

Martin Currie Global Portfolio Trust

Global equity exposure with low volatility

Martin Currie Global Portfolio Trust (MNP) aims to generate long-term capital growth from a portfolio of high-quality, primarily large-cap global equities. There has been continuity of leadership and process; Tom Walker, assisted by Martin Currie's large team of experienced investment professionals, has managed MNP since January 2000. The trust has performed broadly in line with its blended benchmark over the last 10 years. However, its volatility of investment returns is lower than the average of its peer group, the AIC Global sector, which currently comprises 24 closed-end funds with a variety of mandates. Following the adoption of a zero discount policy in 2013, MNP's shares trade close to NAV. The trust has a progressive dividend policy; its current yield of 1.8% compares favourably with the average of its peers.

12 months ending	Share price (%)	NAV (%)	FTSE World (%)	FTSE All-Share (%)
31/05/13	34.5	24.5	29.4	30.1
31/05/14	7.4	5.3	7.0	8.9
31/05/15	15.3	15.9	15.8	7.5
31/05/16	(3.5)	(2.1)	0.6	(6.3)
31/05/17	32.9	32.2	33.0	24.5

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

Investment strategy: Bottom-up stock selection

Tom Walker and his team select stocks on a bottom-up basis, seeking quality companies with growth potential that are trading at a discount to their perceived value. Potential investments undergo rigorous fundamental analysis, which includes a five-year earnings forecast and valuation target. The resulting relatively concentrated portfolio of c 50 holdings is diversified by sector and geography, with stock selection unconstrained by the benchmark. Gearing of up to 20% of net assets is permitted, but has not been utilised since 2008.

Market outlook: Equities have rerated

Over the last 12 months, global equities have rallied strongly with total returns from overseas equities for UK investors enhanced by the weakness of sterling. As a result, equity valuations are looking less attractive. On a forward P/E basis, global equities are trading near the top end of their 10-year range and at a c 20% premium to their 10-year average. For investors wishing to gain exposure to global equities, a fund focusing on quality growth companies trading on attractive valuations may be of interest.

Valuation: Shares trading close to NAV

Following the adoption of a zero-discount policy in 2013, MNP's share price has regularly traded close to its NAV. The current 0.6% share price discount to cumulative NAV compares to average discounts of the last one, three, five and 10 years of 0.5%, 0.5%, 1.5% and 4.1% respectively. MNP's board has increased or maintained its annual dividend every year since the fund's inception in 1999; its current dividend yield is 1.8%.

Investment trusts

26 June 2017

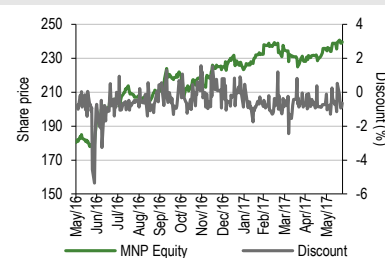
Price 239.6p
Market cap £227m
AUM £226m

NAV* 239.0p
 Premium to NAV 0.2%
 NAV** 241.2p
 Discount to NAV 0.6%

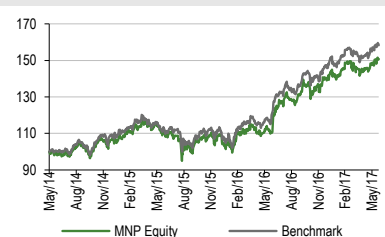
*Excluding income. **Including income. As at 22 June 2017.

Yield 1.8%
 Ordinary shares in issue 94.6m
 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 240.8p 178.6p
 NAV** high/low 241.9p 187.1p

**Including income.

Gearing

Gross* 0.0%
 Net cash* 1.5%

*As at 31 May 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

- 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.
- 27 March 2017: Annual report to 31 January 2017. NAV TR +29.7% versus benchmark TR +33.6%. Share price TR +32.1%.

