EDISON

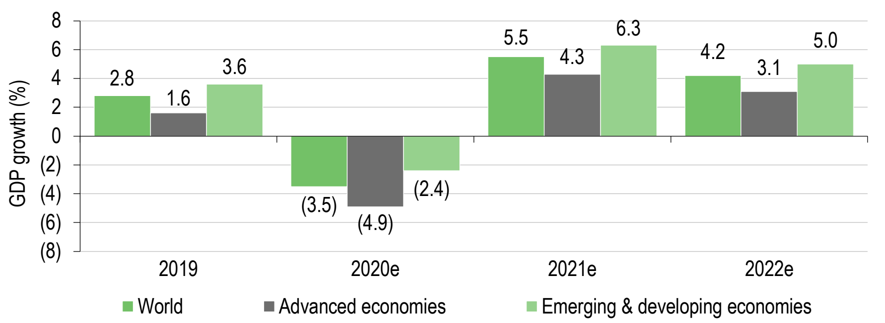
Murray International Trust

Manager took advantage of 2020 market volatility

Investment trusts
Global equities/debt

Murray International Trust (MYI) is managed by the Global Equity team at Aberdeen Standard Investments (ASI), led by Bruce Stout and supported by Martin Connaghan and Samantha Fitzpatrick. Stout says ‘it was a humbling experience to manage an income fund in 2020 as so many companies had to cut, cancel or suspend their dividends’. Last year, global stock market leadership was narrow as ‘when growth is scarce investors are prepared to pay any price for growth businesses’. Once vaccine programmes gain momentum and lockdowns are eased, the manager expects pent-up demand to contribute to a meaningful improvement in economic growth and broader market leadership, ‘which would be helpful for the relative performance of a diversified portfolio’ and has been evident over the last few months. MYI continues to have a significant exposure to emerging markets as these are regions where Stout sees the most attractive growth prospects.

Continued higher growth prospects in emerging markets



Source: International Monetary Fund World Economic Outlook Update January 2021, Edison Investment Research

The analyst’s view

MYI offers a diversified global portfolio of both equities and fixed income securities, which should benefit from an economic recovery. It is encouraging that the team took advantage of stock market volatility last year to introduce several new names into the portfolio across a range of industries that ASI believes offer above-average yields and the prospects of solid capital growth, which could contribute positively to the trust’s future performance. The manager has increased MYI’s equity weighting over the last 12 months to benefit from a yield pickup, which should help its future income stream, while improving company balance sheets is also likely to result in higher dividend payments from MYI’s investee companies.

Attractive 4.6% dividend yield

In FY20, the trust’s income was 46.6p per share, which was 13.9% lower year-on-year because of pressure on corporate dividends due to COVID-19. The board continued its progressive policy and the FY20 annual dividend of 54.5p per share was 1.9% higher than 53.5p in FY19. Starting in 2021, Stout is now able to modestly enhance the trust’s income via writing covered options and stock lending.

NOT INTENDED FOR PERSONS IN THE EEA

25 March 2021

Price	**1,192.0p**
Market cap	**£1,530m**
AUM	**£1,638m**

NAV*		1,142.3p
Premium to NAV		4.4%
NAV**		1,167.1p
Premium to NAV		2.1%

*Excluding income. **Including income. At 24 March 2021.

Yield		4.6%
Ordinary shares in issue		128.4m
Code/ISIN		MYI/GB0006111909
Primary exchange		LSE
AIC sector		Global Equity Income
52-week high/low	1,194.0p	843.0p
NAV* high/low	1,187.2p	887.8p

*Including income

Net gearing*	12.9%

*At 19 March 2021

Fund objective

Murray International Trust aims to achieve an above-average dividend yield with long-term growth in dividends and capital ahead of inflation, by investing principally in global equities.

Bull points

- Unconstrained approach – ability to source interesting opportunities anywhere in the world.
- Progressive dividend policy and attractive yield.
- Well-resourced investment team, which includes ESG specialists.

Bear points

- Large exposure to emerging markets, areas that can be more volatile than developed regions.
- Performance has lagged the reference index.
- FY20 dividend was uncovered.

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Market outlook: Potential for broader market leadership

Global stocks, led by the dominant US market, have staged an impressive recovery following the coronavirus-led stock market sell-off in Q120 (Exhibit 1, LHS). Government fiscal and monetary support has been unprecedented in an attempt to offset the negative effects of COVID-19, while November 2020 saw the first announcement about successful vaccine trials.

