position in Amazon.com. While Amazon.com showed exceptionally strong growth in the holiday selling season, we believe there are better opportunities elsewhere in the sector.

The table below shows the largest positive and negative stock contributors to the portfolio's performance:

Stock	Action	Average weight %	Return %	Impact %
<b>Positive Contributors</b>				
Corning	D, I	1.1	105.6	0.9
MasterCard	D, I	1.4	79.7	0.8
Schering Plough	D, S	1.3	67.1	0.7
Wyeth	D, S	1.5	37.1	0.6
Coach	B, I	0.5	77.2	0.5
<b>Negative Contributors</b>				
Exxon Mobil	D, I	6.0	-12.6	-0.7
McDonalds	D	2.8	4.0	-0.6
Lockheed Martin	D	1.4	-7.6	-0.4
Apple Computer	I	1.3	147.1	-0.3
Safeway	D, S	0.6	-8.8	-0.3

Return in US\$

I = Increased; D = Decreased; S = Sold; B = Bought.

Source: Wilshire

#### Smaller Companies Portfolio

2009 was a year for the record books for small caps, with the Russell 2000 down over 30% at one point only to rally back to its eighth-best year since its inception with a positive return of 27.2% in Dollar terms. It was also a less challenging year for active managers as most managers, including ourselves, outperformed their benchmarks. Over the course of the year, our small cap holdings had a positive effect on the overall performance of the Company.

Amongst individual stocks, the selection of Switch & Data Facilities, a provider of data centre services, and upscale retailer J. Crew were top contributors. Switch & Data Facilities is being acquired by Equinox and the deal is expected to close later this year. J. Crew's share price rebounded as investors rewarded the company for its improving 'same store' sales and tighter inventory management.

In contrast, the portfolio's performance was adversely affected by its exposure to Meridian Bioscience, a leader in diagnostic test kits. It appears that growth within the company's US diagnostic business remains marginally weaker than expected and real growth within the European business will probably be slightly below expectations. We believe that its core organic revenue growth potential and its operating margins of greater than 30% puts it in the upper tier of its peer group.

# Investment Manager's Report continued

Moreover, Meridian pays a healthy dividend, which makes it unique amongst its competitors.

As we look out to 2010, we have seen quite a bit of an improvement in the market indicators. Volatility has fallen, credit spreads have narrowed, fund flows have picked up again and earnings are forecast to rise. These improvements should help boost performance, but again relative to large caps, it might not be enough. We think the small cap market will be less liquid and probably more volatile than in previous years and thus fundamentals should start to matter along with quality. This should bode well for our portfolio.

## **Market Outlook**

Our belief is that the US economy will grow at a slightly above-trend rate in 2010, just enough to nudge the unemployment rate a bit lower. Business inventories are only in the early stages of being replenished and high corporate cash balances are likely to be used, in part, to fund new capital expenditures, especially after the sharp cuts seen in 2009. Despite the popular assumption that the highly leveraged consumer will be a small factor in the recovery, we do believe increased consumption will contribute to growth in 2010. Estimates for US GDP growth are much lower than would be typical after such a deep recession, as significant headwinds, such as demand being restrained by weakness in bank credit, sluggish growth in employment and the still saturated residential and commercial real estate markets, have developed.

The rescue operation performed by both the US Government and The Federal Reserve (Fed) in 2008-2009 restored investor confidence, which allowed markets to bounce back from their March 2009 lows. However, official support for a number of markets is set to expire over the coming months. The Fed's purchases of agency mortgage-backed securities will cease at the end of March and the tax credit for US homebuyers is currently scheduled to end in April. Whether or not the financial markets and broader economy can stand on their own will therefore depend on demand from the private sector being strong enough to take up the slack. Also, in the forefront of investor's minds is how interest rates will be impacted by the recovery of economic activity, potentially higher inflation expectations and deteriorating fiscal budgets.

S&P 500 operating earnings per share are expected to rise by 25% or more this year, as sustained cost containment and moderate economic growth allow firms to benefit from both revenue gains and higher profit margins. In addition, US equities still look attractive on a free cash flow valuation basis, especially given today's low borrowing costs. While we expect the upward trend for the equity markets to remain mostly intact, given the size of last year's strong advance and the prospect of less of a tailwind provided by government stimulus, the vigour of the 2009 rally is unlikely to be maintained.

## **Garrett Fish**

Investment Manager

11th March 2010

# Summary of Results

	2009	2008	
<b>Total Returns</b> (capital plus income) for the year ended 31st December			
Return to shareholders <sup>1</sup>	<b>+13.5%</b>	-4.1%	
Return on net assets <sup>2</sup>	<b>+11.6%</b>	-7.3%	
Benchmark return <sup>3</sup>	<b>+12.2%</b>	-13.1%	
<b>Net Asset Value, Share Price, Discount and Market Data</b> at 31st December			
			<b>% change</b>
Net asset value per share with debt at par value	<b>752.4p</b>	687.4p	+9.5
Net asset value per share with debt at fair value <sup>4</sup>	<b>731.7p</b>	662.1p	+10.5
Share price	<b>697.0p</b>	626.0p	+11.3
Share price discount to net asset value per share with debt at fair value (after deducting the proposed final dividend)	<b>3.3%</b>	3.9%	
Shareholders' funds (£'000)	<b>321,466</b>	293,678	+9.5
Market capitalisation (£'000)	<b>297,800</b>	267,464	+11.3
S&P 500 Index expressed in sterling (capital only) <sup>5</sup>	<b>690.53</b>	628.24	+9.9
Exchange rate	<b>£1=\$1.6148</b>	£1=\$1.4378	-10.96
Shares in issue	<b>42,725,949</b>	42,725,949	
<b>Revenue</b> for the year ended 31st December			
Net revenue attributable to shareholders (£'000)	<b>4,540</b>	4,853	-6.4
Return per share	<b>10.63p</b>	11.36p	-6.4
Dividend per share	<b>11.00p</b>	11.00p	0.0
<b>Actual Gearing Factor</b> at 31st December			
	<b>111.3%</b>	112.8%	
<b>Total Expense Ratio</b>			
	<b>0.68%</b>	0.71%	
<b>Total Expense Ratio including performance fee payable<sup>6</sup></b>			
	<b>0.78%</b>	0.84%	
<b>Management Fee<sup>7</sup></b>			
	<b>0.50%</b>	0.50%	

A glossary of terms and definitions is provided on page 64.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P. Morgan.

<sup>3</sup>Source: The Company's benchmark is the S&P 500 Index expressed in sterling total return terms.

<sup>4</sup>The fair value of the £50m debenture issued by the Company has been calculated by reference to a similar dated gilt yield plus a margin based on the 5 year average for the AA Barclays Sterling Corporate Bond spread.

<sup>5</sup>Source: Datastream - capital only.

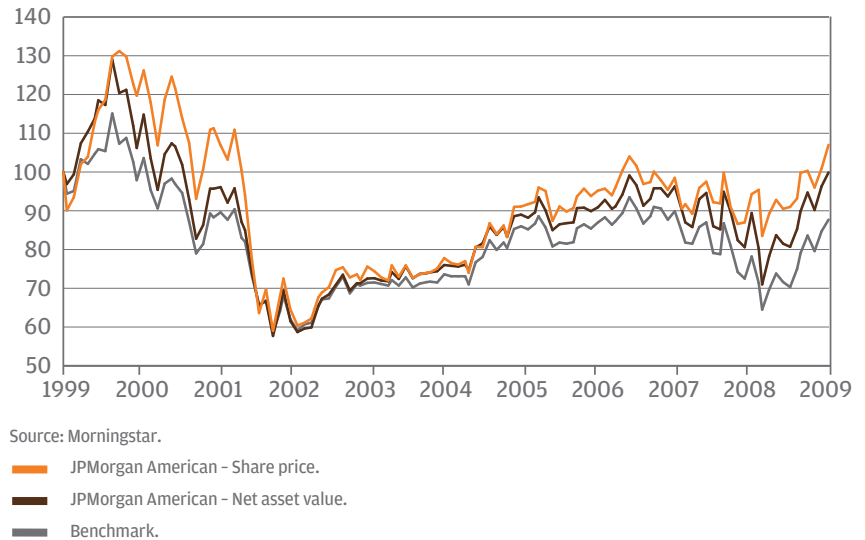
<sup>6</sup>A performance fee amounting to £311,000 (2008: £419,000) becomes payable this year due to outperformance in prior years.

<sup>7</sup>Excluding any performance fee payable.

# Performance

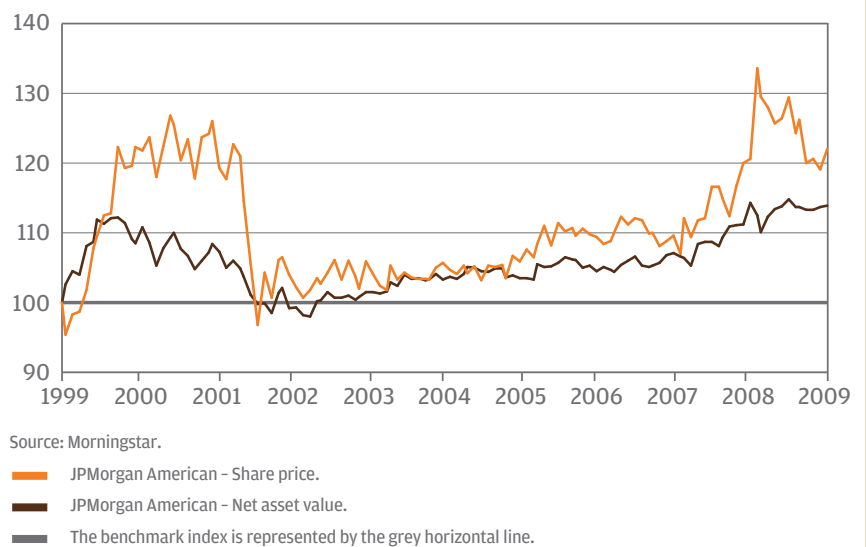
## Ten Year Performance

Figures have been rebased to 100 at 31st December 1999



## Performance Relative to Benchmark

Figures have been rebased to 100 at 31st December 1999



# Ten Year Financial Record

<b>At 31st December</b>	<b>1999<sup>1</sup></b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004<sup>2</sup></b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Shareholders' funds (£m)	601.4	528.5	479.8	295.1	313.1	289.7	309.0	312.0	321.5	293.7	<b>321.5</b>
Net asset value per share (p)	830.6	880.0	786.9	502.3	586.3	615.1	710.7	720.9	752.4	687.4	<b>752.4</b>
Share price (p)	734.0	876.0	808.0	465.0	540.0	548.0	633.0	654.0	665.5	626.0	<b>697.0</b>
Share price (discount)/ premium (%) <sup>3</sup>	(11.6)	(0.4)	2.7	(7.4)	(7.9)	(8.1)	(7.3)	(6.3)	(8.4)	(3.9)	<b>(3.3)</b>
Actual gearing (%)	103.7	107.0	106.9	118.6	110.8	112.5	108.8	104.3	97.1	112.8	<b>111.3</b>
Exchange rate (£1=\$)	1.61	1.49	1.46	1.61	1.79	1.92	1.72	1.96	1.99	1.44	<b>1.61</b>
<b>Year ended 31st December</b>											
Earnings per share (p)	6.01	5.48	5.30	4.75	6.41	8.20	7.78	11.28	10.70	11.36	<b>10.63</b>
Dividend per share (p)	2.30	5.70	5.20	4.80	6.80	7.50	8.00	11.00	11.00	11.00	<b>11.00</b>
Total expense ratio (%)	0.60	0.62	0.62	0.69	0.73	0.72	0.72	0.76	0.69	0.71	<b>0.68</b>
<b>Rebased to 100 at 31st December 1999</b>											
Share price total return <sup>4</sup>	100.0	119.7	111.3	64.5	75.6	77.8	91.1	95.2	98.5	94.3	<b>107.0</b>
Net asset value per share - total return <sup>4</sup>	100.0	106.2	95.7	61.5	72.5	76.0	89.0	90.9	96.3	89.5	<b>99.9</b>
Benchmark - total return <sup>4,5</sup>	100.0	97.9	88.3	62.0	71.4	73.6	86.0	87.0	89.9	78.2	<b>87.7</b>

A glossary of terms and definitions is provided on page 64.

<sup>1</sup>Figures have been restated to reflect the change in allocation of management fees and finance costs between the revenue account and capital account.

<sup>2</sup>The results for the year ended 31st December 2004 have been restated in accordance with Financial Reporting Standards 21, 25 and 26. Years prior to 2004 have not been restated.

<sup>3</sup>For 2004 onwards the discount has been calculated using the NAV with debt at fair value after deduction of the proposed final dividend.

<sup>4</sup>Source: Morningstar.

<sup>5</sup>Source: The Company's benchmark is the S&P 500 Index expressed in sterling total return terms.