Forthcoming

AGM	June 2018
Interim results	September 2017
Year end	31 January
Dividend paid	Jul, Oct, Jan, Apr
Launch date	March 1999
Continuation vote	None

Capital structure

Ongoing charges	0.74% (as at January 2017)
Net cash	1.5%
Annual mgmt fee	0.5%
Performance fee	See page 7
Trust life	Indefinite
Loan facilities	None

Fund details

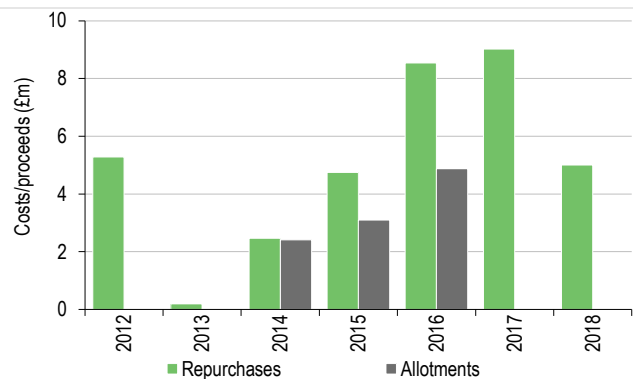
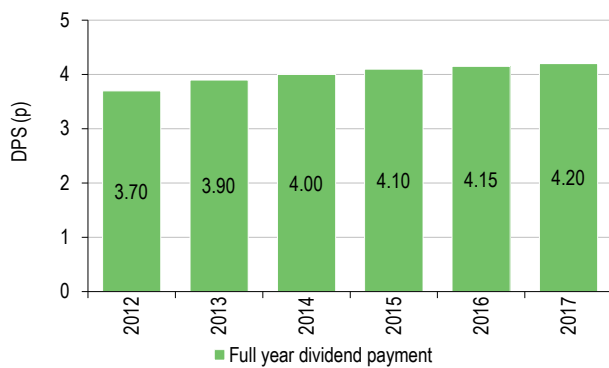
Group	Martin Currie Investment Mgmt. (UK)
Manager	Tom Walker
Address	Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES
Phone	+44 (0)131 229 5252
Website	www.martincurrieglobal.com

Dividend policy and history (financial years)

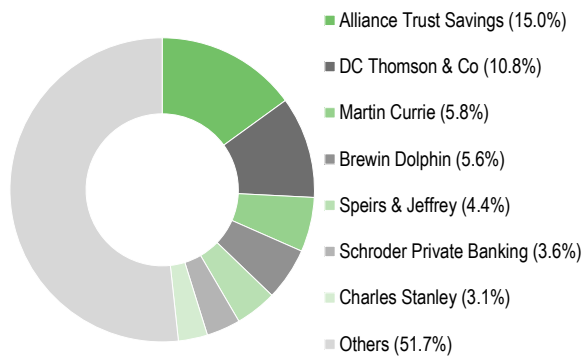
MNP moved to paying quarterly dividends from FY14 (previously semi-annual). Dividends are paid in July, October, January and April. The board is committed to a progressive dividend policy over the longer term.

Share buyback policy and history (financial years)

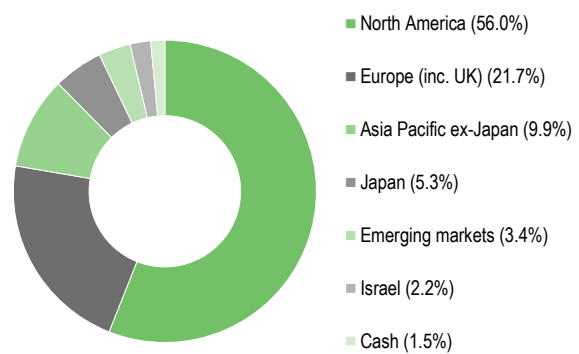
Renewed annually, the trust has authority to purchase up to 14.99%, and allot up to 10% of issued share capital.



