Investment objective
The Company's objective is to provide shareholders with long-term growth of capital, mainly from UK investments. Further details of the Company's Investment Policy and Risk and Investment Limits can be found in the Report of the Directors contained within the Company's Annual Financial Report.

Key facts
Ticker KIT.L
Total Assets £285.5m
Ordinary Shares:
- Share Price 1,650.0p
- Capital NAV (debt at par) 1,847.6p
- Cum-Income NAV (debt at par) 1,873.8p
- Capital NAV (debt at fair) 1,794.6p
- Cum-Income NAV (debt at fair) 1,820.8p
Discount to Cum-Income NAV (debt at par) 11.9%
Discount to Cum-Income NAV (debt at fair) 9.4%
Dividend Yield2 3.1%
Gearing3 6.5%
Ongoing Charges (incl. AMC) 0.71% (31 May 2016)
Annual Management Charge (AMC) 0.60% market cap
This investment trust is also subject to performance fees; please refer to the latest Annual Financial Report for details.

2 This is calculated by dividing the current financial year's dividends (this may include prospective dividends) by the current ordinary share price.
3 Gearing reflects the amount of net borrowings invested, i.e. borrowings less cash and bond holdings. It is based on net borrowings as a percentage of shareholders' funds.

The Board has prescribed that gearing may be used by the Company within limits determined by the Board.

Financial calendar
Year End 30 September
Annual Financial Report published November
Half-Yearly Financial Report published May
Dividend payment dates June and December
Preference Share Dividends 2.50% Paid 31 March and 30 September
7.75% Debenture Stock 2020 Paid 1 April and 1 October
6.5% Debenture Stock 2023 Paid 27 April and 27 October
Annual General Meeting January

Ordinary share price & NAV cumulative performance1

<table>
<thead>
<tr>
<th>Year</th>
<th>Share Price</th>
<th>Net Asset Value</th>
<th>FTSE All-Share Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 months</td>
<td>-6.0%</td>
<td>-2.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>1 Year</td>
<td>-8.2%</td>
<td>-3.8%</td>
<td>-6.3%</td>
</tr>
<tr>
<td>3 Years</td>
<td>12.6%</td>
<td>24.3%</td>
<td>9.6%</td>
</tr>
<tr>
<td>5 Years</td>
<td>57.6%</td>
<td>68.2%</td>
<td>31.2%</td>
</tr>
<tr>
<td>10 Years</td>
<td>141.1%</td>
<td>131.5%</td>
<td>67.5%</td>
</tr>
</tbody>
</table>

Ordinary share price 5-year performance1

<table>
<thead>
<tr>
<th>Year</th>
<th>Price (Rebased)</th>
<th>FTSE All-Share Index (Rebased)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>12</td>
<td>125</td>
<td>150</td>
</tr>
<tr>
<td>13</td>
<td>150</td>
<td>175</td>
</tr>
<tr>
<td>14</td>
<td>175</td>
<td>200</td>
</tr>
<tr>
<td>15</td>
<td>200</td>
<td>225</td>
</tr>
<tr>
<td>16</td>
<td>225</td>
<td>250</td>
</tr>
</tbody>
</table>

Industry breakdown %
- Financials 30.4
- Health Care 15.7
- Consumer Goods 15.3
- Industrials 14.8
- Consumer Services 8.7
- Telecommunications 6.4
- Utilities 4.8
- Oil & Gas 3.1
- Basic Materials 0.8

Top 10 holdings % portfolio
- Reynolds American - US common stock 5.2
- British American Tobacco 5.0
- Imperial Brands 4.0
- BT Group 3.8
- AstraZeneca 3.6
- Roche - Swiss common stock 3.2
- BAE Systems 3.1
- BP 3.1
- Provident Financial 3.0
- Legal & General 2.5
Total 36.5

Breakdown by portfolio % portfolio
- FTSE 100 46.7
- FTSE 250 ex Inv Companies 21.5
- FTSE Small Cap Fledgling AIM ex Inv Companies 10.1
- International Equities 9.9
- Other Split Cap & Inv Companies 7.2
- Cash & Cash Equivalent 4.6
Total 100.0

