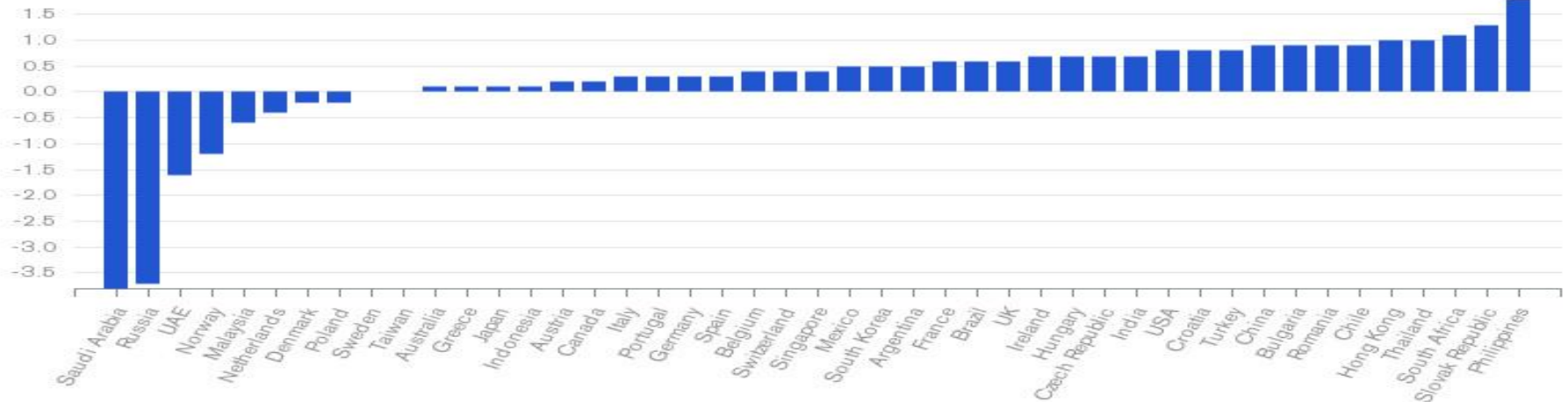


## This is Your World on \$40 Oil

Effect on GDP growth in 2015-'16 of oil at \$40 a barrel vs. \$84



Source: Oxford Economics Ltd.

Bloomberg 

# *QE2 (Europe Two)*

## MARKETS NOW 23rd FEBRUARY 2015

David Fuller, David Brown, Iain Little

# What is “Markets Now”?

## A Lively Forum for Sharing Investment Ideas

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1. Big Picture Strategy (DF, BA)
2. “Private client” high quality, long term ideas (IL)



### ■ *Our promise:*

- INDEPENDENT, GLOBAL INVESTMENT ADVICE
- NO SALES, NO HYPE, NO MARKETING
- NO PRODUCT PUSHING


### ■ *Please contribute with:*

- QUESTIONS
- CONCERNS



# What Is The Biggest Risk for Private Investors?

## THE ENEMY

		1979	1994	2009	2013
RPI		100	240	357	413
 BAR~		100 (57g)	192 (65g)	315 (58g)	494 (51g)
SCHOOL FEES		100	491	1145	1319
HOUSE PRICES*		100	307	729	784
UK LIFE EXPECTANCY AT 65#	(M)	13	14	17	21
	(F)	17	18	20	24

Don't believe a word of it! Your number is 1000+

That's inflation too

Tell me about it!