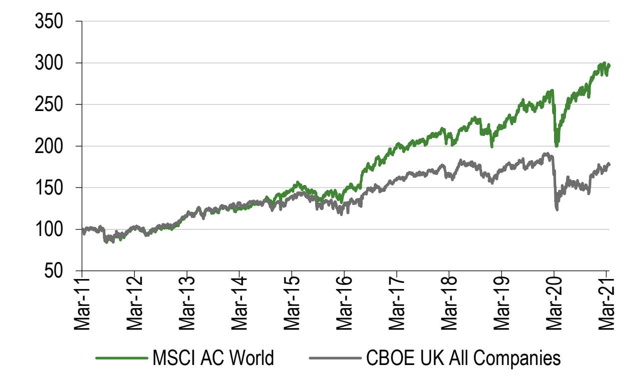
Market leadership last year was very narrow as investors focused on 'COVID-winners' such as large-cap technology stocks, which benefited from people working from home, while many other businesses came under significant pressure leading to dividend cuts and suspensions; this was particularly evident in the UK. This backdrop provided a very tough environment for managers with an income mandate.

Looking at valuations in Exhibit 1 (RHS), in aggregate shares are not looking particularly attractive. The Datastream World Index is trading on a forward P/E multiple of 19.1x, which is close to the high end of its 10-year historical range and a 33% premium to the average multiple over this period.

Since the positive vaccine news towards the end of last year, stock market leadership has started to broaden, although there remains a very wide divergence between the valuation of growth and value stocks. If the market becomes a more level playing field, it should be beneficial for those investors focusing on diversified strategies.

Exhibit 1: 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	22.8	24.0	11.2	16.5	138
Europe	16.4	17.0	8.2	12.8	128
UK	14.4	15.7	8.5	13.0	111
Japan	18.2	18.6	10.5	13.9	131
Emerging markets	15.0	17.4	9.2	11.8	127
World	19.1	19.8	10.0	14.3	133

Source: Refinitiv, Edison Investment Research. Note: Valuation data at 22 March 2021.

The fund manager: Aberdeen Standard Investments

The manager's view: Benefiting from a more global approach

Stout started the discussion with '2020 was the worst year for income funds in 20 years or more'. There was a raft of dividend cuts, suspensions and government intervention and, in his view, it was 'one of the most hostile environments ever witnessed'. Within the stock market there was a polarisation in performance between COVID-19 beneficiaries such as e-commerce companies and those businesses under stress including the travel and leisure sectors. The manager highlights the very high level of volatility in 2020, as an example the oil price hit a low of -$40 a barrel as energy companies were paying people to take up their unwanted inventory. 'It was a humbling experience; you cannot prepare for managing money in an environment like this' he adds.

The last significant dividend recession was a six-year period of uncovered falling dividends between 1999 and 2004. Stout explains that MYI's portfolio is very different now compared with 20 years ago, when 'there was a disproportionate amount of UK assets given their above-average yields'.

Asia was emerging from a financial crisis and companies in the region generally did not pay a dividend. The US was dominated by technology companies, which had low yields, while European dividends were 'patchy'. The manager says that 20 years ago 45% of the portfolio was invested in the UK (now c 6% of the fund), but MYI subsequently became a more international fund as overseas companies increasingly started to return cash to shareholders. Stout suggests that there are more opportunities to repair the trust's income now, compared with 20 years ago. He notes MYI was relatively unscathed during the global financial crisis in 2008–09 as the fund had a very low banking exposure and a large bond weighting, which could be switched into equities for a yield pick-up. 'Back then, names such as Cadbury, Nestlé and Johnson & Johnson were offering 4–5% yields versus 2.5% bond yields' the manager explains.

Stout discusses MYI's five-year total returns – given the diversified nature of its portfolio, it was not overly exposed to sectors or countries with 'evaporating dividends' in 2020. Despite a lack of exposure to some of the large-cap technology companies in Asia, which have performed particularly well, but do not pay dividends, such as Baidu, the region has generated a 13.5% annualised total return for the trust, which the manager finds 'very encouraging'. The US has generated total returns of 12.7% pa, MYI's holdings include AbbVie (biopharmaceuticals), Broadcom (semiconductors) and CME Group (financial exchanges), 'which are driving dividend growth and bringing something different to the portfolio'. Stout adds that 'the ability to generate income from a selection of industries and geographies brings additional flexibility'.