1 Ordinary share price performance figures have been calculated using daily closing prices with dividends reinvested. NAV performance figures have been calculated using daily NAV with dividends reinvested. The NAV used excludes current period revenue and values debt at par. The FTSE All Share Index performance is shown as total return. All performance figures are in sterling as at 31 May 2016 unless otherwise stated. Source: Morningstar

Source: Invesco Perpetual unless otherwise stated.
Manager’s report

Market commentary
UK equity markets were broadly flat in May as uncertainty around the EU referendum and slow growth weighed on domestic sentiment; the FTSE All-Share Index returned 0.7% (Total Return, GBP) for the month. UK market confidence improved into month-end, boosted by global macroeconomic factors, namely the rising oil price, a surge in April US single-family home sales and stronger US retail sales. The Office for National Statistics revised down its 2016 UK annual growth forecast to 2%, the slowest rate for three years. May brought better news for the pharmaceutical sector, where recent performance has been subdued by the US Presidential campaign’s contentious debate on drug pricing. BTG released strong results, headlined by its new antivenom and US$110m acquisition of surgical equipment specialist Galil Medical. The fallout of recent terror attacks took its toll on Thomas Cook’s share price, which tumbled after the group issued a warning on full-year earnings expectations. Centrica’s share price fell after an equity issuance surprised the market.

Investment trust strategy
The investment trust strategy remains unchanged from the recent past. The fund manager favours companies in the market which offer visibility of revenues, profits and cash-flows in this low growth world and which are managed for the primary purpose of delivering shareholder value in the form of a sustainable and growing dividend. We continue to believe that well managed companies which seek to deliver sustainable dividend growth provide the best long term investment opportunities.

Investment trust history and structure
On 13 January 2003, the investment trust changed its name from Merrill Lynch UK Investment Trust plc to Keystone Investment Trust plc, the name by which the investment trust was formerly known.

The current number of ordinary shares in issue is 13,518,799.

The investment trust is authorised to buy back up to 14.99% of its ordinary shares for cancellation.

The Directors also obtained shareholder approval to authorise the allotment of up to 10% of the Company’s issued share capital.

These authorities are renewed yearly to assist in discount control management.

There are the following prior charges:
- £7,000,000 7.75% debenture stock 2020
- £24,968,300 6.5% debenture stock 2023
- £0.25 million 5% cumulative preference share

Shares in the investment trust are listed on the London Stock Exchange.

The investment trust is managed by Mark Barnett.

Important information

The value of investments and any income will fluctuate (this may partly be as a result of exchange rate fluctuations) and investors may not get back the full amount invested.

The investment trust may invest in derivatives. This means that the net asset value of the investment trust may, at times, be highly volatile. The use of derivative instruments involves certain risks (including market or communication breakdown, counterparty failure and credit risk) and there is no assurance that the objectives for the use of such instruments will be achieved.

The investment trust may use borrowings to invest in the market. The use of borrowings may enhance total return when the value of the investment trust’s assets is rising, but it will have the opposite effect when asset values fall. The use of borrowings may increase the volatility of the share price and the net asset value per share. In certain circumstances, the investment trust may be required to repay borrowings and this could adversely affect income and capital returns.

When making an investment in an investment trust you are buying shares in a company that is listed on a stock exchange. The price of the shares will be determined by supply and demand. Consequently, the share price of an investment trust may be higher or lower than the underlying net asset value of the investments in its portfolio and there can be no certainty that there will be liquidity in the shares.

Where securities are mentioned in this document they do not necessarily represent a specific portfolio holding and do not constitute a recommendation to purchase, hold or sell.

Where Invesco Perpetual has expressed views and opinions, these may change.

Telephone calls may be recorded.

For more information on our products, please refer to the relevant Alternative Investment Fund Managers Directive document (AIFMD), the Investment Trust ISA and Savings Scheme Key Features and Terms & Conditions and the latest Annual or Half-Yearly Financial Reports. This information is available using the contact details shown.

Further information

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www.invescoperpetual.co.uk/keystone

Issued on behalf of the board of the Keystone Investment Trust plc by Invesco Fund Managers Limited,
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