# Ten Largest Equity Investments

Company	Sub Sector	2009 Valuation		2008 Valuation	
		£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
<b>Exxon Mobil</b> Exxon Mobil operates petroleum and petrochemicals businesses on a worldwide basis. The company's operations include exploration and production of oil and gas, electric power generation, and coal and minerals operations. Exxon Mobil also manufactures and markets fuels, lubricants and chemicals.	Integrated Oils	15,588	4.2	21,830	6.3
<b>Microsoft</b> Microsoft develops, manufactures, licences, sells, and supports software products. The company offers operating system software, server application software, business and consumer applications software, software development tools, and Internet and intranet software. Microsoft also develops the MSN network of Internet products and software.	Technology	12,664	3.4	7,492	2.2
<b>IBM</b> IBM provides computer solutions through the use of advanced information technology. The company's solutions include technologies, systems, products, services, software, and financing. IBM offers its products through its global sales and distribution organisation, as well as through a variety of third party distributors and resellers.	Technology	9,583	2.6	6,724	1.9
<b>Merck &amp; Co<sup>2</sup></b> Merck & Co. is a global pharmaceutical company that discovers, develops, manufactures, and markets a broad range of human and animal health products. Merck's products include a treatment for elevated cholesterol, a treatment for male pattern hair loss, a preventative treatment for osteoporosis, a treatment for hypertension, and a treatment for allergic rhinitis.	Health Care	9,144	2.5	6,299	1.8
<b>Hewlett Packard</b> Hewlett Packard provides imaging and printing systems, computing systems, and information technology services for business and home. The company's products include laser and inkjet printers, scanners, copiers and faxes, personal computers, workstations, storage solutions, and other computing and printing systems. Hewlett Packard sells its products worldwide.	Technology	8,935	2.4	6,942	2.0
<b>Oracle</b> Oracle supplies software for enterprise information management. The company offers databases and relational servers, application development and decision support tools, and enterprise business applications. Oracle's software runs on network computers, personal digital assistants, set-top devices, PCs, workstations, minicomputers and mainframes.	Technology	8,296	2.2	7,185	2.1
<b>Apple<sup>2</sup></b> Apple designs, manufactures and markets personal computers and related personal computing and mobile communication devices along with a variety of related software, services, peripherals, and networking solutions. The company sells its products worldwide through its online stores, its retail stores, its direct sales force, third-party wholesalers, and resellers.	Technology	8,057	2.2	1,478	0.4
<b>United Technologies<sup>2</sup></b> United Technologies provides technology products and support services to customers in the aerospace and building industries worldwide. The company's products include aircraft engines, elevators and escalators, heating and air conditioning equipment, helicopters, aerospace systems, fuel cell systems, and fire and safety equipment.	Producer Durables	7,304	2.0	4,394	1.3
<b>Wells Fargo</b> Wells Fargo is a diversified financial services company providing banking, insurance, investments, mortgage, leasing, credit cards, and consumer finance. The company operates through stores, the Internet and other distribution channels across North America and elsewhere internationally.	Financial Services	6,895	1.8	6,912	2.0
<b>Chevron<sup>2</sup></b> Chevron is an integrated energy company with operations in countries located around the world. The company produces and transports crude oil and natural gas. Chevron also refines, markets, and distributes fuels and is involved in chemical operations, mining operations, power generation and energy services.	Integrated Oils	6,757	1.8	5,062	1.5
<b>Total</b>		<b>93,223</b>	<b>25.1</b>		

<sup>1</sup>Based on total assets less current liabilities of £371.6m (2008: £344.2m).

<sup>2</sup>Not included in the ten largest investments at 31st December 2008.

At 31st December 2008 the value of the ten largest equity investments amounted to £92.8m representing 26.9% of total assets less current liabilities.

# Portfolio Analyses

## Sector Analysis

	31st December 2009		31st December 2008	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Technology	19.0	17.1	15.4	14.3
Financial Services	13.2	15.2	15.4	14.3
Health Care	11.4	12.7	15.2	15.2
Consumer Discretionary	9.2	11.5	8.8	10.8
Integrated Oils	7.1	6.7	10.7	9.2
Consumer Staples	7.0	9.5	6.6	9.8
Producer Durables	5.8	5.9	5.7	4.7
Utilities	4.5	6.5	6.6	8.0
Materials & Processing	4.1	4.3	–	3.6
Energy	3.8	5.4	1.1	4.0
Auto & Transportation	2.3	2.8	1.0	2.6
Other	1.0	2.4	1.5	3.5
Small and unquoted companies <sup>1</sup>	7.9	–	8.2	–
Net current assets <sup>2</sup>	3.7	–	3.8	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

<sup>1</sup>This includes small companies assets of 7.7% and unquoted companies of 0.2%.

<sup>2</sup>Includes investments in liquidity funds.

Based on total assets less current liabilities of £371.6m (2008: £344.2m).

## Asset Analysis

At 31st December 2009	2009 %	2008 %
Large Companies	88.4	88.0
Small Companies	7.7	7.8
Unquoted Companies	0.2	0.4
Net current assets <sup>1</sup>	3.7	3.8
<b>Total</b>	<b>100.0</b>	100.0

<sup>1</sup>Includes investments in liquidity funds.

Based on total assets less current liabilities of £371.6m (2008: £344.2m).

# Investment Activity

during the year ended 31st December 2009

	Value at 31st December 2008		Purchases £'000	Sales £'000	Changes in value £'000	Value at 31st December 2009	
	£'000	% of portfolio				£'000	% of portfolio
Large Companies	303,066	87.7	87,515	84,041	22,126	<b>328,666</b>	<b>89.6</b>
Small Companies <sup>1</sup>	28,078	8.1	18,452	22,499	5,203	<b>29,234</b>	<b>8.0</b>
Liquidity Fund <sup>2</sup>	14,369	4.2	33,173	37,381	(1,416)	<b>8,745</b>	<b>2.4</b>
<b>Total Portfolio</b>	<b>345,513</b>	<b>100.0</b>	<b>139,140</b>	<b>143,921</b>	<b>25,913</b>	<b>366,645</b>	<b>100.0</b>

<sup>1</sup>This includes investments in micro-capitalisation and unquoted companies.

<sup>2</sup>The dollar price per unit of this investment has not changed. Changes in valuation are due to exchange rate movements.

# List of Investments

at 31st December 2009

Company	Valuation £'000	Company	Valuation £'000
<b>Large Companies</b>			
These are generally defined as companies which have a market capitalisation above \$3 billion.			
Exxon Mobil	15,588	E.I. du Pont de Nemours	3,251
Microsoft	12,664	Medtronic	3,176
IBM	9,583	Corning	3,161
Merck & Co	9,144	Illinois Tool Works	3,155
Hewlett Packard	8,935	Walt Disney	3,153
Oracle	8,296	Metlife	3,147
Apple	8,057	Time Warner	3,131
United Technologies	7,304	Baxter	3,104
Wells Fargo	6,895	Amerisource Bergen	3,019
Chevron	6,757	Johnson & Johnson	2,976
Pfizer	6,345	Walgreen	2,932
Bank of America	6,174	News Corporation	2,815
Procter & Gamble	6,026	Lockheed Martin	2,761
McDonald's	5,531	Cooper Industries	2,741
Occidental Petroleum	5,462	BlackRock	2,516
Medco Health Solutions	5,238	Macy's	2,509
AT&T	5,197	Morgan Stanley	2,506
Philip Morris International	4,975	Devon Energy	2,453
Cisco Systems	4,720	Polo Ralph Lauren	2,427
Google	4,503	State Street	2,423
MasterCard	4,286	Omnicom	2,419
Wellpoint	4,228	Apache	2,396
US Bancorp	4,227	Coca-Cola	2,389
General Dynamics	4,161	Lorillard	2,380
ConocoPhillips	4,145	National Oilwell Varco	2,350
Freeport-McMoRan Copper & Gold	4,072	Coach	2,226
Dow Chemical	4,034	Edison International	2,199
Abbott Laboratories	3,993	Johnson Controls	2,148
Goldman Sachs	3,902	Precision Castparts	2,127
Wal-Mart Stores	3,848	Dominion Resources (Virginia)	2,079
Qualcomm	3,749	Darden Restaurants	2,041
Centurytel	3,730	EMC	2,005
General Electric	3,719	Kohl's	2,002
Altria	3,651	The Travelers Companies	1,869
Verizon Communications	3,618	Capital One Financial	1,842
CVS	3,520	PNC Financial Services	1,824
Norfolk Southern	3,435	Oshkosh Corporation	1,784
		Ameriprise Financial	1,728
		Unum	1,728
		Xilinx	1,672

# List of Investments continued

Company	Valuation £'000	Company	Valuation £'000
Fluor	1,668	Cavium Networks	295
Caterpillar	1,528	Sourcefire	293
BB&T	1,526	Lennox International	291
National Semiconductor	1,452	HealthSpring	289
Yum Brands	1,444	Forest Oil	280
Noble	1,396	Psychiatric Solutions	279
CSX	1,327	SolarWinds	276
Citigroup	1,214	Landstar Systems	275
Broadcom	1,151	Masimo	272
Bank of New York Mellon	1,119	Comstock Resources	269
United Health	1,036	MSCI	268
Symantec	860	Switch And Data Facilities	267
Time Warner Cable	669	Riverbed Technology	267
	<b>328,666</b>	Geo	266
		Talbots	265
		OfficeMax	256
		Varian Semiconductor Equipment	252
		Hittite Microwave	249
		Graco	249
		Archipelago Learning	247
		Syntel	246
		P.F. Chang's China Bistro	244
		Neutral Tandem	243
		Carlisle Companies	243
		Monolithic Power System	232
		Concho Resources	229
		Thoratec	228
		Cumberland Pharmaceuticals	223
		Microsemi	222
		Ansys	222
		Enzo Biochem	221
		Vital Images	221
		Swift Energy	215
		Trex Company	214
		Baldor Electric	210
		Proassurance	206
		Human Genome Sciences	205
		F5 Networks	205
		Commercial Metals	203
		Medivation	201
<b>Small Companies</b>			
These are generally defined as companies which, at the date of investment, have a market capitalisation of less than \$3 billion.			
JPM America Micro-Cap Fund	2,768		
DSW	530		
Nuance Communications	530		
Taleo	419		
Emeritus	402		
Viasat	379		
Blackboard	377		
Bruker	369		
Omnicell	354		
MedAssets	350		
NetSuite	348		
J. Crew	347		
Genoptix	346		
Health Net	346		
HEICO	346		
G-III Apparel	336		
Wabtec	323		
Art Technology	320		
Compellent Technologies	315		
Insulet	313		
Lincoln Educational Services	307		

Company	Valuation £'000	Company	Valuation £'000
lululemon locations	201	athenahealth	128
Waste Connections	200	Vail Resorts	128
Take 2 Interactive Software	197	Alexion Pharmaceutical	124
STR Holdings	196	Marten Transport	120
Cheesecake Factory	196	Calamos Asset Management	115
Icon	193	WSFS Financial	110
DigitalGlobe	193	Lumber Liquidators	106
Old Dominion Freight Line	191	Orion Marine	105
Concur Technologies	190	Fortinet	101
Iconix Brand	189	Meridian Bioscience	95
Biomarin Pharmaceutical	188	Ariad Pharmaceuticals	87
Verigy	187	Theravance	84
American Public Education	183	Onyx Pharmaceuticals	82
The Children's Place	182	Sucampo Pharmaceuticals	81
Innospec	181	Myriad Pharmaceuticals	78
Digital River	181	ViroPharma	78
Halozyme Therapeutics	181		
DealerTrack	178		<b>28,625</b>
NCI Information Systems	178	<b>Unquoted Companies</b>	
Nektar Therapeutics	175	Kane Holdings	608
Life Time Fitness	175	Fleming US Discovery III	1
National CineMedia	174		<b>609</b>
ULTA Salon	174		
Tower	173	<b>Liquidity Fund</b>	
Under Armour	172	JPMorgan US Dollar Liquidity	8,745
Kirland's	172		<b>8,745</b>
Enersys	170		
Tempur-Pedic International	168	<b>Total investments<sup>1</sup></b>	<b>366,645</b>
Cbeyond Communications	168		
Affiliated Managers	166	<b>Net current assets</b>	<b>4,993</b>
Morningstar	161		
Eagle Materials	159	<b>Total assets less current liabilities</b>	<b>371,638</b>
Incyte	148		
DineEquity	147		
Mens Wearhouse	143		
Pennantpark Investment	139		
Oceaneering International	139		
Broadpoint Gleacher Securities	137		
AnnTaylor Stores	134		
Exelixis	133		
Simpson Manufacturing	128		

<sup>1</sup>Total investments include 0.2% in unquoted companies. Investments are all equities except for the holding in the JPMorgan US Dollar Liquidity Fund.

# Board of Directors



## **Hamish N Buchan (Chairman of the Board and Nomination Committee)†‡**

A Director since November 2000 and appointed Chairman in April 2003.

Currently Chairman of Personal Assets Trust plc and a Director of Aberforth Smaller Companies Trust plc, Standard Life European Private Equity Trust plc, The Scottish Investment Trust plc and Templeton Emerging Markets Investment Trust plc. Mr Buchan has been involved in the investment trust sector for forty years, mainly as an investment trust analyst and is currently a Director and former Chairman of the Association of Investment Companies.



## **Sarah Bates\*†‡**

A Director since July 2005.