The manager shares his thoughts on the macroeconomic backdrop and believes debt legacies will inhibit growth to varying degrees. Several Asian countries such as Singapore and South Korea have 2020 budget deficits as a percentage of GDP that are at their highest in a decade, while the UK and US percentages are the highest since World War II. 'This is the legacy of the pandemic – who will pay for it and how'? Stout believes government fiscal policy will have to tighten as monetary policy is now ineffective. 'There will be higher taxes at the corporate and consumer levels, and cuts in spending. The global balance sheet is now much larger than it was following the global financial crisis as authorities have been printing money' he adds.

Stout says the market does not expect short-term interest rates to move over the next five years; however, there is increasing evidence that prices are rising, for hard and soft commodities, products and services, and there are now more trade barriers, while pent-up demand due to lockdowns also has implications for inflation. 'There is an argument that there is a lot of spare capacity due to high unemployment, so there will not be inflation. However, if that capacity is redundant and there is a tsunami of pent-up demand as economies open up, companies will increase prices if they can as many of them need to repair their balance sheets'. The manager says there is 'no route map' for emerging from the pandemic and many policymakers have never had to deal with inflation; he believes the authorities are likely to let their economies run hot and tolerate higher levels of inflation, which has negative implications for future economic growth.

Current portfolio positioning

MYI is a truly diversified portfolio, at end-FY20 it was invested in 28 countries, although this strategy was underwhelming last year as global market leadership was narrow. At end-February 2020, the portfolio had 55 equity and 24 fixed income investments (there is a board requirement that MYI has between 45 and 150 holdings) with the top 10 making up 31.7% of the fund, which was broadly in line with 31.4% a year earlier; seven positions were common to both periods. The active share of the fund was 92.3% – this is a measure of how a portfolio differs from an index, with 0% representing full index replication and 100% no commonality.

Exhibit 2: Top 10 holdings (at 28 February 2021)

Company	Country	Sector	Portfolio weight %	
			28 February 2021	28 February 2020*
Taiwan Semiconductor	Taiwan	Technology	4.7	5.1
Grupo Aeroportuario del Sureste (ASUR)	Mexico	Industrials	4.5	4.5
GlobalWafers	Taiwan	Technology	3.5	N/A
CME	US	Financials	3.0	3.3
Roche	Switzerland	Healthcare	2.9	3.1
Samsung Electronics	South Korea	Technology	2.8	N/A
Sociedad Química y Minera de Chile	Chile	Basic materials	2.8	2.3
Philip Morris	US	Consumer goods	2.6	2.8
Broadcom	US	Technology	2.5	N/A
Verizon Communications	US	Telecommunications	2.4	2.6
Top 10 (% of portfolio)			**31.7**	**31.4**

Source: MYI, Edison Investment Research. Note *N/A where not in end-February 2020 top 10.

Looking at MYI's portfolio breakdown in Exhibit 3, over the 12 months to end-February 2021 there was a 6.6pp shift from bonds/cash into equities with the largest increases to North America (+6.1pp) and Europe ex-UK (+4.6pp). The Latin America and emerging market exposure has declined by 5.7pp (3.9pp from bonds/cash and 1.8pp from equities).

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

	Portfolio end-February 2021	Portfolio end-February 2020	Change (pp)
Equities			
Asia Pacific ex-Japan	29.2	29.6	(0.4)
North America	24.4	18.3	6.1
Europe ex-UK	16.5	11.9	4.6
Latin America & EM	12.7	14.5	(1.8)
UK	5.8	6.7	(0.9)
Africa	0.4	0.5	(0.1)
Japan	0.0	0.9	(0.9)
	89.0	**82.4**	**6.6**
Bonds/cash			
Latin America & EM	4.6	8.5	(3.9)
Asia Pacific ex-Japan	4.0	5.6	(1.6)
Africa	1.0	1.0	0.0
Europe ex-UK	0.8	1.0	(0.2)
UK	0.5	0.5	0.0
Cash	0.1	1.0	(0.9)
	11.0	**17.6**	**(6.6)**
Total			
Asia Pacific ex-Japan	33.2	35.2	(2.0)
North America	24.4	18.3	6.1
Latin America & EM	17.3	23.0	(5.7)
Europe ex-UK	17.3	12.9	4.4
UK	6.3	7.2	(0.9)
Africa	1.4	1.5	(0.1)
Japan	0.0	0.9	(0.9)
Cash	0.1	1.0	(0.9)
	100.0	**100.0**	

Source: MYI, Edison Investment Research. Note: EM, emerging markets.

Stout highlights that MYI's portfolio has evolved significantly over time with a much lower UK weighting given the narrow nature of equity income here and there is now a broader range of opportunities overseas. The Japanese exposure has been sold as in general 'companies make the right noises regarding dividends but when there are problems they revert to form and cut them'. MYI's largest shift over the last decade is a higher weighting to the US, moving from 7% to 24%, where the manager is finding companies with attractive dividend yields and growth prospects. Over the last five years the largest sector increase within the equity portfolio is a higher weighting to technology (18% versus 5%), while consumer goods has declined from 27% to 12%.