Shareholder base (as at 26 April 2017)



Portfolio exposure by geography (as at 31 May 2017)



Top 10 holdings (as at 31 May 2017)

Company	Country	Sector	Portfolio weight %	
			31 May 2017	31 May 2016
Apple	US	Technology	4.0	2.9
JPMorgan Chase	US	Financials	4.0	4.1
Facebook	US	Technology	3.9	3.4
Visa	US	Technology	3.7	N/A
Alibaba	China	Technology	3.0	N/A
Prudential	UK	Financials	3.0	3.1
Delphi Automotive	US	Consumer goods	2.9	N/A
Lockheed Martin	US	Industrials	2.8	3.6
Philip Morris International	US	Consumer goods	2.6	2.4
KDDI	Japan	Telecommunications	2.6	3.0
Top 10			32.5	30.4

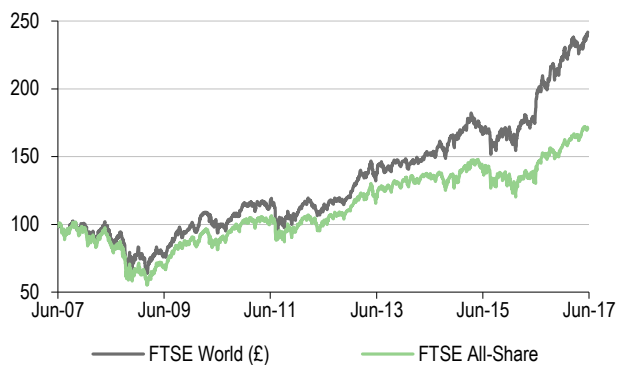
Source: Martin Currie Global Portfolio Trust, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in May 2016 top 10.

Market outlook: Less attractive equity valuations

As shown in Exhibit 2 (left-hand side), equity prices have risen sharply over the last 12 months. Investors have shaken off macro events such as the election of US President Trump and political uncertainty in the UK following the EU referendum. The value of overseas equities for sterling-based investors has also been boosted by the weakness of the UK currency. As a result of the rerating of global equities, their valuations (illustrated by the Datastream World index) are looking less attractive than 12 months ago. On a forward P/E basis, global equities are trading towards the top end of their 10-year range and at a c 20% premium to their 10-year average. While on a price-to-book basis, global equities are further away from the top end of the range, versus the 10-year average they are trading at a similarly large premium. However, the outlook for corporate earnings is supportive for equity prices, as estimate revisions are positive, and equity yields remain favourable when compared to bond yields. For investors wishing to gain exposure to equities, a fund that offers global exposure to companies with positive quality, growth and valuation attributes may be of interest.

Exhibit 2: Indices and valuation metrics

FTSE World and FTSE All-Share indices (total return) over last 10 years



Datastream World index 10-year valuation metrics (as at 20 June 2017)

	Last	High	Low	10-year average	Last as % of average
P/E 12 months forward (x)	15.6	16.0	8.8	13.1	119
Price to book (x)	2.1	2.5	1.1	1.8	118
Dividend yield (%)	2.4	4.6	2.0	2.7	91
Return on equity (%)	10.2	16.9	4.8	11.2	91

Source: Thomson Datastream, Edison Investment Research

Fund profile: Broad exposure to global equities

MNP was launched in March 1999 with a portfolio 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 this time MNP adopted a more global focus, changing its name from Martin Currie Portfolio to Martin Currie Global Portfolio and switching the benchmark from the FTSE All-Share index to the FTSE World index. Since 2000, MNP has been managed by Tom Walker (head of the Global Long-Term Unconstrained team). The trust aims to deliver long-term growth above the capital return of its benchmark. MNP's portfolio comprises c 50 high-quality, primarily large-cap global stocks. The trust is unconstrained by geography, sector or market cap but is diversified to ensure that there is not an over-reliance on a particular macroeconomic factor such as commodity prices or interest rates. Gearing of up to 20% of net assets is permitted, but the manager has not employed gearing since 2008. A differentiating feature of the trust is its lower volatility of investment returns – data from the company highlight annual volatility of 11.2% in the five years to 30 April 2017, compared with 13.1% for the average of the AIC Global sector. The board uses three key performance indicators to measure MNP's progress: its NAV versus the benchmark over a rolling three-year period; performance versus the peers over three years (since 1 February 2017, all closed end-funds in the AIC Global sector; previously 12 selected closed-end funds and nine open-ended funds); and ongoing charges less than 0.75%.

