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- OUR HIGHEST-YIELDING FUND FAVOURITES
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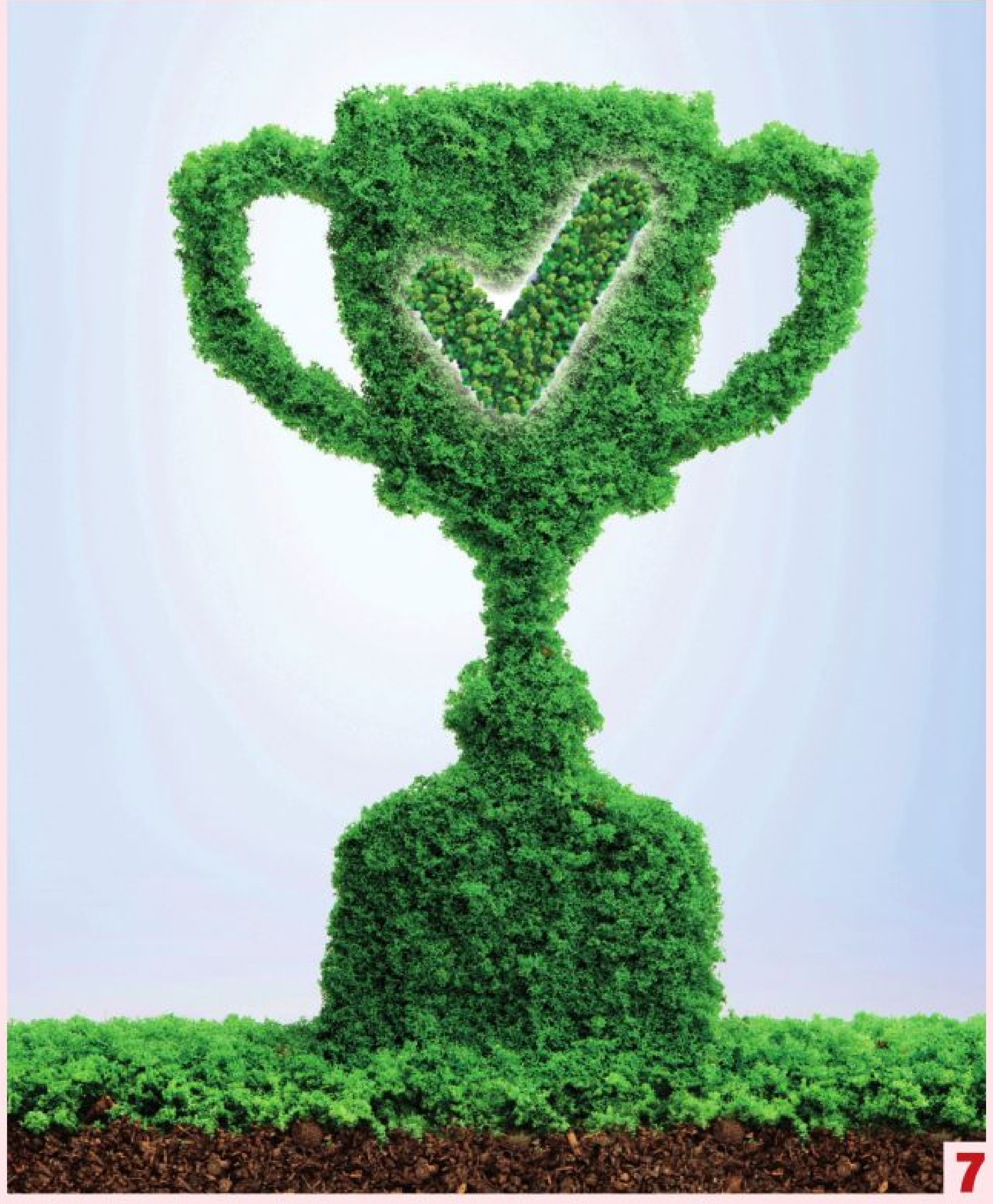
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ALL ABOUT US AND HOW TO GET IN TOUCH

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Editor's Comment

Trusts win no prizes for green credentials

This month's star letter (Your Money, page 18) flags up a dilemma likely to gain increasing prominence, given the significant rise in interest in sustainable investment over the past 18 months or so. It points out that while *Money Observer* makes it reasonably easy to identify 'green' open-ended funds – they're marked with a little green blob in our alphabetical listings – we have no equivalent marker to help investors in closed-ended funds pick out the managers that build environmental, social and governance (ESG) considerations into their stock-picking process.

The best a sustainably minded investment trust supporter can do is to focus on the niche sectors with a clear environmental bent: most notably the environmental and renewable energy sectors, which house trusts with dedicated and relatively specialist mandates. Those who want a mainstream global or UK equity-based trust with an ESG perspective are left remarkably high and dry.

SUSTAINABILITY CYCLES

In fact, they're arguably worse off than they were a few years ago: in 2017, the £2.8 billion Alliance Trust stepped back from its previous stance as an investment trust well-known for its sustainable investment approach under manager Peter Michaelis, and outsourced management to Willis Towers Watson (WTW) instead. Since then, of course, the sustainability bandwagon has really started to roll. In what might cynically be interpreted as an attempt to jump back onto it, last May WTW appointed Hermes Equity Ownership Services, an institutional adviser on sustainability, to boost its credentials, but Alliance Trust has not regained wider recognition as an ESG-focused choice.

The point is not that there are no mainstream investment trust managers taking ESG factors into account – there may be, but we as private investors cannot easily find out which they are.

We're not the only ones either, it seems. Morningstar recently upped its game with an overhaul of its fund Sustainability Rating methodology, so I spent some time poking about on the Morningstar website to see if the ratings extend to its investment trust listings.

I eventually found a question in the FAQs about the coverage of the new ratings system, the answer to which claims: "The Morningstar Sustainability Rating covers open-end funds, exchange-traded funds, closed-end funds…" But while investors searching for open-ended funds (and also, incidentally, for ETFs) have a 'sustainability filter' to help them find worthy candidates, there's no equivalent filter to help those looking for investment trusts. Is that just because Morningstar hasn't yet got that far? Or does it reflect a lack of ESG-focused options in the closed-ended world? We can only speculate.

There is no 'sustainability' filter for trust investors

There's a similar challenge playing out closer to home. The recently launched ethical long list and ACE 30 shortlist from our parent company, interactive investor, both include investment trusts, but (with the exception of Pacific Assets trust, which is managed by the sustainability-oriented Stewart Investors) all are specialists focusing on green energy and other environmental solutions, social housing or healthcare. The constituents, in other words, of those easily identifiable, relatively specialist green-focused sectors.

What is the investment trust industry doing to remedy this frustrating situation? The Association of Investment Companies says the EU authorities are working on rules that will require disclosure by fund managers as to how they incorporate ESG in their investment approaches. It is waiting for publication of the technical requirements of these disclosure rules, likely to be the second quarter next year. The EU is also working on a taxonomy for investors so they can define and identify ESG factors in a fund. No quick fixes on the horizon, then.

It's clearly a complex business to agree a definition of sustainability. But it remains a mystery as to why it's so much easier for outsiders to identify ESG-focused open-ended fund managers than closed-ended ones.

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How should investors deal with the risk of war?

Following the assassination of Iranian general Qasem Soleimani, investors were confronted with a new geopolitical risk to their portfolio: the potential for a destructive war between the US and Iran. While that risk, at least for the time being (as at time of writing on 13 January), appears to have sharply receded, the event has some valuable lessons for how investors should react to the prospect of war.

Broadly, markets reacted negatively to news of Soleimani's killing, fearing the damage to the global economy such a war would bring about. Iran's response, the bombing of military bases used by US troops in Iraq, saw a repeat of this. Certain financial assets, however, rallied on the back of both events, including so-called safe havens such as 10-year US government bonds and gold, and those set to directly benefit from a conflict, such as oil and defence sector stocks.

IN THE BUNKER

Donald Maxwell-Scott, an investment manager at Rowan Dartington, pointed out after the events: "The only risers in the FTSE 100 on 6 January were Royal Dutch Shell and BAE Systems. It is easy to see why BAE might be on the rise. With escalating tensions there may well be an increase in defence contracts in the region. The rest of the market, however, appears to be deep in the bunker, as investors worry about the potential consequences of a new conflict in the Middle East."

What should investors have done? With hindsight, the answer is: very little. As Maxwell-Scott noted at the time: "The simple message we would have for investors at this time is not to panic. By reading the newspapers, it might appear that the US is on the brink of an apocalyptic war with Iran; however, the more likely scenario is that both sides are far from it. Of course, the markets were in negative territory [earlier that week], because they do have to price in the uncertainty of how events will play out over the coming weeks and months."

> **"The simple message we would have for investors at this time is not to panic"**
> DONALD MAXWELL-SCOTT

Far from panicking, some investors may have been tempted to react by positioning their portfolio to benefit in the event of war or further escalation. Famed stockpicker and former hedge fund manager Jim Cramer floated the idea of a "wartime asset allocation", on his CNBC show Mad Money. "If you think a genuine war with Iran is inevitable, you want cash, you want gold, utilities, oil, defence and cybersecurity," he said.

It is easy enough to see the logic here: gold goes up in times of uncertainty; utilities are a defensive play; war would restrict the supply of oil, sending up the price of a barrel; defence companies and cybersecurity companies would see increased business in a US/Iran war. Cramer also suggested a high cash allocation in order to take advantage of buying opportunities.

But was this sage advice for investors? Many of the assets suggested did enjoy strong rallies on the back of the initial news of Soleimani's killing, and the follow-up attack by Iran also saw markets react in much the same way.

ALREADY PRICED IN

Private investors, however, should have been wary about jumping into these assets with the expectation that they would continue to go up. The market is a voting machine, with prices (in theory) reflecting all known information by many thousands of market participants. On that basis, the market has readjusted the share price of, for example, Lockheed Martin given the likelihood of escalation or war based on all known information.

Investors choosing to pile in after the event would essentially be assuming markets have underpriced the risk of war. That's a dicey game to play. Foreign policy decisions are never easy to predict, and even less so with US President Trump in the picture. Indeed, at the time of writing, there's a general consensus that the strikes by Iran were part of an attempt to de-escalate while "saving face". As a result, broader markets rose again, with the S&P 500 index reaching a new record high.

What the skirmish between the US and Iran showed, however, is the importance of well-diversified asset allocation from the outset. **Tom Bailey**

Bulletin

➠ Investors stuck in the LF Woodford Equity Income fund are due to start receiving money from the end of January. The first payout will come in several instalments over a number of months and its value will be based on how many fund units each investor holds.

➠ In other Woodford-related news, the fate of the LF Woodford Income Focus fund has been decided, with Aberdeen Standard Investments (ASI) appointed as the new manager. Thomas Moore and Charles Luke will take the reins, with ASI aiming to re-open the fund (which was suspended on 15 October) "no later than February".

➠ Under new rules from the Financial Conduct Authority, new investors will not be able to place more than 10% of their assets in peer-to-peer (P2P) investments unless they have received financial advice.

➠ Vanguard is launching a self-invested personal pension with a low fee of 0.15%, capped at £375 a year. A universe of 76 Vanguard funds and ETFs is available at the start of 2020 for those building up pension investments, with a drawdown service following from the beginning of the 2020/21 tax year.

➠ Investors are still being exposed to adverts for mini-bonds on Google, despite a one-year ban taking effect from the start of 2019. Newspaper reports in early January cited examples of mini-bonds appearing at the top of search results for terms such as "high-return investments" and "top Isa rates".

➠ *Money Observer*'s parent company interactive investor has introduced free regular investing, scrapping its previous 99p fee. Most platforms levy fees for regular investments made into investment trusts, shares and ETFs.

Liquidity a 'systemic risk' for open-ended investment funds

The Bank of England has taken aim at open-ended investment funds, citing those with potential liquidity issues as posing a "systemic risk". In its Financial Stability Report for 2019 (released in mid-December), the Bank argues that the mismatch between requirements for daily liquidity and the inability of some funds to sell their assets quickly means "there is an advantage to investors who redeem ahead of others, particularly in a stress". This has the potential to become a systemic risk, it says.

To combat this, the report proposes a combination of longer redemption periods and measures to force those leaving the fund in times of market stress to accept a discounted price for the value of investments held.

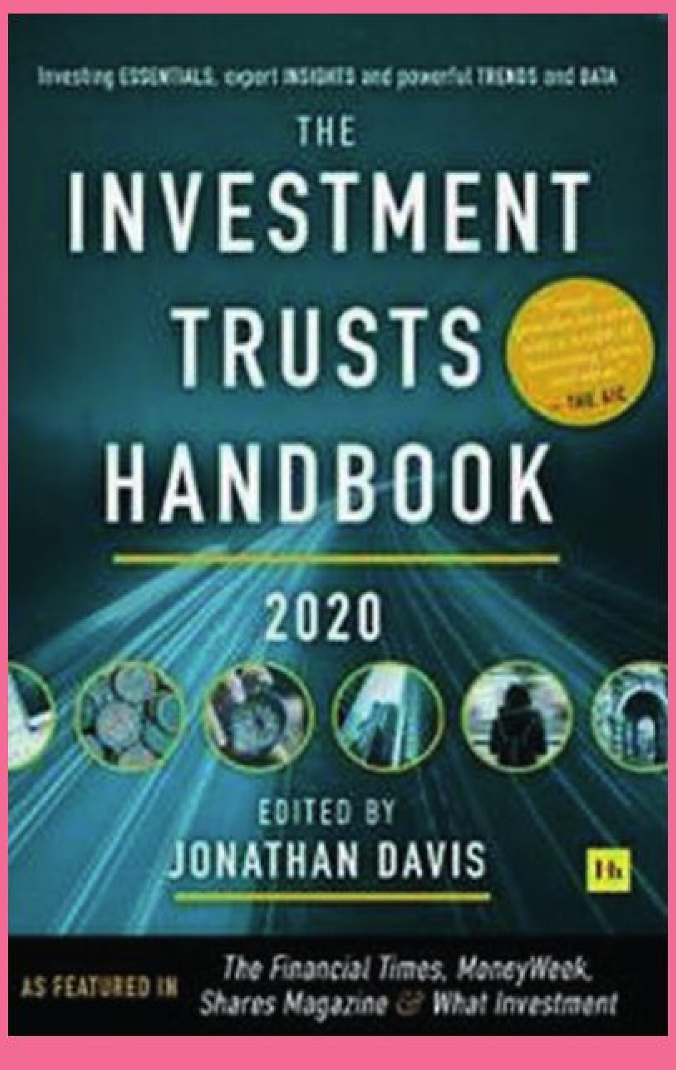
According to interactive investor, *Money Observer*'s parent company, the proposals appear to give investors in funds with illiquid holdings the choice between being locked in or facing a haircut on redemptions. Rebecca O'Keeffe, head of investment at interactive investor, notes: "These proposals are an improvement on where we are today in addressing liquidity mismatch in open-ended funds. However, there is a huge 'but'. These proposals give investors a choice between a lock-in and a fire sale – or at least that's how it looks to us."

The proposals could be interpreted as bringing an end to daily trading for illiquid assets, according to Ryan Hughes, head of active portfolios at AJ Bell. This would result in investors in property funds not being able to sell their holding whenever they want, as they are currently able to do.

The FCA will now consider turning the report's proposals into new rules in 2020.

Tom Bailey

WIN a copy of *The Investment Trusts Handbook 2020*



Once again *Money Observer* has teamed up with Harriman House to offer 10 free copies of the *Investment Trusts Handbook* 2020, edited by Jonathan Davis. Full details regarding how to enter the competition can be found on page 4 of our quarterly *Trust* supplement.

Pain for Train as two funds downgraded

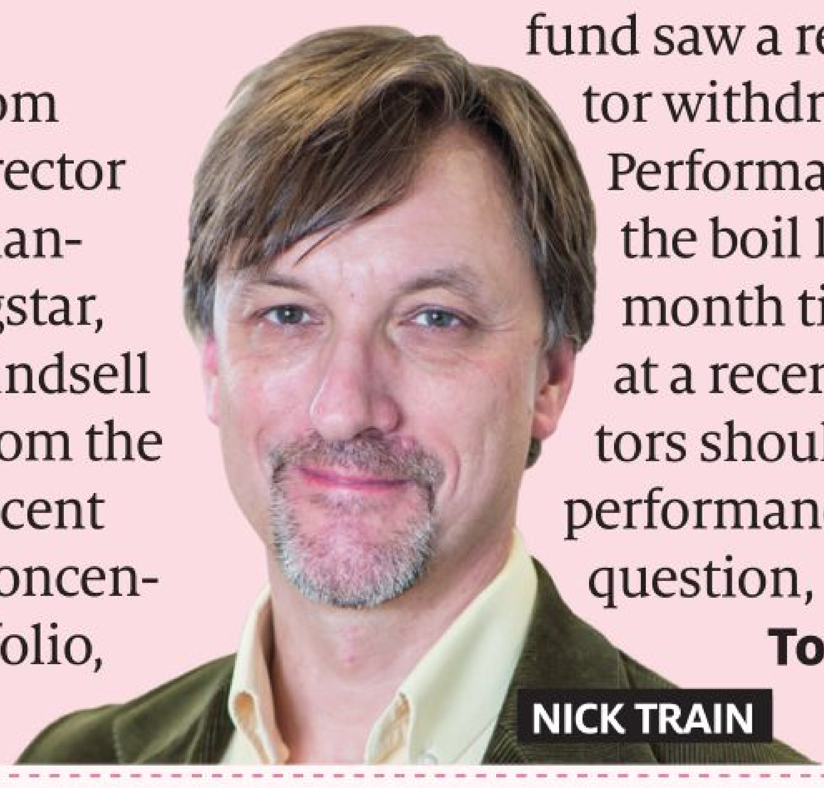
Two of Nick Train's funds have lost their Morningstar gold status, owing to concerns over liquidity. The £6.7 billion LF Lindsell Train UK Equity has been down-rated from gold to bronze, while Finsbury Growth & Income investment trust, with a net asset value of £923 million, has seen its gold star status replaced with silver.

According to a note from Peter Brunt, associate director of equity strategies for manager research at Morningstar, the chief concern with Lindsell Train UK Equity stems from the fund's large inflows in recent years. Given the highly concentrated nature of the portfolio, this has led to significant ownership stakes in companies held.

Brunt notes: "While such large ownership levels do not conflict with the long-term investment approach, they could make the fund far less nimble to respond to adverse circumstances (including a significant liquidity event)."

In September Lindsell Train UK Equity fund saw a record level of investor withdrawals at £374 million. Performance has also come off the boil lately on a three to six-month timeframe. When asked at a recent event whether investors should expect more underperformance, Train shrugged off the question, replying, "I don't know."

Tom Bailey



NICK TRAIN

VOLATILITY MANAGED WAS THE BEST-SELLING FUND SECTOR IN NOVEMBER, REACHING NO. 1 POSITION FOR THE FIRST TIME

A MONTH IN THE MARKETS

CURRENCIES

Sterling v	Close	Monthly change* (%)	Year ago**
Euro	1.16	-1.69	1.12
Dollar	1.29	-1.53	1.28
Yen	142.7	0	139.1
Canada $	1.69	-2.87	1.7
SwissFr	1.26	-3.08	1.26

COMMODITIES

	Close ($)	Monthly change* (%)	Year ago**
Oil (Brent)	64.2	-0.3	58.99
Gold (oz)	1,547	5.96	1,291
Platinum (oz)	974	8.71	802
Copper (tonne)	6,153	4.87	5,860
Silver (oz)	18	8.43	15. 69

MAJOR INDICES AS AT MID-JANUARY

Market	Close	Monthly change* (%)	52-week high	52-week low
FTSE 100	7,617	5.22	7,727	6,734
FTSE 250	21,716	3.74	22,114	18,356
FTSE All-Share	4,225	6.45	4,254	3,714
S&P 500	3,265	3.82	3,288	2,585
Dow Jones Ind Average	28,869	3.05	29,009	23,887
Nasdaq Composite	9,178	6.03	9,274	6,928
Japan Nikkei 225	23,850	2.12	24,091	20,110
Hong Kong Hang Seng	28,954	9.27	30,280	24,899
Shanghai SSE Composite	3,115	6.97	3,288	2,532
India BSE Sensex	41,859	3.5	41,994	35,287
France CAC-40	6,036	2.81	6,071	4,754
Germany DAX	13,451	2.16	13,548	10,812
FTSE Eurofirst 300	1,635	2.77	1,638	1,336

Note: Data as at 13 January close. Asian markets 14 January close. *Change since January 2020 issue. **Values in February 2019 issue. **Source:** Market index and currency numbers from Yahoo finance and Bloomberg; commodities from Bloomberg

Dividend growth to slump to lowest rate in a decade

The FTSE 100 is expected to generate a record value of dividends for investors in 2020, but there's a sting in the tail, as dividend growth is projected to slump to its lowest rate in a decade.

According to AJ Bell's Dividend Dashboard report, the blue-chip stock index is expected to see dividend payments grow, producing a yield of 4.7% over the next 12 months. This would bring the total amount paid out by the index to a record £91.1 billion, higher than the FTSE 100 is expected to pay in 2019 (final numbers have not yet been released).

However, the predicted 2020 payout figures represent growth of just 1.8% on this year's expected £89.5 billion. If both predictions are correct, that would represent the lowest rate of growth since 2010. Moreover, dividend payments are forecast to be very concentrated in 2020. Russ Mould, investment director at AJ Bell, points out that just 10 stocks are expected to generate more than 98% of the increase in dividend payments in 2020.

Mould continues: "The biggest increases in sterling terms are expected from British American Tobacco and RBS. In total, three of the 10 biggest dividend hikes are forecast to come from banks (RBS, Standard Chartered and Barclays), two from consumer staples giants (British American Tobacco and Unilever) and one from asset manager and recent market joiner M&G."

While there were a couple of high-profile dividend cuts in 2019, including Vodafone and Marks & Spencer, most management teams view taking an axe to their income payments as a last resort in today's low-interest rate world and given the need to accommodate investors looking for yield. But Mould warns: "Managements must be careful that they are not overpaying and under-investing to curry short-term favour." **Tom Bailey**

GOOD MONTH

HOUSEBUILDERS
First-time property buyer numbers reached a 12-year high in 2019, figures from Yorkshire Building Society show. The number of first-time buyers stood at 353,436, the highest annual total since 357,590 in 2007.

NEIL WOODFORD
Neil Woodford pocketed around £9 million as a dividend payment for the financial year to the end of March 2019, a couple of months prior to the LF Woodford Equity Income fund's suspension.

STUDENTS
A new online repayment system for student loans will go live in 2020. The overhaul aims to modernise the system, which has resulted in hundreds of thousands of graduates being overcharged.

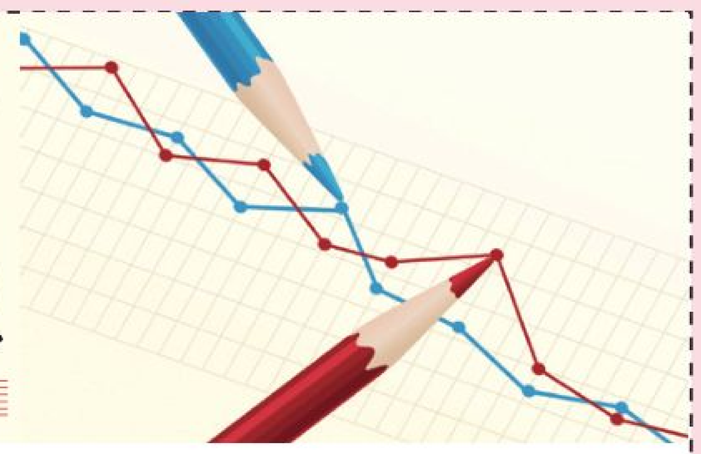
BAD MONTH

RETAILERS
Shopping centres recorded their lowest footfall on Boxing Day since 2011, with bad weather and increased Black Friday spending pinpointed as two reasons why people stayed at home.

ONLINE BANKING
Customers of Lloyds, Halifax and Bank of Scotland were unable to access their accounts at the start of the year, after the group's online banking services crashed. Other banks, including HSBC and NatWest, have also experienced online glitches in the past couple of months.

WINE INVESTORS
While the vast majority of mainstream equity investors will have raised a toast to 2019, those who backed fine wine have been left with a bitter taste. The Liv-Ex 100 index, the industry benchmark, declined by more than 4% over the year.

ETF Watch



iSHARES CORE FTSE 100 ETF GBP
For those looking for ideas at the start of a new decade, inspiration can be drawn from where other investors put their money. On this front, data from *Money Observer*'s parent company interactive investor found UK ETFs topped the popularity stakes. Top of the pile was the iShares Core FTSE 100 ETF GBP, which has a very low annual charge of 0.07%. Vanguard FTSE 250 ETF and Vanguard FTSE 100 ETF were the fourth and fifth most popular. Also in the top five, occupying second and third place respectively, were iShares Physical Gold ETC and Vanguard S&P 500 ETF.

JPMORGAN SMALLER COMPANIES IT HAD A STRONG 'BORIS BOUNCE' – UP 15.7% FROM 12 DECEMBER TO 10 JANUARY

Workplace pension pots fall by a third

Workplace pension savings have fallen by a third over the past two years for those approaching retirement, new data from pension administrator Equiniti shows.

Between 2008 and 2012, the median workplace pension savings pot for those aged between 55 and 64 years old was relatively constant, sitting at between £98,000 and £99,000. That figure then rose to £115,000 between 2012 and 2014, before starting to fall. The median savings rate for workplace pensions now sits at just £70,900. The new figures represent a fall of 38%, or £44,000, from the 2012/14 peak.

According to Equiniti, the decline in workplace savings pots raises the risk for many of retiring without sufficient money to support themselves and facing the prospect of relying heavily upon the state pension to cope financially.

Duncan Watson, chief executive of Equiniti's pension business, comments: "It is alarming to see that so many people within 10 years of reaching the state pension age are looking likely to enter retirement with so little reserved in their occupational pension savings. Innovation through auto-enrolment and pensions dashboards will transform the pension industry in this country, but this will be of little comfort for those who will largely be unable to benefit from the reforms."

Watson says the latest figures are a warning to those in lower age brackets to start contributing more. **Tom Bailey**

Gender pensions gap remains bleak

Figures from the Office for National Statistics show retirement wealth has almost doubled in the past decade, but a closer look at the numbers lays bare a bleak gender pensions gap.

The value of private pensions has jumped from £3.6 trillion to £6.2 trillion over the past decade – a rise of 72%. The big driver behind this has been auto-enrolment (introduced in October 2012), which has resulted in more than 10 million employees now contributing to a workplace pension.

While the government initiative has been a success in this respect, plenty of challenges remain, such as the 4.8 million self-employed people without a scheme. As a result, the fear is that many are woefully under-saving for the future.

Steven Cameron, pensions director at Aegon, notes: "There are big differences in where this wealth sits. Almost half (48%) is held in pensions which are already in payment, which will be mainly made up of people who have already retired. Many of today's retirees are benefiting from the golden age of generous defined benefit pensions, rarely available to today's workers."

The figures also show a continuing pension gender gap. Emma-Lou Montgomery, associate director for Fidelity International, points out that the report shows more men under 65 years old with active private pensions than women of the same age, at 56% to 51% respectively.

In addition, she says the average wealth in women's pension pots is significantly lower – a gap of over £5,000. She adds: "This is particularly concerning when you take into account the fact that women are likely to need their savings to last for a longer period of time and may be subject to career gaps."

The Great British Retirement Survey, carried out by our sister publication *Moneywise*, also laid bare the gender gap. One key finding was that more than one in 10 women (12%) expect a household income below £10,000 a year at retirement, compared to only 2% of men. Moreover, one in five men (19%) expect an income north of £50,000, but only 8% of women are equally confident of their retirement income. **Kyle Caldwell**

ANNUITY **WATCH**

Gilt yields have ticked upwards again in the past month, leading to a small improvement in annuity rates across the board. As the table shows, annuity rates are on the whole less generous than a year ago, due to a notable decline in the UK's 10-year gilt yield over the past year. UK bond yields sank to a record low of below 0.5% in the summer, with Brexit uncertainty blamed. At the time of writing (8 January) the 10-year yield stood at 0.79%.

LATEST RATES FOR £100,000 PENSION

Age	60	65	70	75
Income at the start of 2019	£4,776	£5,413	£6,099	£7,055
Income at start of 2020	£4,258	£5,105	£6,001	£7,145
Change (£)	-£518	-£308	-£98	+90
Change (%)	-10.8	-5.7	-1.6	+1.3

Source: Hargreaves Lansdown, 2 January 2020. Based on a single life, non-increasing annuity, guaranteed for five years and paid monthly.

10.5% OF WOMEN AGED 22-29 HAVE OPTED OUT OF THEIR WORKPLACE PENSION, COMPARED TO 8% OF MEN THE SAME AGE

Aim now less risky following rule changes

Companies listed on the Alternative Investment Market (Aim) have dramatically improved their corporate governance since the introduction of new rules in 2018, according to a study by accountancy firm UHY Hacker Young and the Quoted Companies Alliance.

The study shows that Aim firms have improved governance on several fronts. The research indicates that over the past year 84% of companies identified independent directors, up from 58% in 2018. Meanwhile, 98% of companies planned to engage with shareholders, up from 56%, while 84% detailed the number of board meetings and directors, up from 58%.

These improvements follow the introduction of tighter rules for Aim-listed companies. New rules require firms listed on the market to disclose the degree to which they comply with their chosen corporate governance code. Firms that fail to comply are required to explain why.

Investors who choose to invest in individual shares are often drawn to Aim, because they view the alternative market as offering access to young and dynamic companies potentially able to provide rapid capital growth. In addition, investing in the market has tax advantages: certain Aim shares are not subject to inheritance tax when held for at least two years. What's more, the government made Aim shares eligible for inclusion in tax-free Isas in August 2013.

Since Aim's launch in 1995, more than 3,600 companies have listed on the alternative market. One notably successful firm to list in recent years is online fashion retailer Asos, which has gone from a market cap of £14 million at launch to £2.51 billion today.

However, Aim has less stringent rules for listing than the London Stock Exchange. As a result, Aim has gained a reputation for hosting companies with poor corporate governance. The new rules are improving the market, says Martin Jones, a partner at UHY Hacker Young. He adds: "Most Aim companies have successfully overhauled their corporate governance reporting to meet the new requirements."

However, the report finds plenty of room for improvement. Less than half of Aim firms identify the qualities and capabilities of their board members, while just 48% make public their succession planning for board members and senior management. **Tom Bailey**

Dividend *danger zone*

The latest company to enter our screen on the grounds of its increasingly precarious-looking dividend is Glencore. The commodity trading and mining company has faced several challenges over the past couple of years, making it a contender for a dividend cut, according to Simon McGarry, senior equity analyst at Canaccord Genuity Wealth Management.

The company currently has a relatively generous dividend yield of 5.3%. That, however, is partly a consequence of recent share price declines. One key problem is an investigation by US authorities into the company's dealings in Venezuela, Nigeria and the Democratic Republic of Congo. McGarry says: "The investigation has put downward pressure on Glencore's share price, which lags behind all its major competitors."

On top of this, it is in a weaker financial position than its competitors. McGarry says: "Glencore has much more debt than peers such as BHP and Rio Tinto." In addition, there are lower near-term expectations for its African copper assets, while falls in thermal coal and cobalt prices are weighing on the company's margins.

The company currently has a dividend cover of 1.4 times, notably below the ideal comfort level of 2 times.

Tom Bailey

Our editorial team's choices for 2020

In our latest video content *Money Observer* writers reveal their investment choices for 2020.

Editor Faith Glasgow explains why she is backing one of last year's best investment trust performers, **Mercantile**, in 2020. She points out that the trust's area of focus – UK mid-caps and smaller companies – still look cheap historically, despite enjoying the UK market's recent 'Boris bounce'.

Another UK-focused fund, **Temple Bar**, was picked by deputy editor Kyle Caldwell. Manager Alastair Mundy backs firms whose share prices have seen significant declines relative to the market. The value style has markedly underperformed growth over the past decade. Caldwell suggests owning **Mid Wynd International** alongside Temple Bar. Mid Wynd is a global growth portfolio focused on high-quality firms at sensible prices.

Staff writer Tom Bailey picks **AVI Japan Opportunity Trust**, on the grounds of increasing evidence that Japanese companies are becoming more shareholder-friendly. Gary McFarlane, production editor, favours a more niche play: **WisdomTree Physical Palladium ETF**. Since 2016 the price of the metal has been trending relentlessly higher due to highly constrained supply and rising demand. **www.moneyobserver.com/favourite-funds-2020.**

ECONOMIC SLOWDOWN: AROUND HALF OF UK BUSINESSES EXPECT THE UK TO ENTER RECESSION IN 2020, RESEARCH SHOWS

FCA comes to aid of savers

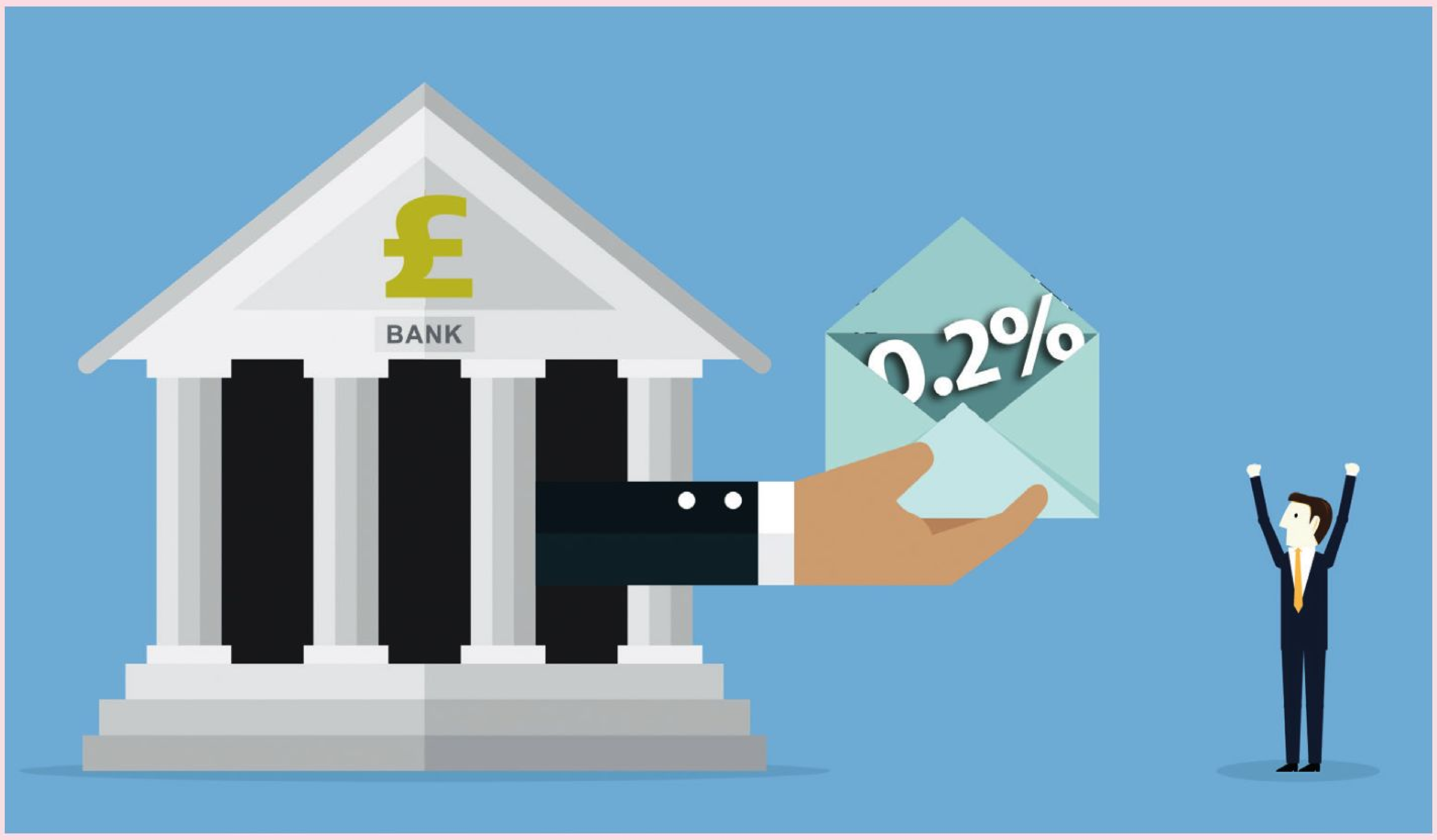
The Financial Conduct Authority (FCA) has laid out a plan to force banks and building societies to pay a blanket interest rate to longstanding customers.

The FCA has announced the shake-up of the market to improve competition for the money of 40 million savers. Under its proposals, a provider will be able to offer higher rates on easy access savings and cash Isa accounts for 12 months to attract new customers, but all those with accounts older than a year must be paid a standardised rate. Providers can choose one single rate for their old easy access cash savings accounts and one for their easy access cash Isas, to cover all their old easy access accounts.

The proposals come after years of banks and building societies getting away with paying low rates to loyal savers. They typically offer better rates to new savers, and then gradually cut rates over time and hope savers don't notice. Even when savers do, inertia makes them unlikely to leave. The FCA says nearly two-thirds of customers have not switched their account in the past five years.

Under the FCA's proposal, banks will have to prominently publish a single easy access rate. Currently, it is difficult for savers to identify which account they are in. Providers may have reams of old accounts with similar names, or even the same name but a different issue number, often all paying different rates.

The FCA plan could increase switching when savers realise how little they are paid compared with top rates. The FCA hopes to have providers bringing in their new single easy access rates from April 2021. **Sylvia Morris**



Smaller players offer better deals

The UK's biggest banks paid as little as 20p in interest on every £100 saved by cash Isa holders last year. Our analysis of the interest paid by the large banks and building societies reveals just how tight-fisted they are with loyal savers.

Among the worst of the 60-plus easy access cash Isas from big banks and building societies are Halifax's Instant Isa Saver and Santander's Easy Saver. Both paid just £40 in interest to savers who had the full annual Isa allowance of £20,000 in their cash Isas for the whole of 2019. That's a derisory £2 interest on each £1,000, or 0.2%.

NatWest joins them in the bottom three. It paid just 0.2% on balances below £10,000. The worst 20 cash Isas last year paid out less than £5 interest on each £1,000.

Savers in Lloyds' Instant Cash Isa and Bank of Scotland's Isa Saver, where rates were cut from a poor 0.35% to an even worse 0.2% in September, saw a return of £3.05 in 2019. Next year, at the reduced rate, they are in line for £2 on each £1,000.

Savers have £292 billion of savings in cash Isas. More than half – £152 billion – is sitting in accounts run by the big banks: Barclays, Lloyds, Halifax, Bank of Scotland, HSBC, RBS, NatWest, Santander, TSB and Virgin Money. They pay far less than some of their smaller competitors.

Halifax's Instant Isa Saver, which paid 0.2% last year, will cut its rate to 0.1% in February. NatWest pays 0.2% on balances up to £10,000. Only savers with at least £50,000 in their account earn a more competitive 0.85%. Nationwide has a host of old accounts paying just 0.3%. Virgin pays 0.25%, or 0.5% to loyal savers in its Easy Access Cash Isa.

By switching to a better deal, you can more than quadruple your tax-free interest and have the satisfaction of knowing you are no longer being ripped off by your old provider. By moving to online bank **Cynergy Bank**'s ***Online Isa***, which pays 1.31%, you can up your interest from as little as £40 to £262 a year on your £20,000 Isa allowance.

You can switch to a better deal even if you want to stick to the high street, although not all providers will accept transfers. Among those that will are **Family BS**, which pays 1.23%, **Kent Reliance**, 1.15%, **Teachers Building Society**, 1.1%, and both **Coventry** and **Newcastle** building societies, 0.9%.

Ask your newly chosen provider to arrange the transfer for you. It should take no longer than seven days to complete. Don't do it yourself, or you could lose the tax relief. **Sylvia Morris**

STAR BUYS

☆ **Marcus by Goldman Sachs:** 1.35%, minimum £1, online account.
☆ **Ford Money Flexible Saver:** 1.35%, minimum £1, online account.
☆ **Cynergy Bank Online Isa:** 1.31%, no bonus minimum £1, online account.
☆ **Ford Money Flexible Cash Isa:** 1.27%, no bonus, minimum £1 online account.

To receive a weekly round-up of the best savings rates, sign up to our free newsletter: moneyobserver.com/newsletter

SANTANDER'S POPULAR 123 CURRENT ACCOUNT WILL CUT ITS INTEREST RATE FROM 1.5% TO 1% IN EARLY MAY

BEST BUYS FOR SAVERS IN CASH ISAS, TAXABLE AND MONTHLY INCOME ACCOUNTS

CASH ISA RATES

EASY ACCESS CASH ISA RATES

Provider	Account	Minimum	Rate %	Compensation**	Contact
Cynergy Bank (Int)	Online Isa	£1	1.31	own	cynergybank.co.uk
Leeds BS (B) (3)	Double Access Isa	£5,000	1.30	own	0345 050 5075
Ford Money (Int) (F)	Flexible Cash Isa	£1	1.27	own	fordmoney.co.uk
Shawbrook Bank (Int)	Easy Access Cash Isa 7	£1,000	1.25	own	shawbrook.co.uk
Market Harborough BS (1) (B/int)	Flexible Cash Isa	£100	1.25	own	01858 412250
Family BS (B/P/Int)	Market Tracker Cash Isa 2	£500	1.23	shared	0333 014 0141
Sainsbury's Bank (T/Int)	Cash Isa	£500	1.21	own	0500 405 060
Virgin Money (Int) (F) (3)	Double Take E Isa 13	£1	1.21	shared	virginmoney.com
AA Savings (Int) (2)	Isa Member Easy Access 12	£100	1.21	shared	theaa.com
Principality BS (Int) (F)	Web Isa	£1	1.20	own	principality.co.uk
Family BS (B/P/Int) (3)	Flexible Isa	£500	1.16	shared	0333 014 0141

EASY ACCESS CASH ISAS WITH BONUS*

Provider	Account	Minimum	Rate %	Compensation**	Contact
Leeds BS (Int)	Ltd Edtn Online Access Isa	£1,000	1.30	own	leedsbuildingsociety.co.uk
Yorkshire BS (Int) (F) (3)	1 Year Ltd Access Isa Saver 2	£100	1.30	own	ybs.co.uk

FIXED-RATE CASH ISAS

Provider	Account	Minimum	Rate %	Compensation**	Contact
Charter Savings Bank	one year	£5,000	1.41	own	chartersavingsbank.co.uk
Cynergy Bank	one year	£500	1.40	own	cynergybank.co.uk
Metro Bank	one year	£1	1.40	own	0345 080 8500
Clydsdale Bank	to 30 November 2020	£10	1.40	shared	0800 222 426
Yorkshire Bank	to 30 November 2020	£10	1.40	shared	0800 202 122
Loughborough BS (1)	one year	£1,000	1.40	own	01509 610707
Shawbrook Bank	one year	£1,000	1.38	own	shawbrook.co.uk
Ford Money	one year	£500	1.37	own	fordmoney.co.uk
Hampshire Trust Bank	one year	£1	1.35	own	htb.co.uk
Metro Bank	two years	£1	1.60	own	0345 080 8500
Ford Money	two years	£500	1.55	own	fordmoney.co.uk
Shawbrook Bank	two years	£1,000	1.53	own	shawbrook.co.uk
Aldermore Bank	two years	£1,000	1.50	own	aldermore.co.uk
Hampshire Trust Bank	two years	£1	1.50	own	htb.co.uk
Coventry BS	to 31 May 2022	£1	1.50	own	0800 121 8899
Metro Bank	three years	£1	1.70	own	0345 080 8500
Aldermore Bank	three years	£1,000	1.70	own	aldermore.co.uk
Charter Savings Bank	three years	£5,000	1.62	own	chartersavingsbank.co.uk
Shawbrook Bank	three years	£1,000	1.58	own	shawbrook.co.uk
Metro Bank	five years	£1	1.85	own	0345 080 8500

Notes: (1) You cannot transfer your other cash Isas into this account. (2) For AA Members only. (3) Limited withdrawals allowed.

TAXABLE ACCOUNTS – ANNUAL RATES

EASY ACCESS INTERNET ACCOUNTS

Provider	Account	Minimum	Rate %	Compensation**	Contact
Marcus by Goldman Sachs	Online Savings	£1	1.35	shared	marcus.co.uk
Ford Money	Flexible Saver	£1	1.35	own	fordmoney.co.uk
Shawbrook Bank	Easy Access 18	£1,000	1.33	own	shawbrook.co.uk
Family BS	Online Saver	£100	1.26	shared	familybuildingsociety.co.uk
Aldermore Bank	Easy Access 11	£1,000	1.25	own	aldermore.co.uk
Virgin Money (1)	Double Take E Saver 13	£1	1.21	shared	virginmoney.com
AA Savings (2)	Member Saver	£100	1.21	shared	theaa.com
Investec Bank	Easy Saver	£10,000	1.20	own	investec.com

EASY ACCESS INTERNET ACCOUNTS – WITH BONUS*

Provider	Account	Minimum	Rate %	Compensation**	Contact
Cynergy Bank	Online Saver	1	1.36	own	cynergybank.co.uk
Saga	Easy Access Savings	£1	1.30	shared	saga.co.uk

Notes: (1) Limited withdrawals allowed. (2) For AA members only.

EASY ACCESS TELEPHONE AND POSTAL ACCOUNTS

Provider	Account	Minimum	Rate %	Compensation**	Contact
Co-op Bank (1)	Britannia Slt Accss Saver 11	£500	1.30	shared	0800 132 304
Family BS	Market Tracker Saver	£500	1.29	shared	0333 014 0141
Kent Reliance	Easy Access 36	£1,000	1.20	own	0345 122 0022
NS&I	Income Bonds	£1	1.15	govnt	nsandi.com
Sainsbury's Bank (1)	Defined Access Saver 17	£1,000	1.14	own	sainsburysbank.co.uk

EASY ACCESS TELEPHONE AND POSTAL ACCOUNTS – WITH BONUS*

Provider	Account	Minimum	Rate %	Compensation**	Contact
Saga	Easy Access Savings	£1	1.30	shared	0800 028 1701

Notes: (1) Limited withdrawals allowed.

EASY ACCESS BRANCH-BASED ACCOUNTS

Provider	Account	Minimum	Rate %	Compensation**	Contact
Newbury BS (2) (L)	Welcome to Newbury	£50	1.50	own	01635 555 700
Co-op Bank (1)	Britannia Slt Accss Saver 11	£500	1.30	shared	0800 132 304
Family Building Society	Branch Saver 2	£1	1.21	shared	0333 014 0141
Kent Reliance	Easy Access 36	£1,000	1.20	own	0345 122 0022
Cambridge BS (1)	Your Saver	£100	1.20	own	0345 601 3344
Leeds BS (1)	Defined Access Saver	£5,000	1.00	own	0345 050 5075
Leeds BS (1)	Defined Access Saver	£25,000	1.10	own	0345 050 5075

Notes: (1) Limited withdrawals allowed. (2) Maximum investment £3,000. Not available to existing members.

FIXED-RATE BONDS

Provider	Account	Minimum	Rate %	Compensation**	Contact
Masthaven Bank	six months	£500	1.50	own	masthaven.co.uk
Smartsave Bank	one year	£10,000	1.66	own	smartsave.co.uk
Ikano Bank	one year	£1,000	1.66	Swedish	ikano.co.uk
ICICI Bank	one year	£1,000	1.55	own	raisin.co.uk
Ford Money	one year	£500	1.65	own	fordmoney.co.uk
Atom Bank (1)	one year	£50	1.65	own	atombank.co.uk
Masthaven Bank	one year	£500	1.60	own	masthaven.co.uk
Kent Reliance	one year	£1,000	1.50	own	0345 122 0022
Hodge Bank	18 months	£1,000	1.75	own	raisin.co.uk
Masthaven Bank	18 months	£500	1.68	own	masthaven.co.uk
Aldermore Bank	two years	£1,000	1.80	own	aldermore.co.uk
Ford Money	two years	£500	1.80	own	fordmoney.co.uk
Ikano Bank	two years	£1,000	1.80	Swedish	ikano.co.uk
Masthaven Bank	two years	£500	1.75	own	masthaven.co.uk
Ikano Bank	three years	£1,000	1.91	Swedish	ikano.co.uk
Aldermore Bank	three years	£1,000	1.90	own	aldermore.co.uk
Masthaven Bank	three years	£500	1.90	own	masthaven.co.uk
Aldermore Bank	five years	£1,000	2.05	own	aldermore.co.uk
Masthaven Bank	five years	£500	2.05	own	masthaven.co.uk

Notes: (1) Only available through bank's app.

MONTHLY INCOME ACCOUNTS

EASY ACCESS CASH ISAS – INTEREST IS TAX-FREE

Provider	Account	Minimum	Rate %	Compensation**	Contact
Ford Money (Int) (Int) (F)	Flexibile Cash Isa	£1	1.26	own	fordmoney.co.uk
Shawbrook Bank (Int)	Easy Access Cash Isa 7	£1,000	1.24	own	shawbrook.co.uk
Virgin Money (Int) (F) (1)	Double Take E Isa 13	£1	1.20	shared	virginmoney.com
Skipton BS (Int) (F)	eIsa Saver 1	£25,000	1.14	own	skipton.co.uk

Notes: (1) Limited withdrawals allowed.

FIXED-RATE CASH ISAS – INTEREST IS TAX-FREE

Provider	Account	Minimum	Rate %	Compensation**	Contact
Charter Savings Bank	one year	£5,000	1.40	own	chartersavingsbank.
Shawbrook Bank	one year	£1,000	1.37	own	shawbrook.co.uk
Ford Money	one year	£1	1.36	own	fordmoney.co.uk
Paragon Bank	one year	£500	1.34	own	paragonbank.co.uk
Yorkshire BS	one year	£100	1.24	shared	0345 120 0100
Ford Money	two years	£1	1.54	own	fordmoney.co.uk
Shawbrook Bank	two years	£1,000	1.52	own	shawbrook.co.uk
Aldermore Bank	two years	£1,000	1.49	own	aldermore.co.uk
Charter Savings Bank	three years	£5,000	1.61	own	chartersavingsbank.
Aldermore Bank	three years	£1,000	1.59	own	aldermore.co.uk
Shawbrook Bank	three years	£1,000	1.57	own	shawbrook.co.uk

EASY ACCESS INTERNET ACCOUNTS – BEFORE TAX

Provider	Account	Minimum	Rate %	Compensation**	Contact
Ford Money	Flexible Saver	£1	1.35	own	fordmoney.co.uk
Shawbrook Bank	Easy Access 18	£1,000	1.32	own	shawbrook.co.uk
Virgin Money (1)	Double Take E Saver 13	£1	1.20	shared	virginmoney.com
Investec Bank	Easy Saver	£10,000	1.19	own	investec.com

Notes: (1) Limited withdrawals allowed.

EASY ACCESS TELEPHONE AND POSTAL ACCOUNTS – BEFORE TAX

Provider	Account	Minimum	Rate %	Compensation**	Contact
Kent Reliance	Easy Access 36	£1,000	1.19	own	0345 122 0022
Investec Bank	Easy Saver	£10,000	1.19	own	investec.com
NS&I	Income Bonds	£500	1.15	govnt	0500 007 007
Newcastle BS	Easy Saver	£1	0.90	own	0345 734 4345

FIXED-RATE BONDS – BEFORE TAX

Provider	Account	Minimum	Rate %	Compensation**	Contact
Ford Money	one year	£500	1.64	own	fordmoney.co.uk
Atom Bank (1)	one year	£50	1.64	own	atombank.co.uk
Masthaven Bank	one year	£500	1.59	own	masthaven.co.uk
Aldermore Bank	one year	£1,000	1.59	own	aldermore.co.uk
Metro Bank	18 months	£500	1.59	own	0345 080 8500
Masthaven Bank	18 months	£500	1.66	own	masthaven.co.uk
Aldermore Bank	two years	£1,000	1.79	own	aldermore.co.uk
Ford Money	two years	£500	1.79	own	fordmoney.co.uk
Atom Bank (1)	two years	£50	1.74	own	atombank.co.uk
Masthaven Bank	three years	£500	1.88	own	masthaven.co.uk
Aldermore Bank	three years	£1,000	1.88	own	aldermore.co.uk
Atom Bank (1)	three years	£50	1.74	own	atombank.co.uk
Paragon Bank	three years	£1,000	1.74	own	paragonbank.co.uk

Notes: (1) Only available through bank's app.

CURRENT ACCOUNTS

	Account	Min per month	Rate	Monthly fee	Rate paid on balance up to
Nationwide (1)	FlexDirect	£1,000	5.00	none	£2,500
TSB	Classic Plus	£500	3.00	none	£1,500
Santander	123 account	£500	1.50	£5	£20,000
Bank of Scotland (2)	Classic Account	£1,000	1.00	none	£4,000
Tesco Bank	Current Account	£750	1.00	none	£3,000

Notes: (1) 5% rate applies for 12 months only, after which it falls to 1%. (2) You earn 2% on any balance of between £4,000 and £5,000.

GENERAL NOTES *Rate includes a fixed-rate bonus, which is typically paid for the first 12 months after you open the account. **Under the Finance Services Compensation Scheme (FSCS), most providers operate under their own licence, which means you have up to £85,000 of cover (£170,000 on joint accounts). A few share a licence with others in the same operating group. Here you only have one lot of cover on your money spread across the institutions that share a licence. A handful of foreign banks offer compensation under their home scheme rather than through the FSCS. Where they do so, we have indicated this. **B:** Branch-based account. **F:** The cash Isa is flexible. **Int:** Internet-based account. **L:** Account only available to those living within the building society's operating area or those living outside who have been members for a certain number of years. **P:** Postal account. **T:** Telephone account. The Flexible Cash Isa lets you take money out of your account and replace it in the same tax year without the payment counting towards your overall Isa allowance. Rates as at 13 January 2020.

RISK-FREE INVESTMENTS*

	Account	Minimum	Rate (%)
VARIABLE RATES – EASY ACCESS			
NS&I	Income Bonds	£500	1.15
NS&I	Investment Account	£1	0.80
NS&I	Direct Saver	£1	1.00
NS&I (1)	Direct Isa	£1	0.90
NS&I (1)	Junior Isa	£1	3.25
GOVERNMENT SECURITIES (2)			
2-year gilt (2)	1.5% Treasury 2021		0.66
3-year gilt (2)	4.0% Treasury 2022		0.55
5-year gilt (2)	5.0% Treasury 2025		0.61
8-year gilt (2)	1.25% Treasury 2027		0.65
12-year gilt (2)	4.25% Treasury 2032		0.91
Index-linked gilt	2.5% Index-linked 2022		-2.45
Index-linked gilt	2.5% Index-linked 2024		n/a

Notes: *With NS&I your money is 100% guaranteed by the government. Any money invested in gilts is also guaranteed by the government. (1) Tax-free. You cannot transfer your existing cash Isas into a Direct Isa. (2) Redemption yields.

Lifetime Isa savers hit with penalty charges

Since the start of 2018, Lifetime Isa savers as a group have been charged £9 million in penalties by HM Revenue and Customs (HMRC) for withdrawing money from their Lifetime Isas, a freedom of information request from Royal London has found.

The first withdrawal charges were levied in the 2018/19 tax year, during which a total of £4.35 million in penalty charges was paid to HMRC. That total increased significantly in the 2019/20 tax year: HMRC received £4.69 million in charges over the first seven months of the year alone.

The Lifetime Isa, introduced in April 2017, allows those under 40 to pay in up to £4,000 a year towards a deposit on a home or towards a pension. The government adds a top-up of 25% to the amount deposited. Savers wishing to access their money for a reason other than to put down a deposit on a home or fund their retirement will lose the government bonus and face a punitive 25% penalty charge.

If you deposit £800 in a Lifetime Isa, for example, the government will pay a 25% bonus of £200, giving you an overall pot of £1,000. If you have an emergency and need to withdraw your entire pot, a 25% penalty charge will apply to the full £1,000, so you will pay £250. This will leave you with £750, which is £50 less than you started with.

MIXED BLESSING

The Lifetime Isa is now the only government-backed savings product on the market designed to help people save for a deposit on a home, after the withdrawal of the Help to Buy Isa. However, while the Lifetime Isa offers savers a valuable government top-up, withdrawal penalty charges can seriously damage people's saving efforts should their circumstances change.

Steve Webb, director of policy at Royal London, says: "A Lifetime Isa can be attractive for those who are clear about their plan to put down a deposit on a house and who are confident that they won't need this money for any other reason. But these figures are a stark reminder that circumstances can change."

The number of Lifetime Isas on the market has been disappointing since the Isa was launched in 2017. There are currently just 14 providers offering either cash or stocks and shares options.

Brean Horne

TAX RATES AND RELIEFS FOR 2019/20

Source: Blick Rothenberg

Income tax

Basic rate (20%) on first £37,500 after allowances. Higher rate (40%) on income over £37,500 (after allowances). Additional rate (45%) on income over £150,000.

Scotland (since April 2018): 0% to £12,500; 19% on £12,500-£14,549; 20% on £14,550-24,944; 21% on £24,945-£43,430; 41% on £43,431-£150,000; 46% over £150,000.

Personal allowance: £12,500. This is subject to the £100,000 income limit, and is reduced by £1 for every £2 above this level.

Marriage allowance: Where one partner has income below £12,500, they can transfer £1,250 of their personal allowance to higher-earning spouse (providing they only pay tax at the basic rate), reducing spouse's tax by up to £250 per tax year.

Married couple's allowance: Available if at least one partner born before 6 April 1935. Tax cut by £891.50 per tax year.

Dividend allowance: £2,000. Above this, basic-rate taxpayers pay 7.5%. Higher rate 32.5%. Additional rate 38.1%.

Personal savings allowance: Basic-rate taxpayers get £1,000. Higher rate £500. Additional rate £0.

Pension contributions relief

20% basic rate; 40% higher rate; 45% top rate. Max annual allowance: £40,000. Reduced £1 for every £2 of income over £150,000. Maximum lifetime allowance (amount that can be drawn from pension pot penalty-free): £1,055,000

Individual savings accounts

Maximum annual contribution: £20,000, split any way between cash, stocks & shares and innovative finance.

Junior Isa: £4,368.

Help to buy Isa: £2,400.

Lifetime Isa: £4,000

Capital gains tax

Basic-rate taxpayers: 10% (18% on residential property gains).

Higher-rate taxpayers, plus trusts and estates: 20% (28% on resid prop and certain other gains).

Individual annual exemption: £12,000. No CGT on sale of main home where conditions met.