MYI's transaction activity in 2020 was the highest in more than a decade, 'some of which was out of necessity, but mostly in response to opportunities' comments the manager. There were 10 new equity positions initiated across a diverse range of businesses: AbbVie, Broadcom, China Resources Land, Cisco Systems, Enel, Hon Hai Precision Industry Co (Foxconn Technology), Ping An Insurance, Tryg, Unilever (Europe) and Zurich Insurance Group, while there were six complete equity disposals: Bank Pekoa, Coca Cola Amatil, Public Bank, Ultrapar, Unilever Indonesia and Wilson, Sons. AbbVie and Broadcom were funded from the proceeds of bond sales for a yield pickup in early 2020 when investors were risk averse and stock market volatility was high. During 2020 MYI moved from zero to three insurance holdings: Ping An Insurance, Tryg and Zurich Insurance, while Enel is the trust's first utility; the manager says the company has an attractive renewable energy business.

Looking at portfolio activity this year, the small positions in Japan Tobacco and Auckland International Airport were sold. A rights issue last year means Auckland International Airport will not be able to pay a dividend in 2021. The proceeds from the disposals were invested in two new holdings, Canada-listed Enbridge (natural gas transmission and distribution) and France-listed Sanofi (pharmaceuticals).

Performance: Benefiting from broader leadership

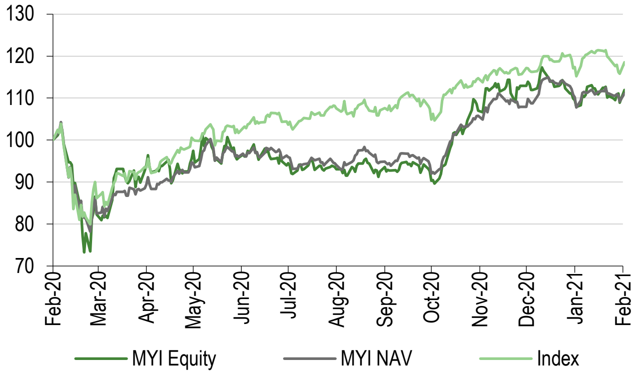
Exhibit 4: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	Index* (%)	CBOE UK All Companies (%)	MSCI World ex-UK (%)	MSCI AC World (%)
28/02/17	44.9	40.1	32.9	23.7	38.4	37.5
28/02/18	8.9	4.0	6.7	4.4	8.1	7.8
28/02/19	(0.5)	(1.7)	2.9	1.6	3.3	3.3
29/02/20	(5.8)	1.6	4.8	(2.1)	9.4	8.8
28/02/21	8.9	9.3	15.8	2.8	20.5	19.6

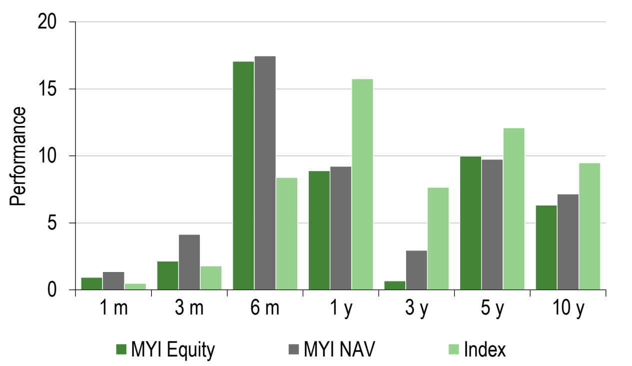
Source: Refinitiv. Note: All % on a total return basis in pounds sterling. *Index is 40% UK and 60% World ex-UK until 27 April 2020 and a broad global index thereafter.

Exhibit 5: Investment trust performance to 28 February 2021

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



Price, NAV and index total return performance (%)



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

In FY20, MYI's NAV and share price total returns of +0.9% and -5.3% respectively lagged the reference index's +7.0% total return. Underperformance was a function of stock selection rather than asset allocation. By geography, the largest positive contributor to the trust's relative performance was the UK (+2.2pp), while the biggest detractor was North America (-5.5pp). At the individual stock level, MYI benefited from its holdings in Taiwan Semiconductor (+2.7pp), Sociedad Química y Minera de Chile and GlobalWafers (both +1.9pp). The three largest detractors were Banco Bradesco (-1.0pp) and ASUR and Singapore Telecommunications (both -0.9pp). In absolute terms, there was a wide disparity of total returns, within the fund ranging from Asian equities

(+10.9%) to UK equities (-17.2%). On a sector basis the range was even wider, with technology (+60.7%) and basic materials (+32.6%) up during the year compared with energy (-32.4%) and financials (-20.4%). MYI's currency exposure is unhedged and exchange rates proved to be a constraint on both capital and income performance in FY20.