The fund manager: Tom Walker

The manager's view: Equities can grind higher

Walker believes that the current environment continues to be characterised by low interest rates and low investment returns. He notes that the European economy is now stronger; having come off a very low base, but suggests that the US economy, which recovered more quickly from the global financial crisis, has slightly rolled over, which can be evidenced by retail sales data and purchasing manager surveys. Walker says that global monetary policy remains very important as global economic growth is fragile and he believes that Brexit has wider implications beyond just the UK.

The manager says that equity valuations are more stretched, given above-average total returns over the last 12 months. However, he believes that the low long-term interest rate environment remains supportive for equities and, although economic growth is challenged, equities can grind higher over the next 12 months. He argues that in the current environment, stock selection is more important than ever. Walker notes that Q117 earnings results exceeded lowered expectations, but companies generally have a lack of earnings visibility over the coming year. He comments that the retail sector in particular is challenged due to the strength of Amazon, as the growth in online purchasing is affecting retail companies with strong as well as weak business models.

Asset allocation

Investment process: Diligent fundamental analysis

Manager Tom Walker is able to draw on the resources of Martin Currie's investment team to select a portfolio of high-conviction global companies; he aims to generate long-term capital growth by 'picking winners and avoiding losers'. The team consists of 57 investment professionals with an average industry experience of 19 years, who collectively meet with c 1,300 companies per annum. Potential investee companies undergo thorough fundamental analysis including a five-year earnings forecast. Walker looks for high-quality companies with strong cash flow generation, which have the potential to grow their margins and are trading at a discount to their perceived value. Share price targets are determined for each potential investment and the position size is informed by the manager's anticipated potential share price upside.

While taking account of the macro environment, the bulk of investment returns are expected to come from bottom-up stock selection rather than asset allocation, and the manager takes a long-term view, which avoids reacting to short-term 'noise' in global stock markets. A position may be sold if the valuation target is met, the investment thesis no longer holds true or if a better investment opportunity is available. Befitting the focus on quality, growth and value, MNP's portfolio has a higher return on equity, higher historic/forecast earnings growth and a lower forward P/E ratio than the benchmark average. The number of names in the portfolio has been reduced in recent months from c 60 to c 50 as the manager has invested more heavily in high-conviction positions. A number of themes are represented in the portfolio, such as the rising Asian middle class, mobile technology and cyber security; the latter is always discussed with companies when engaging on their environmental, social and governance policies. MNP's portfolio is regularly reviewed by an independent investment risk team.

Current portfolio positioning

At end-May 2017, MNP's top 10 positions comprised 32.5% of the portfolio. This was a modest increase in concentration versus 30.4% at end-May 2016; seven of the top 10 holdings were common to both periods. MNP's geographic and sector breakdowns are shown in Exhibits 3 and 4; the majority of exposure changes are due to stock selection rather than for top-down

considerations. Exceptions include the oil & gas sector, where the trust is now underweight following a recovery in the oil price, and the financials sector. While financial exposure is higher than 12 months ago, the manager has been taking profits following the sector's strong performance in H216; these transactions include a partial sale of JPMorgan Chase, where the manager likes the company's operational improvements but the sector became overvalued, and the complete sale of Mitsubishi UFJ, which is trading towards the high end of its historical price-to-book range.

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

	Portfolio end-May 2017	Portfolio end-May 2016	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
North America	56.9	56.1	0.7	57.5	(0.6)	1.0
Europe (inc. UK)	22.0	21.9	0.1	22.8	(0.7)	1.0
Asia Pacific ex-Japan	10.1	9.8	0.2	6.2	3.8	1.6
Japan	5.4	7.1	(1.7)	8.7	(3.3)	0.6
Emerging markets	3.5	3.2	0.2	4.6	(1.2)	0.7
Israel	2.2	1.8	0.4	0.2	2.1	12.4
Total adjusted for cash	100.0	100.0		100.0		

