EDISON

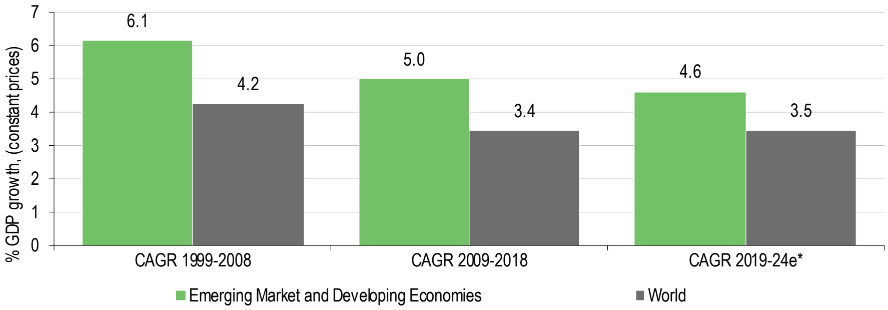
Murray International Trust

Significant exposure to emerging markets

Investment trusts
Global equities/debt

Murray International Trust (MYI) is managed by Bruce Stout and the global equity income team at Aberdeen Standard Investments (ASI). They aim to generate an above-average dividend yield, and long-term income and capital growth, from a diversified portfolio of global equities and fixed income securities. The manager has an unconstrained investment approach, and favours emerging over developed markets, highlighting these regions' above-average growth prospects and orthodox monetary and fiscal policies. Portfolio turnover is very modest at c 10% pa, implying an average 10-year holding period for the fund's investments.

Emerging markets offer the prospect of higher economic growth



Source: International Monetary Fund World Economic Outlook 2019, Edison Investment Research. Note: *Significant downward estimate revisions are expected in the next update.

The market opportunity

Global stock markets are under significant pressure due to the coronavirus pandemic, which will have a meaningful negative impact on economic growth. However, for investors with a longer-term perspective, the current weakness may provide an attractive opportunity. History shows that share prices have always previously recovered from significant setbacks; examples in recent decades are the dotcom bust in 2001–02 and the global financial crisis in 2007–09.

Why consider investing in Murray International Trust?

- Diversified global exposure to both equities and fixed income.
- Very experienced management team that follows an unconstrained investment approach.
- Differentiated c 60% exposure to emerging markets.
- Focus on income growth and capital appreciation.
- Competitive 5.7% dividend yield.

Historic progressive dividend policy

MYI is currently trading at a 0.7% discount to cum-income NAV, which compares with the 0.5% to 1.2% range of average premiums over the last one, three and five years. The trust's board employs a progressive dividend policy; over the last 10 years, the annual distribution has compounded at 7.1% pa. Based on its current share price, MYI offers an attractive 5.7% dividend yield.

16 April 2020

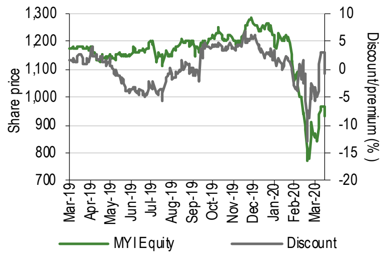
Price	**933.0p**
Market cap	**£1,207m**
AUM	**£1,353m**

NAV*	928.4p
Premium to NAV	0.3%
NAV**	939.3p
Discount to NAV	0.7%

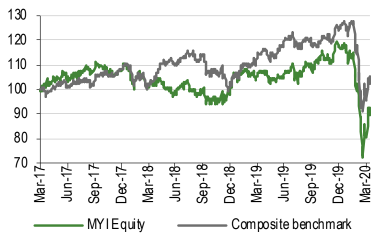
*Excluding income. **Including income. As at 14 April 2020.

Yield	5.7%
Ordinary shares in issue	129.4m
Code	MYI
Primary exchange	LSE
AIC sector	Global Equity Income
Benchmark	Composite benchmark

Share price/discount performance



Three-year performance vs index



52-week high/low	1,286.0p	774.0p
NAV** high/low	1,242.1p	851.6p

**Including income.

Gearing

Net*	15.6%

*As at 9 April 2020.

