

Martin Currie Global Portfolio Trust

Consistent approach to global equity investing

Martin Currie Global Portfolio Trust (MNP) has been managed by Tom Walker since January 2000, aiming to generate long-term capital growth. He adopts a consistent, bottom-up investment process to construct a relatively concentrated portfolio of c 50 high-quality, primarily large-cap global equities, diversified by sector and geography. The manager stresses that MNP has lower volatility of returns compared to the average of its peers in the AIC Global sector. The trust adopted a zero discount policy in 2013 and has a progressive dividend policy; its current dividend yield is 1.7%, comparing favourably to its peer group average.

12 months ending	Share price (%)	NAV (%)	FTSE World (%)	FTSE All-Share (%)
30/11/13	23.3	20.0	22.5	19.8
30/11/14	11.0	11.3	13.7	4.7
30/11/15	2.3	2.4	2.6	0.6
30/11/16	25.2	23.3	25.6	9.8
30/11/17	12.1	14.4	15.4	13.4

Source: Thomson Datastream. Note: All % on a total return basis in GBP.

Investment strategy: Fundamental stock selection

Walker seeks companies with the potential for higher margins that generate strong cash flow and high returns, and are trading at a discount to their estimated intrinsic value. In essence, the manager aims to 'pick winners and avoid losers'. He invests with a long-term view, avoiding the distraction of short-term volatility in the stock market. In terms of geography, the trust's c 55% exposure to North America is broadly in line with the index, while it is overweight Europe and Asia Pacific and underweight Japan. Considering the three largest sectors in the index, MNP is broadly in line with the benchmark weightings in financials and industrials and overweight technology. Gearing of up to 20% of net assets is permitted, but MNP is currently not geared. The net cash position at end-October 2017 was 2.8%.

Market outlook: Equity valuations less attractive

Global equities have performed strongly since early 2016 against a backdrop of improved corporate earnings, as a result of a synchronised global economic recovery, and equity valuations are now more stretched. On a forward P/E multiple basis, global equities are trading towards the top of the range of the last 10 years and at a 20% premium to the 10-year average. Investors seeking exposure to global equities may favour a fund with a consistent investment approach and relatively lower volatility of investment returns.

Valuation: Shares trade close to NAV

MNP's board actively manages the discount, aiming to ensure that the shares trade close to NAV. The current 1.0% discount to cum-income NAV compares to a range of a 1.5% premium to a 2.5% discount over the last 12 months, and the average discounts of the last one, three and five years of 0.6%, 0.5% and 0.9% respectively. The trust has a progressive dividend policy; annual dividends have increased or been maintained every year since the trust launched in March 1999.

Investment trusts

14 December 2017

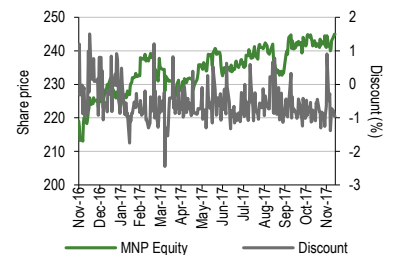
Price 245.0p
Market cap £227m
AUM £227m

NAV* 245.6p
Discount to NAV 0.2%
NAV** 247.4p
Discount to NAV 1.0%

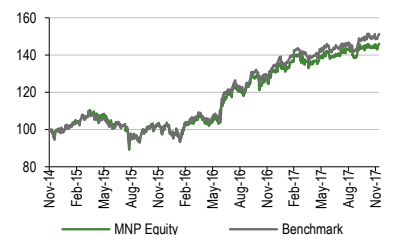
*Excluding income. **Including income. As at 12 December 2017.

Yield 1.7%
Ordinary shares in issue 92.8m
Code MNP
Primary exchange LSE
AIC sector Global
Benchmark FTSE World index

Share price/discount performance



Three-year performance vs index



52-week high/low 245.0p 222.0p
NAV** high/low 247.6p 219.8p

**Including income.

Gearing

Gross* 0.0%
Net cash* 2.8%

*As at 31 October 2017.

