Martin Currie Global Portfolio Trust

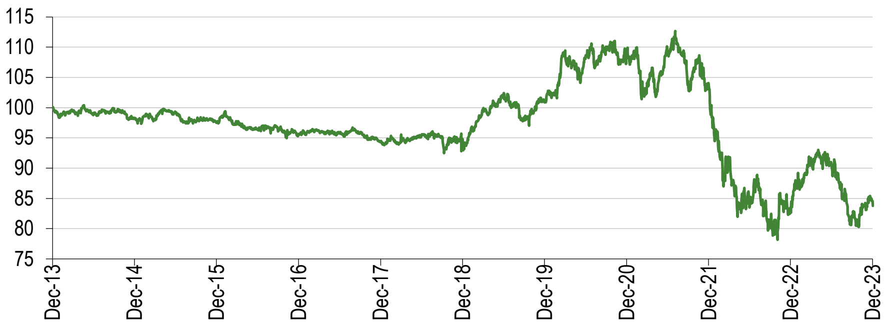
High-quality equity offering in an uncertain world

Investment trusts
Global equities

30 January 2024

Martin Currie Global Portfolio Trust's (MNP's) manager Zehrid Osmani was correct in his assumption that investors were too conservative in 2023; global equities delivered an above-average total return led by large-cap US technology stocks. However, he believes that the consensus outlook for 2024 is too bullish given economic uncertainty and increasing geopolitical risks. The manager's view is that with inflation remaining elevated, western central banks will not reduce interest rates until the second half of 2024, which is likely to cause disappointment and stock market volatility. With such an investment backdrop, he stresses the importance of focusing on high-quality companies with structural growth opportunities and strong balance sheets that can weather the prevailing headwinds.

Active management under current lead manager* (NAV vs benchmark 10Y)



Source: Refinitiv, Edison Investment Research. Note: *Osmani's tenure as lead portfolio manager started on 1 October 2018.

Why consider MNP?

MNP has a relatively concentrated portfolio of 30 high-quality, profitable, well-financed companies with structural growth opportunities, which should stand it in good stead in an environment of increasing economic and geopolitical risk.

Osmani focuses on three mega-trend growth themes: the future of technology, resource scarcity and population change. Within this framework are areas that have meaningful representation in the trust's portfolio – artificial intelligence (AI, c 23% of the fund), energy transition (c 13%) and an ageing global population (c 12%).

The manager is not constrained by MNP's benchmark allocations. This is illustrated by the fund's sector exposure, which has zero weightings in four of the 11 classifications, which together make up around 17% of the index, as these companies do not meet Osmani's quality growth criteria.

While the trust's relative performance has struggled in recent years in a rising interest rate environment, its annual NAV and share price total returns over the last decade are a very respectable c 10%.

MNP is a straightforward equity fund with no unlisted businesses or derivatives. The trust's board employs a zero-discount policy aiming to ensure that, in normal market conditions, MNP's shares trade close to NAV. The trust has a high level of distributable reserves, which enables steady dividend payments.

NOT INTENDED FOR PERSONS IN THE EEA

Price		**353.0p**
Market cap		**£252m**
Total assets		**£263m**
NAV*		361.2p
Discount to NAV		2.3%
*Including income. At 29 January 2024.		
Yield		1.2%
Ordinary shares in issue		71.4m
Code/ISIN		MNP/GB0005372411
Primary exchange		LSE
AIC sector		Global
Financial year end		31 January
52-week high/low	358.0p	299.0p
NAV* high/low	361.2p	302.4p
*Including income		
Net gearing*		2.3%
*At 31 December 2023.		

Fund objective

Martin Currie Global Portfolio Trust's objective is to achieve a total return in excess of the total return of the benchmark MSCI AC World Index. Prior to 1 February 2020 the objective was to generate a capital return in excess of the capital return of a less broad global index.

Bull points

- Portfolio of high-quality, attractively valued global equities.
- Manager is committed to MNP's detailed, repeatable investment approach.
- ESG analysis is an integral part of the research process.

Bear points

- MNP's performance is likely to struggle in a market led by value or cyclical stocks.
- Relatively concentrated portfolio means that the performance of a single holding can affect the whole fund's performance.
- Annual dividend has held steady for the last seven financial years.

Analyst

Mel Jenner +44 (0)20 3077 5700

investmenttrusts@edisongroup.com

Edison profile page

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

MNP: High-quality focus and long-term approach

MNP appears well positioned in the current environment of economic uncertainty. Osmani seeks high-quality companies with resilient earnings, pricing power, high returns (above their cost of capital), strong balance sheets and structural growth opportunities.

Osmani's top five predictions for 2024

- Inflation – the manager believes that there is a risk that inflation will remain elevated, led by wage rates, which will put pressure on corporate margins. Hence, the importance of focusing on companies that have pricing power and can protect their margins.
- Interest rates – while most central bank interest rates have peaked or are close to peaking, Osmani does not expect any reduction in western central bank interest rates until H224, or their inflation targets to be hit until 2025. He suggests that the continuation of a data-driven approach to monetary policy could lead to further market volatility. However, the manager suggests that if interest rates are cut it should be supportive for equity prices, particularly for quality growth stocks.
- Earnings estimates – Osmani believes that they could prove to be too optimistic given the slowing US and China economies and anticipated stagflation in Europe and the UK. In this environment, the manager suggests focusing on companies with resilient earnings and potential for exceeding consensus estimates.
- Valuations – Osmani comments that European and Asian company valuations look attractive compared with their long-term averages and those of US equities. In an uncertain economic environment, the manager believes that a valuation discipline becomes even more important.
- Structural growth stocks – there are three areas with strong structural growth opportunities that Osmani finds particularly interesting: energy transition, an ageing global population and AI (see below). He considers that continued innovation is likely to increase the disruption risk to traditional businesses.

