INVESTMENT TRUST NEWSLETTER

HISTORICAL REVIEW PART TWO 2007 - 2016

DECEMBER 2016

Welcome to the final part of our two-part review, covering the second decade of Investment Trust Newsletter, from 2007 to the present day.

Again this period covers a great deal of upheaval, from the credit crisis to a coalition government, the Brexit vote, and a number of changes in taxation and financial regulation. Through all of this the industry has managed to adjust, develop, and continue to offer relevant solutions to meet the changing needs of investors.

From the mega-launches of Fidelity China Special Situations and Woodford Patient Capital Trust to the more gradual expansion of trusts investing in alternative (non-equity) assets, the industry has seen many new arrivals and more than a few departures as well. We remember some of those changes, while at the same time celebrating the solidity and durability of some of the sector's stalwarts.

2007 – More of the Same: Arbitrageurs and Alternative Assets

In January 2007 we reported on the market debut for **Phaunos Timber Fund**, illustrating the breadth of the industry, along with the hedge funds **BH Macro** and **Gottex Market Neutral Trust**. **Henderson Strata Investments** made some changes and became **Henderson Opportunities Trust. 3i Infrastructure** announced its intention to float. Katherine Garrett-Cox joined **Alliance Trust** as chief investment officer. **Gartmore European** came under attack from the arbitrageur Carrousel Capital.

Finsbury Technology Trust moved the management of the trust's portfolio to RCM, part of Allianz Global Investors, under the guidance of Walter Price and Huachen Chen. **SR Europe** issued subscription shares, a relatively new variant of warrants. **August Equity Trust** and **Rutland Trust** announced proposals for a merger to form **New Star Private Equity Investment Trust.** The AIC released data showing that trusts managed by the same manager for at least ten years had handsomely outperformed the average, although the results might be rather flawed as poorly-performing managers are replaced. In the May newsletter we looked at two trusts with long-serving managers, **TR Property** and **Invesco English & International.**

Stockmarkets generally, investment trusts as a group, and emerging markets in particular, had all been performing well. Plenty of analysts saw good reasons for the bull run to continue, citing the combination of strong growth with weak inflation and low P/E ratios, similar to the economic configuration that saw such a long bull period prior to the oil shock of the 1970s. One dissenting voice though was Anthony Bolton, the outgoing manager of **Fidelity Special Values,** whose parting shot was a warning about the possibility of a drop in stockmarkets. He was worried about the ease with which credit markets were financing M&A and private equity deals. He said "I can't tell you when it's coming but I can tell you the precursors are there" for a stock market slump. Sanjeev Shah took over as manager of the Fidelity trust.

Nicola Horlick launched **Bramdean Alternatives** to invest in private equity, hedge funds, and speciality funds. It raised £131m from its launch, rather less than the £250m it was seeking. **RCM Technology Trust** made a bonus issue of subscription shares to shareholders. There was a spat between the board and managers of **UK Balanced Property Trust** that looked like heading towards a reconstruction of some kind.

In July the newsletter led with the news that the AIC together with **JPMorgan Claverhouse Investment Trust** had won its case against HMRC relating to the charging of VAT on management expenses. Dating back to 1990, the excess VAT wrongly collected was estimated to amount to £300m.

Brokers recommended property trusts, with Dresdner Kleinwort opting for **Invista Foundation Property Trust** and UBS for **F&C Commercial Property Trust.** In the summer the market wilted on fears of a credit crunch, and in the August newsletter we wrote the words "sub-prime mortgage market" for the first time. The gravity of the situation was not clear, so we looked at trusts for pessimists and for optimists. The assets of **Invesco Japan Discovery Trust** dropped to £25m, so it decided to throw in the towel and reconstruct. Complex capital reorganisation proposals from **Templeton Emerging Markets** were rejected by shareholders and abandoned.

Aberdeen Asset Management bought Glasgow Investment Managers; **Edinburgh Small Companies** became **Standard Life UK Smaller Companies Trust.** In November the London Stock Exchange started the Specialist Fund Market for specialist investment companies with more sophisticated investment propositions. The Chancellor, Alastair Darling, introduced a new single rate of Capital Gains Tax (CGT) of 18%.

Some European property and financial sector trusts fell heavily towards the end of the year as the US credit crisis began to bite. Dresdner Kleinwort published a chunky survey of listed hedge fund vehicles that could perhaps provide some downside protection in volatile market conditions. **BH Macro** was the best performing company in the sub-sector at this point, but **Dexion Absolute** snagged the Investment Week award for the sector at the annual awards ceremony. **Eaglet Investment Trust** came under attack from a group of arbitrageurs, and Carrousel Capital also established a stake in **Fidelity Asian Values. JPMorgan Japanese** moved the management of its portfolio from London to Tokyo, with a change of management.

2008 – A Bad Year for Markets as the Credit Crisis Deepens

Managers started the year in a reasonably optimistic mood, although some did suggest the short-term could be bumpy. WINS research indicated 2008 could be another busy year for corporate action as trusts struggled to attract new demand. New issues were not easy to get away, with **Close Agricultural Commodities** and **Jupiter Equity Income** both failing to raise the capital they were seeking at the turn of the year. In contrast, there was demand for hedge funds – **Absolute Return Trust** increased the size of its 'C' share offering from £100m to £125m in response. **Terra Catalyst Fund** launched to target distressed property situations.

In March we considered ISA selections for the year, noting that the amount you could invest was rising from £7000 to £7200 for the 2008/09 tax year. This time we plumped for **Caledonia Investments, Law Debenture,** and for more speculative investors, two JPMorgan emerging markets trusts – **JPMorgan Russian** and **JPMorgan Indian.**

After a number of board changes, **Eaglet Investment Trust** proposed a change in remit and manager. At the annual AIC conference for directors we heard about how the sector was changing, with more performance statistics online, more offshore investment companies, and more thoughtful use of the investment trust structure. Board independence was being expressed more often by changes of fund manager, and some trusts such as **Gartmore Growth Opportunities** started to experiment with a quasi open-ended structure allowing regular exit opportunities.

Mark Barnett, the manager of **Perpetual Income & Growth,** warned in a conference call that the slowdown in the UK economy was not yet priced into the equity market. He suggested focusing on large caps. The stockbroker Cenkos preferred Japan and recommended **Baillie Gifford Japan** on a discount of 16.4%. Some degree of risk aversion was evident in the IPO market, as JPMorgan launched a convertibles trust, BlackRock sought up to US$500m for a new fund of hedge funds, and the infrastructure trusts **Babcock & Brown Public Partnerships** and **HSBC Infrastructure** both tapped the market for extra funds through 'C' share issues.