Entrepreneurs' relief: Up to £10m – gains taxed at 10%.

Stamp duty land tax (SDLT) in England and Northern Ireland

Payable on main property purchase, according to proportion of price falling in each rate band: Up to £125,000: nil. £125,001-£250,000: 2%. £250,001-£925,000: 5%. £925,001-£1.5m: 10%. Over £1.5m: 12%. Second property buyers pay 3% above SDLT rates above.

National Insurance contributions

Class 1 employees: Nil on first £166 of weekly earnings. 12% on £166-£962. Extra 2% on weekly earnings over £962.

Class 2 self-employed: Flat rate £3/wk where earnings exceed £6,365/yr.

Class 3 voluntary: Flat rate £15/wk.

Class 4 self-employed: 9% on profits between £8,632 and £50,000 a year, and 2% on earnings over £50,000.

Inheritance tax

Nil on first £325,000. 40% tax on excess of estates over £325,000. Residential nil rate band (RNRB) £150k when main residence is passed to direct descendant; tapered on estates over £2 million. Unused nil rate band (NRB) and RNRB allowances can be transferred on death to the estate of surviving spouse or civil partner. IHT rate falls to 36% if 10% of estate is left to charity.

Potentially exempt transfers (PETs): If they fall outside the NRB, gifts made within seven years of death are chargeable at a percentage of the full IHT rate: 0-3 years: 100%. 3-4 years: 80%. 4-5 years: 60%. 5-6 years: 40%. 6-7 years: 20%. Over 7 years: nil.

Annual gift exemption: Gifts of up to £3,000 each tax year. You can carry any unused allowance to the following year, but it expires if not used that year.

Gifts between spouses and to charities: exempt, as are marriage gifts within certain limits and regular gifts made out of surplus income. Charities claim on donations at 20% gross income. Higher-rate taxpayers receive higher-rate relief.

TAX THE UK'S INHERITANCE TAX RATE IS MORE THAN DOUBLE THE EU'S AVERAGE, ANALYSIS BY UHY INTERNATIONAL FOUND

How 1980s songs can help your finances

The 1980s, when I was born, produced some of my favourite films – *Blade Runner* to name just one – but I am particularly fond of the decade's music. Imagine my delight, then, when I realised that some of the decade's tracks offer lessons for beginner investors such as me. Here is a playlist of five instructive songs.

MONEY FOR NOTHING
DIRE STRAITS, 1985

This song is about auto-enrolment, right? Prance around your flat enjoying Mark Knopfler's guitar intro all you like, but the message is pretty clear: if you opt out of an auto-enrolment workplace pension scheme, you are saying no to free money – or "money for nothing" – from your employer for your future.

BRASS IN POCKET
THE PRETENDERS, 1980

You don't need a lot of money to start investing and I'd like to "make you, make you, make you notice [that]". Despite the fact that I'm in my late 30s, I didn't realise until recently that you can invest small sums in an investment fund through regular saving in a stocks and shares Isa. I'm convinced there must be others who think, as I did, that the investment door is barred to them unless they have a gargantuan sum to play with.

OPPORTUNITIES (LET'S MAKE LOTS OF MONEY)
THE PET SHOP BOYS, 1986

Domino Dancing (1988) is my favourite song by the former *Smash Hits* assistant editor and his keyboard-playing partner, but I couldn't pass up on the duo's *Opportunities* track for the message it clearly presents: there are myriad investment options. If you want to examine a few, a wealth of articles on the *Money Observer* website will be your guide. "You've got the brains, I've got the books [OK, looks], let's make lots of money."

I CAN'T GO FOR THAT
HALL AND OATS, 1981

When it comes to investment risk, you have to be able to say "no can do" when need be. If you have any interest in higher-risk investments – say, cryptocurrencies – make sure you understand them.

EVERYWHERE,
FLEETWOOD MAC, 1987

The Mac are a particular favourite, and I've identified an investment subtext in *Everywhere*. This song urges me to be willing to "speak a little louder, even shout" to stress the importance of diversification. Ideally, an investment portfolio will be more "everywhere" rather than in a single place. **Nina Kelly**

JARGON BUSTER:
Retail bonds and mini-bonds

These bonds are targeted at small investors. They can be bought for as little as £1,000. But retail bonds and mini-bonds (which in 2020 cannot be marketed to retail investors) are not the same. Retail bonds can be traded on the secondary market (via the London Stock Exchange's Order Book for Retail Bonds), whereas mini-bonds must be held to maturity, even if an issuing firm falls into difficulty. Mini-bonds typically raise smaller amounts, and issuers are on the whole less secure businesses. Moreover, unlike retail bond issuers, mini-bond issuers are not required to produce financial statements.

Prudent *parent*

"Invest in what you know" is the mantra of one of the world's most successful stock-pickers, Peter Lynch. Indeed, over the past decade, it would have been a recipe for success for those who backed the five tech giants (the FAANG stocks) that have become hugely influential over the past decade: Facebook, Amazon, Apple, Netflix and Google (listed under Alphabet, its parent company).

There's much more to Lynch's investment philosophy than simply concluding that Gregg's vegan steak bake is the best thing since, well, Gregg's vegan sausage roll. The big risk is buying into a piping hot share price that quickly cools down once you've splashed your cash, so an assessment of the company's valuation, among other things, is vital.

Indeed, keeping it simple by investing in businesses whose products and services have enduring appeal with consumers is an approach that has worked successfully for many fund managers.

This got me thinking. In the middle of one sleep-deprived night, I had a eureka moment and coined my own alternative route to

riches: invest in what your kids know. After all, kids are the future and all that, so maybe there's a young company that's under-appreciated or undiscovered by the market, that I can buy on the cheap. I can then sit back and watch the share price go to the moon.

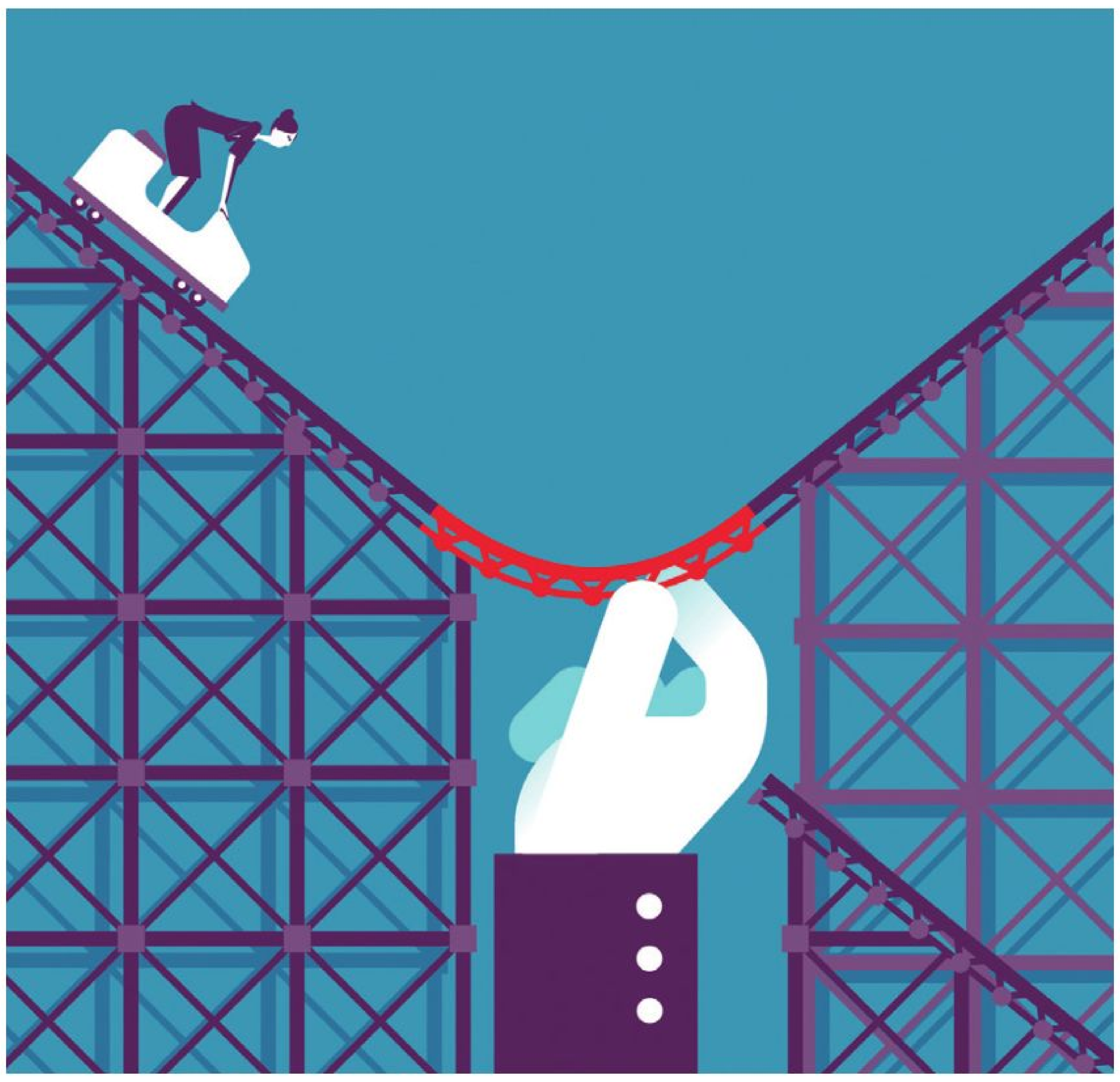
Unfortunately, though, my two-year-old is not earning his crust in the research department. His main two hobbies are buses and Peppa Pig. Both can be invested in.

FirstGroup, for example, carries more than two billion passengers a year on its buses and trains. But I won't be hopping on for the ride as an investor, as the sector looks structurally challenged with regard to its carbon emissions.

With Peppa Pig, meanwhile, I have missed the boat, as its producer, Entertainment One, was acquired by US boardgame-maker Hasbro at the end of 2019. A decade ago its share price stood at 25p; it hit 557p when trading was suspended ahead of the acquisition. I await with interest the next fad to grab my son's attention.

Kyle Caldwell

OVER THE PAST 10 YEARS THREE OF THE 10 BEST-PERFORMING INVESTMENT TRUST SECTORS BACKED SMALLER COMPANIES



NINA'S FIRST STEPS

I loved reading about Nina Kelly's first steps as an investor. I remember fondly my first investment over 30 years ago. It was the start of an exciting journey. I am still emotionally attached to that first investment, like a parent nostalgically looking at pictures of their baby child who is now grown up.

A word of warning for Nina. The journey will not all be plain sailing. Investments fall as well as rise. Hard decisions will have to be made – investment managers change, firms are taken over, charges change. Do I change investment firms? Do I change my asset allocation? Do I go into cash? Is it better to invest in a self-invested personal pension or an Isa?

But these are decisions for the future and Nina has done the most important thing by setting up a direct debit and starting to invest. The next most important thing is to keep those savings going in the face of any challenges in the future. *Money Observer* has been a great source of support for me when I have needed to make changes to my investments over the years.

Some people talk about saving and investing as delayed gratification, but I hope Nina gets the same immense pleasure that I continue to get from the saving and investing journey.

Jane Knightly, by email

ESSENTIAL IHT TRICKS

Ceri Jones's good overview of inheritance tax planning (January issue, page 62) does not include the less well-known opportunity to give away 'excess income' without tax exposure. Excess income gifts must be a normal, settled pattern of giving (at least two or three) but need not be a fixed amount. There must be no negative impact on your normal standard of living.

Bob van Oorschot, Tunbridge Wells

THE 14-YEAR RULE

I read with interest the Essential Guide to Inheritance Tax by Ceri Jones, as I have been looking into IHT planning. A point that was not mentioned was the 14-year rule, which I stumbled across in my research and might have been worth mentioning in the section about setting up a trust.

Barrie Culley, by email

Patrick Connolly of Chase de Vere replies: *Inheritance tax is payable on transfers in excess of the nil rate band (NRB), which is currently £325,000. It is a cumulative tax and applies to transfers made during your lifetime and on death. If you make a transfer during your lifetime, it is either exempt from inheritance tax, a potentially exempt transfer (PET) or a chargeable lifetime transfer (CLT).*

The most common CLTs are lifetime gifts to trusts, other than bare trusts or trusts for disabled people. There is an immediate tax charge if you make a CLT that takes the seven-year cumulation of these transfers over the nil rate band. Tax is payable at 20% on the excess over the NRB.

There is no tax to pay on a CLT or a PET that is made more than seven years before the death of the donor. However, a CLT made more than seven years before death can affect the amount of tax payable on a subsequent CLT or a failed PET – the '14-year rule'.

Any CLTs made in the seven years before a subsequent CLT, or a failed PET which then becomes a CLT, will reduce the available NRB for the transfer being assessed and so potentially increase the tax payable on it.

As an example, if someone made a gift of £200,000 into a discretionary trust on 1 November 2009 there would have been no inheritance tax payable at the time as the CLT was less than the NRB. She then made a PET of £200,000 on 1 October 2016. She died on 1 September 2019 and there was no transferable or residence NRB. There is no tax payable on the CLT made in 2009, as this was made more than seven years before death. The PET from 2016 failed, as death occurred within seven years, and so it becomes a CLT and is chargeable. The original CLT from 2009 was made within seven years of the next CLT, the failed PET from 2016, and so it will reduce the NRB available for it from £325,000 to £125,000.

The inheritance tax payable on the PET will therefore be (£200,000 failed PET value minus £125,000 remaining NRB) x 40% = £30,000. If the person had waited another month until 1 November 2016 to make the PET, which is seven years after the original CLT, it would have benefited from the full nil rate band and saved an inheritance tax bill of £30,000.

This is a very complicated area, and if you're not sure what you are doing then you should take independent financial advice.

VENN RETIREMENT PLANS

I enjoyed the article about planning for retirement in the January issue. A divorce can be financially devastating, especially when you do not have time to rebuild your finances from earnings. One tip for couples to increase the likelihood of a

happy retirement that I was taught is to sit down together and take a blank piece of paper and draw a circle on it. Then draw another circle that partially overlaps the first circle. At school they called this a Venn diagram.

One circle represents you, the other circle represents your partner. In the overlapping section of the circles write down interests and goals that you have in common. In the other bit of your circle, write down your own personal hobbies and interests. Your partner can write down what is important to them individually in the separate section of their circle.

When planning your retirement it is important that both partners are able to pursue the interests in both the overlapping and separate sections of their circles, as we are all individuals as well as being part of a couple. Neglecting any of the three areas in the diagram will lead to

STAR LETTER | CLOSED-ENDED ETHICAL DILEMMAS

Like many of your readers, I have been progressively moving my (modest) Isa investments into 'ethical', socially beneficial and sustainable portfolios. In selecting these, the green symbol used in your unit trust and open-ended fund statistics section has been very useful. The increasing coverage of such funds in articles by Rachel Winter and others has also proved to be very informative.

At present, I do not hold any investments in investment trusts, basically because the financial services platform I have been using for many years is not yet technically able to arrange these. Having expressed my disappointment on this issue several times to the company, I await a satisfactory explanation about why this appears to be such a problem. Perhaps you can shed some light on this in general terms.

If and when I am able to make an investment in an investment trust portfolio, I would again seek out 'green' possibilities, like for example Greencoat UK Wind, which you have mentioned in recent articles. Is there a reason why *Money Observer* cannot identify investment trust portfolios with the same green symbol that appears in the open-ended fund statistics?

David Slinger, Gloucester

***Money Observer* replies:** *The main reason we don't identify 'green' investment trusts is because, unlike open-ended funds, they have tended to be very much focused on specific niche sectors – notably the renewable energy, infrastructure and environmental sectors. This may change in time as more mainstream trusts focus more on ESG factors in making their portfolio choices. This month's editorial on page 7 explores the current situation further.*

As far as your unsatisfactory platform situation is concerned, it is quite possible to vote with your feet and switch platforms to one that does cater for investment trusts. There is a feature we ran on this subject, looking into what's involved, at the following link: https://bit.ly/385otva

tensions and unhappiness which could trigger that expensive divorce.

Alistair Elliott, Brighton

CAUTIOUS INVESTMENT IDEAS

I am nearly 74 years old. On retirement I adopted the traditional advice to reduce equity investments in favour of ('more secure') fixed interest, having fewer years to make up any major stock market losses. However, this advice is now resulting in the erosion of my capital rather than its preservation, due to the extraordinary policies prevailing, with no end in sight. I am therefore forced to go back into the stock market and indeed still have significant cash awaiting investment, but I am unsure how to reduce my risk. I would be very interested to hear of any views on this topic or techniques that might be of help to people in this situation.

Valerie Clack, by email

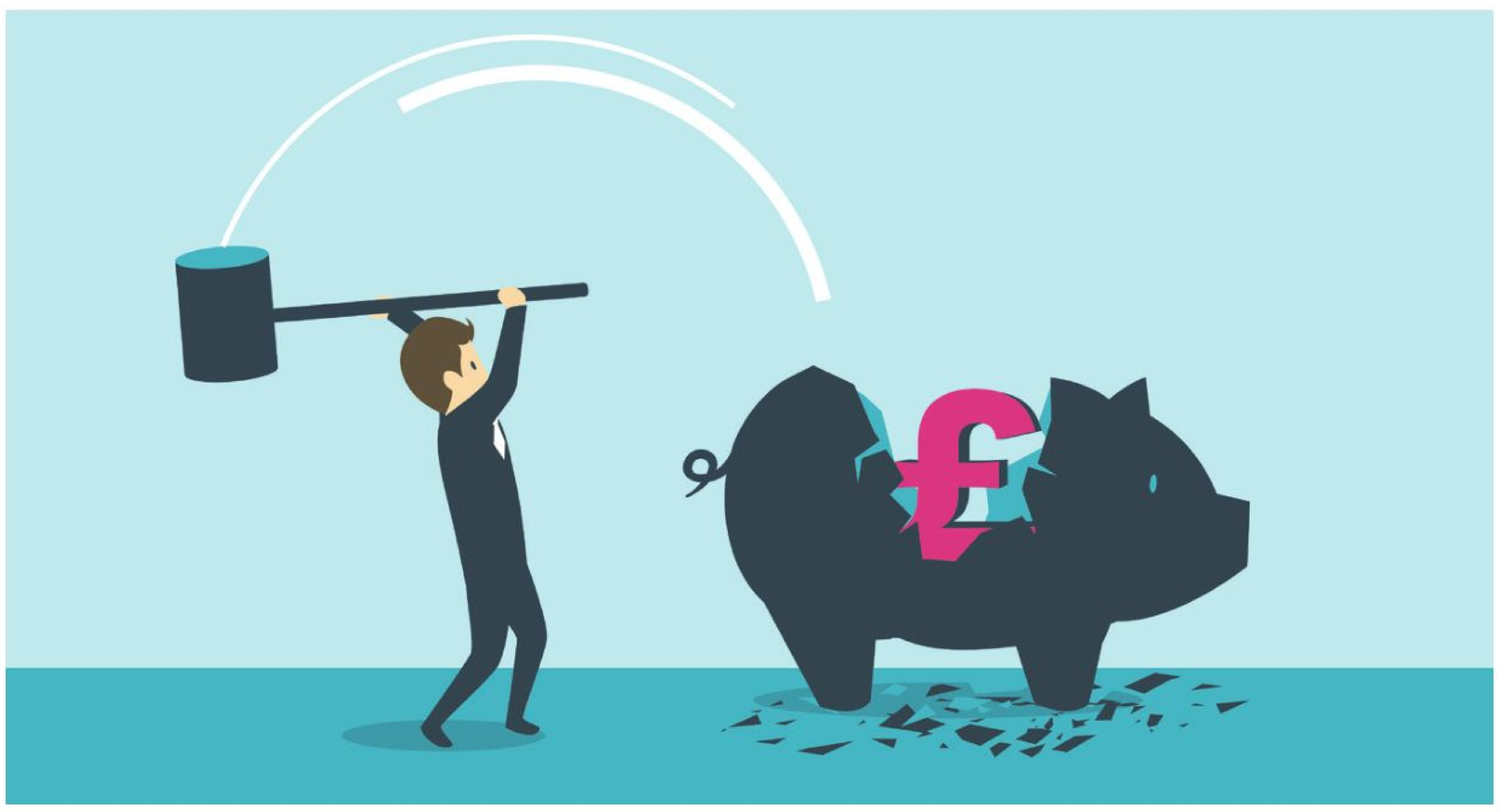
Adrian Lowcock of Willis Owen replies: *Moving from bonds to equities is unlikely to reduce risk, as equities in the short term can be very volatile. In addition, while they offer the potential for capital growth, investors may also lose money in the short term. The advice that you have fewer years to make up any losses is pertinent. You need to consider how you would support yourself, should your investments lose 10% – this is not an uncommon scenario in any given year.*

The current situation in markets makes changing a portfolio now very challenging. The bull run has been going on a long time and equity markets are not all cheap; bond yields are at low levels, which could mean significant losses should interest rates rise. However, the income available from some equities looks attractive, and this area of the stock market looks less expensive. Given your age, the key is diversification to reduce the risk of one option going wrong.

***Jupiter Merlin Conservative Portfolio** invests a minimum of 45% in bonds and up to 35% in equities. Manager John Chatfeild-Roberts combines his team's careful review of global economic conditions to produce a concentrated high-conviction portfolio. The portfolio has a yield of 2.6% and could suit as a core holding for your investments.*

*If you want to add more equity exposure to increase risk then you may wish to consider **Fidelity Global Dividend**. The manager focuses on quality companies which offer a good degree of capital protection during market downturns. His analysis concentrates on stable finances and strong cash flows, as these underpin the reliability of dividend payouts. The yield is 2.5%.*

Money Observer adds: *The 2020 edition of Your Fund Choices, on newsstands and available through the Money Observer website in early February, has a number of highly regarded mixed-asset fund and investment trust suggestions for cautious investors keen to preserve capital, including some designed to pay an income.*



We'd love to hear from you! Please get in touch with your comments or financial planning questions via email: moneyobserver.ed@moneyobserver.com.

MODELS RESUME upward trajectory

OUR 12 MODEL PORTFOLIOS RETURNED TO FORM WITH DOUBLE-DIGIT GROWTH IN 2019 AFTER SUSTAINING THEIR FIRST ANNUAL LOSSES IN 2018. IN THE ANNUAL REVIEW, **ANDREW PITTS** AND **JENNIFER HILL** CHART THEIR RENEWED FORTUNES AND DETAIL CHANGES MADE TO DEFEND AGAINST AN UNCERTAIN OUTLOOK

The climax to 2019 couldn't have been more different from 2018. In the closing weeks of last year, the UK stock market soared, having taken comfort in the Conservative party's landslide victory and Prime Minister Boris Johnson's pledge to "get Brexit done". Further afield, the prospect of a US-China trade agreement assuaged stock markets that had been derailed at times – most notably in May and August – by the threat of increased US trade tariffs on China.

RATES CATALYST

In 2018, global stock markets closed out their worst year since the financial crisis, leaving investors bruised and braced for further volatility. After receiving a pounding in the final few months of the year, however, equity markets started 2019 in a more optimistic mood, buoyed by a concerted campaign from the US Federal Reserve to show that despite hiking interest rates in 2018, it would retrace its steps on the path to monetary tightening. That came to pass with three quarter-point interest rate cuts acting as a catalyst for stock prices and 'risk on' sentiment among investors.

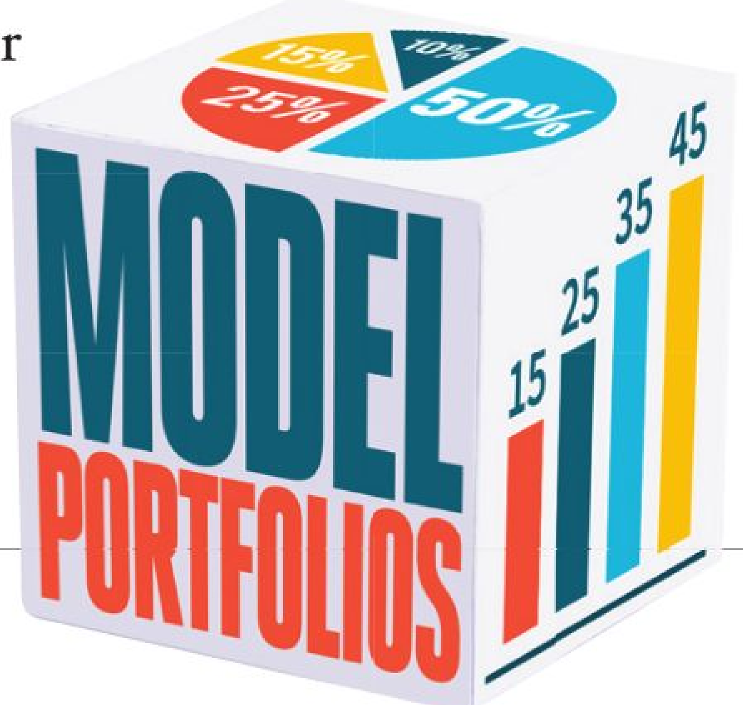
While most of our model portfolios posted modest single-digit losses during 2018 in their first real test since their inception in January 2012, they rebounded sharply in 2019 with double-digit gains.

All 12 of them beat or matched their respective benchmark, with the top-performing models and constituent funds being those exposed to UK equities and benefiting from the 'Boris bounce' in December. Many hold smaller companies and other domestic stocks that were hardest hit amid the political uncertainty.

> **A total of 24 out of 55 portfolio members made returns of more than 20% in 2019**

A total of 24 out of 55 portfolio members made returns of more than 20%, with eight of them returning more than 30%. Leading the pack were two investment trusts that focus on UK companies further down the market capitalisation scale: **Mercantile** and **Henderson Smaller Companies** gained 54% and 46% respectively over the year, and 25% and 26% during the final quarter alone.

Other UK-focused funds that rallied considerably during the fourth quarter were **Temple Bar**, **Lowland** and **TB Wise Multi-Asset Income**, which fish in unpopular waters for unloved stocks and turnaround tales. They rose between 12% and 18% during the final three months of the year.



Several changes we made at the start of last year have served our models well. Most notable among them were allocations to value-oriented strategies such as Temple Bar and **Murray International**, and a move to ditch our remaining passive fund exposure and focus on active managers with proven stock-picking skills.

Looking over the course of their eight-year history, almost all of our models have now doubled in value while four of them are up by around 150% or more.

MIXED OUTLOOK

We are not resting on our laurels, however. There are reasons to be positive for 2020. Almost $750 billion (£574 billion) of goods have been weighed down by increased trade tariffs; US President Donald Trump's signing of the first phase of a long-awaited deal with China, slated for mid-January, should serve to de-escalate the trade war between the world's two biggest economies and lift investor sentiment.

Britain's long-awaited departure from the European Union, scheduled for 31 January, should have a similar effect on UK stocks, which have been deeply unloved since 2016. The return of asset allocators to these shores should bode well.

There are reasons to be pessimistic too. Economic growth is slowing globally, Europe has been quietly drifting toward a recession and a pivotal US presidential election looms. Emerging markets have underperformed developed ones in recent years and could remain volatile as they are buffeted by short-term global political events.

It is in light of this mixed outlook that we are making a number of changes to our models. Some changes relate to our decision to use only *Money Observer* Rated Funds in our model portfolios. These were launched a year after our models in January 2013 and currently include around 200 active funds in which we have the highest conviction.

THE GROWTH PORTFOLIOS

PROFIT-HUNTING OVER THREE TIMEFRAMES

Our first six models are designed for those looking to grow their money – there are three for medium-risk and three for higher-risk investors. The portfolio that is most appropriate also depends on the investment timeframe. Our shorter-term portfolios are suitable for those looking five to nine years ahead; medium-term for 10-14 years; and longer-term for 15 years or more.

Those with shorter timeframes have a greater focus on capital preservation, as they have less opportunity to recover in the aftermath of a serious market correction. Conversely, those focused on returns 15 years down the line have the scope to take more risk for potentially greater rewards, albeit with shorter-term risk.

The differences in performance during 2019 were as we would expect in a rising market – the longer the timeframe and higher the risk profile, the better the performance. Foxtrot and Echo, our riskiest portfolios, shared top billing with a 26% gain over the year. Foxtrot, our punchiest portfolio of all, was the strongest over the past three and six months, with a 10% gain during the fourth quarter.

All our growth models outstripped a 17% rise in the FTSE UK Private Investor Growth index, posting gains ranging from 18% to 26%. Four of the six models beat a 19% rise in the FTSE All-Share index and three of them outperformed the 23% rise in the FTSE World index.

Medium risk

ALPHA

Shorter-term growth

As the most conservative of our growth portfolios, Alpha was unsurprisingly the strongest model in 2018, being one of two to produce a positive return. As expected, it was the weakest of our growth portfolios in 2019. Although its 18% rise is respectable for a medium-risk portfolio.

A year ago, we put 10% of this portfolio into **Mid Wynd International**, a global equity trust that focuses on quality companies, to aid diversification; this was pleasingly its top performer last year, up 31%, followed by another global fund, **Fundsmith Equity** (+26%). **Lindsell Train UK Equity** (+23%), which invests in a small number of 'exceptional' UK companies, and **Royal London Sustainable Diversified Trust** (+22%), which holds a mix of equities and bonds in mainly UK companies (but also in the US and Europe) with products or services that benefit the environment, human welfare and sustainability, also performed very well.

Quilter Investors Cirilium Conservative Portfolio has exited our Rated Funds, having underperformed its peer group over both one and three-year periods. It is the weakest of our model portfolio constituents over a year and we are replacing it in Alpha with **Baillie Gifford Multi-Asset Growth**, a new entrant to Rated Funds and models for 2020. It has performed well since launch in December 2015 against stated aims of achieving positive returns over three years and annual gains of 3.5% above UK base rate over five years.

BRAVO
Medium-term growth

Bravo's 2019 return of almost 20% compares well against the FTSE UK Private Investor Growth index's 17% uplift and a 14% rise in the FTSE UK Private Investor Balanced index, which could be considered a better benchmark for some of our models, such as our short- and medium-term growth portfolios.

All bar one of its constituents put in a solid performance during the year, led by **Fundsmith Equity** and **Castlefield SDL UK Buffettology** (+25%). Only **Artemis Global Growth** was relatively disappointing with a 16.5% return. However, it has been a Rated Fund since 2014 and we retain our faith in manager Peter Saacke's 'SmartGarp' strategy of screening for companies that are attractively valued but have the potential to grow.

Bravo has quite a high underlying exposure to US equities, at 33% of the total. Fundsmith Equity, which accounts for 23% of the portfolio, provides much of that exposure – two-thirds of its assets are in US companies. **F&C Investment Trust** also has a high exposure to the US at 55%.

We think that exposure to funds focused on sustainable dividends will be beneficial in what could be a volatile year ahead, due to the compounding effect of reinvesting dividends for growth, so we are increasing the portfolio weighting to **Fidelity Global Dividend**, which is underweight the US relative to the MSCI World index, by 5% and decreasing the weighting in Fundsmith Equity by the same amount.

CHARLIE
Longer-term growth

Charlie has gained 23% in the past year, helped mainly by holding **Mercantile**, our top performer of 2019. **Fidelity Emerging Markets** (+25%) also helped to keep the portfolio buoyant. It was a newcomer to our models at the start of last year on the strength of its

> **Charlie has gained 23% in the past year helped mainly by holding Mercantile, our 2019 top performer**

focus on larger companies and 'best of breed' approach, which has served it well.

Although the changes we made at the last annual review have undoubtedly improved performance, we feel there is more we can do. We are replacing *Merian Global Equity*, which left Echo a year ago and now departs our models with its removal from Charlie. It accounted for 18% of Charlie and is superseded by a new Rated Fund, **Fidelity Global Focus**, into which we are putting 15%. The incoming fund is more opportunistic than the outgoing one, which shares a focus on large companies with **F&C** investment trust, another constituent of this portfolio. We are shaving our allocation to F&C by 3% to 18%, to take some profits and keep it in line with our preference for having no more than 20% of each portfolio in a single fund.

We are using the remaining 6% to increase exposure to **Lindsell Train UK Equity**, taking its allocation from 9 to 15% – it is among our top 20 constituent funds over one, three, five and eight years and was under-represented in this model previously.

Higher risk

DELTA
Shorter-term growth

Delta is up 18% over one year. **Fundsmith Equity** has bragging honours as its top performer with a 26% return, closely followed by **Royal London Sustainable Diversified** and **Witan** investment trust at 22%.

This higher-risk model has performed in line with medium-risk Alpha and we are taking some remedial action to improve its returns in line with the higher risk investors are bearing here.

First, we are replacing *Rathbone Income* with an alternative equity income fund that has a total return focus and can venture down the market capitalisation scale into smaller companies that tend to boast better growth prospects. **Franklin UK Rising Dividends**, which sits in the UK all companies sector, fits the bill nicely. Although its yield is below the average for funds in the UK equity income sector, its overall performance stacks up well against them. It has a decent slug of its assets (16%) in companies worth less than £2 billion and 15% in those worth £2 billion to £5 billion.

Second, we are reducing the portfolio's exposure to UK equities, currently around 32%, and introducing more global exposure. To do this we are removing *Schroder Recovery*, which is focused on the UK and has not performed as well as we hoped when we introduced it last year. In its place is **Rathbone Global**

GROWTH PORTFOLIOS REGAIN THEIR MOJO

	Total return, income reinvested (%), to 1 January 2020 after:						
	3 mths	6 mths	1 year	3 yrs	5 yrs	8 yrs*	Yield %
Alpha: Short Term Growth, Medium Risk	0.6	3.2	18.0	36.5	69.1	109.6	1.6
Bravo: Medium Term Growth, Medium Risk	3.3	5.2	19.8	39.8	76.0	145.1	1.7
Charlie: Longer Term Growth, Medium Risk	5.6	7.4	22.9	29.2	56.9	122.7	1.5
Delta: Short Term Growth, Higher Risk	3.1	4.4	18.3	29.6	60.8	122.4	1.7
Echo: Medium Term Growth, Higher Risk	5.5	6.1	25.9	34.5	57.2	104.7	1.1
Foxtrot: Longer Term Growth, Higher Risk	9.5	10.5	25.6	37.1	71.5	146.1	1.3
BENCHMARKS AND INDICES							
FTSE UK Private Investor Growth index	1.5	4.1	16.7	25.0	53.4	110.2	
FTSE UK Private Investor Balanced index	1.2	3.6	14.0	21.5	46.2	95.2	

Notes: Historic yield and expense (each holding's ongoing charges) figures are weighted. *Inception date of our Model Portfolios is 1 January 2012. **Data source:** FE Analytics as at 1 January 2020

GROWTH-ORIENTED PORTFOLIOS
Constituents and new portfolio weightings†

MEDIUM RISK					
Alpha – Short Term Growth	**%**	**Bravo – Medium Term Growth**	**%**	**Charlie – Longer Term Growth**	**%**
Baillie Gifford Multi Asset Growth	10.9	Artemis Global Growth	12.7	Capital Gearing IT	11.6
Capital Gearing IT	13.9	Capital Gearing IT	10.0	F&C IT	18.0
Fundsmith Equity	16.5	CFP SDL UK Buffettology	17.3	Fidelity Emerging Markets	10.2
Jupiter Strategic Bond	13.2	F&C IT	17.9	Fidelity Global Focus	15.0
LF Lindsell Train UK Equity	17.7	Fidelity Global Dividend	15.0	LF Lindsell Train UK Equity	14.9
Mid Wynd International IT	11.0	Fundsmith Equity	17.9	Mercantile IT	14.8
Royal London Sustainable Diversified	16.8	Jupiter Strategic Bond	9.2	Schroder Asian Total Return IT	15.5
Yield	**1.6**	**Yield**	**1.7**	**Yield**	**1.5**
HIGHER RISK					
Delta – Short Term Growth	**%**	**Echo – Medium Term Growth**	**%**	**Foxtrot – Longer Term Growth**	**%**
Capital Gearing IT	9.8	Ardevora Global Equity	16.3	ASI Global Smaller Companies	16.3
Franklin UK Rising Dividends	14.3	ASI Global Smaller Companies	16.3	Baillie Gifford Shin Nippon IT	9.0
Fundsmith Equity	19.8	CFP SDL UK Buffettology	13.0	Henderson Smaller Companies IT	20.5
Rathbone Global Opportunities	11.0	JPMorgan Emerging Markets IT	12.0	JPMorgan Emerging Markets IT	12.8
Royal London Sustainable Diversified	11.6	LF Miton UK Value Opportunities	10.5	LF Miton European Opportunities	9.6
Schroder Asian Total Return IT	16.6	Monks IT	16.2	Pantheon International IT	13.9
Witan IT	16.9	Seneca Global Income & Growth IT	15.7	Scottish Mortgage IT	17.9
Yield	**1.7**	**Yield**	**1.1**	**Yield**	**1.3**

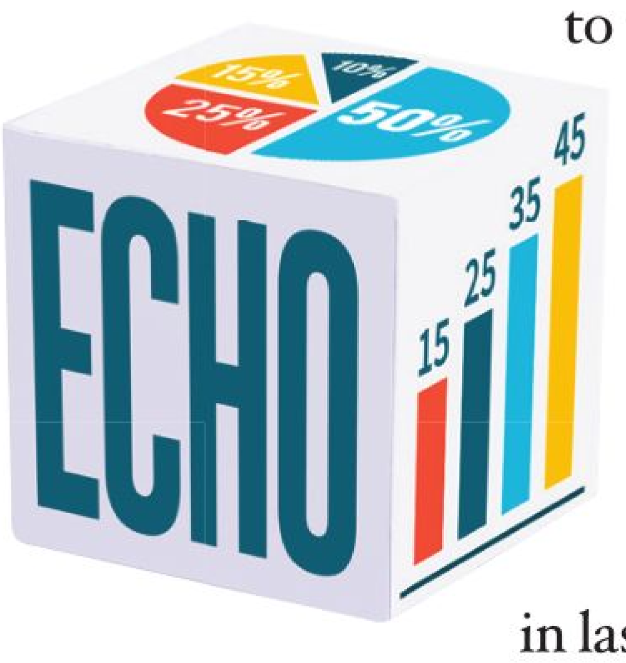
Notes: † As at 6 January 2020. Holding or percentage in blue indicates new or increased holding. Percenatge in red indicates reduced holding. See moneyobserver.com/money-observer-portfolios for more information. **Data source:** FE Analytics as at 1 January 2020.

Opportunities, which seeks easy-to-understand businesses with strong growth potential and able to control their own destiny, and therefore likely to be less influenced by cyclicality.

ECHO

Medium-term growth

Echo shares top billing with Foxtrot over the past year, returning 26%. **LF Miton UK Value Opportunities**, last year's laggard for this model, is this year's best performer with a return of 39%. It has almost 80% of its assets in small and medium-sized companies that have been battered by Brexit turmoil but rebounded strongly as markets reacted positively to the UK's now near-certain departure from the EU. The fund was up 9% in December alone.



We made several changes in last year's annual review, which have in turn significantly boosted Echo's performance. New additions **Monks** investment trust (+32%), **JP Morgan Emerging Markets** (+26%) and **Castlefield SDL UK Buffettology** (+25%) were great switches. We also added to our holding in **Ardevora Global Equity**, which returned 30%.

The changes we made have gone a long way to improve this model's three-year returns, both on an absolute basis and in relation to the level of risk being taken. Risk-adjusted returns are now broadly in line with that of the benchmark FTSE UK Private Investor Growth index.

Although we are a little disappointed in the performance of **ASI Global Smaller Companies** (+18%), we are confident of a return to form for this perennial good performer.

FOXTROT

Longer-term growth

Although some of the gloss has come off the long-term performance of Foxtrot following setbacks in 2018, its returns are still very strong. It shares the top spot with Echo for 2019 with a 26% gain.

Its top performer was last year's addition **Henderson Smaller Companies** investment trust, which returned 46%. Next best was **Pantheon International**, the private equity trust that we have held in this portfolio for several years. It returned 31%, followed by global equities trust **Scottish Mortgage** at 25%, which saw a welcome return to form.

In this review we are making two changes. *Hermes Global Emerging Markets* has lost its Rated Fund status for 2020

HOW EACH OF THE CONSTITUENTS HAS BEEN PERFORMING – WITH PORTFOLIO CHANGES HIGHLIGHTED*

Trust/fund and share class	Portfolio**	Official sector†	Return with income reinvested (%) and sector quartile rank to 1 January 2020 after: 3 mths	Rk	6 mths	Rk	1 year	Rk	3 years	Rk
Mercantile IT	C	UK all companies	24.8	1	29.1	1	**53.9**	1	66.2	1
Henderson Smaller Companies IT	F	UK smaller cos	26.3	1	29.3	1	**46.3**	2	78.1	2
Securities Trust Of Scotland IT	H	Global equity income	6.9	1	9.6	1	**39.3**	1	37.0	2
LF Miton UK Value Opps B Inst Acc	E	IA UK all companies	16.4	1	20.3	1	**39.2**	1	43.5	1
Temple Bar IT	L	UK equity income	18.1	1	18.4	1	**34.3**	1	34.6	2
LF Miton European Opps B Acc	F	IA Europe ex UK	5.2	1	5.4	1	**33.9**	1	64.6	1
Monks IT	E	Global	6.3	2	4.7	3	**32.4**	1	70.2	1
Mid Wynd International IT	A	Global	4.9	3	6.7	2	**30.8**	2	48.6	2
Pantheon International IT	F	Private equity	11.0	2	20.6	1	**30.7**	2	48.6	2
Ardevora Global Equity C Acc	E	IA Global	2.7	2	4.9	2	**30.3**	1	47.5	1
Bankers IT	I	Global	5.2	3	7.3	2	**29.9**	2	52.3	2
Fidelity Global Focus W Acc	C	IA Global	-0.1	4	4.8	2	**28.5**	1	42.2	1
JPMorgan Emerging Markets IT	E, F	Global emerging mkts	8.7	1	7.2	1	**26.3**	1	60.9	1
North American Income IT	L	North America	-1.1	4	2.2	3	**26.2**	2	32.6	2
Rathbone Global Opportunities I Acc	D	IA Global	2.4	2	3.0	3	**26.0**	1	50.6	1
Fundsmith Equity I Acc	A, B, D, L	IA Global	-0.1	4	1.4	4	**25.8**	1	57.1	1
CFP SDL UK Buffettology General Acc	B, E	IA UK all companies	8.9	2	10.1	2	**25.3**	2	57.9	–
Fidelity Emerging Markets W Acc	C	IA Global emerging mkts	4.7	2	5.0	2	**24.9**	1	38.0	1
Scottish Mortgage IT	F	Global	15.3	1	9.4	1	**24.8**	2	84.2	1
Royal London UK Equity Inc M Inc	K	IA UK equity income	6.9	2	9.5	1	**23.9**	1	26.2	1
Franklin UK Rising Dividends W Acc	D	IA UK all companies	5.3	3	8.5	2	**23.0**	2	28.3	2
F&C IT	B, C	Global	8.7	1	10.0	1	**22.9**	3	47.9	2
LF Lindsell Train UK Equity Acc	A, C	IA UK all companies	-2.1	4	1.8	4	**22.8**	2	46.6	1
Royal London Sustainable Div C Acc	A, D	IA Mixed inv 20-60% shares	2.0	2	5.9	1	**22.2**	1	34.7	1
Witan IT	D	Global	7.5	1	9.4	1	**22.1**	3	37.0	3
Troy Income & Growth IT	I	UK equity income	2.5	4	8.0	3	**21.9**	3	24.0	2
Man GLG UK Income D Prof Inc	H, I	IA UK equity income	10.1	1	10.0	1	**21.8**	2	43.9	1
TB Wise Multi-Asset Income B Inc	J, K	IA Flexible investment	12.3	1	12.0	1	**21.4**	1	23.7	1
City of London IT	G,H	UK equity income	6.7	4	6.6	4	**20.5**	3	24.2	2
Fidelity Global Dividend W Acc	B, K	IA Global equity income	-0.7	4	3.5	3	**20.5**	2	31.2	1
Hermes Global Emg Mkts F Acc	F	IA Global emerging mkts	4.5	2	5.5	1	**20.1**	1	44.1	1
Utilico Emerging Markets IT	L	Global emerging mkts	0.0	3	-0.9	3	**19.6**	2	36.3	2
Merian Global Equity R Acc	C	IA Global	0.4	3	2.9	3	**19.2**	3	28.2	3
Rathbone Income Fund I Inc	D	IA UK equity income	4.3	4	6.2	3	**18.6**	3	17.4	3
Fidelity Asian Dividend W Inc	I, L	IA Asia Pacific ex Japan	-0.3	4	-1.0	4	**18.4**	1	40.1	1
ASI Global Smaller Cos Ret Plat 1 Acc	E, F	IA Global	-0.2	4	-1.2	4	**18.3**	4	40.6	1
Kames Diversified Monthly Inc B Inc	H	IA Mixed inv 20-60% shares	4.3	1	5.8	1	**18.3**	1	24.3	1
AXA Framlington Monthly Inc Z Inc	J	IA UK equity income	5.5	3	7.5	2	**18.0**	3	24.7	1
Picton Property Income	G, J	Unclassified	11.3	–	0.5	–	**17.4**	–	43.2	–
Sarasin Global Higher Dividend P Inc	H	IA Global equity income	-0.6	4	3.9	2	**17.0**	3	25.4	2
Artemis Global Growth I Acc	B	IA Global	3.2	2	4.8	2	**16.5**	4	28.0	3
Murray International IT	K	Global equity income	6.1	2	11.7	1	**16.5**	4	20.5	4
Seneca Global Income & Growth IT	E, F	Flexible investment	2.4	2	4.1	2	**16.4**	1	26.5	2
Artemis Global Income I Inc	H, I, J, K	IA Global equity income	2.5	1	3.9	2	**16.2**	4	13.5	4
Guinness Asian Equity Income X Dis	I	IA Asia Pacific ex Japan	2.2	3	3.3	2	**15.8**	2	29.0	3
Schroder Oriental Income IT	L	Asia Pacific income	3.4	2	0.2	4	**15.6**	2	24.7	4
Henderson International Income IT	I	Global equity income	4.2	3	4.5	4	**15.4**	4	28.9	3
Lowland IT	K, L	UK equity income	14.3	1	8.7	3	**14.2**	4	17.9	3
Schroder Asian Total Return IT	C, D	Asia Pacific	1.5	3	0.0	3	**13.1**	3	50.9	1
JP Morgan European IT Income	L	Europe	3.6	4	-1.7	4	**13.1**	4	25.9	3
Baillie Gifford Multi Asset Grth B1 Acc	A	IA Targeted abslt rtrn	2.1	–	4.1	–	**12.2**	–	16.0	–
Fidelity Multi Asset Income I Inc	G	IA Mixed inv 0-35% shares	0.7	2	2.9	1	**11.6**	1	15.5	1
Man GLG Strategic Bond I DIS MO	H, J. K	IA £ strategic bond	1.5	2	4.1	1	**11.5**	1	24.0	1
Baillie Gifford Strategic Bond B Inc	G, H, K, L	IA £ strategic bond	0.5	3	3.6	1	**11.5**	1	18.5	1
Artemis High Income I Inc	G	IA £ strategic bond	2.7	1	3.7	1	**10.9**	1	14.7	1
Baillie Gifford Shin Nippon IT	F	Japanese smaller cos	-1.2	4	-1.3	4	**10.3**	4	55.4	2
Schroder Recovery Z Acc	D	IA UK all companies	7.0	2	6.5	3	**9.8**	4	14.3	4
Schroder Income Maximiser Z Inc	G, J	IA UK equity income	6.1	3	5.1	4	**9.4**	4	16.4	3
Capital Gearing IT	A, B, C, D	Flexible investment	0.6	2	3.4	2	**8.9**	2	18.6	3
Royal London Global Bond Opps Z Inc	J	IA £ strategic bond	1.5	2	2.9	2	**8.8**	2	20.4	1
Royal London Stg Extra Yld Bd A Inc	I	IA £ strategic bond	1.8	1	2.8	2	**8.8**	2	25.9	1
Jupiter Strategic Bond I Acc	A, B, G	IA £ strategic bond	-0.8	4	1.6	4	**8.3**	3	11.9	2
Schroder Income Z Inc	K	IA UK equity income	5.9	3	4.5	4	**8.3**	4	17.2	3
Quilter Inv Cirilium Cons Portfolio R Acc	A	IA Mixed inv 0-35% shares	1.8	1	2.2	2	**7.8**	3	8.7	3
BMO Commercial Property IT	G, J	Property - UK commercial	0.4	4	6.1	2	**-2.5**	3	-3.1	3

Notes: * Table shows performance, with income reinvested, of model portfolio constituents to 1 January 2020, ranked over one year. Not all constituents have been members of portfolios over the time periods stated. ** Letter denotes portfolio identifier i.e. A = Alpha. Fund or letter in blue type: added to a model portfolio or weighting increased. Fund or letter in red type: fund removed from a model portfolio or weighting reduced. †IA = Investment Association open-ended funds. Sectors without IA prefix are investment trust sectors. **Data source:** FE Analytics. For more sector-based information, see Analyse Money, starting from page 66.

Funds in italics are being removed at this review. Funds in bold are staying or being introduced as replacements.

due to its growing size and focus on Asian technology giants. In its place we are adding **JP Morgan Emerging Markets** investment trust, which has a strong reputation.

In addition, we are replacing *Seneca Global Income & Growth* investment trust with some targeted European equities exposure, given that these are not as richly valued as other developed stock markets. We have been impressed with **Miton European Opportunities** fund since its managers moved from Thames River Capital and J O Hambro Capital Management in 2015, so it enters our models for 2020.

THE INCOME PORTFOLIOS

CHOICES TO SUIT DIFFERENT INCOME NEEDS

Six models are designed for those looking for an income – again, three for medium-risk and three for higher-risk investors. Two offer immediate income and make considerable use of bonds, property and derivatives. Our growing income portfolios prioritise capital growth to support future dividend increases, so mainly rely on equity income funds and trusts, while our balanced income portfolios seek to strike a balance between current income and future capital growth.

All bar one of our income-focused portfolios comfortably beat the FTSE UK Private Investor Income index return of 12%. Only Golf, the immediate income, medium-risk portfolio, was in line with the index return.

Our benchmark indices have changed little in terms of asset allocation since last year, with the notable exception of global bonds (excluding the UK) in the UK Private Investor Income index, which has risen from 18.9% to 23.5%. India and Lima, our growing income portfolios, lead the way among our income models in 2019 with returns of 19%. They are by far the best-performing income portfolios over three and five years as well. Lima is the best-performing portfolio overall since inception eight years ago, returning 167%, while India's return of 144% is similar to that of the Foxtrot and Bravo growth portfolios – showing the power of reinvesting dividends over time.

Medium risk

GOLF
Immediate income

Golf's 45% allocation to fixed interest securities helps to dampen volatility and provides the bedrock of portfolio income. The model currently yields 4.7%, with an 8.9% yield from **Schroder Income Maximiser** making up for low-yielding holdings elsewhere.

In performance terms, **City of London** (+21%) led the pack, followed by *Picton Property Income* (+17%) and **Fidelity Multi-Asset Income** (+12%) which we introduced last year and has since been one of the top performers in its sector.

The Picton investment trust adopted real estate investment trust status and it is no longer recognised by the Association of Investment Companies, so we need to find a replacement that can hopefully do as well as it has. **BMO Commercial Property** investment trust, which yields in excess of 5% and pays dividends monthly, is our choice. The yield compares well against the Picton fund, where strong demand has increased the trust's rating and compressed its yield in the process.

A near 13% weighting to UK property is a bit too high in the current environment so we are reducing this to 10% and allocating the difference to **Artemis High Income**, one of the portfolio's relatively high-yielding members.

HOTEL
Balanced income

In last year's review we doubled Hotel's portfolio weighting to fixed interest, which now stands at 34%. This portfolio has less exposure to bonds than Golf, which helps to explain its superior return of nearly 17%, well ahead of the benchmark index. The trade-off is slightly higher volatility than the benchmark over the past three years.

Only **Artemis Global Income** (+16%) has been relatively disappointing, but we believe its exposure to undervalued shares around the world – including in emerging markets – will come good sooner rather than later.

We have removed Rated Fund status from *Sarasin Global Higher Dividend* because its performance and yield were not sufficiently compelling in relation to other global equity income funds. Its replacement is an investment trust because these vehicles are underrepresented in this portfolio.

There remains a link between our new choice, **Securities Trust of Scotland**, and the Sarasin fund as manager Mark Whitehead helped develop Sarasin's thematic range of funds, including Global Higher Dividend, before joining management group Martin Currie in 2015 as head of income.

Elsewhere, performance was led by UK-focused **Man GLG UK Income** (+22%), **City of London** (21%) and **Kames Diversified Monthly Income**, with an 18% rise, very good for a mixed-asset fund.

INCOME-ORIENTED PORTFOLIOS
Constituents and new portfolio weightings†

MEDIUM RISK					
Golf – Immediate Income	**%**	**Hotel – Balanced Income**	**%**	**India – Growing Income**	**%**
Artemis High Income	18.4	Artemis Global Income	15.9	Artemis Global Income	12.2
Baillie Gifford Strategic Bond	13.8	Baillie Gifford Strategic Bond	17.2	Bankers IT	19.2
BMO Commercial Property IT	9.7	City of London IT	14.7	Fidelity Asian Dividend	13.2
City of London IT	18.9	Kames Diversified Monthly Income	10.1	Henderson International Income IT	15.2
Fidelity Multi-Asset Income	15.0	Man GLG Strategic Bond	13.5	Man GLG UK Income	13.4
Jupiter Strategic Bond	11.1	Man GLG UK Income	13.6	Royal London Sterling Extra Yield	12.3
Schroder Income Maximiser	13.1	Securities Trust of Scotland IT	15.0	Troy Income & Growth IT	14.5
Yield	**4.9**	**Yield**	**3.9**	**Yield**	**3.7**
HIGHER RISK					
Juliet – Immediate Income	**%**	**Kilo – Balanced Income**	**%**	**Lima – Growing Income**	**%**
Artemis Global Income	14.4	Baillie Gifford Strategic Bond	11.5	Baillie Gifford Strategic Bond	12.6
Axa Framlington Monthly Income	18.5	Fidelity Global Dividend	15.4	Fidelity Asian Dividend	16.3
BMO Commercial Property	10.2	Lowland IT	16.8	Fundsmith Equity	14.1
Man GLG Strategic Bond	15.8	Man GLG Strategic Bond	11.6	JP Morgan European IT - Income	15.6
Royal London Global Bond Opps	12.6	Murray International IT	12.6	North American Income IT	13.1
Schroder Income Maximiser	10.4	Royal London UK Equity Income	15.3	Temple Bar IT	12.7
TB Wise Multi-Asset Income	18.1	TB Wise Multi-Asset Income	16.8	Utilico Emerging Markets IT	15.6
Yield	**5.3**	**Yield**	**4.2**	**Yield**	**3.1**

Notes: † As at 6 January 2020. Holding or percentage in blue indicates new or increased holding. Percenatge in red indicates reduced holding. See moneyobserver.com/money-observer-portfolios for more information. **Data source:** FE Analytics as at 1 January 2020.

INCOME PORTFOLIOS BENEFIT FROM EQUITIES BIAS

	Total return, income reinvested (%), to 1 January 2020 after:						
	3 mths	6 mths	1 year	3 yrs	5 yrs	8 yrs*	Yield %
Golf: Immediate Income, Medium Risk	3.9	3.7	12.2	16.4	27.7	83.5	1.6
Hotel: Balanced Income, Medium Risk	3.4	5.4	16.5	18.7	38.2	97.1	3.92
India: Growing Income, Medium Risk	4.0	5.6	19.0	27.3	56.8	144.5	3.68
Juliet: Immediate Income, Higher Risk	6.0	5.7	15.5	17.5	37.9	105.7	5.27
Kilo: Balanced Income, Higher Risk	6.5	7.2	14.5	16.3	39.1	118.5	4.24
Lima: Growing Income, Higher Risk	4.4	3.2	19.1	32.3	59.7	167.2	3.14
BENCHMARKS AND INDICES							
FTSE UK Private Investor Income index	0.7	3.0	12.0	18.2	38.7	77.2	
FTSE UK Private Investor Balanced index	1.2	3.6	14.0	21.5	46.2	95.2	
FTSE All Share index	4.2	5.5	19.2	22.0	43.8	97.5	
FTSE World index	1.4	5.2	22.8	34.9	82.4	177.7	

Notes: Historic yield and expense (each holding's ongoing charges) figures are weighted. *Inception date of our Model Portfolios is 1 January 2012. **Data source:** FE Analytics as at 1 January 2020.

INDIA

Growing income

Although India has performed well, returning 17%, we note the comparative lower performance of some of its constituents.

We continue to like **Henderson International Income** (+15%), which has no exposure to the UK and has fulfilled its aim of producing annual dividend increases since its first full year in 2012. The trust has a high exposure to Europe, which has held it back somewhat over the past year or so.

Guinness Asian Equity Income (+16%) has performed better than many other dividend focused funds in the region. However, we are more impressed with the returns generated by a rival fund, **Fidelity Asian Dividend**. Jochen Breuer runs an unconstrained, concentrated portfolio of high-quality, cash-generative businesses. The approach has resulted in returns of more than 18% in 2019 and 40% over the past three years. The fund's current yield is 3.5%. We will make a direct swap from the Guinness fund to this one.

India's top performer in 2019 is **Bankers** investment trust (+30%). Hard on its heels are **Troy Income & Growth** and **Man GLG UK Income**, which both made almost 22%.

This portfolio now has exposure to UK equities which is a little lower than we would like at just over 16%, so we are trimming the holding in **Artemis Global Income** by 5% to 12% and allocating this equally between the Troy and Man GLG funds.

Higher risk

JULIET

Immediate income

A high immediate income is the prime objective of Juliet (+15.5%) and it now yields 5%. Property has historically been an important contributor to the overall yield, but in line with Golf we are replacing *Picton Property Income* with **BMO Commercial Property**, which yields 5% compared to 3% for the Picton fund, but reducing its weight in the portfolio to 10% from 13% and adding that difference to a bond fund.

Like Golf, the highest-yielding constituent is **Schroder Income Maximiser** at 8.9%. This fund sacrifices some capital gains to achieve this ultra-high yield, and a total return of 9% over the year demonstrates this fact. That was the second-worst performance in the portfolio, just above **Royal London Global Bond Opportunities**, which returned 8%. This latter fund, which yields more than 5%, is under-represented so receives the extra allocation from UK property, taking its weight to 12.5%. Fellow fixed-interest fund **Man GLG Strategic Bond** returned 11%.