The manager says that in 2023 the consensus was too pessimistic but he believes that in 2024 investors are too optimistic. He considers that there is a higher risk of a US recession and now places a 40% probability on this outcome. Investors appear to have been too bullish about the prospects of interest cuts, meaning central bankers are having to rein in expectations, while inflation data in the US and the UK released early in 2024 were higher than anticipated. Osmani's estimates for 2024 earnings growth are considerably lower than the consensus numbers in all regions; in aggregate he forecasts global earnings growth of +4%, whereas the consensus is +11%. The manager notes that when speaking to companies, the consistent message is that the operating environment is uncertain, with higher interest rates negatively affecting economic activity and funding costs, although access to credit is improving. Osmani believes that forward guidance given during the Q423 results season will be cautious.

Three structural growth areas highlighted by the manager

Artificial intelligence – Osmani believes this is a very important long-term growth theme given the benefits from increasing productivity and creativity. The manager expects AI to generate seismic shifts at economic, government, corporate and household levels, suggesting that 2023 developments were 'just the tip of the iceberg'. Companies are currently the main adopters of AI, which is necessary to maintain/increase their competitiveness. MNP has sizeable AI exposure (around 23% of the fund); primary beneficiaries are NVIDIA, ASML Holding, Microsoft and Adobe, while Atlas Copco is a secondary beneficiary. Although there may be a risk of froth in the share prices of some AI-related names, the manager says that MNP's AI-related investments are in companies that have shown they can, or will be able to, monetise their AI potential. He suggests that given the strength in corporate AI spend, Microsoft is in a position of privilege.

Energy transition – this includes green and alternative energy, energy efficient infrastructure (more than 20% of carbon emissions come from buildings) and electric transportation (electric vehicles and railways). Exposure to energy transition makes up around 13% of the fund via Kingspan Group (insulation), Hexagon (automation) and ASML Holding (source of required technology).

Ageing population – around 12% of the portfolio is medtech companies that are capitalising on growth areas including genomics and customised healthcare. MNP has holdings in Illumina, ResMed, Mettler-Toledo International and Coloplast.

MNP's portfolio breakdown

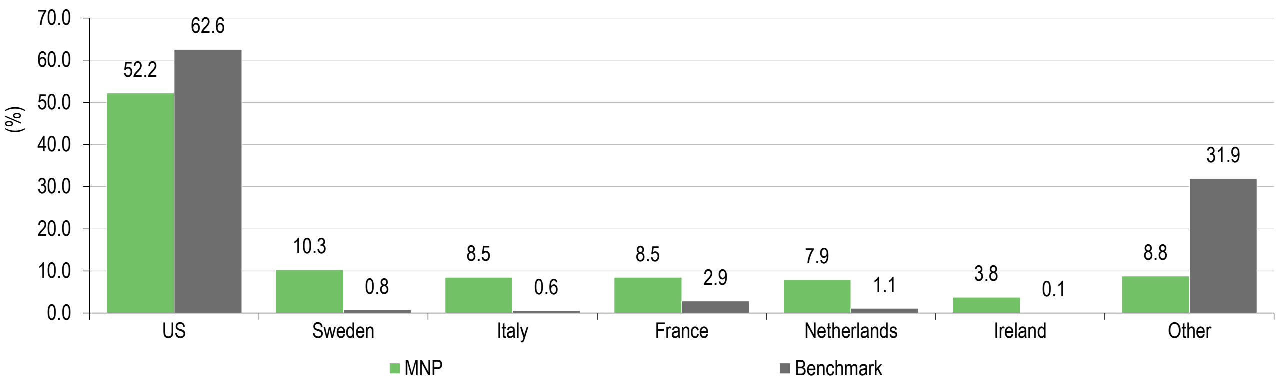
The trust's sector and geographic weightings are a result of bottom-up stock selection. Disclosure of MNP's geographic weightings is now by country rather than by region. Over the six months to the end of December 2023, the trust's US exposure increased by 1.4pp, but remains the largest single country active weight (-10.4pp). Other notable variances versus the benchmark weightings include Sweden (+9.5pp) and Italy (+7.9pp).

Exhibit 1: Portfolio geographic changes and active weights vs benchmark (% unless stated)

	Portfolio end-Dec 2023	Portfolio end-Jun 2023	Change (pp)	Active weight vs index (pp)
US	52.2	50.8	1.4	(10.4)
Sweden	10.3	9.6	0.7	9.5
Italy	8.5	9.2	(0.7)	7.9
France	8.5	8.9	(0.5)	5.6
Netherlands	7.9	7.7	0.3	6.8
Ireland	3.8	3.0	0.8	3.7
Other	8.8	10.8	(2.0)	(23.1)
	100.0	**100.0**		

Source: MNP, Edison Investment Research. Note: Rebased for cash and gearing.

Exhibit 2: MNP's geographic weights versus the benchmark (at 31 December 2023)



Source: MNP, Edison Investment Research. Note: Rebased for cash and gearing.