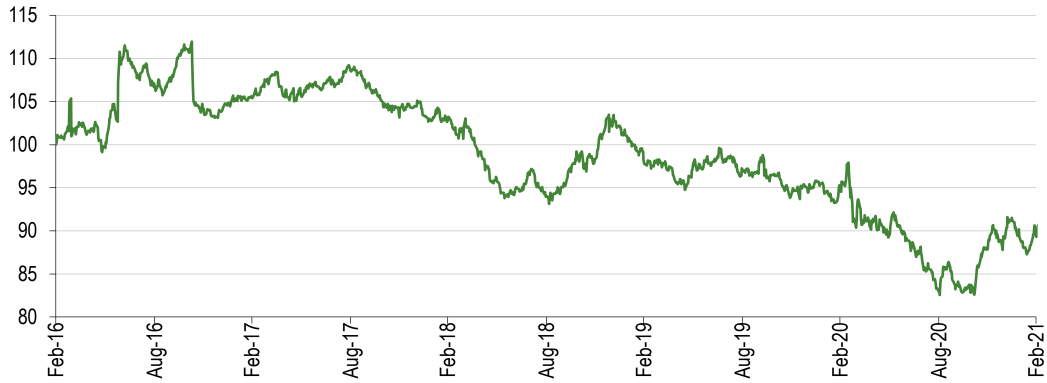
Exhibit 6: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to index	0.5	0.4	8.0	(5.9)	(18.2)	(9.0)	(25.4)
NAV relative to index	0.9	2.4	8.4	(5.6)	(12.5)	(10.1)	(19.3)
Price relative to CBOE UK All Companies	(1.2)	(2.5)	4.5	6.0	(0.2)	22.0	8.4
NAV relative to CBOE UK All Companies	(0.7)	(0.5)	4.9	6.3	6.8	20.6	17.3
Price relative to MSCI World ex-UK	0.5	0.4	8.0	(9.6)	(25.1)	(21.0)	(37.9)
NAV relative to MSCI World ex-UK	0.9	2.4	8.4	(9.3)	(19.9)	(21.9)	(32.8)
Price relative to MSCI AC World	0.4	0.3	7.9	(8.9)	(24.0)	(19.1)	(35.6)
NAV relative to MSCI AC World	0.9	2.3	8.3	(8.6)	(18.7)	(20.1)	(30.3)

Source: Refinitiv, Edison Investment Research. Note: Data to end-February 2021. Geometric calculation.

MYI's relative returns are shown in Exhibit 6. Compared with its reference index, the trust has performed considerably better over the last six months. Stock market leadership has broadened in recent months following positive news about COVID-19 vaccines in November 2020 and there is greater investor focus on the prospects for economic growth. MYI's performance has lagged that of the index over the last one, three, five and 10 years; however, its NAV is ahead of the broad UK market over these periods, illustrating the potential benefits of investing overseas.

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



Source: Refinitiv, Edison Investment Research

Peer group comparison

Exhibit 8: AIC Global Equity Income sector at 22 March 2021*

% 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	1,525.0	39.2	17.0	58.7	110.6	1.6	0.7	No	113	4.6
Henderson International Income	308.2	37.9	20.2	62.6		(7.0)	0.8	No	114	3.8
Invesco Perp Select Global Equity Inc	49.5	51.6	22.4	66.1	163.9	(6.9)	0.9	Yes	115	3.4
JPMorgan Global Growth & Income	604.4	54.1	44.6	116.3	214.9	3.2	0.6	Yes	106	3.2
Majedie Investments	126.2	40.1	3.7	23.1	88.8	(17.6)	1.2	Yes	110	4.8
Scottish American	768.6	35.7	36.6	93.1	166.8	4.0	0.7	No	110	2.6
Securities Trust of Scotland	203.3	32.1	26.5	60.9	145.7	(1.3)	0.9	No	112	2.8
Average	**512.2**	**41.5**	**24.4**	**68.7**	**148.4**	**(3.4)**	**0.8**		**111**	**3.6**
MYI rank in sector (7 funds)	**1**	**4**	**6**	**6**	**5**	**3**	**6**		**3**	**2**

Source: Morningstar, Edison Investment Research. Note: *Performance at 19 March 2021 based on ex-par NAV. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

MYI is by far the largest fund in the seven-strong AIC Global Equity Income sector. The companies follow a variety of investment strategies; for example, MYI has a higher than average exposure to emerging markets. Its NAV total returns are below average over the periods shown ranking fourth over the last 12 months, and sixth over the last three and five years. MYI ranks fifth out of six funds over the last decade.