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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

- 1 December 2017: Announcement of 0.9p third interim dividend for FY18.
- 6 September 2017: Six-month report to 31 July 2017. NAV TR +7.0% versus benchmark TR +6.4%. Share price TR +6.2%. Announcement of 0.9p second interim dividend for FY18.
- 6 June 2017: Retirement of senior independent director David Kidd at June 2017 AGM; he is succeeded by Mike Balfour.
- 6 June 2017: Announcement of 0.9p first interim dividend for FY18.

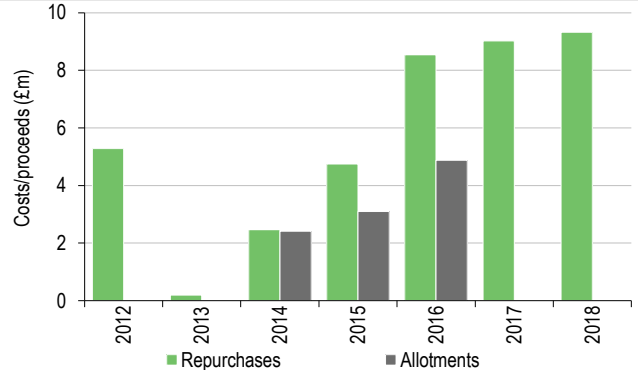
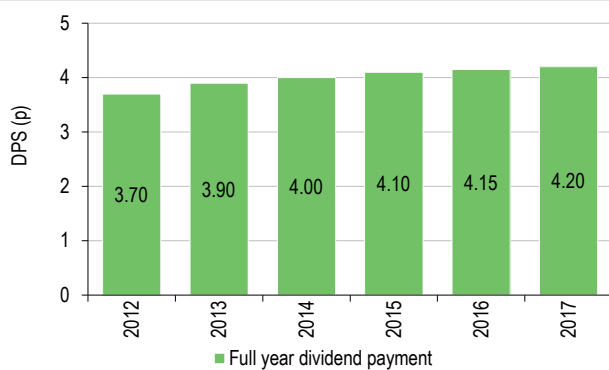
Forthcoming		Capital structure		Fund details	
AGM	June 2018	Ongoing charges	0.74% (as at January 2017)	Group	Martin Currie Investment Mgmt. (UK)
Final results	March 2018	Net cash	2.8%	Manager	Tom Walker
Year end	31 January	Annual mgmt fee	0.5%	Address	Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES
Dividend paid	Jul, Oct, Jan, Apr	Performance fee	See page 7	Phone	+44 (0)131 229 5252
Launch date	March 1999	Trust life	Indefinite	Website	www.martincurriegllobal.com
Continuation vote	None	Loan facilities	None		

Dividend policy and history (financial years)

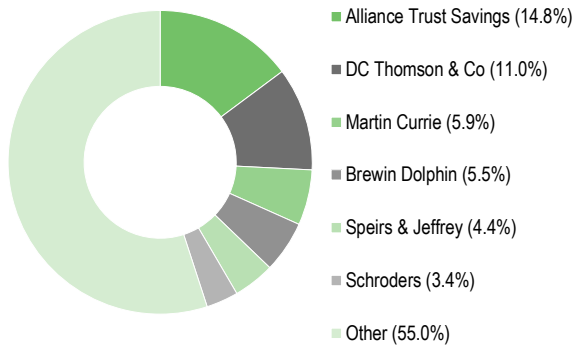
MNP moved to paying quarterly dividends from FY14 (previously semi-annual). Dividends are paid in July, October, January and April. The board is committed to a progressive dividend policy over the longer term.

