EDISON

Miton Global Opportunities

Seeking real returns with more specialist focus

Investment trusts

Miton Global Opportunities (MIGO) seeks to provide returns in excess of those on cash by exploiting opportunities from pricing inefficiency among under-researched investment companies. With manager Nick Greenwood unconvinced by the near-term prospects for mainstream equity markets, the portfolio is developing more of a focus on specialist strategies and alternative asset classes. Recent performance has been strong and the trust has beaten its absolute benchmark (sterling three-month Libor +2%) over the last four discrete years (see below) and on a cumulative basis over all periods of five years and less (see page 6). Measures to raise MIGO's profile and improve liquidity in its shares, including the engagement of Numis as broker and Frostrow Capital for administration, distribution and marketing, may be reflected in a narrowing discount.

12 months ending	Total share price return (%)	Total NAV return (%)	Libor + 2% (%)	MSCI World (%)	FTSE All-Share (%)
31/08/12	(2.8)	(2.5)	3.1	11.5	10.2
31/08/13	14.0	15.2	2.6	21.5	18.9
31/08/14	6.0	7.5	2.6	13.4	10.3
31/08/15	2.4	(1.1)	2.7	4.1	(2.3)
31/08/16	17.2	18.6	2.7	26.0	11.7

Note: Twelve-month rolling discrete £-adjusted total return performance.

Investment strategy: Seeking value opportunities

MIGO seeks capital growth by investing in a portfolio of closed-end funds where manager Nick Greenwood sees long-term potential and attractive valuations. The manager has long experience in the sector and has managed the trust since launch in 2004. He blends top-down macro views, quantitative screens, fundamental analysis and extensive company meetings to arrive at a globally diversified portfolio with a tilt towards unloved funds and sectors and, increasingly, to alternative asset classes. The manager believes a combination of asset revaluation, narrowing discounts and the potential for realisation at a price closer to NAV means these holdings give a margin of safety in an uncertain equity market environment.

Market outlook: A holiday romance?

Equity markets are currently confounding those who felt 2016 would be a year to 'sell in May and go away', posting strong summer gains buoyed by better US data and Bank of England stimulus. However, the factors that drove earlier uncertainty – notably the UK's future in Europe and the US presidential election – have not gone away, and could spark further volatility in share prices and investment trust discounts.

Valuation: Discount narrower than average

At 6 September MIGO's shares were trading at an 8.4% discount to cum-income net asset value. This is narrower than the averages over one, three and five years, but wider than the 6-7% seen in late July and early August, close to a five-year low. The slight widening was caused by a c 5% rise in the NAV while the share price rose by c 2%. Underlying funds still trade at historically wide discounts, holding out the possibility of significant upside if these discounts narrow.

7 September 2016

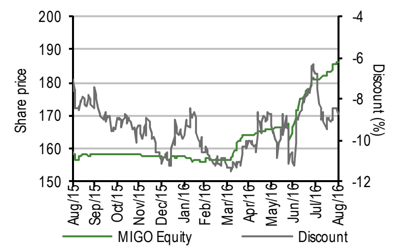
Price	**186.5p**
Market cap	**£47.2m**
AUM	**£56.4m**

NAV*	203.2p
Discount to NAV	8.4%
NAV**	203.6p
Discount to NAV	8.4%

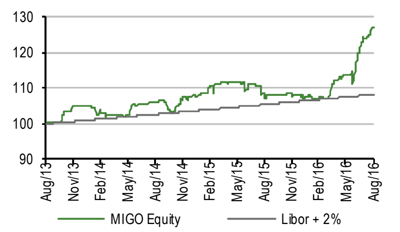
*Excluding income. **Including income. As at 6 September 2016.

Yield	0.0%
Ordinary shares in issue	25.3m
Code	MIGO
Primary exchange	LSE
AIC sector	Flexible Investment

Share price/discount performance



Three-year cumulative perf. graph



52-week high/low	186.5p	156.0p
NAV** high/low	203.9p	170.8p

**Including income.

Gearing

Gross*	10.2%
Net*	4.1%

*As at 31 July 2016.

