

Martin Currie Global Portfolio Trust

Growth focus allied with yield

Martin Currie Global Portfolio Trust (MNP) invests in large-cap global equities, selected for their above-average growth potential and attractive valuation. Tom Walker has managed the fund since January 2000; long-term performance versus the benchmark has been positive. The dividend yield is above the peer-group average and since fund inception in 1999, compound dividend growth has been 7.4% a year. In 2013, a zero discount policy was adopted, supporting improved liquidity, and the shares have traded close to net asset value since then.

12 months ending	Total share price return (%)	Total NAV return (%)	Benchmark (%)	FTSE World TR GBP (%)	FTSE All-Share TR GBP (%)
31/01/12	6.2	5.4	0.3	(1.6)	(0.3)
31/01/13	17.8	13.0	15.3	15.3	16.3
31/01/14	9.8	7.6	10.5	10.5	10.1
31/01/15	17.4	16.2	17.3	17.3	7.1
31/01/16	(1.4)	1.0	(0.1)	(0.1)	(4.6)

Note: Twelve-month rolling discrete £-adjusted total return performance.

Investment strategy: Focus on stock selection

The trust follows a bottom-up stock selection process, aiming to identify quality companies with solid earnings growth that are attractively valued and is benchmarked against the FTSE World index. The portfolio holds around 60 stocks diversified by industry and geography, with position sizes typically ranging between 1.0% and 3.5%. While the selection process is largely unconstrained, geographical variations versus the benchmark tend to be small. At the end of December, the top 10 positions accounted for 30.8% of the portfolio. The manager is assisted by an experienced analyst team and the fund is subject to an independent risk assessment. Gearing up to 20% is permitted, but has not been used since 2008.

Market outlook: Low growth, higher volatility

On a 12-month forward P/E multiple basis, the global markets are still modestly above their 10-year average, despite increased volatility over the last six months as a result of a more uncertain macroeconomic environment. Despite the volatility, the manager believes that in a low growth, low interest rate environment, equities remain relatively attractive and share indices could move higher over 2016.

Valuation: Zero discount policy, above-average yield

The adoption of the zero discount policy in July 2013 has reduced the discount volatility and supported liquidity in the shares. Over the last 12 months the share price discount to NAV (including income) has averaged 0.4%, with a range of a 2.5% discount to a 2.3% premium. Another feature that may appeal to investors is the current 2.5% dividend yield, which is above the average of the global sector peers and has grown at an annualised rate of 7.4% since launch.

Investment trusts

10 February 2016

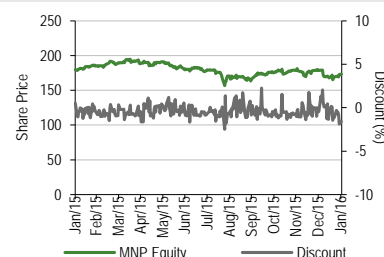
Price 165.5p
Market cap £166.8m
AUM £166.3m

NAV* 165.15p
 Premium to NAV 0.2%
 NAV** 166.68p
 Discount to NAV 0.7%

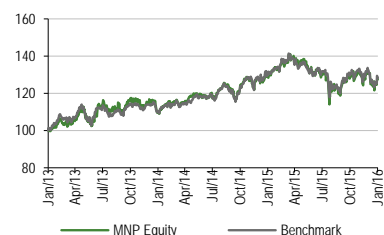
*Excluding income. **Including income. As at 9 February 2016.

Yield 2.5%
 Ordinary shares in issue 100.8m
 Code MNP
 Primary exchange LSE
 AIC sector Global

Share price/discount performance



Three-year cumulative perf. graph



52-week high/low 195.0p 156.8p
 NAV** high/low 195.9p 160.7p

**Including income.

Gearing

Gross* 0.0%
 Net cash* 0.9%

*As at 31 December 2015.

