



To: Stock Exchange  
For immediate release  
18 March 2008

## **Martin Currie Portfolio Investment Trust plc**

### **Annual results for the year to 31 January 2008**

#### **Chairman's statement**

Your company has delivered solid returns for shareholders over a number of years, in a variety of market conditions. As our manager Tom Walker explains in his review, after a period of predominantly rising markets, the most recent 12 months have been much more testing for investment managers.

Despite this, the company's net asset total return per share rose by 7.6% in the year to 31 January 2008, significantly ahead of the 3.6% fall in the FTSE All-Share, the company's benchmark index. In the same period the share price rose by 8.0%. The manager has earned the maximum performance fee for delivering substantial outperformance of the benchmark and maintaining a positive share price return in a falling market.

While the company's benchmark is the FTSE All-Share Index, reflecting a substantial portion of the assets and the domicile of our shareholders, we encourage the manager to choose the best stocks wherever in the world they are quoted and to commit a part of the portfolio to quoted private equity.

In January 2007 your board increased the limit on international investments outside the UK beyond the former ceiling of 25% to a maximum of 50% of the portfolio. I am pleased to say that the manager has used this flexibility, and 31.4% of the portfolio was invested internationally at 31 January 2008.

The performance in the most recent 12-month period is a strong vindication of the company's diversified strategy, and a demonstration of the manager's stock picking skills:

- The UK equity portion of the portfolio rose by 0.7% in a period in which the FTSE All-Share Index fell by 3.6%;
- The international portion of the portfolio rose by 8.0%, an excellent result in difficult market conditions;
- The private equity portion added significant value for shareholders, rising by 33.4%.

Looking ahead, it is likely to remain a difficult period for markets. I believe our strategy is more relevant now than ever, and is well placed to deliver strong returns for shareholders in the years ahead.

#### **Earnings and dividends**

Although corporate earnings and dividend growth have been robust, our reduced exposure to the higher yielding UK equity market tempered our income growth. Compared with last year, revenue return per share has increased by 0.7%, rising from 2.81p to 2.83p. Notwithstanding this, the board recommends an increase in the dividend of 0.20p, which is in line with last year's increase.

The board's recommendation is therefore a final dividend of 2.10p, which, together with the interim dividend of 0.50p, brings total dividends for the year to 2.60p, an increase of 8.3% over last year. Subject to approval by the company's shareholders at its annual general meeting, the final dividend will be paid on 20 June 2008 to shareholders on the register as at 23 May 2008.

### **VAT Recovery**

Many shareholders will be aware of a recent European Court ruling on a test case, which allows investment trusts to reclaim at least some of the VAT paid on management fees. Your board is currently in the process of quantifying the potential repayment that should be due which we believe is unlikely to be material. However, the amount the company will receive, the period to which it will refer, and the timescale for receipt are all uncertain, and hence the company has made no provision in these financial statements for any such receipt.

### **Discount**

The board is pleased to have maintained stability in the discount. We believe this means that the company's value is more accurately reflected in its share price, and that management and shareholders can concentrate on what matters most - investment performance.

### **Manager's review**

#### **Performance**

The fund outperformed significantly, posting a share price total return of 8.0% for the year, while the FTSE All-Share index fell by 3.6%. We have a three-tiered strategy investing in UK equities, international equities and private equity.

Private equity, though only a small part of the portfolio, was the star performer, contributing 4.1% of the 8.0% performance. The rest of our outperformance came from both our UK and international equity holdings, where our stock selection was good.

#### **Review**

It was a disappointing year for equity markets worldwide. Few generated decent returns; many fell. The decline in the US housing market and sub-prime mortgages developed into a global credit crisis with several unpleasant symptoms: a run on Northern Rock, loan losses for banks, a record trading loss at Société Générale, an undermining of credit ratings and even a threat to the operation of fixed income markets. These problems built slowly, but as 2008 dawned, they coalesced suddenly with economic worries, producing severe market weakness. The FTSE All Share was not immune to this weakness: after struggling to make meaningful progress for most of the preceding year, it fell dramatically in January 2008.

#### **United Kingdom**

There are indications of a slowdown in the UK housing market: mortgage approvals were 37% lower in December 2007 than a year earlier, falling to a level not seen since 1995. This was partly due to a reluctance to lend on the part of the banks, but also highlighted low confidence levels among house buyers. Retail sales over the Christmas period were disappointing, as reports from a number of companies, including Marks and Spencer, confirmed. Furthermore, the UK's current account deficit slipped ever further into the red, justifying a corrective weakening of sterling in global currency markets.

Recognising that the UK economy was slowing, the Bank of England started to cut interest rates. Even after the cuts, rates remain high relative to other countries (5.25% after the cut on 7 February) reflecting the Bank's reluctance to cut more dramatically in the face of persistent inflationary pressures. Food prices and fuel bills have been rising, and wage growth of around 4% is indicative of the inflationary pressures in the labour market. We expect, however, that slower economic growth in 2008 will ease these inflationary pressures, allowing the Bank to reduce interest rates steadily as the year progresses.