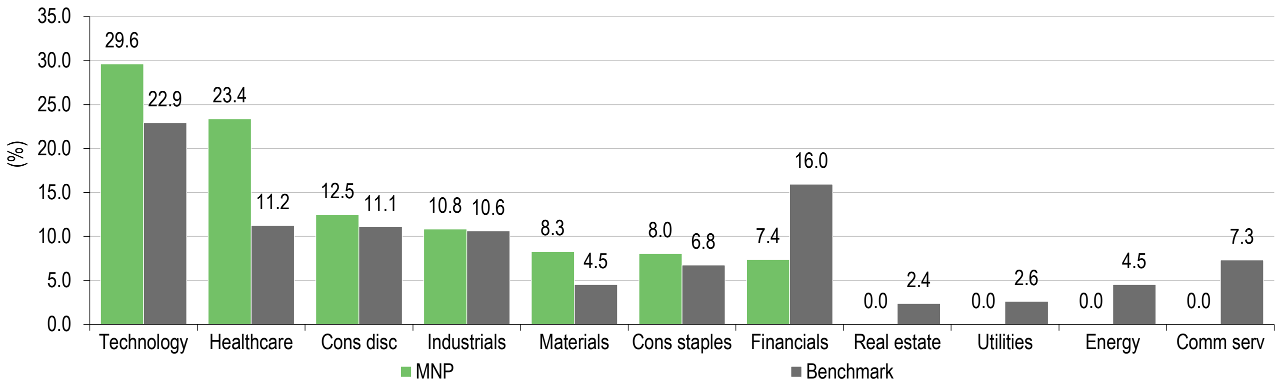
Over the six months to the end of December 2023, the largest sector changes were higher weightings in healthcare (+2.3pp) and industrials (+1.7pp) and a lower allocation to technology stocks (-1.6pp). Notable differences versus the benchmark were above-index positions in healthcare (+12.1p) and technology (+6.7pp), with underweight exposures to financials (-8.6pp) and communication services (-7.3pp), which is the largest of four sectors where MNP has a zero weighting; together they make up 16.8% of the index.

Exhibit 3: Portfolio sector changes and active weights vs benchmark (% unless stated)

	Portfolio end-Dec 2023	Portfolio end-Jun 2023	Change (pp)	Active weight vs index (pp)
Information technology	29.6	31.2	(1.6)	6.7
Healthcare	23.4	21.0	2.3	12.1
Consumer discretionary	12.5	13.9	(1.4)	1.4
Industrials	10.8	9.2	1.7	0.2
Materials	8.3	8.5	(0.2)	3.7
Consumer staples	8.0	9.3	(1.3)	1.3
Financials	7.4	6.9	0.5	(8.6)
Real estate	0.0	0.0	0.0	(2.4)
Utilities	0.0	0.0	0.0	(2.6)
Energy	0.0	0.0	0.0	(4.5)
Communication services	0.0	0.0	0.0	(7.3)
	100.0	**100.0**		

Source: MNP, Edison Investment Research. Note: Rebased for cash and gearing.

Exhibit 4: MNP's sector weights versus the benchmark (at 31 December 2023)



Source: MNP, Edison Investment Research. Note: Rebased for cash and gearing.

At the end of December 2023, MNP's top 10 holdings made up 51.7% of the fund, which was a decrease in concentration compared with 55.2% six months earlier; nine positions were common to both periods.

Exhibit 5: Top 10 holdings (at 31 December 2023)

Company	Country	Sector	Portfolio weight %	
			31 Dec 2023	30 Jun 2023*
NVIDIA	US	Information technology	8.4	9.4
Microsoft	US	Information technology	6.5	6.6
Linde	US	Materials	5.6	5.9
ASML Holding	Netherlands	Information technology	4.9	5.3
Ferrari	Italy	Consumer discretionary	4.6	5.0
Atlas Copco	Sweden	Industrials	4.6	4.3
Mastercard	US	Financials	4.3	4.5
Illumina	US	Healthcare	4.3	N/A
L'Oréal	France	Consumer staples	4.3	4.5
Moncler	Italy	Consumer discretionary	4.1	5.2
Top 10 (% of portfolio)			**51.7**	**55.2**

Source: MNP, Edison Investment Research. Note: *N/A where not in end-Jun 2023 top 10.

Recent portfolio activity

The manager highlights recent portfolio activity, which has been relatively heavy since we last published a MNP review in July 2023. There is a new holding in **Cadence Design Systems**, which is a US company providing software, hardware, services and reusable integrated circuit design blocks. It has structural growth opportunities and is an AI beneficiary. Osmani forecasts sales growth of 15% per year over the next five years, earnings growth of 18% per year and return on invested capital (ROIC) increasing from 30% in 2023 to 43% in 2028. The Cadence position was funded by the sale of **Ansys** as the manager saw downside risk in this company.

Within the drug development and outsourcing industry, Osmani switched MNP's holding in **WuXi Biologics** into a new position in **Sartorius Stedim Biotech**, which is benefiting from increased drug complexity, innovation and trends towards outsourcing and single usage. The manager envisages a clear growth pathway for this company, which is recovering well from post-COVID business normalisation and Chinese economic headwinds. Osmani forecasts sales growth of 14% per year over the next five years, earnings growth of 18% per year and ROIC increasing from 9% in 2024 to 12% in year four. WuXi was the trust's last Chinese holding as in recent years the holdings in Alibaba, Tencent and AIA were sold.