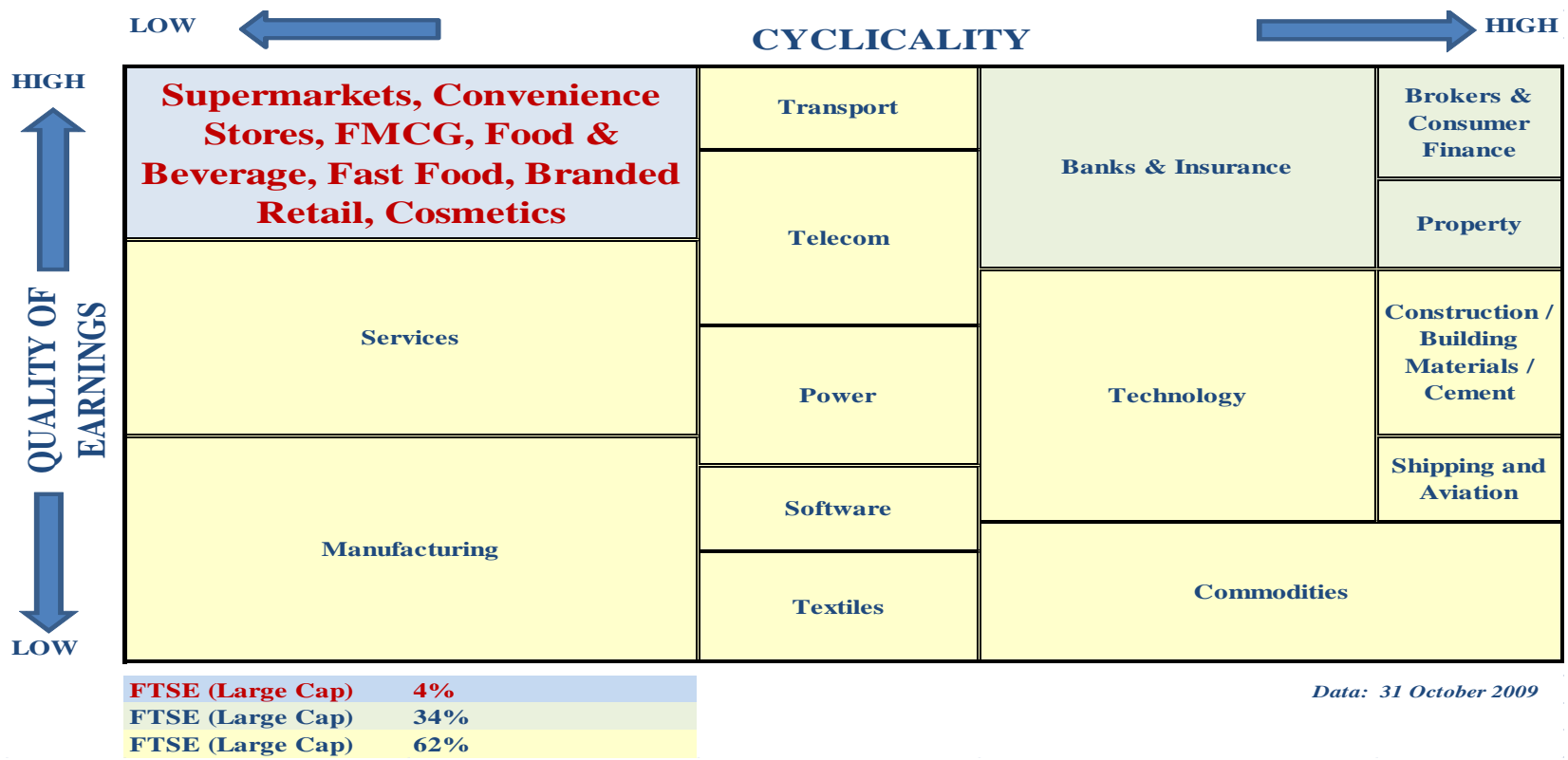
21+24=45

45 x £50,000 pa = £2.25mn  
50% healthcare costs last 2 yrs of life

~ Adjusted for weight (g)  
\* Nationwide Building Society Index  
# Office for National Statistics



# What Is The Perfect Investment (Equities)?



Source: Arisaig Partners

- Quality Private Client investments mainly found Top Left Hand Corner: simple businesses, high cash flow, investor friendly

# What Is The Perfect Investment (**Funds**)?

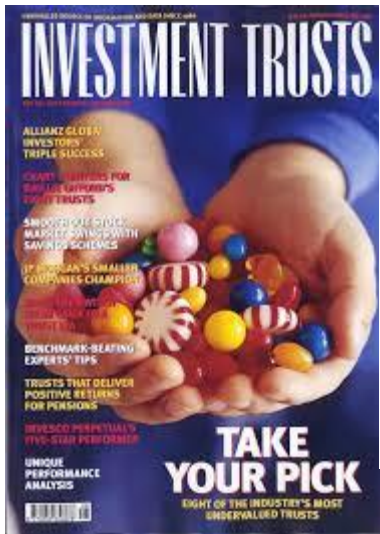
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1. **Long-term** (does better than.....)
2. **Leverage**, but only if needed
3. **Discounts** to real asset value («Leverage at a discount»)
4. **Governance**: proper auditing, proper board, transparency
5. **Know-How proven** over 100+ years
6. **Liquid**, but... (real time trading on SE)
7. **Low management costs** (1/4 to 1/2 the cost of rivals)
8. **New money non-dilutive** (if successful /at discount)
9. **Global** but can be specialist?
10. **Daily** valuations, daily reporting
11. **Yield**. Growing dividend stream payable out of «Reserves»
12. **Elected management**, retail participation, proper AGMs
13. **Information inefficiencies**. Hated by brokers