The trust is one of three companies that are trading at a premium, while one is trading on a particularly wide discount (it has a c 17% stake in its owner and invests in its own funds). MYI has a competitive ongoing charge (no performance fee is payable) and it has the third-highest level of gearing. The trust offers the second-highest dividend yield in the sector, 1.0pp above the mean.

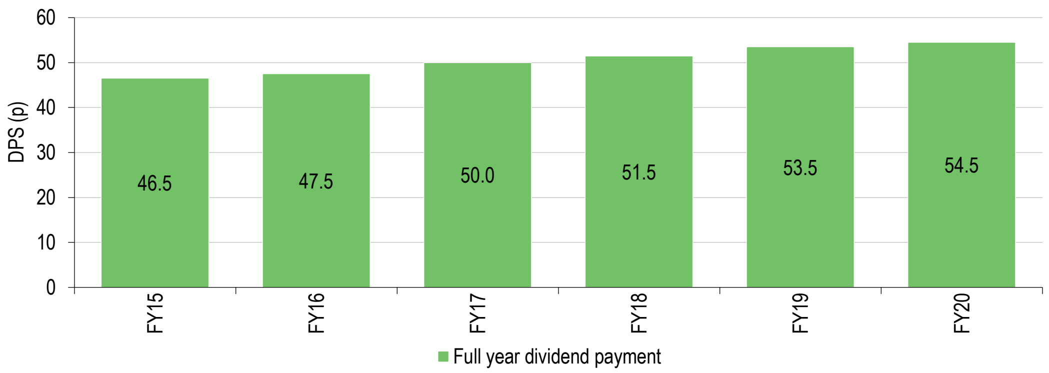
Dividends: Progressive policy

ASI explains that during FY20, within MYI's portfolio 'there were 29 dividend increases, a third of which were double digit, which is compatible with prior years, as some companies were able to generate cash flow and return cash to shareholders. Six dividends were unchanged, which is also similar to prior years. However, there were 13 dividend cuts including Royal Dutch Shell and Schlumberger where cash flows were under extreme pressure, and four cancellations – ASUR, Auckland International Airport, Standard Chartered and Bank Pekao'.

The FY20 annual dividend of 54.5p per share was 1.9% higher year-on-year, which compares favourably with the 1.2% increase in the Retail Prices Index. MYI has increased its dividend for the last 16 consecutive years. In FY20, MYI's income was 46.6p per share, meaning the dividend was c 0.85x covered; around 15% of the trust's revenue reserves were used to fund the shortfall. Over the last 20 years, dividend cover has ranged from 0.80x (in FY03) to 1.19x (in FY11). At end-FY20 revenue reserves were £66.8m (end-FY19 £75.8m), which is equivalent to around 1x the last annual dividend. The board intends to maintain its progressive dividend policy given MYI's investment objective and aims to pay out what the underlying portfolio earns in sterling terms (revenue received from overseas holdings is unhedged).

Last year the board reviewed MYI's investment approach and from 2021 there are now two strategies in place to generate a modestly higher amount of income. ASI is now able to write covered put and call options on underlying portfolio investments and employ stock lending.

Exhibit 9: Dividend history since FY15



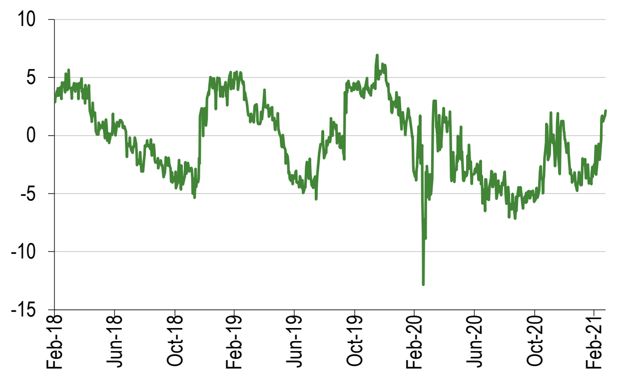
Source: Bloomberg, Edison Investment Research

Discount: Fluctuating valuation

As shown in Exhibit 10, over the last three years, MYI's valuation has generally fluctuated within a range of a 5% premium to a 5% discount. There was a period of volatility during the coronavirus-led stock market sell off in early 2020, during which time the trust's discount moved to a decade-wide discount of 12.9%. MYI's current 2.1% premium to cum-income NAV compares with average discounts of 2.8%, 0.4% and 0.1% over the last one, three and five years and an average premium of 2.4% over the last decade.