Analysts

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Martin Currie Global Portfolio Trust is a research client of Edison Investment Research

Exhibit 1: Trust at a glance
Investment objective and fund background

Martin Currie Global Portfolio Trust's objective is to achieve long-term capital growth in excess of the capital return of the benchmark FTSE World index by investing in a diversified portfolio of international quoted investments. The benchmark was changed on 1 June 2011 from the FTSE All-Share index to the FTSE World index when the trust adopted a more global focus.

Recent developments

- 24 November 2015: announcement of 0.9p third interim dividend for FY16.
- 24 September 2015: six-month report to 31 July 2015. NAV +2.2%, benchmark +1.9% and share price +1.2%. 0.9p second interim dividend announced.
- 11 June 2015: AGM results. 0.9p first interim dividend announced.

Forthcoming

AGM	June 2016
Final results	March 2016
Year end	31 January
Dividend paid	Jul, Oct, Jan, Apr
Launch date	March 1999
Continuation vote	None

Capital structure

Ongoing charges	0.73% (as at January 2015)
Net cash	0.9%
Annual mgmt fee	0.5%
Performance fee	See page 7
Trust life	Indefinite
Loan facilities	None

Fund details

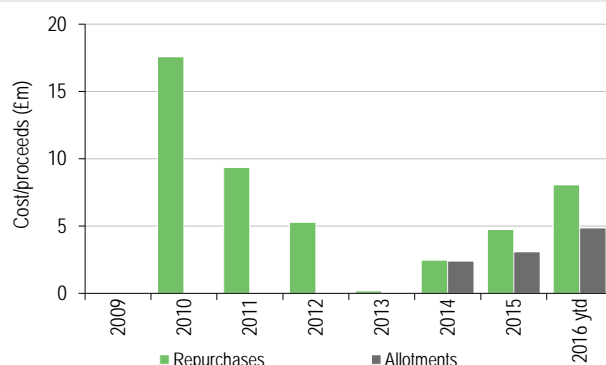
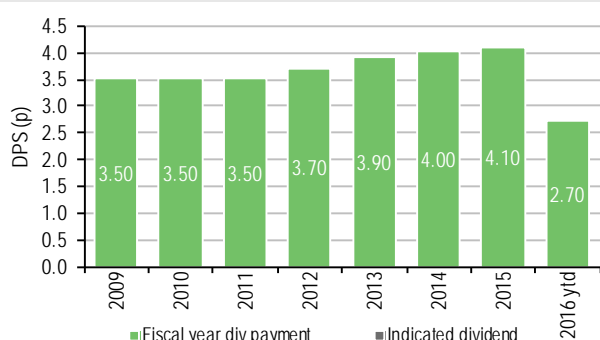
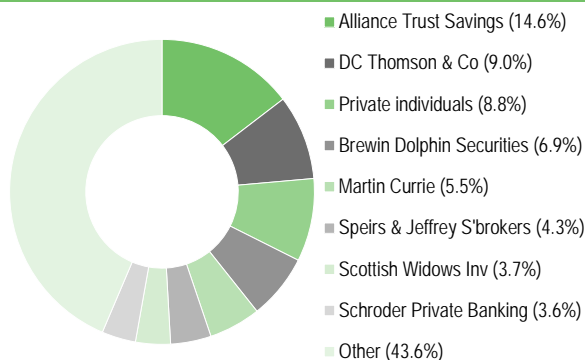
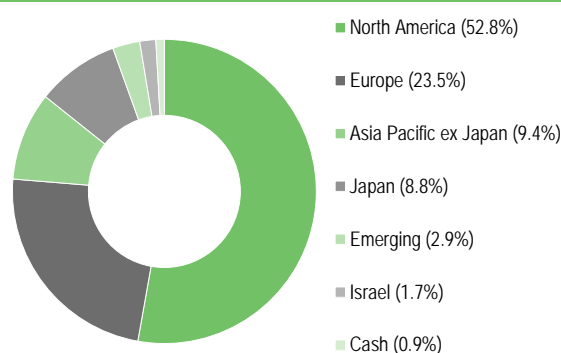
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Managers	Tom Walker
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Phone	+44 (0)131 229 5252
Website	www.martincurrieglobal.com

Dividend policy and history

MNP moved to paying quarterly dividends from FY14 (previously semi-annual). Dividends are paid in October, January, April and July. The board is committed to a progressive dividend policy over the longer term.