Share buyback policy and history (financial years)

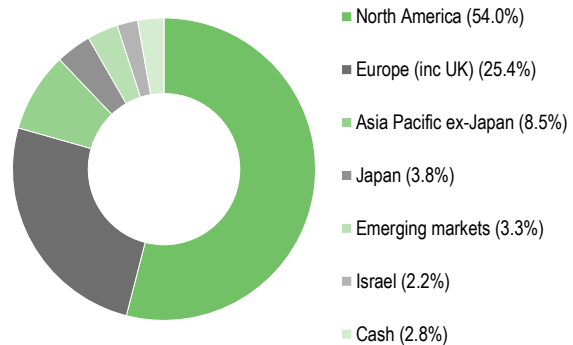
Renewed annually, the trust has authority to purchase up to 14.99%, and allot up to 10% of issued share capital.



Shareholder base (as at 20 November 2017)



Portfolio exposure by geography (as at 31 October 2017)



Top 10 holdings (as at 31 October 2017)

Company	Country	Sector	Portfolio weight %	
			31 October 2017	31 October 2016*
JPMorgan Chase	US	Financials	4.7	4.1
Facebook	US	Technology	4.5	3.8
Apple	US	Technology	4.3	3.3
Visa	US	Technology	4.1	3.6
Prudential	UK	Financials	3.1	3.0
Delphi Automotive	US	Consumer goods	3.1	N/A
Lockheed Martin	US	Industrials	2.9	3.7
Airbus	France	Industrials	2.6	N/A
Cognizant	US	Technology	2.6	N/A
Verizon Communications	US	Telecommunications	2.5	2.9
Top 10			34.4	32.9

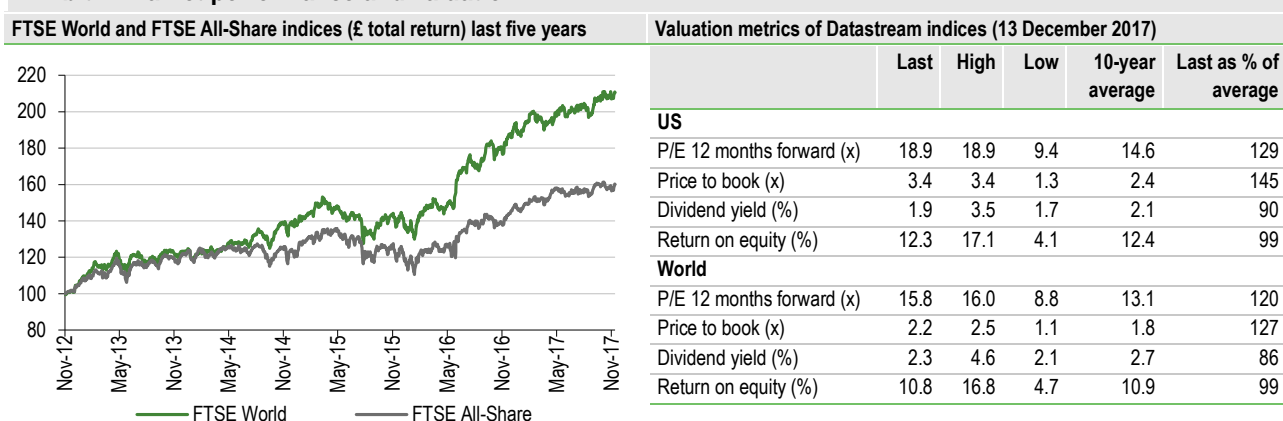
Source: Martin Currie Global Portfolio Trust, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in October 2016 top 10.

Market outlook: Equities have re-rated

Exhibit 2 (LHS) shows the strong performance of equities since early 2016. Investors have been encouraged by an improvement in corporate earnings as a result of a synchronised pick-up in the global economy, and continued competitive yields versus other asset classes such as bonds or cash. In aggregate, investors appear to be unfazed by the macroeconomic and political developments over the period, such as Brexit and heightened tensions in the Korean Peninsula.