Value-focused **TB Wise Multi-Asset Income** had a difficult 2018 and first half of 2019. However, its focus on undervalued UK opportunities saw its return rocket to almost 20% in 2019, while investors can also benefit from a near 6% yield. **Axa Framlington Monthly Income**, which yields 4.5% and has the highest weighting in the portfolio at around 18%, made a solid return of 18%.

Although **Artemis Global Income** (+16%) is letting the side down in terms of comparative performance, we are hopeful that 2020 will see something of a turnaround in its fortunes, similar to that experienced by the Wise fund in 2019.

> **Last year's switch into Temple Bar proved to be a very good move, as it returned 34% in 2019**

KILO

Balanced income

Kilo's 14.5% rise was better than the benchmark, but its medium-term performance remains lacklustre and this is largely due to its focus on value-oriented strategies. This has sometimes proved highly beneficial, such as the switch at the last annual review into **Murray International**, which returned nearly 17% in 2019.

Both this trust and *Artemis Global Income* (+16%) are highly value-oriented and quite similar in terms of where they invest. We are keeping the Artemis fund in other portfolios but feel this one could benefit from a bit more diversity in approach. To that end we are replacing it with **Fidelity Global Dividend**, which is already in Bravo. Manager Dan Roberts recently said the portfolio is cheaper than the market on a dividend yield and free cash flow yield basis, which should afford a margin of safety if market valuations come under pressure.

A similar comparison in value-oriented strategies is true of Kilo's UK equity holdings, *Schroder Income* (+8%) and **Lowland** investment trust (+14%). Lowland made a late surge in the final quarter of the year and we feel this uptick could have further to go, so are replacing the underperforming Schroder fund with **Royal London UK Equity Income**. Despite its decent yield of 4.3%, it is total return-oriented. We are confident that these changes will strike a better balance in the equity investment strategies used in Kilo.

LIMA

Growing income

Lima's 19% rise in 2019 has been achieved with comparatively higher volatility than the benchmark, which is to be expected from this equities-heavy portfolio.

Last year's switch into **Temple Bar** investment trust proved to be a very good move, as it returned 34% in 2019, making it the portfolio's top performer. Our other UK equity income pick, *Lowland*, performed well towards the end of the year but we are removing the trust from Lima to make way for some targeted US equity income exposure, which is lacking here.

Fundsmith Equity (+26%) gives the portfolio some US exposure, but it pays little in the way of income. We will reduce its weight in the portfolio from 18% to 14%.

With the near 9% weight we get from selling Lowland, we can put 13% into **North American Income** investment trust. Managed by Aberdeen Standard Investments, it has a progressive dividend policy and has a current yield of 2.8%, paid quarterly. Its shares are standing at a small premium but have traded close to par or a small discount over the past year.

We no longer rate *Schroder Oriental Income* investment trust, so are replacing this with **Fidelity Asian Dividend**, as we did in India.

Funds in italics are being removed at this review. Funds in bold are staying or being introduced as replacements.

Funds for all SEASONS

CHERRY REYNARD SHARES FUND IDEAS TO SUIT THE FULL GAMUT OF INVESTOR DISPOSITIONS

Know thyself: the Greek aphorism is not just handy in life, but also when investing. No one who lies awake at night fretting about their savings should be in an artificial intelligence fund, while someone with 40 years to invest doesn't need the constraints of a boring defensive fund. With that in mind, we consider a smorgasbord of options for a variety of different investor types and situations.

YOUTHFUL BEGINNER

Youth is a superpower in more ways than one. Let's look at two investors: one who starts putting £100 away each month at the age of 20 and another who puts £200 away at 40. Assuming investment growth of 5%, by the time they are 60, the one who started at 20 will have built a useful pot of £152,602. In contrast, even though she put in the same total amount – £48,000 – as the early starter, the investor who started investing at age 40 will have built up just £82,206 over 20 years. Such is the power of compounding returns (whereby gains themselves generate further gains, and so on).

That long-term horizon also allows youthful investors to take more risk. After all, they can readily afford to ride the highs and lows of stock markets. It also means liquidity isn't such a problem. If an investor doesn't need to buy or sell, they may as well reap the benefits of less easily accessed, more rewarding investment types.

James Calder, research director at City Asset Management, says: "We use a number of global investment trusts for our younger clients. In reality, many will have a time horizon of 50 or more years. That means they can get involved in areas such as biotechnology, private equity or fintech – high-growth, globally oriented funds."

He picks **Scottish Mortgage**, a well-priced investment trust managed by Baillie Gifford that invests in high-growth companies. Its top holdings include Amazon, Ilumina and Alibaba. It can be volatile, so it suits regular savers rather than lump-sum investors. Other favourites include the **Fidelity Asian Values** investment trust, which has had a tough period but has a talented manager invested in an eclectic range of Asian companies.

Gavin Haynes, an investment consultant, points out that many youthful investors may prefer a sustainable investment option. After all, the last thing they want by investing is to mess up their own future. There is an increasingly broad choice, but he likes the **Fundsmith Sustainable Equity** fund.

He says: "This is the same approach that Terry Smith has taken, very successfully, with his £19 billion Fundsmith Equity fund: investing in companies that have a sustainable competitive advantage. However, this fund has a number of red lines – no tobacco or fossil fuels, for example. It is smaller, at £300 million in size."

A number of thematic fund launches may suit an investor with a long time horizon. For example, the **Schroder Energy Transition** fund is an impact fund that invests in the transition away from fossil fuels to new energy sources. The **BlackRock Circular Economy** fund invests in companies promoting a new economic model based on three principles: designing out waste and pollution, keeping products and materials in use and regenerating natural systems.

2020 RATED FUND TO FIT

For those with a timeframe of several decades, **BMO Responsible Global Equity** offers a keen focus on sustainability and an impressive track record. It has a relatively high exposure to technology and 0% in the US.

ESTABLISHED PESSIMIST

These are difficult times to be a defensive investor. Many of the tools that have served defensive investors well in the past – government bonds, for example – now look increasingly risky, thanks to quantitative easing and the era of low interest rates.

UK 10-year government bonds, for example, have a yield of just 0.85% at a time when inflation sits at 1.5%. Investors would have to be pretty gloomy about the outlook to willingly give up 0.65% of their capital each year.

Peter Askew, fund manager and chief executive at T Bailey, says: "Defensive assets look hugely expensive and some could give you negative returns. We are not buying many government bonds as things stand. In general, we're out of fixed income where possible."

The same has been true to a lesser extent with equities. Low bond yields have pushed investors into safe companies with reliable dividends. However, this shift has pushed share prices higher. Nestlé, for example, now trades at 33 times its annual earnings and its dividend is just 2.4%. At these prices, such companies no longer look like safe hiding places to ride out a market storm, but instead may be vulnerable to the slightest change in investor sentiment.

Absolute return funds may be an option, but it is difficult to get excited about a sector where the average fund has delivered, at most, 3.4% in any calendar year among the past five. Many of the sector's flagship funds - Standard Life Investments Absolute Return Global Bond Strategies, Jupiter Absolute Return – are in negative territory over three years.

> **Indicators suggest that the risk of recession is higher than it has been at any point in this cycle**
> JOHN STOPFORD

This doesn't leave the defensive investor with a particularly wide choice. Haynes suggests infrastructure. He says: "It has a good yield and it's not too cyclical. Spending on infrastructure in the developed and emerging world is increasing." He picks the **First State Global Listed Infrastructure** fund. Askew agrees: "Real assets provide real yield and we have been looking among some of the investment trusts," he says.

Another option might be a blended multi-asset fund, where the fund manager aims to find individual securities likely to protect capital in more difficult markets. The **Investec Diversified Income** fund, which looks to generate return primarily from income with half the volatility of the broader stock market, would fit the brief.

Manager John Stopford says: "Indicators suggest that the risk of recession is higher than it has been at any point in this cycle, so the message is to be cautious, not to be a hero, to look for individual securities that appear mispriced." He is holding higher-yielding government bonds – such as those from New Zealand, the US and Canada – plus a range of emerging market bonds, around a third of the portfolio in equities and a smattering of property.

Gary Potter, co-head of the multi-manager team at BMO Global Asset Management, likes Clive Beagles, who runs the **JOHCM UK Equity Income** fund alongside James Lowen.

Beagles is a value-focused manager, often with a different perspective on the market. Today that manifests as an overweight position in financials, alongside a significant weighting in small companies. Potter says: "He's a very established manager with a long track record. His financials position hasn't worked yet, but we believe it will."

> **2020 RATED FUND TO FIT**
>
> Cautious investors keen to preserve their wealth could consider **Baillie Gifford Multi-Asset Growth**, which aims for growth with low volatility, whatever the weather. Since launch four years ago it has achieved this, returning an annalised 5.4%.

CONFIRMED CONTRARIAN

It has been a good year for most types of investor: bond and equity prices have risen, in spite of some gloomy predictions at the start of 2019. The problem is that this has left prices higher and reduced the number of opportunities for contrarian investors.

However, there is one region where political uncertainty continues to weigh on assets, notwithstanding the recent UK election result: UK equities – particularly UK domestic stocks – have lagged their international peers for some time. Over the past three years, the average fund in the UK all companies sector has risen by 21%, while the average North American fund is up 36%. With headwinds from Brexit, a sluggish economy and the weakness of sterling, UK assets look cheap.

For Potter this represents a potential opportunity. He says: "UK small company funds have been caught up in the Brexit debate. To us, this part of the market now appears quite seriously undervalued. We like funds such as **LF Tellworth UK Smaller Companies**, run by Paul Marriage." Marriage was previously at Schroders, where he ran more than £1 billion in a similar strategy.

This is also the view of investment trust managers polled by the Association of Investment Companies. Its annual poll shows that, in spite of the Brexit challenges, a third of respondents think the UK has the best prospects for the coming year. Some of the UK smaller companies trusts remain on wide discounts to net asset value (NAV). Highlights include the **Chelverton Growth Trust**, which is trading at a 15.4% discount, and some micro-cap funds that are also on wide discounts.

There are other parts of the investment trust market that are conspicuously unloved. European smaller companies trusts, for example, trade at an average 11.4% discount to NAV at a time when Europe appears to be recovering. Emerging market trusts have also had a tough time, trading at an 8.4% discount. With some positive noises emerging from US-China trade talks, this area could make progress in 2019.

> **We would probably play the cloud technology theme through a dedicated technology fund**
>
> **GARY POTTER**

Haynes favours India: "There aren't many areas where investors haven't made money this year, but India is one of them. There have been some short-term headwinds, but it seems a good time to increase exposure with a fund focused on India. We like the **First State Global Emerging Markets Focus** fund, which has more than 25% in India."

> **2020 RATED FUND TO FIT**
>
> For contrarians Europe remains an unloved market worth investigating. **TR European Growth** investment trust is a value-oriented choice run by a highly regarded manager. It currently trades at an 11.5% discount to NAV.

HARDENED THRILL-SEEKER

The first place any thrill-seeker is likely to look is the technology sector. Investors who have been in the sector over the past five years will certainly have found it pretty exciting. The average fund is up 125%, a full 20% ahead of any other sector.

The problem for thrill-seeking investors is not, usually, identifying areas of strong growth in the economy, but ensuring that they don't pay too much for that growth. This may be the problem for technology-focused investors today.

Nevertheless, myriad funds now target specific sectors of the economy slated to be areas of unassailable growth. For example, for investors keen to take advantage of growth in the artificial intelligence sector, there is the **Polar Capital Automation and Artificial Intelligence** fund and the **Smith & Williamson Artificial Intelligence** fund. CPR Asset Management has its **Global Disruptive Opportunities** fund (distributed through Amundi). BNY Mellon Investment Management has launched the **BNY Mellon Mobility Innovation** fund. A number of passive funds are available, such as the **LGIM Future World** range.

Gary Potter believes there is merit in some of these ideas and thinks the outlook for cloud computing is particularly bright. He says: "These businesses are disrupting the world, and we believe in the growth of the cloud. We would probably play the theme through a dedicated technology fund, such as **Polar Capital Technology**. There will always be ups and downs, but it is not aggressively speculative."

Gavin Haynes says smaller companies across the globe have been unloved and should be a source of long-term growth. He likes the **Vanguard Global Small Cap Index** fund.

Kay Ingram, head of policy at LEBC, suggests a blended index portfolio. In the group's funds, the highest-risk investor will hold the highest weighting in two UK index funds, the **iShares UK Equity Index** fund and the **Fidelity Index UK** fund, plus two international funds – the **Fidelity Index US** fund and the **Fidelity Index Emerging Markets** fund.

> **2020 RATED FUND TO FIT**
>
> Adventurous investors with an eye to environmental issues could look at **Impax Asian Environmental Markets**, which aims to profit from the shift to greater sustainability among Asian superpowers over coming years.

MIND THE TRAP

Ingram cautions investors against allowing their personality type to be the sole driver of their investment decision-making: He says: "With any investor, we would ask them what they want to achieve with their investments and place this at the centre of any recommendation. While mindset plays a part in determining an investor's tolerable level of risk, it should not be the uppermost consideration when selecting an investment, as it could stop them achieving their financial objectives."

However, investors need to be heedful of their mindset if they want to ensure they are comfortable with the investments they hold and know what to expect from them. Nervous investors may harm their long-term investment prospects by selling at the first sign of market trouble. Know thyself, and investment should come more easily.

THE SECTORS MOST LIKELY TO REWARD active investors

PASSIVE INVESTING IS INCREASINGLY POPULAR, BUT IN CERTAIN MARKETS ACTIVE FUNDS STILL DELIVER SUPERIOR RETURNS, WRITES **TOM BAILEY**

The past decade has seen increasing numbers of investors switching their money out of actively managed funds and into index tracker funds, either traditional index funds or exchange traded funds.

There are several reasons for this. Tracker funds are generally cheaper to run, so their fees are low compared with active funds. Meanwhile, many investors burned in the financial crisis have decided that active managers are not all that good at protecting capital in a downturn.

What's more, the past decade has seen increasing acceptance among retail investors of 'the efficient markets hypothesis'. Stockpickers, the theory goes, will struggle to consistently beat the market-average performance. Some fund managers may do so, but identifying in advance which are likely to do so is exceptionally difficult.

That said, while in some markets active managers have little chance of beating their index-tracking rivals, in others they stand a strong chance of doing so.

We take a look at the markets where the active strategy has been

VALUE VERSUS GROWTH DEBATE PART OF THE PICTURE

The value versus growth debate is almost as important as the active versus passive one. Morningstar data shows that value investing has a better chance of success than growth investing for active stockpickers. US large-cap growth has a success rate of just 1.5%, while the rate for US large-cap value is 7.2%.

The better performance of value is partly down to the inherent selectivity of value investing. Investing in value entails trying to find good firms that are out of favour. This requires a highly selective approach, in order to avoid unloved firms that have no future.

Jason Hollands says active management, in theory, can "avoid land mines and spot the genuine bargains with rerating potential, which provides more scope for success".

There is, however, a more specific reason for value's better success rate over the past decade. According to Hollands, much of the strong performance of US large-cap growth stocks has resulted from share buybacks. But he says US active value and blend managers have been able to do better "because these parts of the market have been least influenced by the buyback bonanza".

Typically, they are more conservatively financed and "more likely to pay dividends than leverage up and gobble up their own stock".

most successful over the past decade and those where it has been least effective, and explain the reasons behind this.

In order to compare active versus passive returns, we have used Morningstar's success rates over the 10-year period from 2009 to 2019. The success rate measures the performance of Europe-domiciled active funds against passive peers in their respective Morningstar categories (which are more granular than the Investment Association sectors we usually refer to). It is defined by Morningstar as the percentage of funds that survived and also went on to generate returns in excess of passive fund returns in the same sector, over a specific period.

> **Active funds sometimes stand a better chance of pre-empting big economic changes**
> ADRIAN LOWCOCK

The success rates for large-cap, regionally focused funds are among the lowest.

US large-cap growth has a success rate of 1.5%, indicating that just 1.5% of funds survived and outperformed the average passive fund in the sector over the past 10 years. The Europe large-cap blend sector achieved a slightly better rate of 15.5%, but this is still a lot lower than the 35.3% the region's small-cap sector, Europe small-cap equity, produced.

It's no surprise that large-cap-focused fund managers have had a lower success rate relative to index trackers, says Darius McDermott, managing director at Chelsea Financial Services. He points out that larger companies make up the most efficient parts of stock markets.

He says: "They are the companies covered by the largest number of analysts and information about them is widely available. That makes it hard for investors to find an angle others have not thought about and therefore add value."

Indeed, this point about efficiency applies to the US market more broadly. Overall, the region has some of the lowest success rates. Even the US small-cap equity sector, which is relatively less closely analysed, has a lower success rate than the equivalent sectors in Japan and Europe, as can be seen in the table.

The explanation is the same as that for the low success rates among large-cap funds: coverage and efficiency. The US market is the most watched and analysed in the world: even small US equities are closely studied. Again, this makes the task of beating the market much harder for active managers.

LEADING MORNINGSTAR EQUITY SECTORS: ACTIVE FUND SUCCESS RATES

	Success rate over 10 years (%)
UK mid-cap equity	77.8
India equity	47.6
Japan small/mid-cap equity	36.4
Global emerging markets equity	35.5
Europe small-cap equity	35.3
UK large-cap equity	33.1
US small-cap equity	27.5
Asia ex Japan equity	27.4
Europe large-cap value equity	17.9
Japan large-cap equity	16.9
Global large-cap value equity	13.9
Europe large-cap growth equity	9.8
Global large-cap blend equity	9.1
US large-cap blend equity	8.8
Asia-pacific ex-japan equity	8.6
US large-cap value equity	7.2
US large-cap growth equity	1.5

Source: Morningstar Direct, as at 30 June 2019

STRUCTURAL FACTORS

The structure of a market – the balance of different industries that comprise it – is important. Again, this can be seen by the abysmal performance of US large-cap growth. McDermott argues: "US large-cap growth stocks tend to be technology companies, which have done very well in recent years and make up a huge part of the index." However, it is almost impossible for active managers to be overweight any of these stocks (assuming they have conviction in their performance) without breaching percentage holding rules.

Adrian Lowcock, head of personal investing at Willis Owen, makes a similar point: "Active managers are likely to be underweight in some of the best performers in the growth area, such as Apple or Amazon, as these comprise so much of the index that active funds cannot go overweight because of risk controls. The growth area of the market has been highly concentrated into a few stocks – if you don't have over-exposure to those, you will struggle."

All of this means that managers investing in large-cap US growth stocks have been much more likely to underperform their index-tracking peers.

PROMISING TERRITORY

On the other hand, sometimes the structure of a market is more favourable to active managers, as in the Indian market, where they have a success rate of 47.6%, one of the highest.

McDermott points out that stock market indices in India are heavily weighted towards a handful of large conglomerates.

In the MSCI India index, for example, just two companies account for 22% of the entire market.

However, Ben Yearsley, director at Shore Financial Planning, says: “The larger stocks are often financial or big, messy conglomerates that have been poor performers.” Active managers have been able to avoid these parts of the index, and instead construct portfolios of smaller- and mid-cap companies.

According to McDermott: “When the mid-caps do well, they do very well; when they fall, they can fall a long way. So they are a lot riskier. But over time they can be very rewarding, as they have so much room to grow.”

PRIMED FOR CHANGE

Lowcock argues that active funds sometimes stand a better chance of pre-empting big economic changes. He says: “India has been going through some big changes under its current prime minister, Narendra Modi, and these changes will have had an impact on the market. Tracker funds are subject to changes in the market, while active funds can pre-empt these changes and avoid the companies worst affected.”

NARENDRA MODI

Market structure has also played a large role in the success of active management in the UK mid-cap space, says Jason Hollands, managing director at Bestinvest. UK mid-cap has the best performance of all Morningstar sectors, with a success rate of 77.8%. This was the only sector with a success rating above 50%, so it was the single sector where investors were more likely than not to achieve better results with an active manager.

Active management has also been able to find more traction in both the Indian equities and the UK mid-cap sectors, because these are less efficient parts of the market. In contrast to the heavy analyst coverage in US sectors, there is less scrutiny here.

However, Hollands says: “The structure of the UK market and concentration at the top are undoubtedly factors here.” There are 626 constituents in the FTSE All-Share index, and while 40% of these are mid-caps (under the FTSE definition) and 44% are smaller companies, when weighted by market cap, the index is 80% exposed to large companies, 17% to mid-caps and just 3% to smaller companies.

“In other words, 84% of the market’s constituents are zapped down to 20% of its market cap,” he adds. “By definition, active managers prepared to move away from the index and play more heavily in the mid- and small-cap spaces will be giving themselves exposure to a much bigger opportunity set.”

McDermott makes the point that the UK mid-cap sector has seen strong performance because of the quality of active managers focused on the market. He says: “We have some very good active managers in the mid- and small-cap spaces: some of the best stockpickers in the world who really know their home market inside out. They consistently add value.”

Lowcock makes a similar point. He says: “The UK fund management industry has been exceptional at finding opportunities in this space. Some of this is because the mid-cap sector in the UK is still just too small for many of the largest asset managers and institutions.”

BEATEN BONDS

On average, the success rates of bond funds are lower than those of equity funds. Does this suggest that active management is better suited to equities?

LEADING MORNINGSTAR BOND SECTORS: ACTIVE FUND SUCCESS RATES

	Success rate over 10 years (%)
Global bond	45.5
UK inflation-linked bond	23.1
Eurozone government bond	20.7
US government bond	12.1
UK government bond	7.9
Japan bond	5.9

Source: Morningstar Direct, as at 30 June 2019

Not necessarily, says Lowcock. The failure of active bond funds to achieve a high success rate is “actually a scary thing about how data can be interpreted”, he suggests.

He argues that passive funds will buy the most heavily indebted companies, as they issue the most bonds. While the performance of these bonds can be good for a period, possibly even the life of the bond (benefiting the passive fund), “the risk that has been taken by the passive fund is much higher than is realised”.

He says: “It is not just about performance; it is about risk management as well. No active bond manager would buy a company’s debt just because it comprised more of the market.”

Bond markets have also been supported by quantitative easing, giving passive vehicles an easier time, says McDermott. “A decade of extraordinary monetary policy has distorted the bond markets and arguably kept a bond bull market going a lot longer than it should have.”

> **84% of the UK market’s constituents are zapped down to 20% of its market capitalisation**
> JASON HOLLANDS

He adds: “Active bond fund managers will think about risk as well as reward and therefore will have been shorter duration, which will have hurt in terms of returns, but is definitely the sensible course of action.” Should monetary policy start to tighten again, McDermott says, “a skilled and experienced bond manager will be where to have your money”.

The struggles of bond fund managers in an environment of ultra-loose monetary policy can be seen in Japan, where fund managers have a success rate of just 5.9%. McDermott says: “The Japanese bond market has been completely manipulated by the Japanese central bank to keep Japan’s economy afloat. Many bonds have negative or zero yields.”

Lowcock concludes that in such a market, it is “almost impossible for active managers to add value unless they accurately predict the central bank’s actions”.

SMALLER COMPANY STARS

The Morningstar UK mid-cap sector has a success rate of 77.8%. The closest equivalent to that in terms of Investment Association sectors is the smaller companies sector.

Over the past 10 years this sector has produced an average return of 229%, making it the third best-performing IA sector.

Topping the table was **Merian UK Smaller Companies**, which returned 414% over 10 years. Note that investors in **Marlborough UK Micro Cap Growth** and **LF Gresham House UK Micro Cap** would be unable to access many of their constituent holdings via a passive fund anyway, because they are listed on the Alternative Investment Market, for which no tracker or ETF exists.

UK SMALLER COMPANY TOP PERFORMERS

Fund	10-year return (%)
Merian UK Smaller Companies	414
TB Amati UK Smaller Companies	403
Marlborough UK Micro Cap Growth	350
LF Gresham House UK Micro Cap	351
UK smaller companies sector average	**229**

Source: Morningstar Direct, as at 17 December 2019

10 SHARES FOR A £10,000 ANNUAL INCOME

LEE WILD OVERHAULS THE SHARES PORTFOLIO AFTER 2019'S SUCCESSFUL TOTAL RETURNS RESULT

Over the past five years we have been building a shares portfolio to generate £10,000 of annual income. It hasn't been easy, but except during a blip in 2018, investors have been rewarded with a decent mix of capital growth and income.

Hardest of all has been achieving consistency with the income objective. For the first three years, we did it, give or take a few hundred pounds. But high-profile dividend payers have run into problems over the past two years, forcing cuts to payouts. In an income portfolio with very precise expectations and just 10 constituents, any slip-up has highly visible consequences. And so it was in 2019.

Some stocks over-delivered, some fell a little short of expectations, but it was the big miss by Vodafone that meant this portfolio generated just £9,229 of dividend income, although that is still a yield of 6.4% on the £143,000 invested.

CAPITAL RETURN COVERS INCOME SHORTFALL

A year ago I forecast that the worst was over for Vodafone. I was wrong. Increased competition in Europe, problems in South Africa, high spectrum auction costs and restructuring forced the board into a 40% dividend cut to help reduce debt. Having forecast a payout of £1,400 for our portfolio, we received just £781, equating to a yield of 4.9% on our investment.

However, in these circumstances, and especially after we had said capital preservation was key in 2019, you would hope that any capital appreciation across the portfolio would make up the shortfall. It did, in spades. Twelve months after investing £143,400 across 10 stocks, the portfolio is worth £153,924: an inflation-busting gain of 7.3%, and more than enough to fill that income gap.

> **Twelve months on, the 2019 selection has returned an inflation-busting 7.3%**

Half the portfolio did lose money. **Imperial Brands** was hampered by slowing growth, high debt and doubts about vaping products; **Sainsbury's** was the victim of a failed attempt to merge with Asda; and HSBC suffered as a result of violence in Hong Kong and significant declines in its emerging markets-led global banking and markets division. All three fell by double digits.

However, demonstrating beautifully the benefits of a well-diversified portfolio, even when restricted to just 10 stocks, was the ability of five strong performers to deliver that 7.3% overall capital return between them. Housebuilder Barratt Developments rocketed by 65%; insurer Legal & General gained 34%; utility SSE made us a 33% profit; pharmaceuticals giant and our biggest investment **GlaxoSmithKline** jumped 17%; and green investor Renewables Infrastructure Group was up 21%.

SWAP SHOP: THE FINANCIALS

This year there is rather more chopping and changing than I'd like. Because this is a 12-month portfolio, rather than one that rolls over into the following year, it matters less, but it is preferable to maintain some consistency and only swap constituents if absolutely necessary. However, given the short-term nature of the portfolio, one must give due consideration to not just a company's potential for income generation, but also its ability to avoid dramatic losses. That's the theory, anyway.

With that in mind, I'm replacing half a dozen stocks from the 2019 portfolio with others I believe offer

REVISED AND REVITALISED NEW PORTFOLIO FOR 2020

Company	Ticker	Share price 7 Jan 2020 (p)	Sum invested (£)	Shares bought	Forecast dividend (p)	Prospective dividend yield (%)	Expected annual income (£)
Aviva	AV	417	15,000	3,590	31	7.5	1,125
BP	BP	500	20,000	3,993	30	6.0	1,200
GlaxoSmithKline	GSK	1,758	20,000	1,138	79	4.5	900
Hays	HAS	177	15,000	8,455	8	4.9	735
Imperial Brands	IMB	1,967	15,000	762	210	10.7	1,605
Lloyds Banking Group	LLOY	63	15,000	23,715	3	5.4	810
Persimmon	PSN	2,721	15,000	551	236	8.7	1,305
Rio Tinto	RIO	4,438	15,000	338	332	7.5	1,125
Sainsbury's	SBRY	230	12,000	5,213	10	4.6	552
United Utilities	UU.	935	15,000	1,603	41	4.4	660
Total			**157,000**				**10,017**

Source: SharePad, analyst estimates, as at 7 January 2020 better income potential in 2020 and represent better value for investors. The result is a portfolio that costs £14,000 more to build but offers a higher prospective dividend yield of 7%.

To do that, out goes HSBC. That may seem harsh for a stock that delivered the anticipated 6%-plus dividend yield last year, but the shares were the worst-performing of UK bank stocks and, while its Asian markets are promising, I'm switching to a lender closer to home. **Lloyds Banking Group** has hardly shot the lights out, but greater political certainty should benefit its UK customer base. An increase in fiscal spending should drive earnings, while Lloyds has room to improve margins and the potential to trigger a re-rating of its shares.

Surely a dividend yield of 7.3% is enough to make Legal & General safe? Nope. It remains a nice stock to own, but I'm trying to sweat this portfolio, and after a 34% increase in the share price last year, the yield drops to a more modest 5.8%. To maintain diversity, I'm bringing in another insurer that is cheaper and offers a prospective yield of 7.5%. **Aviva** is not without risk, as some question the new strategy and current level of dividend payment, but I believe it is worth backing in 2020.

I want to keep at least one housebuilder in the portfolio, especially as the general election result could be a positive for domestic-focused stocks. Barratt Developments has been a great performer for us, but a rival has turned our heads. **Persimmon** underperformed rivals as it tackled criticism of its customer care and build quality, but while the share price has improved, there looks to be more catching up to do now that those issues have been resolved. The yield is also among the best in the sector.

Political clarity is good for utilities too, particularly now that the threat of Jeremy Corbyn's renationalisation programme is removed. But our 2019 star, SSE Group – which produced a 33% profit for our portfolio and a 9.1% dividend yield – now yields just 5.5%. It makes way for **United Utilities** which, while yielding slightly less, reduces risk.

Last year's gamble on high-yielder Vodafone didn't quite pay off, although we still enjoyed a 4.9% dividend yield, despite a high-profile cut to the payout. Recruiter **Hays** takes its place. It offers a generous and well-covered dividend, and

GlaxoSmithKline rarely lets us down in delivering share price growth and income

the shares trade at a slight discount to the long-term average. An economically sensitive business such as this should prosper if the government fulfils its pledge to invest heavily in UK plc.

A HANDFUL OF HEAVYWEIGHTS

Like it or not, our income portfolio will always contain either BP or Shell. We have flitted between the two in the past, but there is virtually nothing to separate them in terms of yield and valuation, so we are sticking with **BP**.

We have been missing exposure to miners too, so given that we are on the hunt for yield, it is hard to ignore the attraction of **Rio Tinto**. The heavyweight digger boasts a good mix of iron ore and copper projects, and attractive growth prospects, while the well-covered dividend is expected to yield 7.5% in 2020.

Renewables Infrastructure Group – now trading at a significant premium to net asset value, following a great 2019 – leaves the portfolio to make way for it.

Sainsbury's let us down last year in terms of share price performance as the Asda merger hit the buffers, but the yield is solid, and while discounters are still pinching market share from the big-four supermarkets, Sainsbury's is cheapest of all and offers good value.

GlaxoSmithKline rarely lets us down in delivering a healthy mix of share price growth and dividend income. Yet the shares have underperformed European rivals and Glaxo retains a wide fan base in the City. The 80p dividend, paid quarterly, should be safe for 2020.

Finally, Imperial Brands, coveted for its decade-long record of 10% annual dividend growth, has reined in expectations. It yielded 8.4% for us in 2019, but the payout may grow by less than inflation in 2020, as dividend policy will now be closely tied to the underlying performance of the business. However, given that its shares have fallen sharply over the past year and with prospects undervalued, the current double-digit yield is worth the risk.

"Every investor ought to have an Isa. There is no reason why they shouldn't build up a rewarding portfolio over the years."

LORD LEE OF **TRAFFORD**

LORD LEE OF TRAFFORD REFLECTS ON THE REMARKABLE INVESTMENT VENTURE THAT MADE HIM AN ISA MILLIONAIRE

It's sometimes said that investing can be so complicated that the best strategy is to keep it simple. One man who might agree is Lord Lee of Trafford, the Liberal Democrat peer and former Conservative MP. He is also known as the first Isa millionaire, having built a portfolio "brick by brick" in personal equity plans (Peps) and then individual savings accounts (Isas).

In his 2014 book *How To Make a Million – Slowly*, Lord Lee set out the 12 guiding principles that he has followed throughout his investment career. These include buying shares at modest valuations, being prepared to hold on for the long term, understanding the companies you invest in, ignoring short-term share price movements and looking for cash-rich firms with low debt.

Yet Lord Lee's investment principles can be set out in even clearer terms. "You need two things to be successful at investing: common sense and patience," he suggests. "The second is the most important, but unfortunately too many investors chop and change too often."

PATIENCE AND PRAGMATISM

Lord Lee is an ardent advocate of investing for the long term in companies that inspire confidence and meet certain criteria. He explains that his strategy has essentially been to invest in companies that are already established and trading at a profit. He says: "I don't invest in start-ups, biotech, exploration companies or – these days – contracting companies, because my belief is that the key to success lies in avoiding losses. By coming in when companies are established and paying dividends, there is less risk of them disappearing or collapsing."

He makes it sound easy. But then Lord Lee is perhaps as famous these days for being the first Isa millionaire as he is for his other activities. John Lee was a stockbroker before entering politics in the 1970s. He was Conservative MP for Nelson and Colne from 1979 to 1983 and then Pendle from 1983, until he lost his seat in 1992. He became a Liberal Democrat in 2001 and was later made a life peer. His 36 years in Westminster included a period as a junior minister in Margaret Thatcher's government. It was during that spell, in 1987, that the government launched the Pep, the tax-free savings wrapper that 12 years later became the Isa.

Lord Lee could see the attraction of Peps from the start: they offered an opportunity to build a portfolio of stocks free of income or capital gains tax. "But I initially had difficulty finding a plan manager who would allow me to choose my own stocks, because most wanted you to choose from their selection. I always make my own decisions," he says.

> **"My belief is that the key to successful investing lies in avoiding losses**

His first Pep investment was in Pifco, a Manchester company best known for the manufacture and sale of small electrical products. He says: "After that I added a number of small-cap stocks and always reinvested my dividends in order to benefit from compounding. I originally hail from Manchester and my first experience of companies was regional smaller businesses, so I have tended to focus on smaller caps over the years."

He invested his full annual allowance until 2003. He has since ceased paying in new money and simply lets the portfolio compound its way to further growth.

The investment strategy has remained steadfastly unchanged, as one might expect given how effective it has been. Lord Lee is a fully signed-up member of the 'buy and hold' school of investing, waiting patiently for profit growth and, invariably, benefiting from the many takeovers his holdings have been through.

In the early years he often invested in companies with a strong family or proprietorial element and a focus on "stewarding the business in a sensible way". However, he admits: "It's more difficult now to find family businesses, and they won't be around in the future to the extent that they were when I started investing."

Other notable shifts in his 60-year investment career include the disappearance from the stock market of sectors such as rubber and tea plantation companies, regional brewers and textile firms. “There are now virtually no quoted rubber and tea plantation companies, the textiles sector has almost ceased to exist in a public sense, and most small brewers have been absorbed by the larger ones.”

There are typically between 15 and 20 stocks in his Isa portfolio, and a blend of small and more substantial holdings. It remains UK-focused, albeit with a global reach. Lord Lee seeks out companies with a substantial portion of their businesses in growing developing markets, in order to access the higher growth in those regions while still benefiting from UK corporate governance standards.

His search for companies isn’t restrained by specific metrics, but a company must possess certain characteristics to be considered for investment, such as board stability. “If I see a company has had, say, five different finance directors in five years or non-executives resigning every year, the warning lights will flash red,” he says. “And I look for optimistic statements from chief executives or chairmen.”

There is conservatism at the heart of his investment approach that befits his former political allegiances. “I look for firms that are not substantially over-geared. One characteristic I do like in companies is having no borrowings and very positive cash positions. I like a touch of caution.”

So what messages does he have for investors? One of the main ones is the need to accept that even growing companies have times when profits plateau. “If you believe in a company, you stay on board. Conversely, however, if you have made a mistake, you take the loss on the chin and move on. If every time you look at your portfolio you see a share that is making a loss, it reminds you of your failure and inhibits your confidence.”

He cites the example of HMV as a holding he sold out of where the losses would have been even greater had he held on. Dawson Holdings was a bigger disappointment. He held on to it even as it lost out on distribution contracts to rivals such as Menzies and eventually “withered to almost nothing”.

ENDURING POTENTIAL

Recent moves include adding significantly to existing holdings in Legal & General and Aviva. “Before the election I took the view that there would likely be a Tory majority, so I didn’t make any radical changes, but I kept a little cash back.” Then on the day after the election he added to four of the smaller holdings, including Air Partner, the global aviation services group, palm oil producer MP Evans – where the board had revealed plans for a sizeable buyback – and Christie Group, a business services company he felt would benefit from a post-election improvement in confidence.

Lord Lee continues to be an evangelist for private investing and in 2019 published *Yummi Yoghurt: A First Taste of Stock Market Investment!*, a compact, accessible book aimed at introducing young people to investing. He is evangelistic about the benefits of the Isa wrapper, while acknowledging that anyone starting today would need to invest over a very long period to replicate the growth of 15-20 years ago.

However, he adds: “There’s every opportunity for people to invest successfully if they reinvest dividends and build substantial funds, because the Isa is extremely attractive. Every investor ought to have an Isa. If they can put in a regular amount each year, reinvest the dividends and select fairly successfully, there is no reason why they shouldn’t build up a reasonably rewarding portfolio over the years.”

INTERVIEW AND WORDS BY JEFF SALWAY

LORD LEE IN FIVE

1 MY BEST INVESTMENT WAS...
In terms of pure appreciation, probably something like (marine engineering services provider) James Fisher or (ingredients manufacturer) Treatt, my biggest holding by far.

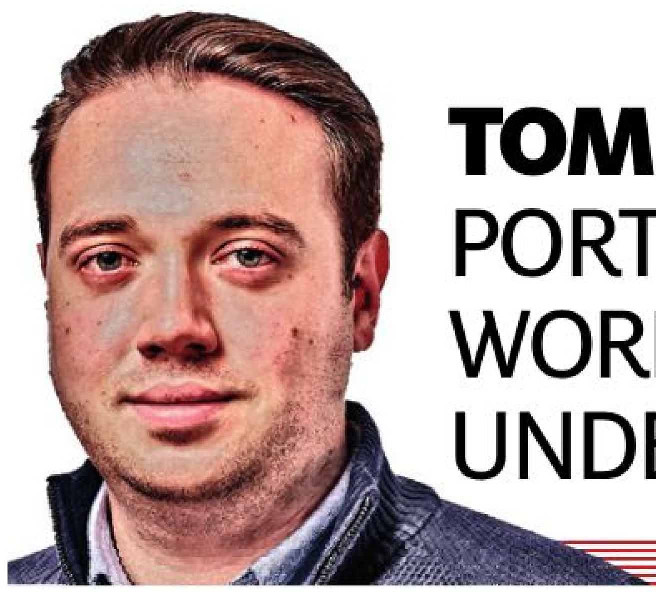
2 MY WORST INVESTMENT AND LESSON LEARNT...
I lost virtually all my investment in Dawson Holdings and should have come out when it wasn’t winning major distribution contracts. You never stop learning. You’ll never get them all right, but you’re looking to get far more right than wrong.

3 MY ALTERNATIVE CAREER WOULD HAVE BEEN...
I would have enjoyed being a political commentator. I enjoy media work and the investment writing I’ve done over the years, including my FT Money columns and my two books.

4 THE ONE THING I WOULD LIKE TO SEE CHANGE IN FINANCIAL SERVICES IS...
The ability of individual private investors to receive annual reports direct from companies, because reports get lost on fund managers’ desks. I would also like to see much greater involvement of private shareholders at AGMs.

5 IN MY SPARE TIME I LIKE TO...
The stock market is still by far my biggest hobby and interest, but I also enjoy salmon fishing and a bit of antique collecting.

REBALANCING can counter market motion



TOM BAILEY EXPLAINS HOW PORTFOLIO REBALANCING WORKS AND OFFERS SOME UNDERVALUED ASSET IDEAS

Most investors agree that it's important to occasionally rebalance a portfolio. On the one hand, it minimises risk by reducing exposure to higher-flying holdings bid up by the market. On the other, it is a way to implement a contrarian investment strategy that takes profit at market high points and buys in during market lows. So, with the Isa season approaching, how should investors go about rebalancing?

First, it is important to understand when rebalancing adds outperformance and when it doesn't. For rebalancing to work, the returns across the different asset classes in your portfolio should be similar. If one asset class produces a consistently higher return than others, overall returns will be harmed by rebalancing away from it.

Next, there should be relatively low correlations between those asset classes. Without low correlations, investors won't benefit from rebalancing into underperforming asset classes that could subsequently outperform top performers.

BETTER BALANCED?

The importance of these two features has been demonstrated in a study by Sigma Investing. The study looked at several portfolios over the period 1975-2004. The first portfolio in the study consisted of 40% US large-cap equity, 20% international equity, 20% emerging market equity and 20% treasuries.

As expected, the portfolio produced stronger returns with regular rebalancing. Over a 30-year period the portfolio produced an annualised return of 11.3%, compared with a non-rebalanced portfolio's 10%, as the table below shows.

However, crucially, the two key conditions were met in the first portfolio. According to Sigma, the four asset classes provided returns within the relatively narrow range of 9%-10.7%. At the same time, they were relatively lowly correlated over the period under scrutiny.

To demonstrate the importance of these characteristics, the second portfolio substituted real estate investment trusts (Reits) for emerging market assets in the line-up. Over the 30-year period Reits had a much higher annualised return than the other assets, at 15.2%. As a result, rebalancing produced a slightly lower return than a portfolio allowed to 'drift' (11.4% versus 11.6%).

This was due to rebalancing away from the stronger-performing Reit asset class. However, the loss of emerging markets increased the overall correlation of the portfolio constituents (as shown by the lower standard deviation figures).

So what does this mean for investors?

REBALANCING DOESN'T ALWAYS PAY OFF

	Rebalanced		Not rebalanced	
	Annual rtn (%)	Standard dev (%)	Annual rtn (%)	Standard dev (%)
Portfolio 1 *(Em mkts)*	11.3	14.4	10.0	13.8
Portfolio 2 *(Reits)*	11.4	10.5	11.6	10.9

Note: Table shows annualised performance of two portfolios over 30 years from 1975 to 2004.
Source: Sigma Investing

INDISPENSABLE TOOL FOR INVESTORS

Rebalancing is an important tool for managing risk and also for maintaining a contrarian investment footing.

Commenting on the former, Wise's Vincent Ropers says: "It is the most natural way of managing risk, because it forces us to keep the winning positions – which by definition become larger and larger – to a reasonable size (particularly at a time when they are most vulnerable) while reinvesting in the holdings that offer a greater margin of safety."

Regarding the latter, Ben Carlson says: "Most of the time rebalancing means you'll be slightly out of line with conventional wisdom. Where rebalancing is likely to matter the most is during bear markets or market bubbles, because it will require substantial selling of what has worked and buying of what hasn't. This is where it really matters."

Unfortunately, predicting whether a specific asset class will perform significantly better than another with any certainty is impossible. The key lesson is that rebalancing will not always produce outperformance over certain periods if a specific asset class provides returns significantly above those produced by other assets in a portfolio. That said, without knowing which asset class that will be, rebalancing is still the better option.

Ben Carlson, director of institutional asset management at Ritholtz Wealth Management, says: "You'll never achieve perfect optimisation." In other words, rebalancing is an acceptance that the future is unknowable.

With all this in mind, we can conclude that it is important to have a diversity of assets that have low correlations with one another. Bonds and equities usually have little correlation. Conversely, stocks in a given industry are likely to move in line with one another.

Of course there have been anomalies in the behaviour of asset classes. In 2019, for example, equities and bonds largely moved in conjunction with each other – an unusual occurrence. Ian Forrest at the Share Centre says. "You can get odd times and changes in correlations, but these usually don't last very long. Unless investors are very short-term, it is not a concern for them. They need to avoid being swayed too much by short-term anomalies."

The case for low-correlating assets is part of a broader argument about the merits of diversification. So long as an investor runs an appropriately diversified portfolio, there should be sufficient non-correlation among assets to make rebalancing worthwhile.

Again, however, the relationship between asset classes can change over time. For example, as emerging markets move away from being commodity export-dependent towards becoming technology and consumer-focused, the way they react to global macroeconomic events is likely to change. Investors should continue to question why certain assets are more or are less correlated with others and whether that relationship is changing.

REBALANCING ROUTES

There are various ways to rebalance. One of the most popular ways is to set a target asset allocation mix and periodically return to it (perhaps every year). This is an approach advocated by Vanguard and is a selling point of its LifeStrategy funds. James Norton, a senior planner at Vanguard, says: "If you have determined that an 80:20 equity bond split is right for you, it's important to keep your allocation broadly in line with that. Over time this will require regular rebalancing – by taking profits on assets that have outperformed and buying more of those that have done less well, for example.

> **Sticking with a rebalancing process should keep you on track when markets are rising or falling**
> JAMES NORTON

"Rather than being driven by greed or fear when markets are rising or falling, sticking with a pre-determined rebalancing process should keep you on track."

Alternatively, investors may set up an allocation threshold: a point at which they sell or buy based on how far an asset is deviating from an intended allocation.

There is also a more subjective approach to rebalancing: a strategy where investors reduce their weight to a certain sector in accordance with their own judgments. They may deem an asset class to have become too expensive and decide to take profits, or they may look ahead and anticipate that their current holdings could face pressure.

Vincent Ropers, co-manager of the Wise Multi-Asset Growth fund, says his fund has recently sold some gold and infrastructure to take profits. He notes that while he is still positive about both assets, their performance has exceeded expectations over the short term. He says: "We have added to our cyclical exposure, particularly in unloved UK, European and emerging markets."

John Husselbee, head of multi-asset at Liontrust, says he has been rebalancing away from the US because he expects lower performance there in future. He says: "For us the question of taking profits or adding exposure has a clear answer: reduce US equities and buy pretty much any other market, primarily on valuation grounds."

MUCH TO BE GAINED FROM PORTFOLIO REBALANCING

According to data supplied by Vanguard, emerging market investments yielded a return of 23.6% in 2010, making the asset class one of the best-performers in the year. But had you let this winner run, you would have suffered an 18.4% loss in 2011. Returns recovered somewhat to deliver a 12.8% gain in 2012, but the asset class fell in value again in 2013 by 5.3%.

If you had instead rebalanced your portfolio, you would probably have sold down some emerging market holdings at the end of 2010 after those stellar gains, and used the profit to buy into some of the asset classes that saw lower returns that year, including Europe ex-UK equities and UK government bonds.

By doing so, you would have been able to avoid some of the pain of 2011's emerging market falls by not being too overweight. You would also have enjoyed strong gains from gilts in 2011.

Your European equities would have seen further losses in 2011. However, sticking to rebalancing principles, you would have reinvested some of the 2011 gains from your UK bond holdings to boost exposure to Europe and emerging markets – benefiting from 2012's rallies.

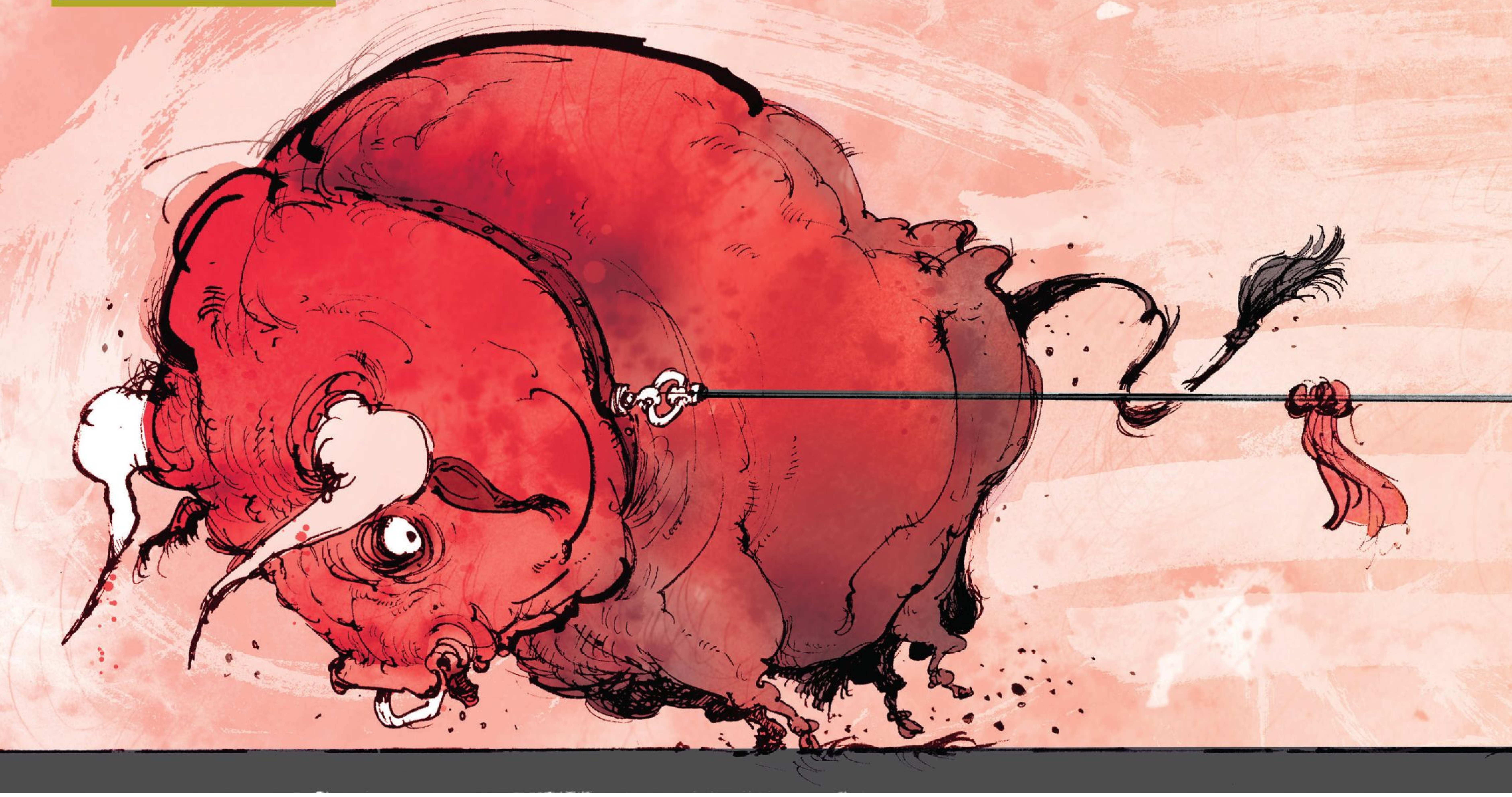
KEY BOND AND EQUITY INDEX RETURNS (%) RANKED BY PERFORMANCE

2010	2011	2012
23.6	20.3	17.4
21.3	16.7	15.5
19.1	6.5	12.8
16.7	5.8	12.3
14.5	1.2	12.0
8.9	-3.5	11.2
8.7	-6.6	10.7
7.5	-12.6	5.9
6.6	-15.0	2.9
4.8	-18.4	0.6

Top-performing asset class
Bottom-performing asset class

- Global equities
- North America equities (US/Canada)
- Emerging market equities
- Developed Asia equities
- Europe ex-UK equities
- UK equities
- UK government bonds (gilts)
- UK index-linked gilts
- UK investment-grade corporate bonds
- Hedged global bonds

Notes: UK equity is defined as the FTSE All-Share Index, Europe ex-UK equity as the FTSE All World Europe ex-UK Index, developed Asia equity as the FTSE All World Developed Asia Pacific Index, North America equity as the FTSE World North America Index, emerging market equity as the FTSE Emerging Index, global equity as the FTSE All World Index, UK government bonds as Bloomberg Barclays Sterling Aggregate Gilt Index, UK index-linked gilts as Bloomberg Barclays UK Government Inflation-Linked UK Index, hedged global bonds as Bloomberg Barclays Global Aggregate Index (hedged in sterling), UK investment-grade corporate bonds as Bloomberg Barclays Sterling Aggregate Non-Gilts – Corporate Index. Returns are denominated in sterling and include reinvested dividends and interest. **Source:** Vanguard calculations, using data from Barclays Capital and Thompson Reuters Datastream.



Bears AT BAY

PANELLISTS QUESTION HOW MUCH FURTHER EQUITIES HAVE TO RUN. **JIM LEVI** REPORTS

"The bears are capitulating," declares Connor Broadley's Chris Wyllie. That sounds like the rallying cry of a raging bull. It is not: Wylie sees the wave of optimism that had stock markets roaring ahead in the closing weeks of last year as a reason to be cautious.

The bulls may have been emboldened and the bears have shown signs of giving up, but new eruptions threatening over Iran remind us that everything in the garden is not rosy. Moreover, Wyllie points out that the recent rally is underpinned by little of substance. "When we look at the fundamentals – our underlying growth indicators for the world economy – we are not very much more confident."

Aberdeen Standard's Richard Dunbar is in a similar mood. "When we look at the prospects for this year we can see low interest rates, low inflation and low growth as far as the eye can see," he says. "That may be good for risk assets, but low inflation and low growth combined make it very difficult for most companies to grow their earnings."

He acknowledges there is more optimism, but believes expectations should be scaled back for this year after such a strong performance in 2019. The MSCI World index, taking in equity markets in more than 20 countries, had its best year last year since the crash: it gained 23%.

> **I do not see a recession this year, but we cannot put off recession for ever**
> MONIQUE WONG

Schroders' Keith Wade forecasts sluggish growth (1.8%) for the US too this year, and believes interest rates there may have to be cut again in April to revive momentum. Coutts' Monique Wong thinks the market is "already pricing in one more cut this year".

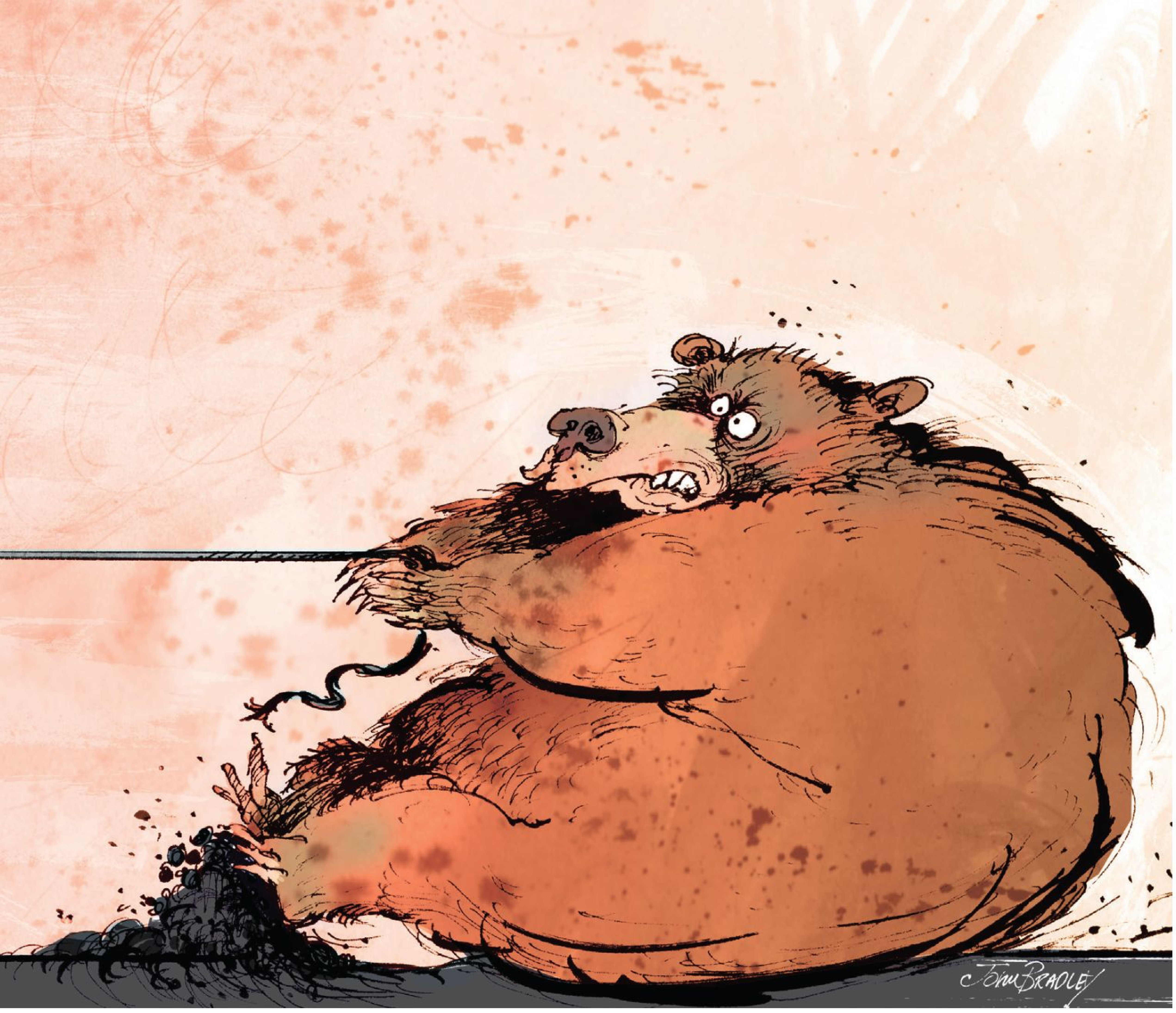
Wade remains positive on equities and has tweaked up his global growth forecast slightly to 2.6%. "But when you think about what really drives equity markets, you cannot see 2020 being so good. After all, at the beginning of 2019 markets were expecting US interest rates to rise to about 3%. They ended up at 1.75%. That is quite a big difference, and that is what drove a re-rating [of equities]. That pivot in interest rates won't be at work this year."

Wong says the story of the global economy this year will essentially be one of mid-cycle recovery. "Things are stabilising and showing signs of green shoots, especially in China. I do not see a recession this year, but we cannot put off recession for ever."

KEEP SOME POWDER DRY

Rob Burdett at BMO Global Asset Management keeps his cash score high at 9. The crisis over the US killing of Iran's military chief underlines the risk of the proverbial bumps in the road. "We expect more volatility in 2020, with a possible correction of more than 10% at some point," he says. "So we will want to keep some dry powder for buying opportunities on setbacks."

After an exceptional performance last



for now

year by Wall Street – the S&P 500 rose 30% and the technology-heavy Nasdaq nearly 37% – our panel has taking up a holding position. There are no changes to the scores, and two members – Wyllie and Burdett – remain underweight. "America certainly shows it has the most flexible economy," says Burdett. "Against expectations, corporate earnings have grown, inflation is under control and interest rates are expected to move down. But the issue of valuations has now come sharply into focus."

ROTATE INTO US CYCLICALS

Keith Wade thinks this could be another good year for US technology companies. "We have recently been rotating to some of the more cyclical areas of the US market, but I think this year we will be looking again at those longer-term secular growth stories. Earnings growth has got to be the main driver of US equity markets this year."