# What Is The Perfect Investment?

## CORE and SATELLITE approach

Investment Trusts/ Closed-end Investment companies



SINCE **1909** SCOTTISH Mortgage Investment Trust PLC

Over 100 years of astute investing



SINCE **1873** The Scottish American Investment Company P.L.C.

Over 135 years of astute investing

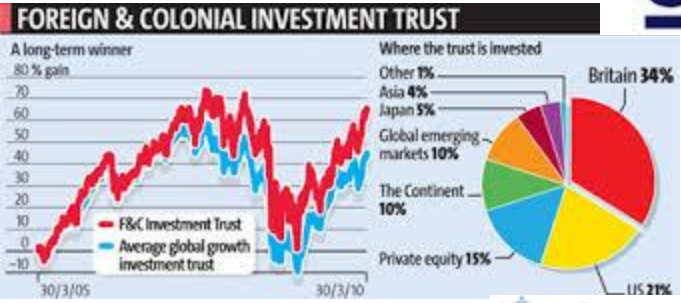
SINCE **1929** The Monks Investment Trust PLC

Over 80 years of astute investing



**British Empire**

Securities and General Trust p.l.c.



**Schroders**

Schroder Real Estate Investment Trust



# Trusts In Focus (TIF) SERVICE

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- ❑ Universe c300 closed end (*mainly UK*) investment trusts monitored
- ❑ Up to 15 equally-weighted trusts held in **Trusts In Focus (TIF)**
- ❑ If we sell an investment trust, we must replace it
- ❑ Changes to trusts recorded (1.25% trading costs B/S)
- ❑ Research available to «Markets Now» attendees
  - ❑ *3rd party adviser research referenced*
  - ❑ *FullerTreacy Money one of 20+ 3rd party advisers*
  - ❑ *In-House Cooking/ P&C research*
- ❑ Performance review / indecent striptease every «Markets Now»