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Edison profile page

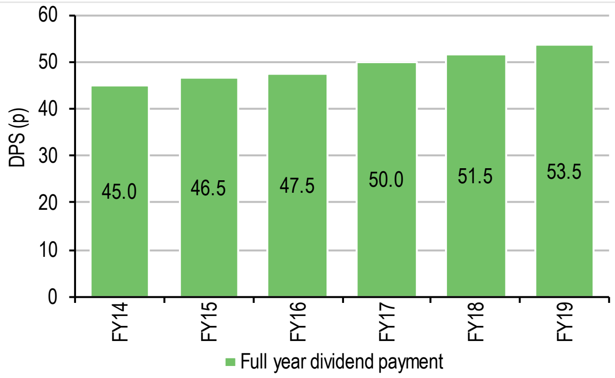
Murray International Trust is a research client of Edison Investment Research Limited

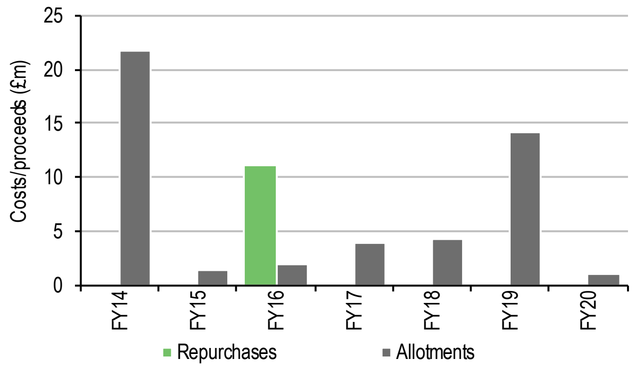
Exhibit 1: Trust at a glance

Investment objective and fund background	Recent developments
Murray International Trust currently aims to achieve a total return greater than its composite benchmark (40% World UK and 60% World ex-UK) by investing predominantly in equities worldwide. It also aims to maintain an above-average dividend yield.	■ 27 March 2020: Announcement of the postponement of the 24 April 2020 AGM due to the coronavirus. ■ 27 March 2020: Announcement of fourth interim dividend in lieu of final dividend (17.5p per share, +2.9% versus FY18's final dividend). ■ 6 March 2020: Appointment of Simon Fraser as non-executive director, effective from 1 May 2020. ■ 6 March 2020: Annual report ending 31 December 2019. NAV TR +12.4% versus benchmark TR +21.1%. Share price TR +16.5%.

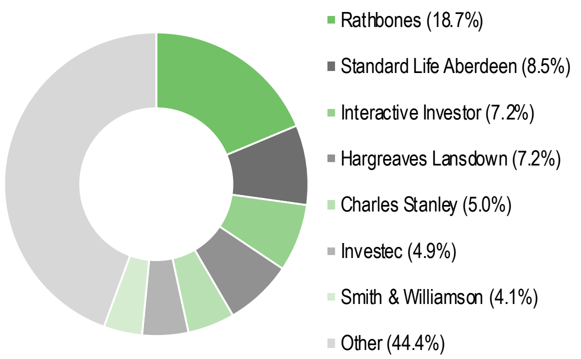
Forthcoming		Capital structure		Fund details	
AGM	April 2020 (postponed)	Ongoing charges	0.61% (FY19)	Group	Aberdeen Standard Investments
Interim results	August 2020	Net gearing	15.6%	Manager	Bruce Stout
Year end	31 December	Annual mgmt fee	Tiered (see page 9)	Address	1 George Street, Edinburgh, EH2 2LL
Dividend paid	Aug, Nov, Feb, May	Performance fee	None		
Launch date	December 1907	Trust life	Indefinite	Phone	0808 500 0040
Continuation vote	None	Loan facilities	£200m	Website	www.murray-intl.co.uk

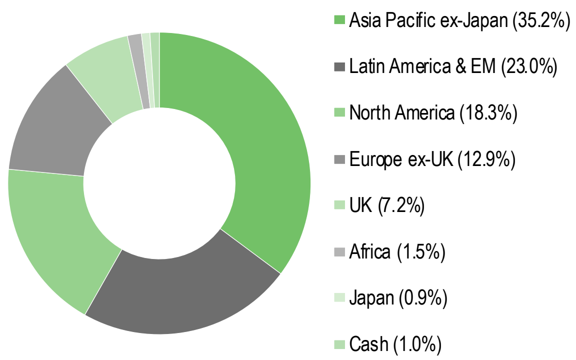
Dividend policy and history (financial years)	Share buyback policy and history (financial years)
Dividends are paid quarterly in August, November, February and May.	Subject to annual renewal, MYI has authority to repurchase up to 14.99% and allot shares up to 10% of issued share capital.