Our sector preferences have reflected the current environment for some time. Being underweight in banks and consumer services stocks such as retailers has served us well. Resource stocks like BG Group, BHP Billiton and Vedanta have been among our best performers in our UK portfolio. Given the strength in the sector, it was our exclusion of Rio Tinto from the portfolio which detracted most from relative performance.

#### **International**

In aggregate, overseas markets were flat over the year. Japan was the weakest of the major markets by some margin. The strongest returns came from some emerging markets, and from the Canadian and Australian markets, reflecting their bias to resource stocks.

The US economy has slowed and there is evidence that Europe is following suit. There are still areas of the world that are enjoying robust economic growth. China and Australia have recently raised interest rates in order to curb growth. As long as the US does not experience a deep and extended recession - which we think unlikely - 2008 should be another year of global growth. We are optimistic that many companies will continue to thrive, helped by lower interest rates.

Our overseas portfolio performed well. Asian stocks - such as mobile telecoms operator China Mobile, Indonesian conglomerate PT Astra International and property company New World Development - made the strongest contributions. Our weakest holding was the US department store chain J C Penney. This share recovered nearly 40% from its low in 2008 and we have since sold it.

#### **Private equity**

The star of our private equity portfolio was the investment in 'A' shares of the F&C Private Equity Trust (F&CPET). Its sale of Dakota Minnesota and Eastern Railroad Corporation for a substantial gain resulted in a significant distribution to Martin Currie Portfolio Investment Trust of £11.3 million. Our holdings in two share classes of F&CPET remain our largest investments, accounting for 9.9% of the portfolio.

#### **Outlook**

We believe the fears of a global recession are overdone. Clearly, the current debt crisis continues to escalate in the UK and all around the world. The collapse of Bear Stearns highlights increasing problems in the global financial sector which could overwhelm the wider economy. The Federal Reserve has, however, made it clear that it will do everything possible to prevent that bleak scenario from unfolding. Expectations for economic growth have already diminished. After a few more months of uncertainty, we believe the Fed, acting in conjunction with other central banks worldwide, will reverse this decline. A few more months of uncertainty seem likely.

We expect volatility and fairly modest returns from market indices in the year ahead. We have reduced borrowing and, latterly, increased cash reserves; we end the year with net cash representing 9% of our assets. The environment of increased volatility that we anticipate will, in time, create opportunities to put that cash to good use.

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**MARTIN CURRIE PORTFOLIO INVESTMENT TRUST plc**

**INCOME STATEMENT  
YEAR ENDED 31 JANUARY 2008**

	<b>Unaudited</b>		
	<b>Revenue £000</b>	<b>Capital £000</b>	<b>Total £000</b>
Net gains on investments	-	187	187
Net currency gains	-	96	96
Income	4,092	12,269	16,361
- franked			
- unfranked	1,033	-	1,033
Investment management fee	(345)	(690)	(1,035)
Performance fee	-	(1,862)	(1,862)
Other expenses	(474)	-	(474)
<b>Net return before finance costs and taxation</b>	<b>4,306</b>	<b>10,000</b>	<b>14,306</b>
Finance costs: debt	(186)	(358)	(544)
Finance costs: shareholders' funds	(4,028)	(10,403)	(14,431)
Finance costs: repurchase of ordinary shares	-	761	761
<b>Return on ordinary activities before taxation</b>	<b>92</b>	<b>-</b>	<b>92</b>
Taxation on ordinary activities	(92)	-	(92)
<b>Return attributable to shareholders *</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* As the company's share capital is classified as a liability for accounting purposes, the net return to shareholders is accounted for in the finance costs caption being £587,000 as a revenue return (2007: £895,000) and £10,403,000 of a capital return (2007: £15,325,000).

The total column of this statement is the profit and loss account of the company. All revenue and capital items in the above statement derive from continuing operations. A Statement of Total Recognised Gains and Losses is not required, as all gains and losses of the company have been reflected in the above statement.

On 18 March 2008, the Board recommended a final dividend of 2.10p per share. Subject to shareholders approval, the dividend will be paid on 20 June 2008 to shareholders on the register on 23 May 2008. The total amount of the distribution, calculated with reference to the number of shares in issue at 2 March 2008 is £3,585,627. This results in a total dividend payable in respect for the year of 2.60p per share. This compares to the total dividend declared with respect to the financial year ended 31 January 2007 of 2.40p per share.

The financial information contained within this preliminary announcement does not constitute the company's statutory financial statements as defined in section 240 of the Companies Act 1985 for the years ended 31 January 2008 or 2007, but is derived from those financial statements. Statutory financial statements for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the company's annual general meeting.