Share buyback policy and history

Renewed annually, the trust has authority to purchase up to 14.99%, and allot up to 10% of issued share capital. (Chart shows data by financial year.)


Shareholder base (as at 8 February 2016)

Portfolio exposure by geography (as at 31 December 2015)

Top 10 holdings (as at 31 December 2015)

Company	Country of listing	Sector	Portfolio weight %	
			31 December 2015	31 December 2014*
JPMorgan Chase	North America	Financials	4.1	4.2
L Brands	North America	Consumer services	3.5	3.5
Lockheed Martin	North America	Industrials	3.5	2.9
Prudential	Developed Europe	Financials	3.4	3.3
Apple	North America	Technology	3.0	3.0
Facebook	North America	Technology	3.0	N/A
Verizon Communications	North America	Telecommunications	2.8	2.6
KDDI	Japan	Telecommunications	2.7	N/A
America International Group	North America	Financials	2.6	N/A
BG Group	Developed Europe	Oil & gas	2.2	N/A
Top 10			30.8	30.7

Source: Martin Currie Global Portfolio Trust, Edison Investment Research, Morningstar, Thomson. Note: *N/A where not in December 2014 top 10.

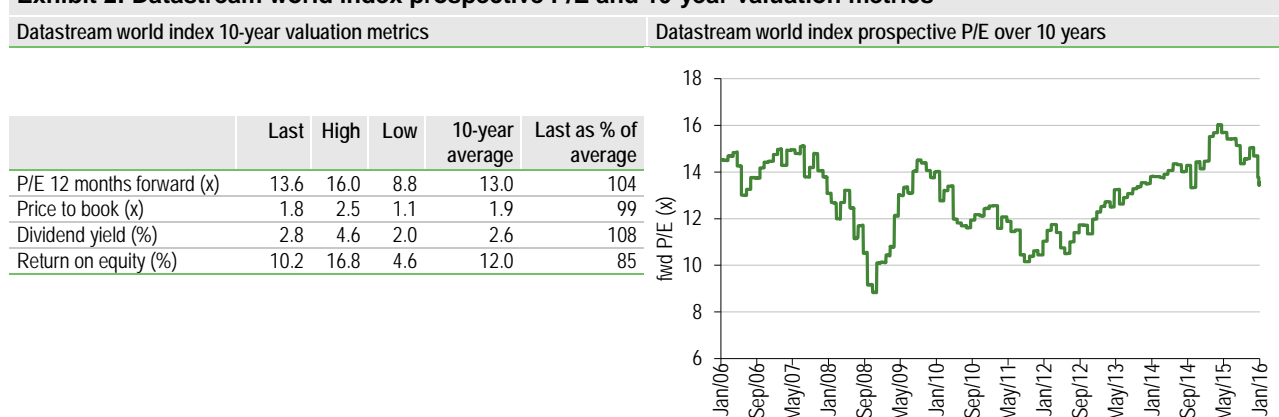
Market outlook: Volatility could continue

Global stock markets are in a period of heightened volatility. For example, in the US the CBOE Volatility index has averaged 20 over the last six months versus 15 over the last three years. Investors are concerned about slowing global growth, economic developments in China, a weak oil price and geopolitical tensions. Until there is some clarity on these issues, volatility could continue.

As shown in Exhibit 2, since the first half of 2015, the prospective P/E multiple of the Datastream world market index has declined from 16x to 13.6x. Comparing valuations to their 10-year history reveals that since mid-2015 the current 12-month forward P/E multiple as a percentage of the 10-year average has fallen from 113 to 104. Likewise, the dividend yield has risen from 96 to 108.

For investors keen to take advantage of a pullback in market valuations to gain exposure to global equities, the fundamental stock selection and long-term approach of MNP may be appealing.