As a result, equity valuations are looking less attractive (Exhibit 2, RHS). On a forward P/E multiple basis, world equities are trading near the top end of the range of the last 10 years and at a 20% premium to their 10-year average. US equity valuations look even fuller; trading at the high end of the range and at a c 30% premium to their 10-year average. In such an environment, investors may wish to be more selective when investing in global equities; a well-established fund with a history of relatively low volatility of investment returns may be of interest.

Exhibit 2: Market performance and valuation



Source: Thomson Datastream, Edison Investment Research

Fund profile: Straightforward global equity portfolio

When launched in March 1999, MNP invested in UK and international equities and also private equity. In 2007, the limit on the allocation to overseas equities was increased from 25% to 50%; it was removed altogether in June 2011, at which time the trust changed its name from Martin Currie Portfolio to Martin Currie Global Portfolio, and the benchmark was switched from the FTSE All-Share index to the FTSE World index. MNP has been managed by Martin Currie's head of the Global Long-Term Unconstrained team, Tom Walker, since 2000; he is able to draw on Martin Currie's team of 54 investment professionals, who have an average 20 years of industry experience. He aims to generate higher long-term capital growth than the capital return of the benchmark.

MNP's relatively concentrated portfolio of c 50 high-quality, mainly large-cap stocks is diversified by sector and geography to ensure there is no over-reliance on a particular macroeconomic factor, such as interest rates or the oil price. The portfolio is actively managed, with an active share of 89.5%, where 0% is full index replication and 100% means no commonality with the benchmark. Portfolio turnover is relatively low at c 25% per annum, which implies an average holding period of four years. While gearing of to 20% of net assets is permitted, this facility has not been used since 2008. Walker notes that MNP has lower volatility of returns than the average of the AIC Global sector. The board uses three key performance indicators to measure MNP: its NAV performance versus the benchmark over a rolling three-year period; performance versus the AIC Global sector peers over three years; and ongoing charges less than 0.75%.

The fund manager: Tom Walker

The manager's view: Lower equity returns expected

Considering the global economy, Walker says that the US remains the most important contributor and that recent data out of the country is mixed. He notes that while Q317 GDP was recently revised upwards, much of the improvement was due to inventory build, the benefits of which will be transitory. Regarding the proposed changes to US taxes, the manager says that the benefits of income tax cuts are likely to accrue to the wealthier end of society, which could mean a limited uptick in overall consumption. However, should the proposed corporate tax cuts pass, many companies paying full rates of tax in the US will immediately benefit. Walker says that the European economy is improving, albeit from a very low base; this is evidenced by purchasing manager indices, which have been above 50 for the last several months (a number below 50 signifies contraction). However, he cautions that in aggregate, European banks have insufficient capital, and data suggest that the outlook for consumers remains tough. He also notes that more investors are becoming positive on the outlook for Japan. However, MNP has minimal exposure in the country due to a perceived lack of transparency.

Walker notes that stock market performances year to date (to the end of November) have been very concentrated and momentum-driven. In the US, the FAANG (Facebook, Apple, Amazon, Netflix and Alphabet, which was formerly known as Google) stocks have been particularly strong, while in China the BAT (Baidu, Alibaba and Tencent) stocks have also appreciated significantly. The manager suggests that market leadership may change as major indices are now struggling to make further headway, and companies missing earnings expectations or lowering guidance are experiencing significant share price falls. Given that the inflationary environment remains benign, the manager is not expecting significant interest rate increases, and he notes the flattening yield curve in the US, which may signal a future period of economic weakness. The manager believes that stock market gains will be harder and harder to achieve; as a result, his expectation is for single- rather than double-digit annual equity returns.