Adyen, which joined MNP's portfolio earlier in 2023, had issued a profit warning because of the competitive US landscape. The company took shareholder concerns on board, moved from a six-month to a quarterly reporting period, and last November hosted a capital markets day. Adyen highlighted why it considered its payment platform superior to those of competitors, which provided Osmani with the conviction to increase MNP's holding in the company. This has proved to be the correct decision as Adyen's share price has since rallied significantly. The company has issued mid-term targets, and has a greater focus on increasing profitability rather than just driving the top line by hiring more salespeople, while its US business seems to have stabilised.

Having initiated a position in veterinary medicine company Zoetis in 2022, the manager added **IDEXX Laboratories** to MNP's portfolio. These two companies are similar, but IDEXX has a focus on pets rather than livestock. It is the market leader in an attractive structural growth market that has high barriers to entry; IDEXX has 90% recurring revenues. This stock had been on Osmani's radar screen and share price weakness provided a buying opportunity. He forecasts sales growth of 10% per year over the next five years, earnings growth of 17% per year and ROIC increasing from 46% in 2023 to 67% in 2028.

The manager funded an additional investment in **Illumina** by selling the holding in **Masimo**; both were smaller positions. Masimo was a lower conviction holding with a risk of its business being negatively affected by weaker consumer momentum. The company had previously made a non-core acquisition and posted a profit warning. Illumina is a market leader in gene sequencing and has new product launches planned in the next couple of years. However, this company has also had issues. Illumina acquired its former-owned cancer detection diagnostic company Grail before the deal had received EU regulatory approval. There was also a proxy battle with activist investor Carl Icahn, which resulted in the departure of Illumina's CEO. The company has a new CEO and investors are awaiting his plans; a forced sale of Grail is likely.

Osmani re-initiated a holding in **Mettler-Toledo International**, which provides precision instruments and services; share price weakness provided a buying opportunity. Its industrial business has been hurt by economic weakness in China, while its healthcare operations have been negatively affected by post-COVID business normalisation and China weakness, as a clampdown on corruption halted some healthcare spending. The manager forecasts sales growth of 5% per year over the next five years, earnings growth of 9% per year and ROIC increasing from 38% in 2023 to 49% in 2028.

MNP's **Croda International** position was increased, funded by the sale of **Kerry Group**, as Osmani looked to consolidate the number of the trust's portfolio holdings (currently 30).

Performance: Navigating macroeconomic headwinds

There are 13 funds in the AIC Global sector, of which MNP is one of the smallest. Despite market headwinds as investors remain focused on macroeconomic developments rather than company fundamentals, Osmani is continuing to adhere to his philosophy of seeking high-quality companies that can be held for the long term. The portfolio is straightforward, containing only profitable listed and no private companies. Martin Currie was one of the first investment managers to recognise the benefits of taking ESG considerations into account in the stock selection process, and a zero-discount policy has been in place for more than a decade.

Exhibit 6: AIC Global sector at 29 January 2024*

% 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	252.0	10.6	(0.2)	59.1	166.9	(2.3)	0.6	No	102	1.2
Alliance Trust	3,248.6	18.0	32.7	75.2	193.7	(6.1)	0.6	No	104	2.2
AVI Global Trust	1,016.2	14.1	28.2	71.4	166.0	(9.1)	0.8	No	108	1.6
Bankers	1,261.3	5.7	14.2	56.9	156.7	(13.7)	0.5	No	107	2.5
Brunner	497.4	11.8	33.2	79.1	159.6	(11.5)	0.6	No	104	1.9
F&C Investment Trust	4,908.5	9.5	22.6	64.6	185.7	(8.0)	0.5	No	110	1.4
Keystone Positive Change Inv	133.5	0.4	(23.9)	(22.4)	(7.4)	(14.4)	0.9	No	109	0.2
Lindsell Train	173.6	6.0	(1.1)	50.1	333.7	(16.2)	0.9	Yes	100	5.9
Manchester & London	228.3	64.2	11.7	64.5	184.4	(16.4)	0.5	Yes	100	2.5
Mid Wynd International Inv Trust	411.2	8.2	11.2	73.2	209.6	(2.6)	0.6	No	100	1.0
Monks	2,299.3	4.5	(13.7)	56.9	176.0	(14.7)	0.4	No	201	0.3
Scottish Mortgage	10,928.7	1.4	(34.9)	86.4	333.4	(11.2)	0.3	No	115	0.5
Witan	1,453.2	6.3	9.9	38.7	120.8	(10.6)	0.8	Yes	114	2.5
Average (13 funds)	**2,062.4**	**12.4**	**6.9**	**58.0**	**183.0**	**(10.5)**	**0.6**		**113**	**1.8**
MNP rank in peer group	**10**	**5**	**9**	**8**	**8**	**1**	**8**		**10**	**9**

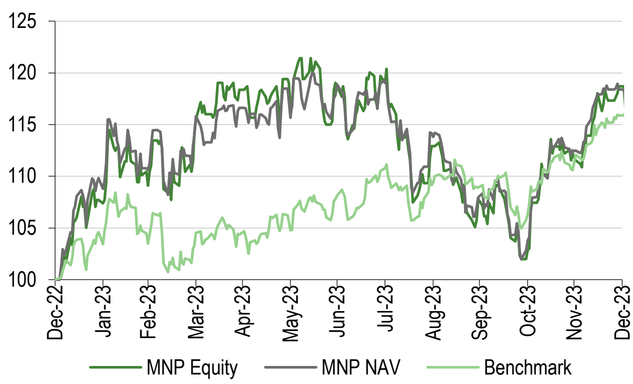
Source: Morningstar, Edison Investment Research. Note: *Performance data to 26 January 2024 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

Despite the difficult investment backdrop for Osmani's quality growth approach, MNP's NAV total return is marginally above the peer group average over the last five years, ranking eighth. As a reminder, the trust only restarted using gearing in November 2020, which is likely to have negatively affected its returns over the last five and 10 years.