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Edison profile page

Exhibit 1: Trust at a glance

Investment objective and fund background

Miton Global Opportunities (MIGO) (formerly MWGT) seeks to outperform three-month Libor plus 2% over the longer term, mainly through exploiting inefficiencies in the pricing of closed-ended funds. The fund aims to provide a better return over the long term than shareholders would receive by placing money on deposit. The benchmark is only a target and is not a point of reference for the manager in selecting the portfolio. In its publications the trust also shows performance of the FTSE All-Share Index and MSCI World (£) for comparison.

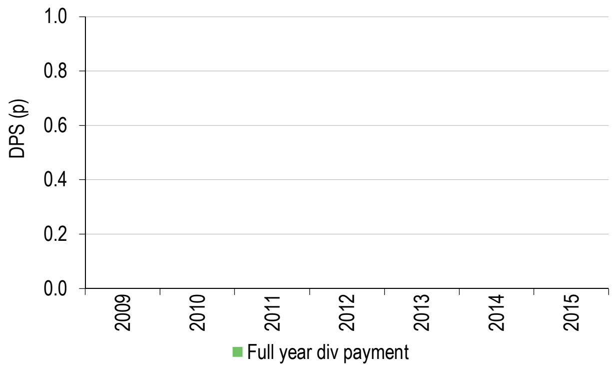
Recent developments

- 1 July 2016: Annual results for the 12 months ended 30 April. NAV TR +0.4% compared with +2.6% for three-month Libor + 2% benchmark. Share price TR +0.9%.
- 1 February 2016: Appointment of Frostrow Capital to provide company secretarial, administration, accounting and marketing services.

Forthcoming		Capital structure		Fund details	
AGM	September 2016	Ongoing charges	1.4%	Group	Miton Group
Interim results	January 2017	Gearing	10.2% (gross, 31 July)	Manager	Nick Greenwood
Year end	30 April	Annual mgmt fee	0.65% on market cap	Address	Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB
Dividend paid	N/A	Performance fee	No (see page 7)		
Launch date	6 April 2004	Trust life	Indefinite (see page 7)	Phone	020 3714 1500
Continuation vote	No (see page 7)	Loan facilities	£7m with RBS	Website	www.mitongroup.com/migo

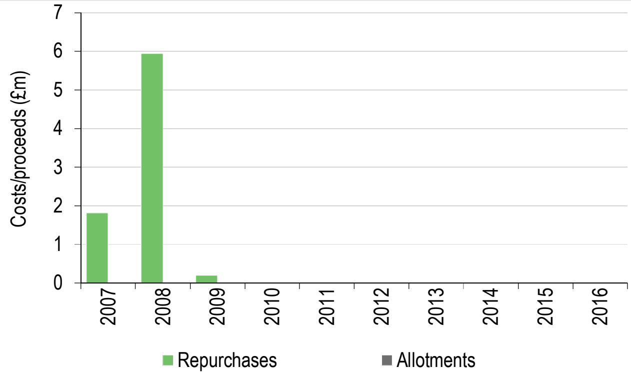
Dividend policy and history

The company has not historically paid dividends, providing the manager with flexibility in achieving MIGO's investment objective (see Dividend policy, page 7).

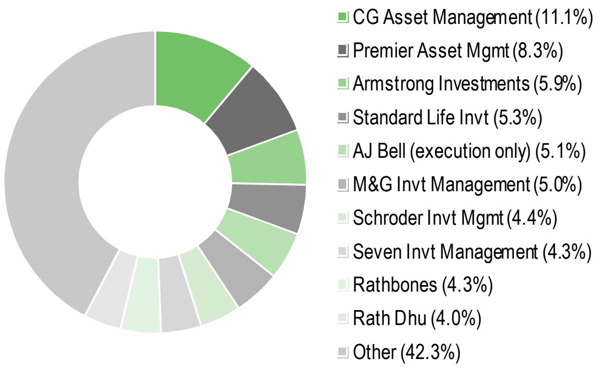


Share buyback policy and history

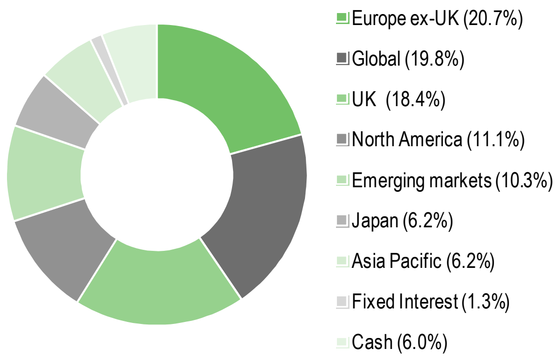
MIGO is authorised to repurchase up to 14.99% of its ordinary shares and allot up to 5% of the issued share capital. These powers have not been exercised in recent periods.