Exhibit 2: Datastream world index prospective P/E and 10-year valuation metrics



Source: Thomson Datastream

Fund profile: Large-cap, high-conviction positions

Launched in March 1999, MNP invests globally, mainly in larger cap blue-chip companies. The portfolio holds around 60 high-conviction positions in companies that are expected to generate long-term growth in excess of the capital return of the benchmark, the FTSE World index. Stocks are selected using fundamental research. The active share – a measure of how differentiated a portfolio is from an index – is high (currently 88.1%). No partial underweight positions versus the index are held. Since January 2000, the fund has been managed by Tom Walker, head of the Global Long-Term Unconstrained team; he also manages a number of segregated charity accounts. Historically, the trust invested in UK equities, international equities and private equity. The international allocation limit was increased from 25% to 50% in 2007 and removed altogether in June 2011, at which time MNP adopted a more global focus, changing its name from Martin Currie Portfolio to Martin Currie Global Portfolio and changing the benchmark from the FTSE All-Share index to the FTSE World index. A zero discount policy was introduced in 2013.

The fund manager: Tom Walker

The manager's view: Continuing low growth/low interest rates

Tom Walker has a similar outlook for 2016 as he had for 2015, but has higher conviction that the low growth, low interest rate environment will continue. He believes that earnings growth for 2016 is

more likely to be flat to low-single digits rather than the current consensus of c 7.5%. The economy is viewed as being fragile and there is a risk that investors lose confidence in central banks' ability to stimulate growth. However, in a low interest rate environment, Walker views equities as attractive and suggests that there is a lot of cash on the sidelines waiting to be invested. He does not believe that China will go into recession and expects that the shift towards consumer-led growth will be sustained. Underperforming emerging markets positions within the portfolio are not large; they could see a significant bounce in the share price if sentiment towards the region improves, so he is not currently looking to sell and may consider buying once these markets stabilise.

The manager favours the telecommunications sector. With a general scarcity of growth, companies in the group have reasonably visible, mid-single-digit earnings growth, low double-digit P/E multiples and attractive dividend yields. KDDI is a top 10 position in the portfolio; it is one of the major telecommunication providers in Japan. Industry pricing is disciplined and average revenue per account is rising. There is visible EPS growth and the stock is trading at a c 14.5x prospective P/E multiple, which is at a modest discount to the global peers.

The portfolio has a significant underweight position in consumer goods. Companies in this sector have been relying on emerging markets for growth, which has not been forthcoming. Margins are under pressure as a result of competition from other multinational and domestic companies. Valuation in the sector is not seen as attractive and the manager suggests it could see a sustained derating similar to that which occurred in the pharmaceutical sector at the beginning of the century.

Within exposure to the consumer, the manager favours differentiated retailers. L Brands for example is a specialty retailer, which has strong comparative store sales and high inventory turns. However, some profits have been taken on the position, given that the stock is now looking expensive and could be vulnerable if stock market weakness becomes more pronounced. Another holding, TJX, is a discounter that offers a good value proposition for the consumer. It has a record of consistent sales growth, which is helped by strong supply chain management.

The energy exposure within the portfolio is relatively defensive and includes a top 10 active position in BG group, which has outperformed the group following a bid from Shell. The manager expects further volatility in the sector over the medium term as a result of the oil price. Not all energy stocks are discounting a \$30 oil price, so an obvious buying opportunity is not yet apparent. However, on a longer-term view he believes that the outlook for the sector is more positive; capex cuts will lead to lower production and asset maintenance is being curtailed, which cannot continue indefinitely.

Asset allocation

Investment process: Stock selection based on fundamentals

Manager Tom Walker is supported by Martin Currie's team of global sector research analysts. The team is comprised of 61 investment professionals, with an average industry experience of 19 years. Stocks are selected following thorough fundamental research, including the construction of a five-year financial forecast, with the aim of identifying factors that the market is not taking into account. Share price targets are established for every potential investment and the size of the expected upside versus the current share price determines whether a significant position is taken immediately, or built up over time. When a share price target is reached, the position is reassessed to determine whether it should be sold or continued to be held. While the manager takes into account the macroeconomic environment, the bulk of returns are expected to come from stock selection rather than asset allocation. The manager aims to look through short-term market noise; a typical holding period for portfolio positions is three to five years. The portfolio is also subject to a review by an independent risk-management team.