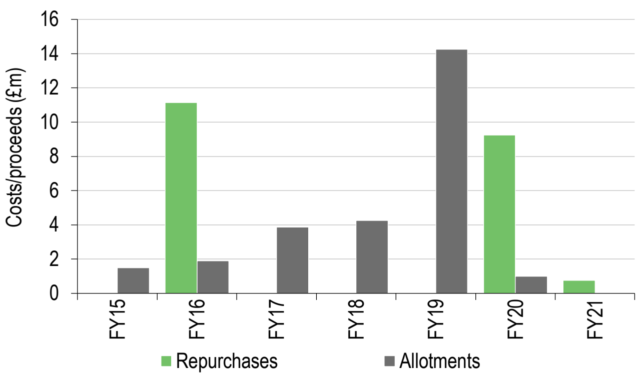
Aiming to reduce volatility in the trust's valuation, while making a small positive contribution to the NAV, the board repurchases shares if they trade at a persistent discount to ex-income NAV, while issuing shares if they trade at a persistent premium to cum-income NAV. During FY20, c 1.0m shares (c 0.8% of the share base) were bought back at a cost of c £9.2m and 80k shares were allotted raising c £1.0m.

Exhibit 10: Discount over three years



Source: Refinitiv, Edison Investment Research

Exhibit 11: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Fund profile: Differentiated geographic exposure

MYI is one of the oldest UK investment trusts, launched in December 1907; it is listed on the Main Market of the London Stock Exchange. Since 2004, Bruce Stout, a senior investment director in ASI's global equity team, has been the trust's lead manager, although he has been directly involved with MYI since 1992. He works closely with investment directors Martin Connaghan and Samantha Fitzpatrick.

The team 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 favours emerging markets (c 52% of the fund) as he believes these regions offer the prospect of higher economic growth alongside relatively attractive company valuations.

MYI's performance is now measured against an All-World reference index; before 27 April 2020 it was benchmarked against a composite measure (40% UK and 60% world ex-UK). The trust's investment objective was also changed on this date, 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 (MYI's prior aim was to achieve a total return greater than its benchmark by investing predominantly in equities worldwide). The board believes the new wording gives shareholders a clearer picture of what the trust is trying to deliver.

There are no 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, although in practice this percentage is much lower. From time to time, the trust may invest in equity-related securities such as depositary receipts, preference shares or unlisted companies, and derivatives are permitted for efficient portfolio management. Gearing of up to 30% of NAV is permitted (in normal market conditions); at 19 March 2021, net gearing was 12.9%.

Investment process: Bottom-up stock selection

Stocks are selected on a bottom-up basis, so sector, regional and country allocations are a result of these decisions. ASI employs a long-term approach, focusing on companies that ASI's research analysts identify as high quality. Firms are considered on five key factors: the durability of its business model and its economic moat; the attractiveness of the industry in which it operates; the strength of its financials; the capability of its management team; and an assessment of its economic, social and governance (ESG) credentials. Company valuations are assessed across a variety of relevant measures including earnings yields, free cash flow yields and dividend yields. The manager targets a double-digit annual total return from MYI's holdings, selecting companies that have the most attractive quality and valuation characteristics, while offering the best expected risk-adjusted returns. ASI uses a global coverage list that is constructed by each of the specialist regional analyst teams (UK, Europe, Asia Pacific ex-Japan, North America, Japan and emerging markets) containing all companies with buy and hold recommendations, which provides Stout's investment universe.

For MYI's fixed income holdings, the process for selecting and monitoring both sovereign and corporate bonds follows the same methodology used for equity investment. Portfolio geographic and sector exposures are a function of each security's relative valuation and prospects.

Within the portfolio there are typically 40–60 companies across the market-cap spectrum ranging from position sizes of between 1% and 5%. 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 buy or hold on the global coverage list.

MYI's approach to ESG

Although ESG and climate-related factors are not the overriding criteria in relation to Stout's portfolio decisions, they do form a very important part of the investment process, and have done so for more than 30 years for three key reasons:

- Financial returns – ESG factors can be financially material; companies that take their responsibilities seriously tend to outperform those that do not.
- Fuller insight – systematically assessing a company's ESG risks and opportunities alongside other financial metrics leads to better investment decisions.
- Corporate advancement – informed and constructive engagement helps foster higher-quality companies, thereby protecting and enhancing the value of MYI's investments.