# How Are We Doing: **Trusts In Focus?** Performance So Far (since 7/3/14)

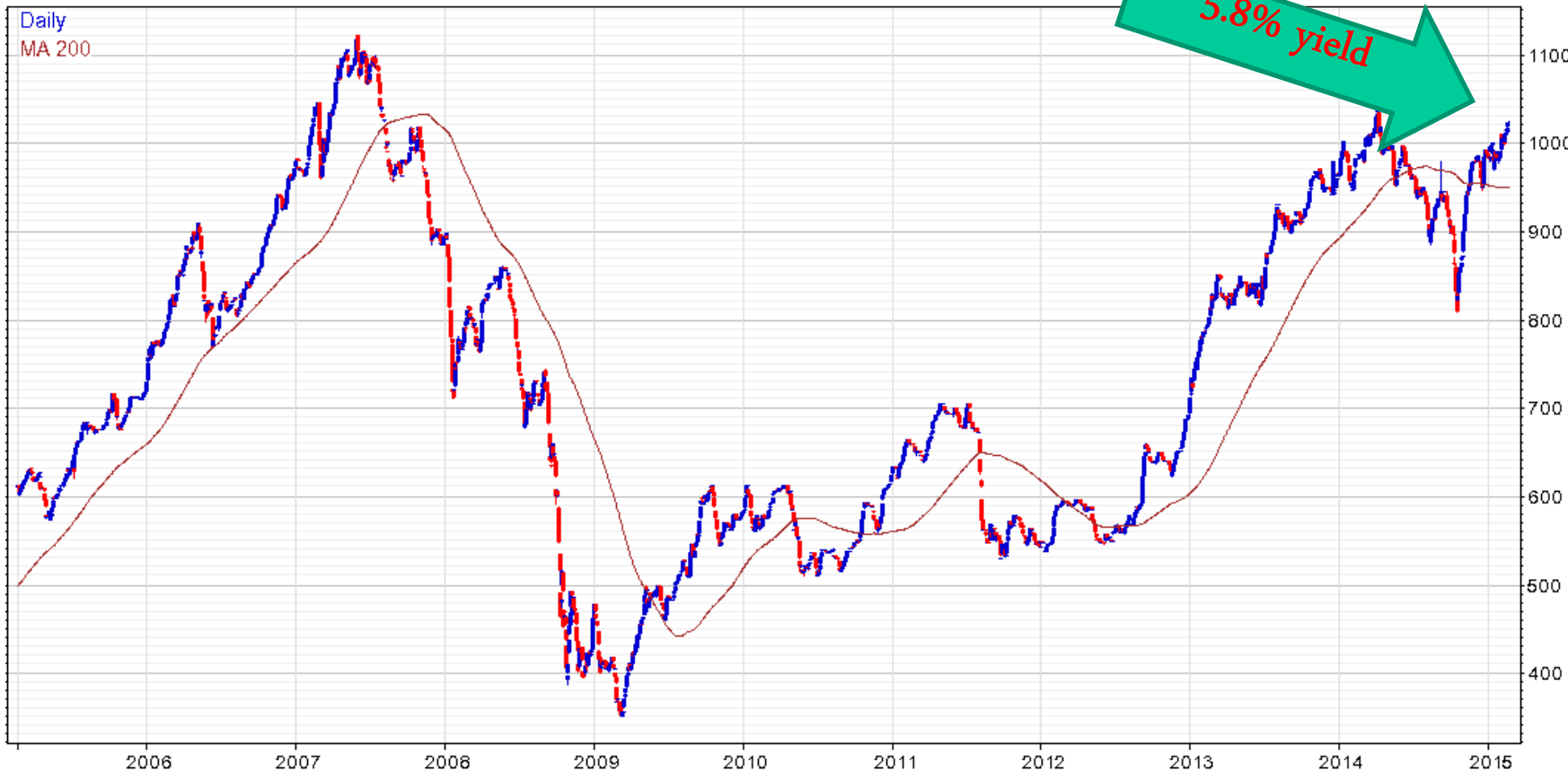
 P&C GLOBAL WEALTH MANAGERS	<u>Ticker</u>	<u>Sector</u>	<u>Core/ Satellite</u>	<u>Date</u>	<u>Price then</u>	<u>Price Now</u>	<u>Pr/(Disc) NAV</u>	<u>Yield (%)</u>	<u>GBP Performance</u>	
<b>General equities</b>										
Scottish American Inv Trust	<i>SCAM:LN</i>	General, global	Core	<i>09.05.2014</i>	2.49	2.43	<u>-9.6%</u>	<b>4.8%</b>	<b>-2.4%</b>	
British Assets Trust	<i>BSET:LN</i>	UK + Rest of Wld	Core	<i>09.05.2014</i>	1.40	1.35	<u>-9.7%</u>	<b>4.8%</b>	<b>-3.5%</b>	
British Empire Securities	<i>BTEM:LN</i>	General, global	Core	<i>09.05.2014</i>	4.95	5.26	<u>-11.2%</u>	<b>2.2%</b>	<b>6.3%</b>	
Scottish Mortgage Inv Trust	<i>SMT:LN</i>	General, global	Core	<i>09.05.2014</i>	1.93	2.57	<u>-2.2%</u>	<b>1.3%</b>	<b>33.5%</b>	
European Assets Trust	<i>EAT:LN</i>	<b>Europe (mid/small)</b>	<b>Core</b>	<b>23.02.2015</b>	<b>10.25</b>	<b>10.25</b>	<u>-0.2%</u>	<b>5.8%</b>	<b>0.0%</b>	
Baillie Gifford Shin Nippon Tr	<i>BGS:LN</i>	Japanese Small equ	Satellite	<i>10.11.2014</i>	3.11	3.23	<u>-5.4%</u>	<b>0.0%</b>	<b>3.9%</b>	
<b>Emerging, Frontier, Growth</b>										
JP Morgan Emerging Mkts Tr	<i>JMG:LN</i>	Developing markets	Satellite	<i>07.03.2014</i>	5.05	6.12	<u>-10.9%</u>	<b>1.0%</b>	<b>21.2%</b>	