Our scorecard clearly shows that since the November issue, average scores for the UK, Japan, emerging markets and Europe have all increased while the score for the US has stayed frozen. You could almost say that the panel members are singing from the same hymn sheet, although some are more positive than others.

While Wong holds her US score at 6, she is moving her scores for Europe, Japan and emerging markets all up a notch. "I think any rise in Wall Street is going to be modest this year, but hopefully some of the other markets will do better as the mid-cycle recovery in the global economy gets under way," she comments.

ILLUSTRATION: JOHN BRADLEY

NEUTRAL ON EUROPE

There is no great enthusiasm for European equities, but at least now none of the panel members is underweight. Along with Wong, both Wade and Wyllie have edged up their scores. "We need to be in those equity markets when they participate in global recovery… if it comes through," says Wyllie. "If you include the UK, about 10% of our overall portfolio is in European equities now, which is probably more than most fund managers would have."

Enthusiasm for the emerging markets sector is at its highest for some time, reflecting the view that Asian markets – they make up 70% of the sector – will benefit most from Trump's rapprochement with China. "We don't know what is in Trump's mysterious mind," Wade admits. "We have been trying to put a rational framework around it, but we believe this year the trade tensions with China will wind down because the president will be focused on fighting the Democrats."

Wade is hoping for a weaker dollar because the strength of the dollar has lately been sucking liquidity out of emerging markets. Monique Wong expected the dollar to have weakened sooner against a background of lower interest rates, slower growth and big trade deficits. "Maybe you need to see an actual recovery in global growth before the dollar starts to weaken," she says.

Wyllie is more cautious, holding his EM score at 5. "Most institutions are now fully invested in emerging markets and we feel the story of a weak dollar sending emerging markets higher has been over-egged. We have become much more selective." However, he has been buying Korean equities, which he expects to benefit from the cyclical recovery.

None of the panel members seems to have anything negative to say about Japanese shares. Dunbar and Burdett are already overweight, while Wong, Wade and Wyllie are all topping up their holdings and the average score has

PANELLIST PROFILES

Rob Burdett is co-head of multi-manager at BMO Global Asset Management and a research team leader. BMO has £187 billion in assets under management.

Chris Wyllie is chief investment officer at Connor Broadley, a financial planning and investment management firm with £400 million under management.

Richard Dunbar is deputy head of global strategy at Aberdeen Standard Investments, which has some £610 billion in client assets under management.

Keith Wade is the chief economist and strategist at Schroders. The asset management company has around £400 billion in assets under management.

Monique Wong is a multi-asset investment manager at Coutts, the private arm subsidiary of RBS bank, which has some £17 billion of assets under management.

UK EQUITIES ENJOY **FEAR-OF-MISSING-OUT FLOURISH**

Fear of missing out (FOMO), gripped financial institutions towards the end of last year and led global equities to close the decade in a remarkable bullish flourish.

The FOMO phenomenon was clearly in evidence in a recent Bank of America Merrill Lynch survey of 230 top fund managers: cash levels in their coffers showed the biggest monthly drop for three years in November, and overall cash balances were at their lowest since 2013.

Our panel see strong signs that FOMO is now making a big impact on UK equities. Until recently global fund managers have seen Britain as a side show and found it hard to see why they should own UK shares. Brexit, political uncertainty, a weak currency and our low productivity all put them off.

The clearcut verdict of the general election in December may be changing all that. The pound has been recovering and one of the best-performing stock market indices anywhere last year was the FTSE 250 index. It is the repository of many leading companies with most of their assets and operations in the UK. It gained 29% – perhaps a pointer to a wider reassessment.

Monique Wong has been consistently supportive of UK equities for a long time, with a score of 8. That patient support is now paying off. "When you come to the UK to buy British companies you get a 20% discount voucher," she claims. "There are still problems for Boris Johnson negotiating Brexit, but there is much less uncertainty. UK equities are so under-owned and sterling is still cheap."

Her arguments have finally won over Rob Burdett and Chris Wyllie, who have both raised their scores from 5 to 7, while even Keith Wade cannot resist the momentum and ends his underweight position with a 5. Burdett abandoned his neutral stance in the autumn. He says: "Expect more corporate deals. Property transactions will speed up and postponed capital spending will now go ahead."

Chris Wyllie also began buying UK shares again in the autumn. "The pound's recovery and the opinion polls were strong indicators of the direction of travel," he says. He even saw bullish implications in the decision by M&G to 'gate' its property fund because of the pressure of redemptions just before the election. "It was a sign that even UK investors were giving up on the UK because of the jitters over a possible Corbyn government," he argues.

However, Richard Dunbar is unmoved by all this optimism. "For financial markets the election result was a moment of euphoria," he says. "For me, euphoria is a warning signal. So after a very strong run both in the currency and in the [equity] markets, we are looking to take profits. We will keep our score at 5... for now."

He takes the view that the so-called Brexit discount on UK shares may remain for a time. "Many international investors are not happy with us leaving the EU and there will certainly be problems with the Brussels negotiations," he says.

now crept up from 5.4 to 6.

Changes in the way companies are owned and managed make Japan an attractive long-term place to invest, according to Dunbar. "It will also benefit from a US-China trade settlement," he says. "The market offers good value and is somewhat detached from other markets and shows greater stability."

UK government bonds are now the least-favoured section of the market. Wade joins the rest with an underweight position. "We think Boris Johnson plans to spend heavily and that could drag the gilt market lower," says Burdett. Wong cut her score last time and has considered taking it down to 2, but holds it at 3 for now. "A Tory government running higher deficits and planning fiscal stimulus does not make UK bonds appealing," she says.

> **We think Boris Johnson plans to spend heavily and that could drag gilts lower**
> ROB BURDETT

Wade thinks the low yields now on offer in global bonds makes them look very expensive too. He cuts his score from 6 to 4. "Equities may be getting a bit ahead of themselves, but you get a useful risk premium when you look at how low government bond yields now are." But Burdett moves in the opposite direction to Wade. Raising his score on global bonds from 5 to 6, he says: "A rise in interest rates looks less likely now."

SCORECARD TILT TO BUOYANT EQUITIES

	Rob Burdett	Chris Wyllie	Richard Dunbar	Keith Wade	Monique Wong	Average Score
Cash	9	4	1	4	2	4
UK Equities	7	7	5	5	8	6.4
US Equities	4	4	6	6	6	5.2
EM Equities	8	5	6	7	6	6.4
Euro Equities	6	6	5	5	6	5.6
Japan Equities	7	6	6	5	6	6
UK Bonds	4	2	3	4	3	3.2
Global Bonds	6	4	3	4	5	4.4
Global Corporates	4	6	5	6	5	5.2
Property	4	7	4	5	5	5
Commodities	6	6	6	5	6	5.8

Note: The scorecard is a snapshot of views for the first quarter of 2020. How the panellists' views have changed since the fourth quarter of 2019: **red circle** = less positive, **green circle** = more positive. **Key to scorecard: EM equities** = emerging market equities. **1** = poor, **5** = neutral and **9** = excellent.

Corporate bonds continue to attract support as a portfolio diversifier, but Burdett thinks the risks of defaults on so-called 'zombie' companies may increase with global recovery.

PROPERTY SUBDUED

Enthusiasm for the property sector remains muted. Keith Wade has tweaked up his score from 4 to 5 on the prospect of the government spending more on regional development. Rob Burdett takes the opposite tack with a cut from 5 to 4. "We want property as a diversifier, so we hold funds investing directly in bricks and mortar, mostly in the UK, and here there are a number of issues which worry us – notably in retail."

Wong too sees the diversification benefits. "We regard property as a great diversifier, but you need to take a long-term view with property even more than with equities," she says. "Property was an excellent diversifier in 2018, as the sector gave positive returns when equities and bonds were falling; it was not a great diversifier last year, and who can say what will happen this year? However, a Conservative majority in the election is certainly a market-friendly result for the sector."

The deepening crisis in the Middle East inevitably sent oil prices higher, while gold touched a seven-year high. Three panel members have raised their commodities scores and four of them are now overweight the sector. Last year saw all precious metal quotes improving, while industrial metal prices – from aluminium to zinc – all declined. Burdett thinks a recovery in these metals is on the cards.

THE POST-ELECTION Reality

DAVID PROSSER PONDERS THE IMPLICATIONS OF THE CONSERVATIVES' ELECTION WIN FOR INVESTORS

Santa rally or election elation? The UK stockmarket posted its biggest gains for more than three years in the week following Boris Johnson's landslide election victory on 12 December, despite a simultaneous jump in the value of sterling that might have been expected to hit large firms with hefty international earnings.

Other world markets performed strongly too, and the well-documented phenomenon of stocks posting pre-Christmas gains may be part of the story, so the Conservatives can't take all the credit. That said, there's no doubt that many in the City were pleased with the result, if only for the greater certainty it brings.

"Investor sentiment is being driven as much by relief that Labour's hard-left agenda of nationalisation, increased taxation and higher government spending is off the radar," says Tom Stevenson, investment director for personal investing at Fidelity International. However, he warns of challenges to come. "Looking beyond the initial market response, there remain question marks over the sustainability of any rally given the ongoing uncertainties in the Brexit negotiations."

Indeed. In the aftermath of the election, the prime minister moved swiftly to quash suggestions that he may be prepared to extend trade negotiations with the EU if they do not bear fruit by the end of the year, when the Brexit transition period is due to end. If that prospect looms large, investors will become increasingly anxious.

More broadly, what does the Conservatives' election victory mean for your finances? In truth, we don't yet have the full picture. Johnson and his chancellor, Sajid Javid, have promised a budget within 100 days – now confirmed for 11 March – but for now we have only their election campaign promises to go on. Since a central plank of the Conservative strategy was to avoid trouble by keeping policy announcements to a minimum, that leaves significant question marks in some areas.

Still, there is much we do know – and just the fact that the roadmap to Brexit itself is now so much clearer makes a significant difference for the markets.

> **The sustainability of any rally is questionable given the Brexit uncertainty**
> TOM STEVENSON

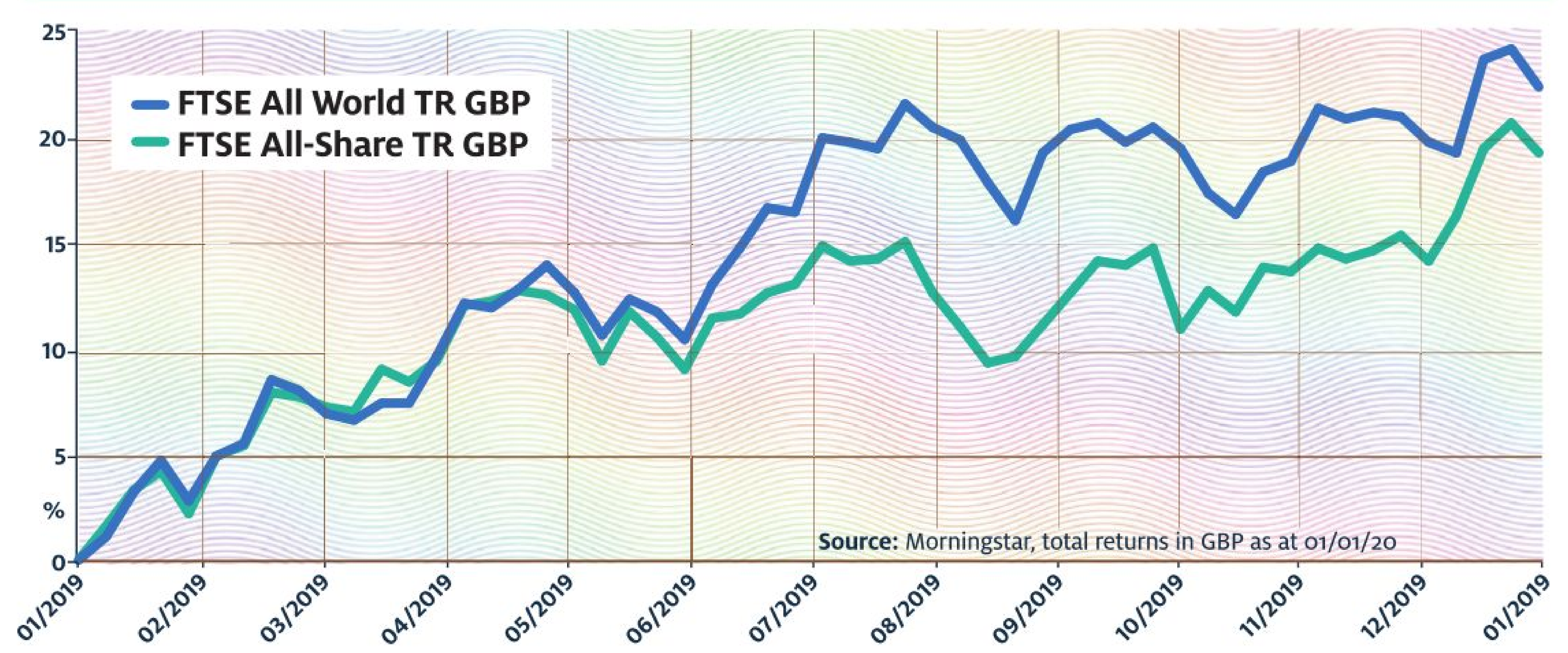
UK MARKET PROSPECTS

In the short term, many analysts are hopeful that UK equities can enjoy an extended post-election bounce, if only because they have underperformed international markets by around 25% since the beginning of 2016 – December's gains saw them claw back just a fifth of that.

"The UK market continues to look cheap and trades on a price-to-earnings ratio of just 13 times," says Rupert Thompson, head of research at wealth manager Kingswood. "This amounts to a discount of around 20% to other markets, double the UK's average discount over the past decade. Their relative cheapness suggests UK equities have some scope to outperform further, even if the economic outlook remains somewhat cloudy."

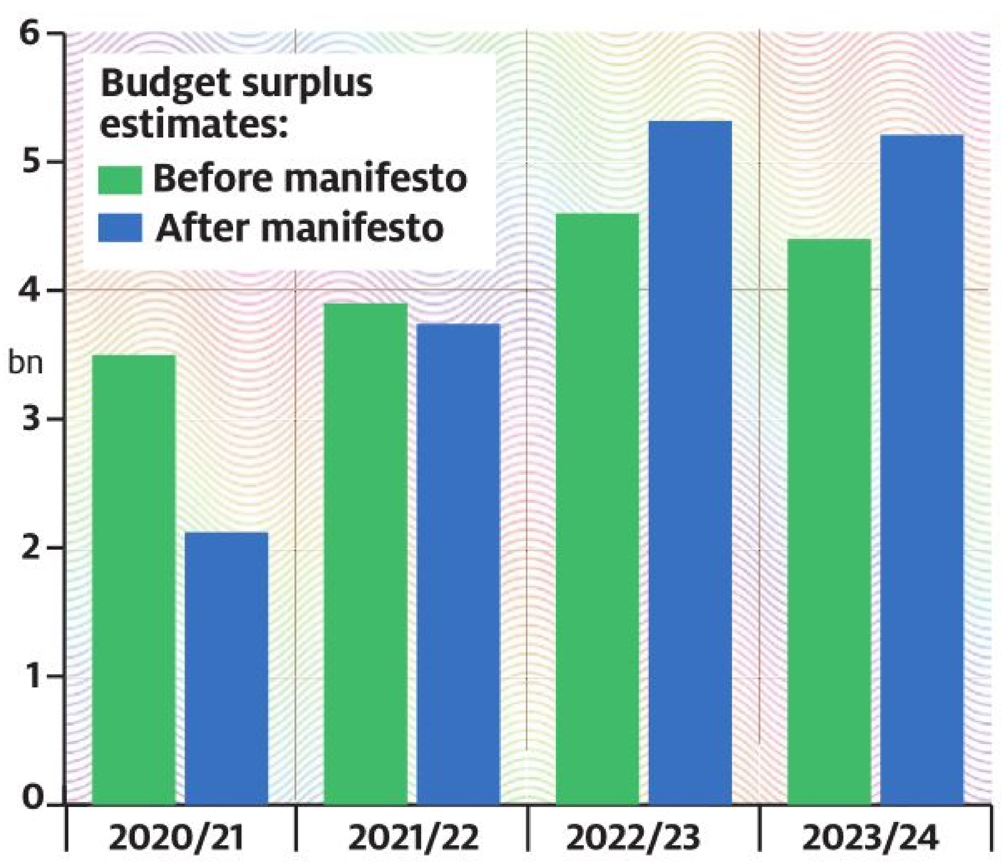
Ed Smith, head of asset allocation research at Rathbones, is also convinced UK equities can close what has become the biggest valuation gap against global markets since the 1970s. "There are large companies with grave, idiosyncratic problems that deserve to trade below international peers," he says. "But the bulk of the UK market's underperformance started shortly after the [Brexit] referendum. We believe that holdings of UK large- and small-cap stocks should do

UK MARKET RECOUPED SOME LOST GROUND IN DECEMBER



Source: Morningstar, total returns in GBP as at 01/01/20

TORY SPENDING PLEDGES



Source: Conservative Party election manifesto (figures may not add up due to rounding)

well, especially while the global business cycle finds its floor."

After the catch-up phase, much will depend on the extent to which the UK economy can shrug off its recent sluggishness. If it does revive, it has the potential to be a rare bright spot in a world where improving economic performances look to be in short supply in 2020 and beyond.

The good news for UK growth is that the new government is committed to higher spending, which will provide a boost. Easing Brexit uncertainty could support increased business investment, which offers another reason to be hopeful, albeit with the caveat that what companies really want is a trade deal offering long-term stability.

On the other hand, there appears to be little surplus capacity in the economy, with unemployment still at close to an all-time low. And any significant economic recovery would be likely to prompt the Bank of England to finally move decisively on monetary policy by raising interest rates to choke off inflationary pressure. The sunlit uplands, in other words, may remain tantalisingly out of reach.

Turning to the subject of small companies versus large, the former have outperformed over the past few months, courtesy of their greater exposure to the domestic economy. But small-cap stocks still look undervalued by historical comparisons (mid-caps less so), so they may have further to climb. However, large-cap stocks can make progress too. Following its post-election bounce, it will be difficult for the pound to climb significantly higher until the Brexit picture becomes much clearer, which should help UK-listed multinationals as they bring overseas earnings home.

On a sectoral basis, the immediate winners have been stocks in industries where Labour's radical manifesto proposals had unnerved investors. Utility companies, transport

PENSION TRIPLE LOCK LOOKS SURE TO STAY

Every political party would love to get rid of the expensive and inflexible 'triple-lock' mechanism, which guarantees that the state pension will rise by the higher of inflation, average earnings or 2.5%. But with the grey vote so crucial, none dares. The Conservatives are especially conscious of their older voter base and have once again promised to keep the triple lock. State pensions will therefore rise by 3.9% in April, with winter fuel payments, the older person's bus pass and other pensioner benefits all protected too.

On private pensions, the chancellor's priority will be to find a permanent fix for the tapered annual allowance problem whereby higher earners end up with nasty tax bills on even relatively modest pension contributions. With senior doctors refusing to take on extra work because of this problem, the government has already agreed a one-year deal with the medical profession that largely negates the issue.

But it must now find a long-term solution – and address complaints that doctors aren't the only high earners deserving of special treatment. "The solution is to abolish the taper outright, even if this means a lower across-the-board annual allowance for all," argues Steve Webb, director of policy at Royal London.

businesses and Royal Mail all faced the prospect of nationalisation and have bounced back since the election; so too has the telecoms sector, where Labour's plans for free high-speed broadband caused such a stir.

Moving forward, the Conservatives' plans for £100 billion of spending on infrastructure projects, including new transport links and flood defences, offer a fillip to what is often regarded as a defensive sector. "Infrastructure typically has stable, defensive and inflation-protected cash flows and capital growth opportunities," argues Sheridan Admans, an investment manager at The Share Centre.

Housing stocks could also reap a post-election dividend, suggests Darius McDermott, managing director at Chelsea Financial Services – particularly if the Conservatives can finally kick-start a more urgent phase of housebuilding. "Transaction volumes should now pick up and bring new impetus to the UK housing market," McDermott says. "If the economy picks up and individuals feel more confident, this should also help."

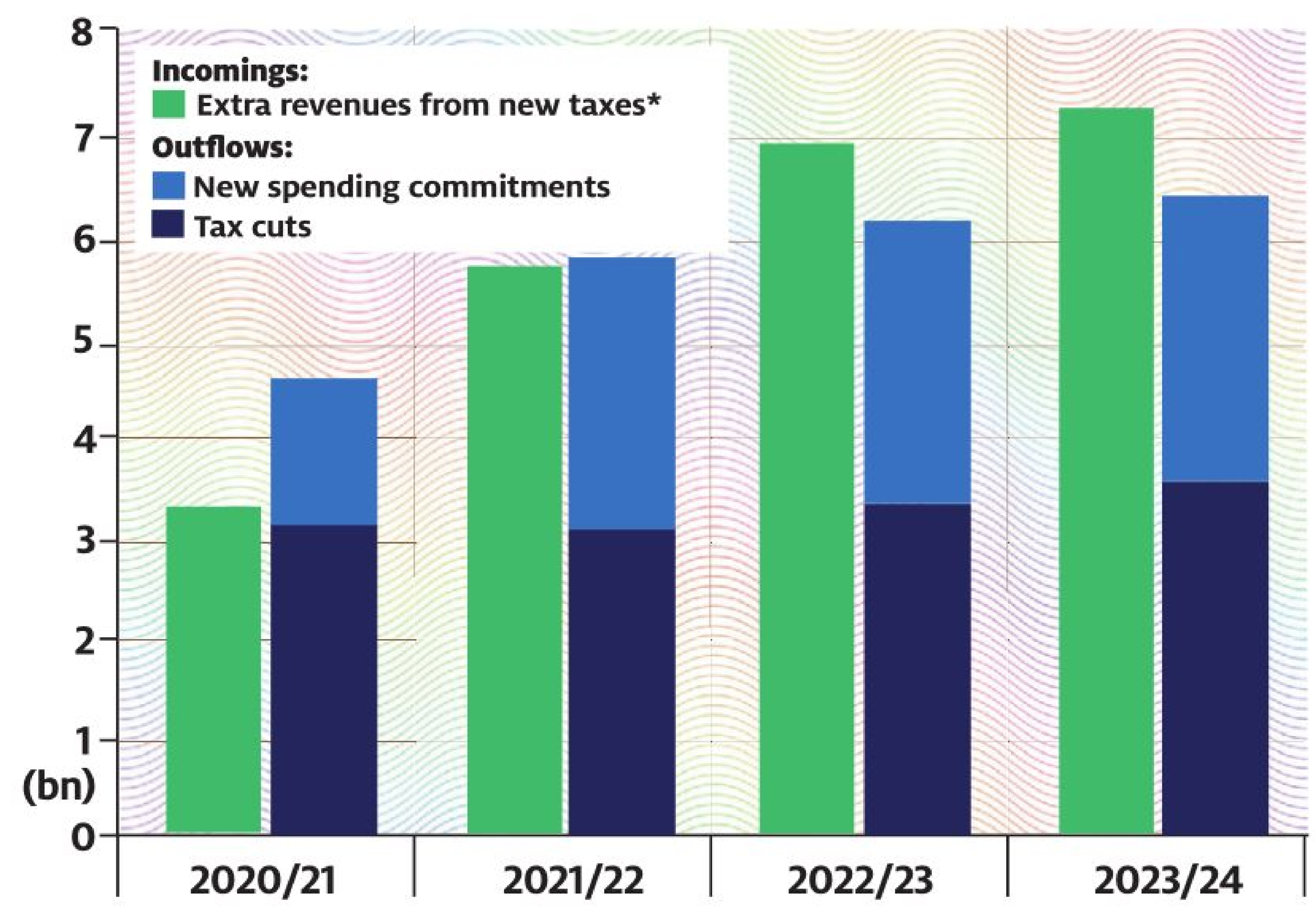
The banking sector is another potential winner. Freed from the threat of new taxes proposed by Labour and potentially buoyed by an improving economy, banks' prospects are improving. Alastair George, chief investment strategist at Edison, points out that banks are even more "significantly undervalued" than the rest of the UK market. "The potential for upgrades to consensus earnings forecasts should not be understated," he says.

PERSONAL TAX PLEDGES

Johnson's campaign pledges not to raise income tax, national insurance or the VAT rate in this parliament provide the backdrop for tax policy over the next few years, though bear in mind there's plenty that clever chancellors can do with thresholds and allowances without breaking these promises. March's Budget will provide more detail, but the Conservatives have already said they will get going with plans to cut taxes, as they move towards raising the earnings level at which people begin paying national insurance to £12,500. From April, the threshold will rise from £8,632 today to £9,500, saving around £100 a year for 30 million or so taxpayers.

Elsewhere, Johnson had previously promised to raise the threshold at which 40% higher-rate tax becomes payable from £50,000 to £80,000. But this commitment was ditched during the election campaign amid complaints that it handed a tax cut to richer households rather than those who need most help. While the Conservatives' large majority might tempt the prime minister to return to this idea, it's not a policy that will resonate with the working class voters in northern seats whom the new government is now anxious to keep onside.

TAX REVENUE TO FUND SPENDING SPREE



Note: *Largely corporation tax reduction cancellation. Source: Conservative Party manifesto (figures may not add up due to rounding)

OTHER TAX CHANGES

The Conservatives' victory means no radical changes on inheritance tax, which both Labour and the Liberal Democrats had hoped to reform. The government will stick with the £350,000 allowance and continue phasing in the additional relief on people's main home. By 2021, that will effectively increase the size of the estate that homeowners may pass on tax-free to £500,000, or £1 million for couples.

However, watch out for an announcement on lifetime gifts, where the Conservatives have promised to review the rules following a report from the Office of Tax Simplification. Currently, you must live for seven years after making such gifts – known as potentially exempt transfers – before they fall out of your estate for inheritance tax purposes, but the OTS suggests reducing this to five years. It also recommends combining some of the myriad inheritance tax allowances on gifts that make planning complicated.

On capital gains tax (CGT), there have been no announcements at all, so the annual allowance stays at £12,000, at least until the Budget. Just bear in mind that this is one area where the chancellor still has wriggle room if he wants to raise revenues, so it's sensible to continue with CGT planning – by using the allowance each year and considering tax-free individual savings accounts (Isas), for example.

> **The UK market trades on a price-to-earnings ratio of just 13 times and looks cheap**
>
> RUPERT THOMPSON

HOUSING OUTLOOK

Estate agents were delighted by the emphatic Conservative victory, hoping it would herald an end to the political and economic uncertainties that have held the housing market back in recent years. Rightmove, for example, has already uprated its forecasts for house prices in 2020, though it still expects a national average increase of just 2%.

It helps that one significant issue acting as a drag on the market – the prospect of stamp duty reform – now appears to be on the back burner. The prime minister had previously floated the idea of raising stamp duty thresholds and cutting the top rate, but these proposals have now been quietly dropped. Instead, Johnson is planning a 3% stamp duty surcharge for foreign buyers, to be paid on top of the existing 3% extra charge on purchases of second homes and buy-to-let investments.

Of course, house price inflation won't help people struggling to get on the property ladder, and here we'll have to wait for further policy announcements. The Conservative election campaign reheated previous promises on housebuilding targets and floated the idea of long-term fixed-rate mortgages for first-time buyers funded by pension funds. However, Martijn van der Heijden, chief strategy officer at mortgage broker Habito, warns: "In the UK products such as these have been almost unheard of due to banking regulation and very high switching penalties." Watch this space – but don't hold your breath.

SAVINGS AND INVESTMENTS

As you were on tax-efficient savings and investment schemes, including Isas, venture capital trusts and the enterprise investment scheme. The March Budget may include some surprises, but the Conservative party's general election victory means these schemes are likely to remain untouched. It's even possible that the £20,000 Isa allowance, which has been frozen since April 2017, will be raised.

PIONEERING

MARINA GERNER LOOKS AT THE WORLD'S YOUNGER MARKETS, AND THE REALISTIC INVESTMENT TIMEFRAMES

If developed markets are vanilla, emerging markets provide a portfolio's spice. That's even more the case for their younger, more volatile siblings: frontier markets. This market category is populated by countries such as Kazakhstan and Nigeria that are not yet developed enough to be considered 'emerging'.

Frontier markets are often billed as being the most dynamic, fast-growing investment bets. But like emerging markets, they have not performed well over the past decade. So could now be a good time for long-term, risk-taking investors to get involved?

DIFFERENT WORLD

How are frontier markets different from emerging markets? We can look at emerging markets as the "big eight", says Sam Vecht, manager of the BlackRock Frontiers investment trust. These countries – Brazil, Russia, India, China, South Africa, South Korea, Taiwan and Mexico – are often in the limelight. Meanwhile, frontier countries form a "forgotten 40", a diverse collection of countries on the edge of public attention.

These markets are relatively small. The combined value of frontier markets is just $715 billion (£543 billion), according to Bloomberg data. In comparison, emerging market stocks are worth $20 trillion. To be included in the MSCI Frontier Markets index, countries need to exhibit some openness to foreign ownership and to have at least two companies each worth a minimum of $800 million.

Frontier market businesses are generally tiny. The median market capitalisation of the top 1,000 firms in frontier markets is just £121 million, compared with £4.9 billion for the top 1,000 across emerging markets, says Tom Delic, a fund manager at Seneca Investment Managers. This is what makes them attractive. He explains: "Smaller, illiquid markets often make it difficult for larger investors to build meaningful positions, which creates pricing inefficiencies smaller investors can take advantage of."

> **Investing in frontier markets is not for the fainthearted. They are very vulnerable to social and political turbulence**
>
> ALEX MOORE

When it comes to foreign inflows into frontier markets, just 10% is estimated to come through exchange traded funds while active funds take the lead, according to Bloomberg data.

This is not surprising given the lack of transparency and information on these markets. There is potential for knowledgeable investors to gain advantage when a lack of information creates a disparity between the value of a company, its potential for growth and its share price.

That said, investors in frontier markets have made significant losses over the past decade. While the potential rewards are high, so are the risks. Frontier markets tend to have poorer levels of corporate governance and more prevalent corruption. An immature economic and political backdrop means they may be prone to war, civil unrest and political upheaval – highly disruptive events that can cause even high-quality stocks to underperform. As Delic points out, while the World Bank's median ranking of emerging market countries for protecting minority investors is 37th, frontier markets are ranked 72nd – they are clearly the riskier option.

"Investing in frontier markets is not for the fainthearted," says Alex Moore, head of collectives research at Rathbones. "These markets are typically very vulnerable to social, macroeconomic and political turbulence."

He says some investors use them as part of a core-satellite approach, where a focused frontier market opportunity is added to a core emerging market exposure. One reason for adopting this approach is that the big eight emerging markets dominate their regions, so they tend to become the focus of regional funds and indices. China, for example, makes up 33% of the MSCI Emerging Markets index. As a result, investors who use mainstream emerging markets indices can sometimes end up with overly concentrated portfolios.

LANDS OF OPPORTUNITY

In contrast, frontier markets get little attention. "This means our opportunity to add alpha is great," says Vecht. "Whenever people ask me, 'I have $100 – which country should I put it in?', I say that's not the right question. We are big believers in not focusing on one country, but instead investing in a collection of diverse countries."

Over the past year, he has added to his holdings in Pakistan, and he sees opportunities in Thailand, Saudi Arabia and Egypt. Vecht's diversification strategy of having "a meaningful weighting in lots of different countries" is illustrated by the trust's 3% investment in each of 13 countries and its 2% exposure in a further 19 countries. The BlackRock Frontiers trust returned 11% over three years and 51% over five years to 7 January 2020.

Frontier markets have fewer financial

MSCI EMERGING AND FRONTIER MARKET INDICES COVERAGE

MSCI EMERGING MARKETS INDEX

Americas	Europe, Middle East and Africa	Asia
Argentina	Czech Republic	China
Brazil	Egypt	India
Chile	Greece	Indonesia
Colombia	Hungary	Korea
Mexico	Poland	Malaysia
Peru	Qatar	Pakistan
	Russia	Philippines
	Saudi Arabia	Taiwan
	South Africa	Thailand
	Turkey	
	UAE	

MSCI FRONTIER MARKETS INDEX

Europe and CIS	Africa	Middle East	Asia
Croatia	Kenya	Bahrain	Bangladesh
Estonia	Mauritius	Jordan	Sri Lanka
Lithuania	Morocco	Kuwait	Vietnam
Kazakhstan	Nigeria	Lebanon	
Romania	Tunisia	Oman	
Serbia	West African EMU*		
Slovenia			

Note: *Economic and Monetary Union.
Source: MSCI

links globally and their broad geographic spread means they are barely intertwined. Nick Eisinger, portfolio manager of the Vanguard Emerging Markets Bond fund, says: "Frontier markets are able to provide diversification, as much of the risk is idiosyncratic so they can behave differently from broader emerging markets."

Moore says it's crucial to know the market and to be prepared for bouts of sizeable volatility while investing for the long term – one or two decades.

Volatility can be quite dramatic. Romanian stocks, for example, have been particularly volatile over the past year, says Julian Zsar, a product specialist in the emerging market equities team at Pictet Asset Management. The market fell by 25% between December 2018 and January 2019, only to recover and become a top-performing frontier and emerging market in 2019. It rose in value by almost 40% from January to the end of November 2019.

Vecht points out that individual frontier countries are highly volatile, but also that "when you have a portfolio of them, they are less volatile than the FTSE 100, because they have no correlation with one other". He adds: "When Argentina collapses, that tells you nothing about what Nigeria is going to do." It's not the same with emerging markets.

Frontier markets offer solid growth potential, good yields and cheap valuations

SAM VECHT

Neither emerging nor frontier markets have done particularly well over the past decade. The MSCI Emerging Markets index returned about 8.5%, while the MSCI Frontier Markets index returned 12%. Over the same period, the S&P 500 tripled in value.

"People haven't been looking at frontier markets because there is less liquidity there," says Vecht. But he argues that markets will reconnect, as earnings "have been growing nicely". They offer "cheap valuations, solid growth potential and good yields in a yield-starved world". He adds: "When people are cautious, perhaps one can take great advantage."

EMERGING EUROPE

One part of the frontier segment Zsar is finding interesting today is frontier Europe. The Pictet Emerging Europe fund holds numerous positions across Slovenia, Romania and Kazakhstan. He adds: "These are relatively underdeveloped equity markets: the ratios of market capitalisation to GDP are significantly lower than those in the emerging world."

Zsar says that across these markets the investible universe tends to be heavily skewed towards financials and energy. The volatility in Romania, for example, can stem from heavy-handed fiscal intervention in the banking and energy sectors. He adds: "When such political risks exist, we are happy to stay on the sidelines, and invest where we have higher conviction and capacity to forecast fundamentals."

In Kazahkstan and Slovenia the picture is very different. "These are economies with stable GDP growth, controlled inflation and highly profitable banks," says Zsar. He has holdings in Halyk Bank, Kazakhstan's largest bank, and in Slovenian bank Nova Ljubjanska Banka. Both banks trade at attractive price-to-book ratios and are expected to pay out decent dividends. The Pictet Emerging Europe fund returned 32% over the three years to 7 January 2020.

Investors who want to tap into such growth stories don't need to invest directly. Many developed world firms that address long-term global challenges – for example, through solar power, battery technology or water irrigation – also tap into frontier markets.

Jordan Sriharan, head of managed portfolios and passives at Canaccord Genuity Wealth Management, says: "Businesses that can sell directly into emerging markets don't always need to be sourced from emerging market capital markets."

prospectus

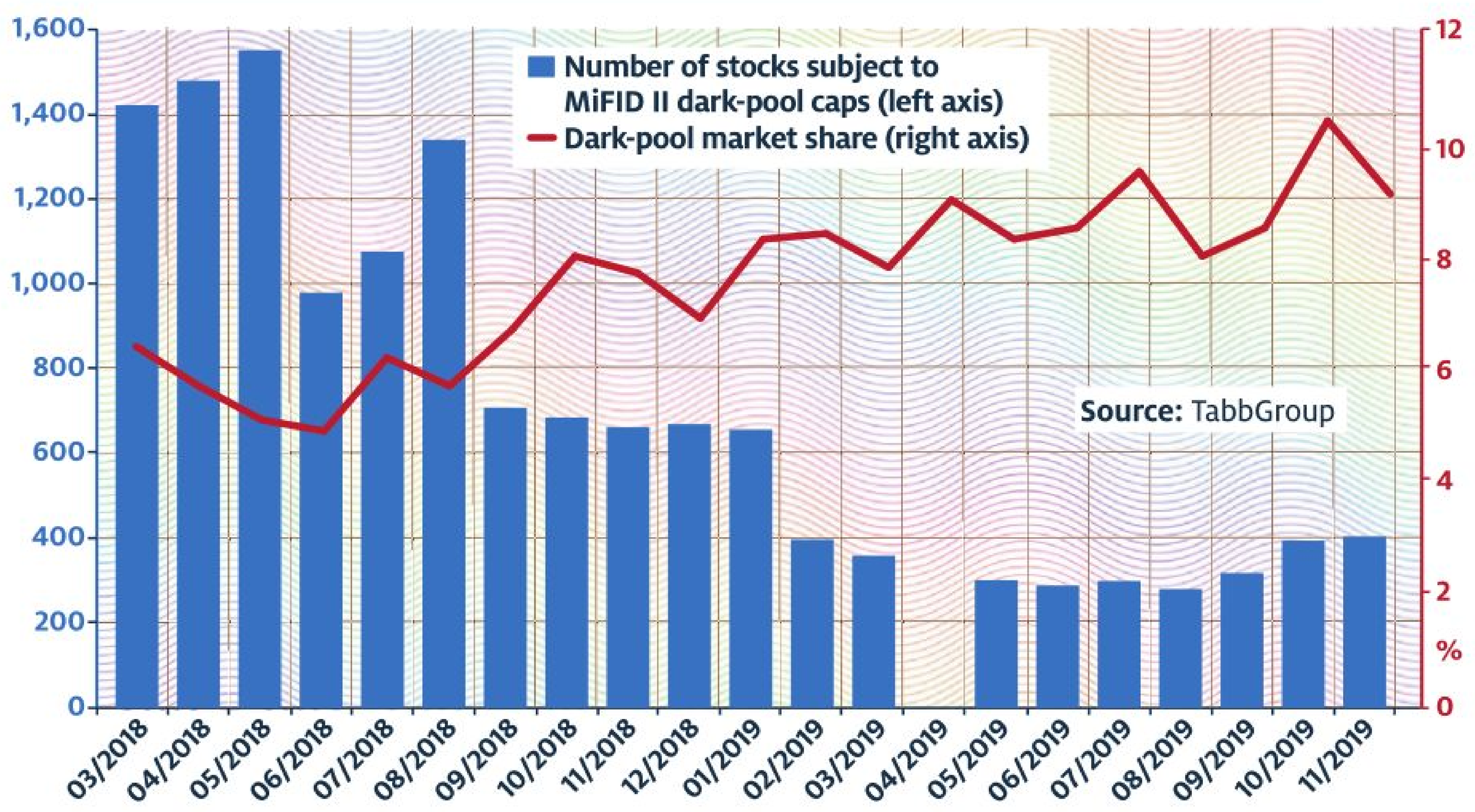
SOMETHING FISHY IN dark pools?

HANNAH SMITH CONSIDERS WHAT THE OFF-EXCHANGE TRADING BOOM MEANS FOR RETAIL INVESTORS

So-called 'dark pool' trading emerged in the 1980s as a way for institutional investors to buy and sell large orders without giving away the size of their positions or distorting the market. It has probably been around even longer than that in the shape of 'upstairs trading' by old-school brokers.

Trading activity in dark pools has reached record levels, with smaller orders now also taking place there, despite the introduction of EU rules last year designed to curb dark-pool trading. Dark pools accounted for more than 10% of European on-exchange market volume in September 2019, according to Tabb Group. Dark-pool trading now makes up a substantial and growing part of equity market trading volumes: around 15% in the US and 8% in Europe. Combined with other types of off-exchange trading, the figures are even higher: in April 2019 the share of US stock trades executed on dark-pool and other off-market vehicles hit a one-year high of almost 39%.

DARK-POOL TRADING HAS RISEN SHARPLY



But why should this matter to retail investors? What does dark-pool trading mean for asset prices, liquidity, and transparency in financial markets?

By trading large blocks of stock 'in the dark', with prices hidden from others, institutional investors can avoid the risk of other traders front-running – the unscrupulous practice of dealing based on advance knowledge of a large upcoming trade. This means pension funds and asset managers can get better prices for their end clients: retail investors such as you and I. This is the main benefit of dark pools to ordinary investors, even though they can't access them directly.

So how do traders access dark pools? Some dark pools are operated by exchanges as a private way to trade with some of the structure of 'lit' (public) stock exchange trading – the London Stock Exchange runs one called Turquoise, for example. Many big investment banks, such as UBS, Credit Suisse, Barclays, Goldman Sachs and JPMorgan Chase, also operate dark pools. Dark pools can also be informal arrangements where buyers and sellers identify each other, either directly or through a broker.

"Dark pools aim to allow people to trade in size with each other without information leaking out," says Steve Grob, founder of capital markets consulting firm Vision57. "If you want to buy a large order of Vodafone shares, for example, you would want to do it in one go – drip-feeding orders out means people see what you are up to and the price goes up. Dark pools are not inherently bad or against the interests of retail investors."

The use of dark pools means liquidity in the wider market is probably better than we think it is. However, it is a double-edged sword, because higher levels of off-exchange trading could reduce the liquidity found in lit exchanges, which means higher transaction costs and less efficient markets for retail investors.

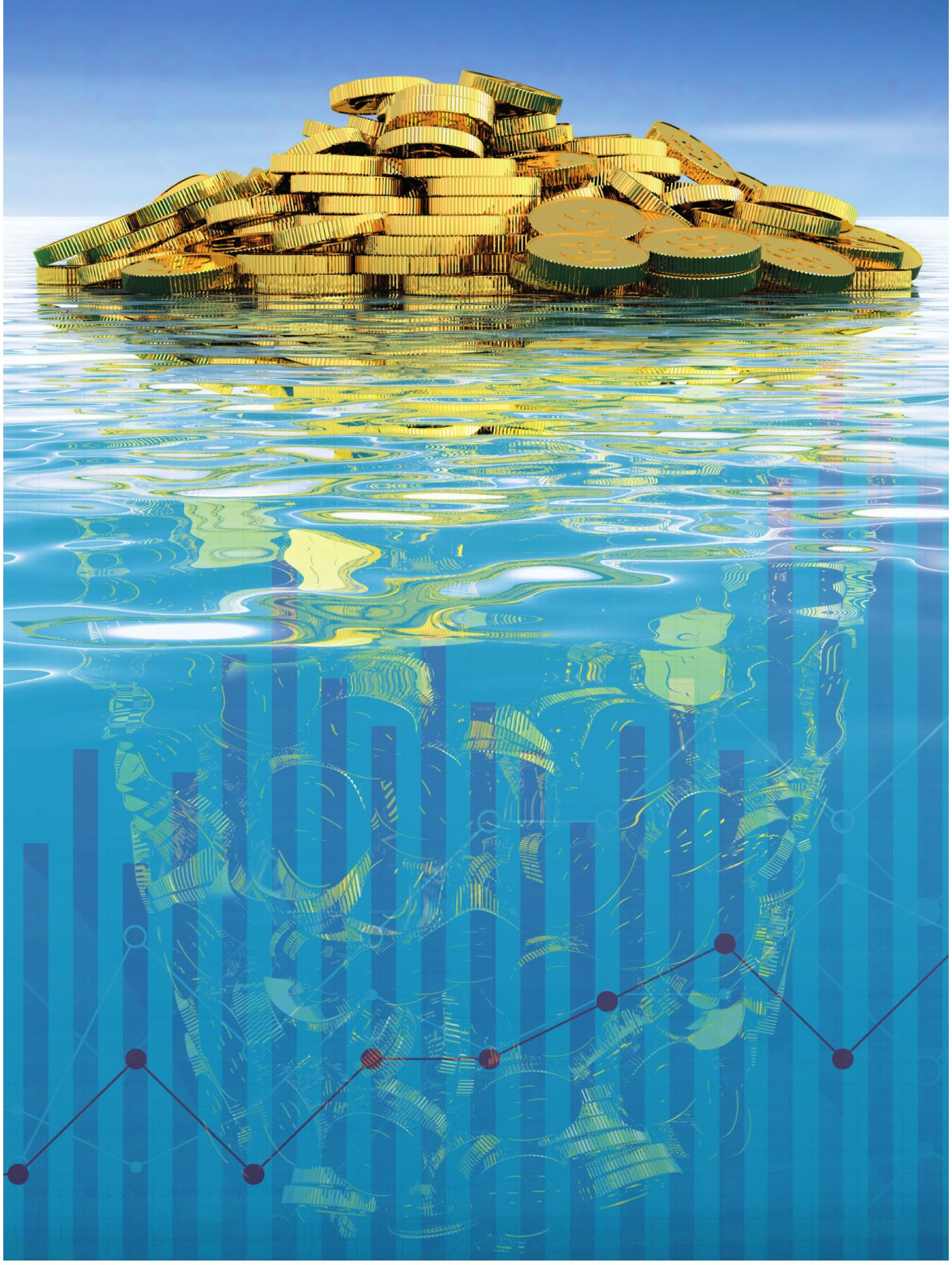
Jason Escamilla, CEO and chief investment officer at US wealth manager ImpactAdvisor, plays down these concerns. He says: "I would argue that dark pools have improved the liquidity of the market and facilitated large trades without drastically moving the market around. So I don't see dark pools as a problem in and of themselves. The point is, the retail investor is a different animal from someone who needs to move a large amount of shares in a dark pool."

REGULATION TARGET

While dark pools may bring a number of indirect advantages for retail investors, regulators have been trying to drive traders back into the light. EU regulators are worried about the lack of transparency, investor protection and the potential for conflicts of interest in dark pools. A number of dark-pool operators have been heavily fined in recent years.

A piece of EU legislation called MiFID II aims to limit the amount of trading taking place off-market and push trades back onto centralised public stock exchanges. It introduced a double volume cap that triggers a ban on dark trading when a transaction accounts for 4% of total activity in a single dark pool or 8% of total trading across the whole market. The effect of the ruling, though, has been to push investors towards other dark trading methods: over-the-counter trading surged after the new regulations came in. Grob says: "The problem is that people want to trade large blocks of stock anonymously, and they will find other ways to do that."

Kirstie MacGillivray, head of dealing at Kames Capital, further adds: "MiFID II



introduced the volume caps with the intention of driving liquidity back to the lit venues, in order to increase transparency in the marketplace and aid various types of investor. But in reality, all that has happened is that the industry has innovated around this, as most commentators predicted."

Grob says: "MiFID II has done more damage than good because it has made trading more expensive, as more technology is needed because brokers now have to demonstrate they have achieved 'best execution' for their clients."

FCA CONCERNS

In 2016 the UK's regulator, the Financial Conduct Authority (FCA), acknowledged that users of dark pools like the extra liquidity they offer, the lower risk of information leakage, and the pricing and cost benefits. However, it noted public concern about the potential for exploitation of dark-pool users by more technologically advanced players. It said it was not concerned about price transparency "so long as dark pool activity remains relatively small versus lit markets". But the FCA added that it wanted more to be done to identify and manage conflicts of interest.

The lack of transparency is the whole point of dark pools, but this is one reason why they are sometimes viewed with suspicion. There is more potential for investment fraud, unethical activity and market manipulation, especially where high-frequency traders find their way into dark pools. High-frequency trading uses computer algorithms to move in and out of positions in fractions of a second to amass a substantial gain from the tiny profits on each trade.

In 2016 Barclays and Credit Suisse were fined £108 million for misleading investors in their dark pools about the presence of such traders. Barclays told investors its dark pool was a safe harbour monitored for high-frequency trading, when in fact it was full of sharks – "the most aggressive and predatory high-speed traders", according to the New York State attorney general.

Understandably, such stories can unnerve investors. However, in defence of dark pools, you can argue that all markets are potentially open to abuse by bad actors. Moreover, says Escamilla, you can't ask traders to provide transparency before they make their trades. "It's like saying Warren Buffett should tell us before he sells a stock. Transparency is not owed before you do a transaction."

> **There is no evidence dark-pool trading leads to worse outcomes for retail investors**
> STEVE GROB

Another criticism levelled at dark pools is that they give institutional investors a competitive edge over other market participants. Yes, traders in dark pools have an advantage over retail investors dealing on public exchanges, but this is par for the course in investing, says Grob. He adds: "There is no evidence that dark-pool trading leads to worse outcomes for retail investors. But it is a fact of life that professional traders will always have an information advantage over retail investors – it is the way of the world."

FUTURE PICTURE

Kames Capital's chief investment officer, Stephen Jones, says about a third of the firm's equity trades take place in dark pools. In his view, the next thing to watch out for will be whether bonds begin to be traded there too as technology advances, something he suggests could "revolutionise" financial markets. Currently, most bonds are traded over the counter – meaning the trade is done directly between two parties, often via a broker-dealer – rather than on public exchanges. This is because there are many more types of bonds than there are equities with different characteristics, and it is harder to list their current prices because they are affected by variables such as interest rates and credit ratings.

Another important theme will be the continuing influence of high-frequency traders. While some firms such as Virtu Financial and Jump Trading specialise in high-frequency trading, many hedge funds and investment banks also commonly use this strategy. Their increasing presence in dark pools could spell trouble for investors trying to trade large positions, because their presence tends to increase volatility – they are thought to have contributed to the Flash Crash in May 2010 by suddenly stifling market liquidity.

Dark pools allow the biggest investors to deal large blocks of shares without showing their hand, and this is vital to the functioning of healthy capital markets and is good for retail investors. But, as trading volumes grow, investors may continue to face pressure from regulators uneasy about what goes on in these murky waters.

IT'S NOT AS SIMPLE AS ESG

SOCIALLY RESPONSIBLE INVESTORS NEED TO BE ALERT TO THE RISKS OF GREENWASHING. **KYLE CALDWELL** REPORTS

In the run up to the tax year end in April, eagled-eyed investors will notice a profound change of rhetoric in fund management companies' marketing messages. Whether it was triggered by Sir David Attenborough's television programmes or the 'Greta Thunberg effect', over the past couple of years climate change has become even more widely accepted as the biggest challenge facing the world. As a result increasing numbers of investors are looking to ensure their money is invested in a socially responsible fashion.

Although at present funds classed as "responsible" by the Investment Association only have a 2% share of overall assets under management, the marketing teams of various fund management groups have latched onto the trend in an attempt to capitalise on an anticipated increase in the size of the sales pie for environmental, social and governance (ESG)-focused investments.

On one level increased choice is welcomed, as currently there is not an overwhelming choice of options for investors to peruse. *Money Observer*'s parent company interactive investor has comprised an ethical 'long list' of funds in various sectors; only 14 names are in the UK equities category and six in the UK equity income bracket.

But the about-turn in the status of ESG investments, from the wilderness to the current fashionable heights, increases the risk of 'greenwashing'. This is a term coined to describe the situation when asset managers push themselves or their funds as 'green' through marketing, rather than fully integrating ESG and sustainability into their investment processes.

It risks becoming a worrying trend, notes Patrick Thomas, an investment director and head of ESG investments at Canaccord Genuity Wealth Management. He says: "We are seeing a lot of fund management marketing departments jumping onto what is now a bandwagon by either launching a new ESG-focused fund, making modifications to an existing fund to give it some sort of ESG tilt, or talking more and more about how ESG has been part of the fund managers' investment process for a number of years."

WIDESPREAD MISCLASSIFICATION

On the greenwashing front, research from SCM Direct last November raised a number of concerns that it says amount to widespread misclassification, and by extension the risk of mis-selling, of ESG and socially responsible investment (SRI) funds.

One of the key issues identified by SCM Direct was that several funds listed as ESG or SRI-focused held significant positions in stocks that could be deemed unethical. L&G Future World ESG UK Index, they pointed out, held 11.4% in tobacco, alcohol, gaming and defence stocks: Diageo, British American Tobacco, William Hill, and BAE Systems. Meanwhile, the Vanguard SRI European Stock fund had 5.7% of the fund invested in alcohol, gaming and defence stocks. In addition, the report also found that Fidelity's investment platform misclassified 47 fund share classes as being socially responsible funds.

> **We are seeing a lot of fund management groups jumping on the bandwagon**
>
> **PATRICK THOMAS**

Another area of potential greenwashing that has been brought to *Money Observer*'s attention relates to the United Nation's (UN) 17 Sustainable Development Goals, which collectively amount to a blueprint to achieve a better and more sustainable future for all. The goals are multi-year targets that range from battling poverty to keeping cities' air clean. Each goal comes with a timeline and specifications, such as achieving universal access to safe and affordable drinking water for all by 2030. Since the goals were created in 2015, many companies have taken note and used them as a

FUND GREENWASHING: THREE THINGS TO SIZE UP

When it comes to heritage, the point highlighted by Rebecca O'Keeffe, the fund management group's knowledge and experience are key. Resource also fits into this; and on that front if it employs a large team of ESG fund managers and analysts, this arguably shows a healthy level of commitment towards sustainable investing. Conversely, a novice fund manager at the helm may do a good job but certainly raises a red flag.

In addition, another factor to consider is the level of emphasis the wider fund management firm places on ESG. If, for instance, a fund firm has 70 funds and only a handful invest in a sustainable manner and added to that

have been launched relatively recently, it raises the risk of potential greenwashing. Canaccord Genuity's Patrick Thomas notes he has less of a problem with mirror fund launches – ESG versions of existing portfolios – but warns that investors need to be aware that some of these mirror funds just simply put a negative screen in place to avoid the sinners. So, therefore, they are essentially 'ESG lite' funds. He adds: "Having a huge number of non-green funds is certainly a warning sign."

Another red flag, which admittedly is harder for retail investors to spot, relates to how a fund manager invests. Some fund managers make heavy use of ESG rating agencies when considering the 'green' credentials of an individual company. Transparency, here, is key, so it is important to gauge how a fund manager invests and arrives at a decision as to whether a company meets its ESG definition. If this is not clear, it's probably best to steer clear.

framework to improve sustainability.

Fund managers with a mandate to invest sustainably have also been paying close attention to the UN's goals, but in some cases at the risk of potential greenwashing, as managers attempt to invest in as many of the 17 goals as possible.

UN GOALS A RECIPE FOR GREENWASHING?

Mona Shah, director of investment strategy and research at Stonehage Fleming, has concerns. She says: "The UN's sustainability goals can sometimes cause greenwashing; for instance the 'life below water' goal (which aims to manage temperature, chemistry, currents and life in our oceans) is a difficult place for fund managers to make a positive impact. But in order to have a company that fits this goal, some fund managers have justified holding Carnival, the cruise ship company. Some point to the fact that the company gives some of its profits to good causes, rather than focusing on its enormous fuel consumption."

Thomas shares the same concerns. He says: "The goals represent the world's biggest problems. But the way some fund managers are looking at them runs the risk that they are being used as a marketing tool." Google (Alphabet) is the example he highlights, pointing out that some managers have cited one of the UN's goals as a reason why they hold the company in their ESG portfolio. "I have heard some fund managers say it fits into the 'quality education' goal, due to its Google Glass teaching tool software."

While this is indeed a positive tick from an ESG standpoint, the case can also be argued that the way in which the firm uses personal information to generate advertising revenue makes it more of a 'sinner' than a 'saintly' stock.

> **Being slightly cautious and taking time to investigate issues is essential**
>
> REBECCA O'KEEFFE

Therein lies the big problem with ESG – it is extremely subjective. Rebecca O'Keeffe, head of investment at interactive investor, underlines the point: "The point at which a company stops being unethical and starts to become ethical is hugely open to interpretation and a matter of personal opinion, and therefore there is immense scope for disagreement."

The rapidly developing ethical investing sector and the wider investment industry are trying to navigate their way through all these issues, notes O'Keeffe. "Using data alone to differentiate between investments runs the risk that people will play the ESG 'language bingo' game, littering their prospectuses with relevant terms."

This, O'Keeffe adds, runs the risk of leaving investors and the industry somewhat confused about just how much an investment actively adopts ethical or ESG practices.

She concludes: "We would suggest that investors also scrutinise so-called 'ethical' launches and look closely at the manager's heritage in the sector. Being slightly cautious and taking the time to investigate the underlying issues is essential."

Timely rejuvenation in UK equities set to continue

Manager Mike Deverell tells **TOM BAILEY** how political clarity has lifted the portfolio's returns

One subject we have been almost constantly talking about over the past few years has been political uncertainty. "You haven't been able to get away from it," says our long-term growth portfolio's manager Mike Deverell, of Equilibrium Asset Management. "Trump, Brexit, the US-China trade war: it has all had a big impact."

Deverell points out that Equilibrium has consistently been a supporter of Asian and UK markets, particularly smaller company stocks, but that world events have been holding back returns in those markets. "We said we'd need to see some certainty on these events to see a turnaround," he says.

In the last quarter of 2019, however, it seems that has started to happen. "What we've seen, particularly since December, offers at least some certainty," says Deverell. "We had the election, which lets us know what's happening with Brexit – in the short term anyway."

What's more, on the same day as the election (12 December 2019), Donald Trump announced that phase one of the US trade deal with China had been agreed. Deverell says: "While phase one of the trade deal is not massively significant, it at least means [the trade war] is not escalating for now."

> **"The rally in UK assets still has quite a bit to run"**
> **MIKE DEVERELL**

Unsurprisingly, the best performers in the portfolio over the past quarter were primarily those with a focus on UK domestic stocks. This was in large part due to the increased certainty regarding Brexit.

According to Deverell, international investors have started to move back into UK stocks. He says: "Think about a European or US investor looking at the UK. All surveys show they have been underweight on the back of Brexit fears." After the success of the Conservative Party in the 12 December election, "the first thing they did was cut their underweight position by buying the FTSE 100 or FTSE 250".

Marlborough Special Situations was the portfolio's best performer, returning 9.6% over the three-month period. "That's done really well," says Deverell. "While it has some FTSE 250 exposure, it holds mostly small-cap stocks. As a result, it has had a pretty difficult couple of years. But we felt it was unfairly punished and that there are good companies in the fund that are good companies despite Brexit."

The second-best performer was **Royal London UK Equity Income**, which returned 7.1%.

Nick Train's **Lindsell Train UK Equity** fund fell in value by 2.4% in the quarter. The fund invests in stocks with international exposure, so its holdings were not likely to benefit from the so-called Boris bounce. However, it has come under strong criticism lately, with many critics raising the alarm about its inability to sell out of large holdings it has accumulated, in the event of a run of redemptions by investors. The fund recently lost its Morningstar gold star status.