Shareholder base (as at 11 March 2020)	Portfolio exposure by geography (as at 29 February 2020)





Top 10 holdings (as at 29 February 2020)

			Portfolio weight %	
Company	**Country**	**Sector**	**29 February 2020**	**28 February 2019***
Taiwan Semiconductor	Taiwan	Technology	5.1	4.3
Grupo Aeroportuario del Sureste (ASUR)	Mexico	Industrials	4.5	4.3
Taiwan Mobile	Taiwan	Telecommunications	3.4	3.3
CME	US	Financials	3.3	N/A
Roche	Switzerland	Healthcare	3.1	2.6
Philip Morris	US	Consumer goods	2.8	2.8
Verizon Communications	US	Telecommunications	2.6	2.6
Sociedad Química y Minera de Chile	Chile	Basic materials	2.3	3.3
Oversea-Chinese Banking	Singapore	Financials	2.2	N/A
British American Tobacco	UK	Consumer goods	2.1	2.8
Top 10 (% of portfolio)			**31.4**	**31.4**

Source: MYI, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-February 2019 top 10.

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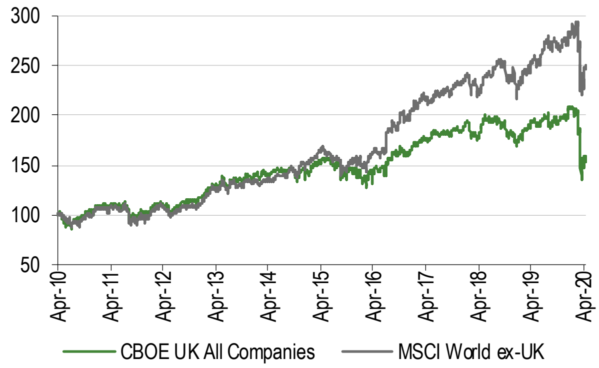
Market outlook: 'Hold on to your hats'

As shown in Exhibit 2 (LHS), the coronavirus outbreak has had a significant negative impact on both UK and global stock prices, wiping out the meaningful gains achieved in recent years. In the UK, the index of the largest 100 companies has just posted its worst quarterly loss since 1987, while in the US, the S&P 500 index has had its weakest quarter since the global financial crisis in 2008. In the table below, we show regional forward P/E multiples, although we caution that these are unlikely to reflect economic reality, as so far it is impossible to accurately gauge the impact of the pandemic on corporate earnings. However, despite the current doom and gloom, it is important to retain a longer-term perspective. Over time, equity indices have recovered from temporary setbacks, such as the dotcom bust in 2001–02 and the global financial crisis in 2007–09 – however painful they seemed at the time – and subsequently hit new highs.

Exhibit 2: Market performance and valuations (last 10 years)

Performance of UK and world indices (£-adjusted)



Datastream indices forward P/E valuations (x)

	Last	High	Low	10-year average	Last as % of average
US	19.1	19.6	11.2	15.6	122
Europe	13.7	15.5	7.6	12.3	112
UK	12.6	15.7	8.5	12.6	100
Japan	13.4	17.4	10.5	13.6	99
Emerging markets	11.3	13.5	9.2	11.5	99
World	15.6	16.3	9.8	13.7	114

Source: Refinitiv, Edison Investment Research. Note: Valuation data as at 15 April 2020.

Fund profile: Preference for emerging markets

Launched in December 1907, MYI is one of the oldest UK investment trusts, and is listed on the Main Market of the London Stock Exchange. Bruce Stout, a senior investment director in Aberdeen Standard Investments' (ASI) global equity team, has been lead manager since June 2004 but has been directly involved with MYI since 1992. He is assisted by investment directors Martin Connaghan and Samantha Fitzpatrick. Stout aims to generate long-term capital growth (while preserving capital during periods of stock market weakness) and an above-average dividend yield from a globally diversified portfolio of equities and fixed income securities. He has a preference for emerging markets (c 60% of the fund) given their above-average growth prospects and relatively attractive valuations.

The board is proposing a change to MYI's benchmark, by introducing a new All-World reference index (this was due to be voted on at the postponed April 2020 AGM and would have been adopted with immediate effect). The current composite benchmark, 40% UK and 60% world ex-UK, was adopted in 2000 as it broadly reflected the manager's investment outlook and the portfolio composition at the time. Since then, the allocation of the portfolio has changed significantly. In particular, the exposure to the UK has fallen considerably, rendering the benchmark's composition relatively meaningless. The board has also proposed a change in the investment objective from 'aiming to achieve a total return greater than its composite benchmark by investing predominantly in equities worldwide' to 'aiming to achieve an above-average dividend yield, with long-term growth in dividends and capital, ahead of inflation, by investing principally in global equities'. It believes that the new wording gives shareholders a clearer picture of what the trust is trying to deliver.

MYI’s board does not impose any geographic or sector limits on portfolio construction, but at the time of investment, a maximum 15% of the fund is permitted in a single security (in practice the percentage is much lower). From time to time, the trust may invest in equity-related securities such as depository receipts, preference shares or unlisted companies, and derivatives are permitted for efficient portfolio management. The manager may employ gearing of up to 30% of NAV (in normal market conditions); at 9 April, net gearing was 15.6%.