Shareholder base (as at 31 July 2016)



Geographical exposures (as at 31 July 2016)



Top 10 holdings (as at 31 July 2016)

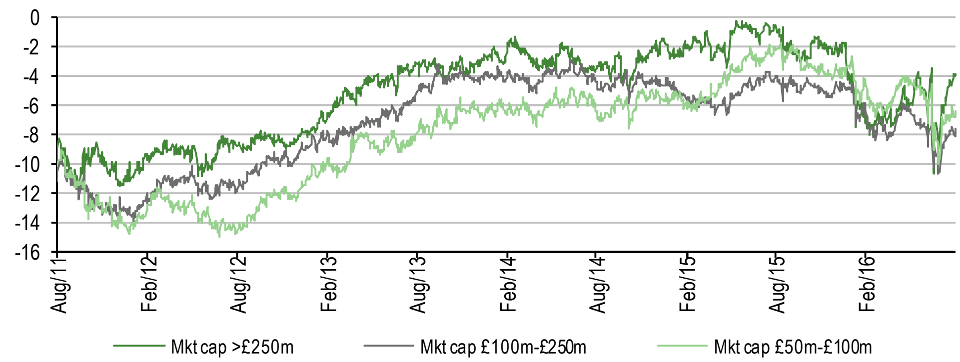
			Portfolio weight %	
Company	**Type of share**	**Sector/investment area**	**31 July 2016**	**31 July 2015***
Taliesin Property Fund	Ordinary	Property (Berlin)	6.9	5.2
India Capital Growth Fund	Ordinary	India equity	6.4	5.8
Pantheon International	Redeemable	Private equity	5.5	N/A
Establishment Investment Trust	Ordinary	Asian equity	5.5	4.7
Alternative Asset Opportunities	Preference	Traded life policies	4.5	4.0
Phoenix Spree Deutschland	Ordinary	Property (Germany)	4.2	N/A
Phaunos Timber Fund	Ordinary	Forestry	4.1	N/A
Alpha Real Trust	Ordinary	Property (global)	4.0	N/A
Rights & Issues Investment Trust	Capital	UK smaller companies	3.9	N/A
Better Capital	Ordinary	Private equity	3.8	3.6
Top 10 (% of portfolio)			**48.8**	**43.4**

Source: Miton Global Opportunities, Edison Investment Research, Morningstar. Note: *N/A where not in July 2015 top 10.

Market outlook: Trust discounts reflect volatility

The past year has been unsettling for equity investors, but for the moment at least, market participants seem to have shrugged off worries over Brexit and the possibility of a Donald Trump election victory, and focused instead on better US economic data and a further round of quantitative easing by the Bank of England. Over 12 months to the end of August, the FTSE All-Share posted a total return of 11.7% and the MSCI World Index was up 26.0% in sterling terms (boosted by the weak pound). These positive returns mask significant volatility during the period, however, as can be seen from the movement of investment trust discounts in Exhibit 2. After four years of gradual narrowing across the board, discounts widened sharply in early 2016 and again after the EU referendum result, before recovering somewhat. As the chart shows, the largest trusts currently stand on the narrowest average discounts (see The manager's view for an analysis of this trend), suggesting there may be opportunities to exploit misvaluation at the smaller end of the market.

Exhibit 2: Discount by investment trust size over five years



Source: Thomson Datastream, Edison Investment Research. Note: Uses Datastream indices.

Fund profile: Diversified, value-focused portfolio

Miton Global Opportunities (MIGO) began life in 2004 as the iimia Investment Trust. Managed since launch by Nick Greenwood, the trust joined the Miton Group stable after iimia merged with MitonOptimal in 2007, and was renamed Miton Worldwide Growth Trust in 2010. The current name was adopted in January 2016 to provide a more accurate reflection of the investment strategy.