Deverell says: "We are not massively concerned about that. Train does have very big positions and the fund is quite large now, so it is on our radar and it might struggle to repeat its performance, given its current size, but I don't think there is much to worry about yet. It is certainly not another Woodford in the making."

UK WEIGHTING HAS PROVED ITS WORTH IN THE RECENT EQUITY RALLY

Fund	Sector	Value at purchase (£)	Current value (£)	Gain/ loss since purchase (£)	Gain/ loss since purchase (%)	three-month change (£)	3-month change (%)
Cash	Liquidity	4,990	-	932.88	2.9	0	0
Royal London Short Dated High Yield Bond	Fixed int – global high yield	4,990	5,341.57	341.57	6.8	32.77	0.6
BlackRock Corporate Bond Tracker	n/a	4,990	5,502.31	502.31	10.0	-39.92	-0.8
Jupiter Strategic Bond	£ strategic bond	4,990	5,490.55	490.55	9.8	-42.46	-0.8
TwentyFour Dynamic Bond	£ strategic bond	4,990	5,628.47	628.47	12.6	93.51	1.8
L&G Allstocks Index Linked Gilt Index	n/a	4,990	5,021.53	21.53	0.4	-495.40	-10.0
Kames Property Income	Property	4,990	5,118.38	118.38	2.4	1.60	0
H2O Multi-returns	Targeted absolute return	4,990	6,871.45	1,871.45	37.4	210.51	3.8
FP Foresight UK Infrastructure Income	Infrastructure	5,990	6,392.06	257.79	4.4	257.79	4.4
Janus Henderson UK Absolute Return	Targeted absolute return	5,852	5,868.85	16.85	0.3	16.85	0.3
Lazard Global Listed Infrastructure	Infrastructure	5,803	6,176.76	1,176.76	23.5	181.05	3.4
CF Miton UK Value Opportunities*	UK all companies	5,932	6,033.44	100.56	1.7	100.56	1.7
CF Miton UK Multi Cap Income	UK equity income		4,611.74	611.74	15.3	303.76	6.7
Royal London UK Equity Income	UK equity income	3,990	4,841.87	841.87	21.0	310.97	7.1
Lindsell Train UK Equity	UK all companies	3,990	5,468.05	1,468.05	36.7	-114.86	-2.4
Marlborough Special Sits	UK smaller companies	3,990	4,991.52	991.52	24.8	480.96	9.6
Baillie Gifford Japanese Companies	Japan	7,990	9,847.47	1,847.47	23.1	-285.77	-2.9
BlackRock European Dynamic	Europe ex UK	4,990	6,569.20	1,569.20	31.4	300.15	4.9
Vanguard US Equity Index	n/a	5,990	7,946.89	1,946.89	32.4	105.40	1.5
Schroder Asian Alpha	Asia-Pacific ex Japan	7,990	9,993.19	1,993.19	24.9	464.16	5.0
Total		**99,820**	**117,715.29**	**17,715.29**	**17.7**	**1,864.79**	**1.8**

Note: *Bought on 13 December 2019. Less £20 dealing costs for sale of old fund and purchase. Portfolio inception was 1 April 2017. **Source:** Equilibrium, as at 1 January 2020

STILL VIGOUR IN THE RALLY

However, with the Boris bounce now done and UK assets to some extent back in favour, is it time to sell some of the portfolio's

UK-facing funds and take some profits? Deverell thinks not. He says: "The rally in UK assets has still got quite a bit to run." He adds that while investors have been moving from underweight towards a more neutral position, few are yet overweight.

Indeed, Deverell has added a new UK domestic-focused fund to the portfolio: **Miton UK Value**. The purchase was funded using the portfolio's cash, which now stands at zero.

He says: "We bought this the day after the election. We were already overweight in UK small cap, but after the election we extended this."

The new fund can invest in UK stocks across the market cap spectrum, Deverell explains: "It has a value bias: it looks for stocks that are pretty cheap." With so many UK stocks currently cheap, this focus should give the fund plenty of investment opportunities. "In terms of places to be and returns, UK value is the place to be, rather than just UK small caps," Deverell adds.

Brexit was not the only risk on which the election result provided some clarity. Under the leadership of Jeremy Corbyn, the Labour Party had committed itself to nationalising certain UK industries, including infrastructure companies, should it come to power.

One portfolio constituent, **Lazard Global Listed Infrastructure**, has a position in National Grid, one of the companies Corbyn promised to bring under public ownership. Partially as a result of this threat disappearing following the Conservative Party's election victory, both this and the portfolio's other infrastructure fund have done well.

> **"In terms of regions and returns, UK value is the place to be"**
> **MIKE DEVERELL**

Meanwhile, both have also benefited from the broader market uplift over the last quarter of 2019, with infrastructure stocks often moving roughly in line with the market.

That, however, is not the whole story. Deverell points out that governments around the world, including the Tory government in the UK, have been committing themselves to increasing infrastructure spending. This bodes well for companies involved in the sector.

The portfolio's bond funds were star performers through much of last year. More recently, says Deverell, "generally bonds came off after a strong performance". Bond funds broadly provided returns close to zero in the last quarter. The portfolio's worst performer, however, was **L&G Allstocks Index Linked Gilt Index**, which suffered a loss of 10%.

Deverell says there were two reasons for its poor performance. First, index-linked gilts tend to be long-dated, and long-dated bonds usually undergo more exaggerated movements. This was the case in the third quarter of 2019, when the fund returned more than most other bond funds.

Secondly, there was increased positivity about Brexit. Fears of a no-deal Brexit and potential rate cuts to alleviate it dissipated, so UK bonds have seen a reversal in price, which explains the L&G Allstocks fund's losses.

TRADE DEAL POSITIVITY

As already mentioned, the agreement on phase one of a new trade deal between the US and China bought much-needed relief to markets, including those in Asia. As a result, **Schroder Asian Alpha** achieved a healthy return of 5%. Europe, being reliant on exports, also benefited, with **BlackRock European Dynamic** returning 4.9%.

Japan, however, continued to struggle, with **Baillie Gifford Japanese** declining by 2.9%. Deverell says Japan struggled as a result of the trade war, as many of its companies are reliant on exports. However, the country failed to benefit from the subsequent turnaround enjoyed by other Asian markets. He puts this down to disappointing internal economic data and a strong yen, which dampened overseas demand for exports.

Deverell has long been clear about his bearishness on US equities and his resulting underweight position. He says: "We've spoken before about price-to-earnings in the US. Nothing has changed looking at the situation today. Everything we look at confirms our concerns on a purely valuation point of view. Alongside price-to-value, you can see that the ratio between the US stock market and GDP is at an all-time high. These and other metrics all typically mean lower returns in future."

Deverell thinks there are better opportunities elsewhere. He says: "A lot of people might hold 50% in the US, but we think that's a dangerous thing to do."

Mike Deverell is an investment manager at Equilibrium Asset Management

US equity too hot to handle

GARY MOGLIONE explains why he is not 'following the crowd' and has zero exposure to the US stock market

US equity indices continue to hit new highs on a regular basis, so questions must be asked about the sustainability of the stellar returns produced since the financial crisis. This is the longest post-war bull market, and since the bottom of the market on 9 March 2009 the S&P 500 has returned 448%, surpassing the 417% record set in the 1990s.

A number of factors have driven these returns, including enormous growth in the technology sector and accommodative monetary policies that resulted in low borrowing costs. This has, in part, led to a massive increase in share buybacks, further fuelling the fire. Unemployment has fallen to record lows.

The election of Donald Trump in 2016 and his subsequent corporate tax reductions have given the decade-long bull market a further injection of impetus. For valuation-focused investors, these factors make us concerned rather than confident and beg the question: are US equities overvalued?

We simply will not expose our clients' capital to the extreme valuations in the US equity market

What counts as a 'reasonable' valuation for any equity depends on your preferred metrics and on what you are comparing it with. Comparing US equities with those in other regions is not very illuminating, as each index is structured differently: the US has an exceptionally large exposure to technology stocks (23%) compared with Europe (6%). Indeed, arguably, S&P 500 technology exposure actually stands at 30%-plus, as Amazon, Facebook and Alphabet (Google) are not classified in the technology sector.

STRETCHED VALUATIONS

The *Financial Times* recently published an article discussing US valuations in which it argued that they have always commanded a premium, with the 20-year average price to earnings (p/e) multiple 1.2 times that of non-US equities. The current p/e measure is now 1.7 times, highlighting how much US valuations have increased relative to the rest of the world. Another way of looking at US valuations is relative to history. If we use traditional metrics such as p/e, price to sales (p/s) and cyclically adjusted price to earnings (Cape), we can see that each metric now has the US market on above-average valuations. If we look deeper into p/s and break the market into deciles (see table), we can see that it is expensive relative to its 1992 -2019 average. Only the least expensive decile of the market looks attractive.

RATIO HINTS AT US MARKET OVERHEATING

Price to sales	Current	Average (1992-2019)	Mean reversion (%)
Decile 1	0.25	0.27	7.9
Decile 2	0.56	0.52	-6.2
Decile 3	0.93	0.78	-15.9
Decile 4	1.34	1.07	-20.3
Decile 5	1.88	1.43	-24.1
Decile 6	2.52	1.87	-25.9
Decile 7	3.21	2.42	-24.7
Decile 8	4.32	3.22	-25.4
Decile 9	6.79	4.88	-28.1
Decile 10	16.19	11.74	-27.4

Notes: Decile 1 is the lowest price-to-sales ratio; decile 10 is highest. Mean reversion column shows extent to which current ratio has moved away from the long-term average. **Source:** Bloomberg Finance, as at 30 September 2019

Most of the arguments supporting US equity valuations focus on the fact that when inflation and interest rates are low, equity valuations tend to be high, and vice versa. In this context, current US valuations are not exceptional.

This is a valid point, but a key behavioural bias of investors is extrapolation bias: taking recent experience and projecting that out for the long term. The recent investment environment has been far from normal, given record quantitative easing and low interest rates; any shift to a more normalised environment would seriously challenge current valuations.

SNAPPING POINT

In conclusion, US equities are expensive. To justify current valuations, an incredibly accommodative monetary policy needs to persist. Moreover, the technology stocks that dominate US equity indices need to deliver on the phenomenal growth expectations built into their valuations. A long-term valuation-focused investor would be uncomfortable investing on the basis of such extreme assumptions: given that 50% of its revenue comes from the iPhone, will Apple lead the market in phones over the next five, 10 or 15 years? Will Amazon continue to grab market share of retail until it owns it all? Rapid growth brings a whole new set of problems in maintaining margins and managing a business.

When some stocks are pricing in such high expectations, any problem can hit prices hard. We have already seen what can happen when the market environment becomes less supportive. In the fourth quarter of 2018 the market became concerned about how accommodative the US Federal Reserve would be, the trade war took hold and technology companies' use of data came under scrutiny in the wake of the Cambridge Analytica scandal. During that period, the S&P declined by 14%. Technology stocks were the main culprits; but those losses have been made good this year and technology stocks have advanced even further, with Apple up 80% and Facebook up 51%.

Our value-focused approach means we simply will not expose our clients' capital to such extreme valuations. We now have zero exposure to the US and see much more opportunity in the UK, Europe and emerging markets.

Gary Moglione is a fund manager at Seneca Investment Managers

PZ CUSSONS IS CULLING POORER BRANDS TO BOOST TOP PERFORMERS

Recovery position

RICHARD BEDDARD is backing PZ Cussons to shake off its malaise and revive its flagging fortunes

In October last year, I noted that **PZ Cussons** was at a crunch point. The company owns illustrious consumer brands such as Imperial Leather soap, but revenue and profit had declined significantly over the previous five years. PZ Cussons had halted its acquisitive strategy and started selling its less profitable businesses, some of them acquired only recently.

Investors had lost faith and the shares traded on a multiple of 12 times adjusted profit. Since then the share price has declined a bit further and subsequently recovered. As I write, on the second trading day of the year, PZ Cussons shares cost 206p, valuing the enterprise at the same 12 times multiple as in October.

FIRM IN FLUX

One thing has changed in the interim. The company announced in December that Alex Kanellis, the man ultimately responsible for the firm's failed acquisitive strategy, as well as nearly a decade of earlier growth, will leave PZ Cussons on 31 January. He will follow the firm's longstanding finance chief, who left in June 2019. The board is searching for a new chief executive, but it is reassuring shareholders that it is committed to the new focused strategy Kanellis initiated and the people-focused culture he championed.

I think this strategy is sound. Thanks to cost-cutting, PZ Cussons still earns a healthy return on capital and has respectable cash flows, but it needs to invest if it is to grow again. Investing in acquisitions lifted the firm's debt but did not deliver growth; and since most of the free cash PZ Cussons generates funds its dividend, it does not have money to invest without cutting its dividend or borrowing. Selling off poorly performing brands to finance improvements in better-performing brands is an admission of failure, but it may also be a catalyst for growth without sacrificing the dividend. That is the aim of the firm's new 'focus, scale and accelerate' strategy.

This is a time of change, and therefore uncertainty, at PZ Cussons, which explains why its shares are so unpopular. That uncertainty may or may not be giving us an opportunity to buy at an attractive valuation, which is, of course, the standard dilemma facing any contrarian investor. I have rarely felt the tension between the doubtful prospects of a business and the tug of a low valuation so acutely, – which is why, in October and November 2019, when it came to making the one trade I allow myself each month, I found other, less uncomfortable trades to make.

My doubts revolve around brands that have for decades been reliable earners for investors. Brand owners are under pressure from two sources: discount retailers who essentially ripoff their products and the proliferation of novel alternatives to big brands on the internet. PZ Cussons' brands are an indication of its past success, but may not underwrite its future.

PZ Cussons' emphasis on its culture is more than marketing blather

If the company is to prosper, it must adapt. It is already doing so, but its capacity to adapt will depend on the people who work for it.

Even though two of those people, hitherto the most significant, have no future at the company, I think PZ Cussons' emphasis on its culture is more than just marketing blather in annual reports and on the company's website. Judging by the reviews on recruitment websites, it is a good place to work. A new chief executive could build on its culture and improve high-profile brands such as Imperial Leather, Original Source and St Tropez, a fake tan product.

I have added 1,870 shares to the portfolio at a price of 205p (the broker's price). The total cost was £3,878, including charges of £10 in broker fees and £19 in stamp duty. I put just 2.5% of the portfolio at risk, my minimum trade size, which reflects my remaining uncertainty about the firm and gives me scope to add more shares should I develop more backbone.

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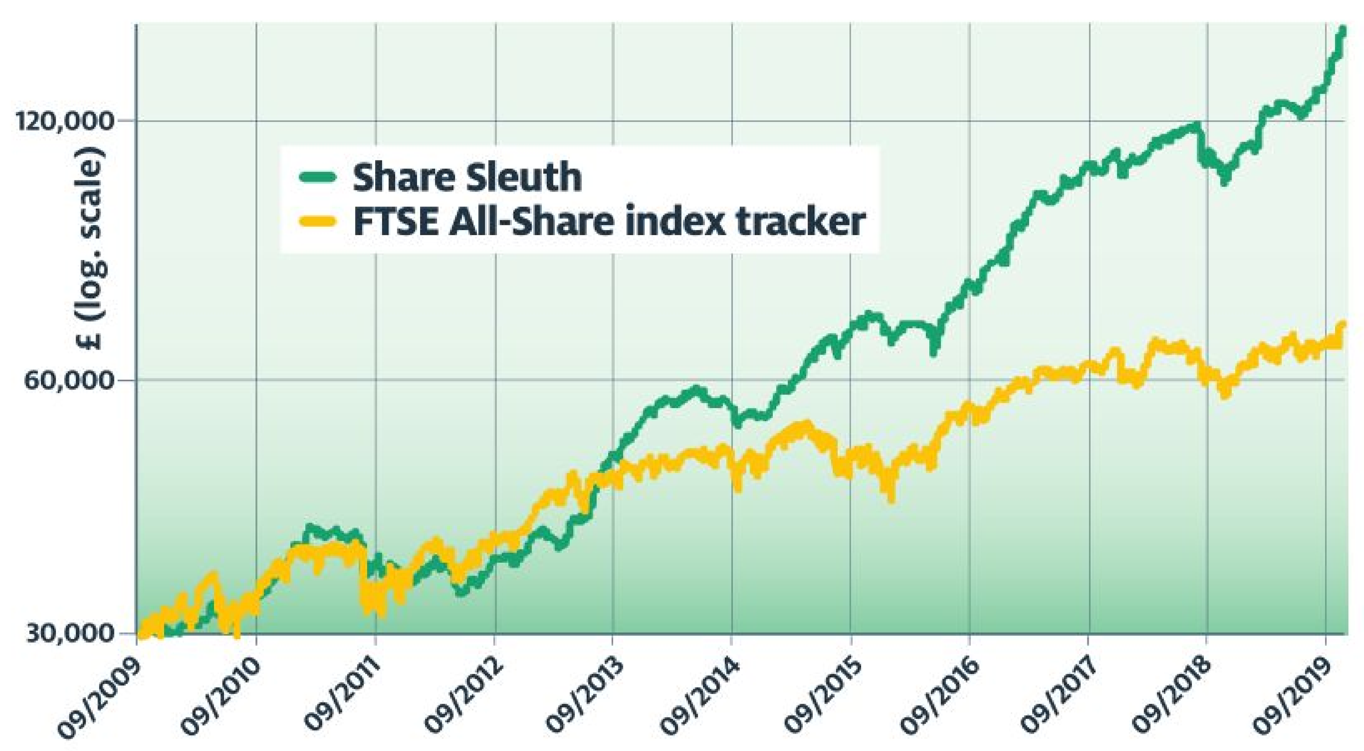
CUSSONS BRINGS BIG-BRAND BALLAST

Portfolio			Cost (£)	Value (£)	Return (%)
Cash				5,608	
Shares				149,048	
Since 9 September 2009			30,000	154,656	416
Companies		**Shares**	**Cost (£)**	**Value (£)**	**Return (%)**
ALU	Alumasc	938	999	929	-7
ANP	Anpario	937	3,168	3,186	1
AVON	Avon Rubber	192	2,510	3,994	59
BMY	Bloomsbury	1,256	3,274	3,755	15
CGS	Castings	1,109	3,110	4,702	51
CHH	Churchill China	341	3,751	6,206	65
CHRT	Cohort	1,600	3,747	11,552	208
DTG	Dart	456	250	7,857	3,043
DWHT	Dewhurst	735	2,244	7,350	228
GAW	Games Workshop	198	568	12,009	2,015
GDWN	Goodwin	266	6,646	8,219	24
HWDN	Howden Joinery	748	3,228	5,012	55
JDG	Judges Scientific	159	3,825	8,936	134
NXT	Next	45	2,199	3,131	42
PMP	Portmeirion	349	3,212	2,862	-11
PZC	PZ Cussons*	1,870	3,878	3,880	0
QTX	Quartix	1,085	2,798	3,949	41
RM	RM	1,275	3,038	3,545	17
RSW	Renishaw	92	1,739	3,597	107
SOLI	Solid State	1,546	4,523	10,358	129
TET	Treatt	1,222	1,734	5,682	228
TFW	Thorpe (FW)	2,000	2,207	7,140	224
TRI	Trifast	2,261	3,357	4,092	22
TSTL	Tristel	750	268	2,888	976
VCT	Victrex	150	2,253	3,810	69
XPP	XP Power	339	6,287	10,407	66

Notes: *New addition. Transaction costs include £10 broker fee and 0.5% stamp duty where appropriate. Cash earns no interest. Dividends and sale proceeds are credited to the cash balance. £30,000 invested on 9 September 2009 would be worth £154,656 today. £30,000 invested in FTSE All-Share index tracker accumulation units would be worth £69,749 today. **Objective:** To beat the index tracker handsomely over five-year periods. **Source:** SharePad, as at 3 January 2019

PERFORMANCE ON THE RISE ONCE MORE



Tech dynamos tap in-house people power

RICHARD BEDDARD has his eye on two companies that have excelled by developing and incentivising employees

When investors think about the competitive advantages, assets or capabilities businesses have that will enable them to profit handsomely from their activities, they often think of things such as patents, unique products and services or popular brands. But while these can make companies special, so can people.

If a business is to flourish indefinitely, it will need to adapt, polish its brands, update its intellectual property, and invent new products and services. Success depends not on what a company has done, but on what it will do, hence my interest in employee-focused businesses such as dotdigital and Softcat.

SHARE SLEUTH'S FAVOURITE FIVE

Score	Company	Description	Profile
8.2	**XP Power**	Manufactures power adapters for industrial and healthcare equipment	bit.ly/swXPP2019
7.7	**PZ Cussons**	Manufactures personal care and beauty brands in the main	bit.ly/swPZC2019
7.5	**Goodwin**	Casts and machines steel. Processes minerals for casting jewellery and tyres	bit.ly/swGDWN2019
7.3	**Victrex**	Manufactures PEEK, a tough, light and easy-to-manipulate polymer	bit.ly/swVCT2019
7.1	**Anpario**	Manufactures natural animal feed additives	bit.ly/swANP2019

Notes: Shares are scored out of 10, according to five criteria: profitability, risks, strategy, fairness and value. Howden Joinery and Solid State have dropped out of the top five because of their higher share prices. They have been replaced by Goodwin and Anpario.

DOTDIGITAL

bit.ly/swDOTD2019

Dotdigital's one product is the recently upgraded and rebadged Engagement Cloud, a digital marketing platform. Formerly dotmailer, Engagement Cloud's expanded capabilities now enable customers to communicate with consumers through email, online chat software and social media platforms such as WhatsApp and Facebook Messenger.

Engagement Cloud allows companies to personalise and automate their digital marketing campaigns by determining which messages they send and when they send them, depending on the recipient's previous interactions with a firm. Its customers are well-known UK charities and businesses, including Share Watch favourite Jet2, the airline and package holiday company that sells most of its holidays online.

As a predominantly email platform, dotdigital has been a great success, and in the year to June 2019 it continued to grow strongly. Revenue increased by 15% and adjusted profit grew by 32%, although cash flow has been affected by investment in the software's capabilities. The investment is necessary, not only to keep dotdigital relevant in a rapidly developing industry but to support growth aspirations abroad, particularly in Asia, where more people primarily use mobile phones than elsewhere.

Success depends not on what a company has done, but on what it will do

Lots of digital marketing platforms can integrate with broader ecommerce systems, but dotdigital may have a competitive edge in the shape of its 'dotfamily' – that's the nickname it gives its employees. Giving staff the opportunity to progress in a successful organisation is a powerful motivator, so dotdigital fills 30% of roles internally. The patriarch of dotfamily is dotdigital's founder, interim chairman 'Tink' Taylor, a substantial shareholder and industry luminary.

SOFTCAT

bit.ly/swSCT2019

Softcat sells computer hardware and software to businesses and the public sector. Unlike dotdigital, it shifts other companies' products – all the big-name computer manufacturers and software providers, including Dell and Microsoft. Since these products are not particularly special, the service has to be if Softcat is to be competitive. Judging by its record, Softcat competes well. It boasts of 14 consecutive years of profit growth, and in the year to July 2019 it lifted revenue and adjusted profit by 24%.

Softcat's biggest asset is its account managers, who help customers decide what to buy and advise them on implementation. Its strategy requires it to recruit and keep hold of good salespeople. The company, which has offices all over the UK and a handful overseas, will only open a new office when it has an employee to promote from within to run it. It only recruits salespeople at entry level, so they know their prospects will not be diminished by high-level appointments from outside the firm. In 2019 Softcat reduced its working week by two hours.

Softcat and dotdigital are quite different businesses but have much in common. They are technology-focused sales businesses, and probably the most important factor in their success is their account managers, whom they reward with share options, training and good career prospects. By keeping customer-facing employees happy, they keep customers happy, and happy customers mean happy shareholders.

But quality comes at a price. These businesses are highly regarded by investors and traders. A share price of 94p values dotdigital at 27 times adjusted profit and a share price of £11.26 values Softcat at 32 times adjusted profit. In my scoring system, high valuations count against companies, which is why they languish outside my top five shares for now.

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5 ways to make the most of your workplace pension

SAM BARRETT PROVIDES SOME ACTION POINTS TO HELP EMPLOYEES ENSURE THEIR PENSION DELIVERS

Pensions automatic enrolment has changed the face of retirement savings, with more than 10 million people now paying into their workplace scheme. But as the government sets the minimum contribution level, there's a risk many will assume they're on course for a decent level of income in retirement.

Contribution levels totalling 8% of your salary, as prescribed by the government, are a good starting point; but Maike Currie, director of Fidelity Workplace Investing, says it can leave you with a significant shortfall. "We suggest putting away at least 13% of your income between the ages of 25 and 68," she explains. "If you start later, or take a career break, you'll need to save more." (See infographic below.)

To ensure you're on track, whatever age you start, engaging with your pension is a must. Jonathan Watts-Lay, director of Wealth at Work, recommends using online calculators to see whether you're saving enough. "The Money and Pensions Service's pension calculator (at moneyadviceservice.org.uk) can give you an indication of what your savings will be worth in retirement, and how changes such as increasing contributions or retiring later will affect them," he says. "It can be a real eye-opener."

Unless you've been very disciplined since you started work, it's likely that you'll need to save more into your pension. These tips can help you get the most out of your pension and, in some cases, take some of the pain out of paying in more.

Tax relief makes a bonus worth more in your pension than in your bank account

1 GET MORE FROM YOUR EMPLOYER

Making a larger contribution is the obvious way to boost your pension pot, but it's worth checking whether your employer will help. Although many offer the minimum 3% employer contribution, some are more generous.

"Ask your employer," says Fiona Tait, technical director at Intelligent Pensions. "Some will match your contributions or pay in a higher percentage if you're happy to increase what you pay in. It's free money, so don't overlook it."

Where an employer matches your contribution, even paying in an extra 1% of your income can make a significant difference to your pension pot. For example, take a 40-year-old earning £30,000. Assuming they and their employer make contributions of 4%, the pension would be worth £109,000 at age 68 (average growth of 2.4%). Bump up the monthly contribution to 5% from each – equivalent to an extra £25 a month from the employee – and the final fund would increase to £136,000. That's a 25% boost.

2 DIVERT A BONUS

As well as – or instead of – making a regular additional commitment, you might want to consider diverting some or all of a bonus to your pension. Watts-Lay says that psychologically, this can be much easier than increasing monthly contributions. "Unless you've already lined up how you're going to spend it, a bonus is extra money," he says. "Because of this, you're much less likely to miss it."

The tax relief makes a bonus worth more in your pension than in your bank account. As an example, if you received a £500 bonus, this would be £340 after basic rate tax and national insurance, but £425 if it was paid into your pension with tax relief (national insurance would still be payable).

This figure can be increased further if your employer offers so-called 'bonus sacrifice'. "Bonus sacrifice is a great way to pay less tax and national insurance," says Currie. "Plus, as your employer saves on national insurance, they may pass on these savings too." 'Sacrificing' the £500 bonus would see the full £500 wind up in your pension. On top of this, if your employer passes on its national insurance saving, you could have a further £69 added to your pension.

If you are considering bonus sacrifice, make sure you let your employer know before they pay it to you, as it's not an option once it has been paid.

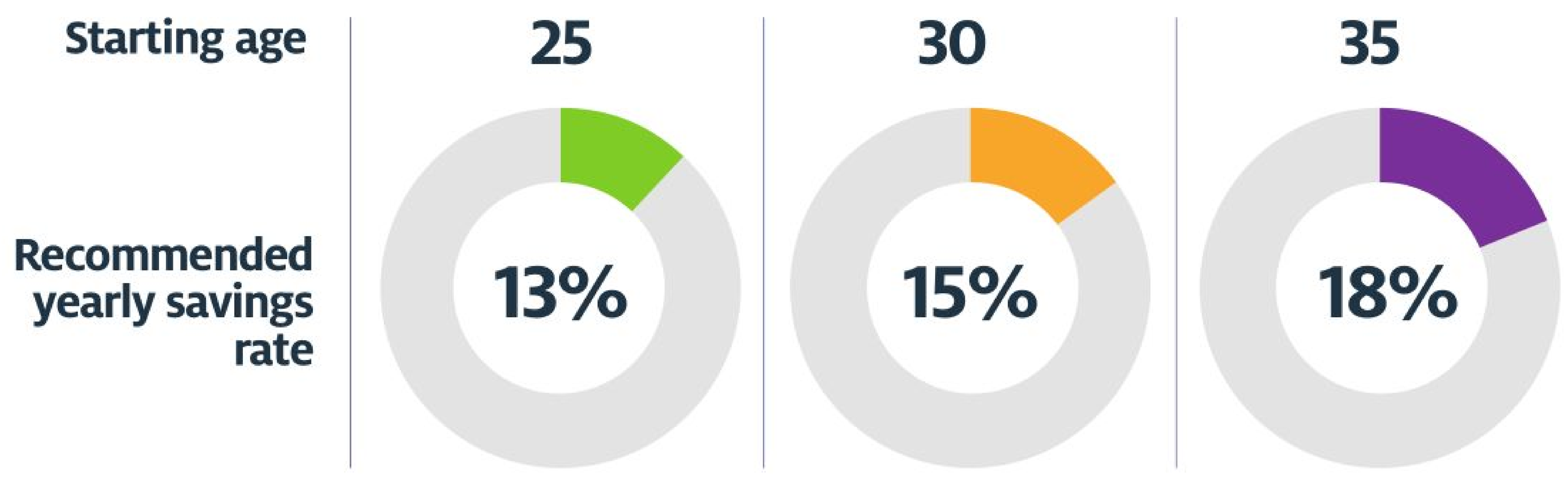
3 FREE UP SOME SPARE CASH

Changing your habits in other areas of your finances could also provide a healthy top-up for your pension. "People talk about giving up your daily latte and putting that money into your pension, but that's too much of a personal sacrifice," says Watts-Lay. "Instead, look at your household expenditure and see whether you can make savings on things that you wouldn't even notice, like utility bills or motor insurance."

As an example, he says that shopping around for a new motor insurance deal could save you between £200 and £300. "Put this into your pension with tax relief and it could make a significant difference to your retirement lifestyle," he says.

Another area where you may be able to release some spare cash is on your

THE LATER YOU START, THE MORE YOU NEED TO SAVE EACH YEAR



Source: Fidelity International. Figures assume a salary of £40,000 retirement.fidelity.co.uk/retirement-savings-guidelines/#/savings-rate/tool

employee benefits. "If you're a couple and both working, there could be duplication in your benefits packages," he says. "Private medical insurance is commonly provided for spouses, but it's pointless having two lots of cover. This could free up as much as £1,500."

4 DITCH THE DEFAULT

Evaluating your pension investments can also boost your pot, without needing higher contributions. "Many people are in their pension's default fund, which is a relatively conservative balanced fund," says David Gibb, chartered financial planner at Quilter Private Client Advisers. "If you've got at least 10 years to go, you can afford to go for something more adventurous. It'll be more volatile, but you'll have time to ride out any falls in value."

Although returns vary, Gibb says it's possible to move from an average annual return of 4% on a default fund to a return of 8% on something more adventurous. This switch could potentially double the size of your pension pot over the long run.

As well as switching out of the default, it's also worth checking the lifestyling option. This is designed to move your pension into lower-risk investments as retirement approaches. However, as a result of pension freedoms and the removal of the default retirement age, many of our plans around retirement have changed. "Lifestyling used to be all about getting our pension ready to buy an annuity, but with this less likely now, it's worth contacting your pension provider to let them know your plans," adds Gibb.

As well as switching out of the default, it's also worth checking the lifestyling option

5 CONSIDER CONSOLIDATION

As we clock up an average of 11 jobs in a working life, it can also mean we end up with a litter of pension pots. Pete Glancy, head of policy, pensions and investments at Scottish Widows, recommends a spot of decluttering. "Consolidating some of these pots will make it easier to manage them, but could also help to increase the size of your pension," he explains.

For a start, charges may be lower. Modern pensions charge a percentage of your pot, which can be up to 0.75% but is often lower. Older pensions may come with a higher percentage charge or levy a fixed monthly amount, typically around £2.

Although the difference may sound small, the savings can be considerable. Over 20 years, a £50,000 pension pot would increase to £109,556, assuming 5% annual growth and a 1% annual management charge. With a 0.5% management charge, the value would be £120,587.

Moving your previous employers' pots into your current workplace scheme may also give you better investment options, which again could improve the growth of your pot.

But it's worth checking the terms and conditions before consolidating. Glancy explains: "Some older schemes, especially final salary pensions, will have benefits that you won't want to give up. If you're in any doubt, seek financial advice."

STOP! DON'T PAY IN TOO MUCH

Paying as much as possible into a pension is a sensible strategy for many people, but it's also important to be aware of the limits to contributions.

£40,000 ANNUAL ALLOWANCE

If your income is lower than this, the most you can pay in yourself is capped at 100% of your earnings. If you have no earnings, it's £3,600. Exceed this and you'll need to pay back the tax relief on the excess.

£1,055,000 LIFETIME ALLOWANCE (2019/20)

This covers all your pensions, excluding the state pension, and you'll face a tax charge on the excess if you go over the allowance. This is paid when you take the pension, at the rate of 25% if you draw it as an income, or 55% if you take the excess as a lump sum.

£4,000 MONEY PURCHASE ANNUAL ALLOWANCE

This replaces the £40,000 annual allowance if you've flexibly accessed one of your pensions and taken out more than the 25% tax-free cash.

10 little-known tax traps and how to avoid them

A MULTITUDE OF LESS FAMILIAR TAX TRAPS CAN CATCH OUT THE UNINFORMED. **CERI JONES** OUTLINES 10 TO BE AWARE OF

One of HM Revenue & Customs' favourite sayings at this time of year is that "tax doesn't have to be taxing", but with the UK tax code 10 times longer than the complete works of Shakespeare, there are countless tricks and traps to navigate.

1 CAPITAL GAINS TAX ON MAIN RESIDENCE

A common misconception is that the sale of your main home is exempt from capital gains tax (CGT), but this is not always the case.

If a property has not been your main residence all the time you have owned it, the ownership is apportioned into exempt and non-exempt periods. The last 18 months is regarded as exempt even if the property was unoccupied during this time. However, this final qualifying period will be reduced to nine months from April 2020, so if you are planning to move out before renovating and selling a property, you may want to time it accordingly.

People who work from home and claim business expenses for rent, heating or lighting will also lose the CGT exemption for that portion of the house, because it is not covered by the private residence relief. This means that when you sell your house, you will probably face a CGT bill on this element of the total value. This liability can be reduced, however, if the home office returns to non-business use outside office hours.

2 IHT AND RESERVATION OF BENEFIT

You cannot give away an asset – for instance a house – and continue to use it, hoping the gift will be ignored for inheritance tax (IHT) purposes. The common example involves a parent giving their house to their children but continuing to live in it rent-free. Such gifts are known as gifts with a reservation of benefit (shortened variously to GWR, GROB and GWROB) and are chargeable to IHT. The government netted £128 million from gifted assets in the 2017/18 tax year alone.

Furthermore, when your children sell the property, they will pay CGT on the increase in value from the date of the gift, not the date of your death.

People who work from home and claim business expenses will lose the CGT exemption

In addition, assets given away with the intention of avoiding contributions to nursing home costs will be regarded as a 'deliberate deprivation of assets', and the value will still be assessable in working out your care cost contribution.

The tried and trusted way around the reservation of benefit rules is for the parent to pay market rent to live in the home – but the rent must be regularly reviewed, because if it drops below market rate at any stage, the GWR provisions kick back in. The gift will then avoid IHT on your death, provided you live for another seven years.

This solution works well if the older generation is income-rich and the younger generation is income-poor, but bear in mind that the children may have to pay income tax on the rent they receive.

3 UK RESIDENTS WITH OFFSHORE INCOME AND GAINS

If you are a UK resident and you receive offshore income and capital gains, these must be reported on your tax return. This is often overlooked, especially when someone holds a small overseas bank account generating interest, or receives rental income from an overseas property. The UK tax can be reduced if the income is already subject to tax in the country where it arises and a tax treaty is in place between the UK and that country.

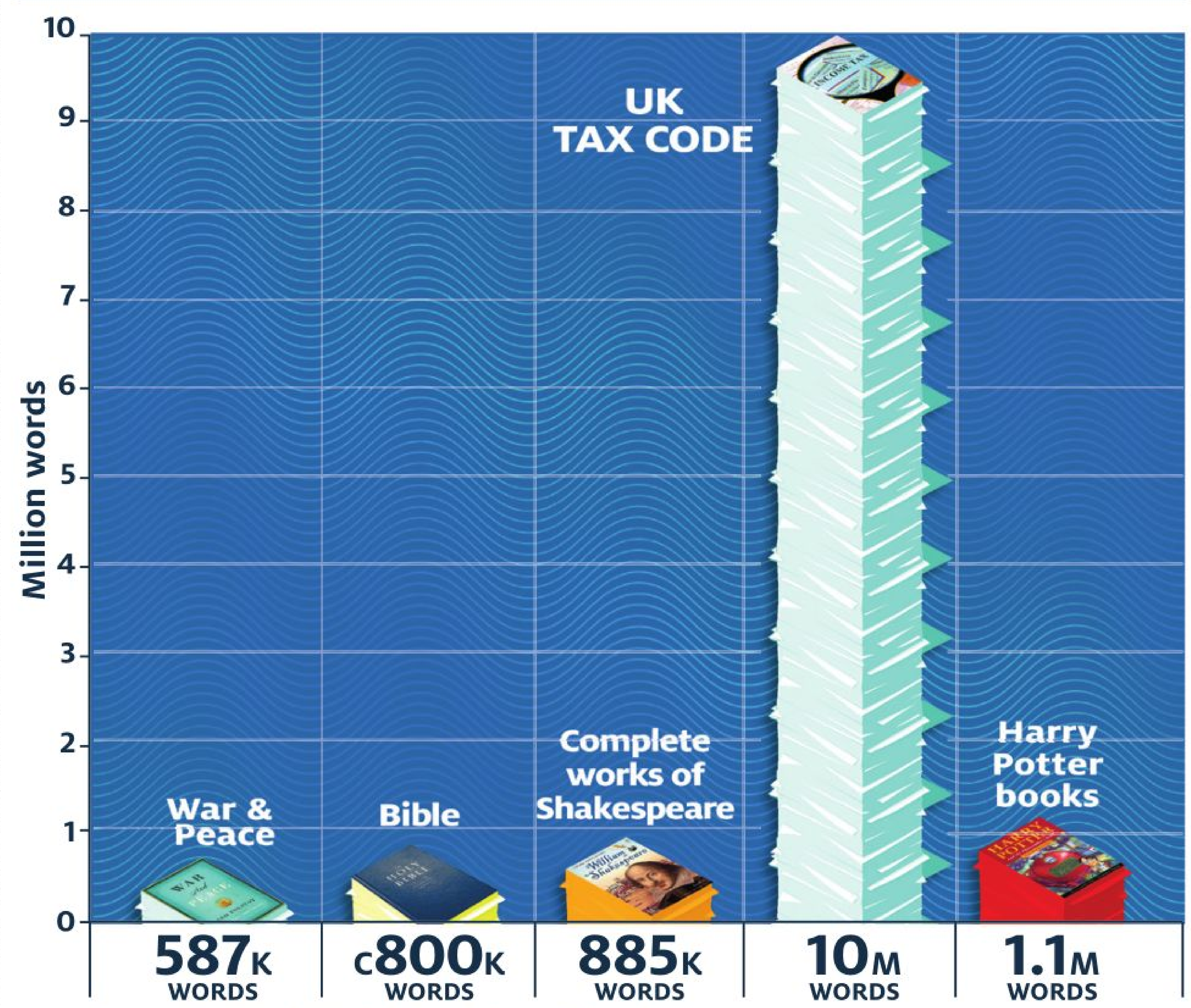
The exception is if you are taxed on the remittance basis available to individuals who are resident but do not live permanently in the UK, and you do not bring your foreign income and gains into the UK. In that situation, tax should not be an issue.

4 OFFSHORE FUNDS AND EXCESS REPORTABLE INCOME (ERI)

Many offshore funds, including exchange traded funds such as iShares, make profits that they don't distribute to their investors, but their investors have a duty to report this in their tax returns. For the highest rate taxpayers, this so-called Excess Reportable Income (ERI) can attract income tax at as much as 45% for bond funds and 38.1% for equity funds.

Information on ERI is not easy to find, however. First, the rule is applicable to only so-called reporting funds, which follow a particular tax regime, and not to non-reporting funds, which are taxed differently. To find out if your fund is a reporting fund, you need to check the manager's website, or

UK TAX CODE IS MORE THAN 17,000 PAGES LONG



Source: Dominic Frisby Edinburgh Fringe Show 2016

the list of such funds on HMRC's website (hmrc.gov.uk/cisc/offshore-funds.htm). Any fund not domiciled in the UK is an offshore fund; for example, many popular funds registered in Dublin are reporting funds. Reporting status applies at unit/share class level, so a fund may have one share class with reporting status and another without.

Where the fund holds more than 60% of its investments in bonds and debt securities, the distribution is treated as interest, and where the fund holds less than 60% in bonds or debt, the distribution is treated as a dividend. Both should be recorded on HMRC's SA106 form as part of your tax return. ERI falls within HMRC's new Requirement to Correct regime of fines for failure to disclose.

Investors in reporting funds are more favourably taxed than those in non-reporting funds, as although they pay income tax on income generated by the fund, ultimately they pay CGT at the sweeter rates of 18% or 28% on the remaining profit on disposal. In contrast, the entire proceeds of non-reporting funds are subject to income tax, and there is no chance to use your CGT allowance and reliefs.

6 TAX ON INVESTMENT BONDS

"People are often attracted to investment bonds because they think they can take a 5% income 'tax-free' every year, whereas in fact this is a deferral, not an exemption," says James Quarmby, partner at Stephenson Harwood.

These 5% withdrawals can be carried over from one year to the next, which may be helpful to higher-rate taxpayers who want to delay payment until they fall into a lower tax band, most obviously when they reach retirement.

Investors in reporting funds are more favourably taxed than those in non-reporting funds

All gains and income earned within an investment bond are taxed at 20%, which is automatically deducted internally. Then, at maturity or encashment, all gains are treated as income; as 20% tax has already been deducted, basic-rate taxpayers pay nothing more. However, there will be additional income tax to pay if your gains push your income over the higher or additional-rate tax threshold that year.

You might be able to avoid this by 'top-slicing', which evens out the tax charge over the years by dividing the profit paid since the bond start date (including withdrawals) by the number of years it has been held. If the top-sliced profits, when added to your other income for the tax year, are below the higher-rate tax threshold, there is no extra tax to pay, but if the sum pushes you over the higher-rate threshold, then additional tax must be paid on the entire gain.

5 PRE-OWNED TAX ASSETS

People who gave away their assets in the past could also face a little-known annual income tax charge called pre-owned assets tax (POAT). This was introduced in April 2005 to catch people who had engineered IHT planning exercises as long ago as 1986 that were legitimate at the time. The aim is to tax the yearly benefit from the continued use of the gift.

You do not need to pay POAT on any assets that will in any event be caught by IHT and the GWR rules; POAT applies only if you would otherwise avoid them, such as if you occupy a home, or use a car or boat, having gifted them (between March 1986 and April 2005). If you do not declare POAT, you may be hit with penalties and interest for late payment. Large cash transfers from parents to children, which are then used within seven years to buy assets benefiting the parent, may also be caught.

7 EMPLOYING FAMILY MEMBERS

Many small businesses pay salaries to family members for office work and cleaning, but be realistic. The dangers have been highlighted by an ongoing case in which the former chief executive of a small mutual insurer transferred £200,000 to his wife for her administration support – around four times more than any other person working for the company – and is now appealing bans from the Financial Conduct Authority and the Prudential Regulation Authority.

Small businesses typically pay modest salaries to family members who help out informally, but the reward should match their contribution. The question to ask is what the business would have paid a third party for the same services.

- The work must be genuine.
- Family members must be paid commercially viable wages.
- Payments must actually be made and records kept.
- Both you and they must pay national insurance if they earn over £166 a week.
- Adhere to child employment law for those between 13 and 16 years old.

8 INCOME TAX ON EBAY SALES

"Many people wrongly assume that income falls outside the tax net just because it is generated informally from something that isn't your day job," says Jeremy Cape, tax and public policy partner at Squire Patton Boggs.

But if you regularly make a profit selling or reselling items online, or let out your home from time to time on Airbnb, then you should be careful. If you are selling unwanted personal items on an ad hoc basis, such as old clothes or your child's outgrown bike, you won't usually need to pay income tax. However, HMRC gets interested if you are systematically selling items, and particularly if you are buying or modifying items to re-sell at a profit, as this looks like trading. Cape adds that he'd be concerned if such receipts occurred once a fortnight.

If you sell unwanted personal items on an ad hoc basis, you won't usually pay income tax

9 HIGHER-RATE PENSIONS TAX RELIEF

If you are a higher-rate or additional-rate taxpayer saving into a pension, you may need to claim additional tax relief in your self-assessment tax return. Around 15% of higher-rate taxpayers have no idea whether they're getting 40% pension tax relief, and hundreds of millions of pounds of tax relief are left behind with HMRC by people who forget to claim.

"If you have a trust-based workplace scheme or one which offers salary sacrifice, higher-rate taxpayers get 40% tax relief automatically," says Romi Savova, chief executive at PensionsBee. "But elsewhere, you're probably getting tax relief at 20%, so you need to reclaim the difference on your tax return. The best thing to do is ask your HR department.

"When you're claiming extra tax relief on a pension, make sure you're entering the gross value of contributions – in other words, the total of everything you paid in, plus tax relief at 20%."

10 THE MONEY PURCHASE ANNUAL ALLOWANCE

If you are over 55 and planning to withdraw more than the 25% tax-free cash from your pension, you will trigger the money purchase annual allowance, which will restrict your pension contributions to £4,000 a year.

If you plan to contribute more than £4,000 a year to your pension, you may wish to consider fully withdrawing any 'trivial' pension pots you hold that are worth less than £10,000, rather than exceeding the tax-free cash allowance on your main pension, to avoid triggering the money purchase annual allowance.

New paths to pension potency

Providers will be required to offer guidance on optimal pension choices, writes **STEVE WEBB**

Freeing people to do what they want with their pension savings, rather than forcing them to buy an annuity, has proved a very popular move. But that freedom means people now have difficult choices to make and need help in making a decision that is right for them.

Those willing and able to pay for financial advice are in general able to benefit from the new freedoms. However, The Pensions Regulator has become increasingly concerned about the fate of 'unadvised' pensioners and is keen to help them make the right choices about what to do with their pension pots.

That's why an initiative called 'default investment pathways' will be launched later this year. New rules will require pension providers to guide unadvised savers when they are deciding what to do with their pension pots at retirement. The rules are designed to help around 100,000 people a year achieve better pension outcomes.

DECISION TIME

At the moment, once you reach the age of 55, you can take your money out of your pension pot. A quarter can be withdrawn tax-free, while the rest is subject to income tax. People often want to withdraw their tax-free lump sum but are happy to leave the rest to go on growing. One way of doing this is to move the balance into a 'drawdown' account.

However, when you do this, you have to decide how that balance is going to be invested over coming years: whether, for example, you are going to target high investment growth, which will entail taking on a fair bit of risk, or be much more cautious, which will involve little or no risk to your capital but achieve much lower returns.

CASH TRAPPED

One problem is that many people have been sleepwalking into leaving their pension savings languishing in cash. Without them really thinking about it, the balance of their pension savings has been placed in an investment that yields little or no return, although their capital is safe.

The trouble with this is that once you factor in inflation, the spending power of such savings declines year by year. That might not matter too much for a year or two, but if you are going to keep your money invested for retirement for two decades or more, you really don't want it to be stuck in an investment offering little or no return over that period.

To tackle the problem, providers will soon be required to offer savers a choice of four relatively simple 'investment pathways' for making best use of their pension pots in retirement:

Option 1: *For those who don't plan to touch their money in the next five years*

Option 2: *For those who plan to use their money to set up a guaranteed income (annuity) in the next five years*

Option 3: *For those who plan to start taking their money as long-term income over the next five years*

Option 4: *For those who plan to take out all their money over the next five years*

Once a saver has chosen the option that best matches their plans, the provider will invest their pension money in a mix of assets designed to achieve their goals. Savers will remain free to choose between the different investment offerings available from a provider, but providers will be required to give prominence to the simpler approach.

Pension providers must now offer savers a choice of four relatively simple 'investment pathways'

PENSION PROMPTS

Pension providers will also be required to do more to encourage pension savers to shop around when they choose a drawdown provider. At present, the vast majority of people who save with a pension company choose a drawdown product from that company, even if it doesn't offer the best value available on the market. Just as shopping around for an annuity can help people get a better rate, shopping around for a drawdown account can help them track down a better-value product.

Although there is no substitute for personalised financial advice where possible, it is to be hoped that the simplified guidance from pension providers will help those who are not taking such advice to end up in an investment that is broadly right for them. Meanwhile, the exhortation to shop around should help retirees bag a better-value drawdown product.

Steve Webb is director of policy at Royal London

FUND ANALYSIS

Market shift set to lift UK smaller and mid-cap stocks

CHERRY REYNARD says investors should take a fresh look at the UK all companies sector

In the immediate aftermath of the 2016 referendum, investors would have baulked at the idea of a hard Brexit; three long years later, gasping for any resolution to the tortured political process, they welcomed the certainty provided by an emphatic victory for Boris Johnson's Conservative Party. The gloom finally started to lift for UK shares.

The turnaround actually started ahead of the general election in December, with the Investment Association UK all companies sector the second-best performing (after UK smaller companies) in the final quarter of 2019. Markets were already anticipating a Conservative victory and the end of the threat of a Jeremy Corbyn-led Labour government.

GLOBAL SENTIMENT PERKS UP

The change of heart towards unloved UK equities took place at the same time as a subtle shift in global market conditions. After a long period when markets favoured companies with reliable earnings and cash flow – 'growth' companies – September saw investors moving towards more 'value' areas and economically sensitive sectors such as financials and banks.

Adrian Lowcock, head of personal investing at Willis Owen, says: "2019 was a mixed year for investors in the UK, as Brexit concerns dominated the market throughout the year. As a result, the focus for investments remained squarely on growth companies for the bulk of the year, but there were periods when value investing took the lead: notably, towards the end of the summer when Boris Johnson became prime minister, and in the run-up and after the election when it became clearer that the Conservatives were likely to win a majority."

The shift in sentiment was reflected in the relative performance of different parts of the market. The larger, global companies that make up the bulk of the FTSE 100 index lost the tailwind of a weaker currency – not because the currency strengthened (though it did see some improvement in the final quarter of the year), but simply because it stopped getting any weaker. Therefore, those international companies that had benefited from the translation effect of their dollar and euro earnings into sterling no longer did so. The index rose just 12.1% over the year.

> **"There were periods when value investing took the lead"**
> ADRIAN LOWCOCK

Instead, the FTSE 250 index was the real winner, with the sector (ex investment companies) up 26.7%. Lowcock attributes this to the superior growth rates of mid-cap companies at a time when the market was still in hot pursuit of companies that could reliably grow earnings. That said, this continued even in the final quarter of the year when market sentiment changed.

For much of the year, small companies still had the overhang of Brexit. As UK economic statistics dulled, there was little appetite for companies that generated all their revenues from the domestic economy, as had been the case since the Brexit vote in 2016. The sector has also been home to some in-trouble retailers – Halfords, for example, down 34%, or Ted Baker, down 74%. Nevertheless, the FTSE Small Cap sector (ex investment companies) managed to deliver a decent rise of 14.9%, with notable strength in the final quarter of the year as some resolution to the Brexit saga appeared to be on the horizon.

UK ALL COMPANIES SECTOR SHOWS MID-CAP STRENGTH

Fund*	3 mths	1 year	3 years
Franklin UK Mid Cap	13.81	42.30	55.69
MI Chelverton UK Equity Growth	15.34	40.58	70.76
ASI UK Impact Employment Opps Equity	15.81	40.55	
ASI UK Mid Cap Equity	16.08	39.61	48.58
Premier UK Growth	18.07	39.42	46.38
LF Miton UK Value Opportunities	16.37	39.19	43.47
Premier Ethical	17.07	38.66	37.00
Slater Growth	13.49	37.87	53.18
Liontrust UK Ethical	12.64	37.83	56.51
ASI UK Opportunities Equity	16.04	37.10	49.53

Note: *Top 10 UK all company sector funds, ranked over one year.
Source: FE Analytics, as at 31 December 2019.

MID-CAP STRENGTH

The strength of the mid-caps was reflected in the UK all companies sector rankings. The **Franklin UK Mid Cap** fund had a stellar year, rising 42.3%, with Paul Spencer and Mark Hall continuing to demonstrate their stock-picking skill in spite of the fund's large size (it is now worth £1.2 billion). **ASI UK Mid Cap Equity**, **AXA Framlington UK Mid Cap** and **Royal London UK Mid-Cap Growth** also featured towards the top of the table.

Chelverton UK Equity Growth is worth a mention – it managed to secure second place over the year in spite of holding around 60% of the portfolio in small companies. Manager James Baker has largely avoided 'domestic cyclicals' in the wake of the Brexit vote, but had strategically rotated back into companies such as DFS Furniture and Topps Tiles in the middle of 2019.

Also notable was the strong performance of a number of ethical funds. In a year when real momentum has gathered behind the inclusion of environmental,

social and governance (ESG) considerations, this shows how many of these funds have matured. Funds such as **ASI UK Impact Employment Opportunities Equity, Premier Ethical, Liontrust UK Ethical** and **Investec UK Sustainable Equity** were all among the top 20 performers over the year.

There was no notable outperformance from the big 'problem' sectors such as oil or mining (Shell and BP, in particular, saw their share prices drop over the year). As such, ethical funds could compete on a level playing field. It is also possible that markets are increasingly reflecting ethical considerations in share prices. It stands to reason that as more investors start to follow an ethical mandate, share prices will increasingly reflect an 'ethical premium', whereby companies that score badly on ESG considerations are weak and those that score well can command higher valuations.

'DEEP VALUE' STILL DISMAL

There may have been some recovery in 'value' in the final quarter of the year, but it wasn't enough to rescue some of the most high-profile 'deep value' and contrarian funds from a dismal year. **Invesco High Income** and **Invesco Income** were notable laggards, rising just 6.1% and 6.9%, respectively, in a year where the UK all companies sector as a whole rose 22.3%. Mark Barnett's **Invesco UK Strategic Income** joined them near the bottom of the tables.

It is notable that these deep value funds have not bounced dramatically in the final quarter of the year. The Invesco funds have edged nearer to mid-sector, but it is those funds with a smaller-company bias that top the table in the short term. It is clear that if investors are going to back a 'value' horse, they will need to be selective. **M&G Recovery**, for example, barely participated in the value recovery, to the disappointment of those who have stuck with it in the hope of better times.

Darius McDermott, managing director of Chelsea Financial Services, believes there will be better times ahead both for smaller companies and, potentially, for value funds: "The UK market has remained unloved and under-owned, but UK companies have been very resilient in the face of Brexit and political uncertainty. If we get more clarity on Brexit, both small and mid caps could continue to do well in 2020, and we could also see some value funds do better."

A further trend he highlights is that actively managed funds did extremely well in 2019 compared with trackers. "Index funds are lagging at the bottom of the table – some are not performing as well as out-and-out value funds."

> **"UK companies have been very resilient in the face of Brexit"**
> DARIUS MCDERMOTT

It is perhaps worth noting also that some popular growth funds have struggled in recent months, which may continue. The long-term top performer **Lindsell Train UK Equity**, for example, had a tougher run. Lowcock says: "Towards the end of the year, growth funds saw increasing flows out and the market boosted domestically focused companies over internationals on the back of the election result. The likes of Lindsell Train UK Equity had a good year, but it ended up mid table as it has less exposure to domestic stocks."

Certainly, it seems that there is now something different in the air for the UK all companies sector. Whether it is resurgence for small cap-focused funds, a tentative improvement in value or a rotation away from previously dominant growth stocks, it may be time to review your portfolio's UK allocation.

FUND SPOTLIGHT RATHBONE UK OPPORTUNITIES

Rathbone UK Opportunities, a relatively minnow at just £44 million, has been under the care of Alexandra Jackson since 2017. Jackson specialises in small and mid-cap UK equities looking for companies where the potential for growth is under-appreciated by the market.

Structural growth companies form the core of the portfolio. These will have strong barriers to entry, recurring revenues and dominate their respective markets. The portfolio also holds some 'defensive growth' companies, and a smaller portion in companies with unique assets or higher beta. The fund has seen considerable momentum over the past few months as market leadership has shifted. One to watch.

ONE TO WATCH AS MARKET LEADERSHIP CHANGES

Rich returns in the pipeline

Water scarcity will initiate a spate of spending on new infrastructure projects for ETF investors to tap into, says KENNETH LAMONT

In 2019 Legal & General launched the first new water-themed ETF to be listed on the London Stock Exchange for 10 years. This new entrant undercuts its rivals on fees, but how else does it differ? Before we explore the differences, it is worth reminding ourselves of the thesis behind an investment in water.

In order to support the world's growing population, water is needed in greater quantities: for agricultural irrigation and livestock hydration as well as for human consumption. In recent years, global freshwater consumption has been growing at twice the rate of population growth. With the global population surging, the United Nations forecasts that by 2030 demand will exceed supply and there will be a global water shortfall of 40%.

SUPPLY SHORTFALL

Fresh water is not distributed equitably across population centres, nations or regions. Moreover, given its weight, water is not easy to transport in large quantities. As the world population grows, supply and demand for water will become progressively more imbalanced, especially in arid regions with contaminated water sources.

Meanwhile, in regions with easily accessible water resources such as rivers and underground aquifers, the risk of overconsumption and inefficient recycling will threaten the sustainability of such resources. Specifically, growth in such regions is expected to be driven by global trends towards greater desalination and water reuse, water conservation, energy efficiency and enhanced technology. Massive investments in water-related infrastructure will be required, as existing water systems (even those in the developed world) are antiquated and inadequate. To the extent that governments can fund or subsidise these infrastructure projects, global water companies should benefit from these trends because of their technical expertise.

ETF OPTIONS

The **L&G Clean Water ETF** (GLUG) has joined the **Lyxor World Water ETF** (WAT) and the **iShares Global Water ETF** (DH2O) in the water ETF space. The older funds have proved popular and currently hold a combined £1.5 billion in assets. With its ongoing charge of 0.49% a year, the L&G fund undercuts its more established peers on cost. The Lyxor and iShares offerings charge annual fees of 0.60% and 0.65% respectively.