Current portfolio positioning

At 31 December 2015, MNP held 60 investments spread over 16 countries. As evidence that the portfolio is actively managed, the active share of 88.1% is high and marginally higher than 86.0% a year ago, with a benchmark overlap of 11.9%. The top 10 holdings were 30.8%, in line with 12 months ago; six companies in the top 10 were common to both periods.

Comparing the portfolio to the FTSE World index, it has a lower forward P/E multiple (14.0x vs 15.3x based on consensus numbers) and a higher dividend yield (2.9% vs 2.7%).

As shown in Exhibit 3, since the end of FY15, the largest sector changes have been increased exposure to telecommunications and technology and a reduction in the industrial weighting. Telecommunications is now the largest sector overweight and two of the top 10 overweight positions in the portfolio, KDDI and Verizon Communications, operate in this industry. Within industrials, China has been a major area of growth and is now slowing. In addition within the US, domestic demand has been sluggish; the December ISM was below 50 (indicating a contraction in activity). The position in United Technologies was sold as its high-margin Otis (elevators/escalators) division is coming under increased competitive pressure.

Exhibit 3: Portfolio sector exposure vs benchmark (%)

	Portfolio end Dec 2015	Portfolio end Jan 2015	Change	FTSE World weight	Active weight vs index	Trust weight/ index weight
Financials	22.3	21.7	0.6	21.8	0.5	1.0
Industrials	14.0	17.6	-3.6	12.2	1.8	1.1
Consumer services	14.0	15.8	-1.8	11.7	2.3	1.2
Technology	12.1	9.1	3.0	11.4	0.7	1.1
Healthcare	11.4	9.4	2.0	12.1	-0.7	0.9
Telecommunications	8.4	4.7	3.7	3.4	5.0	2.5
Oil & gas	6.3	7.2	-0.9	5.9	0.4	1.1
Consumer goods	4.9	6.4	-1.5	14.2	-9.3	0.3
Basic materials	4.1	5.7	-1.6	4.2	-0.1	1.0
Utilities	1.6	2.4	-0.8	3.2	-1.6	0.5
	100.0	100.0		100.0		

Source: Martin Currie Global Portfolio Trust, Edison Investment Research. Note: Data does not sum to 100 due to approximations.

Over the last 12 months, the largest changes in geographic exposure have been a reduction in the European weighting and a higher weighting in Japan. Both were for stock-specific reasons. For example, French company Safran was sold as its transition to Leading Edge Aviation Propulsion (LEAP) jet engines is seen as a risk to margins. Despite economic weakness, the manager wishes to maintain exposure to Japan. It is an uncorrelated stock market and offers some opportunities to invest in companies with attractive growth profiles and valuation.

Exhibit 4: Portfolio exposure by geography vs benchmark (%)

	31-Dec-15	31-Dec-14	Change	FTSE World weight	Active weight vs index	Trust weight/ Index weight
North America	52.8	52.2	0.6	57.3	-4.5	0.9
Europe	23.5	26.6	-3.1	23.4	0.1	1.0
Asia Pacific ex-Japan	9.4	8.8	0.6	6.0	3.4	1.6
Japan	8.8	6.2	2.6	9.2	-0.4	1.0
Emerging	2.9	2.3	0.6	3.9	-1.0	0.7
Israel	1.7	1.6	0.1	0.3	1.4	5.7
Cash	0.9	2.3	-1.4	0.0	N/A	N/A
	100.0	100.0		100.0		

Source: Martin Currie Global Portfolio Trust, Edison Investment Research. Note: Data does not sum to 100 due to approximations.