MIGO has an unconstrained approach to investing in other closed-end funds that the manager believes are trading at wider discounts than are warranted. The portfolio is global and is diversified by asset class as well as geography. The approach can often lead to contrarian positions in unloved trusts, where either an improvement in sentiment or the potential for corporate action could lead to prices rising to a level closer to the underlying net asset value. Aiming to achieve positive returns in excess of those available on cash, MIGO has an absolute benchmark of 2% above three-month sterling Libor. The investment approach blends long-term holdings with more opportunistic situations, leading to average annual portfolio turnover of 38.8% over the past five financial years.

The fund manager: Nick Greenwood

The manager's view: Opportunities emerging in larger funds

Manager Nick Greenwood has been reducing MIGO's exposure to mainstream equity funds (see Current portfolio positioning), explaining that in an environment where equity market valuations look stretched and risks seem skewed to the downside, there are better opportunities in less correlated corners of the market. In particular he has scaled back exposure to Japan from more than 10% in June 2015 to c 4%. Although he believes Japan will outperform other mainstream equity markets, the strength of the currency is unhelpful in the short to medium term, and the prospects for the market look less attractive against a background of slower global profits growth.

As well as cutting the trust's overall number of holdings, Greenwood has been adding to private equity funds, where he sees a combination of good return potential and attractive discounts. In spite of a strong period for exits from private equity funds (2014 and 2015 were record years for IPO fund-raising globally), commitments to new funds have also been rising, with over $1trn globally committed but not yet allocated to private equity investments. Because of this, Greenwood sees it as a seller's market for unlisted investments, which favours more mature private equity funds (such as those in the MIGO portfolio) that could be looking to divest assets.

One reason Greenwood gives for the high level of discounts on these funds is that investors have not yet forgotten the experience of the financial crisis, where a strategy of overcommitment[1] saw several funds coming close to collapse. This led average discounts to NAV to balloon out to more than 60%, compared with c 15% for non-private equity investment trusts. Another reason is one he sees as a more general issue for the investment trusts market: size. Five of the seven private equity funds in the MIGO portfolio have assets of less than £250m.

Greenwood argues that while wider-than-average investment trust discounts used to denote a particular problem, such as a chequered performance history or management change, these days smaller trusts are increasingly becoming cut off from their traditional buyers in the private client wealth manager segment, leading to a lack of liquidity. As wealth manager firms have merged into ever-larger chains with centralised buy lists, the minimum size of investment trust that many will consider has gone up from c £100m to £200-300m and, says Greenwood, is fast heading towards £400m. In tandem with this, the manager says the average market capitalisation of MIGO holdings is also rising, as a lack of buyers causes discounts to widen on trusts further up the market cap scale. Greenwood points out that as a closed-end fund itself, MIGO can take a patient approach to extracting the value embedded in less liquid investments, as it is not subject to the inflows and outflows of assets that can affect open-ended funds.

Future investment ideas include funds investing in peer-to-peer lending, whose values were marked down in a period of risk aversion earlier this year.

Asset allocation

Investment process: Seeking value from unloved assets

Fund manager Nick Greenwood is a specialist in the closed-end funds sector and has been managing portfolios of investment trusts for more than two decades. In that time he has built an iterative approach to identifying value through a continuous process of idea generation, fundamental research and portfolio construction.

As well as using the knowledge he has built up over time, Greenwood undertakes an intensive schedule of company meetings. Ideas may be drawn from macro or thematic research as well as identifying unloved asset classes and funds. The manager uses a proprietary database to screen for outliers, as well as monitoring potential corporate actions such as manager change, tender offers or realisations. Ideas that emerge from these screens are thoroughly researched to arrive at an estimate of fair value. New positions will reflect the manager's level of conviction, as well as

1 In order to avoid the opportunity cost of holding too much cash, where expected returns were low, many funds 'overcommitted' to underlying investments. This became problematic during the global financial crisis as investee companies continued to draw down committed cash, while the pace of realisations slowed dramatically.

liquidity, the need to maintain diversification, and how well a potential holding fits with others in the portfolio. Holdings are built over time, which allows Greenwood to gain confidence in the investment case, as well as recognising the potential difficulty of quickly building a position in an out-of-favour trust where liquidity may be low.

Realisations are the most common reason for exiting a position (currently c 28% of the portfolio is in the process of realisation, although in some cases this may be protracted), although the manager will sometimes take profits in funds where discounts have narrowed to a level that no longer represents good value.

Current portfolio positioning

MIGO had 56 holdings at 31 July 2016, down from 61 a year previously. A large majority of the assets (92.2%) was invested in the top 30 positions, with the smaller end of the portfolio mainly consisting of residual positions in holdings that are in the latter stages of realisation.