Massive investments in water-related infrastructure will be required

Both the iShares and L&G funds plump for full physical replication. This straightforward approach involves buying all the water-related stocks in an index, in their prescribed weights. The Lyxor fund employs a more complex synthetic method by entering into a legal contract to receive the performance of the underlying index. While there are instances where a synthetic approach may be preferable, in this case we think that the approach brings an extra layer of complexity without providing any compensating performance benefits.

While all the funds track the same theme, their different approaches lead to different outcomes. For example, the three funds share only 12 holdings at the time of writing. The Lyxor and iShares funds both attempt to capture the broad water market, which includes water utilities and water infrastructure as well as water treatment firms. Each also weights holdings in proportion to their size but imposes a cap to ensure exposure to a single stock doesn't get too large. One key difference between the pair is that the iShares fund is broader, as it targets 50 rather than 30 water-related stocks.

Although it shares 30 out of 50 holdings with the iShares fund, the newer L&G fund offers something different. First, beyond utilities and water equipment, it targets stocks exposed to the provision of technological, digital, engineering and other water services, giving it a growth tilt versus its two peers. Its equal weighting methodology also gives it a tilt towards small caps. It includes a light ethical screen that excludes firms involved in coal mining and controversial weapons, as well as those in breach of UN Global Compact principles for the past three years.

TOP PERFORMER

Over 10 years the marginally cheaper Lyxor World Water ETF edged out the iShares fund by returning an annualised 13.6%, beating the MSCI World Index over the period. Having only launched in 2019, the L&G fund has yet to establish a meaningful track record.

Be aware that because of their narrow exposure and elevated risk profile, water ETFs are best used to complement core holdings rather than replace them.

WATER-THEMED ETF RETURNS OVER THREE TIMEFRAMES

Fund	Ongoing charge (%)	Number of stocks tracked	3-year annualised total return (%)	5-year annualised total return (%)	10-year annualised total return (%)
iShares Global Water ETF	0.65	50	12.7	13.4	12.5
L&G Clean Water ETF	0.49	51	n/a	n/a	n/a
Lyxor World Water ETF	0.60	30	9.9	13.5	13.2

Source: Morningstar, as at 7 January 2020

Kenneth Lamont is a senior analyst, manager research, passive strategies, at Morningstar

Tech-savvy firms rising from low base

RICHARD HUNTER finds four niche players in a sector that looks set for expansion

Occasionally stocks are not necessarily where you might expect to find them, and the software and computer services sector is one such example, comprising just four stocks.

Aveva (not to be confused with insurance company Aviva, which is not only also in the FTSE 100 but next on the alphabetical list) and Sage Group can be loosely grouped together.

Equally, the other two shares have similarities – listing platforms Rightmove and Auto Trader are the websites, indeed, marketplaces, of choice in their respective fields.

As defined by the London Stock Exchange (we are limiting the scope of this article to the FTSE 100), the sector comprises the following companies.

Auto Trader Group operates the UK's largest digital automotive marketplace. The company is engaged in connecting car buyers to car sellers by offering a broad range of vehicles accessed by a powerful search capability. The brand has been established for over 40 years, and has built a network of highly engaged consumers searching over 450,000 cars from a diverse retailer base. In 2013, it successfully completed the transition from a print title and became a fully digital marketplace.

Aveva Group provides engineering design, information management and software solutions for oil and gas, marine, power, petrochemical and chemical, and other markets such as AEC fabrication, paper and pulp, mining and pharmaceuticals. It describes itself as a "global leader". Moreover, its engineering, planning and operations, asset performance, and monitoring and control solutions service over 16,000 customers across the globe.

Rightmove operates in the UK residential and commercial property industry, connecting people to properties. Its activities include resale and lettings property, to new home developers and housing associations. It claims to be the UK's number one property portal and the UK's largest property marketplace. The firm says it has "strong network effects, as our property audience and the properties our customers advertise create a 'virtuous circle'."

ARM Holdings was a UK success story until it was acquired by SoftBank of Japan

Sage Group is a global supplier of accounting, payroll and business management software. It serves medium-sized and smaller businesses in the areas of accounting, enterprise resource planning, payroll, and accountancy related software. The company claims that it provides "everything your business needs to manage accounting and financials, operations, people, payroll, and payments. We have solutions for businesses of any size, complexity and industry."

It is notable that there are only four stocks in this sector, given that investors tend automatically to turn to the US when thinking of investing in technology shares. And with some reason; the likes of Apple, Alphabet (Google), Facebook and Amazon have grown into major social influencers, with share price performances to match. At the time of writing, over the last five years Apple shares had jumped 140%, Alphabet 155%, Facebook 161% and Amazon an astonishing 466%.

TALE OF THE TAPE

Company	1-year share price performance (%)	Dividend yield (%)	Market consensus	Market capitalisation (£ billion)
Auto Trader Group	34	1.2	Hold	5.4
Aveva Group	104	1.0	Strong hold	7.5
Rightmove	45	1.0	Sell	5.6
Sage Group	28	2.3	Sell	8
FTSE 100	*13.6*	*4.3*	*n/a*	*n/a*

Source: Digital Look, as at 3 January 2020

This is a far cry from the late 1990s where, leading up to the dotcom bubble and bust, there were close to a dozen TMT (technology, media and telecom) shares within the FTSE 100. More recently, ARM Holdings was a UK success story until it was acquired by SoftBank of Japan in 2016 for £24 billion.

UK AIMING TO UP THE ANTE IN TECHNOLOGY

UK technology stocks tend to be more niche, and as such can be found dotted around the lower reaches of the market by value. But this may change over time as the UK attempts to energise its technology offering.

The recent 2019 Tech Nation report stated that globally, high-growth digital tech firms raised more than £245 billion over the four years to 2018. Of the global total, 5.2% was raised by firms in the UK, while US tech scale-ups raised £120.9 billion – 49.3% of the global total – and Chinese scale-ups raised £49.9 billion, 20.4% of the global total.

While the UK therefore remains some way off the pace in terms of size, it is nonetheless growing, and is also looking to promote some sector specialism tie-ups, such as the fact that Cambridge and London are aligned with Tokyo, Moscow, Beijing and Boston for 'adtech' investment.

Meanwhile, the online platform sellers as represented by Auto Trader and Rightmove are in strong positions within their markets. They both benefit from powerful 'network effects' whereby buyers are attracted to the websites with most listings, as are sellers who pay for the privilege. Equally, this momentum means that they do not require larger

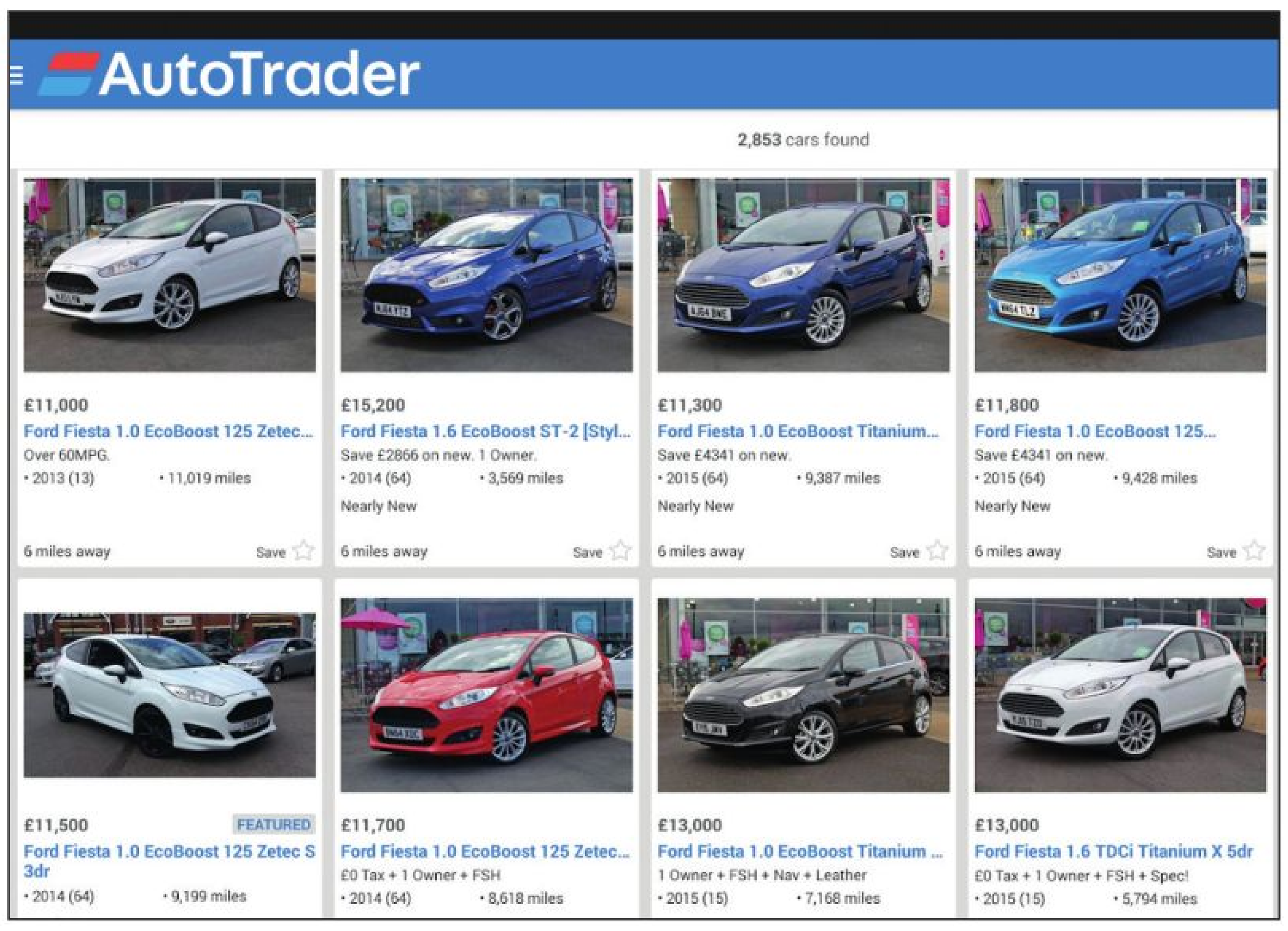
marketing spends in order to attract new third parties to use their sites, since they are already embedded as the 'go to' platforms.

Of course, this also means that new entrants have a relatively low barrier to entry if the site is entirely digital, particularly if they can enter the market with lower fees, for example. This is the kind of disruptive behaviour in which the likes of Amazon could excel.

Indeed, the performance of all four shares in this sector has been impressive over the last year, to the extent that most are seen as being up with events for now. Note that such growth shares often carry a lower dividend yield, as they tend to plough profits back into the business.

Richard Hunter is head of markets at interactive investor, Money Observer's parent company

THREE STOCKS TO WATCH



AUTO TRADER

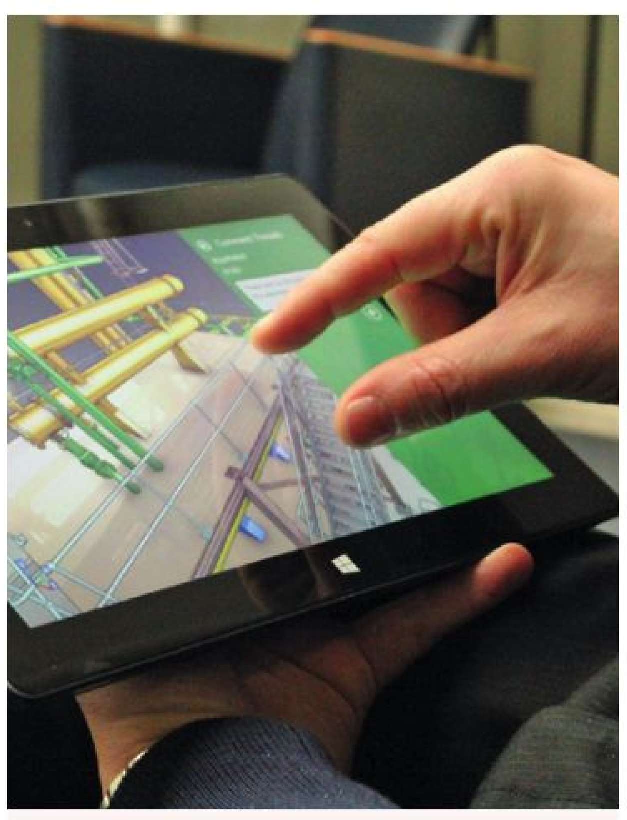
The company's powerful position within its sector ratchets up the pressure on its competitors due to its pricing power. At the same time, the company generates significant amounts of cash partly due to its cost-effective online nature. The operating profit margin stands somewhere around a whopping 70%, so the company has clearly capitalised on its dominant position. Its joint venture with Cox Automotive in the form of the new 'Dealer Auction' seems promising.

This unbridled success unfortunately leads to some question marks over the immediate future. In its own guidance, the company has highlighted that operating costs will increase, that the income from the manufacturers' side of the business will decrease, and that generally new and used car sales are starting to show some signs of slowing.

As such, the stock is potentially at a crossroads. The company is attempting to manage down expectations and the general view of the shares is that the price is up with events, with the market consensus currently standing at a hold.

AVEVA

Aveva's meteoric share price rise (104% over the last year) resulted in its promotion to the FTSE 100 in June 2019. The Cambridge-based group hasn't looked back since 2018's transformative tie-up with part of France's Schneider Electric (it took a 60% stake in Aveva) increased the company's presence in the key North American market and



reduced dependency on the cyclical oil and gas sector.

Aveva, a specialist in engineering design and 3D visualisation, is benefiting from serving industries at the early stages of their digitalisation growth curve, with the increasing use of technology reflecting the need to reduce both capital and operating costs. The industrial internet-of-things, data visualisation and artificial intelligence are among potential solutions. By combining with Schneider, it now has a much broader revenues mix through Schneider's specialisms in food, beverages and pharmaceuticals. The market consensus on the shares is now a strong hold.

RIGHTMOVE

The company was created in 2000 as a joint venture between four of the UK's largest property agents: Halifax, Countrywide, Royal & Sun Alliance, and Connells. Rightmove retains first-mover advantage, and the popularity of its website is proving difficult for competitors to catch, let alone overtake. Advertising for estate agents has shifted increasingly online, with ad fees rather than housing sale numbers a key measure of success. Predictable cash flows reflect the subscription nature of the business, coupled with low working capital requirements. The company's profit margin is around an impressive level of 50%.

For investors, as is often the case with online businesses, the correct valuation of the business is a tough call. A one-year forward price/earnings (p/e) ratio broadly in line with the 10-year average offers little guidance. Housing market sentiment and the outcome of Brexit will dictate near-term prospects. The current market view of the shares is a sell.

Funny Money

How Humph's bans will fail

BY IAIN MURRAY • ILLUSTRATION: ANDREW BAKER

Let's be honest, who among us has not at one time or another yearned for the power of a dictator, if only for a day? Would it not be a boon to have the capacity, by decree or the stroke of a pen, to consign to stygian oblivion a nuisance, irritant or abomination?

My list of such targets includes litter, tattoos, television presenters, celebrities, chewing-gum, fast food, rock music, suits worn without ties, baseball caps, denim, "no way", "iconic", "awesome", leggings, lycra-clad cyclists, caravans, selfies, eating in streets, graffiti, and sundry American imports such as Black Friday, school proms, baby showers and halloween.

Depending on my mood, the response to any one of those might vary from a barely perceptible raised eyebrow to murderous volcanic rage. All completely bootless, of course, since I am denied dictatorial power, or indeed power of any kind.

HEREDITARY PUB RIGHTS

What I do possess, however, is a capacity for envy and admiration, emotions which I freely bestow on one Humphrey Smith, a man who, blessed with a dominion, rules over it with a feudal magnificence. He is the chairman by hereditary right of Samuel Smith Old Brewery, founded in Tadcaster, North Yorkshire, in 1758. With age comes tradition, and no one is more mindful of tradition than Humphrey – so much so that he is routinely described by some as eccentric and by others as barking. If he is indeed mad, I wish the dog that bit him would get his teeth into a few others.

You will get a flavour of Humph's eccentricity if I tell you that throughout his estate of some 200 pubs in former mill, mining and steel areas, he has banned jukeboxes, fruit machines, pianos and televisions and will not permit the use of mobile phones or computers.

I should declare an interest. For more than half my life I was an enthusiastic – indeed over-enthusiastic – habitué of pubs. I saw the English pub as one of the country's greatest contributions to civilisation. Today, however, I seldom set foot in one, deterred by the prevalence of the features anathematised by Humphrey and by the coarseness of the modern drinker, indeed the modern Brit. Of course, pubs were never places of great refinement but it was not that long ago that the F-word was rarely heard. Now it is a component of almost every sentence uttered. It's repetitive, lazy, tiresome, and worse, when deployed by educated metropolitans, affected. In garnishing their speech with obscenities, these faux sans-culottes are in effect saying: we too are of the people. Little could be more phoney or more pretentious than selective vulgarity.

> **Waist-deep amid the onrushing waves of modernity, they will in due course engulf him**

In applying outmoded standards to his estate, Humphrey Smith takes as his template George Orwell's vision of the ideal pub. The architecture and fittings must be uncompromisingly Victorian; games, such as darts, are only played in the public bar; the pub is quiet enough to permit conversation; a creamy sort of draught stout is served; in winter there is generally a fire burning in at least two of the bars.

What, to use a popular idiom, is not to like? Well, Humphrey Smith himself. He is loathed by a strident coterie of modern Brits who resent being told how to behave and what they might and might not do. Rather than seek sanctuary from the rush of life, warmed by one of Humphrey's log fires and solaced by a fine pint, they would bring the outside world in with them via tweets, phones, laptops and televised footie, rather in the way a cat drags its latest kill across the carpet.

Though a delightfully quixotic figure, Humphrey Smith is, alas, doomed to fail. Though he stands nobly, waist-deep amid the onrushing waves of modernity, they will in due course engulf him and wash away his dream of perpetuating a bygone age.

YOUR ESSENTIAL QUARTERLY GUIDE TO INVESTMENT TRUSTS

FREE with the February 2020 issue of Money Observer

trust

WIN Investment Trust Handbook 2020

HIRING AND FIRING

Fund management group switches:

the winners and losers of the past 15 years

£10,000 INCOME CHALLENGE

11 trusts to bring home the bacon

OUR 2020 NICHE TRUST CHOICES

Off-beat ways to boost income and reduce risk

PLUS CONTRARIAN IDEAS | TIPS UPDATE | FULL DATABANK

Welcome

The investment trust sector can raise a toast to 2019. Figures from broker Winterflood show that 44% of closed-ended funds generated share price total returns of 20% or more. Just 16% ended the year in the red.

What's more it was a satisfying year for both our niche trust selections and our £10,000 income portfolio – but rather than rest on our laurels, we've made changes to both for 2020. See pages 6 and 12 respectively for all the details.

Our cover story on page 16 focuses on a trend that has been gaining prominence: the rise (albeit a modest one) in boards swapping one management group for another. Delving into the data, our analysis suggests that over the past 15 years investment manager sackings have been no guarantee of marked improvements in performance. It is, though, a useful structural advantage that open-ended funds do not have in their armoury.

Elsewhere in *Trust*, staff writer Tom Bailey quizzes the new manager of the Fundsmith Emerging Equities Trust. Day-to-day running of the trust was handed to Michael O'Brien and Sandip Patodia last June. There has been little improvement in performance so far, but in our interview on page 20, O'Brien explains how he plans to put his stamp on the portfolio.

Meanwhile, on page 22 we look at the sweeping sector changes introduced last summer by the Association of Investment Companies. On page 26 we happily report a strong final quarter of returns for our adventurous and conservative trust portfolios.

Finally, we include a short reader questionnaire on page 24. Let us know what works and where we could do better. Your feedback ensures our content remains fresh and relevant, so please take a few minutes to complete the questionnaire. Many thanks. **Kyle Caldwell**, *Trust* editor

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trust

Investment trusts lag FTSE companies on gender diversity

Investment trusts are lagging behind other listed companies when it comes to promoting gender diversity on their boards, new research shows. According to the Hampton-Alexander Review released in November 2019, FTSE 100 companies are collectively on track to achieve their 33% target for women on boards in 2020, with women now holding 32.4% of all the blue-chip board positions at the end of 2019. This is up from 30.2% in 2018 and 12.5% in 2011. The FTSE 250 index is also expected to meet the same target.

However, when it comes to investment trusts listed on FTSE indices the numbers are lower, according to a report released by Winterflood, the investment trust broker. There are 69 investment trusts listed on the FTSE 350 index and two listed on the FTSE 100. In total, 45 of the 69 trusts listed on the FTSE 350 (65%) are failing to meet the 33% target. Nine of the 69 investment trusts had a female chair of the board.

But the number of women on boards of trusts did continue to increase from previous years. In particular, in 2019 the majority of new board appointments were women, accounting for 35 out of 50 appointments.

Winterflood also noted several trusts as taking a "one and done" approach to the inclusion of women on their board. The report noted that of the 18 trusts that have only one female director, 13 were flagged as taking a "one and done" approach for the second year running. These include City of London, Monks, Smithson, Templeton Emerging Markets and JP Morgan American.

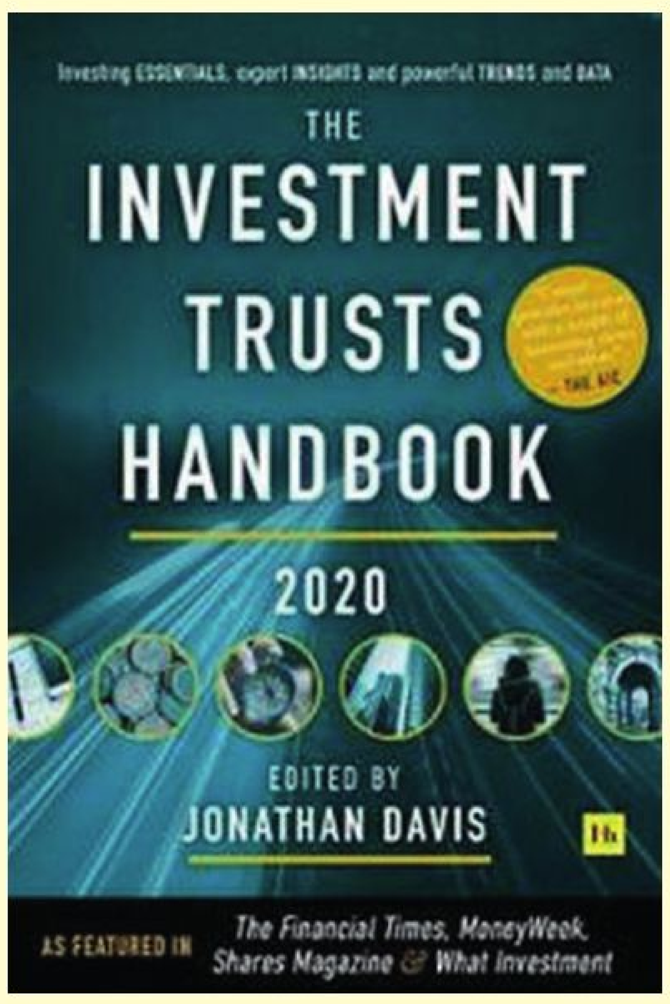
> "Institutional shareholders are voting against boards that do not meet prescribed levels"
> **Winterflood**

According to Winterflood: "There will be some who dismiss the increasing focus on gender diversity on the boards of the UK's leading companies as evidence of the growth in 'woke culture'. Whatever your view, it is clear that institutional shareholders are increasingly compelled to vote against boards that do not meet prescribed levels, while shareholder advisory services have adopted stringent policies on the issue."

Separately, the latest annual 'skin in the game' report found that one in 10 investment trust board directors have no personal investment in the shares of the trust they oversee. The report, from Investec, found that a total of 16% of directors had no personal investment in the trust they oversaw. However, excluding those who had been appointed only within the last year (and who therefore might not have purchased yet), that fell to 10%. That figure was slightly up from 2018's figure of 9%, although below 2014's figure of 12%. **Tom Bailey**

PRIZE DRAW

Win a copy of *The Investment Trusts Handbook 2020*



Money Observer has once again teamed up with Harriman House to offer 10 free copies of the *Investment Trust Handbook 2020*, edited by investment professional Jonathan Davies. The handbook contains a wealth of information on how to invest successfully in investment trusts. The publication is supported by Aberdeen Standard, Fidelity International, Jupiter Asset Management and Polar Capital.

The 280-page hardback is priced at £24.99 on Amazon, but the first 10 names drawn in mid-February will receive a free copy. To secure your place in our draw, email your name, address and contact number to moneyobserver.ed@moneyobserver.com by 14 February. Please use 'investment trust handbook' as the email subject line. Those who wish to apply by post can do so by writing to *Money Observer*, interactive investor, 8 Devonshire Square, London, EC2M 4PL. Telephone entries will not be accepted.

TOP 15 MOST-VIEWED INVESTMENT TRUSTS

The Association of Investment Companies has revealed the investment trusts that received the most website page views in 2019. Below we list the top 15.

1. Scottish Mortgage
2. City of London
3. Murray international
4. Finsbury Growth & Income trust
5. Edinburgh
6. F&C investment trust
7. Merchants
8. Bankers
9. Henderson Far East Income
10. Alliance Trust
11. BMO Global Smaller Companies
12. European Assets
13. Caledonia
14. Temple Bar
15. Scottish American

Mark Barnett sacked as manager of Edinburgh investment trust

Invesco Perpetual's Mark Barnett has been sacked as manager of the £1.1 billion Edinburgh investment trust due to poor performance. Interim results for the trust were due to be released in November. Finally released on 11 December, they showed that in the six months to November the share price of the trust had fallen by 5.9%, compared to the FTSE All-Share's gain of 4.6%.

Longer term the performance was also disappointing, with the trust returning just 13.1% over the past five years, compared to 34.7% for the Association of Investment Companies' UK equity income sector and the FTSE All-Share's total return of 38.9%.

Mark Barnett

Chairman of the board Glen Suarez said: "I am disappointed by another weak result for the company in today's interim results, extending the period of underperformance to beyond three years." The chairman said the board had "worked hard" to understand why the trust had underperformed and concluded the best course of action was to replace the current management with Majedie Asset Management.

The news follows recent pressure on Barnett after a period of underperformance and several ratings downgrades for his other funds. He was once billed as the protégé of former fund manager Neil Woodford, taking over the Invesco Income and Invesco High Income funds after Woodford left to launch his own investment management company.

The appointment of Majedie is unlikely to see much of a change in the investment style of the trust. However, the new management can be expected to make significant changes to the companies in the portfolio. James de Uphaugh, who manages Majedie UK Equity, has been named as the trust's new portfolio manager. The board describes him as "a highly experienced active manager with a flexible investment approach".

Over a five-year period Majedie UK Equity has returned 32.7% (to 3 January), which is only marginally better than Edinburgh's net asset value total return of 32.4%. Priyesh Parmar, analyst at Numis Securities, notes: "The change to Majedie does not seem an obvious choice."

Tom Bailey

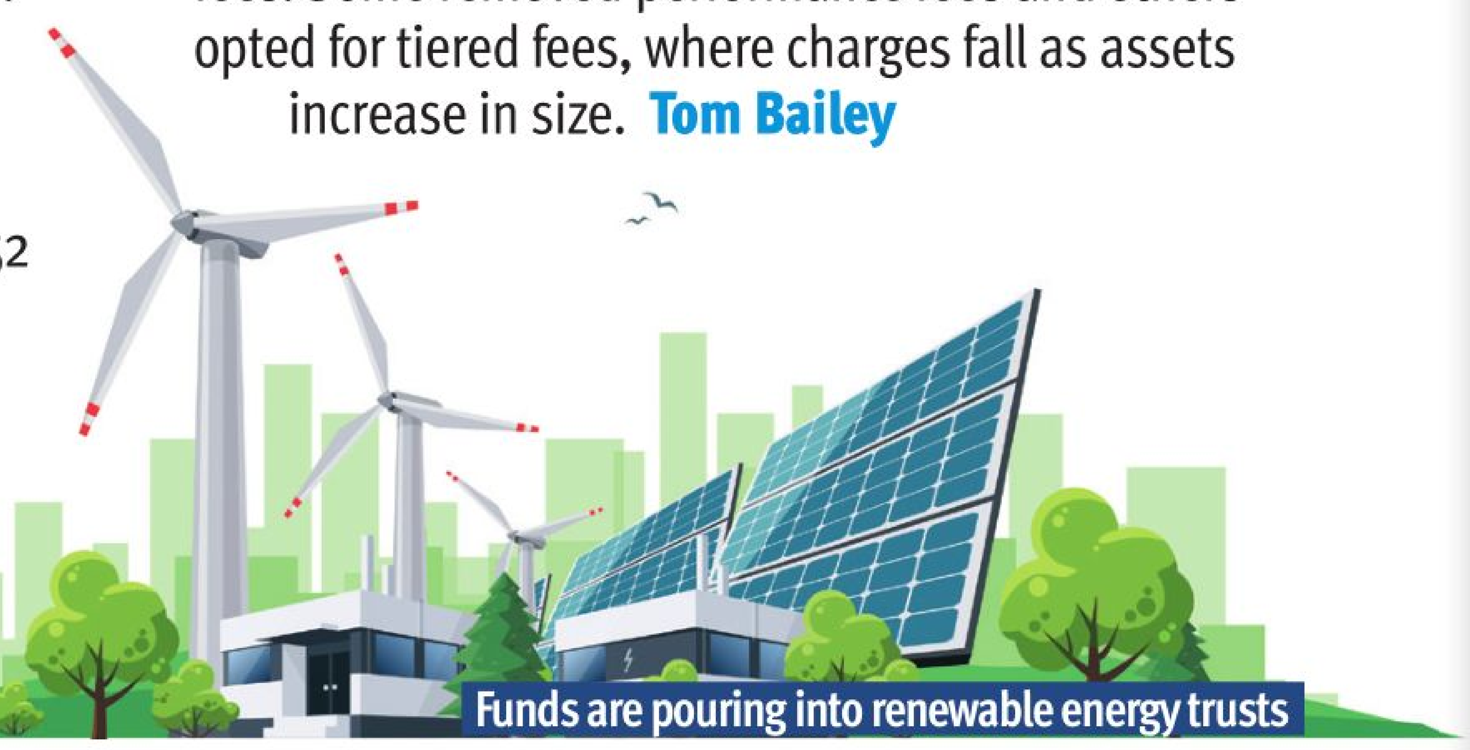
Demand for existing trusts hits record high in 2019

Despite the political and economic uncertainty both in the UK and abroad, investment trusts were in high demand in 2019, with secondary fundraising hitting a record high. The amount of money raised by existing investment trusts issuing new shares reached £6.9 billion, beating the previous all-time high of £6.3 billion in 2017, and was way ahead of 2018, when £4.8 billion was raised.

Nearly a quarter of the fundraising (£1.6 billion) was derived from the renewable energy infrastructure sector. Other sectors that proved popular were infrastructure (£952 million), property – UK commercial (£753 million) and royalties (£424 million). The biggest fundraisings were **The Renewables Infrastructure Group** (£530 million) and **Greencoat UK Wind** (£506 million) in the renewable energy infrastructure sector and **Hipgnosis Songs Fund** (£424 million) in the royalties sector.

New issues, though, were notably lacking. In total, eight new investment trusts were launched, raising £1.37 billion. This was down on 2018, when 19 investment companies launched raising £3.01 billion.

Elsewhere, investment trusts continued to cut their fees in 2019. In total, 41 trusts cut their fees. Some removed performance fees and others opted for tiered fees, where charges fall as assets increase in size. **Tom Bailey**



Funds are pouring into renewable energy trusts

Investment trust BARGAIN HUNTER

At the start of 2020 the chance of a cheap UK trade has faded for investment trust fans, with the majority of UK-focused trusts trading on a discount to net asset value (NAV) narrower than their 12-month average discount figure. Therefore, UK investors need to cast their nets wider to find investment trust bargain opportunities. The trouble is that on the back of a strong year overall for the majority of major stock markets, value opportunities are thin on the ground.

Three trusts stand out in terms of looking 'cheap': **Mobius investment trust, Pacific Assets** and **JPM European – Income**.

Mobius investment trust looks the biggest bargain of the trio, available on a 11.3% discount. Over the past year the trust has typically traded on a discount of 1.2%. The widening of the discount and disappointing performance in terms of its holdings (with its NAV declining 1.8% over the past year) has led its share price to decline by 8.4% on a one-year view.

Pacific Assets' discount is smaller, at 2.9%, but is worthy of a mention considering this is wider than its 12-month average discount figure of 0.1%. Recent performance has also been poor, with the trust losing 1.1% in share price terms over the past year. In contrast, the average Asia Pacific investment trust returned 12.3%.

Last but not least, JPM European – Income is trading on a discount of 15.2%, wider than its 12-month average discount figure of 12.8%. This, again, is a reflection of performance of late, lagging rival trusts. Its share price rose 14.1% over the past year, against 20.8% for the IT Europe sector. This has been a *Money Observer* Rated Fund since 2015.

Please note, all discount figures were sourced from Winterflood on 31 December 2019.

Kyle Caldwell

Treasure trove of hidden gem trusts

Fiona Hamilton runs through the niche trust selections that look well-placed to deliver the goods in 2020

Our niche selections should be seen as a complement to the predominantly equity-focused panel of conservative and adventurous selections which we update every quarter. Many have a low correlation with equity markets, and the majority offer usefully higher yields than most equity-oriented trusts.

A number focus on areas such as property, unquoted companies or infrastructure, which are so illiquid that they are far better suited to investment trusts than open-ended funds, as the Neil Woodford debacle has demonstrated.

Elsewhere, other niche selections are family-controlled trusts, which can be attractive core investments because their managers take a very long-term view and generally give a high priority to avoiding permanent loss of capital. In addition, we also consider venture capital trusts, primarily because of their special tax treatment.

One change from previous years is that we no longer include a direct lending/peer-to-peer trust because it has proved a treacherous sector, as demonstrated by last year's choice of Hadrian's Wall Secured Investments. Instead we have included a trust specialising in relatively high-yielding asset-backed securities.

Different investors have different priorities, and with this in mind we have divided our selections according to their objectives.

LONG-TERM TOTAL RETURNS

Family trusts

Caledonia Investments (CLDN) keeps its place because its chief executive officer Will Wyatt has achieved net asset value (NAV) returns comfortably ahead of the FTSE All-Share index over his nine years at the helm, despite a cautious approach in recent years. Wyatt is a scion of the Cayzer family which owns over a third of the trust's shares, and says his mission is to protect and generate value over the long term.

Caledonia has assets of over £2 billion, very low charges, a small but

growing yield, and a well-diversified portfolio in terms of asset class, geography and sector. Wyatt believes equities are demandingly valued, so has pared back the trust's globally diversified portfolio of listed entities to around 25% of the portfolio, and has also reduced its 'income pool' of higher-yielding UK equities. The balance is largely in private equity, either through funds specialising mainly in the US or Asia, or directly in unquoted mid-size UK companies. The latter sector accounts for over a third of the portfolio, focuses on "profitable businesses led by sound management teams with clear ambitions to grow" and targets returns of 14% per annum.

Prospects for UK equities have been usefully improved by the December election results. CLDN is liable to lag in rapidly rising markets, but should hold up relatively well in setbacks.

GROWTH

Micro cap companies

Launched in May 2018, **Odyssean** (OIT) has only a short record but a highly regarded management team, which is why it has won its place as a niche trust choice for 2020. Stuart Widdowson established a formidable reputation during eight years as lead manager of Strategic Equity Capital, and Ed Wielechowski was previously principal in the technology team at leading private equity manager HgCapital. The two have plenty of 'skin in the game', with a combined holding of 1.66 million shares in OIT.

The managers run a concentrated portfolio of 17 smaller UK companies which they deem to be good quality but trading at a discount to intrinsic value, and they seek to engage with their managers to enhance value. The technology, media and telecom sector accounts for a third of OIT's portfolio, with 22% in business services and 18% industrials. The focus is on capital growth, and shareholders will be given an opportunity to exit at NAV less costs every seventh year.


Stuart Widdowson

Stuart Widdowson and Ed Wielechowski have plenty of 'skin in the game', with a combined holding of 1.66 million shares

TOTAL RETURNS WITH AN ATTRACTIVE INCOME

UK commercial property

Picton Property Income's (PCTN) 'occupier-focused, opportunity-led' approach has served investors well during its three years as our mainstream UK commercial property selection.

Its management team, led by Michael Morris, is constantly engaged in refurbishing and upgrading its portfolio, and thanks to their efforts PCTN looks reasonably well-placed to ride out the challenges confronting the UK commercial property market. Nearly half the portfolio is in the relatively buoyant industrial market, mostly in the south east. A third is in offices, mostly in the south east but with recent purchases

in Manchester, Glasgow and Bristol. Retail warehouses account for 8% and only 10% is in the troubled retail shops sector, including a large property in Covent Garden, London, which is being extensively overhauled, and high street shops in Bath, Bristol, Carlisle and Leeds.

Occupancy is down to 88%, but most of the void space is undergoing refurbishment with a view to attracting new tenants on rewarding terms once it is ready for re-leasing. Meanwhile, the trust's borrowing has been prudently pruned back in recent years, leaving scope for opportunistic purchases in due course. The share's move to a modest premium reflects the trust's resilient returns. It keeps its place.

Speciality property

Supermarket Income Reit (SUPR) has gone from strength to strength since its 2017 launch, with net assets now exceeding £300 million. The Reit invests exclusively in large, modern, strategically positioned supermarkets which combine traditional shopping facilities with click and collect services and home delivery. Tenants must be institutional grade and are currently restricted to Sainsbury, Tesco and Morrison's. The average lease length is 18 years, and all leases have RPI-linked rent reviews.

The managers aim to provide investors with stable, long-term, inflation-protected income and the potential for long-term capital growth through active asset management. The target dividend for the year to June 2020 is 5.8p, which has lifted the premium to NAV to 16.3%. This is not expensive relative to other investment trusts with long-term inflation-linked yields, though investors who wait for the next fundraising could secure a better entry price. The two founder managers each own over one million shares.

Direct/fund of funds private equity

ICG Enterprise Trust (ICGT) has continued to perform very creditably since its management team became part of ICG in 2016. The move has helped the managers source new co-investments, negotiate a new debt facility on attractive terms and increase the trust's geographical diversification, with North American exposure up to nearly 30%. The UK is also around 30% and the balance mostly in Europe.

The overall objective is to invest alongside leading private equity managers in defensive growth companies. Over half ICGT's assets are invested in a third-party funds portfolio, which has achieved five-year constant currency returns of 14% per annum. The balance is in a high-conviction portfolio of co-investments, which has achieved five-year constant currency returns of 19%, and it is planned to increase this section to nearer 60%.

The departure of Emma Osborne as ICGT's lead manager due to her promotion within ICG is not a major blow, as the trust has a strong team, and she will remain on the investment committee.

Emma Osborne's departure is not a major blow as ICGT has a strong team


Emma Osborne

Private equity direct

The sterling-denominated shares of **NB Private Equity Partners** (NBPE) replace those of HarbourVest Global Private Equity Trust for those who think the US economy and currency will remain buoyant.

Its US exposure is the highest in the private equity sector at 79%, and the discount on its shares is in the mid-teens despite competitive five-year NAV total returns and various efforts to improve their appeal. These have included a more attractive yield of 4.1%, funded partly from capital, and extensive share buybacks.

The trust is managed by Neuberger Berman, a US-based group with over $323 billion under management, of which a quarter is in private equity. Over the last five years its portfolio has been gradually rebalanced away from third party funds and income-oriented holdings to predominantly direct private investments alongside leading third-party managers.

The latter now account for over 85%

HOW OUR 2019 NICHE INVESTMENT TRUST CHOICES FARED

In 2018 most of our niche choices, along with the rest of the investment trust universe, suffered from widening discounts. As a result, share price returns were lower than net asset value (NAV) total returns. In 2019 it was the other way round, with most of our selections moving to tighter discounts. The result was some strong share price returns.

This was most marked in the private equity sector, where both ICG Enterprise and HarbourVest Global Private Equity's sterling-quoted shares achieved above average NAV total returns, and saw their discounts virtually halved.

Our two property trusts also benefited from substantial re-ratings. We noted a year ago that Picton Property Income's shares looked good value on an 8.3% discount, and so it has proved as they now trade on a modest premium.

Supermarket Income Reit joined our roster two years ago, largely due to its manager's focus on producing an attractive inflation-linked income, plus the potential for capital gains. Steady growth in funds under management means it is now large enough to appeal to wealth managers, helping its shares climb to a premium in the mid-teens.

Elsewhere, the UK election outcome was a massive relief for the infrastructure sector, as it lifted the threat of widespread nationalisation. This led to The Renewables Infrastructure Group and the social infrastructure-oriented INPP gaining over 5% in the last month of the year alone.

Caledonia Investments' performance looks dull by comparison, but its manager's focus on preservation of capital means its NAV returns are liable to lag when markets are moving ahead strongly. They had, however, held up exceptionally well in 2018, and we hope they will prove similarly robust in future setbacks, providing some long-term ballast for investors' portfolios.

BH Macro is also included for its potential to produce positive results in difficult times, as it too did in 2018 and in the first half of 2019.

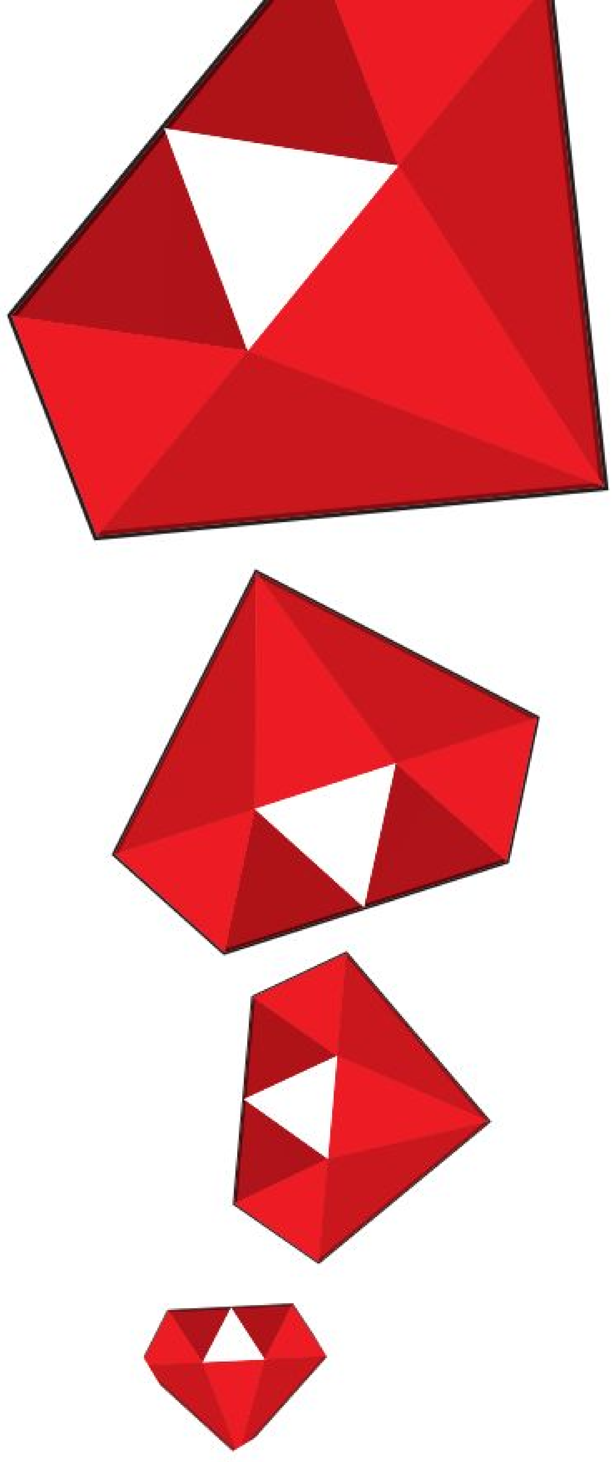
Sadly, the same cannot be said for Hadrian's Wall Secured Investments, which has been forced to make loss provisions against a couple of sizeable investments. This has severely undermined confidence in its management and its strategy, so the board has decided the trust should not continue in its present form.

It follows difficulties at other direct lending trusts, notably Ranger Direct Lending and Funding Circle SME Income, both of which are now in realisation mode. As a result we think the sub-sector is best avoided at this juncture.

SOME STRONG SHARE PRICE RETURNS IN 2019

Investment company	Share price total return (%)	NAV total return (%)
Albion VCT	4.0	4.1
BH Macro £ shares	9.3	7.4
Caledonia Investments	12.4	7.9
Hadrian's Wall Secured Investments	-32.7	-10.9
HarbourVest Global Private Equity	33.1	13.4
ICG Enterprise	28.2	14.7
INPP	13.9	6.5
Picton Property Income	18.3	5.0*
Supermarket Income Reit	21.2	7.2
The Renewable Infrastructure Group	28.6	12.0

Note: One-year performance from tables supplied by Numis Securities, as at end 2019. *Estimated.



of the portfolio, have lower fees than the trust's former fund holdings, and are reported to be progressing well. Some should be approaching realisation, and can hopefully continue the trust's record of achieving average uplifts of over 30% on valuations nine months before exit. This leaves NBPE looking well-placed to achieve further progress and a more attractive rating.

INCOME EMPHASIS, BUT LIMITED GROWTH PROSPECTS

Social infrastructure

The UK election results were a great relief for the more UK-oriented infrastructure companies, lifting the threat of nationalisation and boosting hopes that significant new infrastructure projects will provide new opportunities.

We are sticking with **International Public Partnerships** (INPP), which has a well-diversified portfolio, with energy transmission, transport, education, gas distribution and waste water each accounting for between 22% and 10% of its portfolio. Around 72% is in the UK, and the rest in Europe, Australia and North America. The portfolio's inflation linkage is the highest in its listed peer group at 86%, and the weighted average life of its concessions is the longest at 35 years.

Managers Amber Infrastructure have demonstrated their ability to source financially promising investments with positive ESG credentials, and last year restructured some of INPP's debt so as to lower costs and improve financial flexibility. Dividends have been raised by an average 2.5% per annum since launch, with a similar rise targeted for 2020.

Renewable Infrastructure

The **Renewables Infrastructure Group** (TRIG) has the best three-year NAV total returns in its peer group and an attractive yield paid quarterly. It remains our choice for the renewables sector where almost every established fund is on a substantial premium.

Its attractions include its diversified portfolio, with 73% in onshore wind, 13% offshore wind, 13% solar, and 1% in the nascent area of energy storage. In addition, UK exposure is 49%, with the balance in Germany, Sweden, France and Ireland.

Taken together, its sectoral and geographic diversification reduce its reliance on particular weather patterns, regulatory regimes and power markets. The dividend is paid quarterly and has grown by 2% per annum over the last five years.

Renewables Infrastructure Group has the best five-year NAV total returns in its peer group and an attractive yield paid quarterly

NICHE TRUST CHOICES FOR 2020: KEY DATA

Fund	Share price (p)	Discount/ premium (%)	Yield (%)
Albion VCT	74	-4.7	7.0*
BH Macro £ shares	2,610	0.7	0
Caledonia Investments	3,130	-15.2	1.9
ICG Enterprise	988	-15.2	2.2
International Public Partnerships	167	13.7	4.4
NB Private Equity Partners	1,210	-16.3	3.7
Odyssean	113	-2.2	0
Picton Property Income	97	5.6**	3.6
Supermarket Income REIT	110	16.2	5.3
The Renewables Infrastructure Group	138	23.9	4.8
TwentyFour Income	112	-0.3	5.8

Notes: *Tax-free, so worth more to higher-rate taxpayers. **Based on last reported quarterly NAV (end of September). **Source:** Figures sourced from Winterflood Securities and Numis, as at 1 January 2020.

Asset-backed securities

TwentyFour Income (TFIF) invests in UK and European asset-backed securities, which are fundamentally robust but not liquid enough to be suitable for open-ended funds.

It targets NAV total returns of 6% to 9% per annum, much of it paid out in quarterly dividends. Most of its holdings are floating rate, so returns are expected to increase as interest rates rise.

It is managed by TwentyFour Asset Management, a fixed income boutique. Residential mortgage-backed securities account for over half the trust's portfolio, and have historically suffered very low losses even in periods of economic stress. Over 40% of the portfolio is sterling denominated, and all overseas currency exposure is hedged into sterling.

Venture capital trusts

Venture capital trust (VCT) shares feature among our selections because a combination of factors enhance the income they offer to taxpayers. Firstly, yields tend to be high because most VCTs distribute a mix of income and capital gains, and secondly those distributions are tax-free regardless of whether the VCT shares were bought at issue or in the secondary market. To make the most of this we look for a VCT which offers an attractive yield.

We are sticking with **Albion Venture Capital Trust** (AAVC), which has paid out 2.5p a share every six months for the last decade. Changes in the VCT legislation mean its portfolio is gradually shifting towards younger growth and technology companies. However, the overwhelming majority is still invested in asset-backed companies in sectors such as healthcare and education, which will hopefully continue to support its dividend until its newer investments have time to mature.

AAVC's shares generally trade in the secondary market at a discount of around 5%, giving a tax-free distribution yield of 5.6%. Alternatively, investors can claim up to 30% income tax relief on investments of at least £5,000 in newly issued shares bought through Albion's current offer for sale. The tax-free yield on the net price is attractive. The 2019/20 offer for sales of new shares in the trust closed in mid-December, as it was fully subscribed.

CAPITAL-ONLY RETURNS

Fund of hedge funds

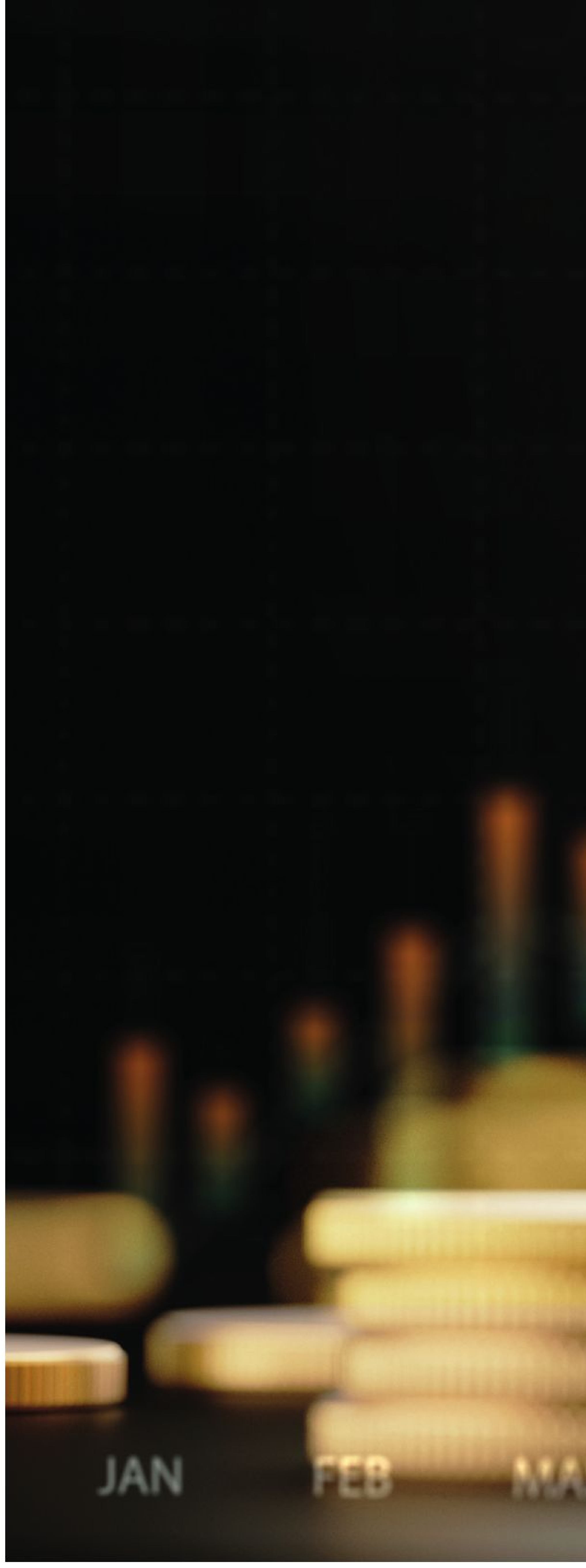
Funds of hedge funds have the potential to capitalise on market turbulence. They are liable to underperform when equities and bonds are moving ahead strongly, but will hopefully prove their worth when risk assets are out of favour.

BH Macro (BHMG) invests all its assets in the Brevan Howard Master Fund, which targets consistent long-term appreciation though active leveraged trading on a global basis. Exposure is predominantly in global fixed income and FX markets employing a combination of global macro and relative value trading strategies.

BHMG's sterling denominated shares achieved a 12.4% NAV return in 2018, when many equity funds were in the red, and a further 9% gain in the first half of 2019. The second half has been less rewarding, but they are still ahead over the year as a whole. Including them in a diversified portfolio should lower its risk/return profile.

Five years of success for our £10,000 income challenge

Our £10,000 income portfolio has delivered once again, but in order to maintain the winning streak in 2020 two additions and two ejections have been made. Helen Pridham runs through the details



With interest rates at rock bottom, it is not surprising that many investors have seen buy-to-let property as one of the best ways to generate income. However a tax squeeze in 2017 has dented landlords' profits and hit the sector. What's more, property can be a very concentrated and illiquid investment. By contrast, investing for income in investment trusts offers investors a diversified, liquid, tax-efficient and relatively low-cost alternative. Such trusts are not risk-free, but they offer long-term investors great potential for inflation-beating income alongside capital growth.

A wide variety of trusts target increasing income as their primary investment objective. This is not just an aspiration. The investment trust industry boasts 20 companies that have raised their dividends for more than 20 consecutive years, plus another 22 companies that have increased their payouts for between 10 and 20 years.

Moreover, trusts have sought to meet the needs of income investors by increasing the frequency of their dividend payments. Data from the Association of Investment Companies (AIC) shows that 54% of its income-paying member investment companies (excluding venture capital trusts) now pay quarterly dividends. Yields are attractive. In 2019 the AIC noted that 15 investment company sectors were paying average yields of more than 3%.

INCOME FINDER

To help income investors put together their own portfolio of trusts, the AIC launched its online income-finder tool in 2019. This enables an investor to create a virtual portfolio of income-paying investment companies. It shows dividend dates and how much income these companies would generate over a year.

> More than half of AIC investment companies pay quarterly dividends

Money Observer was ahead of the game in recognising the income-focused benefits of investment trusts. Five years ago we decided to demonstrate how an investor could put together a portfolio of trusts to achieve a target income of £10,000 a year. The portfolio has been reviewed and reworked every year since, and switches made where necessary for new investors. At the same time, we have consistently warned that there is no guarantee that the portfolio will achieve its objectives. There are risks with any form of stock market investment, especially over the short term – the portfolio

PORTFOLIO PERFORMANCE IN 2019

	Investment Jan 2019 £	Capital value Jan 2020 £	Income paid in 2019 £
UK EQUITY INCOME			
City of London	25,000	28,799	1,221
Diverse Income	25,000	25,645	1,024
Shires Income	12,000	15,384	687
Troy Income & Growth	25,000	29,424	943
GLOBAL INCOME			
JPMorgan Global Growth & Income	25,000	30,342	1,108
Murray International	35,000	38,958	1,623
Seneca Global Income & Growth	25,000	28,008	1,044
SPECIALIST TRUSTS			
BMO Commercial Property	15,000	13,917	722
European Assets	10,000	11,765	648
Schroder Oriental Income	17,500	19,461	762
Standard Life Private Equity	10,000	10,773	396
	224,500	252,476	10,178

Sources: AIC/Morningstar data, as 2 January 2020, and Money Observer calculations

should only be considered if you are prepared to invest for the medium to long term.

As it happens, since the start of this exercise in 2015, the portfolio has delivered more than the targeted £10,000 of income each year, although its capital value has fluctuated. In three of the five years, it has risen and in two it has fallen, but the increases have, so far, offset the falls. In 2019 the portfolio produced 1.8% more income than predicted and rose by 12.5% in capital terms.

While share price increases are good for existing investors, they push yields down. This means new investors need to stump up more capital to achieve the same starting income. For 2020 the amount required for our portfolio has risen to £245,000 (compared with £224,500 a year ago). Less capital would be required if more investments were placed in the highest-yielding trusts, but we believe a more balanced portfolio produces better long-term results.

SOLID DOMESTIC FOOTING

Four of our holdings are UK equity income trusts. These account for just over 40% of the portfolio. It is important for investors to keep a good portion of their portfolio in their home market to avoid taking on too much currency risk.

Each holding has a somewhat different approach. **City of London** is one of the largest investment trusts investing in the UK market. It focuses mainly on large, blue-chip UK equities and is very diversified, with about 100 holdings. This year will be the 54th year in which it has increased its dividend – the longest run of any investment trust.

Merchants, a new addition to our UK segment, invests across the company size spectrum and has a more concentrated portfolio. It has achieved year-on-year dividend growth for the past 37 years.

Merchants has been brought in to replace Troy Income and Growth, which has a cautious and conservative approach. We believe Merchants may be able to take greater advantage of a recovery in the UK market that we think could occur in 2020.

HOW THE PORTFOLIO FOR 2020 SHAPES UP

	Disc(-)/ Prem (%)	Yield (%)	Invest-ment (£)	Est. income (£)	Divi-dend cover*	Dividend payable
UK EQUITY INCOME						
City of London	3.1	4.3	35,000	1,505	0.77	Jan, Apr, Jul, Oct
Diverse Income	-3.6	3.8	25,000	950	1.27	Feb, May, Aug, Nov
Merchants	2.2	4.8	25,000	1,200	0.96	Mar, June, Sep, Dec
Shires Income	1.2	4.5	25,000	1,125	1.68	Jan, Apr, Jul, Oct
GLOBAL INCOME						
JPMorgan Global Growth & Income	3.8	3.8	25,000	950	n/a	Jan, Apr, Jul, Oct
Murray International	6.1	4.2	25,000	1,050	1.07	Jan, Apr, Jul, Oct
Securities Trust of Scotland	2.1	3.0	15,000	450	0.32	Jan, Apr, Jul, Oct
Seneca Global Income & Growth	0.3	3.7	25,000	925	0.6	Feb, May, Aug, Nov
SPECIALIST TRUSTS						
BMO Commercial Property	-12.5	5.2	15,000	750	2.25	Monthly
Schroder Oriental Income	1.4	3.9	15,000	585	1.15	Mar, June, Sep, Dec
Standard Life Private Equity	-20.5	3.7	15,000	555	n/a	Mar, June, Sep, Dec
			245,000	10,045		

Note: *The number of years current reserves can cover the last full financial year of dividends. **Sources:** AIC/Morningstar data, as at 2 January 2020, and Money Observer calculations

Diverse Income, which has a heavy weighting towards smaller UK companies, paid out more income than we had predicted in 2019. But on the capital front, it had a difficult year, not helped by Brexit uncertainty and negative sentiment towards smaller companies. Fortunately, following the recent general election, its price recovered, and we believe it could do well

PORTFOLIO REPOSITIONED TO MAKE THE MOST OF DIVIDEND GROWTH

Troy Income & Growth

The managers of Troy Income & Growth are known for their cautious approach: the trust focuses on high-quality companies that have recurring revenue, predictable growth and high free cash flow. The managers' emphasis is on capital preservation and delivering real income growth in excess of inflation.