New India Investment Trust	<i>NII:LN</i>	India	Satellite	<i>07.03.2014</i>	2.00	3.56	<u>-7.0%</u>	<b>0.0%</b>	<b>78.0%</b>	
Aberdeen Asian Smaller Cos Tr	<i>AAS:LN</i>	Asian smaller cos	Satellite	<i>07.03.2014</i>	8.02	8.98	<u>-6.0%</u>	<b>1.6%</b>	<b>12.0%</b>	
<b>Mines, Gold, Res, Hard Assets</b>										
Blackrock World Mining Trust	<i>BRWM:LN</i>	<b>Mining companies</b>	<b>Satellite</b>	<b>07.03.2014</b>	<b>4.92</b>	<b>3.28</b>	<u>-6.0%</u>	<b>7.1%</b>	<b>-33.3%</b>	
<b>Alternative/ sectoral</b>										
Personal Assets Trust	<i>PNL:LN</i>	General, gold bias	Core	<i>09.05.2014</i>	332	353	<u>1.3%</u>	<b>1.6%</b>	<b>6.3%</b>	
Polar Capital Technology	<i>PCT:LN</i>	Global technology	Satellite	<i>08.01.2015</i>	5.85	5.82	<u>-2.5%</u>	<b>0.0%</b>	<b>-0.5%</b>	
Impax Environmental Mkts	<i>IEM:LN</i>	Water and Ecology	Satellite	<i>07.03.2014</i>	1.50	1.54	<u>-11.1%</u>	<b>0.9%</b>	<b>2.3%</b>	
<b><u>TRUSTS IN FOCUS</u></b>								<b><u>Average Yield (not inc in perf):</u></b>		<b>2.4%</b>
								<b><u>% Performance (before dividends):</u></b>		<b>9.5%</b>
								<b><u>% Estimated performance (after dividends):</u></b>		<b>11.9%</b>
								<b><u>% FTSE 100 (7/3/14 to now):</u></b>		<b>3.0%</b>