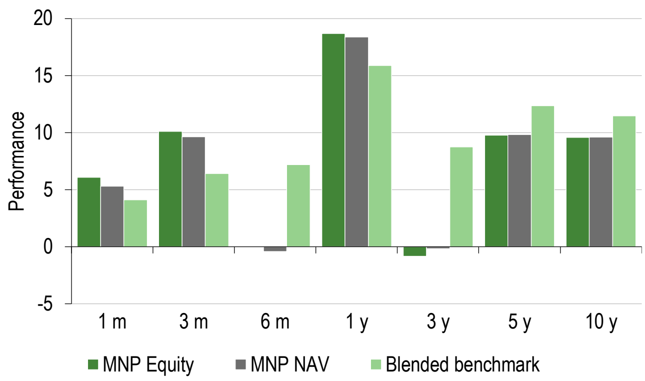
On 29 January 2024, MNP had the highest valuation in the sector, where no fund was trading at a premium. Its ongoing charges are in line with the mean, and no performance fee is payable. The trust's net gearing is below average and, unsurprisingly given its focus on capital growth rather than income, MNP has a below-average dividend yield.

Exhibit 7: Investment trust performance to 31 December 2023

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



Price, NAV and benchmark total return performance (%)



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

Osmani explains that the market environment in H223 had two distinct periods. At the end of June and the end of December 2023, US 10-year government bond yields were around 3.8% but spiked to 5.0% in the middle of October. The period of rapidly rising interest rates proved very challenging for MNP's growth-focused portfolio, although there was a considerable improvement in the trust's performance as interest rates came down towards the end of 2023.

During H223, the largest positive contributors to MNP's absolute performance were NVIDIA by a wide margin, due to being an AI beneficiary and continuing to deliver results above consensus expectations, Kingspan, Atlas Copco and Adobe. On the other side of the ledger, the largest performance detractors were Masimo (now sold), ResMed, Estée Lauder and Moncler.

Exhibit 8: 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	3.9	(2.6)	(9.5)	4.2	(24.6)	(11.7)	(17.7)
NAV relative to benchmark	3.4	(2.9)	(8.5)	1.0	(22.6)	(11.3)	(16.6)
Price relative to MSCI AC World	3.9	(2.6)	(9.5)	4.2	(24.6)	(11.4)	(16.9)
NAV relative to MSCI AC World	3.4	(2.9)	(8.5)	1.0	(22.6)	(11.0)	(15.8)
Price relative to CBOE UK All Companies	6.0	(1.4)	(5.3)	8.8	(25.8)	11.4	43.6
NAV relative to CBOE UK All Companies	5.5	(1.7)	(4.3)	5.4	(23.8)	11.9	45.6

Source: Refinitiv, Edison Investment Research. Note: Data to end-December 2023. Geometric calculation. Note: Benchmark is MSCI AC World since 1 February 2020, previously a less broad global index.

Exhibit 9: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	Benchmark* (%)	MSCI AC World (%)	CBOE UK All Companies (%)
31/12/19	31.9	30.7	22.8	22.4	19.3
31/12/20	24.0	22.8	13.4	13.2	(10.9)
31/12/21	16.1	14.4	20.1	20.1	18.4
31/12/22	(29.2)	(26.5)	(7.6)	(7.6)	1.6
31/12/23	18.7	18.4	15.9	15.9	7.6

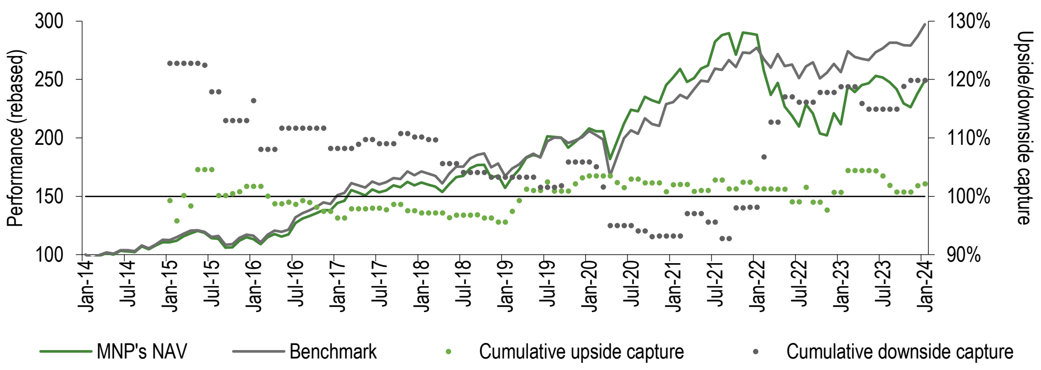
Source: Refinitiv. Note: All % on a total return basis in pounds sterling. *MSCI AC World since 1 February 2020, previously a less broad global index.

MNP's upside/downside analysis

Exhibit 10 shows MNP's cumulative upside/downside capture analysis over the last decade. Its upside is 102%, suggesting that the fund is likely to modestly outperform the global equity market when share prices are rising. MNP's downside capture is much larger at 120%, implying that the fund is likely to underperform during periods of market weakness.