Performance: Long-term outperformance

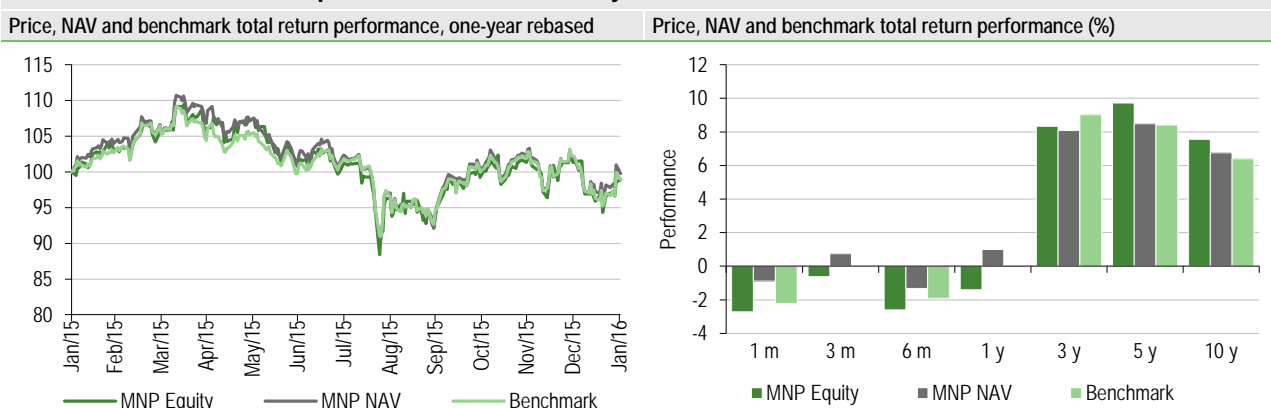
As shown in Exhibit 6, MNP's NAV total return has outperformed its blended benchmark (FTSE All-Share index until 1 June 2011 and the FTSE World index thereafter) over one, five and 10 years.

There was significant outperformance between January 2007 and July 2008, which was only partly given back before the markets started to rally in early 2009.

MNP also measures its share price total return performance versus its peers over a rolling three-year period. In FY15, the peer group was a range of 14 competitor funds within the AIC Global sector and nine open-ended funds; with a target of top-third performance. For the period, MNP ranked 10 out of 24 funds.

During 2015, portfolio performance was particularly helped by top 10 active weight positions in L Brands (specialty retail), Lockheed Martin (aerospace and defence) and JP Morgan Chase (diversified banking). Prudential (life insurance), another top 10 active weight position, was a detractor to performance over the period due to its sensitivity to long-term interest rates. However, the manager is comfortable with the position due to the company's potential EPS growth profile and improvement in return on equity.

Exhibit 5: Investment trust performance to 31 January 2016



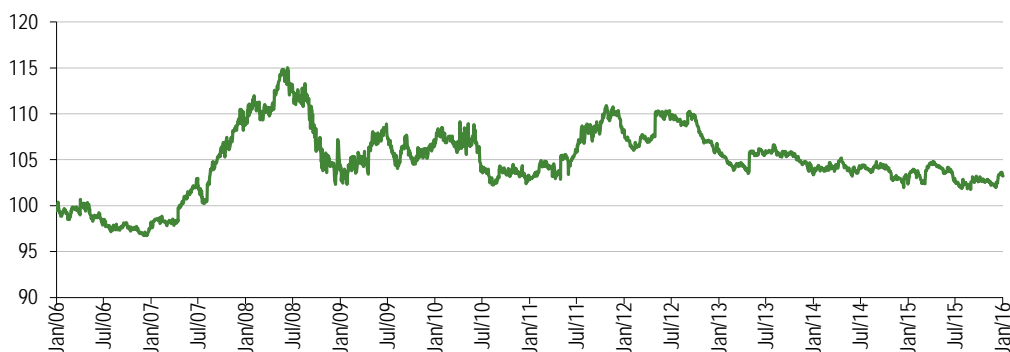
Source: Thomson Datastream, Edison Investment Research. Note: Three, five and 10-year performance figures annualised.