Asset allocation

Investment process: Tried-and-tested approach

MNP's manager is able to draw on Martin Currie's highly experienced investment team in constructing a high-conviction portfolio of high-quality, primarily large-cap companies. He aims to generate long-term capital growth by 'picking winners and avoiding losers'. The manager favours companies that have the potential for margin uplift, which generate strong free cash flow and high returns on invested capital, and are trading on reasonable valuations. While the manager takes account of the macro environment, stocks are selected on a bottom-up basis following rigorous fundamental research, which includes five-year financial forecasts. Walker invests for the long term, avoiding the distractions of short-term 'noise' in global stock markets. An analysis of a company's ESG (environmental, social and governance) record is a key part of the investment process. The manager and his team have different levels of company engagement, such as with remuneration committees and different levels of management, and they ensure that they engage with companies where MNP has voted against resolutions at AGMs. Companies may be slow to change their policies, but Martin Currie believes that an effective ESG approach is vital in supporting sustainable business models. Positions may be sold if the valuation target is achieved, the investment thesis is called into question or if a better investment opportunity is available. The portfolio is regularly reviewed by an in-house risk management team. The quality of MNP's portfolio is illustrated by a comparison with the benchmark; it has a modestly higher forward P/E multiple (16.7x versus 16.5x),

higher historic and forecast earnings growth (8.5% versus 6.8% and 12.6% versus 10.7% respectively) and a significantly higher return on equity (18.9% versus 13.7%).

Current portfolio positioning

At end-October 2017, MNP's top 10 positions made up 34.4% of the portfolio, which was a modest increase in concentration versus 32.9% at end-October 2016. As shown in Exhibit 3, on a geographic basis over 12 months to end-October 2017, pan-European exposure has increased (+6.7pp), while exposure has decreased in Japan (-3.9pp) and North America (-2.9pp). Looking at the major regions, the trust's c 55% in North America is broadly in line with the index, while it is overweight Europe and Asia Pacific ex-Japan 1.2x and 1.4x versus the index respectively.

Exhibit 3: Portfolio geographic exposure vs FTSE World index (% unless stated)

	Portfolio end-October 2017	Portfolio end-October 2016	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
North America	55.6	58.5	(2.9)	57.2	(1.7)	1.0
Europe (inc. UK)	26.1	19.4	6.7	22.6	3.5	1.2
Asia Pacific ex-Japan	8.7	8.7	0.0	6.3	2.5	1.4
Japan	3.9	7.8	(3.9)	9.0	(5.1)	0.4
Emerging markets	3.4	3.7	(0.3)	4.7	(1.3)	0.7
Israel	2.3	1.8	0.4	0.2	2.1	14.1
Total adjusted for cash	100.0	100.0		100.0		

Source: Martin Currie Global Portfolio Trust, Edison Investment Research

Exhibit 4 shows MNP's portfolio breakdown by sector. Over the last 12 months, the largest increases are technology (+3.1pp) and industrials (+2.3pp), with the largest decrease in consumer services (-3.4pp). Within the major sectors, the trust is overweight technology, healthcare and consumer services, underweight consumer goods, while financial exposure is broadly in line.

Exhibit 4: Portfolio sector exposure vs FTSE World index (% unless stated)

	Portfolio end-October 2017	Portfolio end-October 2016	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Financials	21.3	21.4	(0.2)	22.2	(0.9)	1.0
Technology	15.9	12.8	3.1	13.6	2.3	1.2
Industrials	13.5	11.1	2.3	13.3	0.2	1.0
Healthcare	12.2	11.6	0.6	10.5	1.7	1.2
Consumer services	12.2	15.7	(3.4)	10.4	1.8	1.2
Consumer goods	10.4	9.7	0.7	13.2	(2.8)	0.8
Telecommunications	5.0	6.2	(1.1)	2.8	2.2	1.8
Oil & gas	4.5	5.0	(0.4)	5.8	(1.3)	0.8
Basic materials	3.1	4.6	(1.5)	4.9	(1.8)	0.6
Utilities	1.8	1.9	(0.1)	3.2	(1.4)	0.6
Total adjusted for cash	100.0	100.0		100.0		

Source: Martin Currie Global Portfolio Trust, Edison Investment Research

Now that company valuations are elevated, the manager is finding it more difficult to find attractive opportunities. However, in recent months two new names have been added to the portfolio: Atlas Copco and Essilor. Atlas Copco is a Swedish industrial company; its products and services include compressors, vacuum solutions and air treatment systems. One of the company's growth drivers is robust demand from semiconductor companies. Walker knows the company well and was able to initiate a position during a period of share price weakness following poor Q217 orders. He is impressed by the company's return on invested capital of c 20%.