ING UK Real Estate Income sold off some properties to reduce its borrowings. **Japan Accelerated Fund II** was in the news because it was backed by two Icelandic banks that had seen their credit ratings cut. **JPMorgan Chinese** made a bonus issue of subscription shares while **JPMorgan Fleming Mercantile** changed its name to **The Mercantile Investment Trust.** Several Merrill Lynch trusts re-branded to BlackRock.

In the May newsletter we introduced a number of 'alternative assets' trusts, **Thames River Multi-Hedge PCC, Ludgate Environmental,** and **Vietnam Property Fund.** In June we reported on the WINS Investment Companies Conference, where the price of oil was a recurring theme, as well as the difficult equity market conditions. Bob Yerbury, the CEO of Invesco Perpetual, said that it had been critical to have exposure to emerging markets and to mining stocks over the previous five years to have achieved the best returns. He said there were still problems to work through in the UK and US, where the unwinding of excess leverage had further to go. Chris Turner, the experienced manager of **TR Property,** advised that it was too early to buy into the depressed property sector. He felt the bottom for property equities would come no earlier than the end of 2008, and perhaps later. **Throgmorton Trust** received a merger proposal from **Gartmore Growth Opportunities** but decided instead to hold a 'beauty parade' of managers and plumped for BlackRock.

Discussing the bear market in the July newsletter, we discussed the merits of monthly savings plans and also looked at some relatively high discounts on offer from the sector. These included **Alliance Trust** on a discount of 19.6% and **Lindsell Train** on a discount of 12.7% against a twelve-month average of 1.2%. The brokers WINS issued a positive note on **Monks Investment Trust,** which was performing very well under the management of Gerald Smith. **Perpetual Japanese** decided to issue reconstruction proposals.

In September 2008 we made some changes to the style and design of the newsletter, adopting the paper and masthead that we still use today. We were able to report on a radical economic step in the US, where the two main mortgage organisations – Fannie Mae and Freddie Mac – were effectively nationalised. This worked well to restore some confidence in the US, so we reviewed the trusts focused on that region – just before Lehman Brothers went bankrupt and shattered that fragile confidence. Glitnir Bank also went into receivership in Iceland, damaging the capital value for **Close Enhanced Commodities,** which held some of its debt securities. We reiterated our advocacy of monthly savings plans as a way of building long-term investments.

Henderson Smaller Companies sought approval from its shareholders to allow investment in short positions, including derivatives such as CFDs, following changes to the listing rules allowing their use. **Edinburgh Investment Trust** moved its management contract from Fidelity to Invesco Perpetual, with Neil Woodford as the new manager. The financial website Citywire launched a new investment trust data service online.

In November the US elected a new President and the level of volatility in global markets abated somewhat. AIC data showed the five most consistent performers over a decade to be **JPMorgan Russian Securities, Genesis Emerging Markets, Advance Developing Markets, Aberdeen New Dawn,** and **BlackRock World Mining** – not the 'boring' international generalists one might have expected.

Invesco Leveraged High Yield Fund ran into trouble as the fixed income market deteriorated, and sought additional equity capital. **Kenmore European Industrial Fund** started to de-gear by selling an industrial site in Germany. We were sad to report the death of Ian Rushbrook, the manager of **Personal Assets Trust.** At the annual Investment Week awards, **Hansa Trust** took the award for UK trusts, with **Charter European, Perpetual Japanese,** and **Biotech Growth Trust** amongst the other prizewinners. We rated **3i Infrastructure** shares a buy on a discount to NAV of 19% at 88.5p. **Gartmore Smaller Companies Trust** decided to merge with **Standard Life UK Smaller Companies.** The arbitrageur Carrousel Capital served requisitions notices on **Henderson Smaller Companies** and **Herald Investment Trust** to try and force cash exit facilities at values close to NAV. A string of JPMorgan trusts decided to issue bonus subscription shares to ordinary shareholders. The year closed with a loss of 36% in the FTSE 350 Equity Investment Instruments Index, not helped by some discount expansion as assets dropped.

2009 – Shares Rally as Trusts Deal with the Aftermath of the Credit Crisis

In our January round-up we highlighted the resilient performance of **Lindsell Train Investment Trust** in the downturn, along with **RIT Capital Partners. Templeton Emerging Markets** continued its yo-yo performance, this time falling to the bottom of the sector rankings. Nicola Horlick's **Bramdean Alternatives** trust had 9.5% of its assets invested in hedge funds run by Bernard Madoff in New York, who was accused of operating a 'ponzi scheme' fraud. **New India Investment Trust** suffered as well – its largest holding was Satyam Computer Services, where the company's chairman admitted fraud. Markets kept falling at the start of the year. Jupiter bravely tried to launch a new trust – **Jupiter China Sustainable Growth** – at this difficult time, but the IPO was later abandoned.

3i Group was demoted from the FTSE 100 Index after a sharp fall as investors worried about its funding and the valuation of its holdings. **Candover Investments** also slumped after disastrous results, and **SVG Capital** raised fresh capital and launched a strategic review. Along with property, the private equity sector was generally a distressed area due to its structural borrowings.

At the start of March the stockbroker Collins Stewart issued a research note titled 'bear market rally imminent?' and asking whether this might be a time to be greedy when others were fearful. They picked out several trusts with higher beta characteristics for the brave. A lower beta trust, **Personal Assets Trust,** appointed Troy Asset Management as its new investment adviser, with Sebastian Lyon as lead manager.

Shares rallied sharply from their March lows, with private equity trusts rebounding very strongly. Graham Birch handed over the management of **BlackRock World Mining Trust** to Evy Hambro. **Foreign & Colonial Trust** returned to the FTSE 100 Index briefly, falling back out again as more volatile shares rallied later in the year. **Manchester & London** proposed a merger with **Osprey Smaller Companies Income Fund,** both managed by Midas Investment Management. A fight arose for the assets of **Principle Capital Investment Trust.**

Alastair Darling's Budget introduced a new tax framework for investment companies, enabling tax-efficient investment in interest bearing assets, notably bonds. Charlie Ricketts, head of investment funds at the broker Cenkos Securities, said at the AIC Directors' Conference that the sector had exploded out of the conventional investment trust format into a multi-asset class, multi-currency, multi-exchange investment vehicle managed from around the world. Only 4% of the money raised in the sector over the previous five years had been for onshore trusts listed on the London Stock Exchange. More was for offshore trusts or AIM listings.