Exhibit 6: Share price and NAV total return performance, versus indices (percentage points)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to Benchmark	(0.5)	(0.6)	(0.7)	(1.3)	(1.8)	6.2	11.4
NAV relative to Benchmark	1.4	0.8	0.6	1.1	(2.5)	0.4	3.4
Price relative to FTSE World TR GBP	(0.5)	(0.6)	(0.7)	(1.3)	(1.8)	8.2	7.9
NAV relative to FTSE World TR GBP	1.4	0.8	0.6	1.1	(2.5)	2.3	0.1
Price relative to FTSE AllSh TR GBP	0.4	3.3	5.0	3.4	13.1	21.9	27.9
NAV relative to FTSE AllSh TR GBP	2.3	4.7	6.4	5.9	12.3	15.3	18.8

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-January 2016. Geometric calculation.

Exhibit 7: NAV performance relative to blended benchmark index over 10 years

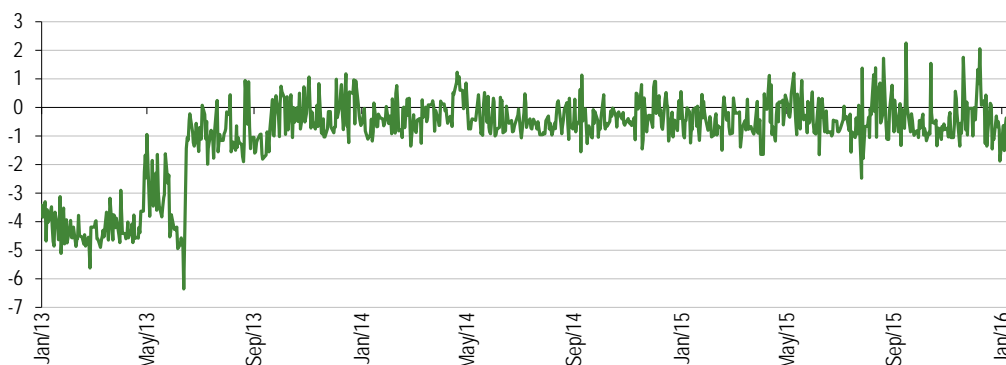


Source: Thomson Datastream, Edison Investment Research

Discount: Zero-discount policy in place

MNP adopted a zero-discount policy on 15 July 2013 to put the trust on a more equal footing with open-ended funds, for which prices are directly linked to NAV. It is managed through the buyback and issuance of shares in treasury. As shown in Exhibit 8, the strategy has been effective; the discount has been in a narrow range since the policy was adopted. During the last 12 months, the share price discount to NAV (including income) has averaged 0.4%; the range was a 2.5% discount to a 2.3% premium.

Exhibit 8: Share price premium/discount to NAV (including income) over three years (%)



Source: Thomson Datastream, Edison Investment Research. Note: Negative values indicate a discount, positive values a premium.

Capital structure and fees

MNP has one class of share with 100.8m shares in issue. Its authority to repurchase up to 14.99% and allot up to 10% of its issued share capital is renewed annually.

Although gearing of up to 20% is permitted, the trust has been ungeared since 2008 and currently has no borrowing facilities. There are regular discussions between the manager and the board regarding the use of gearing.

MNP pays an annual management fee of 0.5% of NAV, which is calculated quarterly. Martin Currie is also entitled to a performance fee if the increase in NAV per share exceeds the capital return of the benchmark FTSE World index by more than one percentage point over the period since a performance fee was last earned. If the NAV has risen over the period, the performance fee is 15% of the outperformance or 7.5% if the NAV has fallen. The performance fee is capped at 1% of net assets. For FY15, the management fee was £0.87m, no performance fee was payable and ongoing charges were 0.73%.