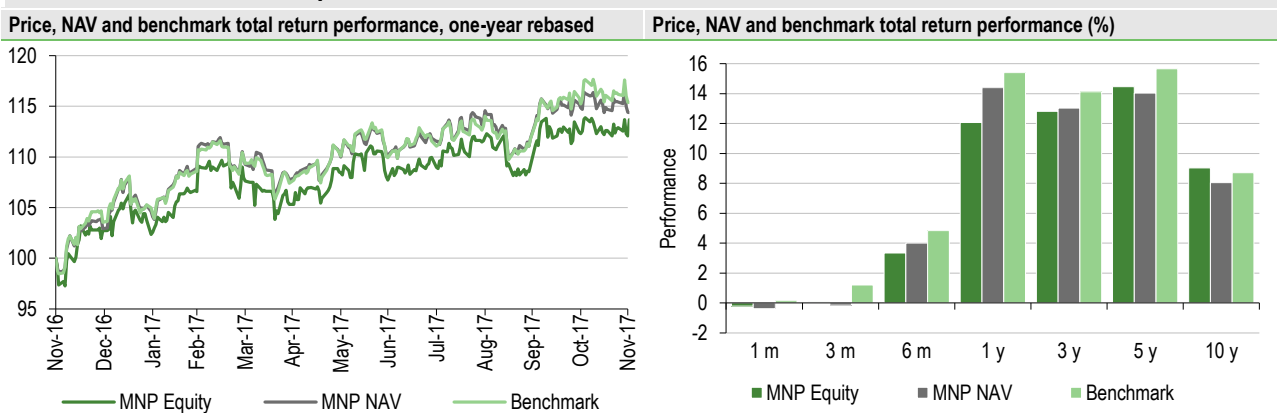
Essilor is the global leader in corrective lenses; its share price has underperformed following the announcement of the merger with Italian company Luxottica, which manufactures fashion eyewear including Ray-Ban and Oakley, along with eyewear under licence for a number of designer brands; it also has retail operations including Sunglass Hut. The manager is attracted by the company's c 10% return on invested capital and its growth attributes, which are helped by ageing populations in developed markets and increasing penetration in emerging markets. Over the last five years, Essilor's revenues and earnings have compounded at an annual rate of 11.2% and 9.2% respectively; the manager sees potential for margin uplift from the combined company.

Performance: Shares outperforming over 10 years

Absolute returns are shown in Exhibit 5. While MNP's NAV total return has lagged the benchmark's total return over one, three, five and 10 years, its share price total return is ahead of the benchmark's total return over the last 10 years.

Over the last 12 months, MNP's NAV and share price total returns of 14.4% and 12.1% respectively compare with the benchmark's total return of 15.4%. The top contributors to performance include Chinese internet company Alibaba (where the manager has reduced the position size, locking in significant profits); French aerospace company Airbus; and US bank JP Morgan Chase, which is the largest active weight in the portfolio. Positions detracting from performance over the last 12 months include US speciality retailer L Brands; Japanese telecom company KDDI; and US pharmacy and healthcare company CVS Health.

Exhibit 5: Investment trust performance to 30 November 2017



Source: Thomson Datastream, Edison Investment Research. Note: Three, five and 10-year performance figures annualised. Benchmark changed from FTSE All-Share to FTSE World on 1 June 2011.