The trust has achieved good, consistent returns since the current managers took over. However, in the expectation that the UK market may perform better in 2020 now that there is greater certainty about Brexit, we have decided to switch to a more adventurous trust. For existing investors who are happy with Troy Income & Growth's low-risk approach, there is no reason to switch.

Merchants

Merchants' objectives are to provide above-average income, income growth and long-term capital growth through a policy of investing mainly in higher-yielding, large UK companies. It has a higher yield than Troy Income & Growth and is one of the AIC's dividend heroes. It has achieved year-on-year dividend growth for the past 37 years.

Simon Gergel, manager of the trust for the past 14 years, runs a relatively concentrated portfolio of 40-60 holdings. Despite the UK's difficulties since the Brexit referendum, he says he continues to find many opportunities to buy sound businesses trading on attractive valuations and offering above-average dividend yields.

European Assets

This trust has provided the portfolio with useful exposure to European smaller and medium-sized companies, and its high yield has boosted the portfolio's income. However, its quarterly dividend is based on 6% a year of the year-end net asset value (NAV), so it is vulnerable to declines in the NAV, which contributed to the lower-than-expected income it produced last year. We still have a lot of faith in its manager, Sam Cosh, but with uncertainty building about global growth this year, we have decided to increase portfolio diversification by adding another global equity income trust. There is no reason for existing investors to switch if they remain happy with this trust.

Securities Trust of Scotland

We have added this trust to increase the portfolio's global exposure. It has an exposure to Europe of around 45% and a similar weighting to North America. It is managed by Mark Whitehead, who has adopted a bottom-up approach focusing on high-quality, large-cap firms with sustainable earnings and dividend growth. Environmental, social and corporate governance factors are key considerations. The trust has a relatively concentrated portfolio of 35-55 stocks.

in 2020 as more investment flows back into UK equities. A cut in its management fee announced last year adds to its appeal.

Shires Income had a good year under its new manager. In capital terms, it was our best-performing holding in 2019. It invests in a mix of equities and fixed-income securities, mainly preference shares, which account for around a quarter of its portfolio and enable it to pay out an above-average yield. Its share portfolio is invested in companies of different sizes and is well-diversified, which should stand it in good stead in 2020.

GLOBAL SPREAD

UK trusts tend to provide higher yields than their global equivalents, but we believe it is important to have plenty of global exposure in order to spread risk. This year we have increased the number of global holdings from three to four. They are all slightly different.

Murray International has the highest yield in the global equity income sector, but what really differentiates it is the trust's high weighting to Asia and emerging markets as well as its 15% exposure to bonds. Its emerging market exposure has hampered its capital performance in recent years, but we think 2020 could be a better year for the trust.

Seneca Global Income and Growth adopts a mixed-asset approach and appears in the 'flexible' sector. Its portfolio is a mix of UK and overseas equities, fixed interest and other asset classes, including property and alternatives. It invests via funds to gain its overseas, fixed-interest and alternatives exposure. Its chief investment officer, Peter Elston, departed at the end of 2019, but we believe the trust's team-based approach will keep it on track.

JPMorgan Global Growth and Income was our second-best performer in 2019. It also underwent a change of manager early in the year, but its investment process has remained the same. Its quarterly dividends of at least 4% of net asset value are set at the beginning of each financial year.

Our new holding in this category is **Securities Trust of Scotland**, which has an investment mandate that is not constrained by index considerations, so its manager can invest wherever he sees the best prospects. It replaces European Assets, held last year, as we believe the new trust's broader investment spread will better underpin our portfolio's aim to provide rising income and capital growth.

ADDED VARIETY

Completing our income portfolio are three specialist trusts that provide additional overseas and asset diversification. There is one less holding in this category than there was last year, as we have decided to switch out of European Assets, as previously mentioned.


Matthew Dobbs

> Schroder Oriental Income, under manager Matthew Dobbs, has a strong track record of dividend growth

The remaining three holdings are the same as last year. **Schroder Oriental Income** extended its good track record in 2019: it paid out a higher dividend for the 13th consecutive year. The trust is spread across 14 countries, with Hong Kong, Australia, Taiwan and Singapore forming the core. It is managed by the highly experienced Matthew Dobbs, who takes a bottom-up stock-picking approach that focuses on high-quality companies with strong balance sheets.

Standard Life Private Equity, which was added to the portfolio a year ago, provides exposure to fast-growing private companies that would not otherwise be accessible to private investors. It does so through a combination of direct investment and private equity funds, so there is a wide spread of risk. Its portfolio is broadly diversified by country, industry sector, maturity and number of underlying investments, although in terms of geographic exposure, it is mainly focused on Europe. Its quarterly dividends are partly paid out of capital.

The only portfolio holding that lost capital value during 2019 was **BMO Commercial Property**, previously F&C Commercial Property. In 2018 the trust was our best performer in capital terms, having proved to be the most resilient of our holdings. However, Brexit uncertainty and problems in the retail sector have had a negative affect on the UK commercial property sector. Nevertheless, we believe the monthly income paid by the trust is attractive and that over the longer term the property market will recover.

Investment trust sackings deliver mixed results

Kyle Caldwell analyses whether investment trust sackings stretching back over the past 15 years have resulted in improved performance for shareholders

A 'vote of confidence' by the board is something that is dreaded by football managers, as it more often than not marks the beginning of the end. Unlike the owners of football clubs, though, investment trust boards are not in the business of making contradictory statements; they are much franker when performance is not living up to expectations.

On the whole, investment trust sackings are few and far between, typically amounting to three or four per year. When sackings occur, more often than not a complete change of investment approach also follows. Even when this is not the case and the investment objective broadly remains the same, a high level of turnover is likely as the new management group puts its own stamp on the portfolio.

Sackings are viewed as a last resort, with boards generally placing greater emphasis on the long-term picture rather than obsessing over how results have fared against peers and benchmark over the short term. This is reflected in figures from the Association of Investment Companies (AIC), which show that half of investment trusts, 94 in total, have been managed by the same person for 10 years or more.

Overall, management group changes (including mergers) have been on the rise, although only slightly. Figures from the AIC show there were 24 fund management group changes from the start of 2015 to the end of 2019, up from 21 from the start of 2011 to the end of 2015. In 2019 there were three notable fund manager changes. The European Investment Trust replaced Edinburgh Partners with Baillie Gifford, Woodford Patient Capital appointed Schroders following the resignation of Neil Woodford, and Invesco's Mark Barnett was given the boot by the board of Edinburgh Investment Trust in favour of Majedie Asset Management.

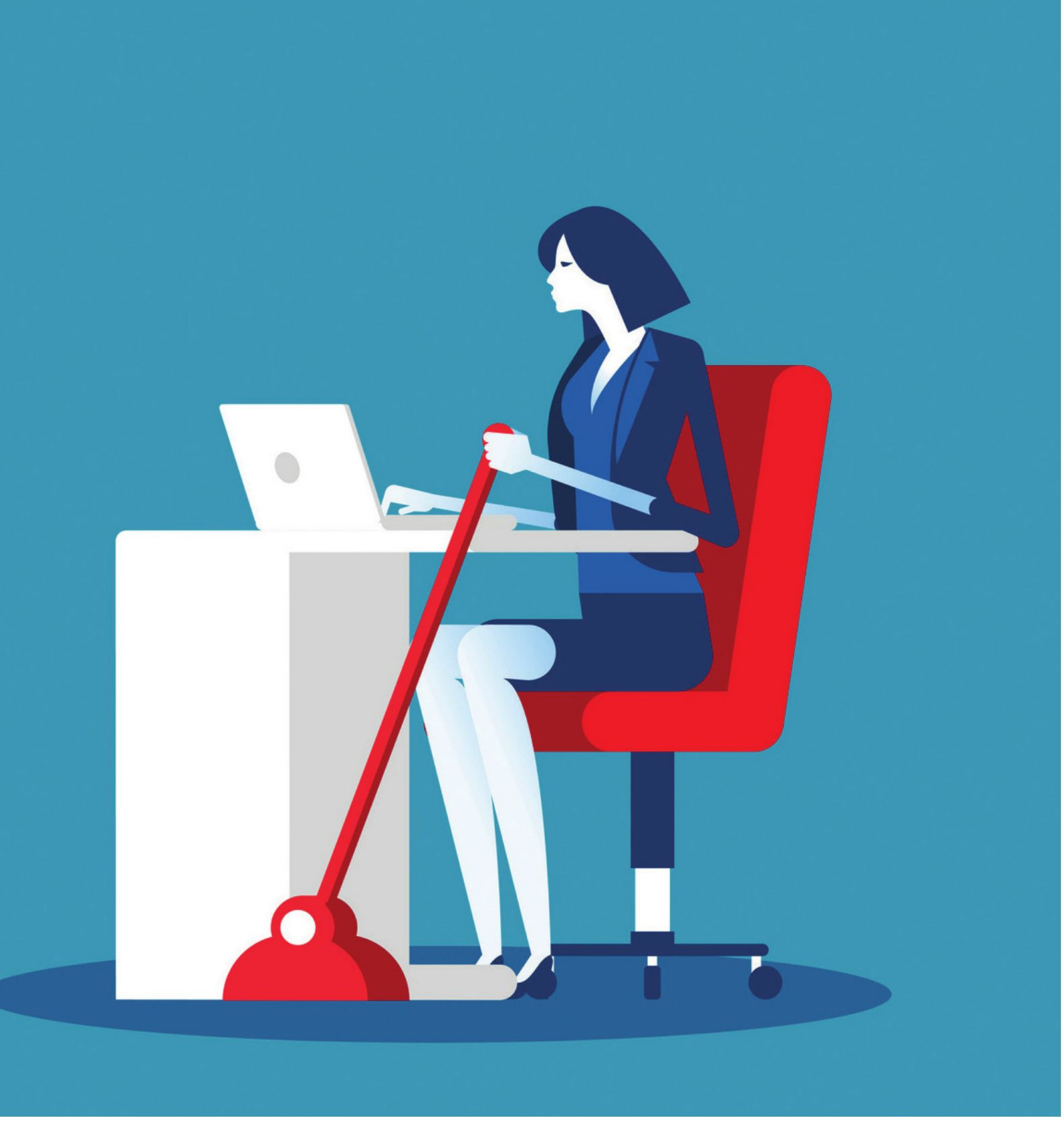
See box (page 19) for details on how Barnett is feeling the heat elsewhere, along with two other investment trust managers.

Patrick Thomas

> "Boards are still a bit sleepy, but overall I expect they will become more pro-active"

PATIENCE WEARING THIN

While the AIC's figures represent only a small increase in boardroom activity in recent times, various commentators expect patience to wear thinner and thinner. Patrick Thomas, investment director at Canaccord Genuity, notes: "Over the past couple of years we've seen boardroom pressure lead to a number of trusts reducing costs and adopting a tiered fee structure. In addition, there have been some notable management changes of late. Boards are still a bit sleepy, but overall I expect them to be more proactive in light of the Neil Woodford saga, which I think will lead to tougher questions from



shareholders in regard to how their money is being invested."

One driver that may lead to boardrooms becoming even less patient in future years is consolidation in the wealth management industry, notes David Harris of Frostrow Capital, an independent investment companies group. He explains: "Following a series of mergers and acquisitions, four major wealth management groups have now emerged as the dominant players in the UK wealth management market: Rathbones, Brewin Dolphin, Investec Wealth and Investment and Tilney/Smith & Williamson.

"This represents a profound and ongoing challenge for the investment companies sector and raises serious questions for boards. As wealth management groups have grown in asset terms, they require greater central oversight and more liquidity. As a result, investment companies with market capitalisations of less than £250 million are in danger of becoming orphaned by the major wealth management groups on liquidity grounds alone."

Harris adds that while over the past couple of years there has been an uptick in the number of boards opting to change investment manager in their pursuit of improved investment performance, the reality is that over half of all investment companies sit below the £250 million market capitalisation threshold.

He continues: "The onus is very much on investment company boards to explore ways to ensure they continue to grow and remain relevant. If the pathway to growth is not provided by strong investment performance, it is incumbent on boards to consider their options in the interests of shareholders. These options include changing the investment manager, a merger or winding up the investment company and returning capital to shareholders. Recent examples of willingness to act are encouraging, but there is still a level of inertia across the wider investment companies sector when considering investment manager change."

GROUP CHANGE NO PANACEA

Changing management group, though, is no panacea for a marked improvement in performance. Indeed, as Moira O'Neill, head of personal finance at interactive investor, notes, in the case of Edinburgh investment trust the board has "never been shy of hiring and firing". She adds: "In September 2008 the trust moved from Fidelity to Invesco, and the board had form prior to this. It is a classic example of when changing a fund management group does not necessarily improve performance, but it is nevertheless a useful tool of last resort for boards of investment trusts, which open-ended funds do not have."

Trust delved deeper into the success and failures of a sample of management changes over the past 15 years, to assess whether a change of approach generally pays off. As the accompanying table shows, the results have been mixed for the 10 investment trusts we analysed. But the big positive is that overall, since their respective management group changes, eight of the 10 have outperformed rival trusts in the sector in which they sit.

Most impressive of all is Throgmorton's strong performance since moving to BlackRock from Framlington. Other trusts that have seen a management change pay off meaningfully include Montanaro European Smaller Companies, Pacific Assets, Troy Income & Growth, Aberdeen Standard Equity Income and Witan.

James Carthew, head of investment company research at QuotedData, notes

INVESTMENT TRUST SACKINGS: DID A CHANGE OF APPROACH PAY OFF?

Sacked	Hired and trust name	Month and year new manager took over	SPTR performance since change (%)	SPTR sector average return (%)	SPTR five-year performance versus sector average (%)
Henderson Global Investors	Witan	September 2004	417	379	-15
F&C	Witan Pacific	March 2005	271	380	0
DWS	Aberdeen Standard Equity Income	November 2005	177	140	-13
F&C	Montanaro European Smaller Companies	September 2006	300	245	61
Framlington	(BlackRock) Throgmorton	July 2008	515	256	88
Fidelity	(Invesco) Edinburgh Investment Trust	September 2008	157	128	-19
Aberdeen	Troy Income & Growth	August 2009	230	179	25
F&C	(Frostrow Capital) Pacific Assets	July 2010	191	139	4
Allianz Global Investors	BlackRock Income & Growth	April 2012	94	93	2
F&C	Jupiter US Smaller Companies	February 2014	82	98	-23

Note: Figures rounded up. Data for each trust from the start of the month, when in practice actual management start date will have been at some point during the month and not necessarily the 1st. Data to 12 December 2019. **Source:** AIC and FE Analytics.

All roads East

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PAST PERFORMANCE

	Aug 14 – Aug 15	Aug 15 – Aug 16	Aug 16 – Aug 17	Aug 17 – Aug 18	Aug 18 – Aug 19
Net Asset Value	-8.9%	50.0%	18.2%	0.6%	2.3%
Share Price	-9.4%	49.4%	23.4%	7.5%	7.7%
MSCI AC Asia Ex Japan Index	-10.2%	32.6%	26.9%	1.9%	0.0%

Past performance is not a reliable indicator of future returns.
Source: Morningstar as at 31.08.2019, bid-bid, net income reinvested.
©2019 Morningstar Inc. All rights reserved. The MSCI AC Asia Ex Japan Index is a comparative index of the investment trust.

Past performance is not a reliable indicator of future returns. The value of investments can go down as well as up and you may not get back the amount you invested. Overseas investments are subject to currency fluctuations. Investments in emerging markets can be more volatile than other more developed markets. The shares in the investment trust are listed on the London Stock Exchange and their price is affected by supply and demand.

The investment trust can gain additional exposure to the market, known as gearing, potentially increasing volatility. The trust invests more heavily than others in smaller companies, which can carry a higher risk because their share prices may be more volatile than those of larger companies.

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UNDER PRESSURE: THREE MANAGERS FEELING THE HEAT

Over the past couple of months it has become apparent that three high-profile fund managers are facing growing boardroom pressure to turn performance around. Here's the tale of the tape.

MARK BARNETT

Mark Barnett, the protégé of Neil Woodford, has underperformed his peer group in four years out of the past 10, according to FE Trustnet, the data firm. Unfortunately for him and his investors, it has been the last four years in a row.

Edinburgh Investment Trust, one of the two closed-ended funds he manages, decided enough was enough on 11 December 2019 and sacked him. On the same day the board of Perpetual Income & Growth, the other trust Barnett manages, put out a statement to shareholders in which it acknowledged that "long-term performance remains poor", but added that it "does not consider it appropriate to undertake a review of its investment management arrangements at the current time".

STEVE DAVIES

Another 'value' fund manager who has underperformed heavily in recent years, Davies has managed the open-ended Jupiter UK Growth fund since the start of 2013 and more recently (April 2016) was appointed lead manager of Jupiter UK Growth investment trust. It was previously called Jupiter Primadona Growth trust.

However, the board has grown frustrated, with chairman Tom Bartlam noting in October that a change in manager could be coming: "Our current investment adviser, Steve Davies, will remain in place until such time as alternative portfolio management arrangements have been agreed by the board. The board is working to identify the best outcome... and will communicate with shareholders as soon as a decision has been made."

THOMAS MOORE

Perhaps feeling the least heat of this trio is Thomas Moore, who manages the Aberdeen Standard Equity Income trust. He also manages the open-ended ASI UK Income Unconstrained Equity fund.

Moore is a respected stockpicker, but performance has come off the boil of late, particularly over the past 18 months. This led chairman Richard Burns to pen some stern words in the trust's annual financial report for the year, released late November. Burns acknowledged that Moore's value style has been out of favour, as he has been favouring domestically focused UK business, primarily in mid and small caps. Burns said: "Our long-term performance numbers, which have for several years been running ahead of our benchmark, are now lagging significantly."

of the findings: "Montanaro European has been a great success - the manager's focus on quality has been rewarded. Likewise, for BlackRock Throgmorton, using shorts within the structure has added value and helped differentiate the trust from its peers, though the real success more recently comes from Dan Whitestone's stockpicking skills. In regard to Witan, the real achievement of the new team has been to reduce the discount and stem what was a constant stream of buybacks."

BELOW PAR PERFORMANCE

Witan's more recent performance on a five-year view has been below par, but it is far from alone, with only three of the 10 trusts comfortably outpacing the sector average.

The worst performer on this measure is Jupiter US Smaller Companies. The trust moved with fund manager Robert Siddles when he jumped ship from F&C to Jupiter in February 2014. It is rare for boards to follow the manager from one fund firm to another, although a recent example was (Jupiter) European Opportunities Trust, which retained the service of Alexander Darwall when he left Jupiter to set up his own firm, Devon Equity Management.

Therefore, the figures show that a new manager (just as in football) by no means guarantees success. With the exception of Edinburgh, the trusts in the table have not chopped and changed management groups since their initial move – but there are a number of examples where change has spectacularly failed.

One example that springs to mind is the former British Assets, whose board ditched F&C for BlackRock in February 2015. A change of investment approach was implemented, switching from a global equity income portfolio to a multi-asset approach, and the trust was renamed BlackRock Income Strategies. But just 18 months afterwards, the board called time on BlackRock following an 18% decline in its net asset value over the period. The board switched to Aberdeen and stuck with the multi-asset approach, re-naming the trust Aberdeen Diversified Income and Growth.

Another manager change that did not work out was the UK Select Trust. In July 2012 the board swapped Scottish Widows in favour of Threadneedle following a period of poor performance. But Threadneedle's Simon Brazier (who now works for Investec) was unable to turn around the trust's fortunes, and in June 2017 the fund was wound up.

The jury is still out on other more recent management group changes, including Alliance Trust, which switched from a single manager and a socially responsible investment focus to a multi-manager approach. The board sacked Alliance Trust's internal managers (who now work for Liontrust) and appointed Willis Towers Watson, which has been overseeing the trust since April 2017.

> "We liked the ESG approach that Alliance Trust adopted for a while – it made it stand out from the crowd"
> **James Carthew**

According to QuotedData's Carthew: "We liked the ESG approach that Alliance Trust adopted for a while – it made it stand out from the crowd. The Willis Towers Watson idea worked for a while, but not recently. I think it is harder to defend sticking with that idea, if it goes through a sticky patch, than it would have been if that trust was in the vanguard for responsible investing in the sector, as it could have been."

Results are also mixed for fund management groups that change manager but stick with the same management group, with Edinburgh's decision to hire Mark Barnett in place of Neil Woodford in January 2014 being one such example.

Carthew notes: "A couple that we know well that have worked out for the best [but don't involve a change of management house] are the appointment of Dan Whitestone to run BlackRock Throgmorton (March 2015) and Iain Pyle to run Shires Income (May 2018)." Monks is another example: performance has notably turned around since Baillie Gifford's Global Alpha team, led by Charles Plowden, took over in March 2015.

But, as all the evidence shows, changing management group is certainly no guaranteed panacea, although shareholders will no doubt appreciate efforts from boards to improve performance and broaden their appeal, as opposed to passively taking a back seat.

When will FEET find its feet?

Performance has underwhelmed at Fundsmith Emerging Equities Trust. Tom Bailey explains how the two new managers plan to revamp the trust's portfolio

Terry Smith is one of the UK's most well-known fund managers. His open-ended Fundsmith Equity fund has been a blinding success, returning 132% over the past five years. Last year his company launched a new trust, Smithson; while not managed by Smith, it aims to take the Fundsmith investment philosophy and apply it to global smaller companies. The trust's launch was the largest ever in UK investment trust history, raising £822 million.

Less successful, however, has been Terry Smith's emerging market venture, **Fundsmith Emerging Equities Trust** (FEET). The trust was launched at the end of June 2014, raising £193 million. Since then (as the chart shows) it has broadly lagged the emerging market index, returning just 10.2% in share price terms to the end of 2019. In comparison, over that period the Association of Investment Companies' global emerging markets sector returned 29%.

Last May, however, Smith announced he would be stepping back from the day-to-day running of the trust. Leadership has been handed to Michael O'Brien and Sandip Patodia as portfolio manager and assistant portfolio manager, respectively. Smith still provides advice to the two managers in his role as chief investment officer.

In light of this change, we take a look under the bonnet of FEET. We speak to its new lead manager, Michael O'Brien, to get a better insight into the trust's approach to emerging markets and what potential changes the new managers may oversee.

> "We invest in good businesses that have exposure to the rise of the consumer in emerging economies"
> Michael O'Brien

WIDE DIVERGENCE

FEET has a relatively unusual approach to emerging market investing. As a result, the portfolio barely resembles most emerging market trusts or open-ended funds. FEET also diverges widely from emerging market indices.

"The approach [of the trust] is to invest in good businesses that have exposure to the rise of the consumer in emerging economies," says O'Brien. It's a theme that many emerging market investors pay lip service to. FEET, however, has gone all in: consumer staple companies represent just over 60% of the trust's portfolio. In contrast, the MSCI Emerging and Frontier Market index (FEET's benchmark) has a weighting to the sector of just 6.3%.

Meanwhile, the trust is underweight several of the region's most prominent sectors. For example, financials are the largest sector in the MSCI Emerging and Frontier Market index, with a weighting of 25%. FEET has no financials in its portfolio. Also avoided are cyclical sectors such as construction and manufacturing and resources.

Technology and communication services stocks are also largely absent from the portfolio, each accounting for just over 3%. In contrast, information technology is 15.4% of the trust's benchmark index and communication services has a weighting of 11%.

This is largely due to Smith's dislike of China's tech giants such as Alibaba, Tencent and Baidu – companies to which other emerging market funds are heavily weighted. Smith has long voiced his scepticism of the country's investment climate, previously arguing: "The problem is the government can simply take your property away."

However, more specifically, O'Brien says Chinese tech companies are avoided "given their financial and governance track record on capital allocation, ownership rights and/or the reliance on their relationship with the Chinese government".

FUNDSMITH EMERGING EQUITIES LAGS BEHIND

Source: FE Analytics, as at 1 January 2020

WHAT THE EXPERTS THINK

According to Priyesh Parmar, an investment trust analyst at Numis, a key feature of FEET is the companies it holds that trade at a notable valuation premium versus the market. This is a reflection of the sort of high-quality companies that the management team favours. Right now, notes Parmar, the trust is trading on a discount, as has been the case since the news of Smith "stepping back". Previously, since launch in June 2014 the trust had typically traded at a premium, despite its underperformance. Parmar says: "A period of relative outperformance may be required before the discount narrows."

Ben Yearsley, a director at Shore Financial Planning, generally takes a negative view of the trust. He says: "I didn't like the trust when it launched, as I felt that whilst Smith was doing a great job with Fundsmith Equity, this wouldn't necessarily translate to an emerging markets franchise." Yearsley says the new managers at the helm will not change his view and argues that there are many other "high-quality existing funds and trusts to choose from".

HOW RIVAL TRUSTS COMPARE

Investment trust	Share price total return (%) One year	Three years	Five years
Aberdeen Emerging Markets	20	28	54
Aberdeen Frontier Markets	1	-21	-8
BlackRock Frontiers	4	17	48
Fundsmith Emerging Equities	-7	4	3
Genesis Emg Mkts	27	39	61
JPM Emg Mkts	26	61	91
Mobius Investment Trust	-9	n/a	n/a
Templeton Emg Mkts	27	50	69
Utilico Emerging Markets	20	36	53
Average	12	27	46

Note: Data to 2 January 2020. **Source:** Winterflood

All of this makes for a wide divergence from the MSCI Emerging Market and Frontier index in terms of regional allocation. For example, the index has a weighting towards China of over 33%, while FEET's is just 4.6%.

Those holdings the trust does have in China are in keeping with the play on consumer growth. For example, the trust's third-largest holding is Chinese sauce manufacturer Foshan Haitian.

BIG COUNTRY BET

The emphasis on consumer staple companies has seen FEET build up a portfolio that is heavily overweight India. The subcontinent accounts for over 41.4% of the portfolio but just 8.5% of the index. According to O'Brien: "India is the single-largest repository of companies of the type and quality we seek, and we believe that it has commenced upon a long period of sustained and inclusive economic growth driven by the reforms of Prime Minister Modi's government."

Some of FEET's largest holdings are Indian consumer-facing companies. For example, Godrej Consumer Products, which makes and sells soap, hair colourants, toiletries and liquid detergents, is a top 10 position. The trust also has large holdings in Hindustan Unilever and Nestlé India.

The trust also has a large position in Egypt, a country not usually holding a prominent place in emerging market portfolios and one that makes up only a small part of emerging and frontier indices. This large weighting is the result of the trust's holding in Eastern Tobacco, an Egyptian tobacco manufacturer.

Absent from the line-up are Taiwan and South Korea, which collectively account for over 20% of the trust's benchmark. O'Brien says: "We have historically not invested in Taiwan and South Korea, as we view them as developed in terms of both GDP per capita and demographic trends."

ON THE SAME PATH

Smith's decision to step back from the running of the trust is unlikely to spark any fundamental change in this approach to emerging market investing, orientated around the rise of emerging markets consumers and companies.

However, there are likely to be some changes to the trust's portfolio in the near future. First of all, O'Brien notes, the trust will holder fewer companies than it has in the past. He says: "The number of shares in the trust currently stands at 36, a low for the fund. We expect the number of holdings to stay at the lower end of the 35-55 range we said we would normally hold when we launched it."

> "India is the single-largest repository of companies of the type and quality we seek"

Michael O'Brien

The sort of shares it holds might also see a change. O'Brien says: "We expect that FEET will increase its exposure to related sectors such as healthcare and technology that are providing services to consumers, as such opportunities become available." This is not so much a divergence from the trust's original thesis of playing the rise of emerging market consumers as a recognition of the growing wealth and sophistication of such consumers.

The trust has already been increasing its exposure to healthcare, with the sector going from zero at launch to around 16% today.

However, the trust will also see some divergence from the consumer focus. According to O'Brien: "Eventually we may also seek some exposure to companies which gain competitive advantages from operating from emerging economies but which do not earn the majority of their revenues in those economies." An example of this would be Indian IT services businesses which, says O'Brien, benefits from an attractively priced and skilled labour pool.

Sector shake-up receives mixed response

Sweeping sector changes to help investors compare 'apples with apples' have both pros and cons, finds Cherry Reynard

The investment trust sector has seen a sea change in recent years. Once a sideline, alternatives have entered the mainstream with new launches focusing on areas such as debt, infrastructure and unlisted equities. Even within equity strategies, fund managers have sought to use the full powers of investment trusts to venture increasingly into smaller, less liquid areas. As a result of all this, the Association of Investment Companies (AIC) has re-jigged its sector classifications with the aim of better reflecting the modernised investment trust universe.

MAJOR OVERHAUL

The new system represents a major overhaul. A total of 13 new sectors were added, with 15 others renamed. Debt and property trusts saw a complete shift, with major changes also made to the Asia and 'growth capital' sectors. At the time, Ian Sayers, chief executive of the AIC, said the changes should ensure that investment company sectors accurately reflect the shape of the industry. He said: "Recent years have seen significant growth in investment companies investing in alternative assets, such as property, debt and infrastructure, and the emergence of new asset classes such as leasing and royalties. Our new sectors allow investors to find and compare companies with similar characteristics easily."

Certainly, a number of sectors needed a re-think. Many alternatives trusts were clumsily lumped together, meaning a comparison was tough. However, there have been grumbles that with just two or three funds in a number of sectors, the classifications are too granular and may not help with proper comparisons. This argument has some merit. Just under a third of sectors, 19 of the 63 categories, now have just one or two trusts. Only 18 sectors have more than eight trusts.

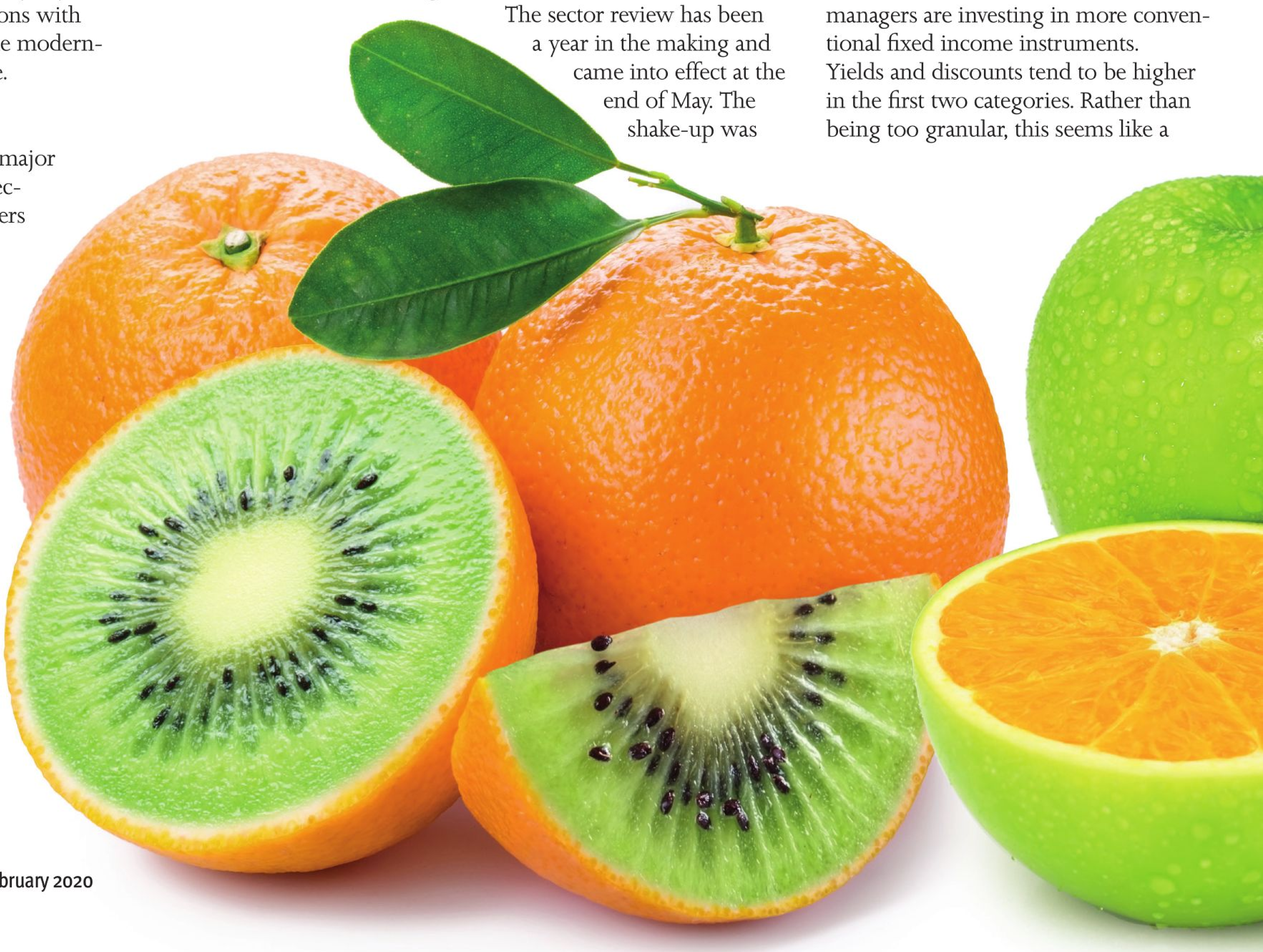
The sector review has been a year in the making and came into effect at the end of May. The shake-up was launched in consultation with market makers, analysts and data providers. Annabel Brodie-Smith, communications director at the AIC, says the thinking was clear: the amount of money invested by investment companies in alternative assets has grown by 92% over the past five years, rising from £39.5 billion in 2014 to £75.9 billion in 2019. This is around 45% of the mainstream investment trust market. It needed to be better reflected in the sector classifications.

She recognises that some of the sectors are small and says the ideal would be to have at least two or three trusts in each sector. However, she argues the investment trust sectors can "grow" into the categories, with more alternative trusts launched each year. Property, for example, is fast-growing, evidenced by the fact that almost half of the property trusts with AIC membership were launched within the last five years.

DEBT SECTOR SPLIT

One of the major changes was to the debt sector, which has been separated into three new sectors: debt – direct lending; debt – loans & bonds, and debt – structured finance. This was urgently needed, as assets in debt funds have grown 493% in 10 years and now represent £9.1 billion in total assets across 31 companies. The new sectors still have 10, 13 and 8 trusts respectively.

The new classifications split out two riskier and more specialist sectors, Direct Lending and Structured Finance, from debt – loans and bonds, where managers are investing in more conventional fixed income instruments. Yields and discounts tend to be higher in the first two categories. Rather than being too granular, this seems like a



NEW AIC SECTORS

New sector	Sector description
Asia Pacific	Invests in the shares of larger quoted Asia Pacific companies
Asia Pacific Income	Invests in the shares of larger quoted Asia Pacific companies, or high yielding securities, for a high income
Asia Pacific Smaller Companies	Invests in the shares of smaller quoted Asia Pacific companies
Debt – direct lending	Invests in direct lending
Debt – loans & bonds	Invests in general loans and bonds
Debt – structured finance	Invests in structured finance
Growth capital	Invests in unquoted shares. Generally takes non-controlling stakes in early to maturing companies
Property – debt	Invests in property debt
Property – UK commercial	Invests in UK commercial property
Property – UK healthcare	Invests in UK healthcare property
Property – UK residential	Invests in UK residential property
Royalties	Invests in royalties
Technology & media	Invests in technology and media

Source: AIC

RENAMED AIC SECTORS

New sector	Old sector
Biotechnology & healthcare	Sector specialist: biotechnology & healthcare
Commodities & natural resources	Sector specialist: commodities & natural resources
Country specialist: Asia Pacific ex Japan	Country specialists: Asia Pacific
Country specialist: Europe ex UK	Country specialists: Europe
Environmental	Sector specialist: environmental
Financials	Sector specialist: financials
Forestry & timber	Sector specialist: forestry & timber
Infrastructure	Sector specialist: infrastructure
Insurance & reinsurance strategies	Sector specialist: insurance & reinsurance strategies
Leasing	Sector specialist: Leasing
Liquidity funds	Sector specialist: Liquidity Funds
Property – Europe	Property direct – Europe
Property – Rest of World	Property direct – Asia Pacific
Renewable energy infrastructure	Sector specialist: Infrastructure – renewable energy
Utilities	Infrastructure securities

Source: AIC

necessary change to accommodate a growing sector.

Separating 'growth capital' from private equity may look a little pedantic, but there is an important difference between the two. Growth capital invests in unquoted shares, but doesn't take major or controlling ownership stakes, as would happen with private equity. This brings different risks. It was a major growth area, with Woodford Patient Capital the biggest ever UK investment trust IPO on its launch in 2015, while Baillie Gifford's Schiehallion raised £364 million in March of this year. There is a danger that the problems at Woodford Patient Capital may hold back demand for this type of investment in the near term, but either way the sector looks set to grow over the longer term.

In contrast, the property sector reclassification has left some of the new sectors looking a little thin. Companies in the property direct – UK and property specialist sectors have been reclassified as property – UK commercial, property – UK healthcare, property – UK residential, and property – debt. The property healthcare sector houses just two trusts, Impact Healthcare and Target Healthcare, while property securities has just one trust – the TR Property Investment Trust.

Adrian Lowcock

"The number of sectors now available means the choice can be overwhelming for inexperienced investors"

If those sectors are too small, analyst Kepler Partners has argued that, if anything, the newly expanded property – UK commercial sector is too large. It believes retail trusts, including Local Shopping Reit, Supermarket Income Reit, and possibly Ediston Property, should be in their own sector, as should logistics trusts (Warehouse Reit, Urban Logistics Reit, Tritax Big Box Reit).

Perhaps some of the more surprising changes have come among the equity funds. The new Asia classifications split the sector into large cap generalist trusts, trusts investing in Asian smaller companies and those focusing on income. Then there are the 'country specialist – Asian' trusts, which invest in one or two individual countries, mostly India and Vietnam.

EUROPE DOUBTS

For Asia, this works. However, whether it also works for Europe is more questionable. The country specialist – Europe sector has just one fund (JP Morgan Russian Securities) and the European Emerging Markets sector (Baring Emerging Europe) also looks thin. This may fulfil Sayers' ambition for investors to be able to "find" companies, but it does not help them compare.

This is a challenge for the AIC. Nick Greenwood, manager of the Miton Global Opportunities trust, says: "The sector classifications are, to some extent, a legacy from the days when the sector was more equity-focused. There are a number of new launches, such as royalties, where it's very difficult to classify them."

According to Adrian Lowcock, head of personal investing at Willis Owen, the revamped AIC sectors do make it easier to compare "apples with apples" and are therefore quite useful for investors looking for specific funds and strategies who perhaps want to compare an idea with the relevant peer group. But, he adds, the downside is that following the changes the increase in "the number of sectors available can mean the choice can be overwhelming for inexperienced investors".

However, he believes this may be an inevitable consequence of trying to classify a disparate sector with a lot of idiosyncratic trusts. "This is partly a reflection of the one of the advantages of investment trusts," he says. "Their closed-ended nature makes them suitable for a broad range of illiquid investment strategies. While it is good to see the AIC is reviewing its sectors to constantly improve them, it feels like investors could benefit from two tiers of sectors, allowing for a range of expertise and the ability to compare trusts that have similar objectives but perhaps invest in different asset classes."

There are areas where sector classifications don't appear to help much, but this is an inevitable consequence of the disparate investment trust sector, rather than any failing on the part of the AIC. As it stands, there are sectors that look likely to grow, so their current small size may not be a problem. However, others may continue to wither.

IS *TRUST* ON THE RIGHT TRACK?

trust

Early in 2019 we carried out a survey in the main issue of *Money Observer*, which asked readers for their thoughts on our print and digital content. The exercise was incredibly useful, and we took on board the feedback we received in order to shape the redesign of *Money Observer* that we introduced from the September 2019 issue.

Now we'd like to do something along the same lines for our quarterly *Trust* supplement, to see what you think we're doing right, and where you reckon improvements or innovations could be made. So do please take a few minutes to complete the short survey we've compiled, and help us find out more about your likes, dislikes and general thoughts on *Trust*.

You can either go online to moneyobserver.com/trustsurvey or complete it below and post the survey to us at:

Money Observer (Trust), interactive investor, 8 Devonshire Square, London EC2M 4PL. Please use a stamp!

What is your gender?

- ☐ Male
- ☐ Female

How old are you?

- ☐ 20-40
- ☐ 41-55
- ☐ 56-70
- ☐ 71-80
- ☐ 81 plus

Roughly what is the total value of your investment portfolio?

- ☐ Under £100k
- ☐ £100k to £250k
- ☐ £250k to £500k
- ☐ £500k to £1 million
- ☐ £1 million plus

What percentage of your portfolio is held in investment trusts?

- ☐ 100%
- ☐ 75% to 100%
- ☐ 50% to 75%
- ☐ 25% to 50%
- ☐ Less than 25%
- ☐ None

How often do you read *Trust*?

- ☐ Every quarter, without fail
- ☐ Most quarters
- ☐ Occasionally
- ☐ Never

Do you buy *Money Observer* mainly for the *Trust* supplement?

- ☐ Yes
- ☐ No

Would you welcome *Money Observer* increasing its investment trust coverage?

- ☐ Yes
- ☐ Balance seems about right
- ☐ No

Which of the following sections in *Trust* do you read? Please tick all that apply

- ☐ News pages
- ☐ Features
- ☐ Data

Which of these regular features do you read?

- ☐ Conservative and adventurous portfolio tips annual review (August) and updates
- ☐ Niche trust selections (February)
- ☐ £10,000 income portfolio (February)
- ☐ Investment trust manager interviews
- ☐ Under the bonnet – analytical look at an investment trust sector
- ☐ Contrarian

What would you like to see more of? Please tick all that apply

- ☐ Analysis of portfolio construction
- ☐ Investment trust manager interviews
- ☐ Comparisons between investment trusts with similar strategies
- ☐ Open-ended fund versus investment trust comparisons
- ☐ Hypothetical investment trust portfolios
- ☐ Industry analysis/developments
- ☐ Technical analysis
- ☐ Video content

What are your thoughts on our annual investment trust awards, which run in the May issue of *Trust*?

- ☐ Very useful
- ☐ Quite useful
- ☐ I do not like the awards

Do you read the company reports section of *Trust*?

- ☐ Yes
- ☐ Sometimes
- ☐ Never

Any other general thoughts on *Trust* you have:

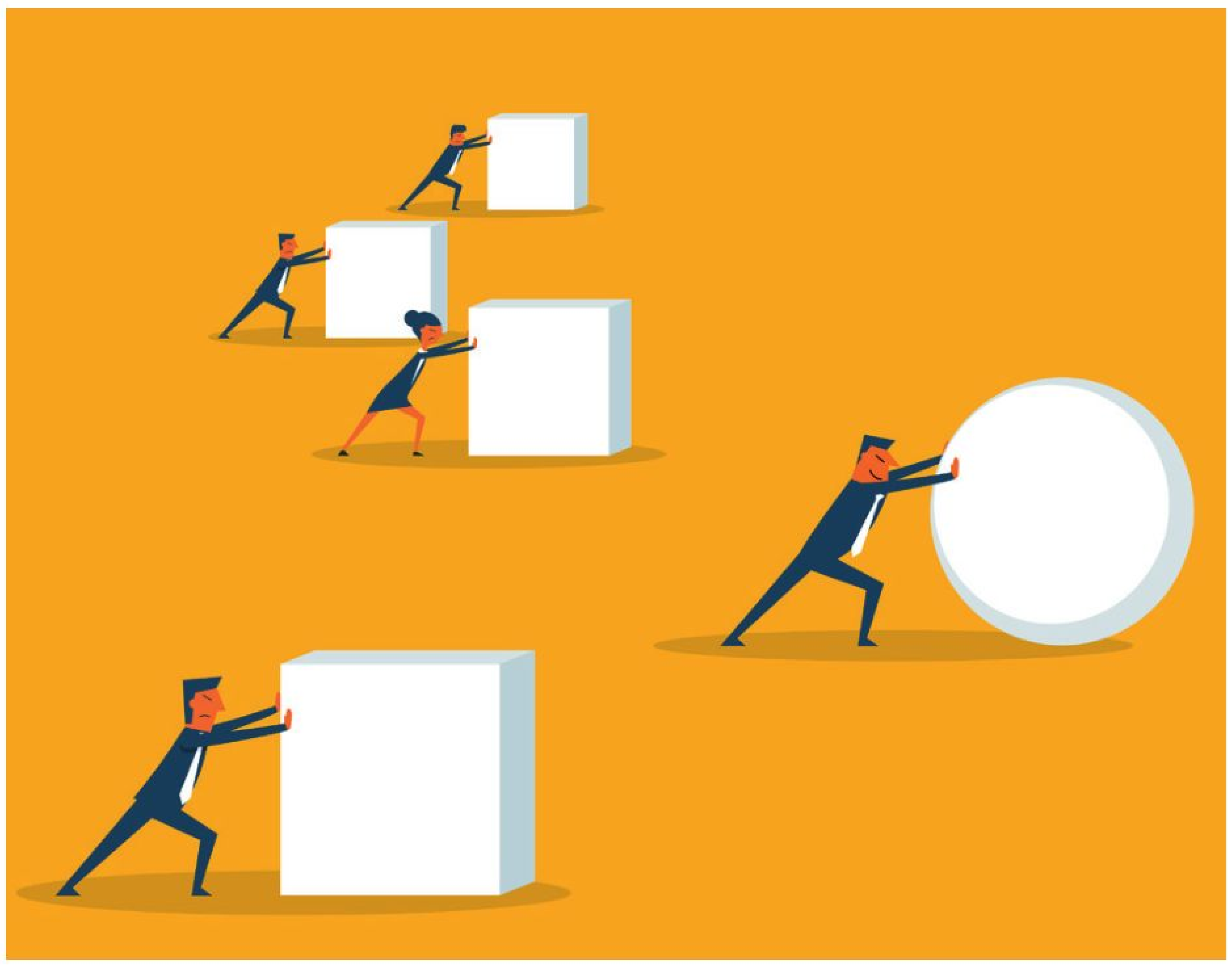
Your name and address:

Please send your answers in a stamped addressed envelope to: Money Observer (Trust), interactive investor, 8 Devonshire Square, London EC2M 4PL.

Trust tips ahead of the pack

Our adventurous tips ended 2019 in fine style with an average gain of 11.4% over the final quarter. This lifted their average gain for the year to 28.6%, increasing their lead over both the FTSE World ex UK index and the FTSE All-Share index over one and three years, and since the inception of the portfolio in August 2014.

In terms of share price total returns, all but three of our 10 adventurous tips were in the first quartile of their sectors over the past year. There were exceptionally strong gains from UK value-oriented **Temple Bar Investment Trust** (34%) and Baillie Gifford's **Monks Investment Trust** (32%).



Top performer

The top performer on a six-month view was **Standard Life UK Smaller Companies Trust**, which joined our adventurous portfolio on 1 July. It delivered a share price total return of 31.5%. Elsewhere, the sterling-quoted shares of **Princess Private Equity**, which came on board at the same time, achieved a creditable return of 16.4%. **JPMorgan Asian Trust** notched up another good quarter, though its half-year performance is more subdued.

Our mid-year decision to include a US trust in each of our rosters has worked well to date, particularly for the adventurous roster. **JPM US Smaller Companies Investment Trust** topped the US sector over six months with a gain of 12.1%.

None of our selections lost ground over the full year. Even our ultra-cautious pick, **Capital Gearing Trust**, achieved 8.8%.

One area of concern is **Baillie Gifford Shin Nippon** (BGS), which was the second-worst performer over one year, up 10.3%. We noted BGS's travails in our November update, and these continued through the last quarter of the year. However, the trust's active share of 94% means its fortunes are bound to diverge from any benchmark, and it has recovered strongly from past setbacks. What's more, despite last year's relatively poor performance, BGS's NAV total returns over the five years that Praveen Kumar has been managing the trust have been by far the best in the Japan sector.

The conservative portfolio's performance was more muted, as attention swung towards more growth-oriented trusts. But it outperformed the FTSE All-Share index and the FTSE World ex UK index over all timeframes shown. It is well ahead of the FTSE All-Share index since inception.

Its outstanding constituent was **BlackRock Throgmorton Trust**, which achieved an astonishing 60.5% gain in 2019. This was partly due to an impressive 39% NAV total return and partly to the shares moving to a small premium. Holders might want to take some profits. We, however, are not switching, as most other well-managed UK smaller company trusts are also on unusually low discounts.

Standard Life Private Equity disappointed, but with its shares trading at a 20% discount, it looks good value. Its portfolio comprises mainly European private equity funds run by best-in-class managers. Its NAV total returns have been similar to the much more highly rated Pantheon International over most periods and, unlike Pantheon, it offers a quarterly yield of 3.7%. It looks due for a re-rating. **Fiona Hamilton**

On the following pages, trusts highlighted in yellow are those that are among *Money Observer*'s Rated Funds for 2020

HOW THE PORTFOLIOS PERFORMED*

	Total return (income reinvested) (%) after:			
	3 mths	6 mths	1 year	3 years
ADVENTUROUS CHOICES				
Standard Life UK Smaller Companies	33.7	31.5	59.0	84.1
Temple Bar	18.1	18.4	34.3	34.6
Princess Private Equity	14.7	16.4	30.0	–
JPMorgan Asian	10.3	7.9	24.1	64.7
Montanaro European Smaller Cos	9.7	5.4	38.2	88.3
JPMorgan Emerging Markets	8.7	7.2	26.3	60.9
JPMorgan US Smaller Cos	8.3	12.1	33.4	27.0
Monks	6.3	4.7	32.4	70.2
Allianz Technology	3.7	0.1	35.0	101.0
Baillie Gifford Shin Nippon	-1.2	-1.3	10.3	55.4
Adventurous portfolio	**11.4**	**10.1**	**28.6**	**53.8**
*FTSE World ex UK index ** *	*1.3*	*5.3*	*23.1*	*35.9*

	Total return (income reinvested) (%) after:			
	3 mths	6 mths	1 year	3 years
CONSERVATIVE CHOICES				
BlackRock Throgmorton	20.7	22.1	60.5	108.9
Fidelity European Values	5.5	4.9	30.6	53.7
Bankers	5.2	7.3	29.9	52.3
JPMorgan Japanese	4.8	5.1	23.6	44.1
Asia Dragon	3.5	2.4	16.1	41.2
Troy Income & Growth	2.5	8.0	21.9	24.0
JPMorgan American	1.4	6.1	22.8	36.3
Capital Gearing	0.6	3.4	8.9	18.6
Utilico Emerging Markets	0	-0.9	19.6	36.3
Standard Life Private Equity	-0.1	4.7	11.8	31.6
Conservative portfolio	**4.4**	**6.2**	**23.7**	**41.5**
*FTSE All-Share index***	*4.2*	*5.5*	*19.2*	*22.0*

Notes: *Constituents ranked by three-month performance. Not all constituents were members of the portfolios over the periods stated. **FTSE indices are provided as comparators for both portfolios. **Source:** FE Analytics, as at 1 January 2020

DATA PAGES EXPLAINED

- Share price total return (dividends are reinvested) shows how the value of a trust has changed over different periods. Net asset value (NAV) total return is a more accurate indication of performance.
- Figures for capital-only returns on shares indicate whether a trust can pay dividends without eroding capital.
- The market capitalisation reflects the current mid price of each share multiplied by the number of shares in issue. However, the value of a trust's total assets may be higher or lower than this. If the value is higher, shares trade at a discount to NAV or the trust is geared; if it is lower, the opposite is the case.
- A trust's share price is affected by demand and may differ from its NAV per share. If it's lower, the shares trade at a discount; if it's higher, they trade at a premium.
- We also show the 12-month range for the discount or premium and an absolute three-month change. A positive figure means the share price has risen relative to NAV per share, and vice versa.
- Gearing means a company has borrowed to invest, with the aim of boosting returns.