The fund manager: Bruce Stout

The manager’s view: Coronavirus – a ‘black swan’ event

Stout describes the coronavirus as a ‘black swan’ event – one that is unpredictable, beyond what is normally expected of a situation and has potentially severe consequences – and as such says it cannot be treated in the same way as other significant moments in history. The manager believes that it is extremely difficult to quantify both the duration and the ultimate effects of the pandemic. However, Stout reiterates his view that developed markets are ‘completely done’ in terms of monetary policy, as there has been a 30-year path of reducing interest rates. In the UK, 10-year gilt yields have declined from c 13% in 1990 and are now sub-50bp. He believes that monetary policy is bankrupt, with no stimulatory effect on the economy, while it is having a dubious effect on the financial sector. The manager opines that after the exhaustion of monetary policy in developed markets, the situation is 10 times worse now that politicians have taken hold of the printing presses and are monetising fiscal policy in an attempt to counter the negative economic effects of the coronavirus. He believes their actions will be inflationary and, pandemic aside, will speed up the onset of a recession that will be deeper and longer than envisaged, and will further destroy developed market government balance sheets. The manager says that for the last 10 to 15 years, bond markets have not priced in inflation, only deflation and recession; he believes that they are not reflecting credit-quality concerns. Stout expects a period of stagflation – stagnant demand and inflation – which will be exacerbated by shortages, providing opportunities for companies to raise prices. As a result, he expects bond yields to rise, while the lack of economic growth coupled with unfunded pension and healthcare liabilities means that developed market economies will get ‘poorer and poorer as real incomes are squeezed’.

The manager believes that once the virus is brought under control, Asia and emerging markets will retain a degree of policy orthodoxy, and there remains plenty of room to further reduce interest rates in these regions. He says that their government balance sheets are not bust, thus providing fiscal flexibility. Stout therefore argues that relative growth prospects are much better in Asia and emerging markets compared with developed markets, even if economic activity declines across the world. He says that while financial markets are being negatively affected by the coronavirus, over time regional trade has expanded in emerging markets and these economies are no longer as reliant on demand from developed markets. The manager believes that when investors’ risk appetite improves, they will head to emerging markets due to their superior growth prospects, and these regions will also benefit in terms of cyclicality from any pick-up in economic activity.

Regarding the relationship between the US and China, Stout says that it is very difficult to know how this will pan out. Before the coronavirus outbreak, protectionism was a big deal, leading to disruption in supply chains. In theory, the pandemic should not aggravate the relationship further, but given the leading characters involved, the manager is unsure how it will evolve. He says that if the US is hurting, it will blame others, even if its problems are self-inflicted in terms of its high levels of debt and unfunded social care programmes, which mean large swathes of the population are ‘massively disenfranchised’.

The manager says that in 2020, the Asian economy will be larger than the rest of the world combined for the first time since the 19th century, and it is already home to more than 50% of the global population. He explains that historically, China and India were the dominant economies globally, but they lost share due to the rise of the European empires, while the collapse of all economies following the two world wars led to the US becoming the largest by default. Stout says that Asia is experiencing real income growth due to rising populations and higher consumption, helped by more intra-regional demand. He cites Indonesia, which ‘could become the sixth largest economy in a couple of years’. In terms of relative purchasing power and competitiveness, the manager comments that standards of living are higher in developed versus emerging markets, so developed markets will lose out in a more globally competitive environment. He believes that on a comparative and absolute basis, Asia will be superior in terms of education and access to capital, and furthermore does not have the burden of unfunded social programmes. ‘The next decade will be the one for Asia’, he concludes.

Asset allocation

Investment process: Bottom-up stock and bond selection

The manager does not run MYI’s portfolio with reference to any particular market index (c 60% of the fund is invested in emerging markets); instead he seeks to find attractively valued companies with good potential for future earnings growth to support the trust’s yield requirement, while also offering the potential for capital appreciation. ASI employs a ‘global coverage list’, and Stout’s investible universe is all companies rated ‘buy’ or ‘hold’ by the six regional analyst teams (UK, Europe, Asia Pacific ex-Japan, North America, Japan and emerging markets). Over time, stock selection has been the major source of added value; top-down factors are a secondary consideration. The manager is able to invest across the market cap spectrum and is unconstrained by formal guidelines on individual stock, geographic and sector weights. As a result, the trust’s performance can diverge, sometimes significantly, from that of the benchmark.