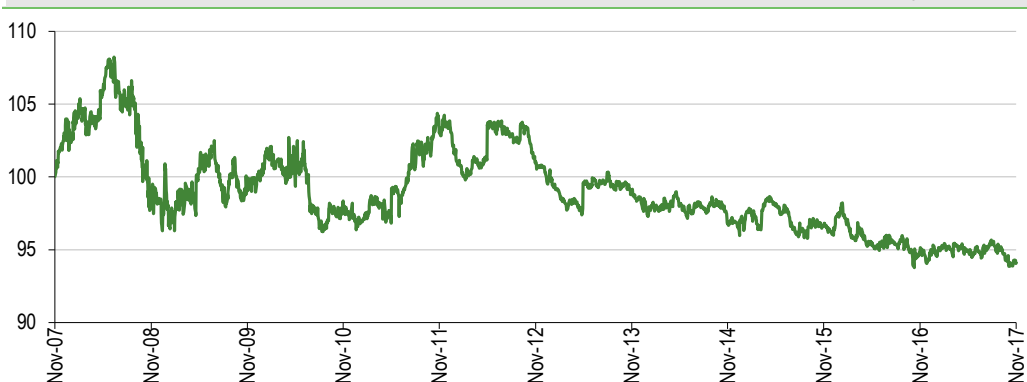
As shown in Exhibit 6, while MNP's NAV total return has lagged the benchmark over the periods shown, the trust has meaningfully outperformed the FTSE All-Share index over the last three, five and 10 years in both NAV and share price terms.

Exhibit 6: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to benchmark	(0.4)	(1.1)	(1.4)	(2.9)	(3.4)	(5.1)	3.1
NAV relative to benchmark	(0.5)	(1.3)	(0.8)	(0.9)	(2.8)	(6.9)	(5.9)
Price relative to FTSE All-Share	1.5	0.3	3.6	(1.1)	14.7	25.1	34.4
NAV relative to FTSE All-Share	1.3	0.1	4.2	0.9	15.3	22.7	22.7

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-November 2017. Geometric calculation.

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

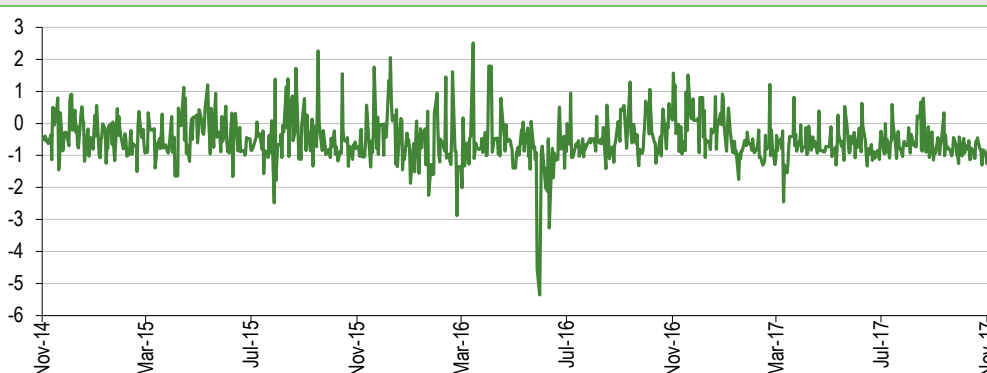


Source: Thomson Datastream, Edison Investment Research

Discount: Zero discount policy

MNP introduced a zero discount policy in July 2013, aiming to put the trust on a more level playing field with open-ended funds, whose prices are directly linked to their NAVs. Shares are repurchased when they trade at a small discount and allotted at a small premium. The policy appears to be effective, as MNP's share price consistently trades close to NAV. The sharp move to a 5.4% discount occurred following the result of the Brexit vote, which was a period characterised by widespread selling of risk assets. MNP is currently trading at a 1.0% discount to cum-income NAV. This compares to the average discounts over the last one, three, five and 10 years of 0.6%, 0.5%, 0.9% and 3.9% respectively.