Dividend policy

From FY14, dividends have been paid quarterly in July, October, January and April. Although the primary aim of the trust is capital appreciation, the board has a progressive dividend policy. Dividends have been maintained or increased every year since the trust was launched in 1999. For the year ending 31 January 2015, the dividend was increased by 2.5% to 4.10p and was slightly uncovered by the revenue return, so was partly funded from the trust's revenue reserve. At the half year ending 31 July 2015, the 1.80p dividend was more than covered by a revenue return of 2.56p per share and the revenue reserve was 1.4x the FY15 total dividend. So far in FY16, three interim

dividends of 0.90p have been paid. The annualised dividend growth rate since the trust's inception is 7.4%, well above the level of inflation over the period. MNP is currently yielding 2.5%.

Peer group comparison

The AIC Global sector comprises 34 closed-ended funds. Exhibit 9 illustrates a comparison between MNP and a selected peer group. Peers were chosen with the following criteria: a market capitalisation greater than £100m; less than 30% exposure to the UK; and more than 30% exposure to North America. Over one year, MNP's NAV total return is higher than the sector and the peer-group average and over five years it has outperformed the simple peer-group average and the sector. In terms of risk-adjusted returns, MNP's Sharpe ratios are higher and in line respectively versus the simple peer-group average and the sector over one and three years; the ongoing charge is in line. MNP's dividend yield is higher than both the peer-group average and the sector and the trust is in a minority that currently does not employ gearing.

Exhibit 9: Selected peer group as at 31 January 2016

% unless stated	Market Cap £m	NAV TR 1 Year	NAV TR 3 Year	NAV TR 5 Year	NAV TR 10 Year	Sharpe 1y (NAV)	Sharpe 3y (NAV)	Discount (ex-par)	Ongoing Charge	Perf. fee	Net Gearing	Dividend yield (%)
Martin Currie Global Portfolio Ord	175.3	1.0	26.6	50.4	92.7	(0.3)	0.5	0.1	0.7	Yes	100.0	2.4
Alliance Trust Ord	2,603.0	0.2	24.0	38.6	67.0	(0.4)	0.4	(7.9)	0.7		112.0	2.5
Edinburgh Worldwide Ord	203.9	(0.1)	28.2	41.2	87.6	(0.3)	0.4	(6.9)	0.9		111.0	0.4
F&C Global Smaller Companies	516.0	5.4	39.5	71.3	141.3	(0.0)	0.9	0.4	0.5	Yes	106.0	1.0
F&C Investment Trust	2,362.8	0.4	29.2	48.7	92.7	(0.4)	0.6	(8.1)	0.5		109.0	2.2
Henderson Global Trust Ord	134.1	(4.0)	15.2	27.5	92.1	(0.8)	0.2	(8.8)	0.9		101.0	2.8
JPMorgan Overseas Ord	246.3	(3.8)	25.9	35.0	99.5	(0.7)	0.4	(9.3)	0.7	Yes	109.0	1.7
Monks Ord	846.7	(1.7)	18.5	19.1	55.3	(0.5)	0.2	(10.3)	0.6		104.0	1.0
Scottish Mortgage Ord	3,282.7	0.0	48.9	71.7	157.2	(0.3)	0.8	0.5	0.5		114.0	1.2
Simple average	1,152.3	(0.3)	28.4	44.8	98.4	(0.4)	0.5	(5.6)	0.7		107.3	1.7
Weighted average		0.2	33.5	51.4	106.1	(0.4)	0.6	(5.0)	0.6		110.6	1.8
AIC Global sector average		(0.1)	30.3	46.7	96.3	(0.4)	0.5	(6.4)	0.7		108.5	2.1

Source: Morningstar, Edison Investment Research. Note: TR=total return. Sharpe ratio is a measure of risk-adjusted return. The ratios shown are calculated by Morningstar for the past 12- and 36-month periods by dividing a fund's annualised excess returns over the risk-free rate by its annualised standard deviation. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

MNP has four independent non-executive directors. Chairman Neil Gaskell was appointed in November 2011. The other board members are David Kidd (appointed October 2005), Mike Balfour (appointed January 2010) and Gillian Watson (appointed April 2013).

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