The manager can draw on the resources of ASI's ESG equity analysts and central ESG investment team who collaborate to generate a deep understanding of the ESG risks and opportunities associated with each company analysed.

Climate change risks are vast and are becoming increasingly financially material for many of ASI's investments not only in the high-emitting sectors, such as energy, utilities and transportation, but also along the supply chain, for providers of finance and in those reliant on agricultural outputs and water. Companies that successfully manage climate change risks are expected to perform better over the long term.

A systematic and globally applied approach to evaluating stocks allows ASI to compare companies consistently on their ESG credentials – both regionally and against their peer group. Findings from research and company meetings are captured in formal research notes. All firms analysed are allocated an ESG rating between 1 and 5, where 1, best in class; 2, leader; 3, average; 4, below average; and 5, laggard. Once ASI invests in a company, it is committed to helping that firm maintain or raise its ESG standards further. Regular engagement is seen as a necessary fulfilment of its duty as a responsible steward of clients' assets and provides an opportunity to share examples of best practice seen in other companies.

Gearing

At end-FY20, the trust had £200m in debt. On 14 May 2020 it agreed a new one-year £50m revolving credit facility (RCF) with Royal Bank of Scotland International. The board is reviewing options for the RCF, which expires on 13 May 2021. Total gearing of up to 30% of NAV is permitted (in normal market conditions); at 19 March 2021, net gearing was 12.9%.

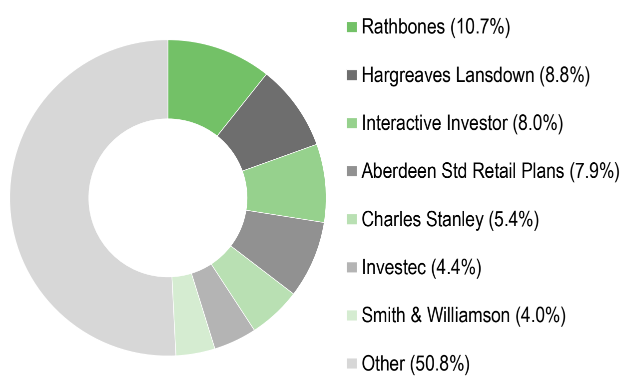
Fees and charges

MYI's management fees are 0.500% of NAV up to £1.2bn, and 0.425% of NAV above this level, split 30:70 between the revenue and capital accounts respectively. In FY20, the trust's ongoing charge was 0.68% compared with 0.65% in FY19, in part due to a small decline MYI's net assets.

Capital structure

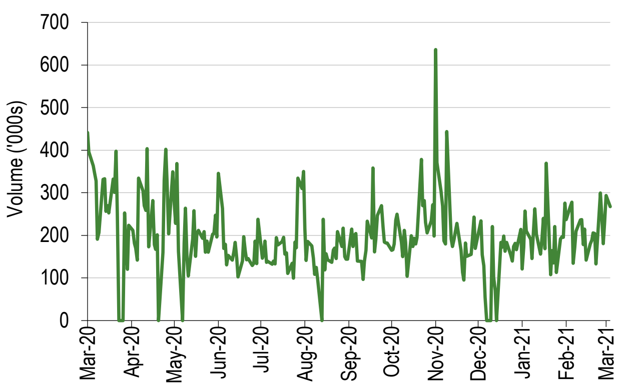
MYI is a conventional investment trust with one class of share; there are 128.4m ordinary shares in issue and its average daily trading volume is c 200k shares.

Exhibit 12: Major shareholders



Source: Bloomberg, at 28 February 2021.

Exhibit 13: Average daily volume



Source: Refinitiv. Note: 12 months to 22 March 2021.

The board

Exhibit 14: MYI's board of directors

Board member	Date of appointment	Remuneration in FY20	Shareholdings at end-FY20
Kevin Carter (chairman since April 2011)	23 April 2009	£48,000	65,000
Marcia Campbell	27 April 2012	£34,000	17,174
David Hardie	1 May 2014	£30,733	14,937
Alexandra Mackesy	1 May 2016	£28,000	Nil
Claire Binyon	1 May 2018	£28,000	1,161
Simon Fraser	1 May 2020	£18,667	Nil

Source: MYI

Carter and Campbell will retire at the 13 April 2021 AGM, at which time Fraser will assume the role of chairman. The board is recruiting another non-executive director.

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