The trust is broadly diversified by geography (see Exhibit 1), with Europe being the largest single regional exposure on a look-through basis at 31 July (20.7%). North American exposure is low (11.1%) compared with global market indices, where the US typically makes up at least 50%.

Exhibit 3: Asset allocation

	End July 2016 (%)	End July 2015 (%)	Change (% pts)
Equities	49.0	48.7	0.3
Property	21.5	22.4	-0.9
Private equity	15.6	10.8	4.8
Other	4.3	9.9	-5.6
Fund of funds	2.3	3.1	-0.8
Fixed income	1.3	2.2	-0.9
Cash	6.0	2.9	3.1
Equities	49.0	48.7	0.3
	100.0	**100.0**	**0.0**

Source: Miton Global Opportunities, Edison Investment Research

The reduction in the number of holdings reflects Greenwood's view that in the current market environment it is inappropriate to take large bets on the direction of equity markets (see The manager's view). In particular, exposure to Japan has been reduced markedly, with four equity funds sold (including a recent exit from JPMorgan Japanese Smaller Companies), leaving only the more special situation-focused Prospect Japan.

Newer holdings include Phoenix Spree, a German residential property fund that came to the market in June 2015. The manager feels there is significant value to be realised from the large disparity between valuations of sale and rental properties. This new position sits alongside largest holding Taliesin Property Fund, providing longer-term exposure to Berlin property as Taliesin moves more towards returning capital to shareholders.

The biggest increase in exposure over the past year has been to private equity, where seven funds now make up more than 15% of the portfolio. Purchases during FY16 include Dunedin Enterprise (now moving into realisation) and Standard Life European Private Equity, which, alongside existing holding F&C Private Equity, Greenwood describes as more of a macro call on the sector (see The manager's view for Greenwood's rationale on increasing private equity exposure).

Two other funds, Sanditon Investment Trust and Middlefield Canadian Income, were bought during FY16. The latter was subsequently sold at a premium of c 40% to the initial purchase price. Exits in FY16 include seven equity funds (three Japan, two UK and two Asia-Pacific) and three multi-asset/absolute return funds. Other notable exits were Japan Residential Investment Company (JRIC), acquired by Blackstone at a significant premium to NAV, and Marwyn Value Investors, which Greenwood sold after the company made a dilutive issue of shares.

Performance: Recent resurgence not just Brexit boost

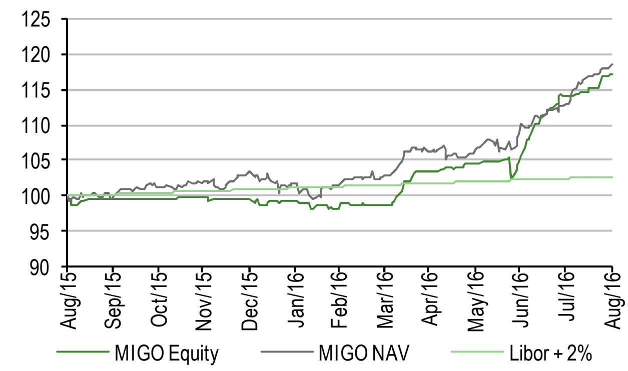
A particularly strong period of both share price and NAV performance since the EU referendum in June has propelled MIGO's returns well ahead of its absolute benchmark (sterling three-month Libor +2%) over all periods of five years and less (Exhibit 4). The shares had traded in quite a tight range, with the price moving up by just 2.3% from 23 June 2015 to the same date in 2016, while over FY16 (to 30 April) they returned 0.9%. However, from 23 June to 31 August 2016 the share price was up 11.0% and the NAV by 10.1%, reflecting increased liquidity in the shares and a greater investor appetite for non-sterling assets, which make up the bulk of MIGO's portfolio and have performed well as the pound has weakened. While the Brexit vote had a negative impact on UK smaller companies holdings such as Artemis Alpha, Rights & Issues and Aurora Investment Trust, manager Nick Greenwood notes that these were less affected than some of their peers.