We examined warrants and subscription shares in the May newsletter, picking out eight for investors with a high risk tolerance. **Bramdean Alternatives** received a takeover approach, and **Eastern European Trust** moved its management mandate from Pictet Asset Management to BlackRock.

Daniel Godfrey left the AIC after eleven years as Director General, with Ian Sayers becoming the acting head. In the late summer the FTSE 100 Index recovered the 5000 level for the first time in a year. **Impax Asian Environmental Markets** was launched, raising £104.5m. **City of London** not only raised its dividend for the year, but also continued to add to its revenue reserves. **Candover Investments** shares more than trebled in four months from a low base as confidence was restored in the company's finances and the discount narrowed dramatically. **Invesco Perpetual European Absolute** decided to wind up, and **Gottex Market Neutral Trust** received a cash offer. **Advance Developing Markets** re-domiciled in Guernsey. **Alliance Trust** finally bought back some shares after a long period of reluctance to do so. **Matrix European REIT** continued to struggle with debt problems, negotiating with its bankers and trying to sell assets. **Kenmore European Industrial Fund,** attracted a bid. The fund was one of the top performers over the year, after **Invista European Real Estate.** At the annual Investment Week awards, **HgCapital Trust** picked up the award for the private equity category for the fifth consecutive year.

2010 – New Arrivals, and Others at the Exit Gate

We noted in January that **Edinburgh Worldwide, Scottish Mortgage,** and **Monks** all did well in the more buoyant market conditions of 2009. The conservatively positioned **Lindsell Train Investment Trust** fared less well in relative terms. **Murray International** was another top performer, reflected in a premium of 3.7% to net asset value. **Templeton Emerging Markets** bounced back to the top of its sector after doubling its net asset value in a year.

Advance UK Trust failed its continuation vote. **Witan Investment Trust** announced that Andrew Bell would become its new chief executive. Fidelity announced plans to raise up to £630m for **Fidelity China Special Situations,** to be managed by the renowned manager

Anthony Bolton. We had reservations about the trust's launch, noting issues about its size, its charges, and its level of country-specific risk. The launch actually raised £460m, mainly from retail investors. JPMorgan launched **JPMorgan Brazil** to complete its 'BRIC' lineup. **Perpetual Income & Growth** planned an issue of 'B' shares that would offer returns purely in capital, but later withdrew the proposals after they received insufficient support.

A new coalition government was formed in the UK. New investment trusts continued to arrive, including **Baker Steel Resources Trust**, **Polar Capital Global Healthcare Growth and Income, Aberdeen Latin American Income, GCP Infrastructure Investments,** and **JPMorgan Global Emerging Markets Income.** Most new issues were being received well, starting at a small premium to NAV in the market. Research from the broker Winterflood though suggested that trusts with market capitalisations under £50m might face pressure to consider reconstruction. **Ceres Agriculture, F&C UK Select, Invesco English & International,** and **Melchior Japan** decided to wind up, while **Candover Investments** received a takeover approach, although these discussions eventually came to nothing. **Pacific Assets Trust** changed managers, moving the contract from F&C to First State Investments. Separately, F&C acquired Thames River Capital, the managers of **TR Property.**

Sovereign debt defaults in Europe put pressure on prices in the middle of the year, and the UK market was troubled as well by BP's Deepwater Horizon oil spill. Winterflood warned about future dividend cuts. It pointed out that only one income growth fund, **Securities Trust of Scotland,** had cut its dividend in recent times, but also said that in that peer group, nine of fifteen trusts paid uncovered dividends in their most recent financial year, using revenue reserves to bridge the gap. Management problems arose at **Quorum Oil & Gas,** a trust that we rated a sell. **F&C Commercial Property** and **UK Commercial Property** proposed a merger, but this met with some opposition and was dropped. **Investors Capital Trust** cut its dividend. We reiterated our caution on **Fidelity China Special Situations** on a premium to NAV of 7.8%. **TR European Growth** dropped its formal discount control mechanism, opting for more flexibility. Oriel Securities rated **Jupiter European Opportunities** as a buy at 229p. Numis recommended **VinaCapital Vietnam Opportunity Fund,** which subsequently rallied strongly. The well-known fund manager Gervais Williams resigned from Gartmore, and **Gartmore European Investment Trust** also lost its high profile manager Roger Guy, who retired.

At the end of the third quarter, Numis estimated that almost £2.7bn of capital had been raised by the sector through new and secondary issuance. The demand was across a broad range of asset classes, but Numis identified four main themes: emerging markets, income, emerging markets income, and absolute return. **BlackRock Frontiers Investment Trust** introduced some new markets to the sector, seeking to raise US$150m from its IPO.

The resumption of the US quantitative easing programme in the autumn gave markets a fillip, and towards the end of the year the Nikkei 225 Index reclaimed the 10,000 level, boosting **Baillie Gifford Japan, Baillie Gifford Shin Nippon, JPMorgan Japanese, Schroder Japan Growth,** and **Fidelity Japanese Values.** The Schroder trust bagged the annual Investment Week prize for the Japan category, while **HgCapital Trust** held on to its private equity award for the sixth year running. **Artemis Alpha Trust** scooped the UK growth title. At the end of the year **John Laing Infrastructure Fund** started trading after raising £270m but **Electric & General Investment Trust** recommended a winding-up. The top performer over the year was **Princess Private Equity,** topped only by subscription shares on trusts such as **Schroder AsiaPacific** and **JPMorgan Emerging Markets.**

2011 – Sector in Reasonable Health, Although IPO Demand Weakens After Difficult Summer

At the start of the year **Fidelity China Special Situations** raised more capital through a 'C' share issue. **Gartmore Irish Growth** decided to wind up and **Henderson Global Property Companies** failed its continuation vote. **Alliance Trust** came 'under attack' from the arbitrageur Laxey Partners, although its resolutions were later defeated at the AGM. The board of **Foreign & Colonial Investment Trust** reviewed the management fees and removed the performance fee.

Strong demand for income-producing trusts saw more new issues including **Henderson International Income Trust** and **The Diverse Income Trust,** the latter marking the return of Gervais Williams as an investment trust manager. In March there was an earthquake and tsunami in Japan that knocked asset prices in the region, but managers indicated the likelihood of a quick recovery. Matrix Corporate Capital noted that John MacDougall, the manager of **Baillie Gifford Shin Nippon** was "surprisingly bullish." Stephen Peak stepped down from **TR European Growth** after 21 years as manager, handing over to Ollie Beckett.

Research from the AIC identified the cheapest trusts in terms of their annual charges, namely **Independent Investment Trust, Edinburgh US Tracker, Bankers Investment Trust,** and **Law Debenture Corporation.**

Securities Trust of Scotland changed its investment remit from the UK to global, reflecting concerns over UK dividends and also the growth of income from developing markets elsewhere. **Personal Assets Trust** started to pay dividends quarterly rather than twice a year. **Gartmore Fledgling** became **Henderson Fledgling, Gartmore Global Trust** became **Henderson Global Trust,** and **ING UK Real Estate Income** became **Picton Property Income.** Aberdeen Asset Management's website won the 'best website' award from the AIC for the seventh year in succession. We noted the irony that Alex Crooke, the manager of **Bankers Investment Trust,** was adamant that he would not invest in UK bank stocks, preferring telecoms, oil services, and insurance.

The appetite for new IPOs started to wane, with **Schroder Opus Commodity Fund, Aberdeen Emerging Markets Smaller Companies Trust,** and **Trade & General Investments** failing to garner sufficient support. Investors became even more nervous over the summer months, spooked by debt problems in the US and Europe. Several experienced trust managers said there was still good value to be had from equities. Both Numis Securities and Oriel Securities issued notes about the steadier attractions of infrastructure trusts. Julie Dent retired as the manager of **British Assets Trust. Fidelity China Special Situations** struggled with the volatile markets and its shares sunk well below their issue price, down to 80p.

Several property trusts entered a process of change. The near-bankrupt trust **Invesco Property Income** formulated a plan to sell off its portfolio in an attempt to repay its loans. **Invista Foundation Property** gave notice to its managers and announced plans to appoint Schroder Property Investment Management, whilst at the same time receiving a merger approach from the stronger trust **Picton Property Income,** which we rated a buy at 46p**.**

On the newsletter's 15th anniversary in November 2011 we noted that the sector seemed to be in reasonable health, with an average discount of 8%, although it was trickier at this point to raise new money from IPOs. **Gartmore European** became **Henderson European Focus Trust.** At the annual Investment Week awards, **Standard Life UK Smaller Companies Trust** picked up two prizes, and **HgCapital Trust** retained its private equity crown for the seventh consecutive year. **Jupiter European Opportunities** also kept its European award. Our analysis focused on single-country trusts, finding that **Aberdeen New Thai** stood out amongst some disappointing performers. **The Biotech Growth Trust** saw its shares jump to 186p after a takeover approach for its largest portfolio holding, Pharmasset. At the end of the year the infrastructure trust **Bilfinger Berger Global Infrastructure** listed after its £212m offer was oversubscribed.

2012 – Plenty of Demand for Income, but some Growth Trusts also Flourish

Although markets began the year in very good form, attention remained on more conservative assets. Numis Securities issued a note on the booming infrastructure funds. This sub-sector was in the enviable position of attracting capital in 2011. Investors were seeking exposure to the stable, inflation-linked yields of 5%-7% on offer, coupled with low NAV volatility and low correlation with other asset classes. At the same time, infrastructure managers were seeing strong growth in their investment pipelines, with over a billion pounds invested or committed in the year. Numis regarded the outlook as positive, as **HICL Infrastructure** announced a £135m 'C' share issue. **International Public Partnerships** was the broker's core buy.

Collins Stewart suggested **The MedicX Fund** for portfolio diversification with a compelling dividend yield, and JPMorgan Cazenove compiled a portfolio of seven 'portfolio protectors', namely **3i Infrastructure, BH Macro, BlueCrest AllBlue, HICL Infrastructure, John Laing Infrastructure, Personal Assets Trust,** and **Ruffer Investment Company. British Portfolio Trust** moved its management contract from Allianz RCM to BlackRock, and the trust was renamed **BlackRock Income and Growth** – we met the new joint manager Adam Avigdori; **Henderson TR Pacific** became **Henderson Asian Growth Trust.** We highlighted some big discounts in the private equity sector, including a 29% discount on **Graphite Enterprise,** a 27% discount on **Electra Private Equity,** and a 35% discount on **F&C Private Equity.** This sector performed strongly in the first quarter.

Research from Citywire for the AIC indicated that 42% of investment advisers intended to increase their allocation to investment companies over the next three years. This was ahead of the introduction of the Retail Distribution Review (RDR) at the end of the year.

The arbitrageur Laxey Partners tried to suggest that **Alliance Trust's** management be delegated to external managers, although its resolution was defeated at the trust's

AGM. **Edinburgh US Tracker** switched to an active remit. **Jupiter Green** introduced an innovative proposal for an embedded annual subscription right – we were not too keen on the idea.

As the search for income continued, we wrote about Convertible Unsecured Loan Stock (CULS), with a new issue from **Aberdeen Asian Smaller Companies.** A report by Westhouse Securities identified a strong relationship between yield and discounts, indicating that investors were prepared to pay up for income, even though growth trusts topped the performance tables over three and five years. **Foreign & Colonial Investment Trust** hiked its dividend by 20% and moved to quarterly payments. **Aberdeen Private Equity Fund** also started to pay dividends.

A new measure of 'ongoing charges' replaced the old 'Total Expense Ratio' as a way of measuring costs. **Securities Trust of Scotland** scrapped its performance fee. Scottish Widows pulled out as manager of the £30m **UK Select Trust.** Another trust of a similar size, the long-established **Albany Investment Trust,** decided to reconstruct. Susie Rippingall, the manager of **Scottish Oriental Smaller Companies,** decided to retire. June saw a flurry of activity in the surprisingly small North American sector, with two new IPOs from **F&C Barrow Hanley US Trust** (which ultimately failed to reach its fundraising target) and **BlackRock North American Income Trust,** while **Edinburgh US Tracker** changed into **The North American Income Trust.**

Data from JPMorgan Cazenove showed that the private equity sector was the top performer in the first half of the year, where trusts were also on the widest discounts, averaging 32.5%. We felt the sector offered value. The three small Blue Planet financial trusts merged into one, **Blue Planet international Financials.** At this time when so many investors were focused on income, Nick Train of **Finsbury Growth & Income** was a rare dissenting voice. He viewed the outlook for equities as "hugely encouraging", driven by emerging markets and digital technology. He warned that too much focus on income could propel investors into investments less likely to protect the long-term purchasing power of their capital. **Picton Property Income** refinanced its debt successfully, removing some concern that had held the shares back, but it also flagged a likely dividend cut.

BlackRock World Mining Trust struck an innovative deal directly with an investee company to buy right over a future income stream, a mine royalty. We felt this added complication and reduced the trust's flexibility at a time when more trusts were aiming for simplicity ahead of the new RDR regulations. Ahead of the London Olympics, the AIC could not resist the opportunity to present some performance statistics with the theme. In the sprint, **Biotech Growth Trust** took the gold medal. The broker Winterflood questioned the suitability of **Fidelity China Special Situations** for retail investors. **SVM Global Fund** fell sharply as its fund manager left suddenly and the trust revised its net asset value downwards. Its management contract was later put up for grabs and the trust became **Henderson Value Trust.**

In November we changed the format of the front page to include the biggest risers and fallers in two tables, for the first time. **India Capital Growth Fund** topped our first monthly table of risers, while **Biotech Growth's Trust** gain of 62.6% over the previous twelve months placed it in first place over a year. Many trusts with exposure to Asia and to UK smaller companies were also performing well.

BlackRock North American Income Trust didn't raise as much as it was seeking, but its initial £65m of capital was sufficient for the trust to get started. At the annual Investment Week awards **Jupiter European Opportunities** scooped the European award for the third year in a row, and **Lindsell Train** won in the global category.

2013 – Booming Markets Support Growth and Expansion

At the start of 2013, which saw the introduction of the Retail Distribution Review (RDR), we argued against the introduction of rigid discount control mechanisms, which we felt reduced this distinct feature of investment trusts that helps them to establish equilibrium. Average discounts started the year at only 7.4%, with yields at 2.3%.

AXA Property Trust recommended a managed wind-down of its portfolio before its scheduled continuation vote in 2015. **Greencoat UK Wind** was amongst the new launches, seeking more than £200m for its IPO. **Bankers Investment Trust** dropped its performance fee, as did **City of London** later in the year. Both **BlackRock Income & Growth** and **Invesco Perpetual Select** announced new zero-discount policies designed to keep the shares trading around NAV.

Advance Developing Markets faced opposition to its continuation vote from a major holder, but survived with 55% support.   Richard Buxton and Errol Francis, the managers of **Schroder UK Growth,** announced they were leaving. Julie Dean took over as manager. **Impax Asian Environmental Markets** moved to wind up. Anthony Bolton announced he would retire as manager of **Fidelity China Special Situations** in March 2014.

In April we revisited **Aberdeen Private Equity Fund,** the top-performer over twelve months with a share price gain of 64%. We had recommended the shares in June 2012, since when the discount had narrowed very sharply, from 42% to 17%. Our view at this time was that the private equity sector no longer quite had the spellbinding allure it held for us a year or two previously when discounts were grossly extended. Across a number of sectors we noted many trusts on premium ratings, and we argued many were a bit rich, fuelled by the exciting bull run in equity markets in the first half of the year – we highlighted **BACIT, Edinburgh Investment Trust, Aberdeen Latin American Income, Polar Capital Global Healthcare,** and **Altus Resource Capital.**

The **Polar Capital Global Financials Trust** launched, raising £153m to invest in what the manager called "the world's largest and most unloved sector." **JPMorgan Global Convertibles Income** raised £136m from its launch, and **Bluefield Solar Income Fund** raised £130m. The infrastructure sector continued to raise more cash from willing investors – **HICL Infrastructure** was one of our ISA recommendations in the March issue, and the yields in the sector were proving a big attraction. The broker Cantor Fitzgerald said that emerging markets valuations were low relative to the developed world, having lagged by 40% since 2011. **Aberdeen All Asia Investment Trust** switched to a Japanese-only mandate to become **Aberdeen Japan Investment Trust.**

At the end of August, the AIC said there were 294 investment companies (excluding VCTs), comprising 277 conventional trusts and 17 split capital trusts, with an aggregate of £103.09bn of assets. Their combined market capitalisation was £85.88bn. From this data we could easily work out that the average trust size was £351m in terms of assets and £292m in terms of market capitalisation. Trusts had been getting modestly larger as the pressures on performance and costs weeded out some of the smaller and weaker players. Back at the start of 2007 the average size was £269m in terms of assets and £226m in market capitalisation. The industry had grown since then in overall terms, up by 22% in assets, and 21% in market capitalisation.

Markets had enjoyed the generous monetary conditions, meaning investors had benefited from some very impressive growth winners such as **Baillie Gifford Japan, Biotech Growth Trust,** and **Schroder Mid Cap Fund.** As the year drew to a close, we thought there was a case for aiming a little lower down the leaderboard, taking on less risk. Tim Stevenson, the manager of **Henderson Eurotrust,** said that he was cautious about being too greedy in the near-term. **The Diverse Income Trust** bought a put option on the FTSE 100 Index to provide some portfolio protection.

Scottish Mortgage Trust overtook **Alliance Trust** as the largest traditional investment trust, with a £2.5bn market capitalisation. Neil Woodford said he would be leaving Invesco to set up a new firm, so Mark Barnett added the management of **Edinburgh Investment Trust** to his already extensive responsibilities. With its half-yearly results the chairman of **Lindsell Train Investment Trust** cautioned potential new investors about the risk of buying the trust's shares on an elevated premium, 15.7% at the time of our report.

Research from JPMorgan Cazenove identified fifteen trusts that had dropped their performance fee arrangements since 2011 as boards scrambled to simplify in reaction to the RDR. For 2013, **Ukraine Opportunity Trust** was the top performer in the sector, followed by **Baillie Gifford Japan.** Ukraine was to be in the news for entirely different reasons in the year to come.

2014 – Continuing Demand for Alternative Assets

Electra Private Equity attracted a stake of 13.7% from an activist investor called Sherborne, and rose in value, but we felt a full bid was unlikely. Another activist investor, Elliott International, increased its stake in **Alliance Trust** to more than 10%. **BlackRock New Energy** was wound up. Jupiter took over as managers of the **F&C US Smaller Companies** trust, and Paul Niven took over from Jeremy Tigue as the manager of **Foreign & Colonial Investment Trust.** Oriel Securities upgraded the trust from neutral to positive. **Global Resources Investment Trust** had a dreadful start, losing nearly a third of its net asset value very quickly. We classified it as a trust to avoid.

The Chancellor's Budget announced an increase in the annual ISA limit to £15,000. With the removal of the requirement to buy an annuity for pension plans as well, the future looked bright for the sector's future prospects as more self-directed investors might consider trusts. All was not entirely rosy though, and we explained why the EU's new Alternative Investment Fund Management Directive (AIFMD) was causing unintended problems for some self-managed trusts that were having to decide between costly 'full scope' authorisation, or 'smaller company' registration that did not allow them to use gearing. **Witan Pacific, Independent Investment Trust,** and **Pacific Assets Trust** all chose this latter course.

Mid Wynd International moved its management contract from Baillie Gifford to Artemis following the retirement of the long-standing manager Michael MacPhee. In June we changed the data source for our performance tables from DigitalLook to Morningstar, noting a rise in some Indian trusts after a welcome general election result. The **Fundsmith Emerging Equities Trust** was launched, aiming for between £100m and £250m and actually raising £192m. We advised against investing at launch, feeling the shares would likely fall to a discount over time. **P2P Global Investments** raised £200m to buy loans on peer-to-peer lending networks, and its shares moved to a premium rating. **Martin Currie Pacific** issued proposals to drop its Japanese and Australian investments to concentrate on Asia. The managers of **RCM Technology Trust** bagged a £6m performance fee before a revised fee plan was implemented by the board. We noticed that the comparatively new **Aberdeen Japan Investment Trust,** which hedged its currency and invested across the capitalisation spectrum, was outperforming its large cap opposition. **GCP Sovereign Debt** raised US$125m, realised during the due diligence process that it would not be able to invest it as promised, and handed the money straight back. **F&C Global Smaller Companies** issued £40m of CULS, which we felt offered a decent each-way bet. **Midas Income & Growth Trust** changed its name to **Seneca Global Income & Growth.** The **Tamar European Industrial Fund** succumbed to a takeover offer, a rarity in the sector.

At the Winterflood Edinburgh conference, Garrett Fish, the manager of **JPMorgan American,** showed that in historic terms, markets have had a fairly long period now without a correction. "We could have a mid-cycle correction", Garrett said, noting that "a 10% fall shouldn't surprise anybody – this is a frequent occurrence."

In August we introduced a new form of analysis, time-series performance data that collated rankings over longer periods of time. We applied it to the global growth sector and found that **Lindsell Train Investment Trust** was the obvious standout trust that had kept its place at or near the top over the entire period. The data also supported the slow warming of our opinion towards **Witan Investment Trust**, which had slowly gained ground on its peers. We said that our doubts about its multi-manager approach were in the past by this time. Applying the same method to the UK All Companies sector identified **Schroder UK Mid Cap** as the most consistent winner. Julie Dean, the high-profile manager of **Schroder UK Growth,** surprised many with the news that she was leaving Schroders.

Westhouse Securities pointed out that excluding VCTs, there were currently almost 120 trusts with a capitalisation of less than £50m, which probably made them sub-scale. The broker argued this created a fertile area for future rationalisation and change. While **Alliance Trust** continued to struggle with personnel changes and **Electra Private Equity** fought off the attack from Sherborne investors, which wanted to appoint new directors and lead a strategic review, both **Foresight Solar Fund** and **Greencoat UK Wind** sought £100m from new equity fundraisings at a premium to net assets, highlighting both the availability of assets and investor enthusiasm for bond-like returns from new energy infrastructure. **River & Mercantile UK Micro Cap** announced an IPO, aiming for £100m and with a performance fee arrangement for the managers, bucking the trends towards larger trusts and lower fees. It only raised £51m, but that was sufficient to start trading. **Perpetual Income & Growth** agreed a fee reduction with the managers. Winterflood highlighted the strong performance record of the UK smaller companies trust **Strategic Equity Capital. BlackRock World Mining** ran into trouble with the failure of its large royalty investment in London Mining's Marampa mine, but the managers were not deflected from the idea. The loss of income put a question mark over future dividend payments. **British Assets Trust** moved from F&C to BlackRock, ending 116 years of history with F&C, and we turned the spotlight on some of the large amounts paid to managers for their work. Our view was that shareholders have the right to expect good results and to be able to demand changes if those are not delivered over a sustained period.

Tumbling oil prices, a snap Greek election, and talk of slowing growth in China quickly created an uncomfortable backdrop for equities at the end of the year. Some investors turned towards the group of newer investment trusts in the 'alternative assets' domain that march to the beat of a different drum, particularly when hunting for reliable yield. That demand had pushed many trusts to premium ratings. Figures from the AIC showed the average discount hit a record low since it began gathering this data in the 1970s at the start of the 2014 (3.3% in February), and then again at the end (3.2% in October and November). That was good news for those who had been holding trusts, but it made it a tougher task to find good discounts. The AIC calculated that industry assets were also at an all-time high of £122bn at the end of November. Falling fees were another positive trend for investors. A dozen more trusts announced they were abandoning their performance fees in 2014, and 10% of all trusts cut the fees they were paying to their managers. **New India Investment Trust** pipped **JPMorgan Indian** to the top spot in terms of performance over the year, followed by the biotechnology trusts.

2015 – A Record-Breaking IPO and Plenty of Change in Election Year

A performance table carried by The Telegraph newspaper at the turn of the year showed the top performing investment trusts since the start of 2000 – a 15-year period. What the results showed is that it had paid to take risk, in emerging markets and elsewhere. The winners over that period - when the FTSE 100 Index stalled and we had both the dotcom bust and the credit crisis, let's not forget – saw the best returns come from **Scottish Oriental Smaller Companies, Aberdeen Asian Smaller Companies, Aberdeen New Thai, TR Property, Worldwide Healthcare, Biotech Growth Trust, Fidelity Special Values,** and **Genesis Emerging Markets.**

Canaccord Genuity examined the personal investments of board members and managers in investment companies, in detail. Their report, titled 'Skin In the Game' found that 55 chairmen or directors had a personal investment in excess of £1m, together with 48 managers or management teams. On the flipside, 16% of directors had no personal investment. Picking out a few, the largest directors' holdings included Lord Rothschild OM GBE/Hannah Rothschild (£155m) at **RIT Capital;** Christopher Mills (£65m) at **North Atlantic Smaller Companies;** Jon Moulton (£46m) at **Better Capital;** Pierre Lapeyre Jr/ David Leuschen (£44m) at **Riverstone Energy;** and Simon Borrows (£40m) at **3i Group.**

Henderson Value Trust survived a continuation vote, although we noted the manager would have to deliver better performance before the next vote in 2017. **RIT Capital Partners** agreed to buy GVO Investment Management, the managers of **Strategic Equity Capital,** and to acquire **Hansa Trust's** holding in SEC. Ongoing debt problems in Greece raised the question again of whether it might leave the Eurozone. After listening to the views of Sarah Whitley, the manager of **Baillie Gifford Japan,** at the annual Winterflood conference in London, we thought there was a good chance of further gains in the Nikkei 225 Index from its level of 17,650 and said we would be happy to increase holdings of **Aberdeen Japan** or **Baillie Gifford Japan.** The index was quickly within touching distance of the 20,000 mark.

Neil Woodford announced his return to the sector through a new issue for his **Woodford Patient Capital Trust.** Initial indications suggested a target of £200m, but the scale of the demand was such that the trust became a record-breaker, raising a remarkable £800m, the largest investment trust launch of all time. We argued against buying on a premium rating. The **Gabelli Value Plus+ Trust** raised £100.1m from its launch. Winterflood said that "a market capitalisation of £100m is often quoted as being the minimum size for a fund to be considered by private client brokers and wealth managers." Some 67% of investment companies met this criterion at this point, of which 43% had market caps higher than £250m. There were 93 trusts with market caps below £100m at the end of 2014, of which 44 were below £50m. The broker suggested that some of these may not be viable, or may at least suffer wider discounts as a result of illiquidity. **Electra Private Equity** reduced its management fee and said it would start to distribute cash to shareholders. **The Cayenne Trust** looked as though it was approaching the end of its life after the investment team signalled it was time to move on.

In April we produced our first Statistical Supplement along with the newsletter. We had previously thought that most investors would search for up to date statistical information online, but we received excellent feedback from this physical document.

Extending our time-series performance data analysis to Europe and to the technology sector showed **Jupiter European Opportunities** to be consistently top of its sector, and **Allianz Technology Trust** and **Polar Capital Technology** to be neck-and-neck in theirs.

The brokers Dexion Capital pointed out that the listed investment company universe had evolved considerably over the last decade. They calculated that conventional equity investment companies, which used to account for over 70% of assets, accounted at this point for only around 50%. Alternative investment companies have dominated inflows with substantial amounts of capital being raised for illiquid assets (private lending, CLOs, infrastructure, leasing, property, etc) and illiquid strategies (activism, distressed, sector-specific private equity). The **Ranger Direct Lending Fund** was the latest in line to seek US$200m to invest in loans originated by US direct lending (P2P) platforms, and we wrote a guide to alternative assets trusts that we sent with the June newsletter. **Monks Investment Trust** made a change of investment manager, with Charles Plowden taking over from Gerald Smith. In emerging markets, Chinese stocks roared ahead in the early part of the year, while Indian stocks fell back. Some writers suggested some caution though, and within a couple of months there were some sharp market falls.

A surprise UK election result proved good news for UK smaller companies trusts such as **Acorn Income Fund, Henderson Smaller Companies, BlackRock Smaller Companies,** and **Strategic Equity Capital,** all of which moved up smartly. It was less favourable for environmental trusts, as the new government started to halt subsidies. **The Bluefield European Solar Fund** and **NextEnergy European Solar Utility** both abandoned their proposed IPOs. The Chancellor's summer Budget introduced a radical change to the taxation of dividends.

While resisting the temptation to create a 'one size fits all' model portfolio, we created a mini-portfolio of high-discount trusts to see how they fared. Its subsequent performance was not very good. We followed up with a long-term growth mini portfolio that has done better. Stifel initiated coverage of the **Woodford Patient Capital Trust** with a 'sell' rating, pointing out its high premium to net asset value. There were some changes involving long-standing managers. Dr Mark Mobius handed over the reins of **Templeton Emerging Markets** to Carlos Hardenberg as lead manager, and at **British Empire Securities & General Trust** Joe Bauernfreund succeeded John Pennink to become the trust's third portfolio manager in 30 years. Rosemary Banyard announced she was to leave as manager of **Schroder UK Mid Cap Fund,** with Andy Brough becoming the lead manager.

In the summer, a yuan devaluation and disappointing macroeconomic data from China caused investors across the globe to turn bearish. This felt like more of an overdue setback than anything more fundamental. Advance Emerging Capital, the investment manager of **Advance Developing Markets Fund**, was sold to Aberdeen Asset Management. **Alliance Trust** tweaked is management approach again after a strategic review. Another new peer-to-peer lending trust arrived, **Funding Circle SME Income Fund,** while **VPC Specialty Lending** raised a further £183m through a 'C' share issue, confirming the popularity of this sector with institutional investors. A proposed takeover by AB InBev for SAB Miller – the largest ever for a UK company – was particularly beneficial for **Lindsell Train Investment Trust,** which had large holdings in the brewing sector. **JMorgan Private Equity** said it was considering moving is contract to Fortress Investment Group. The ongoing saga at **Electra Private Equity**, where the activist investors Sherborne Investors had been agitating for board representation and for change for nearly two years, took a new twist. In the latest vote, Sherborne won the day with 53% of the vote, securing two board seats and starting a new strategic review. At the end of the year there was a brief bid battle for **Japan Residential Investment Company,** providing a good uplift to shareholders. **Juridica Investments** and **BlueCrest AllBlue** decided to wind down. **Menhaden Capital**, which raised £80m from its IPO at 100p at the end of July, had a very poor start. Our analysis on convertible unsecured loan sock (CULS) led us to recommend **Standard Life UK Smaller Companies** CULS at 136.5p.

2016 – The Brexit vote, and More Money Flowing Into Alternative Assets

The AIC introduced the new 'Flexible Investment' sector for multi-asset trusts. We considered **RIT Capital Partners** to be the leader amongst its peers.

Intermediate Capital Group was appointed as the new manager of **Graphite Enterprise Trust** following its acquisition of the private equity fund investment business of Graphite

Capital Management, renaming the trust **ICG Enterprise Trust.** Similarly, **JPMorgan Private Equity** became **JPEL Private Equity** after the management team moved to Fortress Investment Group. And still in the private equity sector, **Dunedin Enterprise** sought (and received) shareholders approval for a managed wind-down after selling its largest holding. **Henderson Global Trust** also decided to throw in the towel and offered holders the chance to switch into either **Henderson International Income Trust** or **Bankers Investment Trust.** Money kept flowing into the specialist property sector, with **Tritax Big Box REIT** raising double its £100m target for new shares.

