

Aim

The Trust's objective is to provide shareholders with growth in capital and income over the long term through investment in a diversified portfolio of UK equities. The Trust invests mainly in the shares of FTSE 100 companies, although its portfolio also includes some medium-sized and smaller UK companies.

Risks & Features

Investment trusts are quoted companies listed on the London Stock Exchange. Their share prices are determined by factors including the balance of supply and demand in the market, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

The Trust seeks to enhance returns for its shareholders through gearing, in the form of bank borrowings. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments lose value.

History

The launch of the Trust in December 2001 followed offers to holders of Loan Notes issued by Lafarge Minerals Ltd (former shareholders of Blue Circle Industries PLC) and Shoppoal Ltd (former shareholders of Fairbar Ltd, which was de-merged from Whitbread plc), effectively to exchange their Loan Notes for Ordinary shares. In addition, Ordinary shares were available through a Placing and Offer for Subscription by Cazenove. The Trust has issued new shares on subsequent occasions at the planned wind-up dates of other quoted investment trusts and also in exchange for loan notes issued in cash takeovers.

Fund Manager's Review



Jeremy Thomas

The UK equity market recovered its poise during February recovering from the weakness in January with a gain of 2.9%. British Portfolio Trust underperformed the index by 0.3% over this period as a result of our investment in Travis Perkins, which was weak on concerns over the outlook for the UK consumer, and the underweight position in Barclays which rallied on better than expected results. All three of the large listed UK banks (Lloyds Banking Group, RBS and Barclays) reassured investors with their preliminary results during the month with improved capital ratios, lower impairments and better margins. We took advantage of the persistent weakness in the sector through the final four months of 2009 and the sharper sell off in January to close some of our underweight in the sector by adding to positions in Lloyds and Barclays. We do continue to have some considerable doubts about the medium term attraction of the banking sector, but the valuation of these two banks substantially reflects this already.

Although we remain cautious on the outlook for equity markets during the first half of 2010 as monetary policy moves gradually to the tightening phase and economic leading indicators become less positive we continue to find stocks to buy at compelling prices. During the month we started a new position in the clothing retailer N Brown, which sells to the larger customer via catalogues and increasingly the internet. We also took advantage of short term technical weakness in ITV (on Sky placing part of its holding) and Tullett Prebon (on an ICAP profit warning) where we expect a rapid recovery in the stock prices. These purchases were funded from the sale of TUI Travel and Spirent.

Key Information

| | |
|--|------------|
| Total Assets: | £46.0m |
| Gearing (net): | 2.8% |
| No. of Shares (Ordinary 1p): | 33,447,820 |
| Share Price¹: | 130.0p |
| Net Asset Value²: | 134.8p |
| Premium/-Discount to NAV²: | -3.5% |
| Dividend Yield²: | 3.92% |
| No. of Holdings: | 54 |

All data source RCM (UK) Limited as at 26.02.10 unless otherwise stated.

| | |
|---------------------------------|---|
| Launch Date: | December 2001 |
| Continuation Vote: | 2013 |
| AIC Sector: | UK Growth |
| Benchmark: | FTSE All-Share Index |
| Year end: | 31 October |
| Annual Financial Report: | Final posted in January, Half-yearly posted in July |
| AGM: | February |
| Dividends: | March, September |
| Price Information: | Financial Times, The Daily Telegraph, www.rcm.com/investmenttrusts |
| Board of Directors: | Andrew Barker (Chairman), George Luckraft, Nicholas Gold, Simon White |
| Investment Manager: | Jeremy Thomas, Director, UK Equity RCM A company of Allianz Global Investors |
| Investor Services: | 020 7065 1407 |

¹Source: Lipper as at 26.02.10, market close mid price.

²Source: Datastream as at 26.02.10. Calculated using the latest full year dividend divided by the current share price.

³A trust's net asset value (NAV) is calculated as available shareholders' funds divided by the number of shares in issue, with shareholders' funds taken to be the net value of all the company's assets after deducting liabilities. It is the capital NAV that is shown, which excludes any income.

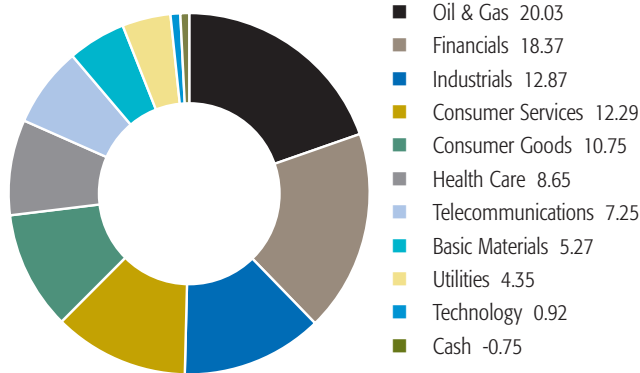
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Markets are likely to remain volatile for quite some time and we will seek to take advantage of this where the rewards more than offset the risk.