# What I'm Buying Today (CORE) European Assets Trust (10.25p)

European Assets Trust NV (UK) (EAT LN EQUITY) 1025.00 2.5

2015-02-20



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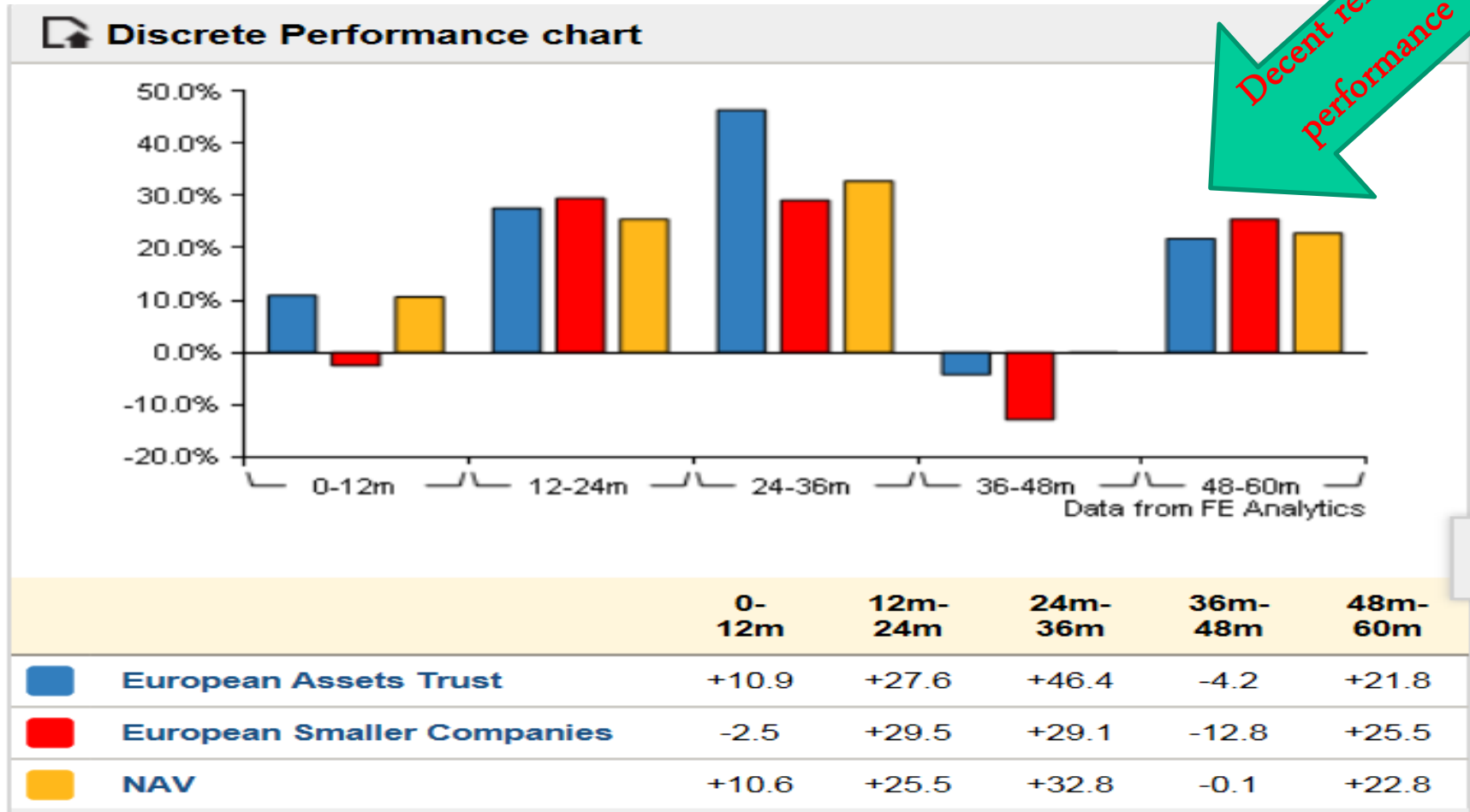
# What I'm Buying Today (CORE)