MARTIN CURRIE PORTFOLIO INVESTMENT TRUST plc

INCOME STATEMENT FOR THE  
YEAR ENDED 31 JANUARY 2007

	<b>Audited</b>		
	<b>Revenue £000</b>	<b>Capital £000</b>	<b>Total £000</b>
Net gains on investments	-	7,480	7,480
Net currency gains	-	54	54
Income	4,367	7,944	12,311
- franked			
- unfranked	696	-	696
Investment management fee	(343)	(686)	(1,029)
Performance fee	-	(131)	(131)
Other expenses	(440)	-	(440)
<b>Net return before finance costs and taxation</b>	<b>4,280</b>	<b>14,661</b>	<b>18,941</b>
Finance costs: debt	(50)	(94)	(144)
Finance costs: shareholders' funds	(4,187)	(15,325)	(19,512)
Finance costs: repurchase of ordinary shares	-	758	758
<b>Return on ordinary activities before taxation</b>	<b>43</b>	<b>-</b>	<b>43</b>
Taxation on ordinary activities	(43)	-	(43)
<b>Return attributable to shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>

MARTIN CURRIE PORTFOLIO INVESTMENT TRUST plc

BALANCE SHEET

	As at 31 January 2008 (Unaudited)		at 31 As January 2007 (Audited)	
	£000	£000	£000	£000
<b>Non-current assets</b>				
<b>Investments at fair value through profit or loss</b>				
Listed on The Stock Exchange in the UK		119,189		150,083
Listed on stock exchanges abroad		54,444		45,249
		<hr/>		<hr/>
		173,633		195,332
<b>Current assets</b>				
Loans and receivables	300		284	
Cash at bank	26,020		2,065	
	<hr/>		<hr/>	
	26,320		2,349	
<b>Creditors</b>				
Amounts falling due within one year	(12,311)		(11,283)	
	<hr/>		<hr/>	
<b>Net current assets/(liabilities)</b>		14,009		(8,934)
		<hr/>		<hr/>
<b>Net asset value attributable to shareholders</b>		187,642		186,398
		<hr/>		<hr/>
<b>Net asset value per ordinary share</b>		137.2p		129.9p
<b>AIC net asset value per ordinary share</b>		134.8p		127.5p

MARTIN CURRIE PORTFOLIO INVESTMENT TRUST plc

STATEMENT OF CASH FLOW

	Year ended 31 January 2008 (Unaudited)		Year ended 31 January 2007 (Audited)	
	£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>		16,379		9,685
<b>Servicing of finance</b>				
Finance costs: debt	(475)		(102)	
Finance costs: shareholders' funds	(3,441)		(3,292)	
<b>Net cash outflow from servicing of finance</b>		(3,916)		(3,394)
<b>Capital expenditure and financial investment</b>				
Payments to acquire investments	(41,582)		(50,048)	
Sales of investments	62,479		42,392	
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		20,897		(7,656)
<b>Net cash inflow/(outflow) before financing</b>		33,360		(1,365)
<b>Financing</b>				
Repurchase of ordinary share capital		(8,985)		(8,715)
Short-term bank borrowings		(492)		9,953
<b>Increase/(decrease) in cash</b>		23,883		(127)

## Notes

### 1. Returns and net asset value (as defined by the Articles)

The return and net asset value per ordinary share are calculated with reference to the following figures:

	Year ended 31 January 2008	Year ended 31 January 2007
<b>Revenue return</b>		
Revenue return attributable to ordinary shareholders	-	-
Add back finance costs: shareholders' funds	<u>£4,028,000</u> £4,028,000	<u>£4,187,000</u> £4,187,000
Average number of shares in issue during year	142,254,259	148,864,439
Return per ordinary share	<b>2.83p</b>	<b>2.81p</b>
<b>Capital return</b>		
Capital return attributable to ordinary shareholders	-	-
Add back finance costs: shareholders' funds	£10,403,000	£15,325,000
Deduct finance costs: repurchase of shares	<u>£(761,000)</u> £9,642,000	<u>£(758,000)</u> £14,567,000
Average number of shares in issue during year	142,254,259	148,864,439
Capital return per ordinary share	<b>6.78p</b>	<b>9.79p</b>
<b>Total return per ordinary share</b>	<b>9.61p</b>	<b>12.60p</b>
<b>Net asset value per share</b>	<b>As at 31 January 2008</b>	<b>As at 31 January 2007</b>
Net assets attributable to shareholders	£187,642,000	£186,398,000
Number of shares in issue at the year end	136,716,072	143,527,886
Net asset value per share	<b>137.2p</b>	<b>129.9p</b>

### 2. Reconciliation of accounting and AIC net asset values

	As at 31 January 2008	As at 31 January 2007
Accounting net asset value per share	<b>137.2p</b>	<b>129.9p</b>
Exclusion of undistributed current period revenue	(2.4)p	(2.4)p
<b>AIC net asset value per share</b>	<b>134.8p</b>	<b>127.5p</b>