Source: Martin Currie Global Portfolio Trust, Edison Investment Research

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

	Portfolio end-May 2017	Portfolio end-May 2016	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Financials	21.7	17.2	4.5	21.5	0.2	1.0
Consumer services	14.7	15.2	(0.4)	11.1	3.6	1.3
Technology	14.5	13.2	1.3	12.9	1.6	1.1
Consumer goods	12.7	7.0	5.7	13.8	(1.1)	0.9
Industrials	11.2	12.8	(1.7)	13.0	(1.8)	0.9
Healthcare	10.9	14.4	(3.5)	10.9	(0.0)	1.0
Telecommunications	5.2	9.2	(4.0)	3.1	2.1	1.7
Oil & gas	4.6	5.0	(0.4)	5.8	(1.2)	0.8
Basic materials	2.7	4.1	(1.4)	4.7	(2.0)	0.6
Utilities	1.8	1.9	(0.1)	3.3	(1.5)	0.6
Total adjusted for cash	100.0	100.0		100.0		

Source: Martin Currie Global Portfolio Trust, Edison Investment Research

Over the last 12 months, the underweight exposure to consumer goods has been reduced via purchases of Reckitt Benckiser and Unilever, while exposure to telecoms and healthcare has been reduced. Defensive stocks underperformed during the cyclical rally in H216, which afforded an attractive valuation entry point to increase the portfolio's exposure. Reckitt has just completed its c \$17bn acquisition of infant nutrition producer Mead Johnson, which almost doubles the size of its consumer health division. The manager says that infant formula is a profitable business, and he believes there are plenty of cost efficiencies that can be made from the business combination, and the deal is an efficient use of capital. Reckitt's stock price has been held back by litigation issues in South Korea but the manager is confident about the company's future growth prospects.

Unilever's stock declined following a pricing dispute with Tesco as supermarkets' already slim margins are under pressure due to the weakness of sterling; this provided MNP with an attractive buying opportunity. The manager was positive on Unilever's progress on margin improvement and rationalisation of its product portfolio. However, progress has accelerated following a failed bid by Kraft, which led Unilever to announce an aim to increase operating margins to 20% by 2020 (compared to 15.2% in 2016), and a €5bn share repurchase.

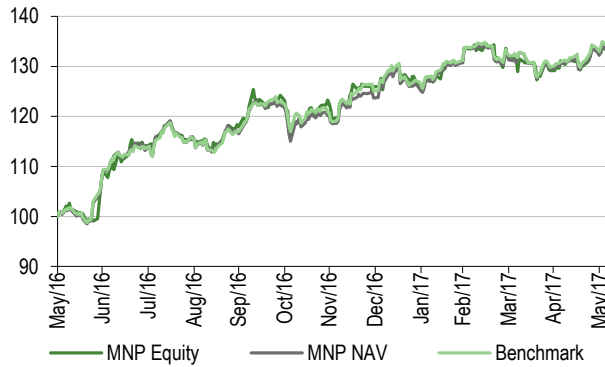
Within Asia, the manager sold the position in China Merchant Ports as he believes that global trade is unlikely to accelerate in the near term, especially if US President Trump is able to implement more protectionist policies. Proceeds were invested in AIA, a company that the manager knows well. AIA is the largest independent publicly listed pan-Asian life insurance group, with a presence in 18 markets across the Asia-Pacific region. After the Chinese authorities imposed limits on Hong Kong insurance premiums, in an effort to stem capital flight, AIA's c 20% share price decline provided a buying opportunity. The manager reports that the company's fundamentals remain strong and it has continued to deliver strong quarterly earnings.

Performance: Outperformance over 10 years

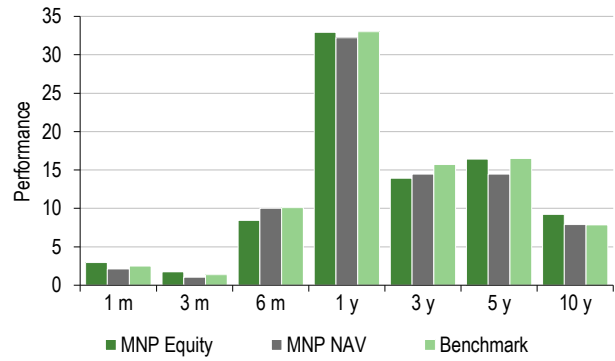
One-year absolute returns have been very strong, as sterling weakness has boosted the value of overseas assets for UK-based investors (Exhibit 5). MNP's share price and NAV total returns of 32.9% and 32.2% are broadly in line with the benchmark's 33.0% total return.