During FY16 strong returns came from Berlin property specialist Taliesin, Chelverton Growth Trust (buoyed by a takeover of its largest holding), fund of hedge funds Boussard & Gavaudan, Rights & Issues (following a simplification of its capital structure, making the shares more appealing to investors), and Phaunos Timber, where the new management have focused on improving the quality of the portfolio of timber plantations. The key detractors were Macau Property Opportunities and uranium specialist Geiger Counter; the manager added to both these holdings and the latter has seen a significant re-rating as sentiment towards resources stocks has improved, up 28.0% on an NAV basis and 44.8% in share price terms since the start of 2016.

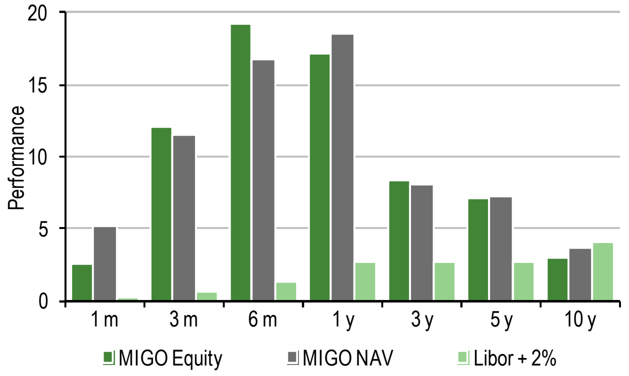
As shown in Exhibit 5, performance has lagged the MSCI World Index over most periods, but has been ahead of the FTSE All-Share Index over periods of three years and less. The disparity between the two sets of relative performance is most likely due to the large representation in the MSCI Index of the US market, which has performed strongly in recent years but has historically made up very little of the MIGO portfolio.

Exhibit 4: Investment trust performance to 31 August 2016

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



Price, NAV and benchmark total return performance (%)



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

Exhibit 5: 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 Libor + 2%	2.4	11.3	17.7	14.1	17.5	23.0	(9.7)
NAV relative to Libor + 2%	4.9	10.7	15.3	15.5	16.5	23.7	(3.1)
Price relative to MSCI World	1.1	(2.4)	(0.8)	(7.0)	(14.5)	(30.1)	(44.0)
NAV relative to MSCI World	3.6	(2.9)	(2.8)	(5.9)	(15.2)	(29.7)	(39.9)
Price relative to FTSE All Share	0.7	2.8	5.4	4.9	5.6	(10.7)	(23.5)
NAV relative to FTSE All Share	3.2	2.3	3.3	6.1	4.7	(10.2)	(17.9)

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-August 2016. Geometric calculation.

Discount: Opportunity from double discount

MIGO's discount to NAV has broadly ranged between 8% and 12%, averaging between 9.4% and 10.0% over one, three, five and 10 years. However, at 1 August the cum-income discount stood at 6.8%, close to the five-year narrowest point of 6.0% seen in August 2015. It later widened to stand at 8.4% at 6 September after the NAV rose by 5.2% while the share price went up by only 2.3%. Some of the recent narrowing is probably attributable to greater investor appetite for overseas assets given sterling weakness since the Brexit vote. However, the manager also cites initiatives to boost MIGO's profile and liquidity, including appointing a new broker, Numis, and engaging investment company specialist Frostrow Capital to undertake administration, distribution and marketing functions.

Greenwood says the average discount on the underlying holdings was c 27% in early August. Applying MIGO's own 8.4% discount to this gives a combined discount of c 33%, meaning each £1 invested at these levels would effectively buy assets with a value of £1.50.

Exhibit 6: Share price discount to NAV (including income) over three years (%)

Source: Thomson Datastream, Edison Investment Research

Capital structure and fees

Structured as a conventional investment trust, MIGO has 25.3m ordinary shares in issue. It has the authority to buy back up to 14.99% and allot up to 5% of shares annually, but has not used these powers in recent years. There is a £7m borrowing facility, of which £5m has been drawn. Gearing stood at 10.2% at 31 July, or c 4.1% accounting for £3m of cash held, and is permitted up to 20%.

Until FY16 MIGO had a requirement for a continuation vote every three years. In September 2015 shareholders agreed to replace this with a three-yearly realisation opportunity. The first of these will be in September 2018 and shareholders can choose to realise all or part of their investment, with realisation shares issued in place of the ordinary shares to be realised. The realisation shares will be managed as a separate pool with the aim of making returns of cash as soon as practicable. However, should the scale of realisation requests mean the net assets attributable to the ordinary shares fell below £30m, the trust would seek to realise all its assets on a timely basis and return cash to shareholders. Alongside this proposal, the performance fee on the ordinary shares was removed and the management fee paid to Miton increased from 0.5% to 0.65% of net assets.