Stout is also able to invest in fixed income securities. The process for selecting and monitoring both sovereign and corporate bonds follows the same methodology used for equity investment, with portfolio geographic and sector exposures a function of each security’s relative valuation and future prospects. There is a board requirement that MYI’s portfolio has between 45 and 150 holdings; at end-February 2020, there were 49 equity and 27 fixed income positions. Equity holdings are generally initiated at around 1.0% to 1.5% of the fund, while initial fixed income positions tend to be smaller. If a holding reaches 5% of the portfolio, it is trimmed within 30 days, and the manager will sell a holding within 30 days if it is no longer rated as sufficient quality on the global coverage list.

Environmental, social and governance (ESG) considerations are an important element of the investment process. The manager says that the ‘only way companies will change their behaviour is if shareholders make a noise’. Stout is supported by a dedicated global team of more than 50 ESG specialists; he highlights a couple of case studies to illustrate ASI’s commitment to these issues. **Vale** – following on from the January 2019 Brumadinho dam collapse, ASI has met various stakeholders at the company including senior management and an independent director, and has undertaken a site visit to the Brumadinho facility. These engagements have prompted Vale to adopt more stringent safety standards than those required by the Brazilian regulators. The company is also beginning to benchmark against tighter standards employed in Australia and Canada, and has set up a ‘safety and operational excellence’ office reporting to the CEO, which should ensure adherence to best practice. The office is operationally independent and has the authority to halt Vale’s business if deemed necessary. **BHP** – in October 2019, ASI publicly announced that it would be supporting a shareholder resolution asking the BHP board to suspend memberships of industry associations that were undertaking activities inconsistent with the Paris Agreement goals on climate change.

Current portfolio positioning

At end-February 2020, MYI's top 10 holdings made up 31.4% of the portfolio, which was in line with a year earlier; eight positions were common to both periods. The fund's active share was 91.3% – this is a measure of how a portfolio differs from its benchmark, with 0% representing full index replication, and 100% indicating no commonality. MYI's geographic exposure is shown in Exhibit 3; over 12 months to the end of February, the largest changes were a higher Asian equity exposure (+4.0pp) and lower weightings in UK (-3.5pp) and Japanese (-2.8pp) equities.

Exhibit 3: Portfolio breakdown by security type and geography (% unless stated)

	Portfolio end-Feb 2020	Portfolio end-Feb 2019	Change (pp)
Equities			
Asia Pacific ex-Japan	29.6	25.6	4.0
North America	18.3	17.2	1.1
Latin America & EM	14.5	15.9	(1.4)
Europe ex-UK	11.9	10.6	1.3
UK	6.7	10.2	(3.5)
Japan	0.9	3.7	(2.8)
Africa	0.5	0.6	(0.1)
	82.4	**83.8**	**(1.4)**
Bonds/cash			
Latin America & EM	8.5	8.5	0.0
Asia Pacific ex-Japan	5.6	5.1	0.5
Europe ex-UK	1.0	1.0	0.0
Africa	1.0	1.1	(0.1)
UK	0.5	0.4	0.1
Cash	1.0	0.1	0.9
	17.6	**16.2**	**1.4**
Total			
Asia Pacific ex-Japan	35.2	30.7	4.5
Latin America & EM	23.0	24.4	(1.4)
North America	18.3	17.2	1.1
Europe ex-UK	12.9	11.6	1.3
UK	7.2	10.6	(3.4)
Africa	1.5	1.7	(0.2)
Japan	0.9	3.7	(2.8)
Cash	1.0	0.1	0.9
	100.0	**100.0**	

Source: Murray International Trust, Edison Investment Research

Giving some perspectives on MYI's regional exposures, Stout says that in 2019 in Asia, benign global interest rates provided the catalyst for monetary easing throughout the region. The trust's Asian holdings include technology companies GlobalWafers, Samsung Electronics and Taiwan Semiconductor. MYI only has limited North American exposure given the propensity of companies to return cash to shareholders via stock buybacks rather than paying dividends. Holdings include telecom companies Telus and Verizon, and consumer product companies PepsiCo and Philip Morris. In Latin America, the manager is encouraged by orthodox economic policies and central bank easing. The trust's holdings include ASUR, Banco Bradesco, Kimberly-Clark de Mexico, Telefonica Brazil and Wilson Sons. Stout has found selective opportunities in global companies based in Europe, such as industrial businesses Atlas Copco, Bayer and Epiroc, and major pharmaceutical firms Novartis and Roche. MYI's UK exposure is at a historic low as the manager has difficulty identifying globally competitive growth businesses committed to paying attractive, growing dividends. The trust now has just five UK holdings: BHP, British American Tobacco, Royal Dutch Shell, Standard Chartered and Vodafone.