Exhibit 5: Investment trust performance to 31 May 2017

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



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.

MNP's relative returns are shown in Exhibit 6. Its NAV has performed broadly in line and its share price has outperformed the blended benchmark over 10 years, while MNP has underperformed over shorter time periods. Of interest to UK shareholders, the trust has meaningfully outperformed the FTSE All-Share index over one, three, five and 10 years.

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	0.5	0.4	(1.5)	(0.0)	(4.6)	(0.4)	13.5
NAV relative to benchmark	(0.4)	(0.3)	(0.1)	(0.6)	(3.2)	(8.4)	0.3
Price relative to FTSE World index (£)	0.5	0.4	(1.5)	(0.0)	(4.6)	(0.4)	2.8
NAV relative to FTSE World index (£)	(0.4)	(0.3)	(0.1)	(0.6)	(3.2)	(8.4)	(9.1)
Price relative to FTSE All-Share index	(1.3)	(3.3)	(4.5)	6.8	17.9	20.3	40.9
NAV relative to FTSE All-Share index	(2.2)	(4.0)	(3.2)	6.2	19.6	10.7	24.6

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

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



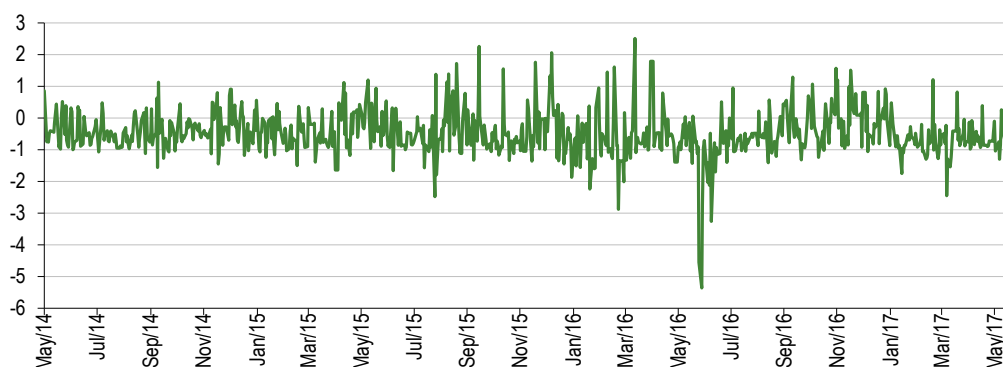
Source: Thomson Datastream, Edison Investment Research

Discount: Active discount management programme

MNP adopted a zero-discount policy on 15 July 2013, aiming to put the trust on a more equal footing with open-ended funds, whose prices are directly linked to NAV. Shares are repurchased

when they trade at a small discount to NAV and allotted when they trade at a small premium. As shown in Exhibit 8, the policy appears to have been effective in keeping MNP's share price close to NAV. The spike in the discount to 5.4% occurred following the result of the UK's European referendum, where there was widespread selling of risk assets. MNP's current 0.6% share price discount to cum-income NAV is modestly wider than the 0.5% average discount of the last 12 months (range of a 1.6% premium to a 5.4% discount). It compares to the average discounts of the last three, five and 10 years of 0.5%, 1.5% and 4.1% 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 94.6m 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. Gearing of up to 20% of net assets is permitted, although MNP has not employed gearing since 2008, and does not currently have any borrowing facilities. The lack of gearing detracted from investment returns in FY17 given the above-average total returns from global equities over the period. There are regular discussions between the manager and the board regarding the use of gearing, and the current view is that gearing is not appropriate at present given market conditions.