It is interesting to note that while the upside capture has hovered around 100% over the last decade, the downside capture increased significantly during 2022, a period when growth stocks were out of favour in an environment of rising interest rates. In the prior couple of years, MNP's downside capture was below 100% and its upside capture was modestly above 100%, suggesting that during this period the trust had the potential to outperform its benchmark in both a rising and a falling global market.

Exhibit 10: MNP's upside/downside capture over the last 10 years



Source: Refinitiv, Edison Investment Research. Note: Cumulative upside/downside capture calculated as the geometric average NAV total return (TR) of the fund during months with positive/negative reference index TRs, divided by the geometric average reference index TR during these months. A 100% upside/downside indicates that the fund's TR was in line with the reference index's during months with positive/negative returns. Data points for the initial 12 months have been omitted in the exhibit due to the limited number of observations used to calculate the cumulative upside/downside capture ratios.

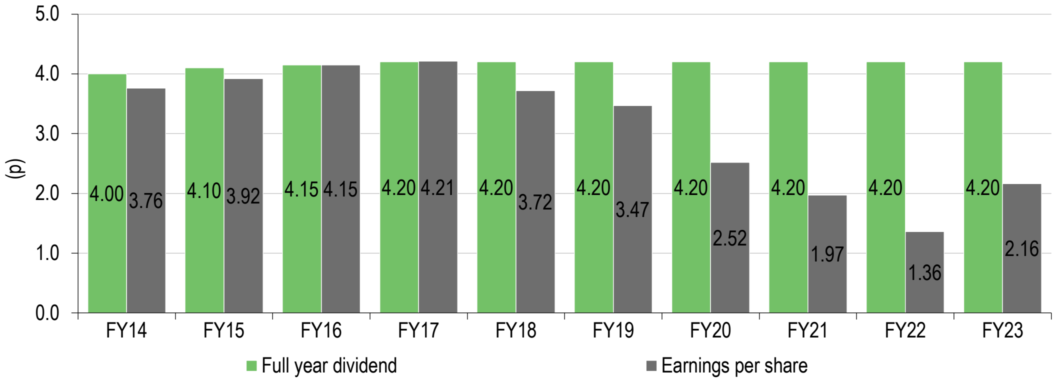
Dividends: Stable annual payments since FY17

MNP makes quarterly distributions in July, October, January and April. The annual dividend has been maintained at 4.20p per share for the last seven financial years; in FY23, it was c 0.5x covered compared with c 0.3x in FY22.

In June 2022, MNP's shareholders approved the payment of dividends from realised capital gains. The board believes this allows more flexibility, facilitating the payment of an appropriate dividend, without constraining the manager with an income target.

At the end of FY23, MNP had 202.60p per share in realised capital gains and 1.14p per share in revenue reserves. Combined, these distributable reserves equate to c 49x the last annual dividend payment. So far in FY24, three interim dividends of 0.90p per share have been declared, which are in line year-on-year.

Exhibit 11: MNP's 10-year dividend history

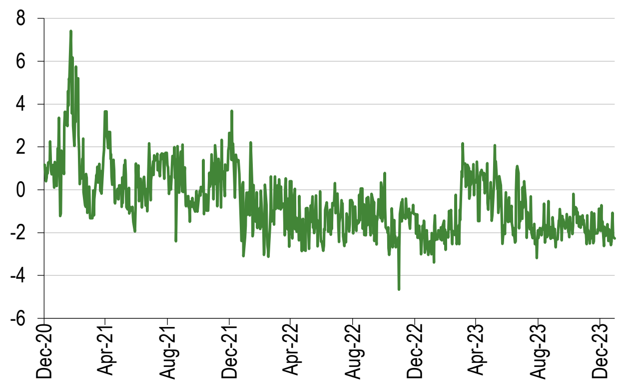


Source: MNP, Edison Investment Research

Valuation: Actively managed zero-discount policy

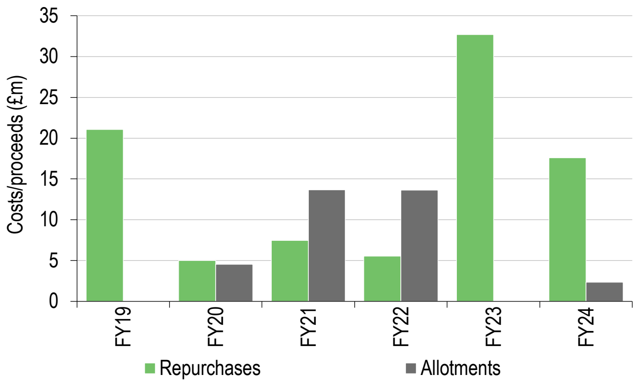
MNP's board has employed a zero-discount policy since 2013, aiming to ensure that, in normal market conditions, the trust's shares trade close to NAV. Renewed annually, the board has authority to repurchase up to 14.99% of MNP's shares and allot up to 10% of its issued share capital to manage a discount or premium. The trust's shares are trading at a 2.3% discount to cum-income NAV, which compares with a range of a 2.2% premium to a 3.4% discount over the last 12 months. Over the last one, three, five and 10 years, the trust traded in a 0.5% to 1.3% range of average discounts.

Exhibit 12: Discount over three years (%)



Source: Refinitiv, Edison Investment Research

Exhibit 13: Buybacks and issuance



Source: Morningstar, Edison Investment Research

So far in FY24, c 5.4m shares (c 7.1% of the YE23 share base) were repurchased and held in treasury, at a cost of c £17.6m, while c 0.7m shares (c 0.9%) were reissued from treasury.