The manager notes that MYI's portfolio turnover in 2019 was once again low at 9% of gross assets (versus a historical 10-year range of 7% to 12%). During the year there were five new positions and six complete disposals, which he says are typical numbers, as it can be tricky to find attractively valued companies with growing dividends. In November 2019, Stout initiated a position in

Telekomunikasi Indonesia, which he describes as 'another pretty boring company'. The firm is benefiting from the 5G roll-out and increased demand for data as more and more people work from home, and the manager notes that the Indonesian telecoms market is well ordered with rational pricing. Stout says that c 17% of the fund is now invested in the telecom sector, and this weighting has increased over the last two years. He comments that these companies are exposed to young populations in growing markets; however, he says, a couple of years ago 'you could not give telecom stocks away as they were considered to have no growth and a lack of technology', which provided a good opportunity to add to the fund's exposure.

The manager explains that MYI's bond portfolio was built up in 2014, and the last five years have been a good period to assess its performance. To the end of December 2019, it has performed very well with a total return of 11.5% pa, which is higher than the equity portfolio total return of 8.8% pa and the composite benchmark total return of 10.8% pa. This has enabled MYI to grow its dividends and add to reserves; the trust has averaged a 4.4% yield over the five-year period, during which time UK gilt yields have gone from 3% to their current low level of sub-50bp. Hence, Stout says that MYI's bond investments have made a very positive contribution to the trust's total return performance.

Given the big sell-off in equities due to the coronavirus, the manager has started to shift some bond exposure into equities. As an example, he sold 2.0pp of a short-dated Brazilian sovereign bond and 1.5pp of a short-dated Indonesian sovereign bond and reinvested in leading pharmaceutical firm AbbVie and global technology company Broadcom, thereby increasing the trust's equity exposure and securing yield pick-up. MYI has the firepower to invest in volatile markets and has been increasing the trust's leverage to take advantage of opportunities, buying into quality businesses that Stout considers have become oversold.

Performance: Behind the benchmark in FY19

Exhibit 4: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	Composite benchmark* (%)	CBOE UK All Companies (%)	MSCI World ex-UK (%)
31/03/16	(8.7)	(1.7)	(1.5)	(4.1)	(0.3)
31/03/17	43.2	36.5	29.5	22.6	33.6
31/03/18	2.6	(2.2)	2.5	1.2	3.1
31/03/19	2.8	5.3	9.4	6.2	11.3
31/03/20	(23.0)	(17.1)	(11.0)	(19.1)	(5.5)

Source: Refinitiv. Note: All % on a total return basis in pounds sterling. *Composite benchmark is 40% UK and 60% World ex-UK.

In FY19 (ending 31 December), MYI's NAV and share price total returns of +12.4% and +16.5% respectively trailed the benchmark's 21.1% total return. During 2019, stock market leadership was dominated by low-yielding technology and growth stocks, where the trust is under-represented. In terms of the equity portfolio (c 80% of the fund), around 60% of the underperformance was due to asset allocation, while around 40% was due to stock selection.

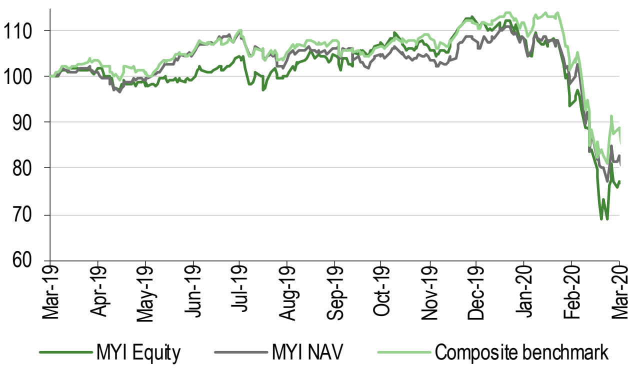
Stout explains that MYI generated strong returns from its European, UK and North American equities and from its emerging markets bonds. Latin American equities were a disappointment, partly due to relative weakness in Brazil due to protectionism issues and question marks over commodity markets; however, the manager says that over time, MYI's Latin American equity exposure has made a 'phenomenal contribution' to the trust's income and capital generation. Asian equities were also negatively affected by protectionist rhetoric and protests in Hong Kong.

The largest contributors to relative performance were Taiwan Semiconductor (+1.55pp), Atlas Copco (+0.45pp) and HSBC (+0.39pp), while the largest detractors were Sociedad Química y Minera de Chile (-2.06pp), Public Bank (-1.04pp) and Daito Trust (-0.93pp).