Martin Currie is paid an annual management fee of 0.5% of NAV (calculated quarterly). It is also entitled to a performance fee if the increase in NAV per share exceeds the benchmark's capital return by more than 1pp in the period since the last performance fee was earned. If the NAV has risen over the period, the performance fee is 15.0% of the outperformance or 7.5% if the NAV has fallen, and is capped at 1.0% of net assets. In FY17, ongoing charges were 0.74%, which was below the 0.75% target. This compares to 0.71% in FY16, but included 0.02% costs for recruiting two new directors and to prepare MNP for any gearing. No performance fee was payable in FY17.

Dividend policy and record

Since FY14, quarterly dividends have been paid in July, October, January and April. Although MNP's primary aim is capital appreciation, the board is committed to a progressive dividend policy; annual dividends have been increased or maintained every year since the trust was launched in March 1999. The FY17 annual dividend of 4.20p was fully covered by net revenue and was a 1.2% increase versus FY16; over the last five years the compound annual growth has been 2.6%. MNP's current dividend yield of 1.8% compares favourably to its peers.

Peer group comparison

MNP is a member of the AIC Global sector, which currently comprises 24 closed-end funds with a variety of remits. Exhibit 9 shows a selected peer group of trusts, with less than 30% exposure to the UK and more than 30% in North America. MNP's NAV total returns are below the peer group averages ranking sixth, eighth, eighth and sixth out of eight trusts over one, three, five and 10 years respectively. However, data from Martin Currie shows that the trust's volatility of returns is lower than the 24 trust peer group average. Due to its zero discount policy, MNP's share price trades close to its NAV. Its ongoing charge is above the selected peer group average and a performance fee is payable. Unlike the selected peers, MNP is currently ungeared and it has the second highest dividend yield in the peer group; 60bp higher than the selected peer group weighted average.

Exhibit 9: Selected peer group as at 20 June 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	Perform. fee	Net gearing	Dividend yield (%)
Martin Currie Global Portfolio	227.6	36.2	53.5	96.9	117.5	0.2	0.7	Yes	100	1.7
Alliance Trust	2,536.6	40.3	58.8	101.6	110.8	(5.4)	0.5	No	104	1.8
Edinburgh Worldwide	302.4	43.5	65.5	117.4	153.4	(9.5)	0.9	No	105	0.0
F&C Global Smaller Companies	769.9	34.0	58.3	140.1	178.7	2.4	0.5	No	103	0.9
Foreign & Colonial Investment Trust	3,275.3	38.0	61.9	114.0	127.5	(6.8)	0.5	No	107	1.6
Mid Wynd International Investment	144.0	34.7	70.1	111.7	158.3	(2.1)	0.8	No	101	1.0
Monks	1,522.4	50.2	64.4	101.5	114.7	(0.2)	0.6	No	106	0.2
Scottish Mortgage	5,761.7	59.0	92.7	190.0	241.1	2.4	0.5	No	104	0.7
Weighted average		47.8	73.7	141.8	171.7	(1.6)	0.5		105	1.1
Rank	7	6	8	8	6	3	3		8	2

Source: Morningstar, Edison Investment Research. Note: *Performance as at 19 June 2017. TR=total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

There are currently five directors on the board of MNP; all are non-executive and independent of the manager. Chairman Neil Gaskell was appointed in November 2011 and assumed his current role in May 2012. Mike Balfour was appointed in January 2010; he assumed the role of senior independent director in June 2017 following the retirement of David Kidd. Gillian Watson was appointed in April 2013. The two newest directors are Marian Glen and Gary Le Sueur; they were both appointed on 1 December 2016. Glen is currently a non-executive director of Shires Income and the Financial Services Compensation Scheme, and is a member of the audit and risk committee of the Water Industry Commission for Scotland. Le Sueur is a co-founder and partner of Scottish Equity Partners, a venture capital company. He is currently a non-executive director of Indigo Pipelines (independent gas transporter), Solarcentury (solar energy business), Vital Energi (clean energy contractor) and Inspiring Scotland (philanthropy organisation).

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