Top Ten Holdings (%)

| Name | % |
|------------------------------|-------------|
| Vodafone Group | 7.0 |
| GlaxoSmithKline | 6.6 |
| HSBC | 5.8 |
| Royal Dutch Shell "B" Shares | 5.5 |
| BP | 5.4 |
| BG Group | 4.6 |
| Unilever | 3.3 |
| BAE Systems | 2.7 |
| Compass | 2.6 |
| Cobham | 2.5 |
| Total | 46.0 |

Sector Breakdown (%)



Investing in the securities of smaller companies is likely to cause a higher degree of risk than investing in the securities of larger companies. There is also a risk of illiquidity for investments in smaller companies and unquoted stocks, i.e. they may not be easy to buy or sell.

How to Invest?

The Trust is a UK public limited company traded openly on the stock market. You can purchase shares through a stock broker.

RIC: BPO **SEDOL:** 3096169 **ISIN:** GB0030961691

Shares in the Trust can be held within an ISA and/or savings scheme and a number of providers offer this facility. A list of suppliers is available on our website www.rcm.com/investmenttrusts or from the AIC at www.theaic.co.uk

Please note: Our Investment Trust Savings Plan was closed and transferred to Alliance Trust Savings on 29 February 2008. Alliance Trust can be contacted on 01382 573 737 or contact@alliancetrust.co.uk

RCM Advantage

RCM and its predecessors have been managing investment trusts since 1889, providing investors with access to investment markets around the world through professionally managed portfolios. Each trust benefits from the expertise of the RCM fund managers yet, as a company listed on the London Stock Exchange, it is independent and is overseen by its own Board of Directors.

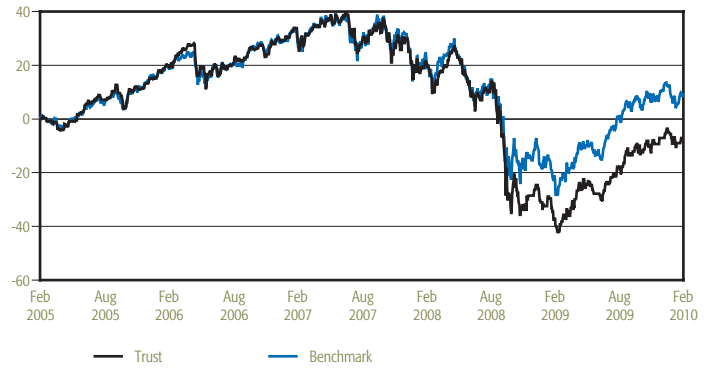
RCM is the global equity specialist within Allianz Global Investors. With offices strategically located in the US, Europe and Asia, RCM uses its global research platform to search out investment opportunities.

All data source RCM (UK) Limited as at 26.02.10 unless otherwise stated.

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Performance

Five Year Trust Performance (%)



Cumulative Performance (%)

| | 3 Months | 6 Months | 1 Year | 3 Years | 5 Years |
|-------------|----------|----------|--------|---------|---------|
| Share Price | 2.77 | 13.04 | 46.89 | -28.18 | -7.14 |
| Benchmark | 3.34 | 8.57 | 41.82 | -14.43 | 9.67 |

Standardised Past Performance (%)

| From | 31.12.04 | 30.12.05 | 29.12.06 | 31.12.07 | 31.12.08 |
|-------------|----------|----------|----------|----------|----------|
| To | 30.12.05 | 29.12.06 | 31.12.07 | 31.12.08 | 31.12.09 |
| Share Price | 17.38 | 14.33 | 0.00 | -43.25 | 26.21 |

Source: Lipper, percentage growth, mid to mid, capital return, to 26.02.10

Benchmark: FTSE All-Share Index

Standardised past performance figures comply with the Financial Services Authority's regulations to enable investors to compare different products from different providers.

Past performance is not a reliable indicator of future performance. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount originally invested.

This investment trust charges 75% of its annual management fee to the capital account and 25% to revenue. This could lead to a higher level of income but capital growth will be constrained as a result. Your capital could also decrease if income paid out of capital exceeds the growth rate of the trust.