Fund profile: High-conviction global equity portfolio

Launched in March 1999, MNP is listed on the Main Market of the London Stock Exchange. Zehrid Osmani, who has 25+ years of investment experience, became lead manager on 1 July 2018, alongside Tom Walker as co-manager; Osmani became sole manager on 1 October 2018. He was formerly a senior portfolio manager and head of European equities research at BlackRock, with a proven track record in fundamental research and unconstrained investment. He is head of Martin Currie's global long-term unconstrained (GLTU) team.

Martin Currie is now a division of Franklin Templeton Investments following the acquisition of its former parent Legg Mason on 31 July 2020. The company maintains its autonomy and its investment philosophy and processes remain unchanged.

Since 1 February 2020, MNP's objective has been to generate a total return in excess of the total return of the MSCI AC World Index (previously a capital return in excess of a less broad global index). Its investment policy is as follows:

- To invest predominantly in listed global equities of quality growth companies with superior share price appreciation potential, based on projected ROIC, balance sheet strength and sustainable business models.
- To manage a high-conviction portfolio with typically 25–40 positions, held for the long term.
- To spread risk via a portfolio that is diversified by type of company and sources of revenue. No more than 10% of total assets may be invested in a single stock.
- To fully integrate ESG criteria into fundamental analysis when assessing business models.
- To exclude investments identified through the manager's proprietary ESG risk assessment as having a high level of sustainability or governance risk.
- To potentially use debt to enhance shareholder returns. Gearing will not exceed 20% of net assets at the time of drawdown.
- To not invest in other listed closed-end funds.

The board monitors MNP's success via three key performance indicators:

- NAV performance versus the benchmark over a rolling three-year period – not achieved in FY23, underperformance of 17.72% (outperformance of 1.62% in FY22).
- Top-third share price performance versus the peers in the AIC Global sector over a rolling three-year period – not achieved in FY23, 10th out of 14 funds (fifth out of 17 funds in FY22).
- Ongoing charges (excluding performance fees) of less than 0.70% per year – achieved in FY23, 0.61% (0.68% in FY22).

Investment process: Three-step, bottom-up approach

Osmani is head of Martin Currie's 10-strong GLTU team and is supported by a wider group of more than 30 investment professionals who meet hundreds of companies every year. He aims to generate a total return above that of the MSCI AC World Index by focusing on high-quality, undervalued growth stocks with the potential to outperform consistently. The manager has an unconstrained, high-conviction approach and invests with a long-term, five- to 10-year horizon. At end-December 2023, there were 30 holdings in the portfolio. There is a systematic three-step investment process that builds conviction at each stage:

- **Idea generation**: the total universe of c 2,800 listed global stocks is screened down to an investible universe of c 500 companies and then a research pipeline of 90+ names is prioritised to identify companies with a combination of quality, sustainable growth and an attractive valuation. The team believes that companies that can generate a high and sustainable ROIC, above their weighted average cost of capital, can generate above-average total returns over the long term.

- **Fundamental analysis** is based on eight key criteria: industry analysis, a company's growth drivers, returns, financial strength, accounting, corporate ethos, ESG profile and valuation. Businesses are assessed on a scale of 1 (lowest risk) to 5 (highest risk) across a wide range of measures. As part of the process, there is a systematic risk assessment focusing on industry risks, company risks, governance and sustainability, and portfolio risks. Companies are also assessed against more than 50 ESG criteria and mega-trend thematic analysis: demographic change, future of technology and resource scarcity. Firms considered for inclusion in the portfolio are likely to have a dominant position and pricing power in a market with high barriers to entry. The manager seeks businesses with structural growth prospects, high returns on invested capital, strong cash flow generation and a quality management team with a strong corporate culture. To ensure a consistent approach, a proprietary research template is compiled for companies reviewed, and each is given a conviction rating between 1 (strong buy) and 5 (sell).
- **Portfolio construction**: each position is weighted appropriately, aiming to ensure a meaningful contribution to the fund's returns. Osmani and his team break down the portfolio by geographic revenue and profit rather than where a company is listed, to understand the fund's exposure by economic value (it is overweight developed and underweight emerging markets). The portfolio is also assessed in terms of end-user exposure at a tier one level – the consumer, business and government – and then at a more detailed tier two level focusing on individual sectors and industries. Stocks may be sold when they have reached their price target, if they are nearing their price target and there are better risk/reward opportunities elsewhere, or if the high-conviction investment case no longer holds true.

MNP's portfolio has a high active share (92.1% at end-December 2023); this is a measure of how a fund differs from its benchmark, with 0% representing full index replication and 100% showing no commonality. Compared with the MSCI AC World Index, in aggregate, the trust's holdings have higher forecast revenue, earnings, free cash flow and dividend growth, higher valuations in terms of forward P/E and EV/EBITDA multiples, a higher ROIC and less leverage based on net debt/EBITDA. These relative metrics reflect MNP's biases towards growth and high-quality companies with pricing power. Portfolio turnover is typically up to 20% per year, implying a holding period of around five years.

The manager says that the team's approach is to keep in constant touch with portfolio companies, along with other relevant contacts, thereby gaining deeper knowledge. He highlights that the group has great access to senior managers despite having a relatively modest amount of assets under management.