A Director of St. James's Place plc, Invesco English and International Trust plc, MTI Partners Ltd., New India Investment Trust plc, Witan Pacific Investment Trust plc, Development Securities plc, Space Place Self Storage (Telford) Ltd and a Deputy Chairman of the Association of Investment Companies. Mrs Bates is also Chairman of the Stena Line (UK) Pension Scheme, of Rutley Russia Property Fund and the Kings Corner Project and sits on the investment committees of Newnham College and the Cancer Research UK Pension fund and is an advisor to East Riding Pension fund and the Royal College of Surgeons' Charitable Fund. She publishes a guide to investment jargon and was formerly CEO of Invesco's UK Institutional (including investment trusts) business.



## **Kate Bolsover\*†‡**

A Director since July 2005.

Until June 2005 Director of Corporate Communications at Cazenove & Co. Mrs Bolsover was previously Managing Director of Signature Financial Group. She is Deputy Chairman of Tomorrow's People Trust Limited and a Director of Fidelity Asian Values plc.



## **James G Fox (Chairman of the Audit Committee)\*†‡**

A Director since July 2003.

A Director of iimia Investment Trust plc. Mr Fox has more than forty years' experience of investment management and is a former Deputy Chairman of the Association of Investment Companies.



## **James P Williams\*†‡**

A Director since July 2003.

Mr Williams has been professionally involved in the investment management industry for over 35 years. He retired from Baring Asset Management in 2002, where he was Chief Investment Officer and head of global investment strategy. He is a Director of Investors Capital Trust plc and Prosperity Russia Domestic Fund.

\* Member of the Audit Committee.

† Considered independent by the Board.

‡ Member of the Nomination Committee.

# Directors' Report

The Directors present their report for the year ended 31st December 2009.

## Business Review

### Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue and Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31st December 2008. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it continues to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for previous years is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 to 4 and the Investment Manager's Report on pages 5 to 8.

### Objective

The Company's objective is to achieve capital growth from North American investments by out-performance of the Company's benchmark, the S&P 500 Index expressed in Sterling total return terms.

### Investment Policies and Risk Management

In order to achieve its investment objectives and to seek to manage risk, the Company mainly invests in a diversified portfolio of quoted companies including, when appropriate, exposure to small and micro-capitalisation stocks. The Company currently has separate portfolios dedicated to large-capitalisation and small/micro-capitalisation exposure. The number of investments in the large-cap portfolio will normally range between 60-100 stocks representing between 80-100% of the Company's equity portfolio. The number of investments in the small/micro-cap portfolio will normally range between 100-120 stocks representing between 0-20% of the Company's equity portfolio. The Company may invest in pooled funds to achieve these aims.

As at the year end, the Company was invested in 90 large-capitalisation stocks and 118 small/micro capitalisation stocks, representing 88.4% and 7.7% of the Company's equity portfolio respectively.

### Investment Limits and Restrictions

#### (all at time of investment)

- The Company will not normally invest more than 8% of its gross assets in any one individual stock (31st December 2009: 4.2% largest individual stock).
- The Company will normally limit its 5 largest investments to 40% of its assets. (31st December 2009: 15.0%).
- The Company will not invest more than 10% of its gross assets in liquidity funds in normal market conditions (31st December 2009: 2.5%).
- The Company will not invest more than 10% of gross assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.
- The Company will not invest more than 15% of its assets in other UK listed investment companies (31st December 2009: Nil).
- The Company will use gearing when appropriate to increase potential returns to shareholders; the Company's policy is to use gearing for tactical purposes in a range of 95-120% in normal market conditions (31st December 2009: 111.3%).
- The Company only hedges its currency risk in respect of the geared portion of the portfolio.

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

### Performance

In the year ended 31st December 2009, the Company produced a total return to shareholders of +13.5% and a total return on net assets of +11.6%. This compares with the return on the Company's benchmark index, in sterling terms, of +12.2%. At 31st December 2009, the value of the Company's investment portfolio was £366.6 million. The Investment Manager's Report on pages 5 to 8 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

### Total Return, Revenue and Dividends

Gross total return for the year amounted to £38.9 million (2008: £15.3 million loss) and net total return after deducting interest, administrative expenses and taxation, amounted to £32.5 million (2008: £23.1 million loss). Distributable income for the year totalled £4.5 million (2008: £4.9 million).

The Directors recommend a final dividend of 11.0p per share (2008: 11.0p), payable on 6th May 2010 to shareholders on the

# Directors' Report continued

register at the close of business on 9th April 2010. This distribution totals £4.7 million (2008: £4.7 million). After payment of the final dividend the revenue reserve will amount to £10.0 million (2008: £10.2 million).

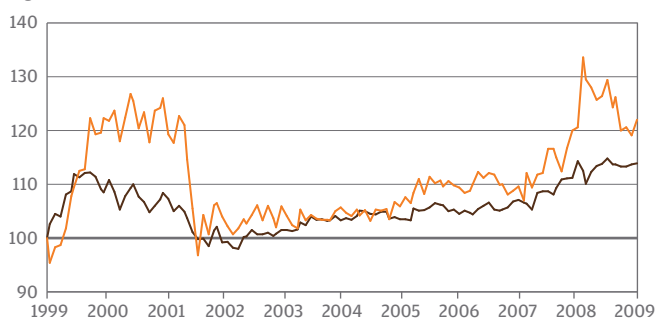
## Key Performance Indicators ('KPIs')

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

- **Performance against the benchmark index**  
This is the most important KPI by which performance is judged.

## Performance Relative to Benchmark Index

Figures have been rebased to 100 at 31st December 1999

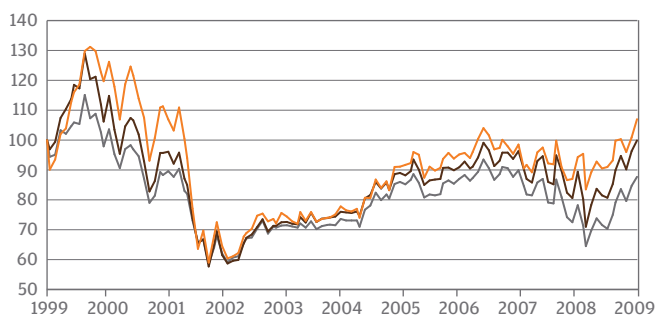


Source: Morningstar.

- JPMorgan American - Share price total return.
- JPMorgan American - Net asset value.
- The Benchmark is represented by the grey horizontal line..

## Ten Year Performance

Figures have been rebased to 100 at 31st December 1999



Source: Morningstar.

- JPMorgan American - Share price total return.
- JPMorgan American - Net asset value per share.
- Benchmark.

## Performance against the Company's peers

The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors performance relative to a broad range of appropriate competitor funds both in the UK and the US.

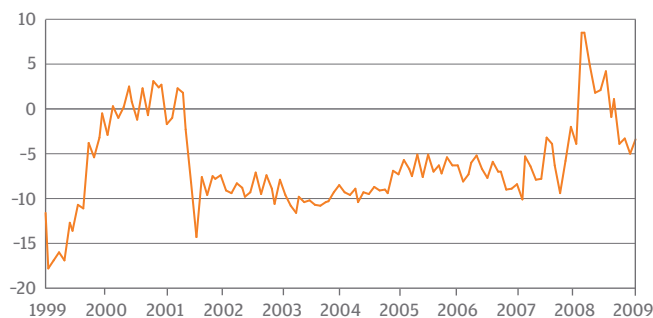
## Performance attribution

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation, gearing and stock selection. Details of the attribution analysis for the year ended 31st December 2009 are given in the Investment Manager's Report on page 6.

## Share price discount to net asset value ('NAV')

The Board has adopted a share repurchase policy that seeks to address imbalances in supply of and demand for the Company's shares in the market and thereby minimise the volatility and absolute level of the discount to NAV at which the Company's shares trade. The Board's intention is to use its share repurchase powers with the aim of establishing a reasonably stable long term level of discount. In the year to 31st December 2009, the shares traded between a discount of 5.0% and a premium of 8.5%.

## Discount Performance



Source: Morningstar.

- JPMorgan American - Discount using capital NAV with debt at fair value.

## Total expense ratio ('TER')

The TER is an expression of the Company's management fees and all other operating expenses excluding interest, VAT recoverable and performance fees payable, as a percentage of the average of the opening and closing net assets. The TER for the year ended 31st December 2009 was 0.68% (2008: 0.71%). The Board reviews each year the Company's TER and its main component expenses with those of its peers. A performance fee amounting to

£311,000 (2008: £419,000) becomes payable this year due to outperformance in prior years. The total expense ratio including the performance fee payable was 0.78% (2008: 0.84%).

### Share Capital

The Company has authority to both purchase shares for cancellation and issue new shares in the market for cash.

The Company did not repurchase any shares for cancellation during the year (2008: nil). However, Special Resolutions to renew the authority to issue and repurchase shares will be put to shareholders for approval at the Annual General Meeting.

The Company did not issue any shares during the year (2008: nil) and has not issued or repurchased any shares since the year end.

### Principal Risks

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

- Investment and Strategy: An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages this risk by diversification of investments through its investment restrictions and guidelines which are monitored and reported on regularly by the Managers. J.P. Morgan Asset Management ('JPMAM') provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend the majority of Board meetings, and reviews data which shows statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing tactically, within a strategic range set by the Board.
- Market: Market risk arises from uncertainty about the future prices of the Company's investments. This market risk comprises three elements - currency risk, interest rate risk and other price risk. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager. However, the fortunes of the portfolio are significantly determined by market movements in US equities, the rate of exchange between US Dollars and Sterling pounds and interest rate changes.
- Accounting, Legal and Regulatory: In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under 'Business of the Company' above. Were the Company to breach Section 842, it might lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 842 qualification criteria are monitored by the Manager and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing, which in turn would breach Section 842. The Directors seek to comply with all relevant regulation and legislation in the UK, Europe and the US and rely on the services of its Company Secretary and Manager to monitor compliance with all relevant requirements.
- Corporate Governance and Shareholder Relations: Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 25 to 29.
- Operational: Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 28.
- Financial: The financial risks faced by the Company include market price risk, interest rate risk, foreign currency risk, liquidity risk and credit risk. Further details are disclosed in note 22 on pages 49 to 55.
- Political and Economic: Changes in financial or tax legislation, including in the European Union, may adversely affect the Company. The Manager makes recommendations to the Board on accounting, dividend

# Directors' Report continued

and tax policies and the Board seeks external advice where appropriate. In addition, the Company is subject to political risks, such as the imposition of restrictions on the free movement of capital.

## Future Developments

The future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments. The Investment Manager discusses the outlook in his report on page 8.

## Management

The Manager and Secretary is J.P. Morgan Asset Management (UK) Limited ('JPMAM'). JPMAM is employed under a contract terminable on six month's notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

JPMAM is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interest of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Investment Manager, noting consistent outperformance of the benchmark over the last five years and the quality of the service that the Company receives from JPMAM.

## Management and Performance Fees

The basic management fee is calculated monthly and paid quarterly in arrears and is charged at a rate of 0.5% per annum of the Company's assets less current liabilities. Investments in funds on which JPMAM or any of its associated companies earn a management fee are excluded from the calculation and therefore attract no fee. In addition, a performance fee may be payable.

The performance fee is calculated at the rate of 10% of the difference between the net asset value capital return and the capital return of the S&P 500 Index, expressed in sterling

terms. The performance fee due in respect of any single year is divided into equal parts payable over three years.

Any negative fee resulting from underperformance is deducted from any unpaid fees brought forward from prior years with any remaining amount of the negative fee carried forward to be absorbed in future years.

The performance fee payable in any one year will not exceed 0.25% of the fully diluted net asset value at the previous 31st December, with any unpaid excess being carried forward until paid in full.

In the year ended 31st December 2009 the Company's net asset value capital return underperformed the capital return of the S&P 500 Index, expressed in sterling terms, by 0.24 percentage points on the above basis. This results in a negative performance fee calculation of £108,000. This amount when deducted from the £838,000 provision brought forward, gives an amount of £730,000 of which £311,000 falls due immediately. The balance of £419,000 is carried forward to 2011, to be paid or offset against underperformance.

## Going Concern

The Directors believe, having considered the Company's investment objectives (see page 19), risk management policies (see note 22 on pages 49 to 55), capital management policies and procedures (see note 23 on page 55), nature of the portfolio and expenditure projections; that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

## Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore it has no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Board's policy to abide by these terms. As at 31st December 2009, the Company had no outstanding trade creditors (2008: nil).

## Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's share capital, are shown below:

	31st December 2009	1st January 2009
Hamish Buchan	10,000	10,000
Sarah Bates	5,000	5,000
Kate Bolsover	1,113	1,113
James Fox	35,800	35,800
James Williams	6,000	6,000

Other than as disclosed above, no changes in the above holdings have been recorded to the date of this report.

In accordance with the Company's Articles of Association the Directors retiring by rotation at the forthcoming Annual General Meeting will be James Fox and James Williams who, being eligible, offer themselves for re-election by shareholders. Hamish Buchan, having served as a Director for a period of more than nine years stands for re-election annually.

During the year an insurance policy has been maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

## Disclosure of information to Auditors

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

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of S418(2) of the Companies Act 2006.

## Section 992 Companies Act 2006

The following disclosures are made in accordance with Section 992 Companies Act 2006:

### Capital Structure

The Company's capital structure is summarised on the inside cover of this report.

### Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 15 to the Notice of AGM on page 59.

### Notifiable Interests in the Company's Voting Rights

At the date of this report, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
Rensburg Sheppards Investment Management Limited	3,005,591	7.0
Brewin Dolphin Limited	2,156,281	5.0
JPMorgan Asset Management (UK) Limited	2,152,326	5.0
Chase Nominees	1,908,143	4.5
Legal & General Group plc	1,688,968	4.0

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

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

### Independent Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors to the Company and a resolution proposing their re-appointment and authorising the Directors to

# Directors' Report continued

determine their remuneration for the ensuing year will be put to shareholders at the Annual General Meeting.

## Annual General Meeting

**NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.**

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

### (i) Authority to repurchase the Company's shares for cancellation (Resolution 8)

At the Annual General Meeting held on 7th May 2009, shareholders gave authority to the Company to purchase up to 14.99% of its then issued share capital. At that time, shareholders were informed that this authority would expire on 5th November 2010 and could be renewed by shareholders at any time at a General Meeting of the Company. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying net asset value ('NAV') enhances the NAV of the remaining shares and helps to control the discount and its volatility. Resolution 8 gives the Company authority to buy back its own issued shares in the market as permitted by the Companies Act 2006 (the 'Act'). The authority limits the number of shares that could be purchased to a maximum of 6,404,619 shares representing approximately 14.99% of the Company's issued shares as at 10th March 2009 (being the latest practicable date prior to the publication of this document). The authority also sets minimum and maximum prices.

If resolution 8 is passed at the AGM, shares repurchased might not be cancelled but rather held as Treasury shares and may subsequently be re-issued at a premium. The Company does not have authority to re-issue shares from Treasury at a discount to NAV, therefore any reissue of shares from Treasury would be at a premium to the prevailing NAV. As at 10th March 2009 (being the latest practicable date prior to the publication of this document), there were no warrants or options over shares in the capital of the Company.

The full text of the resolution is set out in the Notice of Meeting on page 57. Repurchases will be made at the discretion of the

Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares as and when market conditions are appropriate.

### (ii) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 9 and 10)

At the Annual General Meeting the Directors will seek renewal of the authority to issue up to 2,136,297 new ordinary shares for cash up to an aggregate nominal amount of £534,074. Such amount being equivalent to 5% of the present issued share capital. The full text of the resolutions is set out in the Notice of Meeting on page 57. This authority will expire at the conclusion of the AGM of the Company in 2011 unless renewed at a prior general meeting.

It is advantageous for the Company to be able to issue new shares to participants purchasing shares through the JPMorgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the net asset value (the 'NAV'), they increase the NAV per share and spread the Company's administrative expenses, other than the management fee which is charged on the value of the Company's assets, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies. The Company currently does not hold any shares in the capital of the Company in Treasury.

### (iii) Adoption of New Articles of Association (Resolution 11)

The Company proposes to adopt new articles of association. These incorporate amendments to the current articles of association to reflect the changes in company law brought about by the 2006 Act which came into effect on 1st October 2009 and changes made to the 2006 Act in August 2009 to implement the EU Shareholder Rights Directive in the UK, as well as some minor technical or clarifying changes. The principal changes in the new articles of association proposed to be adopted at the 2010 AGM relate to shareholder meetings and resolutions, the Company's constitution and share capital.

In August 2009, changes were made to the provisions in the 2006 Act on company meetings by The Companies (Shareholders' Rights) Regulations 2009 ('Shareholders' Rights Regulations') to implement the EU Shareholder Rights Directive in the UK. The new articles incorporate amendments in relation to meetings to ensure consistency with the 2006 Act (as amended by the Shareholders' Rights Regulations).

Under the 2006 Act all provisions of the Company's memorandum, but most significantly the objects clause, are deemed to form part of the Company's articles from 1st October 2009. It is possible for the objects clause to be removed or amended by amending the articles by special resolution. It is not necessary under the 2006 Act for a company to set out its objects. The 2006 Act provides that, unless the articles state otherwise, a company's objects will be unrestricted.

One of the other key provisions of the memorandum which is deemed to form part of the Company's articles from 1st October 2009 is the restriction created by the existing authorised share capital statement. The 2006 Act removes the requirement for a company to place limits on its authorised share capital.

By adopting the new articles which do not contain the objects clause or the authorised share capital statement, the Company will remove these provisions, which would otherwise be deemed to form part of the Company's articles under section 28 of the 2006 Act, from its articles.

For a more detailed explanation of these and other amendments please refer to the Appendix to this document on pages 60 to 63.

A copy of the current Articles of Association and the proposed new Articles of Association that reflect these amendments will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of JPMAM, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ from the date of this report up until the close of the AGM. Copies will also be available at Trinity House, Tower Hill, London EC3N 4DH, being the place of the Annual General Meeting, for 15 minutes prior to, and during, the meeting.

### Recommendation

The Board considers that resolutions 8 to 11 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 57,913 shares representing approximately 0.1% of the existing issued share capital of the Company.

## Corporate Governance

### Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 31, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code 2008<sup>1</sup> (the 'Combined Code') and the AIC's Code of Corporate Governance (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

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

### Role of the Board

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

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

On an annual basis each Director submits a list of potential conflicts of interest for approval. These are considered

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<sup>1</sup>Copies of the Combined Code and the AIC Code may be found on the respective organisations' websites: [www.frc.org.uk](http://www.frc.org.uk) and [www.theaic.co.uk](http://www.theaic.co.uk).

# Directors' Report Continued

carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved for a period of one year. During the year the potential conflicts of interest were reviewed and considered by the Board. However, in future years they will be reviewed by the Nomination Committee which will then make a recommendation to the Board on whether or not the potential conflicts should be authorised.

There is an agreed procedure for Directors to take independent professional advice in the furtherance of their duties and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMAM, which is responsible to the Board for ensuring adherence to Board procedures and compliance with applicable rules and regulations.

## Board Composition

The Board consists of five non-executive Directors, chaired by Hamish Buchan, all of whom are considered to be independent of the Company's Manager. The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 18.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has considered whether a senior independent director should be appointed and has concluded that, as the Board is comprised entirely of non-executive directors, this is unnecessary. However, the Chairman of the Audit Committee, James Fox, is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

## Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a maximum term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its Committees.

Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

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

As a result of the Board's evaluation process described below, it confirms that James Fox and James Williams, who retire by rotation at this year's AGM, continue to be effective Directors and demonstrate commitment to their role, and thus the Board recommends their re-election. The Board also recommends the re-election of Hamish Buchan, who is subject to annual re-election as he has served as a Director of the Company for a period in excess of nine years. Before recommending the re-election of Mr Buchan, the Nomination Committee conducted a thorough review of his performance as Chairman and were satisfied that he continues to demonstrate effective leadership of the Company.

## Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on page 18.

The table below details the number of Board and Committee meetings attended by each Director. During the year there were five Board meetings, including a private meeting of the Directors to evaluate the Manager. In addition, two Audit Committee meetings and a meeting of the Nomination Committee were held.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Hamish Buchan	5	2	1
Sarah Bates	5	2	1
Kate Bolsover	5	2	1
James Fox	5	2	1
James Williams	5	2	1

## Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter regular briefings are provided on changes in regulatory requirements that affect the Company and Directors. Directors are

encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board has agreed procedures for the formal evaluation of the Manager, its own performance and that of its committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman, whilst the other Directors evaluate the performance of the Chairman himself. The Board as a whole evaluates the Manager, its own performance and that of its committees.

### Board Committees

#### Nomination Committee

The Nomination Committee, chaired by Hamish Buchan and comprising all of the Directors, meets at least annually to ensure that the Board has an appropriate balance of skills to carry out its fiduciary duties and to select and propose suitable candidates, when necessary, for appointment. A variety of sources, including the use of external search consultants, are used to ensure that a wide range of candidates are considered.

The Committee undertakes an annual performance evaluation, as described above, to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

#### Audit Committee

The Audit Committee, chaired by James Fox and comprising four of the Directors, meets at least twice each year. Hamish Buchan, as Chairman of the Company, is not a member of the Committee and attends by invitation only. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the Combined Code. It reviews the terms of the management agreement, examines the effectiveness of the Company's internal control systems and receives information from the Manager's compliance department. It also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors, including the provision of

non-audit services and the period of service held by the senior statutory auditor. Representatives of the Company's auditors attend the Committee meeting at which the draft annual report and accounts are considered. There are no contractual restrictions on the choice of the Committee as to external auditors. The current tenure of the external auditor dates from 10th August 2006. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee. The Directors' statement on the Company's system of internal control is set out below.

### Terms of Reference

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

### Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders four times a year by way of the Annual Report and Accounts, the Half Year Report and two Interim Management Statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with shareholders and answer questions. In addition, a presentation is given by one of the New York based members of the investment management team who reviews the Company's performance. During the year the investment management team, JPMAM and the Company's brokers hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 65.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise

# Directors' Report Continued

questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 65.

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

## Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM which reports any material failings or weaknesses. This arrangement is kept under annual review. The key elements designed to provide effective internal control are as follows:

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

**Management Agreement** - Evaluation and appointment of a manager and custodian regulated by the Financial Services Authority ('FSA'), whose responsibilities are clearly defined in a written agreement.

**Management Systems** - The Manager's system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMAM's Compliance department which regularly monitors compliance with FSA rules and reports to the Board.

**Investment Strategy** - Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- the Board, through the Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMAM's Compliance department;
- the Board reviews a report, which is also independently reviewed, on the internal controls and the operations of its custodian, JPMorgan Chase Bank; and
- the Directors review every six months an independent report on the internal controls and the operations of JPMAM.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st December 2009, and to the date of approval of this Annual Report and Accounts.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

## Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from the internet as follows:

go to [www.jpmorganassetmanagement.co.uk/institutional](http://www.jpmorganassetmanagement.co.uk/institutional) and within the "Commentary & Analysis" tab you will find a section on Corporate Governance.

“JPMAM is committed to delivering superior investment performance to its clients worldwide. We believe that one of the drivers of investment performance is an assessment of the corporate governance principles and practices of the companies in which we invest our clients’ assets and we expect those companies to demonstrate high standards of governance in the management of their business.

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

In order to do this we have formulated detailed guidelines for each region, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, remuneration, as well as social and environmental issues. These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote.”

JPMAM’s voting policies have been discussed in some detail with the Manager in New York. All votes cast against resolutions are reported to the Board.

### Corporate Social Responsibility

The following is a summary of JPMAM’s policy statement on corporate social responsibility which has been noted by the Board:

“We believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk. We recognise that non financial issues, such as social and environmental issues, can have an economic impact and that any company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. Our investment managers take these factors into account as part of any investment decision.”

By order of the Board  
AK Norman, for and on behalf of  
J.P. Morgan Asset Management (UK) Limited,  
Secretary  
11th March 2010

# Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on pages 32 and 33.

The total Directors' fees were last increased at the Annual General Meeting held on 23rd April 2004, and for the year under review they were paid at the fixed rate of £30,000 for the Chairman, £23,000 for the Chairman of the Audit Committee and £20,000 for all other Directors:

## Directors' Remuneration (Audited Information)

Directors Name	2009 £	2008 £
Hamish Buchan (Chairman)	30,000	30,000
Sarah Bates	20,000	20,000
Kate Bolsover	20,000	20,000
James Fox (Chairman of the Audit Committee)	23,000	23,000
George Greener <sup>1</sup>	—	7,128
James Williams	20,000	20,000
<b>Total</b>	<b>113,000</b>	<b>120,128</b>

<sup>1</sup>Resigned on 8th May 2008.

The total Directors' fees of £113,000 (2008: £120,128) were all paid to Directors and £nil paid to third parties (2008: £nil) for making available the services of Directors.

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

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMAM, and relevant third parties on the level of fees

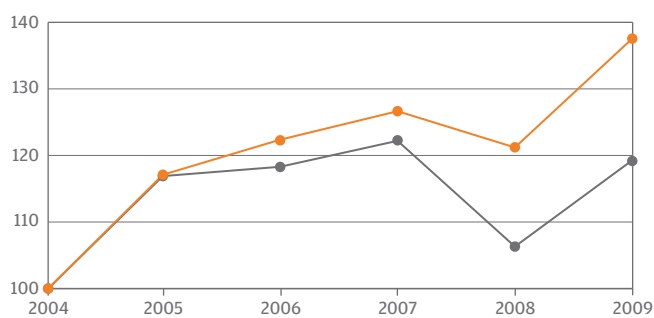
paid to the Directors of the Company's peers and within the investment trust industry generally. Having reviewed the fees during the course of the year, the Committee recommended no change. The Directors' fees are not performance-related. The Articles stipulate that aggregate fees must not exceed £175,000. Any increase in this amount requires both the Board's and shareholders' approval.

The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending the Company's business.

The Directors do not have service contracts with the Company. Details of the Board's policy on tenure are set out on page 26.

A graph showing the Company's share price total return compared with its benchmark index, the S&P 500 Index expressed in sterling total returns terms, over the last five years is shown below:

## Five Year Ordinary Share Price and Benchmark Total Returns to 31st December 2009



Source: Morningstar/Datastream.