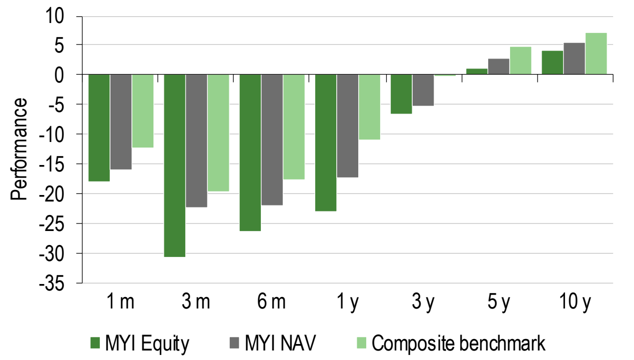
As shown in Exhibit 5 below, MYI has not been immune to the recent significant stock market weakness in response to the coronavirus outbreak. Over the last three months, its NAV and share price have declined by 22.1% and 30.6% respectively, compared with a 19.5% decline in the trust's composite benchmark.

Exhibit 5: Investment trust performance to 31 March 2020

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.

The manager remains committed to generating long-term growth in income and capital. His unconstrained investment approach means that MYI's performance can deviate from the composite benchmark. However, it is interesting to note that the trust's NAV has performed somewhat better than the broad UK market over the last 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 composite benchmark	(6.4)	(13.8)	(10.7)	(13.5)	(18.6)	(16.6)	(25.2)
NAV relative to composite benchmark	(4.0)	(3.2)	(5.3)	(6.9)	(14.5)	(10.1)	(16.4)
Price relative to CBOE UK All Companies	(3.3)	(6.7)	(4.7)	(4.9)	(6.6)	3.9	(1.5)
NAV relative to CBOE UK All Companies	(0.8)	4.8	1.0	2.4	(1.9)	11.9	10.0
Price relative to MSCI World ex-UK	(8.2)	(17.9)	(14.1)	(18.5)	(25.0)	(26.4)	(35.7)
NAV relative to MSCI World ex-UK	(5.8)	(7.8)	(9.0)	(12.3)	(21.3)	(20.7)	(28.2)

Source: Refinitiv, Edison Investment Research. Note: Data to end-March 2020. Geometric calculation.

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

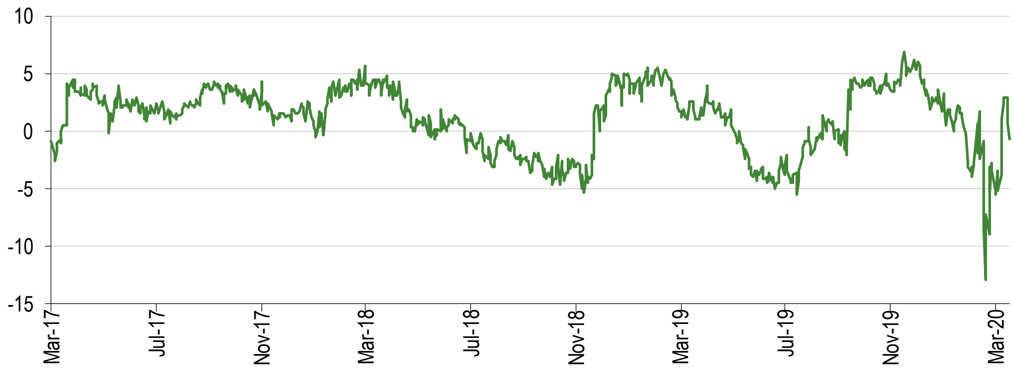
Source: Refinitiv, Edison Investment Research

Valuation: Broadly in line with historical averages

MYI is currently trading at a 0.7% discount to cum-income NAV, which compares with a range of a 6.9% premium to a decade-wide 12.9% discount over the last 12 months. Over the last one, three, five and 10 years the trust has traded at average premiums of 0.5%, 1.2%, 0.5% and 3.1% respectively.

Renewed annually, MYI has authority to repurchase up to 14.99% and allot shares up to 10% of issued share capital to manage a persistent significant discount or premium to NAV. The board believes it is in the best interests of shareholders to reduce the volatility in the trust's discount or premium, while repurchasing shares at a discount and allotting them at a premium is modestly accretive to NAV. During FY19, c 1.2m shares were issued or sold from treasury (c 0.9% of the share base), which raised c £14.3m.

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



Source: Refinitiv, Edison Investment Research

Capital structure and fees

MYI is a conventional investment trust with one class of share; there are currently 129.4m ordinary shares in issue. At end-FY19, the trust had £200m in debt, including a £30m five-year, 2.25% fixed rate loan taken out with the Royal Bank of Scotland International (RBSI) on 17 May 2019. MYI also has a £50m loan with RBSI that is due to mature in May 2020; the board is reviewing options to replace this facility. Total gearing of up to 30% of NAV is permitted (in normal market conditions); at 9 April 2020, net gearing was 15.6%.