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



Source: Thomson Datastream, Edison Investment Research

Capital structure and fees

MNP is a conventional investment trust with one class of share; there are currently 92.8m ordinary shares outstanding. Renewed annually, the trust has the authority to repurchase up to a maximum of 14.99% and allot up to 10% of its issued share capital. While gearing of up to 20% of net assets is permitted, it has not been employed since 2008. There are regular discussions between the manager and the board regarding the use of gearing; the view remains that it is not appropriate given current market conditions. At end-October 2017, MNP had a net cash position of 2.8%.

Martin Currie is paid an annual management fee of 0.5% of NAV, which is calculated quarterly. A performance fee is payable 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, capped at 1% of net assets. No performance fee has been paid since FY12. In FY17, MNP's ongoing charges were 0.74%, which is within the board's 0.75% target. It was 3bp higher than in FY16, but does include c 0.02% of costs to prepare for potential future gearing and to recruit two new directors.

Dividend policy and record

MNP pays quarterly dividends in July, October, January and April. The board is committed to a progressive dividend policy over the longer term. Annual dividends have increased or been maintained every year since the trust was launched in March 1999; over this period the compound annual growth rate is 6.6%, which compares to 2.6% over the last five years. The FY17 annual

dividend of 4.2p was 1.2% higher than in FY16 and was fully covered by net revenue. MNP's current dividend yield of 1.7% ranks favourably versus its peers (Exhibit 9).

Peer group comparison

Exhibit 9 shows the peers in the AIC Global sector that have more than 30% North American and less than 30% UK exposure; these eight trusts have a variety of investment remits. While MNP's NAV total returns are lower than average over the periods shown, the manager highlights that the volatility of the trust's returns is lower than average. As a result of MNP's zero discount policy, its shares trade close to NAV. The trust's ongoing charge is higher than average and a performance fee is payable. Unlike the selected peers, which have probably benefited from leverage during a period of strong equity returns, MNP has not employed gearing since 2008. The trust has an attractive dividend yield, ranking second out of eight trusts; it is 0.7pp higher than average.

Exhibit 9: Selected peer group as at 13 December 2017*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (ex-par)	Ongoing charge	Perf fee	Net gearing	Dividend yield (%)
Martin Currie Global Portfolio	227.4	15.2	53.3	95.1	115.5	0.0	0.7	Yes	97	1.7
Alliance Trust	2,572.5	24.2	59.5	99.0	123.5	(6.2)	0.5	No	109	1.9
Edinburgh Worldwide	355.3	35.4	71.6	124.3	153.2	(1.1)	0.9	No	108	0.0
F&C Global Smaller Companies	802.1	14.6	61.9	122.6	235.6	1.4	0.5	No	105	0.9
Foreign & Colonial Investment Trust	3,452.4	19.0	58.7	107.0	131.1	(4.6)	0.5	No	106	1.6
Mid Wynd International Inv Trust	160.2	18.4	65.7	121.1	166.6	2.5	0.8	No	103	1.0
Monks	1,635.0	27.4	74.0	113.4	112.4	1.9	0.6	No	105	0.2
Scottish Mortgage	6,188.1	45.4	89.8	188.4	241.1	(0.1)	0.5	No	105	0.7
Average (8 trusts)	1,924.1	24.9	66.8	121.4	159.9	(0.8)	0.6		105	1.0
Trust rank in sector	7	7	8	8	7	4	3		8	2

Source: Morningstar, Edison Investment Research. Note: *Performance as at 12 December 2017. TR=total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

The board

There are currently five directors on the MNP board; all are non-executive and independent of the manager. Chairman Neil Gaskell was appointed to the board in November 2011 and assumed his current role in May 2012. Mike Balfour is the senior independent director; he was appointed to the board in January 2010. The other three directors and their dates of appointment are Gillian Watson (April 2013), Marian Glen and Gary Le Sueur (both December 2016).

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