— Share price total return.  
— Benchmark total return.

By order of the Board  
AK Norman, for and on behalf of  
J.P. Morgan Asset Management (UK) Limited,  
Secretary

11th March 2010

# Directors' Responsibilities in Respect of the Accounts

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

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these accounts, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The accounts are published on the [www.jpmanmerican.co.uk](http://www.jpmanmerican.co.uk) website, which is maintained by the Company's Manager, J.P. Morgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM.

## Statement under the Disclosure & Transparency Rules 4.1.12

### Responsibility Statement

We confirm to the best of our knowledge:

- (a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- (b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board  
James Fox  
Director

11th March 2010

# Independent Auditors' Report

We have audited the financial statements of JPMorgan American Investment Trust plc for the year ended 31st December 2009 which comprise the Income Statement, the Reconciliation of Movement in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs at 31st December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Directors' Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

**Clive Bouch** (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors,  
London

11th March 2010

# Income Statement

for the year ended 31st December 2009

	Notes	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
<b>Gains/(losses) on investments held at fair value through profit or loss</b>							
	2	–	25,902	25,902	–	(10,732)	(10,732)
Net foreign currency gains/(losses)*		–	5,955	5,955	–	(12,726)	(12,726)
Income from investments	3	7,072	–	7,072	7,846	–	7,846
Other interest receivable and similar income	3	12	–	12	310	–	310
<b>Gross return/(loss)</b>		<b>7,084</b>	<b>31,857</b>	<b>38,941</b>	8,156	(23,458)	(15,302)
Management fee	4	(325)	(1,299)	(1,624)	(351)	(1,406)	(1,757)
Performance fee write back / (charge)	4	–	108	108	–	(1,257)	(1,257)
VAT recoverable	4	–	–	–	100	85	185
Other administrative expenses	5	(465)	–	(465)	(423)	–	(423)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>		<b>6,294</b>	<b>30,666</b>	<b>36,960</b>	7,482	(26,036)	(18,554)
Finance costs	6	(694)	(2,775)	(3,469)	(694)	(2,774)	(3,468)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>5,600</b>	<b>27,891</b>	<b>33,491</b>	6,788	(28,810)	(22,022)
Taxation	7	(1,060)	52	(1,008)	(1,935)	870	(1,065)
<b>Net return/(loss) on ordinary activities after taxation</b>		<b>4,540</b>	<b>27,943</b>	<b>32,483</b>	4,853	(27,940)	(23,087)
<b>Return/(loss) per share</b>	9	<b>10.63p</b>	<b>65.40p</b>	<b>76.03p</b>	11.36p	(65.40)p	(54.04)p

\*Includes £6,947,000 gain (2008: £14,182,000 loss) on a forward foreign currency contract which acts to hedge the Currency risk in respect of the geared portion of the portfolio.

The dividend proposed in respect of the year ended 31st December 2009 amounts to 11.0p (2008: 11.0p) per share, costing £4,700,000 (2008: £4,700,000). More details can be found in note 8(a) on page 43.

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. The Total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

The notes on pages 38 to 55 form an integral part of these accounts.

# Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st December 2007</b>	10,682	18,906	8,151	269,020	14,711	<b>321,470</b>
Repurchase and cancellation of the Company's own shares <sup>1</sup>	–	–	–	(5)	–	<b>(5)</b>
Net (loss)/return on ordinary activities	–	–	–	(27,940)	4,853	<b>(23,087)</b>
Dividends appropriated in the year	–	–	–	–	(4,700)	<b>(4,700)</b>
<b>At 31st December 2008</b>	10,682	18,906	8,151	241,075	14,864	<b>293,678</b>
Net return on ordinary activities	–	–	–	27,943	4,540	<b>32,483</b>
Dividends appropriated in the year	–	–	–	–	(4,695)	<b>(4,695)</b>
<b>At 31st December 2009</b>	10,682	18,906	8,151	269,018	14,709	<b>321,466</b>

<sup>1</sup>Comprises stamp duty on shares repurchased for cancellation in the previous year.

The notes on pages 38 to 55 form an integral part of these accounts.

# Balance Sheet

at 31st December 2009

	Notes	2009 £'000	2008 £'000
<b>Fixed assets</b>	10		
Investments held at fair value through profit or loss		357,900	331,144
Investment in liquidity fund held at fair value through profit or loss		8,745	14,369
		366,645	345,513
<b>Current assets</b>	11		
Derivative instrument		4,628	–
Debtors		518	627
Cash and short term deposits		501	2,899
		5,647	3,526
<b>Current liabilities</b>	12		
<b>Creditors:</b> amounts falling due within one year		(654)	(2,480)
Derivative instrument		–	(2,319)
<b>Net current assets/(liabilities)</b>		4,993	(1,273)
<b>Total assets less current liabilities</b>		371,638	344,240
<b>Creditors:</b> amounts falling due after more than one year	13	(49,753)	(49,724)
<b>Provisions for liabilities and charges</b>	14	(419)	(838)
<b>Total net assets</b>		321,466	293,678
<b>Capital and reserves</b>			
Called up share capital	15	10,682	10,682
Share premium	16	18,906	18,906
Capital redemption reserve	16	8,151	8,151
Capital reserves	16	269,018	241,075
Revenue reserve	16	14,709	14,864
<b>Shareholders' funds</b>		321,466	293,678
<b>Net asset value per share</b>	17	752.4p	687.4p

The accounts on pages 34 to 55 were approved and authorised for issue by the Directors on 11th March 2010 and were signed on their behalf by:

**James Fox**  
Director

The notes on pages 38 to 55 form an integral part of these accounts.

The Company's registration number is 15543.

# Cash Flow Statement

for the year ended 31st December 2009

	Notes	2009 £'000	2008 £'000
<b>Net cash inflow from operating activities</b>	18	<b>3,582</b>	4,982
<b>Returns on investments and servicing of finance</b>			
Interest		<b>(3,444)</b>	(3,439)
<b>Capital expenditure and financial investment</b>			
Purchases of equity investments		<b>(107,625)</b>	(98,673)
Purchases of liquidity fund		<b>(33,173)</b>	(297)
Sales of equity investments		<b>106,584</b>	66,694
Sales of liquidity fund		<b>37,381</b>	13,806
Other capital charges		<b>(16)</b>	(7)
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		<b>3,151</b>	(18,477)
<b>Dividend paid</b>		<b>(4,695)</b>	(4,700)
<b>Net cash outflow before financing</b>		<b>(1,406)</b>	(21,634)
<b>Financing</b>			
Repurchase and cancellation of the Company's own shares		–	(671)
<b>Net cash outflow from financing</b>		–	(671)
<b>Decrease in cash in the year</b>	19	<b>(1,406)</b>	(22,305)

The notes on pages 38 to 55 form an integral part of these accounts.

# Notes to the Accounts

for the year ended 31st December 2009

## 1. Accounting policies

### (a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the 'SORP') issued by the Association of Investment Companies (AIC) in January 2009. All of the Company's operations are of a continuing nature.

The disclosures on going concern on page 22 of the Directors' Report form part of these financial statements.

### (b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off in the capital column of the income statement at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

Gains and losses on sales of investments including the related foreign exchange gains and losses of a capital nature, performance fees and other capital receivables and payables, are dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end, unrealised gains and losses on the forward foreign currency contract and unrealised foreign exchange gains and losses are dealt with in capital reserves within 'Holding gains and losses on investments'.

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

### (c) Income

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

Overseas dividends are included gross of any withholding tax.

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

Interest receivable from debt securities together with any premiums or discounts on purchase are allocated to revenue on a time apportionment basis so as to reflect the effective interest rate of those securities.

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

Stock lending income is taken to revenue on a receipts basis.

### (d) Expenses

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

- performance fees are allocated 100% to capital.
- management fees are allocated 20% to revenue and 80% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission. Details of transaction costs are given in note 20 on page 48.

**(e) Finance costs**

Finance costs are accounted for on an accruals basis using the effective interest rate method in accordance with the provisions of FRS 25 'Financial Instruments: Presentation' and FRS 26 'Financial Instruments: Measurement'.

Finance costs are allocated 20% to revenue and 80% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

**(f) Financial instruments**

Cash and short term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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

The debenture in issue, bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method.

Derivative instruments are valued at fair value in the balance sheet. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

**(g) Foreign currency**

In accordance with FRS23: 'The effects of changes in Foreign Currency Exchange Rates' the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the income statement as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

**(h) Taxation**

Deferred tax is accounted for in accordance with FRS 19: 'Deferred Tax'.

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

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

**(i) Dividends**

In accordance with FRS 21: 'Events after the Balance Sheet Date', final dividends are included in the accounts in the year in which they are approved by shareholders.

**(j) VAT**

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies.

# Notes to the Accounts continued

	2009 £'000	2008 £'000
<b>2. Gains/(losses) on investments held at fair value through profit or loss</b>		
Gains on sales of investments held at fair value through profit or loss based on historical cost	1,905	1,322
Amounts recognised in investment holding gains in the previous year in respect of investments sold during the year	(9,152)	(3,132)
Losses on sales of investments based on carrying value at the previous balance sheet date	(7,247)	(1,810)
Net movement in investment holding gains and losses	33,160	(8,882)
Discount on debt security taken to income	–	(29)
Other capital charges	(11)	(11)
<b>Total capital gains/(losses) on investments held at fair value through profit or loss</b>	<b>25,902</b>	<b>(10,732)</b>
	2009 £'000	2008 £'000
<b>3. Income</b>		
<b>Income from investments</b>		
Dividends from overseas investments	6,987	7,222
Dividends from liquidity funds	85	577
Interest from overseas investments	–	47
	<b>7,072</b>	<b>7,846</b>
<b>Other interest receivable and similar income</b>		
Deposit interest	12	239
Interest on VAT recovered	–	66
Stock lending fees	–	5
	<b>12</b>	<b>310</b>
<b>Total income</b>	<b>7,084</b>	<b>8,156</b>

	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
<b>4. Management fee</b>						
Management fee <sup>1</sup>	325	1,299	1,624	351	1,406	1,757
VAT recoverable <sup>2</sup>	–	–	–	(100)	(85)	(185)
	<b>325</b>	<b>1,299</b>	<b>1,624</b>	251	1,321	1,572
Performance fee (write back)/charge	–	(108)	(108)	–	1,257	1,257
	<b>325</b>	<b>1,191</b>	<b>1,516</b>	251	2,578	2,829

<sup>1</sup>Details of the management fee and performance fee are given in the Directors' Report on page 22.

<sup>2</sup>The Company ceased paying VAT on management fees in November 2007 following HM Revenue and Customs' acceptance that investment trust management fees are not chargeable to VAT. The Company has since recovered £185,000 in respect of VAT paid in the past plus £66,000 interest thereon. Both of these amounts were included in the previous years accounts.

	2009 £'000	2008 £'000
<b>5. Other administrative expenses</b>		
Other management expenses	242	196
Directors' fees <sup>1</sup>	113	120
Savings scheme expenses <sup>2</sup>	79	77
Auditors' remuneration - for audit services	20	22
Auditors' remuneration - for all other services	11	8
	<b>465</b>	423

<sup>1</sup>Full disclosure is given in the Directors' Remuneration Report on page 30.

<sup>2</sup>These fees were paid to JPMAM for the marketing of 'wrapper' products.

	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
<b>6. Finance costs</b>						
Interest on debenture stock	694	2,773	3,467	694	2,772	3,466
Interest on bank loans and overdrafts	–	2	2	–	2	2
	<b>694</b>	<b>2,775</b>	<b>3,469</b>	694	2,774	3,468

# Notes to the Accounts continued

## 7. Taxation

	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
<b>(a) Analysis of tax charge in the year</b>						
UK corporation tax at 28% (2008: 28.5%)	520	–	520	1,035	–	1,035
Double taxation relief	(520)	–	(520)	(1,035)	–	(1,035)
Overseas withholding tax	1,008	–	1,008	1,065	–	1,065
Tax attributable to expenses and finance costs charged to capital <sup>1</sup>	52	(52)	–	870	(870)	–
Current tax charge for the year	1,060	(52)	1,008	1,935	(870)	1,065

<sup>1</sup>With effect from 1st July 2009, overseas dividends are no longer chargeable to corporation tax. Accordingly, tax relief on expenses and finance costs charged to capital has fallen substantially this year and will be zero in future years.