Dividend policy and record

MIGO has not paid a dividend since launch, preferring to retain the investment flexibility to invest in non-income generating areas in the pursuit of total return. The trust charges all fees and costs to the revenue account, which may or may not exceed the revenue received.

Peer group comparison

MIGO is a member of the AIC's Flexible Investment sector, introduced at the start of 2016 as a peer group for funds with broad investment mandates that may include a significant non-equity portion. Given MIGO's absolute return, multi-asset approach, Exhibit 7 also includes two funds from the Global sector (British Empire and Lazard World Trust Fund) with broadly similar mandates. MIGO's NAV total returns are broadly in line with the peer group average over one and three years, as is its risk-adjusted performance as measured by the Sharpe ratio. Ongoing charges are around average, while gearing – although modest – is a little above average. MIGO's discount to NAV is narrower than the average, in spite of being one of only two peers not to pay a dividend.

Exhibit 7: MIGO compared with AIC Flexible Investment and global sector peers as at 22 August 2016

% unless stated	Market cap £m	NAV TR 1 Year	NAV TR 3 Year	NAV TR 5 Year	Ongoing charge	Perf. fee	Discount (ex-par)	Net gearing	Dividend yield (%)	Sharpe 1y (NAV)	Sharpe 3y (NAV)
Miton Global Opportunities	**46.3**	**14.7**	**23.2**	**40.1**	**1.2**	**No**	**(8.6)**	**103**	**0.0**	**(0.6)**	**0.0**
BACIT	493.3	7.1	16.7		1.3	No	3.8	100	1.7	(0.9)	(0.0)
BlackRock Income Strategies	299.7	(0.3)	4.7	41.3	0.7	No	(13.0)	115	5.8	(1.0)	(0.3)
Capital Gearing	136.0	10.9	18.1	40.2	1.0	No	2.4	100	0.6	(0.9)	(0.1)
Henderson Alternative Strategies	102.7	7.9	3.2	(7.5)	1.0	Yes	(18.1)	100	1.4	(0.9)	(0.5)
Invesco Perp Select Balanced	9.2	11.7	20.0		1.2	No	(1.4)	100	0.0	(0.5)	0.0
New Star Investment Trust	64.3	25.9	27.5	41.6	0.9	Yes	(32.7)	100	0.3	0.4	0.3
Personal Assets	722.4	18.6	24.2	31.9	0.9	No	1.2	100	1.4	(0.1)	0.2
RIT Capital Partners	2,766.8	15.7	33.9	65.7	1.2	Yes	5.8	107	1.7	(0.3)	0.4
Ruffer Investment Company	355.3	8.3	10.1	31.4	1.1	No	1.3	100	1.5	(0.9)	(0.3)
Tetragon Financial	1,071.2	23.7	70.0	150.6	1.7	Yes	(45.6)	100	7.6	0.6	1.5
British Empire	707.9	19.5	21.5	47.4	0.9	No	(11.2)	108	2.1	(0.1)	0.0
Lazard World Trust Fund	116.4	21.9	38.2	84.2	1.4	Yes	(12.4)	100	3.5	(0.1)	0.4
Overall average	**530.1**	**14.3**	**24.0**	**51.5**	**1.1**		**(9.9)**	**102.5**	**2.1**	**(0.4)**	**0.1**
MIGO rank in peer group	**12**	**7**	**6**	**8**	**6**		**7**	**4**	**11**	**8**	**8**

Source: Morningstar, Edison Investment Research. Note: TR=total return. Sharpe ratio is a measure of risk-adjusted return. The ratios shown are calculated by Morningstar for the past 12- and 36-month periods by dividing a fund's annualised excess returns over the risk-free rate by its annualised standard deviation. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

MIGO has four non-executive directors, all independent of the manager. Chairman Anthony Townsend has been on the board since MIGO's launch in 2004, as have James Fox and Michael Phillips (a founder of iimia Investment Group, MIGO's original manager, which eventually became part of Miton Group). Hugh van Cutsem was appointed in 2010. The directors all have professional experience in the investment company sector.

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