## European Assets Trust (10.25p)

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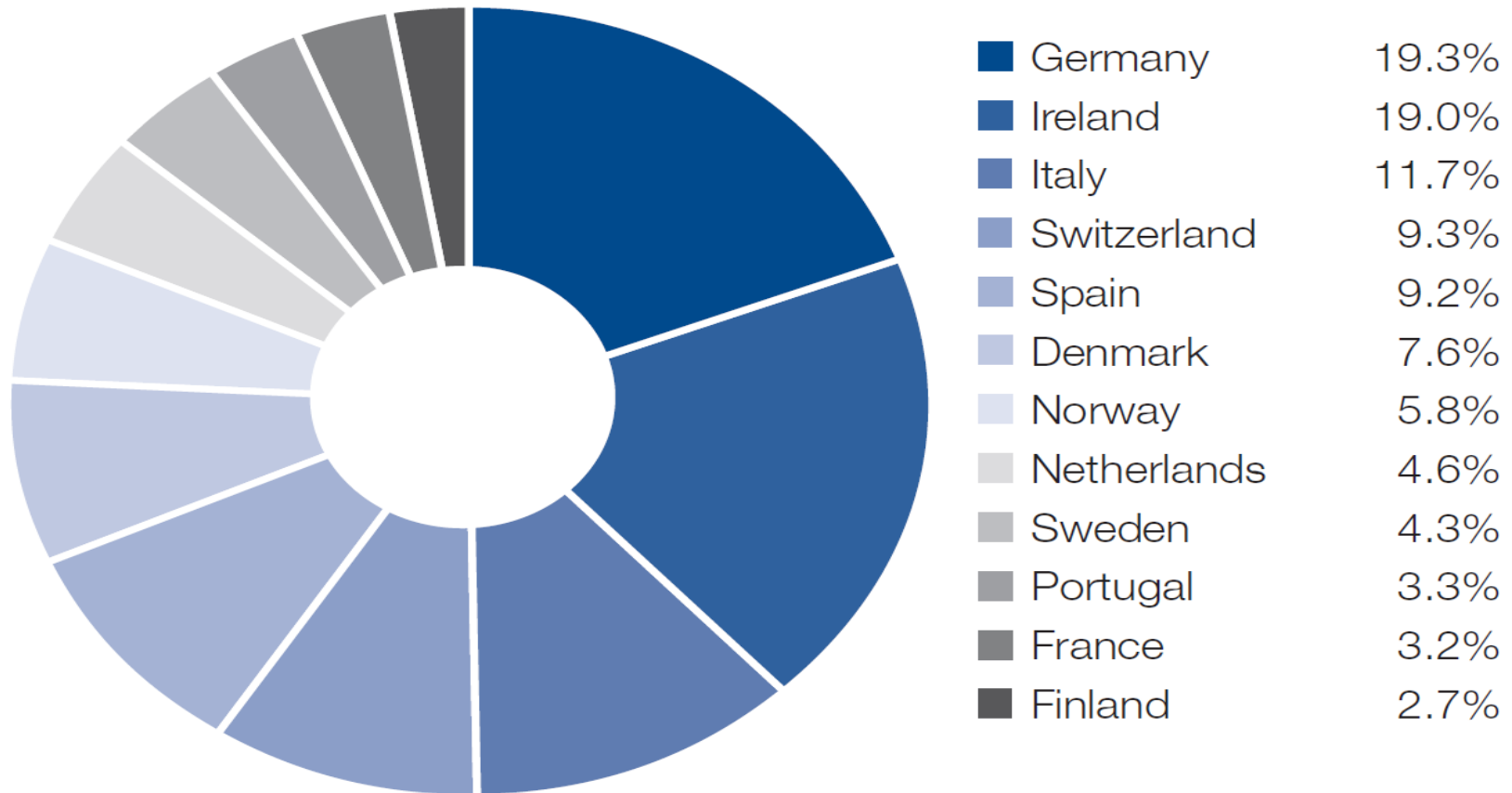
- **-0.2% disc to NAV, GBP 230mn Mkt Cap**
- **5.8% yield (paid 3x pa)**
- **Gearing 6% (can be 20%)**
- **Objective: 100% smaller European cos (no UK)**
- **Bogey: Euromoney Smaller European Cos Ind**
- **Mgr F&C (Sam Cosh), fees 0.8% (TER 1.6%)**
- **40-60 names, concentrated, diversified by sector**