In FY19, MYI's ongoing charge was 0.61%, 8bp lower than 0.69% in FY18. The more competitive figure was helped by a reduction in management fees from 1 January 2019, to 0.500% of NAV up to £1.2bn, and 0.425% of NAV above this level, versus the previous 0.575% up to £1.2bn, 0.500% between £1.2bn and £1.4bn, and 0.425% above £1.4bn. Fees are split 30:70 between the revenue and capital accounts respectively.

Dividend policy and record

MYI's board employs a progressive dividend policy, adding to reserves in some years (+£0.6m in FY19), while drawing down in others; over time the board aims to pay out underlying portfolio earnings (in sterling terms). At end-FY19, the trust had £75.7m in revenue reserves, which is equivalent to c 1.1x the FY19 dividend payment. Distributions are made quarterly in August, November, February and May. In FY19, MYI's revenue return per share was 9.1% higher year-on-year at 54.1p per share, while its annual dividend of 53.5p per share was 3.9% higher year-on-year. The improved level of income was due to portfolio companies increasing their dividends, such as ASUR, Banco Bradesco, Taiwan Semiconductor and Unilever Indonesia, rather than the receipt of special dividends or sterling weakness. Over the last decade, MYI's annual dividend has compounded at an annual rate of 7.1% and, based on its current share price, the trust offers a competitive 5.7% dividend yield.

Stout explains that in previous periods of uncertainty and recession, the dividends of consumer staples and pharmaceutical companies were relatively secure. However, he says that the coronavirus outbreak throws a different light on the ability of companies to pay their dividends. Firms such as airlines, bus companies or restaurants may have strong balance sheets, but could see their revenues evaporate. The manager is focusing on businesses that he knows well, which have previously shown they can survive periods of adverse trading conditions, such as ASUR, whose Mexican airport operations can be significantly affected by hurricanes in the Caribbean. ASUR has consistently increased its dividends and has net cash on its balance sheet. MYI has positions in major oil companies Shell and Total, both of whose share prices have been hit hard due to weakness in the oil price. However, the manager will continue to hold these positions as he says the firms can cut capex in order to fund their dividend payments.

Peer group comparison

MYI is the largest fund in the AIC Global Equity Income sector by quite some margin. Its NAV total returns are below average over the periods shown. On the date shown in the table, MYI's premium was lower than average, its ongoing charge is meaningfully below the mean, and no performance fee is payable. The trust currently has the highest level of gearing and, in keeping with its investment objective, offers the highest dividend yield in the sector, 1.4pp above average.

Exhibit 9: AIC Global Equity Income sector as at 15 April 2020*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Murray International	1,207.4	(14.2)	(11.6)	16.1	73.9	0.8	0.6	No	116	5.7
Henderson International Income	271.7	(9.1)	3.1	25.7		4.1	0.8	No	109	4.3
Invesco Perp Select Global Equity Inc	48.7	(15.1)	(5.3)	15.7	82.8	2.1	0.9	Yes	107	4.3
JPMorgan Global Growth & Income	423.8	0.6	9.9	43.7	128.3	5.0	0.6	Yes	100	4.3
Scottish American	538.2	(1.7)	16.5	51.7	125.6	1.6	0.8	No	114	3.3
Securities Trust of Scotland	178.6	(4.1)	7.0	30.5	121.4	1.2	0.9	No	111	3.7
Average	**444.8**	**(7.3)**	**3.3**	**30.6**	**106.4**	**2.5**	**0.8**		**110**	**4.3**
MYI rank in sector (6 funds)	**1**	**5**	**6**	**5**	**5**	**6**	**5**		**1**	**1**

Source: Morningstar, Edison Investment Research. Note: *Performance as at 14 April 2020 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

MYI's board currently has six independent, non-executive directors. Chairman Kevin Carter joined the board on 23 April 2009 (chairman since 28 April 2011); Peter Dunscombe (senior independent director) on 29 April 2011; Marcia Campbell on 27 April 2012; David Hardie on 1 May 2014; Alexandra Mackesy on 1 May 2016; and Claire Binyon on 1 May 2018.

The board is being refreshed: Dunscombe will retire at the 2020 AGM (postponed from 24 April 2020) and Hardie will become the senior independent director, while Carter and Campbell will retire at the 2021 AGM. On 6 March 2020, MYI announced the appointment of Simon Fraser with effect from 1 May 2020; he will become chairman following Carter's retirement. Fraser has a background in asset management, primarily at Fidelity International. He is currently chairman of McInroy & Wood and TS Lombard, is on the board of Fidelity Funds SICAV, treasurer of the Kings Fund and a trustee of the Abbotsford Trust. In the last five years, Fraser has retired from the following boards: The Merchants Trust (2019); F&C Investment Trust (2019); Ashmore (2017); Fidelity European Values (2017); and Fidelity Japanese Values (2015).

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