The market had a dreadful start to the year, falling very sharply on fears of a severe economic slowdown in China and a steep drop in oil prices. We suggested investors remain calm and perhaps pick up a few trusts at lower prices, reporting on the views of several experienced managers who were more optimistic that might have been expected. None of the managers speaking at Winterflood's annual conference in London felt the sell-off was the beginning of another longer-lasting crisis. The market weakness prevented any new issues though, marking the first barren quarter since the start of 2009.

The highly successful **Lindsell Train Investment Trust** amended its management fee arrangements, which had been throwing an unintended bounty to the managers while the shares were on a large premium to net asset value. Fees were very much under the spotlight at this time, with many being cut, and performance fees being axed. **BlackRock Greater Europe** just missed out on £50m of additional funds through the exercise of subscription shares, as the ordinary shares fell a few pence short at the crucial time. **Atlantis Japan Growth Fund** narrowly survived a vote on a winding-up resolution.

In May we reported on interesting research from Numis Securities, who identified four distinct periods of IPO activity since 1990. The first was the privatisation fad of 1993-94, including the mega-launches of **Kleinwort European Privatisation** and **Mercury European Privatisation,** when retail investors were key buyers and warrants came as part of the packages. Second was the TMT Bubble of 2000-01, including **Amerindo Internet Fund,** and the third period was alternative assets and AIM from 2005-07. This was a little more varied, from the property funds such as **F&C Commercial Property Trust** and **UK Commercial Property Trust** through to **HICL Infrastructure, BH Macro, Conversus Capital,** and numerous AIM funds including single-country funds for Bulgaria, Vietnam, China and India. Finally, there was the alternative income boom from 2013-15 as investors looked for an attractive yield at a time of low interest rates. There were a lot of specialist debt funds, plus renewable energy, and secondary issues from infrastructure and UK property. The key buyers this time were multi-asset funds and private wealth investors. Separately, the academics Gordon Gemmill and Dylan Thomas studied UK-traded closed-end equity-fund IPOs from 1984–2006 and concluded "it is a puzzle why investors buy closed-end funds at IPO, given that within a year most funds move from trading at a premium over net-asset-value (NAV) to trading at a discount." In our view, **Woodford Patient Capital Trust** was the latest IPO disappointment. We never recommended the trust and said repeatedly that we felt uncomfortable with its premium rating, which eventually eroded.

Witan Investment Trust made an unusual agreement to buy back a large stake from Aviva, which was trying to exit some legacy positions in the sector. **RIT Capital Partners**

approached **Alliance Trust** with the idea of a merger, but decided not to proceed with an offer. Alliance pressed on with another strategic review. Over at **Electra Private Equity,** the first indications from its strategic review suggested it might be taking the management in-house, with Electra Partners given notice.

Harbourvest Global Private Equity, a top-performing fund-of-funds private equity trust, was added to our list of trusts to consider in the only sector offering large discounts, as was **Apax Global Alpha**. We had been recommending **Aberdeen Private Equity, HgCapital Trust,** and **Pantheon International Participations** for some time. At the other end of the spectrum, another one of our long-time favoured trusts **3i Infrastructure** took advantage of its strong rating to rake in another £385m of capital by issuing shares at a premium. **Ecofin Water & Power Opportunities** announced reconstruction proposals.

In June we published a new Statistical Supplement for subscribers as a bonus, having received extremely positive feedback about the first edition in 2015. The column showing the date of our last comment on each trust said much about the comprehensive nature of the newsletter's coverage over time.

In July we reported on another market shock, this one following the UK's surprise referendum result in favour of leaving the EU. There was a sharp divide in performance between UK and overseas trust performance as sterling took a big hit. Commercial property trusts were particularly weak as investors tried to sell out of open-ended funds that slammed their exit doors shut. Markets bounced quickly and strongly as the benefits of the sterling devaluation washed through first, but we counselled some caution about the higher level of risk inherent in markets and suggested some profit-taking in certain sectors.

The demand for infrastructure assets remained strong, **GCP Infrastructure, International Public Partnerships, HICL Infrastructure,** and **The Renewables Infrastructure Group** all scaling up their offerings of new shares. **BlackRock World Mining** slashed its dividend, as expected, after many of the mining companies reduced their payouts. The large private equity trust **SVG Capital** received a takeover offer and quickly found itself with competing bidders for its portfolio. At Winterflood's Edinburgh conference, one of the managers we met was Carlos Hardenberg, who had a very good start as the new manager of **Templeton Emerging Markets Investment Trust. International Biotechnology Trust** asked shareholders for permission to introduce an annual 4% dividend, paid out of capital. While we have seen a lot of innovations over our twenty years, we disliked this particular idea. We met Ben Rogoff, the manager of **Polar Capital Technology,** for an update, bringing us full circle from when we met his predecessor Brian Ashford-Russell back in 1996.

In November we reported on face-to-face meetings with the managers of **BlackRock Smaller Companies, Herald Investment Trust,** and **Witan Investment Trust.** Our longevity in the sector has given us first-rate access to managers and research that we think is hard to duplicate. We also reported on Daniel Godfrey's innovative idea for **The People's Trust,** causing us to wonder how this dynamic sector might evolve over the next ten or twenty years.

This supplement is intended to be read with Investment Trust Newsletter. Not for sale separately.

Warning: investment trusts may use or propose to use the borrowing of money to increase holdings of investments or invest in other securities with a similar strategy and as a result movements in the price of the securities may be more volatile than the movements in the price of underlying investments. Your investment may be subject to sudden and large falls in value and you may get back nothing at all. You should not buy equity securities with money you cannot afford to lose. All shares may go down as well as up, and you may not get back the full amount invested. Changes in rates of exchange may have an adverse effect on the value or price of the investment in sterling terms. As with other investments, transactions in investment trust securities may also have tax consequences and on these you should consult your tax adviser. We have taken all reasonable care to ensure that all statements of fact and opinion contained in this publication are fair and accurate in all material respects. Investors should seek appropriate professional advice if any points are unclear. This guide is intended to give general advice only, and the investments mentioned are not necessarily suitable for any individual. It is possible that the officers of the McHattie Group may have a beneficial holding in any of the securities mentioned in this guide. Andrew McHattie, the editor of Investment Trust Newsletter, is responsible for the preparation of the research recommendations contained within.

Published by The McHattie Group, St Brandon's House, 29 Great George Street, Bristol, BS1 5QT. Tel: 01179 200 070. E-Mail: enquiries@mchattie.co.uk. Web Site: http://www.tipsheets.co.uk.