<b>(b) Factors affecting current tax charge for the year</b>						
Net return/(loss) on ordinary activities before taxation	5,600	27,891	33,491	6,788	(28,810)	(22,022)
Net return/(loss) on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 28% (2008: 28.5%)	1,568	7,809	9,377	1,935	(8,211)	(6,276)
Effects of:						
Non taxable overseas dividends	(1,049)	–	(1,049)	–	–	–
Non taxable capital (returns)/losses	–	(8,920)	(8,920)	–	6,686	6,686
Income taxed in different periods	168	–	168	(58)	–	(58)
Tax relief on capitalised expenses	(1,111)	1,111	–	(1,525)	1,525	–
Overseas withholding tax	1,008	–	1,008	1,065	–	1,065
Unrelieved expenses and charges	944	–	944	683	–	683
Relief for overseas taxation	(520)	–	(520)	(1,035)	–	(1,035)
Tax attributable to expenses charged to capital	52	(52)	–	870	(870)	–
Current tax charge for the year	1,060	(52)	1,008	1,935	(870)	1,065

### (c) Deferred taxation

The Company has an unrecognised deferred tax asset of £7,206,000 (2008: £6,171,000) which has arisen because deductible expenses have exceeded taxable income. This asset may be utilised in future years where there is an excess of taxable income over deductible expenses. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

Given the Company's status as an Investment Trust Company, and the intention to continue meeting the conditions required to obtain approval, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

## 8. Dividends

	2009 £'000	2008 £'000
<b>(a) Dividends paid and proposed</b>		
Unclaimed dividends refunded to the Company <sup>1</sup>	(5)	–
2008 Final dividend paid of 11.0p (2007: 11.0p)	4,700	4,700
Net dividend paid in the year	4,695	4,700
2009 Final dividend proposed of 11.0p (2008: 11.0p)	4,700	4,700

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

The final dividend has been proposed in respect of the year ended 31st December 2009 and is subject to approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 31st December 2010.

## (b) Dividends for the purposes of Section 842 of the Income and Corporation Taxes Act 1988

The requirements of section 842 of the Income and Corporation Taxes Act 1988 are considered on the basis of dividends proposed in respect of the financial year, as follows:

	2009 £'000	2008 £'000
Final dividend proposed of 11.0p (2008: 11.0p)	4,700	4,700

The revenue available for distribution by way of dividend for the year is £4,540,000 (2008: £4,853,000).

## 9. Return/(loss) per share

The revenue return per ordinary share of 10.63p (2008: 11.36p) is based on the revenue earnings attributable to the ordinary shares of £4,540,000 (2008: £4,853,000) and on the weighted average number of shares in issue during the year of 42,725,949 (2008: 42,725,949).

The capital return per ordinary share of 65.40p (2008: 65.40p loss) is based on the capital return attributable to the ordinary shares of £27,943,000 (2008: £27,940,000 loss) and on the weighted average number of shares in issue during the year of 42,725,949 (2008: 42,725,949).

The total return per ordinary share of 76.03p (2008: 54.04p loss) is based on the total return attributable to the ordinary shares of £32,483,000 (2008: £23,087,000 loss) and on the weighted average number of shares in issue during the year of 42,725,949 (2008: 42,725,949).

# Notes to the Accounts continued

	2009 £'000	2008 £'000
<b>10. Investments</b>		
Investments listed or quoted on a recognised stock exchange	357,291	329,842
Investment in liquidity fund	8,745	14,369
Unquoted investments	609	1,302
	<b>366,645</b>	345,513

	Listed overseas £'000	Unquoted £'000	Total £'000
Opening book cost	306,254	1,364	307,618
Opening investment holding gains/(losses)	37,957	(62)	37,895
Opening valuation	344,211	1,302	345,513
Movements in the year:			
Purchases at cost	139,140	–	139,140
Sales – proceeds	(143,713)	(208)	(143,921)
Losses on sales based on the fair value at the previous balance sheet date	(7,218)	(29)	(7,247)
Net movement in investment holding gains and losses	33,616	(456)	33,160
Closing valuation	366,036	609	366,645
Closing book cost	304,336	406	304,742
Closing investment holding gains	61,700	203	61,903
Closing valuation	366,036	609	366,645

During the year, prior year investment holding gains amounting to £9,152,000 were transferred to gains on sales of investments as disclosed in notes 2 and 16.

Transaction costs on purchases during the year amounted to £121,000 (2008: £100,000) and on sales during the year amounted to £113,000 (2008: £60,000). These costs comprise mainly brokerage commission.

At 31st December 2009, the Company held 10% or more of a class of the issued share capital of the following companies and funds, which are valued in the accounts at the Company's share of net assets:

	2009 %	2008 %
Kane Holdings	15.8	15.8
JPMorgan American Micro Cap Fund	14.0	10.2

The Company does not exercise significant influence over the operating and financial policies of the above companies which are therefore not considered to be associated companies.

In addition to the above, at 31st December 2009 the Company had an interest of 3% or more in the share capital of one investee company (2008: one company). None of these investments represented more than 1% of the Company's portfolio of investments at the current or prior year end and are therefore not considered to be material to these accounts. The total value of investments in which the Company had an interest of 3% or more at 31st December 2009 was £3,377,000 (2008: £3,417,000).

	2009 £'000	2008 £'000
<b>11. Current assets</b>		
<b>Derivative instrument</b>		
Forward foreign currency contract at fair value	4,628	–

The Company has partially hedged the \$ portfolio against foreign exchange rate movements by purchasing £50 million against the \$ for settlement on 5th October 2011 at a \$/£ rate of 1.46. The counterparty for this transaction is The Royal Bank of Scotland.

	2009 £'000	2008 £'000
<b>Debtors</b>		
Securities sold awaiting settlement	–	44
Overseas tax recoverable	3	–
Dividends and interest receivable	418	532
Other debtors	97	51
	<b>518</b>	<b>627</b>

The Directors consider that the carrying amount of debtors approximates to their fair value.

#### Cash and short term deposits

Cash and short term deposits comprises bank balances and cash held by the Company, including short term deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

#### 12. Current liabilities

	2009 £'000	2008 £'000
<b>Creditors:</b> amounts falling due within one year		
Securities purchased awaiting settlement	–	1,658
Other creditors and accruals	343	403
Performance fee payable	311	419
	<b>654</b>	<b>2,480</b>

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

	2009 £'000	2008 £'000
<b>Derivative instrument</b>		
Forward foreign currency contract at fair value	–	2,319

The Company has partially hedged the \$ portfolio against foreign exchange rate movements by purchasing £50 million against the \$ for settlement on 5th October 2011 at a \$/£ rate of 1.46. The counterparty for this transaction is The Royal Bank of Scotland.

# Notes to the Accounts continued

	2009 £'000	2008 £'000
<b>13. Creditors:</b> amounts falling due after more than one year		
Falling due after more than five years		
£50,000,000 6.875% debenture June 2018	49,753	49,724

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

	2009 £'000	2008 £'000
<b>14. Provision for liabilities and charges</b>		
Opening balance	838	–
Performance fee (write back) charge for the year	(108)	1,257
Amount realised in the year	(311)	(419)
Closing balance	419	838

Details of the performance fee are given in the Directors' Report on page 22.

	2009 £'000	2008 £'000
<b>15. Share capital</b>		
Authorised		
90,904,952 (2008: 90,904,952) ordinary shares of 25p each	22,726	22,726
Allotted and fully paid		
42,725,949 (2008: 42,725,949) shares	10,682	10,682

	Share premium £'000	Capital redemption reserve £'000	Capital reserves		Revenue reserve £'000
			Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	
<b>16. Reserves</b>					
Opening balance	18,906	8,151	205,499	35,576	14,864
Losses on sales of investments based on fair value at the previous balance sheet date	–	–	(7,247)	–	–
Net movement in investment holding gains and losses	–	–	–	33,160	–
Net currency gains on cash and short term deposits held during the year	–	–	(992)	–	–
Unrealised gain on forward foreign currency contract	–	–	–	6,947	–
Transfer on disposal of investments	–	–	9,152	(9,152)	–
Performance fee write back	–	–	108	–	–
Management fee and finance costs charged to capital	–	–	(4,074)	–	–
Other capital charges	–	–	(11)	–	–
Tax relief on expenses charged to capital	–	–	52	–	–
Dividends appropriated in the year	–	–	–	–	(4,695)
Retained revenue for the year	–	–	–	–	4,540
Closing balance	18,906	8,151	202,487	66,531	14,709

#### 17. Net asset value per share

The net asset value per share of 752.4p (2008: 687.4p) is based on the net assets attributable to the ordinary shareholders of £321,466,000 (2008: £293,678,000) and on the 42,725,949 (2008: 42,725,949) shares in issue at the year end.

	2009 £'000	2008 £'000
<b>18. Reconciliation of total return/(loss) on ordinary activities before finance costs and taxation to net cash inflow from operating activities</b>		
Total return/(loss) on ordinary activities before finance costs and taxation	36,960	(18,554)
Less capital (return)/loss before finance costs and taxation	(30,666)	26,036
Decrease/(increase) in accrued income	114	(94)
Increase in other debtors	(46)	(38)
(Decrease)/increase in accrued expenses	(54)	47
Expenses charged to capital	(1,299)	(1,406)
Discount on debt security allocated to income	–	(29)
Overseas withholding tax	(1,008)	(1,065)
VAT recovered and credited to capital	–	85
Performance fee paid	(419)	–
Net cash inflow from operating activities	3,582	4,982

# Notes to the Accounts continued

	At 31st December 2008 £'000	Cash flow £'000	Exchange movements £'000	Other movements £'000	At 31st December 2009 £'000
<b>19. Analysis of changes in net debt</b>					
Cash and short term deposits	2,899	(1,406)	(992)	–	501
Debentures falling due after more than five years	(49,724)	–	–	(29)	(49,753)
Net debt	(46,825)	(1,406)	(992)	(29)	(49,252)

## 20. Transactions with related parties

Details of the management contract are set out in the Directors' Report on page 22. The management fee payable to J.P. Morgan Asset Management (UK) Limited ('JPMAM') for the year was £1,624,000 (2008: £1,757,000), of which £nil (2008: £62,000) was outstanding at the year end.

Details of the performance fee are set out in the Directors' Report on page 22. There is a performance fee payable to JPMAM for the year of £311,000 (2008: £419,000) and the whole of this amount (2008: same) was outstanding at the year end.

During the year £78,000 (2008: £77,000) was payable to JPMAM for the marketing of 'wrapper' products, of which £nil (2008: £nil) was outstanding at the year end.

Included in other management expenses in note 5 on page 41 are safe custody fees amounting to £3,000 (2008: £3,000) payable to JPMorgan Chase of which £nil (2008: £1,000) was outstanding at the year end.

Handling charges on dealing transactions amounting to £11,000 (2008: £11,000) were payable to JPMorgan Chase during the year of which £1,000 (2008: £3,000) was outstanding at the year end.

The Company holds investments in funds managed by JPMAM. At 31st December 2009 these were valued at £11.5 million (2008: £16.7 million) and represented 3.1% (2008: 4.9%) of the Company's investment portfolio. During the year the Company made purchases of such investments with a total value of £33.2 million (2008: £297,000) and sales with a total value of £37.6 million (2008: £13.8 million). Income receivable from these investments for the year amounted to £105,000 (2008: £644,000) of which £3,000 (2008: £23,000) was outstanding at the year end. The investments in funds managed by JPMAM included £8.7 million (2008: £14.4 million) in relation to the JPMorgan US Dollar Liquidity Fund. This Fund invests primarily in certificates of deposit and commercial paper.

The Company received £nil (2008: £5,000) from stock lending transactions during the year. JPMorgan Chase received commissions amounting to £nil (2008: £1,000) in respect of these transactions.

At the year end, a bank balance of £501,000 (2008: £1,458,000) was held with JPMorgan Chase. A net amount of interest of £12,000 (2008: £18,000) was receivable by the Company during the year from JPMorgan Chase.

The Directors received a dividend of 11.0p per share held. Details of Directors' beneficial interests in the Company's shares are given in the Directors' Report on page 23.

## 21. Disclosures regarding financial instruments measured at fair value

The disclosures required by the amendment to FRS 29: 'Improving Disclosures about Financial Instruments' are given below. The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio and a derivative financial instrument. The Company's liabilities are not held at fair value.

The investments are categorised into a hierarchy consisting of the following three levels:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

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

Details of the valuation techniques used by the Company are given in note 1(b) on page 38.

The following table sets out the fair value measurements using the FRS 29 hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets held at fair value through profit or loss at 31st December 2009</b>				
Equity investments	357,291	–	609	357,900
Liquidity funds	8,745	–	–	8,745
Derivative - forward foreign currency contract	–	4,628	–	4,628
<b>Total</b>	<b>366,036</b>	<b>4,628</b>	<b>609</b>	<b>371,273</b>

There have been no transfers between Levels 1 and 2 during the year. A reconciliation of the fair value measurements in Level 3 is set out below.

	Equity investments £'000	Total £'000
<b>Level 3 financial assets held at fair value through profit or loss</b>		
Opening balance	1,302	1,302
Sales	(208)	(208)
Total gains or losses included in gains or losses on investments held at fair value through profit or loss in the Income Statement		
- on assets sold	(29)	(29)
- on assets held at the year end	(456)	(456)
<b>Closing balance</b>	<b>609</b>	<b>609</b>

## 22. Financial instruments' exposure to risk and risk management policies

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

These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year. The Company's financial instruments may comprise:

- investments in US equity shares and a \$ liquidity fund, which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations;
- a debenture issued by the Company, the purpose of which is to finance the Company's operations; and
- a forward foreign currency contract, the purpose of which is to manage the currency risk arising from the Company's investment activities.

# Notes to the Accounts continued

## 22. Financial instruments' exposure to risk and risk management policies continued

### (a) Market risk

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

#### (i) Currency risk

The majority of the Company's assets and income are denominated in currencies other than sterling which is the Company's functional currency and the currency in which it reports. As a result, movements in exchange rates will affect the sterling value of those items.

##### Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed.

The Company has purchased sterling against the \$ for settlement on 5th October 2011, matching the principal amount but not the maturity date of its £50 million debenture. The counterparty to this transaction is The Royal Bank of Scotland. The Company only hedges its currency risk in respect of the geared portion of the portfolio.

Income denominated in foreign currencies is converted to sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

##### Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 31st December are shown below. Where the Company's equity investments, which are not monetary items, are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2009 \$ £'000	2008 \$ £'000
Investments held at fair value through profit or loss that are monetary items	8,745	14,369
Debtors - securities sold awaiting settlement, overseas tax recoverable, dividends and interest receivable	421	576
Cash and short term deposits	501	2,877
Creditors - securities purchased awaiting settlement	—	(1,658)
Forward currency contract	(45,372)	(52,319)
Foreign currency exposure on net monetary items	(35,705)	(36,155)
Investments held at fair value through profit or loss that are equities	357,900	331,144
Total net foreign currency exposure	322,195	294,989

The above year end amounts are broadly representative of the exposure to currency risk during the current and comparative year.

### Foreign currency sensitivity

The following tables illustrate the sensitivity of the return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2008: 10%) appreciation or depreciation of sterling against the \$ which is deemed to be a reasonable illustration based on the volatility of exchange rates during the year.

If sterling had weakened by 10% (2008: 10%) against the \$ this would have had the following effect:

	2009 £'000	2008 £'000
Income statement return after taxation		
Revenue return	707	785
Capital return	(3,571)	(3,616)
Total return after taxation for the year	(2,864)	(2,831)
Net assets	(2,864)	(2,831)

If sterling had strengthened by 10% (2008: 10%) against the \$ this would have had the following effect:

	2009 £'000	2008 £'000
Income statement return after taxation		
Revenue return	(707)	(785)
Capital return	3,571	3,616
Total return after taxation for the year	2,864	2,831
Net assets	2,864	2,831

In the opinion of the Directors, the above sensitivity analyses with respect to monetary financial assets and liabilities are broadly representative of the whole of the current and comparative year. The sensitivity with regard to the Company's investments and foreign currency is subsumed into other price risk sensitivity on page 53.

### (ii) Interest rate risk

Interest rate movements may affect the fair value of the investments in fixed interest rate securities and the level of income receivable on cash deposits. The Company held no fixed interest securities at the year end and investment in fixed interest securities has not been material at any time during the year. The Company's exposure to floating interest rates, giving cash flow interest rate risk when rates are re-set, is as follows:

	2009 £'000	2008 £'000
Exposure to floating interest rates		
Cash and short term deposits	501	2,899
JPMorgan US Dollar Liquidity Fund	8,745	14,369
Total exposure	9,246	17,268

Interest receivable on cash balances is at a margin below LIBOR and interest payable on overdrafts is at a margin over LIBOR or its foreign currency equivalent (2008: same).

The target interest earned on the JPMorgan US Dollar Liquidity Fund is the 7 day \$ London Interbank Bid Rate (2008: same).

The £50 million debenture, which the Company has in issue, carries a fixed interest rate of 6.875% until the repayment date in June 2018.

# Notes to the Accounts continued

## 22. Financial instruments' exposure to risk and risk management policies continued

The above year exposures are not representative of the exposure to interest rates during the year as the cash balances and investments in liquidity funds have fluctuated. The maximum and minimum exposures during the year, arising from cash balances and liquidity funds, were as follows:

	2009 £'000	2008 £'000
Maximum interest rate exposure to floating rates	29,729	37,444
Minimum interest rate exposure to floating rates	8,098	16,145

### Interest rate sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets to a 1% (2008: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2009		2008	
	1% Increase in rate £'000	1% Decrease in rate £'000	1% Increase in rate £'000	1% Decrease in rate £'000
Income statement - return after taxation				
Revenue return	92	(92)	173	(173)
Capital return	-	-	-	-
Total return after taxation for the year and net assets	92	(92)	173	(173)

In the opinion of the directors, the above sensitivity analysis may not be representative of the Company's future exposure to interest rate changes, due to fluctuations in the level of cash balances and investment in liquidity funds.

### (iii) Other price risk

Other price risks include changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of equity investments.

#### Management of other price risk

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

#### Other price risk exposure

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

	2009 £'000	2008 £'000
Equity investments held at fair value through profit or loss	357,900	331,144

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

### Concentration of exposure to other price risk

A list of the Company's investments is given on pages 15 to 17. This shows that all of the investments' value is in the USA. Accordingly, there is a concentration of exposure to that country. However, it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile.

### Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2008: 10%) in equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and includes the impact on the management fee but assumes all other variables are held constant.

	2009		2008	
	10% Increase in fair value £'000	10% Decrease in fair value £'000	10% Increase in fair value £'000	10% Decrease in fair value £'000
Income statement - return after taxation				
Revenue return	(36)	36	(33)	33
Capital return	35,647	(35,647)	32,982	(32,982)
Total return after taxation for the year	35,611	(35,611)	32,949	(32,949)
Net assets	35,611	(35,611)	32,949	(32,949)

### (b) Liquidity risk

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

#### Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital requirements.

#### Liquidity risk exposure

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

	2009				2008			
	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Debenture stock	—	3,438	75,564	79,002	—	3,438	79,002	82,440
Securities purchased awaiting settlement	—	—	—	—	1,658	—	—	1,658
Other creditors and accruals	343	—	—	343	403	—	—	403
Performance fee payable	311	—	—	311	419	—	—	419
Performance fee provision	—	—	419	419	—	—	838	838
Derivative instrument - forward foreign currency contract	—	—	—	—	—	—	2,319	2,319
	654	3,438	75,983	80,075	2,480	3,438	82,159	88,077

# Notes to the Accounts continued

## 22. Financial instruments' exposure to risk and risk management policies continued

The liabilities shown above against debenture stock are the undiscounted contractual amounts that are to be paid and, as such differ from the amounts shown in the balance sheet.

### (c) Credit risk

Credit risk is the risk that a counterparty to a transaction fails to discharge its obligations under that transaction which could result in loss to the Company.

#### Management of credit risk

##### Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager regularly monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

##### Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum rating of A1/P1 from Standard & Poor's and Moody's respectively.

##### Exposure to JPMorgan Chase

The Company's assets are clearly ring-fenced in client designated accounts. Therefore, in the event that JPMorgan Chase were to cease trading, these assets would be protected.

#### Credit risk exposure

Compared with the balance sheet the maximum exposure to credit risk at the year end was as follows:

	2009		2008	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets - investments held at fair value through profit or loss	366,645	8,745	345,513	14,369
Current assets				
Derivative instrument	4,628	4,628	–	–
Debtors	518	518	627	627
Cash and short term deposits	501	501	2,899	2,899
	<b>372,292</b>	<b>14,392</b>	349,039	17,895

The fixed asset exposure to credit risk comprises the Company's investment in the JPMorgan US Dollar Liquidity Fund. This Fund has been given a AAA credit rating by Standard & Poor's. The Fund's investments comprise mainly certificates of deposit, commercial paper, and floating rate notes with a weighted average maturity of 45 days.

There has been no stock lending during the year.

### (d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying value in the balance sheet is a reasonable approximation of fair value except for the debenture which the Company has in issue. The fair value of this debenture has been calculated by reference to a similar dated gilt yield plus a margin based on the 5 year average for the AA Barclays Sterling Corporate Bond spread.

	2009		2008	
	Accounts value £m	Fair value £m	Accounts value £m	Fair value £m
£50 million 6.875% debenture June 2018	49.8	58.6	49.7	60.5

### 23. Capital management policies and procedures

#### Composition of the Company's capital

The Company's capital comprises the following:

	2009 £'000	2008 £'000
<b>Debt:</b>		
£50,000,000 6.875% debenture June 2018	50,000	50,000
<b>Equity:</b>		
Equity share capital	10,682	10,682
Reserves	310,784	282,996
	321,466	293,678
Total debt and equity	321,466	343,678

The Company's capital management objectives are to ensure that it will continue as a going concern and seek to maximise income and capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing within the range 95% to 120%. Gearing for this purpose is defined as investments, excluding liquidity fund holdings, expressed as a percentage of total net assets.

	2009 £'000	2008 £'000
Investments excluding liquidity fund holdings	357,900	331,144
Net assets	321,466	293,678
Gearing	111.3%	112.8%

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

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

# Shareholder Analysis

at 31st December 2009

	Number of Shares	% Holding
Unit Trusts	5,449,135	12.8
Other	3,770,984	8.8
Investment Trusts <sup>1</sup>	1,767,054	4.1
Pensions	1,290,122	3.0
Charities	1,219,424	2.9
Insurance Companies	310,311	0.7
<b>Total Institutions</b>	<b>13,807,030</b>	<b>32.3</b>
Retail Investors holding shares directly or through nominee accounts <sup>2</sup>	26,652,601	62.4
Individuals in the J.P Morgan Investment Account <sup>3</sup>	1,442,252	3.4
Individuals in the J.P Morgan ISA <sup>3</sup>	702,870	1.6
Individuals in the J.P Morgan SIPP <sup>3</sup>	121,196	0.3
<b>Total Retail Holdings</b>	<b>28,918,919</b>	<b>67.7</b>
<b>Total Shares in Issue</b>	<b>42,725,949</b>	<b>100.0</b>

Nominee accounts have been allocated to their appropriate category.

<sup>1</sup>Includes 1,700,991 shares held by JPMorgan Elect plc.

<sup>2</sup>Includes holdings below the threshold of 10,000 shares.

<sup>3</sup>Savings product managed by J.P. Morgan.

Source: Thomson Reuters.

# Notice of Meeting

Notice is hereby given that the ninety-fourth Annual General Meeting of JPMorgan American Investment Trust plc will be held at Trinity House, Tower Hill, London EC3N 4DH on Wednesday, 5th May 2010 at 2.30 p.m. for the following purposes:

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st December 2009.
- 2 To approve the Directors' Remuneration Report for the year ended 31st December 2009.
- 3 To declare a final dividend on the ordinary shares of 11.0 pence per share.
- 4 To re-elect James Fox as a Director of the Company.
- 5 To re-elect James Williams as a Director of the Company.
- 6 To re-elect Hamish Buchan as a Director of the Company.
- 7 To re-appoint Deloitte LLP as auditors to the Company and to authorise the Directors to determine their remuneration.

## Special Business

To consider the following resolutions:

### Authority to repurchase the Company's shares for cancellation - Special Resolution

- 8 THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued shares of 25p each in the capital of the Company ('ordinary shares').

PROVIDED ALWAYS THAT

- (i) the maximum number of shares hereby authorised to be purchased shall be 6,404,619 or if less, that number of shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for a share shall be 25p;
- (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of (a) 105% of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share

is contracted to be purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

- (iv) any purchase of shares will be made in the market for cash or prices below the prevailing net asset value per share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 3rd November 2011 unless the authority is renewed at the Company's Annual General Meeting in 2011 or at any other general meeting prior to such time; and
- (vi) the Company may make or contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

### Authority to allot new shares - Ordinary Resolution

- 9 THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to an aggregate nominal amount of £534,074, representing approximately 5% of the Company's issued ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

### Authority to disapply pre-emption rights on allotment of relevant securities - Special Resolution

- 10 THAT subject to the passing of Resolution 9 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £534,074, representing approximately

# Notice of Meeting continued

5% of the issued ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 9 above, save that the Company may before such expiry make offers, or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, or agreements as if the power conferred hereby had not expired.

## Adoption of new Articles of Association – Special Resolution

### 11. THAT

- (i) the Articles of Association of the Company be amended by deleting all the provisions formerly in the Company's Memorandum of Association which, by virtue of Section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and
- (ii) the Articles of Association produced to the meeting and initialed by the Chairman of the meeting for the purpose of identification be adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board  
Andrew Norman, for and on behalf of  
J.P. Morgan Asset Management (UK) Limited,  
Secretary  
11th March 2010

## Notes

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

- 1 A member entitled to attend and vote at the meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
- 2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If the voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
- 3 Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
- 4 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
- 5 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the meeting (the 'specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the meeting or adjourned meeting.

- 6 Entry to the above Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
- 7 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
- Representatives should bring to the meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website [www.jpmerican.co.uk](http://www.jpmerican.co.uk).
- 13 The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
- 15 As at 10th March 2010 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 42,725,949 shares, (carrying one vote each). Therefore the total voting rights in the Company are 42,725,949.

#### Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

# Appendix

The Companies Act 2006 (the '2006 Act'), which is replacing the Companies Act 1985 (the '1985 Act') has been implemented in stages but was fully in force from 1st October 2009. In addition, the Shareholders' Rights Regulations which amend certain provisions of the 2006 Act relating to meetings of the Company came into force in August 2009. Under Resolution 11, the Company is adopting new Articles of Association (the 'Articles') which will reflect the changes in company law brought about by the Shareholders' Rights Regulations and by the provisions of the 2006 Act which came into effect on or before 1st October 2009. The Articles also include some other modernising and clarifying amendments, including, where appropriate, adopting the wording of the new model form articles for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008 (the 'model form articles'), which are replacing the Table A articles under the 1985 Act on which many of the Company's current articles are based. Set out below is a summary of the principal changes.

## 1. The Company's objects

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The provisions governing the operations of the Company are currently set out in both its memorandum of association and its articles of association. Under the 2006 Act, the memorandum no longer contains an objects clause and simply records the names of the subscribers and the number of shares which each subscriber agreed to take in the Company. Under Section 28 of the 2006 Act, the objects clause and all other provisions in the memorandum are treated as part of the articles with effect from 1 October 2009 but the Company can remove these provisions by special resolution. Unless the articles provide otherwise, the Company's objects will be unrestricted. The Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 11 confirms the removal of these provisions and adopts the new Articles.

## 2. Limited liability (Article 3)

Under the 2006 Act, the memorandum of association also no longer contains a clause stating that the liability of the members of a company is limited. For existing companies, this statement is automatically treated as having moved into the articles on 1 October 2009. As noted in paragraph 1 above, Resolution 8 confirms the removal, from the Company's articles of association, of the provisions of the Company's memorandum of association which are treated as forming part

of the Company's articles of association by virtue of Section 28 of the 2006 Act, which includes the statement of limited liability. An explicit statement of the members' limited liability is therefore included in the new Articles.

## 3. Authorised share capital and unissued shares

The 2006 Act abolishes the concept of authorised share capital and under the 2006 Act, the memorandum of association no longer contains a statement of the Company's authorised share capital. For existing companies, this statement is deemed to be a provision of the Company's articles of association setting out the maximum amount of shares that may be allotted by the Company. The adoption of the new Articles by the Company will have the effect of removing this provision relating to the maximum amount. Directors will still need to obtain the usual shareholders' authorisation in order to allot shares, except in respect of employee share schemes.

References to authorised share capital and to unissued shares have therefore been removed from the new Articles.

## 4. Redeemable shares (Article 5)

Under the 2006 Act, the articles of association need not include the terms on which redeemable shares may be redeemed. The directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the articles. The new Articles contain such authorisation.

## 5. Share certificates (Article 12)

The new Articles contain new provisions for the issue of consolidated share certificates, in line with the model form articles.

## 6. Transfer of shares (Articles 30 and 31)

The provision which gave the ability to suspend the registration of transfers of shares for periods not exceeding 30 days in any one year has been removed from the new Articles as there is no ability under the 2006 Act to close the register.

## 7. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Article 40)

Under the 1985 Act, a company required specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital. Under the 2006 Act, public companies do not require specific authorisations in their articles of association to undertake these actions; but shareholder authority is still required. Amendments have been made to the new Articles to reflect these changes.

#### **8. Participation in meetings at different places and by electronic means (Article 51)**

Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The new Articles include amendments to provide greater scope for members to participate in meetings of the Company even if they are not present in person at the principal place where the meeting is being held. The amendments allow for members to participate not only by attendance at satellite meeting locations, but also by any other electronic means of participation.

#### **9. Adjournments (Article 53)**

The Shareholders' Rights Regulations add a provision to the 2006 Act which requires that, when a general meeting is adjourned due to lack of quorum, at least ten days' notice must be given to reconvene the meeting. The new Articles include amendments to the provisions dealing with notice of adjourned meetings to make them consistent with this new requirement.

#### **10. Removal of chairman's casting vote**

Pursuant to changes brought about by the Shareholders' Rights Regulations, a traded company is no longer permitted to allow the chairman to have a casting vote in the event of an equality of votes. Accordingly, this provision has been removed in the new Articles.

#### **11. Voting rights (Article 62)**

The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporate members in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed by one member, he has one vote on a show of hands unless he has been appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been appointed by more than one member to vote for the resolution and by more than one member to vote against the resolution. Where a corporate member appoints representatives to attend meetings on its behalf, each representative duly appointed by a corporate member has one vote on a show of hands. The new Articles contain provisions which clarify these rights and also clarify how the provisions giving a proxy a second vote on a show of hands should apply to discretionary powers.

#### **12. Voting record date (Article 63)**

The new Articles include a new provision which was not previously in the Company's articles of association, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the Company and how

many votes each person may cast. Under this new provision, when convening a meeting the Company may specify a time, not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting. This new provision is in line with a requirement for listed companies introduced by the Shareholders' Rights Regulations.

#### **13. Validity of votes (Article 67)**

Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. The new Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

#### **14. Termination of proxy authority (Article 73)**

Article 73 provides that the termination of a proxy's authority should be in writing as this is required by the Shareholders' Rights Regulations.

#### **15. Corporate representatives (Article 75)**

The new Articles provide that the Company can require a corporate representative to produce a certified copy of the resolution appointing him before permitting him to exercise his powers.

#### **16. Retirement of directors by rotation (Articles 81 and 82)**

The new Articles have been redrafted in order to make this provision clearer and to ensure (as far as possible) a regular number of retiring directors each year, with the number to retire being the number nearest to one-third of the board, excluding those directors who are retiring and seeking re-election for other reasons. Article 81 continues to comply with Combined Code provision A.7.1 which recommends that all directors should be subject to re-election at intervals of no more than three years. New Article 82 requires any non-executive director (other than the chairman) who has held office for nine years or more to put himself up for re-election at each annual general meeting. This is in line with Combined Code provision A.7.2.

#### **17. Alternate directors (Articles 88, 90 and 92)**

Article 88 now clarifies that an alternate director is entitled to be paid expenses (but not directors' fees. Article 90 is a new provision which effectively applies the provisions of Article 86,

# Appendix continued

regarding removal of directors, to alternate directors. Article 92(c) makes it clear that an alternate is subject to the same restrictions as the director who appointed him.

## **18. Borrowing powers (Article 94)**

A number of presentational and descriptive amendments have been made to the borrowing powers provision:

- (i) Article 94(1)(a) – a reference has been added to amounts ‘credited as paid up’ on share capital to clarify that these should be included as well as amounts actually paid up.
- (ii) Article 94(1)(b) – this has been amended to refer to total of ‘any credit balance on the distributable and undistributable reserves of the Group’, to clarify that all reserves of the Group will be relevant for the calculation and to reflect the language used by those preparing the accounts. The reference to ‘including share premium account, capital redemption reserve and credit balance on the profit and loss account reserve’ has therefore been deleted.
- (iii) Article 94(1) – the last paragraph has been amended to allow the company also to adjust for variations in its capital redemption reserve since the balance sheet date as the directors may reasonably consider to be appropriate.
- (iv) Articles 94(1)(a) and 94(3)(e) – additional wording has been included to clarify how any preference shares that might be issued should be treated for the purposes of the borrowing powers. Under IFRS and UK GAAP preference shares are now treated as a debt on a company’s balance sheet, rather than equity. The additional wording included in Articles 94(1)(a) and 94(3)(e) reflects this accounting treatment. The effect of this wording is to *exclude* the amount of any preference share capital from the calculation of the Company’s share capital and reserves and to *include* such amount in the calculation of the Company’s borrowings.

## **19. Delegation to persons or committees (Article 95)**

Article 95 follows the new, simplified approach to delegation adopted in the model form articles, allowing the directors to delegate as they decide appropriate.

## **20. Directors’ appointments, interests and conflicts of interest (Article 101)**

Article 101, which is the provision for dealing with conflicts in our current articles, allowing directors to be interested in transactions and to be an officer of or employed by or interested in a body corporate in which the company is interested provided that he has disclosed his interest in accordance with the articles and the provisions of the Acts, has been amended so that it contains provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict falls within the situations covered by Article 101.

## **21. Procedures regarding board meetings and resolution in writing (Articles 103 and 106)**

The provisions of Article 103 have been amended to make it clear that notice of a board meeting may be given personally, by telephone, in hard copy or in electronic form. The requirements for giving notice to directors who are not in the United Kingdom have also been clarified. In order to clarify the procedure for written resolutions of directors, Article 106 has been amended so that, rather than referring to a resolution in writing by all directors, a resolution in writing will be valid and effectual as if it had been passed at a meeting if executed by all the directors entitled to receive notice of the meeting and who would have been entitled to vote (and whose vote would have been counted) on a resolution at a meeting.

## **22. Quorum (Article 107)**

The proposed amendment to Article 107, which deals with the quorum requirement for board meetings, clarifies that a director cannot count in the quorum for a matter or resolution on which he is not entitled to vote (or when his vote cannot be counted) but he may count in the quorum for the other matters or resolutions to be considered or voted on at the meeting.

## **23. Permitted interests and voting (Article 108)**

Article 108 has been amended to allow a director to vote on a resolution which relates to giving him an indemnity or funding for expenditure incurred in defending proceedings provided all the other directors have been given or are to be given arrangements on substantially the same terms. This exception

has become a common exception for listed companies to include.

**24. Notice when post not available (Article 127)**

Article 127 is the article covering service of notice in the event of a postal strike. It has been amended to allow the Company in such circumstances to serve notices only on those members who receive notices via electronic means, provided that, as before, the Company also puts an advert in two national newspapers and sends a confirmatory hard copy notice if the postal service is available again within seven days of the meeting.

**25. The seal (Articles 136 and 137)**

Article 136 provides an alternative option (in the absence of specific instructions from the directors) for documents (other than share certificates) to which the seal is affixed to be signed by one authorised person in the presence of a witness, in addition to either two directors or a director the secretary.

**26. Change of name (Article 139)**

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company is able to change its name by other means provided for by its articles. To take advantage of this provision, the new Articles enable the directors to pass a resolution to change the Company's name.

# Glossary of Terms

## **Return to Shareholders**

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the Company at the time the shares were quoted ex-dividend.

## **Return on Net Assets**

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, in the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

## **Benchmark Return**

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' this index and consequently there may be some divergence between the Company's performance and that of the benchmark.

## **Actual Gearing Factor**

Investments excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds. This shows the effect of gearing on the net asset value if the market value of the portfolio were to increase by 100%.

## **Total Expense Ratio**

Management fees and all other operating expenses, excluding interest, VAT recoverable and performance fees payable, expressed as a percentage of the average of the opening and closing net assets.

## **Share Price Discount/Premium to Net Asset Value**

If the share price of an investment company is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company's shares to trade at a discount than at a premium.

## **Performance Attribution**

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

### **Performance Attribution Definitions:**

#### **Allocation Effect**

Measures the effect of allocating assets to countries, sectors or asset types differently to the weighting in the benchmark.

#### **Selection Effect**

Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are excluded from the benchmark.

#### **Gearing/Cash Effect**

Measures the impact of borrowings or cash balances on the Company's performance relative to its benchmark.

#### **Currency Hedge**

Measures the effect on the Company's performance of a gain or loss arising from the Company's hedging activities.

#### **Management Fees/Expenses**

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

#### **Performance Fee**

Measures the effect of a performance fee charge or writeback.

#### **Residual**

Arises when there is a divergence between total return as calculated by Morningstar and total return from the Manager's attribution systems. This is the result of different methodologies and timing differences.

# Information about the Company

## Financial Calendar

Financial year end	31st December
Final results announced	March
Half year end	30th June
Half year results announced	August
Interim Management Statements announced	April and October
Dividend on ordinary shares paid	May
Annual General Meeting	May

## History

The Company has its origins in the Alabama, New Orleans, Texas and Pacific Junction Railways Company Limited which was formed in 1881 to acquire interests in, and to undertake the completion of, three American railroads - the Vicksburg and Meridian, the Vicksburg, Shreveport and Pacific and the New Orleans and North Eastern. In 1917 the Company was reorganised, a proportion of the railroad interests were sold, and the investment powers were widened enabling its assets to be invested in several countries including the United Kingdom. To reflect the new objectives the name was changed to The Sterling Trust. The Company's investment policy reverted to North American securities in 1982 when the name was changed to The Fleming American Investment Trust plc. The name was changed to JPMorgan Fleming American Investment Trust plc in April 2002 and to its present form in 2006. JPMorgan has been the Company's manager and secretary since 1966.

## Company Numbers

Company registration number: 15543  
London Stock Exchange number: 08456505  
ISIN: GB0008465055  
Bloomberg code: JAM LN

## Market Information

The Company's net asset value ('NAV') is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange and the price is noted daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the J.P. Morgan website at [www.jpnamerican.co.uk](http://www.jpnamerican.co.uk), where the share price is updated every fifteen minutes during trading hours.

## Website

[www.jpnamerican.co.uk](http://www.jpnamerican.co.uk)

## Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at [www.jpmorganwealthmanagerplus.co.uk](http://www.jpmorganwealthmanagerplus.co.uk)

## Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

## Company's Registered Office

Finsbury Dials  
20 Finsbury Street  
London EC2Y 9AQ  
Telephone number: 020 7742 6000

For company secretarial and administrative matters, please contact Andrew Norman .

## Registrars

Equiniti  
Reference 1077  
Aspect House  
Spencer Road  
West Sussex BN99 6DA  
Telephone number: 0871 384 2316

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1077.

Registered shareholders can obtain further details on their holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk)

## Auditors

Deloitte LLP  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

## Brokers

Collins Stewart Europe Limited  
88 Wood Street  
London EC2V 7QR

## Savings Product Administrators

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

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