# What I'm Buying Today (CORE) European Assets Trust (10.25p)



# What I'm Buying Today (CORE) European Assets Trust (10.25p)

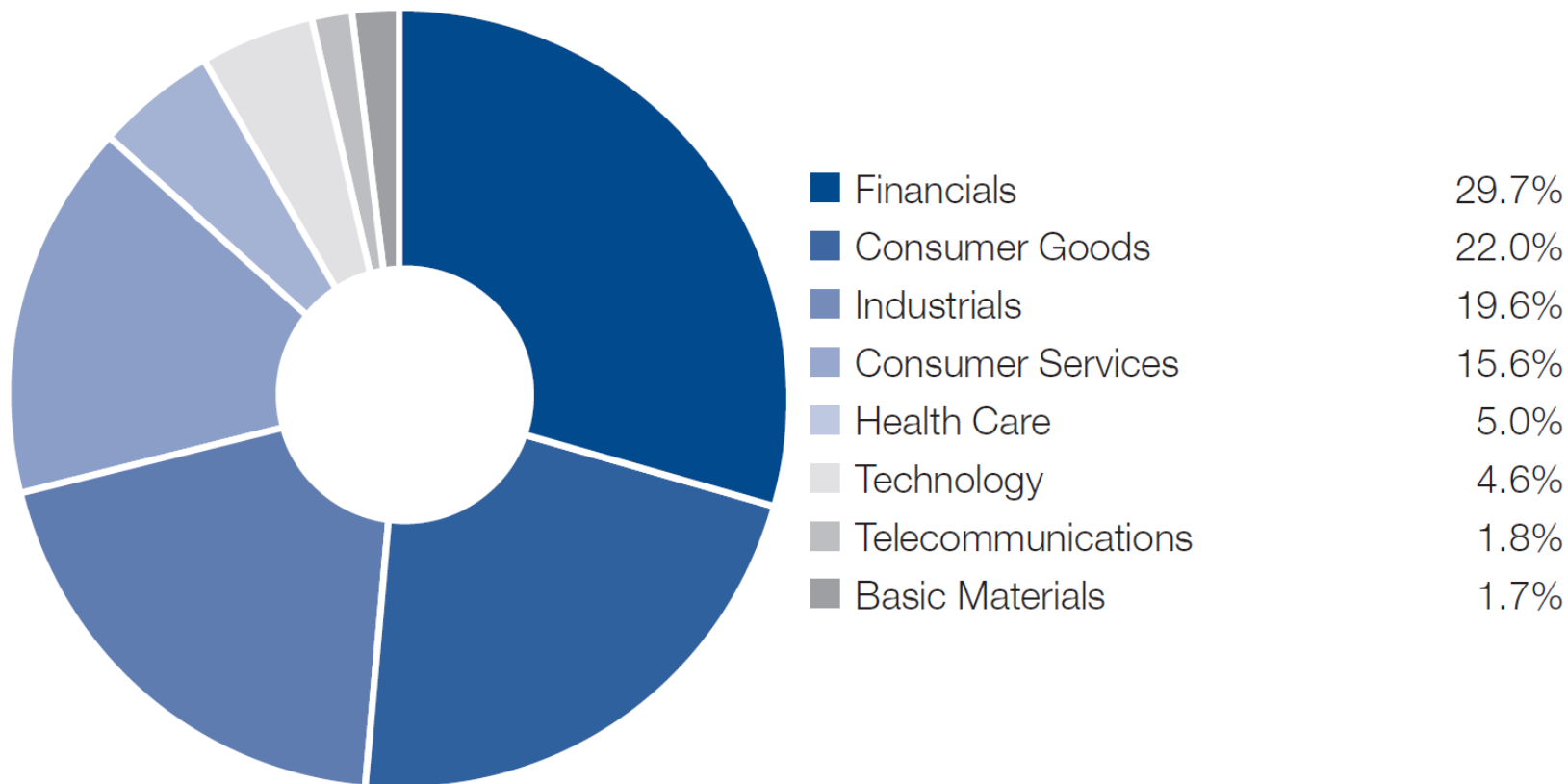
## Geographical breakdown



# What I'm Buying Today (CORE)

## European Assets Trust (10.25p)

### Sector breakdown

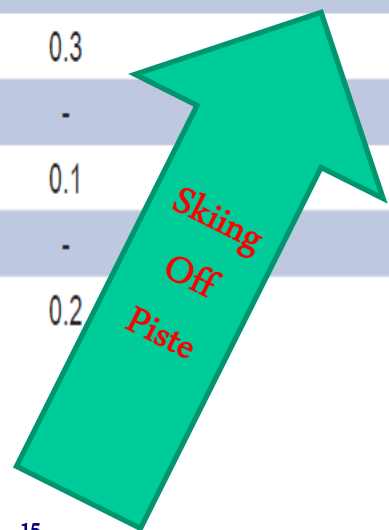


# What I'm Buying Today (CORE)

## European Assets Trust (10.25p)

### Top 10 holdings (%)

	Portfolio Weight	Benchmark Weight	Difference	Sector
Glanbia	3.9	-	3.9	Consumer Goods
CTT Correios de Portugal	3.5	0.2	3.3	Industrials
Plastic Omnium	3.4	-	3.4	Consumer Goods
Azimut Holding	3.3	0.3	3.0	Financials
Ringkjoebing Landobank	3.2	0.1	3.1	Financials
ASM International	3.1	0.3	2.8	Technology
Grafton Group	3.1	-	3.1	Industrials
Origin Enterprises	2.9	0.1	2.8	Consumer Goods
Mediaset Espana Comunicacion	2.9	-	2.9	Consumer Services
Gerresheimer	2.9	0.2	2.7	Health Care



# What I'm Buying Today (CORE) European Assets Trust (10.25p)

Glanbia (GLB ID EQUITY) 14.68 -0.23

2015-02-20



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# What I'm Buying Today (CORE) European Assets Trust (10.25p)

Compagnie Plastic-Omnium SA (POM FP EQUITY) 26.575 0.09

2015-02-20



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# What I'm Buying Today (CORE) European Assets Trust (10.25p)

Azimut Holding SpA (AZM IM EQUITY) 22.45 0.35

2015-02-20



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# P&C People

# The P&C Investment Team: 75 years global experience and research expertise

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## **Bruce Albrecht** (Investment Manager and Partner P&C)

- 40 years experience asset allocating and managing global institutional equity and bond portfolios. Ex CIO Pictet London and Global CIO Rothschilds, Senior Manager Abu Dhabi Investment Authority, Group Head of Asset Management Butterfield Bank Group. Work experience includes London, Abu Dhabi. Special interest:: quantitative / systematic analysis. Educated: Emory University, Manchester Business School.

## **Iain Little** (Investment Manager and Partner of P&C).

- 35 years experience managing global private client portfolios and ex head Pictet London UK private clients (asset allocation / fund selection). Recently MD Butterfield Asset Management (Switzerland). Work experience includes Tokyo, Geneva, London, Edinburgh, “French-speaking Africa” and Hong Kong. Special interest: undervalued frontier markets and undiscovered managers. Educated: Cambridge University (MA)

# P&C and Contact Details:

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For further information, please contact:

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