MNP's approach to ESG

Martin Currie believes that good ESG practices are a fundamental component of a high-quality company. The firm has been a signatory to the United Nations Principles for Responsible Investment since July 2009. In September 2022, under the new and revised reporting framework, Martin Currie was awarded the highest possible five stars for investment and stewardship policy and for incorporation, and four stars for voting. MNP was the first fund in the AIC Global sector to be awarded the highest Morningstar Sustainability Rating (five globes), recognising the commitment to mitigate the risks that the trust's investors face in the ESG space. For more information on MNP's approach to ESG, please see its website.

Osmani strongly believes that including ESG analysis in investment decisions delivers improved returns for MNP's shareholders and is integrated throughout MNP's proprietary investment process. More than 50 underlying criteria are assessed to capture the complexity of ESG risks facing a company's long-term growth outlook and sustainability. Each risk is rated on a scale of 1 (lowest risk) to 5 (highest risk). There are a further 20 criteria to analyse social exploitation risk.

Factors considered by Osmani and his team typically include shareholder rights, accounting standards, remuneration, board structure, supply chain, data protection, pollution/hazardous waste policies, water usage and climate change policies. Their findings may influence important financial assumptions about a company, such as its cost of capital, revenues or costs, and therefore an estimate of its intrinsic value; a poor ESG track record may indicate wider sustainability issues within a firm.

Gearing

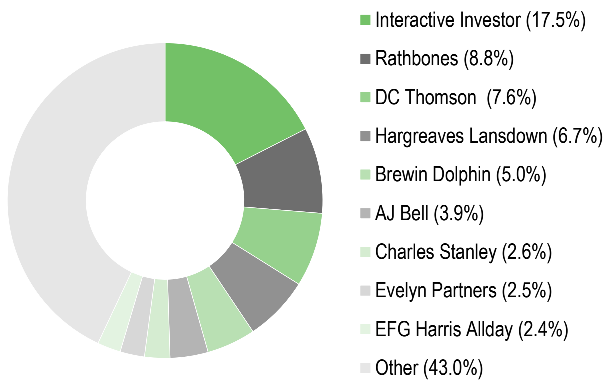
Having been ungeared between 2008 and 2020, in November 2020 the board announced that it had entered into a £30m three-year unsecured sterling term loan facility with Royal Bank of Scotland International (RBSI). This was fully drawn down the following day at a fixed interest rate of 1.181% per year and equated to c 10% of MNP's NAV. On 23 November 2023, the £30m loan was repaid in full and a new £10m three-year revolving loan facility was fully drawn down for a minimum six months. It has a variable rate of the sterling overnight index average (SONIA) plus 1.55%. At end-December 2023, MNP's net gearing was 2.3%.

Fees and charges

Since 1 July 2022, MNP's investment management fee is 0.45% of ex-income NAV per year (previously 0.50% per year up to £300m of ex-income NAV and 0.35% of ex-income NAV thereafter). Also, there is no longer a separate company secretarial fee (£56k + VAT in FY22, and subject to an annual uplift based on the rate of UK inflation). The effects of these changes on a c £250m asset value fund would lead to a c 14% reduction in annual fees and a simpler cost structure. In FY23, MNP's ongoing charges were 0.61%, versus 0.68% in FY22. There was a modest 2bp creep in H124 to an annualised level of 0.63%.

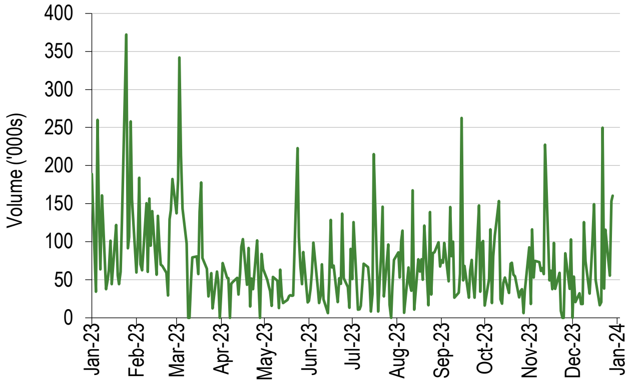
Capital structure

Exhibit 14: Major shareholders



Source: Bloomberg. Note: At 31 December 2023.

Exhibit 15: Average daily volume



Source: Refinitiv. Note: 12 months to 29 January 2024.

MNP is a conventional investment trust with one class of share – there are c 71.4m ordinary shares in issue, with a further c 27.3m held in treasury. At end-FY23, the trust's equity capital was split as follows: 65.8% versus 75.8% (at end-FY22) banks and nominee companies; 10.4% versus 11.2% individuals and trustees; and 23.8% versus 13.0% other holders. Over the last year, MNP's average daily trading volume was c 75k shares.

The board

Exhibit 16: MNP's board of directors

Board member	Date of appointment	Remuneration in FY23	Shareholdings at end-FY23
Christopher Metcalfe (chair since 1 June 2023)	19 September 2019	£27,500	8,600
Gary Le Sueur	1 December 2016	£27,500	31,735
Marian Glen	1 December 2016	£29,938	Nil
Lindsay Dodsworth	1 November 2021	£31,562	2,542

Source: MNP

At the 1 June 2023 AGM, former chair Gillian Watson stood down after having served for more than 10 years. Mindful of the trust's size and cost base, the board will continue with four non-executive directors.

General disclaimer and copyright

This report has been commissioned by Martin Currie Global Portfolio Trust and prepared and issued by Edison, in consideration of a fee payable by Martin Currie Global Portfolio Trust. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom