Chairman's statement

Your Company has come through a very difficult and challenging year. Your Manager believes that its focus on domestic US and US traded Chinese companies with entrepreneurial management, positions the portfolio for solid growth in the coming years.

The financial year ending 31 March 2009 was one of the most difficult in history for any company involved in investing. Many major financial institutions did not survive. The fourth quarter of 2008 saw equity markets fall sharply, and this rout continued at the beginning of 2009. For the Dow Jones Industrial Average, where data goes back more than a century, January 2009 was the worst month since 1896. February was better than January, but was still the second worst month since 1933. Only in March did a sharp rally begin – a rally still in progress at the time of writing. For 2008/9 the NAV of your Company declined by 15.62% in Sterling. This is compared to a decline of 13.34% in the Russell 2000 and a decline of 14.16% in the S&P 500.

Over the longer term, the Company has done well, beating its benchmark significantly. It is important to note that since inception your Company has far outperformed our benchmark average, the Russell 2000, as well as the S&P 500. These have been two of the best performing indices in the US over the past 15 years. Since inception, even with the substantial decline of the past year, our annualised return has been 8.50% in Sterling compared to 3.74% in the Russell 2000 and 3.69% in the S&P 500.

Despite the gloom prevailing in markets today, your Manager believes the Company is very well positioned to produce good returns once conditions stabilise. This view is based on the prospects for growth of the companies in the portfolio, regardless of how the economy develops.

The Entrepreneurial Difference

Your Company concentrates on investment in entrepreneurial companies where the executive officers are significant shareholders and where there is a clear vision for the business. This is in contrast to companies with bureaucratic management where shareholders' interests are often less in focus.

While the depth of entrepreneurial talent in the US is well known, in recent years many other countries have fostered a culture where entrepreneurs can flourish. China is at the forefront of this development. While your Company continues to find good opportunities in North America, we have been steadily building our investments in US traded Chinese companies. Some of the best entrepreneurs in the world are now involved in China. This is where we see a significant growth opportunity over the next decade. By concentrating on Chinese companies listed and traded on US exchanges, your Company has the benefit of US standardised accounting principles and corporate governance. Your Company intends to maintain a balance of North American and Chinese operating companies as well as some diversification across industry sectors.

Managing the Portfolio

We use the analogy of looking after a garden when describing the process of finding new investments (planting), tending the portfolio (maintenance) and realising the investments (harvesting). The Manager's review follows this theme, and describes in detail the events of the year. In summary, new investments were made totalling approximately $10 million, while $5.3 million was spent on follow-on investment in existing portfolio companies. Realisations resulted in an aggregate net loss of approximately $5.9 million.

Our investments in US traded Chinese companies represent an increasing proportion of the portfolio, now 57.0% of the total.

Gearing

Your Board of Directors believes that a reasonable amount of gearing is useful in making new investments as well as providing a war chest to allow the opportunistic purchase of the Company's shares that trade at an excessive discount. During the year your Company had the use of a margin facility which varied from a high of $8.5 million to finish the financial year at $1.9 million. Under the current margin facility we were able to borrow up to a further $3.7 million as at 31 March 2009. The interest payable on this account is currently 1.751%. These rates are very low historically and could rise in 2009-2010. Being able to gear gives a measure of flexibility to the Manager, which the Board considers useful, but we intend to maintain a conservative policy with respect to borrowing, and do not envisage increasing gearing at this point.

Discount to Net Asset Value

During this very volatile market period, most closed end investment companies have sold at a substantial discount to net asset value. This results from a number of factors largely outside the control of the Board or the Manager. We believe the current discount is excessive and neither reflects the successful history of this Company, nor its potential growth.

Your Company has continued an investor relations campaign with Lansons Communications. The print media has written a number of articles about us and we continue to update our website with timely information, including an informative recent interview with Russell Cleveland.

This has been a difficult time for most investors but as normality returns to markets we believe investors may seek opportunities that have a unique investment strategy. Your Board of Directors will continue to monitor the movement of the discount closely and will take action as necessary.

Private to Public Potential

Our valuation methodology requires that the Directors determine a fair value for the investments in the portfolio. For those where a public market or publicly available reference price exists, this does not present any issues. For private holdings, we value investments at fair value or at the last sale if one occurred recently. Sometimes a write-down may be justified where there has been deterioration in the fundamental performance of the business, or where comparable listed businesses trade at substantially lower valuations. Approximately 28% of the companies in your portfolio are currently private. A number of companies held at cost have been reporting excellent results and might well trade at much higher valuations as public companies. This comment applies particularly to some of the US traded Chinese companies; but given the volatility and uncertainty inherent in markets at the moment, the Directors believe that a conservative approach is warranted.

Rebounding Potential

In the portfolio there are a number of companies which have fallen sharply in valuation, and which may rebound. These include several positions which are currently valued at a fraction of cost. These have little downside risk, whereas the upside could be considerable should fortunes turn around.

Conclusion

Your Company has come through a very difficult and challenging year. Your Manager believes that its focus on domestic US and US traded Chinese companies with entrepreneurial management, positions the portfolio for solid growth in the coming years. To summarise, we have a Company with the potential for superior growth. It is selling at a substantial discount to net asset value, has a number of holdings that could go from private to public and other holdings that could rebound. Of course, there will always be some unsuccessful holdings. That is why we have a portfolio. Renaissance US Growth Investment Trust remains a unique investment opportunity.

Ernest Fenton
Chairman
22 June 2009