TOP PERFORMERS ACROSS ALL AIC SECTORS (Share price total returns on £100)

Source: Morningstar as at 1 January 2020

Top 20 over 1 month	£
Electra Private Equity Plc	132.4
Schroder UK Public Private	127.8
Golden Prospect Precious Mtls	126.5
British & American	125.4
Alternative Liquidity Fund	124.7
JPMorgan Smaller Cos	121.2
SVM UK Emerging Fund	119.4
Schroder UK Mid Cap	117.3
RTW Venture LTD	115.8
Downing Strategic Micro-Cap	115.4
JPMorgan Mid Cap	114.3
Chelverton UK Dividend	113.5
Oakley Capital Investments	113.3
JPMorgan Chinese	113.3
Standard Life UK Smaller Cos	113.1
North Atlantic Smaller Cos	113.0
CATCo Reinsurance Opps C	112.8
Henderson Opportunities	112.6
Henderson Smaller Cos	112.0
Miton UK Microcap	111.8

Top 20 over 3 months	£
JPMorgan Smaller Cos	145.6
CATCo Reinsurance Opps C	143.4
Montanaro UK Smaller Cos	135.5
British & American Trust	134.9
The Biotech Growth	134.7
Standard Life UK Smaller Cos	133.6
Schroder UK Mid Cap	127.8
Electra Private Equity Plc	127.4
CATCo Reinsurance Opps	127.2
Henderson Smaller Cos	126.3
Chelverton UK Dividend	126.0
Aberforth Split Level Income	125.9
Aberdeen Smaller Cos Inc	125.8
Oryx International Growth	125.6
BlackRock Smaller Cos	125.1
Mercantile	124.8
JPMorgan Mid Cap	124.7
Artemis Alpha	124.5
Aberforth Smaller Cos	123.6
Invesco Perpetual UK Sm Cos	121.7

Top 20 over 6 months	£
CATCo Reinsurance Opps C	214.3
CATCo Reinsurance Opps	197.1
Global Resources IT Ord	150.0
JPMorgan Smaller Cos	146.2
British & American	138.8
Montanaro UK Smaller Cos	132.9
Schroder UK Mid Cap	132.7
Standard Life UK Sm Cos	131.5
JPMorgan Chinese	129.5
Henderson Smaller Cos	129.3
Mercantile	129.1
JPMorgan Mid Cap	129.0
UIL	128.6
Aberforth Smaller Cos	128.2
Aberforth Split Level Inc	126.1
Aurora	124.7
Artemis Alpha	124.7
GCP Student Living	124.3
Golden Prospect Precious Mtls	123.5
The Biotech Growth Trust	123.4

Top 20 over 1 year	£
Life Settlement Assets E	317.0
Life Settlement Assets D	253.8
Golden Prospect Precious Mtls	177.5
JPMorgan Smaller Cos	167.5
BlackRock Throgmorton	160.5
JPMorgan Chinese	159.0
Standard Life UK Sm Cos	159.0
Schroder UK Mid Cap	158.7
Aberdeen Smaller Cos Inc	157.7
Oakley Capital Investments	157.0
JPMorgan Russian Securities	155.2
Mercantile	153.9
UIL	150.1
Gresham House Strategic	149.8
The Biotech Growth	148.5
HgCapital	147.5
Invesco Perpetual UK Sm Cos	146.8
Henderson Smaller Cos	146.3
BlackRock Smaller Cos	145.8
Pershing Square Holdings	145.6

Top 20 over 3 years	£
Dunedin Enterprise	234.7
Manchester & London	215.0
BlackRock Throgmorton	208.9
JPMorgan Smaller Cos	207.9
Allianz Technology	201.0
UIL	199.3
Edinburgh Worldwide	198.3
Alpha Real Trust	192.3
Baker Steel Resources	189.6
BlackRock Smaller Cos	189.1
Montanaro European Sm Cos	188.3
JPMorgan Chinese	188.1
Polar Capital Technology	187.4
Scottish Mortgage	184.1
Standard Life UK Sm Cos	184.1
Aberdeen Smaller Cos Inc	183.6
HgCapital Trust Plc	182.2
Montanaro UK Smaller Cos	180.9
TR Property	178.9
Henderson Smaller Cos	178.1

Top Top 20 over 7 years	£
Allianz Technology	513.1
Lindsell Train	462.8
Baillie Gifford Shin Nippon	450.6
Polar Capital Technology	436.3
Scottish Mortgage	412.5
Baillie Gifford Japan	392.9
BlackRock Throgmorton	392.3
Worldwide Healthcare	390.9
Alpha Real Trust	390.4
HarbourVest Glbl Private Eq	379.6
Rights & Issues	362.4
International Biotechnology	360.5
BlackRock Smaller Cos	357.0
Oryx International Growth	352.6
JPMorgan US Smaller Cos	350.9
Invesco Perpetual UK Sm Cos	348.8
JPMorgan Smaller Companies	348.0
Impax Environmental Markets	345.1
TR Property	344.2
Henderson Smaller Cos	343.9

BOTTOM PERFORMERS ACROSS ALL AIC SECTORS (Share price total returns on £100)

Source: Morningstar as at 1 January 2020

Bottom 10 over 1 month	
Global Resources IT Ord	80.6
Ashmore Global Opps USD	81.6
Carador USD	82.5
Adamas Finance Asia	83.0
Crystal Amber Fund	83.1
Ashmore Global Opps GBP	83.7
Doric Nimrod Air Three	84.0
Chenavari Capital Solutions	84.1
Doric Nimrod Air Two	85.1
LMS Capital	85.7

Bottom 10 over 3 months	
Ashmore Global Opps GBP	50.8
Ashmore Global Opps USD	59.7
Adamas Finance Asia	65.0
JZ Capital Partners	65.8
Carador USD	68.6
Crystal Amber Fund	69.4
Riverstone Energy	69.8
LMS Capital plc	76.3
Hadrian's Wall Secured	79.1
CIP Merchant Capital	80.2

Bottom 10 over 6 months	
Riverstone Energy	48.1
Ashmore Global Opps GBP	48.7
Adamas Finance Asia	48.8
Ashmore Global Opps USD	60.4
JZ Capital Partners	63.4
Crystal Amber Fund	65.8
Hadrian's Wall Secured	67.2
Lindsell Train	67.2
Carador USD	68.0
Schroder UK Public Private	68.5

Bottom 10 over 1 year	
Riverstone Energy	38.5
Adamas Finance Asia	41.1
Ashmore Global Opps GBP	41.1
Schroder UK Public Private	46.7
Ashmore Global Opps USD	58.8
Hadrian's Wall Secured	66.3
Crystal Amber Fund	66.8
Macau Property Opps	68.7
JZ Capital Partners	69.2
CIP Merchant Capital	69.7

Bottom 10 over 3 years	
Adamas Finance Asia	15.9
CATCo Reinsurance Opps	23.0
Riverstone Energy	30.8
Ashmore Global Opps GBP	39.2
Schroder UK Public Private	42.1
Global Resources	46.9
Worsley Investors	50.8
JZ Capital Partners	60.7
Ashmore Global Opps USD	63.6
Hadrian's Wall Secured	65.3

Bottom 10 over 7 years	
Adamas Finance Asia	12.1
Better Capital PCC 2012	23.6
Ashmore Global Opps GBP	28.0
Golden Prospect Precious Mtls	36.4
Geiger Counter	43.4
CATCo Reinsurance Opps	57.4
CQS Natural Resources G&I	59.0
Ashmore Global Opps USD	59.4
Baker Steel Resources	64.9
LMS Capital	65.6

HOW ALL TRUST SECTORS ARE PERFORMING

	Average return on £100 invested after:					
Sector and average	1 mth (£)	3 mth (£)	6 mth (£)	1 year (£)	3 years (£)	7 years (£)
Asia Pacific	102.2	89.3	86.0	96.9	146.4	163.0
Asia Pacific Income	103.8	104.0	102.3	118.1	165.1	182.3
Asia Pacific Smaller Companies	101.2	99.5	99.6	106.2	129.4	138.5
Biotechnology & Healthcare	103.4	113.7	111.0	156.9	206.9	458.0
Commodities & Natural Resources	103.4	99.2	109.4	112.8	88.8	37.4
Country Specialist: Asia Pacific – ex Japan	99.6	97.7	100.5	112.4	168.3	251.7
Country Specialist: Europe – ex UK	105.3	106.7	114.7	155.2	340.5	194.5
Country Specialists: Latin America	106.1	103.5	105.7	122.2	130.0	93.1
Debt - Loans & Bonds	100.8	99.8	99.9	104.0	118.5	135.7
Environmental	127.2	122.1	125.0	148.7	216.6	306.8
Europe	101.4	105.2	103.8	124.0	164.5	232.3
European Emerging Markets	104.8	106.9	106.5	142.0	231.0	169.1
European Smaller Companies	105.1	109.7	105.0	127.6	205.4	290.1
Financials	95.7	96.4	94.4	105.0	177.9	
Flexible Investment	100.6	99.5	101.0	107.0	130.0	139.9
Forestry & Timber	98.8	98.8	106.4	171.3		
Global	102.7	104.4	103.3	120.8	179.3	234.2
Global Emerging Markets	100.2	95.0	93.9	103.1	133.6	132.7
Global Equity Income	103.1	104.9	107.8	123.2	170.7	223.8
Global High Income	102.9	92.2	96.4	105.3	122.7	153.6
Global Smaller Companies	103.9	106.7	104.9	112.7	172.5	153.3
Growth Capital	103.1	86.9	78.1	73.1	38.1	31.0
Hedge Funds	101.3	96.1	97.5	104.9	123.9	142.6
Infrastructure	120.9	122.1	121.7	112.7	129.1	127.1
Insurance & Reinsurance Strategies	101.7	103.9	132.4	118.1	118.1	
Japan	99.7	104.4	109.5	121.1	189.7	321.0
Japanese Smaller Companies	99.2	104.8	107.8	121.4	247.9	346.1

	Average return on £100 invested after:					
Sector and average	1 mth (£)	3 mth (£)	6 mth (£)	1 year (£)	3 years (£)	7 years (£)
Latin America	107.3	104.6	99.4	117.1	111.5	85.5
Liquidity Funds	100.5	100.7	101.6	102.1	103.0	104.4
North America	100.9	101.7	105.5	124.3	165.8	217.4
North American Smaller Companies	102.7	105.9	110.2	128.5	189.1	263.2
Private Equity	103.4	104.4	104.9	1.1	1.1	1.2
Property – Debt	112.2	114.8	116.2	108.1	110.8	144.9
Property – Europe	98.9	91.0	95.8	96.6	100.1	111.3
Property – Rest of World	97.0	90.2	85.3	79.8	101.2	128.3
Property – UK Commercial	102.5	104.6	104.9	117.8	148.5	206.0
Property – UK Healthcare	99.5	100.7	102.2	112.2	154.8	
Property – UK Residential	103.3	103.6	107.4	108.2	125.5	
Property Securities	105.9	116.3	120.4	141.4	209.1	297.4
Sector Specialist: Debt	100.9	104.5	106.4	102.2		
Sector Specialist: Small Media, Comms & IT Cos	110.4	114.6	113.6	109.5		
Sector Specialist: Tech Media & Telecomm	107.5	116.9	118.5	122.1		
Technology & Media	101.9	103.8	103.6	130.6	266.6	447.8
UK All Companies	109.7	118.8	118.5	129.4	154.7	217.4
UK Equity & Bond Income	104.8	110.3	107.8	121.0	153.0	212.4
UK Equity Income	106.7	110.9	111.8	123.5	141.4	204.5
UK Smaller Companies	106.6	113.6	110.9	123.9	146.8	212.7
Infrastructure Securities	102.2	102.6	110.5	129.2		
VCT Generalist	100.3	102.3	102.9	25.9	25.9	28.1
VCT Specialist: Environmental	102.2	102.3	103.5	164.0		
VCT Specialist: Environmental Pre Qualifying				97.0		
VCT Specialist: Healthcare & Biotechnology		95.5	91.3	357.7		
VCT Specialist: Media, Leisure & Events		110.9	145.8	100.2	100.2	144.3
VCT Specialist: Technology	99.8	99.8	96.3	155.2		

Note: SS = Sector specialist. All data with income reinvested. **Source:** AIC/Morningstar as at 1 January 2020

Money Observer's 2020 Rated Funds highlighted in yellow • **as at 1 January 2020**

Sector and trust name	Ticker	NET ASSET VALUE TOTAL RETURN (%) AND SECTOR RANK												SHARE PRICE TOTAL RETURN (%) AND RANK AFTER											
		1 month	Rank	3 months	Rank	6 months	Rank	1 year	Rank	3 years	Rank	7 years	Rank	1 month	Rank	3 months	Rank	6 months	Rank	1 year	Rank	3 years	Rank	7 years	Rank
UK ALL COMPANIES																									
Artemis Alpha	ATS	7.7	1	15.8	2	18.1	2	28.1	5	31.4	6	39.6	12	9.5	7	24.5	4	24.7	5	35.3	4	48.3	5	37.6	12
Aurora	ARR	6.7	4	17.7	1	21.5	1	29.9	4	40.4	5	51.4	10	8.2	9	19.7	6	24.7	4	32.0	5	42.5	7	82.8	8
Baillie Gifford UK Growth	BGUK	4.2	12	10.5	8	8.0	10	25.2	6	19.9	9	68.9	9	10.1	5	15.3	8	9.6	10	28.7	6	33.9	8	74.4	9
Fidelity Special Values	FSV	4.6	11	6.5	12	6.7	11	24.4	9	24.8	8	131.2	5	5.2	11	8.4	12	7.6	12	25.1	7	29.6	9	164.1	5
Henderson Opportunities	HOT	5.9	8	11.8	7	5.1	12	18.0	12	26.4	7	118.3	7	12.6	3	21.6	5	11.0	8	23.8	8	43.2	6	163.5	6
Independent	IIT	5.3	10	10.1	9	8.3	8	24.5	8	50.5	2	180.7	2	10.4	4	11.9	10	10.2	9	18.3	11	53.6	4	209.8	2
Invesco Perpetual Select UK Equity Portfolio	IVPU	5.8	9	8.8	11	12.7	7	25.1	7	19.8	10	122.0	6	4.8	12	9.1	11	8.7	11	23.8	9	20.4	10	116.0	7
JPMorgan Mid Cap	JMF	6.5	5	13.0	5	17.6	3	38.4	2	45.0	3	186.4	1	14.3	2	24.7	3	29.0	3	43.8	3	56.0	3	235.9	1
Jupiter UK Growth	JUKG	6.3	6	12.2	6	8.0	9	18.9	11	6.9	12	43.8	11	6.7	10	13.7	9	12.1	7	18.0	12	7.4	12	55.1	11
Keystone	KIT	6.0	7	9.3	10	13.0	6	23.8	10	19.4	11	92.4	8	8.3	8	16.4	7	15.5	6	23.3	10	19.2	11	69.0	10
Mercantile	MRC	6.9	3	15.4	3	17.0	4	40.4	1	53.8	1	152.3	3	9.5	6	24.8	2	29.1	2	53.9	2	66.2	2	189.0	3
Schroder UK Mid Cap	SCP	7.3	2	14.0	4	16.3	5	35.4	3	42.8	4	134.0	4	17.3	1	27.8	1	32.7	1	58.7	1	68.8	1	174.2	4
Average/count		**6.1**	**12**	**12.1**	**12**	**12.7**	**12**	**27.7**	**12**	**31.8**	**12**	**110.1**	**12**	**9.7**	**12**	**18.1**	**12**	**17.9**	**12**	**32.1**	**12**	**40.8**	**12**	**131.0**	**12**
UK EQUITY INCOME																									
Aberdeen Standard Equity Inc	ASEI	5.7	4	8.0	10	5.2	24	14.8	24	16.0	24	77.3	20	7.1	9	9.7	15	9.4	17	9.5	25	18.5	21	70.7	22
BlackRock Income and Growth	BRIG	3.7	19	4.4	25	6.4	20	21.6	16	20.4	15	82.3	18	5.1	17	3.5	25	6.7	24	21.9	15	21.0	14	85.5	15
BMO Capital and Income	BCI	5.1	7	7.3	13	9.3	8	28.0	5	35.6	2	99.6	6	7.8	8	10.3	11	11.6	7	26.7	8	37.1	7	99.1	8
BMO UK High Income	BHI	3.3	21	5.6	23	8.9	12	24.4	12	17.0	23	69.5	26	4.1	23	10.0	14	11.0	11	23.6	13	18.7	20	71.4	21
BMO UK High Income B	BHIB	3.1	23	6.6	17	8.6	13	24.7	10	18.1	19	70.3	25	4.1	24	8.8	17	11.5	9	26.0	9	19.8	15	68.5	23
BMO UK High Income Units	BHIU	3.1	24	6.9	15	8.6	14	24.7	11	18.4	18	70.7	24	4.2	21	8.7	18	10.6	13	24.1	12	19.2	17	74.3	19
British & American	BAF	-5.2	28	13.8	2	20.7	1	50.2	1	17.5	22	82.8	16	25.4	1	34.9	1	38.8	1	15.4	21	-28.2	27	30.1	27
Chelverton UK Dividend	SDV	11.6	1	17.1	1	15.7	2	25.3	9	17.7	21	153.3	2	13.5	2	26.0	2	21.1	2	33.4	3	15.5	23	191.5	1
Diverse Income	DIVI	4.8	11	7.5	12	7.3	18	12.5	26	21.1	14	119.2	3	5.1	16	5.8	24	7.4	23	6.9	27	15.5	24	105.8	5
Dunedin Income Growth	DIG	5.1	9	8.0	9	7.6	16	29.2	3	30.4	5	81.3	19	6.1	12	10.1	13	9.3	18	31.1	4	39.1	6	72.5	20
Edinburgh	EDIN	4.1	17	8.1	8	8.3	15	12.0	27	7.2	26	94.8	11	2.6	25	7.1	21	8.9	19	9.4	26	-1.3	26	60.7	25
Finsbury Growth & Income	FGT	1.9	26	-2.4	28	1.1	28	23.1	14	48.5	1	169.1	1	0.7	28	-3.5	28	-0.1	27	21.8	17	46.6	2	165.4	2
Invesco Income Growth	IVI	4.2	15	5.9	21	9.1	9	22.7	15	19.9	17	85.8	15	6.7	10	9.5	16	10.3	16	25.0	10	19.1	18	66.6	24
Investment	INV	3.2	22	6.1	20	9.9	6	19.5	20	22.4	13	37.9	27	5.5	14	15.2	4	19.0	3	23.2	14	19.3	16	105.6	6
JPMorgan Claverhouse	JCH	5.4	5	7.8	11	7.6	17	25.9	8	27.8	7	110.0	4	4.6	19	10.9	10	10.3	15	21.4	18	39.8	5	130.8	3
JPMorgan Elect (Managed Income Pool)	JPEI	5.3	6	6.7	16	5.2	25	19.6	19	17.9	20	74.8	21	4.7	18	7.9	20	5.3	26	19.8	20	18.7	19	76.0	18
Law Debenture Corporation	LWDB	4.8	12	6.4	19	6.1	22	17.0	21	27.7	8	101.0	5	6.6	11	10.2	12	11.1	10	24.5	11	34.6	9	89.8	12
Lowland	LWI	6.9	3	10.1	5	9.0	11	16.9	23	15.5	25	82.8	17	9.3	4	14.3	6	8.7	20	14.2	23	17.9	22	81.0	17
Murray Income	MUT	4.3	14	7.1	14	9.0	10	28.1	4	31.2	3	88.8	13	4.6	20	7.0	22	7.7	22	28.3	7	40.8	4	82.2	16
Perpetual Income and Growth	PLI	5.1	8	8.3	7	9.7	7	12.5	25	5.7	27	73.5	22	5.2	15	8.5	19	11.6	8	13.5	24	3.1	25	52.1	26
Schroder Income Growth	SCF	4.2	16	6.4	18	6.9	19	23.3	13	22.5	12	97.4	8	8.4	7	12.2	9	12.9	6	28.5	5	27.0	11	92.5	11
Shires Income	SHRS	4.7	13	8.8	6	10.1	5	27.3	7	29.8	6	98.0	7	5.9	13	13.7	7	10.4	14	34.9	1	51.2	1	97.7	9
Temple Bar	TMPL	5.0	10	10.6	4	14.3	4	27.9	6	25.0	9	92.4	12	8.6	5	18.1	3	18.4	4	34.3	2	34.6	8	89.0	13
The City of London	CTY	3.6	20	5.4	24	5.9	23	21.1	18	22.9	10	88.6	14	4.1	22	6.7	23	6.6	25	20.5	19	24.2	12	86.6	14
The Merchants	MRCH	6.9	2	12.5	3	15.5	3	31.2	2	30.5	4	94.9	10	8.6	6	15.0	5	17.1	5	28.4	6	44.0	3	109.2	4
Troy Income & Growth	TIGT	1.9	25	2.2	26	6.3	21	21.2	17	22.9	11	96.8	9	1.8	26	2.5	26	8.0	21	21.9	16	24.0	13	96.4	10
Value And Income	VIN	3.7	18	5.7	22	4.9	26	17.0	22	20.0	16	70.7	23	9.5	3	13.7	8	10.7	12	15.0	22	27.7	10	102.4	7
Average/count		**4.3**	**27**	**7.4**	**27**	**8.8**	**27**	**23.0**	**27**	**22.6**	**27**	**91.3**	**27**	**6.7**	**27**	**11.0**	**27**	**11.6**	**27**	**22.3**	**27**	**24.0**	**27**	**90.9**	**27**
UK SMALLER COMPANIES																									
Aberdeen Smaller Companies Income	ASCI	7.4	10	16.7	6	13.9	11	34.6	8	52.4	6	165.4	10	8.4	12	25.8	6	20.8	9	57.7	4	83.6	5	181.0	9
Aberforth Smaller Companies	ASL	8.2	8	12.6	13	17.2	5	26.9	12	31.0	13	131.1	13	9.5	10	23.6	9	28.2	5	39.8	10	51.2	11	167.3	11
Aberforth Split Level Income	ASIT	11.9	1	19.1	4	22.3	2	36.3	6					11.3	8	25.9	5	26.1	6	30.2	11				
Athelney	ATY	5.2	18	14.2	9	16.2	7	27.9	11	23.0	15	132.9	12	4.4	19	4.4	20	14.6	12	-0.6	19	6.3	17	128.0	13
BlackRock Smaller Companies	BRSC	9.1	4	15.2	7	14.9	10	32.2	9	56.0	4	195.0	3	9.2	11	25.1	8	19.6	10	45.8	8	89.1	3	257.0	3
BlackRock Throgmorton	THRG	5.6	16	13.9	11	16.1	8	38.4	3	64.2	3	203.4	2	7.5	16	20.7	11	22.1	7	60.5	2	108.9	1	292.3	1
Chelverton Growth	CGW	0.0	23	3.3	21	-9.4	24	-5.4	22	-36.4	22	15.0	16	2.5	21	2.5	21	-12.6	23	-16.2	24	-30.8	21	28.7	17
Crystal Amber*	CRS	0.0	24	-12.2	26	-20.8	26	-11.0	24	-5.1	18	84.1	15	-16.9	26	-30.6	26	-34.2	26	-33.2	26	-28.9	20	38.6	15
Downing Strategic Micro-Cap	DSM	5.7	15	11.8	15	5.2	17	1.5	20					15.4	3	12.8	15	9.5	17	-1.5	21				
Gresham House Strategic	GHS	7.0	12	13.2	12	7.0	16	20.3	16	43.3	10			3.2	20	20.1	12	11.5	14	49.8	5	74.5	8	36.9	16
Henderson Smaller Companies	HSL	8.9	5	17.3	5	16.3	6	35.7	7	50.1	7	180.1	7	12.0	5	26.3	4	29.3	4	46.3	7	78.1	7	243.9	7
Invesco Perpetual UK Smaller Companies	IPU	7.8	9	14.6	8	15.9	9	36.8	5	53.6	5	180.6	6	8.0	13	21.7	10	18.3	11	46.8	6	69.5	10	248.8	5
JPMorgan Smaller Companies	JMI	11.6	2	24.5	1	25.3	1	49.2	1	69.6	1	175.6	8	21.2	1	45.6	1	46.2	1	67.5	1	107.9	2	248.0	6
Marwyn Value Investors*	MVI	3.2	21	-4.7	25	-14.9	25	-16.3	26	-19.1	20	-3.7	17	-2.3	24	-16.6	25	-17.6	25	-11.0	22	-18.5	19	0.7	18
Marwyn Value Investors Realisation*	MVIR	7.2	11	6.5	20	-9.0	23	-12.8	25	-0.5	17			-16.2	25	-16.2	24	-16.2	24	-16.2	25	26.3	15		
Miton UK Microcap	MINI	5.5	17	8.1	19	0.0	20	-8.2	23	-5.5	19			11.8	6	12.2	17	4.0	19	-0.9	20	-5.2	18		
Montanaro UK Smaller Companies	MTU	8.7	6	19.1	3	19.3	3	37.2	4	42.7	11	87.9	14	11.5	7	35.5	2	32.9	2	45.4	9	80.9	6	118.7	14
Odyssean	OIT	6.0	14	11.9	14	13.0	12	22.0	15					10.8	9	11.9	18	11.9	13	17.7	14				
Oryx International Growth*	OIG	0.0	25	11.0	16	10.1	14	24.5	13	46.9	8	226.7	1	6.2	17	25.6	7	21.5	8	20.0	13	48.8	12	252.6	4
Rights & Issues	RIII	4.0	19	9.0	18	4.5	18	9.0	17	18.4	16	183.8	5	5.7	18	16.5	14	11.3	15	14.7	15	30.5	14	262.4	2
River and Mercantile UK Micro Cap*	RMMC	3.6	20	2.1	22	-2.7	22	7.6	18	38.6	12			8.0	14	6.6	19	1.2	20	9.6	16	36.0	13		
Standard Life UK Smaller Companies	SLS	8.4	7	20.4	2	17.6	4	44.6	2	65.4	2	193.7	4	13.1	4	33.6	3	31.5	3	59.0	3	84.1	4	199.1	8
Strategic Equity Capital	SEC	6.2	13	9.7	17	8.6	15	23.1	14	28.7	14	164.5	11	7.9	15	12.4	16	7.5	18	25.9	12	24.6	16	177.4	10
SVM UK Emerging	SVM	10.3	3	14.0	10	13.0	13	31.6	10	46.9	9	171.6	9	19.4	2	18.4	13	10.8	16	6.5	17	73.1	9	154.3	12
Worsley Investors*	WINV	0.0	26	0.0	24	-1.5	21	-0.5	21	-33.5	21	-23.0	18	0.0	22	-4.5	23	-1.2	21	-14.7	23	-49.2	22	-14.4	19
Average/count		**6.1**	**25**	**10.8**	**25**	**7.9**	**25**	**19.4**	**25**	**28.7**	**22**	**136.9**	**18**	**6.9**	**25**	**14.4**	**25**	**11.9**	**25**	**22.0**	**25**	**42.8**	**22**	**159.0**	**19**
UK EQUITY & BOND INCOME																									
Acorn Income*	AIF	8.8	1	17.5	1	13.4	1	27.5	1	30.8	1	137.1	1	6.9	2	19.7	1	11.3	2	28.6	1	30.6	1	137.5	1
Henderson High Income	HHI	4.4	2	5.3	2	8.6	2	25.6	2	22.5	2	98.8	2	7.4	1	11.7	2	11.7	1	27.0	2	22.5	2	98.8	2
GLOBAL																									
Alliance	ATST	1.5	10	3.9	7	5.5	7	23.1	10	38.1	8	126.1	11	3.0	9	5.6	8	6.4	8	24.3	9	39.0	10	160.9	8
AVI Global	AGT	2.8	4	3.4	8	4.9	8	18.1	13	26.4	13	85.6	14	1.8	12	6.2	7	4.6	11	19.4	12	29.6	13	91.2	16
Bankers	BNKR	2.3	8	2.1	12	4.7	9	24.7	8	40.5	7	143.1	5	3.9	7	5.2	9	7.3	6	29.9	6	52.2	5	154.4	9
Brunner	BUT	2.6	7	4.5	5	6.2	5	25.5	7	37.7	9	131.0	10	5.7	3	10.1	2	10.7	1	34.4	2	61.1	4	163.1	7
EP Global Opportunities	EPG	0.9	14	-1.5	16	-0.9	15	6.0	15	12.7	15	95.4	13	4.0	6	0.8	14	1.0	15	5.0	15	11.9	15	97.8	15
F&C	FCIT	0.6	15	1.5	13	4.0	13	19.0	12	34.6	11	140.1	7	3.7	8	8.7	3	10.0	2	22.9	10	47.9	7	175.2	5
JPMorgan Elect (Managed Growth Pool)	JPE	3.2	2	6.1	2	6.9	2	24.6	9	37.1	10	137.2	9	4.0	5	6.9	5	8.0	5	26.4	7	37.7	11	139.3	11
Lindsell Train	LTI	2.7	5	0.1	15	4.6	10	32.4	1	111.9	1	396.2	1	-12.5	16	-12.2	16	-32.8	16	2.1	16	40.3	9	362.8	1
Majedie	MAJE	-4.4	16	2.4	11	-3.8	16	-0.3	16	0.2	16	70.6	16	0.8	15	2.0	13	2.8	13	9.1	14	-1.0	16	116.1	13
Manchester & London	MNL	1.1	12	3.4	9	6.3	4	27.6	5	65.5	3	82.7	15	6.5	2	4.9	11	4.5	12	35.6	1	115.0	1	121.8	12
Martin Currie Global Portfolio	MNP	1.0	13	4.2	6	4.3	11	30.9	2	42.4	6	143.0	6	2.2	11	5.0	10	5.0	9	31.9	4	41.5	8	150.5	10
Mid Wynd International	MWY	1.3	11	2.7	10	5.8	6	29.0	3	44.9	5	175.4	3	1.0	14	4.8	12	6.7	7	30.8	5	48.0	6	194.5	4
Monks	MNKS	1.6	9	4.8	4	4.1	12	28.4	4	54.1	4	162.5	4	2.6	10	6.3	6	4.7	10	32.3	3	70.2	3	221.9	3
Scottish	SCIN	2.6	6	0.2	14	1.7	14	12.4	14	14.9	14	97.1	12	1.6	13	0.8	15	2.4	14	13.8	13	19.6	14	106.2	14
Scottish Mortgage	SMT	4.5	1	9.2	1	7.4	1	26.8	6	85.3	2	277.5	2	9.5	1	15.3	1	9.4	3	24.8	8	84.1	2	312.5	2
Witan	WTAN	3.0	3	5.0	3	6.9	3	21.3	11	32.3	12	138.7	8	5.5	4	7.5	4	9.4	4	22.1	11	37.0	12	169.8	6
Average/count		**1.7**	**16**	**3.3**	**16**	**4.3**	**16**	**21.8**	**16**	**42.4**	**16**	**150.1**	**16**	**2.7**	**16**	**4.9**	**16**	**3.8**	**16**	**22.8**	**16**	**45.9**	**16**	**171.1**	**16**
GLOBAL EQUITY INCOME																									
Henderson International Income	HINT	2.3	2	1.7	3	4.0	5	16.3	5	24.2	5	113.1	4	2.1	6	4.2	4	4.4	6	15.4	6	28.9	4	113.1	4
Invesco Perpetual Select Global Equity Income Portfolio	IVPG	1.7	3	2.4	2	5.5	2	20.9	4	24.6	4	129.7	3	3.8	2	6.1	2	8.5	3	22.1	4	27.1	5	143.2	3
JPMorgan Global Growth & Income	JPGI	1.0	6	3.0	1	4.5	4	23.9	2	27.8	3	140.7	1	2.2	5	3.2	5	5.9	5	26.2	2	40.8	2	166.9	1
Murray International	MYI	2.5	1	0.2	6	1.6	6	12.3	6	19.2	6	66.7	6	4.8	1	6.1	3	11.6	1	16.5	5	20.5	6	62.9	6
Scottish American	SAIN	1.7	4	1.0	4	5.0	3	23.2	3	42.9	1	136.3	2	2.4	4	2.8	6	6.5	4	25.1	3	44.1	1	143.4	2
Securities of Scotland	STS	1.2	5	0.9	5	6.3	1	27.4	1	30.9	2	111.3	5	3.2	3	6.9	1	9.6	2	39.3	1	37.0	3	112.0	5
Average/count		**1.7**	**6**	**1.5**	**6**	**4.5**	**6**	**20.7**	**6**	**28.3**	**6**	**116.3**	**6**	**3.1**	**6**	**4.9**	**6**	**7.8**	**6**	**24.1**	**6**	**33.1**	**6**	**123.6**	**6**

Sector and trust name	TRUST SIZE (£M) Total assets	TRUST SIZE (£M) Mkt cap	TOTAL DIST. YIELD (%)	DIVIDEND GROWTH (%) 1 year	DIVIDEND GROWTH (%) 3 years	DIVIDEND GROWTH (%) 5 years	SHARE PRICE (pence) Current	SHARE PRICE (pence) 1 year low	SHARE PRICE (pence) 1 year high	Current NAV per share (p)	DISCOUNT/PREMIUM (%) Current	DISCOUNT/PREMIUM (%) Last quarter	DISCOUNT/PREMIUM (%) 1 year average	Z-SCORE 1 year	Z-SCORE 3 years	GEARING (%) Current	GEARING (%) 3 year high	GEARING (%) 3 year low	ONGOING CHARGES (%) Excl. perf fee	ONGOING CHARGES (%) Incl. perf fee
UK ALL COMPANIES																				
Artemis Alpha	161.0	135.1	1.2	3.1	8.6	9.3	346.0	259.5	348.0	405.2	-16.1	-20.6	-17.9	1.3	1.3	0	7	0	1.0	1.0
Aurora	155.0	158.3	1.7	45.5	1.3	1.3	237.0	177.5	238.0	233.0	2.2	0.4	1.1	-0.6	-1.0	0	0	0	0.4	0.4
Baillie Gifford UK Growth	325.5	305.6	2.1	-25.8	-5.1	-0.2	204.0	161.5	204.0	216.3	-6.1	-8.1	-6.7	0.8	1.3	0	0	0	0.5	0.5
Fidelity Special Values	888.8	796.0	2.7	15.0	15.8	11.8	277.5	227.0	279.0	272.7	2.3	0.1	1.0	0.1	0.8	0	29	10	1.0	1.0
Henderson Opportunities	111.8	83.7	1.7	5.0	5.3	14.9	1110.0	856.0	1110.0	1268.7	-16.5	-19.8	-17.5	1.4	1.2	10	17	10	0.8	0.8
Independent	329.7	318.5	1.7	16.7	11.9	7.0	572.0	470.0	587.0	602.5	-3.4	-7.2	-4.0	0.8	-0.4	0	0	0	0.2	0.2
Invesco Perpetual Select UK Equity Portfolio	62.3	60.5	3.4	7.1	4.4	4.5	186.5	156.5	186.5	192.2	-3.0	-2.7	-1.8	-0.9	-1.2	0	32	0	0.9	0.9
JPMorgan Mid Cap	364.6	324.8	2.1	11.3	12.0	10.4	1362.5	974.0	1370.0	1389.7	-1.4	-9.9	-8.7	2.4	2.1	7	12	5	0.9	0.9
Jupiter UK Growth	52.7	47.8	2.8	21.4	6.7	12.1	302.0	262.0	304.0	308.6	-1.8	-1.8	-2.4	1.0	0.9	7	25	8	1.2	1.2
Keystone	308.5	238.1	2.8	0.0	1.9	2.1	1767.5	1487.5	1770.0	2014.3	-12.1	-16.9	-13.6	1.1	-0.1	2	17	14	0.5	0.5
Mercantile	2424.4	2081.7	2.5	18.9	13.6	9.5	262.0	173.7	267.5	268.9	-2.2	-9.2	-9.0	1.2	2.6	6	17	14	0.5	0.5
Schroder UK Mid Cap	266.1	245.4	2.6	15.6	18.0	16.8	690.0	446.0	694.0	724.3	-4.2	-14.9	-14.3	2.9	4.4	5	9	4	0.9	0.9
											-5.2					**3**				
UK EQUITY INCOME																				
Aberdeen Standard Equity Inc	245.5	203.5	4.6	12.3	9.3	7.5	413.0	350.0	435.0	440.7	-5.6	-7.4	-5.9	-0.9	-1.3	13	16	13	0.9	0.9
BlackRock Income and Growth	53.5	47.3	3.3	4.4	4.6	4.8	207.0	175.0	207.0	216.3	-4.3	-4.3	-3.8	-0.1	-0.4	6	9	8	1.1	1.1
BMO Capital and Income	370.5	365.9	3.3	4.1	3.4	3.0	354.5	288.0	356.0	350.7	1.5	0.3	-0.4	0.6	0.0	1	7	3	0.6	0.6
BMO UK High Income	137.3	87.4	4.7	3.3	3.1	2.9	102.0	86.3	102.0	111.0	-8.6	-8.8	-8.4	-0.4	-1.0	2	9	6	1.0	1.0
BMO UK High Income B	137.3	31.6	4.7	0.0	0.0	0.0	102.5	86.0	102.5	111.0	-7.7	-8.4	-8.4	0.0	-0.8	2	9	6	1.0	1.0
BMO UK High Income Units	137.3	128.5	4.6	3.3	3.1	2.9	401.0	335.0	401.0	444.0	-9.7	-10.3	-10.0	0.2	-0.7	2	9	6	1.0	1.0
British & American	9.5	11.1	32.3	1.2	2.0	2.2	44.5	32.5	52.5	26.9	65.4	37.4	45.2	1.1	-0.4	38	56	20	5.0	5.0
Chelverton UK Dividend	62.4	44.5	4.3	6.0	6.2	5.6	213.5	160.0	213.5	223.9	-4.6	-12.6	-10.3	1.9	0.3	32	41	34	2.0	2.0
Diverse Income	374.1	360.1	3.7	7.4	9.2	10.2	95.4	82.0	97.2	98.9	-3.7	-1.4	-3.7	0.4	-0.5	0	0	0	1.2	1.2
Dunedin Income Growth	517.1	436.4	3.9	2.9	3.0	2.3	294.0	230.5	297.0	316.4	-6.9	-8.7	-8.1	1.8	2.4	9	20	10	0.6	0.6
Edinburgh	1375.0	1111.6	4.0	5.3	4.8	3.6	626.0	535.0	652.0	711.1	-11.7	-10.9	-10.4	-1.0	-1.6	6	12	9	0.6	0.6
Finsbury Growth & Income	1891.1	1885.4	1.8	8.5	8.2	8.0	900.0	745.0	958.0	909.7	-0.3	0.6	0.5	-6.6	-7.4	0	4	0	0.7	0.7
Invesco Income Growth	202.2	172.1	3.5	3.6	3.6	3.1	294.0	245.0	295.0	343.3	-14.4	-16.0	-15.3	1.3	-0.4	0	4	1	0.7	0.7
Investment	17.8	16.5	4.0	-21.5	-7.8	-4.1	346.0	286.0	347.0	372.4	-7.1	-14.5	-12.5	1.4	0.1	0	0	0	2.4	2.4
JPMorgan Claverhouse	543.5	439.0	3.6	5.8	8.6	7.1	776.0	656.0	782.0	791.4	-2.2	-5.4	-2.4	0.4	0.9	17	23	17	0.8	0.8
JPMorgan Elect (Managed Income Pool)	102.2	93.6	4.1	3.3	6.0	5.0	110.5	96.5	110.5	113.4	-2.5	-4.2	-2.4	0.0	0.0	4	11	5	0.9	0.9
Law Debenture Corporation	978.7	774.5	2.8	9.3	5.3	4.7	650.0	538.0	654.0	698.1	-6.3	-10.9	-9.2	0.2	0.0	14	21	18	0.5	0.5
Lowland	465.2	391.1	3.9	10.2	9.8	10.0	1445.0	1230.0	1460.0	1533.6	-5.6	-9.5	-6.0	1.3	1.3	12	18	12	0.6	0.6
Murray Income	673.8	592.3	3.5	2.3	1.8	1.7	896.0	726.0	896.0	952.8	-6.0	-4.7	-5.4	-0.1	1.1	4	9	7	0.7	0.7
Perpetual Income and Growth	964.5	737.3	3.9	4.3	4.2	4.2	335.0	284.5	339.5	379.1	-10.9	-11.5	-11.8	-0.9	-1.5	17	20	13	0.7	0.7
Schroder Income Growth	254.0	215.0	3.9	5.1	5.4	4.2	313.0	254.5	315.0	323.2	-3.2	-7.5	-6.7	2.7	3.3	13	20	10	0.9	0.9
Shires Income	108.7	90.8	4.5	1.5	2.5	1.9	295.5	230.5	298.5	292.1	1.3	-3.2	-0.3	0.3	1.0	16	55	21	1.4	1.4
Temple Bar	1106.8	988.4	3.6	10.0	5.6	4.4	1476.0	1146.0	1486.0	1473.9	0.3	-5.6	-3.9	1.4	2.2	9	15	12	0.5	0.5
The City of London	1891.4	1762.8	4.4	5.1	5.4	4.7	443.5	380.0	446.5	432.9	2.6	2.0	1.9	0.5	1.0	10	13	9	0.4	0.4
The Merchants	740.3	621.6	4.8	4.8	2.7	2.0	558.0	443.3	558.0	549.5	1.5	0.3	-0.1	0.7	1.8	19	36	21	0.6	0.6
Troy Income & Growth	274.4	277.9	3.3	3.2	4.3	4.3	85.8	72.2	86.7	85.1	1.3	0.8	0.7	0.7	1.1	0	0	0	0.9	0.9
Value And Income	228.0	123.0	3.7	3.5	4.0	6.8	283.0	240.5	283.0	322.7	-16.3	-19.8	-17.7	0.4	0.4	38	56	40	1.3	1.3
											-2.4					**11**				
UK SMALLER COMPANIES																				
Aberdeen Smaller Companies Income	89.8	75.8	2.2	12.2	6.4	5.1	343.0	224.0	343.0	373.9	-8.3	-14.7	-13.4	2.3	2.2	9	21	9	1.3	1.3
Aberforth Smaller Companies	1414.8	1373.4	2.0	5.0	5.2	5.2	1540.0	1114.0	1546.0	1576.9	-2.7	-10.9	-8.9	1.5	2.5	0	2	0	0.8	0.8
Aberforth Split Level Income	246.6	177.9	4.1	4.0			93.5	71.0	95.5	102.5	-8.8	-14.7	-8.1	-0.1		26	34	27	1.2	1.2
Athelney	5.7	5.1	3.4	2.3	4.8	10.6	235.0	185.0	250.0	264.8	-11.2	-7.3	-6.3	-1.3	-1.7	0	0	0	3.5	3.5
BlackRock Smaller Companies	876.5	826.4	1.8	20.0	21.3	21.1	1712.0	1200.0	1714.0	1699.3	0.6	-7.0	-3.7	1.6	2.0	3	9	6	0.7	0.7
BlackRock Throgmorton	587.9	522.7	1.5	11.1	14.3	20.1	688.0	437.0	688.0	671.7	2.0	-3.0	-3.6	1.8	2.0	10	28	15	0.6	1.3
Chelverton Growth	2.6	2.3					41.5	40.4	49.5	47.4	-12.4	-11.7	-10.8	-0.3	-0.1	14	0	0	5.7	5.7
Crystal Amber	180.6	123.7	2.6	0.0	0.0	58.5	132.0	127.5	223.0	192.7	-31.5	-16.5	-13.1	-2.0	-3.2	0	0	0	2.0	3.0
Downing Strategic Micro-Cap	43.2	40.6	1.6				75.0	61.5	79.5	78.9	-6.2	-5.7	-7.3	1.3		0	0	0	1.8	1.8
Gresham House Strategic	49.2	45.0	1.5	15.1			1275.0	860.0	1275.0	1394.8	-8.6	-26.1	-18.0	1.8	2.7	0	0	0	2.9	8.2
Henderson Smaller Companies	890.2	815.7	2.1	9.5	15.3	15.9	1092.0	764.0	1102.0	1102.0	-0.9	-8.0	-8.4	2.3	2.6	8	11	7	0.4	0.4
Invesco Perpetual UK Smaller Companies	208.1	210.1	3.1	-0.9	6.3	10.7	631.0	444.0	638.0	618.1	1.0	-2.5	-3.2	1.8	2.8	0	0	0	0.9	1.0
JPMorgan Smaller Companies	276.9	245.9	1.7	1.9	14.5	23.4	320.0	193.0	320.0	323.1	-2.5	-16.0	-13.9	3.2	3.9	9	15	10	1.1	1.1
Marwyn Value Investors	97.9	64.6	0.0	-25.0			105.5	105.5	134.0	160.8	-34.1	-25.1	-31.1	-1.2	-1.0	20	0	0	0.0	0.0
Marwyn Value Investors Realisation	7.3	6.0	0.0				142.5	142.5	170.0	174.2	-18.2	5.2	-7.4	-1.5	0.0	42	0	0	0.0	0.0
Miton UK Microcap	73.6	72.3	0.4	-44.4	12.6		52.3	46.2	57.1	53.2	-1.7	-5.4	-5.1	0.4	0.2	0	0	0	1.5	1.5
Montanaro UK Smaller Companies	288.6	244.4	3.4	76.8	24.8	21.0	146.0	101.0	146.0	154.5	-5.5	-15.6	-14.3	1.6	2.1	10	13	8	0.8	0.8
Odyssean	102.0	99.3					113.0	95.3	113.0	115.6	-2.7	-1.7	-0.8	0.0		0	0	0	1.6	1.6
Oryx International Growth	161.4	134.1					945.0	752.5	945.0	1137.0	-16.9	-26.5	-21.2	0.7	-0.2	0	0	0	1.7	1.7
Rights & Issues	172.7	167.0	1.4	2.4	-4.4	1.0	2225.0	1855.0	2230.0	2290.2	-3.3	-9.3	-7.1	0.0	0.9	0	0	0	0.5	0.5
River and Mercantile UK Micro Cap	89.2	78.3					169.0	149.5	173.0	192.1	-12.3	-15.3	-14.1	-0.4	-1.1	0	0	0	1.3	4.7
Standard Life UK Smaller Companies	654.5	626.6	1.2	10.0	5.3	11.3	638.0	406.5	638.0	627.6	-0.3	-8.3	-7.1	3.5	2.8	2	7	4	0.9	0.9
Strategic Equity Capital	181.4	155.1	0.5	50.0	24.4	14.0	245.0	193.0	245.0	286.6	-14.5	-15.8	-15.6	0.3	-0.4	0	0	0	1.1	1.4
SVM UK Emerging	6.9	6.1					103.0	83.5	103.0	115.0	-10.8	-19.9	-18.5	0.1	0.2	0	0	0	1.8	1.8
Worsley Investors	10.7	7.4					31.5	29.7	38.5	45.8	-31.3	-28.1	-28.7	-1.1	-1.6	0	0	0	10.1	10.1
											-9.6					**6**				
UK EQUITY & BOND INCOME																				
Acorn Income	106.5	64.2	4.5	5.1	10.3	10.3	406.0	331.0	407.5	466.6	-13.0	-14.5	-12.4	0.1	-1.0	29	94	44	1.6	1.6
Henderson High Income	306.6	246.9	5.1	2.1	2.3	2.7	191.8	157.5	193.0	190.5	0.8	-5.6	-3.1	2.2	1.3	25	31	25	0.8	0.8
GLOBAL																				
Alliance	3171.7	2783.9	1.6	3.0	7.3	7.3	840.0	688.0	853.0	883.7	-4.3	-5.8	-5.2	0.3	0.1	6	10	8	0.7	0.7
AVI Global	1065.8	855.1	1.9	26.9	12.1	9.5	778.0	666.0	789.0	856.0	-8.6	-10.7	-9.3	0.0	-0.3	5	17	11	0.9	0.9
Bankers	1282.5	1227.6	2.1	6.0	7.7	6.9	994.0	778.0	1012.0	989.0	1.1	-2.0	-1.6	2.0	1.5	0	7	6	0.5	0.5
Brunner	439.8	388.5	2.1	10.0	5.9	4.6	911.0	695.0	915.0	963.1	-5.5	-8.5	-9.1	1.2	1.5	8	8	7	0.7	0.7
EP Global Opportunities	133.2	125.7	1.7	3.8	21.1	15.3	310.0	290.0	319.0	323.6	-5.6	-5.7	-5.8	-0.2	-0.3	0	0	0	0.9	0.9
F&C	4533.3	4156.5	1.5	5.8	4.6	4.1	765.0	633.0	778.0	759.8	0.8	-4.9	-2.2	0.9	1.0	9	11	8	0.6	0.6
JPMorgan Elect (Managed Growth Pool)	279.9	274.4	1.7	18.3	21.2	15.6	902.5	727.5	902.5	920.7	-2.0	-2.4	-2.3	0.3	0.3	0	0	0	0.6	0.6
Lindsell Train	222.4	246.0	2.7	30.9	51.0	32.8	120750.0	119750.0	200000.0	111220.7	10.6	21.9	50.7	-1.8	-1.6	1	0	0	0.9	2.4
Majedie	179.9	136.9	3.9	3.6	9.2	8.7	261.0	236.0	277.5	292.1	-11.7	-15.8	-15.0	1.0	0.3	15	17	15	1.0	1.0
Manchester & London	170.3	185.0	2.7	16.7	83.9	13.4	556.0	415.0	570.0	524.7	8.6	-1.4	-4.4	0.6	0.8	0	0	0	0.8	1.1
Martin Currie Global Portfolio	252.9	253.6	1.4	0.0	0.4	1.0	302.5	232.0	309.5	305.2	0.3	-0.5	-0.2	-0.7	-0.3	0	0	0	0.6	0.8
Mid Wynd International	270.7	272.8	1.0	5.1	9.0	8.9	602.0	465.0	608.0	586.4	3.2	2.2	2.3	0.6	0.9	0	5	2	0.5	0.5
Monks	2180.3	2120.9	0.2	32.1	7.2	-14.1	959.0	726.0	971.0	924.9	4.0	3.6	3.6	-1.1	0.5	5	12	7	0.5	0.5
Scottish	790.0	620.9	3.3	7.6	19.1	13.7	832.0	755.0	843.0	919.6	-8.6	-8.7	-8.8	-0.7	-1.1	5	17	15	0.6	0.6
Scottish Mortgage	9033.4	8496.4	0.6	2.0	1.9	1.5	579.0	441.4	588.0	566.9	2.8	-2.2	0.8	0.1	-0.3	8	12	9	0.4	0.4
Witan	2344.4	2004.8	2.1	11.9	11.4	10.3	231.5	193.0	234.5	235.4	-1.7	-3.2	-2.8	1.5	-0.3	14	23	15	0.8	0.9
											-1.0					**5**				
GLOBAL EQUITY INCOME																				
Henderson International Income	353.2	332.9	3.4	7.6	7.0	6.1	172.5	152.0	174.0	168.6	2.8	-0.3	1.2	1.1	0.9	6	11	0	0.8	0.8
Invesco Perpetual Select Global Equity Income Portfolio	70.0	65.5	3.2	3.0	7.9	14.2	217.0	184.0	217.0	218.6	-0.7	-3.1	-2.1	-0.5	-1.0	5	14	4	0.9	0.9
JPMorgan Global Growth & Income	502.2	479.1	3.9	3.0	57.6	33.1	346.5	283.5	354.0	336.7	3.7	3.9	2.2	-0.6	0.4	2	11	8	0.6	0.6
Murray International	1756.9	1639.9	4.4	3.0	3.5	3.7	1260.0	1114.0	1286.0	1203.0	5.4	-1.0	1.5	0.7	1.0	12	14	12	0.7	0.7
Scottish American	690.7	632.9	2.9	3.6	2.4	2.4	426.0	350.0	431.0	406.4	5.6	4.2	4.2	0.4	1.0	15	20	15	0.8	0.8
Securities of Scotland	237.9	215.4	3.1	2.5	2.5	5.4	207.0	153.3	209.0	204.7	1.2	-2.6	-4.2	1.9	3.2	7	15	12	0.9	0.9
											3.0					**8**				

Money Observer's 2020 Rated Funds highlighted in yellow • **as at 1 January 2020**

Sector and trust name	Ticker	NET ASSET VALUE TOTAL RETURN (%) AND SECTOR RANK												SHARE PRICE TOTAL RETURN (%) AND RANK AFTER											
		1 month	Rank	3 months	Rank	6 months	Rank	1 year	Rank	3 years	Rank	7 years	Rank	1 month	Rank	3 months	Rank	6 months	Rank	1 year	Rank	3 years	Rank	7 years	Rank
GLOBAL SMALLER COMPANIES																									
BMO Global Smaller Companies	BGSC	3.0	2	4.9	3	7.6	2	22.7	4	29.2	4	153.1	4	2.8	3	6.8	4	8.4	3	19.9	5	21.0	4	138.4	4
Edinburgh Worldwide	EWI	-2.5	5	5.1	2	0.1	5	24.7	3	73.7	1	191.4	1	-1.2	5	7.1	3	2.7	5	33.5	2	98.3	1	239.7	1
Herald	HRI	3.7	1	7.7	1	8.8	1	27.5	2	54.0	2	164.0	2	5.3	2	14.2	2	10.8	2	37.7	1	67.7	2	189.0	2
North Atlantic Smaller Companies	NAS	0.2	3	4.0	4	5.5	3	16.6	5	40.5	3	161.7	3	13.0	1	15.6	1	18.4	1	31.9	3	37.9	3	165.4	3
Smithson	SSON	-0.5	4	3.5	5	4.4	4	33.2	1					-0.5	4	4.0	5	5.2	4	29.8	4				
Average/count		**0.8**	**5**	**5.0**	**5**	**5.3**	**5**	**24.9**	**5**	**49.4**	**4**	**167.6**	**4**	**3.9**	**5**	**9.6**	**5**	**9.1**	**5**	**30.6**	**5**	**56.2**	**4**	**183.1**	**4**
GLOBAL HIGH INCOME																									
Blue Planet	BLP	2.3	1	5.8	1	0.0	1	11.1	1	3.1	1	67.6	1	2.9	1	-7.8	1	-3.6	1	1.6	1	8.5	1	127.0	1
GLOBAL EMERGING MARKETS																									
Aberdeen Emerging Markets*	AEMC	4.1	4	2.2	7	1.3	7	17.2	7	25.9	6	50.7	8	2.9	9	4.2	6	2.7	7	20.0	6	27.7	6	47.8	8
Aberdeen Frontier Markets*	AFMC	-1.1	14	-5.2	11	-3.5	11	-2.5	12	-20.3	10	12.0	9	0.4	11	2.6	7	-1.9	10	1.4	10	-21.1	11	20.0	9
Africa Opportunity*	AOF	0.7	11	-8.8	14	-11.5	14	-9.0	14	-34.3	11	-16.8	10	-2.4	12	-7.0	13	-7.2	11	-7.9	12	-15.7	10	-5.2	10
Ashmore Global Opportunities GBP*	AGOL	0.0	12	-26.6	15	-25.0	15	-40.4	15	-41.8	12	-63.5	12	-16.3	15	-49.2	16	-51.3	16	-58.9	16	-60.8	13	-72.0	12
BlackRock Frontiers	BRFI	0.0	13	-4.5	10	-7.4	12	1.1	9	9.2	9	90.6	2	5.1	5	2.3	8	-1.5	9	3.6	9	16.7	8	112.0	1
Fundsmith Emerging Equities	FEET	-2.2	15	-6.7	12	-3.4	10	-0.6	10	16.9	7			-3.1	13	-4.8	12	-7.9	12	-7.4	11	4.4	9		
Genesis Emerging Markets*	GSS	3.3	7	2.7	6	4.5	3	23.4	2	33.7	3	63.0	5	3.4	7	5.7	4	6.6	4	26.9	2	39.2	3	54.6	6
Gulf*	GIF	2.8	9	-2.1	8	1.9	6	19.0	6	12.6	8	106.6	1	-3.9	14	-2.9	11	3.2	6	22.0	4	20.1	7	110.6	2
JPMorgan Emerging Markets Inv	JMG	3.3	8	3.8	5	4.2	4	20.4	4	46.8	1	85.5	3	5.3	4	8.7	2	7.2	3	26.3	3	60.9	1	95.4	3
JPMorgan Global Emerging Markets Income	JEMI	5.3	3	4.8	3	3.4	5	19.3	5	31.2	4	58.9	7	6.9	2	4.4	5	5.6	5	15.1	8	33.2	5	52.2	7
Jupiter Emerging & Frontier Income	JEFI	3.9	5	5.9	2	9.4	1	21.9	3					4.7	6	9.9	1	11.4	1	21.8	5				
Mobius	MMIT	5.3	2	4.2	4	-1.6	8	-1.5	11					3.0	8	-0.8	10	-14.6	13	-9.5	13				
ScotGems	SGEM	1.3	10	-6.8	13	-9.9	13	-6.4	13					1.4	10	-10.1	14	-17.4	14	-23.2	14				
Templeton Emerging Markets	TEM	5.5	1	5.9	1	7.3	2	24.1	1	43.6	2	60.5	6	7.1	1	7.6	3	7.6	2	27.1	1	50.4	2	61.7	5
Utilico Emerging Markets	UEM	3.5	6	-2.7	9	-3.0	9	14.8	8	29.4	5	80.5	4	6.3	3	0.0	9	-0.9	8	19.6	7	36.3	4	82.2	4
Average/count		**2.4**	**15**	**-2.3**	**15**	**-2.2**	**15**	**6.7**	**15**	**12.7**	**12**	**48.0**	**11**	**1.4**	**15**	**-2.0**	**15**	**-3.9**	**15**	**5.1**	**15**	**15.9**	**12**	**50.8**	**11**
NORTH AMERICA																									
Baillie Gifford US Growth	USA	-1.1	6	4.2	1	-2.2	6	26.6	2					1.6	1	7.7	1	0.4	6	30.0	1				
BlackRock North American Income	BRNA	0.1	4	0.2	3	5.4	3	20.7	4	23.9	2	145.0	3	-0.1	4	1.2	3	5.7	3	23.9	4	27.2	3	141.3	3
Gabelli Value Plus+	GVP	-0.5	5	0.2	4	2.4	4	18.9	5	8.8	5			-1.1	5	-1.5	6	9.8	1	14.5	6	2.8	5		
JPMorgan American	JAM	0.6	2	1.0	2	5.5	1	21.6	3	38.4	1	205.2	1	1.4	2	1.4	2	6.1	2	22.8	5	36.3	1	192.4	1
Middlefield Canadian Income s*	MCT	0.6	3	-0.7	6	5.5	2	27.7	1	13.0	4	62.8	4	-4.1	6	0.5	4	5.1	4	23.9	3	14.1	4	35.9	4
The North American Income	NAIT	0.8	1	-0.6	5	1.5	5	15.8	6	22.9	3	157.9	2	0.5	3	-1.1	5	2.1	5	26.2	2	32.6	2	179.3	2
Average/count		**0.1**	**6**	**0.7**	**6**	**3.0**	**6**	**21.9**	**6**	**21.4**	**5**	**142.7**	**4**	**-0.3**	**6**	**1.4**	**6**	**4.9**	**6**	**23.6**	**6**	**22.6**	**5**	**137.2**	**4**
NORTH AMERICAN SMALLER COMPANIES																									
JPMorgan US Smaller Companies	JUSC	0.3	1	0.4	2	3.9	2	25.9	1	26.1	2	207.7	1	4.5	1	8.3	1	12.1	1	33.4	1	27.0	1	250.9	1
Jupiter US Smaller Companies	JUS	0.2	2	2.9	1	6.9	1	25.7	2	28.1	1	141.4	2	0.9	2	3.4	2	8.4	2	23.6	2	24.8	2	115.9	2
EUROPE																									
Baillie Gifford European Growth	BGEU	2.9	1	3.8	2	3.7	4	15.0	8	13.3	8	76.2	8	2.5	3	9.6	2	9.0	2	16.9	7	23.3	7	95.9	8
BlackRock Greater Europe	BRGE	0.6	8	5.1	1	5.1	3	31.0	1	47.5	2	132.4	4	2.8	2	7.4	3	8.0	3	34.7	1	53.1	2	139.9	4
European Opportunities	JEO	1.3	7	-1.2	8	-0.2	8	21.4	5	51.3	1	165.1	1	-2.5	8	-2.9	8	-6.2	8	19.7	6	51.4	3	141.3	3
Fidelity European Values	FEV	1.9	3	1.5	7	3.3	5	23.8	4	41.4	3	124.1	6	2.4	4	5.5	4	4.9	5	30.6	3	53.7	1	137.3	5
Henderson Euro	HNE	2.0	2	3.1	4	5.5	2	25.2	2	34.7	4	143.6	2	1.3	5	4.2	5	5.6	4	23.9	4	34.8	4	145.2	2
Henderson European Focus	HEFT	1.6	5	3.5	3	5.5	1	24.4	3	27.7	5	134.2	3	5.8	1	10.0	1	11.4	1	31.5	2	33.5	5	150.0	1
JPMorgan European (Growth Pool)	JETG	1.7	4	2.4	5	2.6	7	18.5	6	22.7	7	105.2	7	0.9	6	3.7	6	-0.2	6	20.3	5	22.0	8	105.4	7
JPMorgan European Income Pool	JETI	1.4	6	2.3	6	3.1	6	15.1	7	24.2	6	125.6	5	-1.6	7	3.6	7	-1.7	7	13.1	8	25.9	6	121.9	6
Average/count		**1.7**	**8**	**2.6**	**8**	**3.6**	**8**	**21.8**	**8**	**32.9**	**8**	**125.8**	**8**	**1.4**	**8**	**5.2**	**8**	**3.8**	**8**	**23.8**	**8**	**37.2**	**8**	**129.6**	**8**
EUROPEAN SMALLER COMPANIES																									
European Assets	EAT	1.6	4	4.6	3	0.0	4	20.6	3	24.1	4	141.6	4	6.3	1	7.9	3	0.1	4	24.8	3	29.8	4	143.6	4
JPMorgan European Smaller Companies	JESC	2.1	3	3.8	4	2.3	3	16.4	4	30.4	2	175.2	2	4.7	3	7.1	4	4.1	3	18.6	4	36.7	2	189.9	2
Montanaro European Smaller Companies	MTE	2.7	2	6.9	2	4.1	2	31.9	1	61.2	1	157.0	3	3.2	4	9.7	2	5.4	2	38.2	1	88.3	1	185.9	3
TR European Growth	TRG	4.3	1	9.6	1	5.9	1	25.3	2	25.8	3	184.3	1	6.0	2	14.0	1	10.3	1	28.2	2	32.3	3	222.4	1
EUROPEAN EMERGING MARKETS																									
Baring Emerging Europe	BEE	4.2	1	4.8	1	3.0	1	30.6	1	33.7	1	47.6	1	4.8	1	6.9	1	6.5	1	42.0	1	48.4	1	57.5	1
ASIA PACIFIC																									
Aberdeen New Dawn	ABD	3.8	4	2.0	5	1.0	6	17.1	3	39.8	4	68.0	8	4.9	1	4.9	4	0.6	6	20.5	1	44.0	4	60.8	8
All Active Asset Capital*	AAA	0.0	8	0.0	8	0.0	8	0.0	9	-49.5	9			0.0	8	0.0	8	-20.0	9	-68.0	9	-95.8	9		
Asia Dragon	DGN	4.0	3	1.4	6	1.2	5	17.3	2	39.1	5	70.9	6	3.6	4	3.5	5	2.4	3	16.1	4	41.2	5	65.6	7
Invesco Asia	IAT	4.5	1	3.4	3	2.9	2	13.6	6	33.5	6	112.8	1	4.3	3	6.5	2	2.0	4	15.5	5	37.3	6	119.4	3
Pacific Assets	PAC	-1.5	9	-4.6	9	-3.1	9	2.0	8	23.5	7	102.0	4	-4.3	9	-5.8	9	-8.4	8	-0.8	8	19.3	8	120.8	2
Pacific Horizon	PHI	4.4	2	4.5	1	7.2	1	22.7	1	54.1	1	101.6	5	2.2	6	5.6	3	0.6	5	14.0	6	59.1	1	112.8	4
Schroder Asian Total Return	ATR	2.1	6	2.2	4	0.6	7	15.7	4	43.3	2	102.7	2	2.1	7	1.5	7	0.0	7	13.1	7	50.9	2	123.0	1
Schroder AsiaPacific	SDP	3.6	5	4.1	2	1.6	4	15.0	5	40.8	3	102.2	3	4.4	2	8.4	1	3.2	2	17.9	3	47.3	3	110.2	5
Witan Pacific	WPC	1.9	7	0.9	7	2.1	3	10.7	7	21.8	8	68.3	7	2.4	5	1.9	6	4.7	1	20.3	2	28.8	7	88.5	6
Average/count		**2.5**	**9**	**1.6**	**9**	**1.5**	**9**	**12.7**	**9**	**27.4**	**9**	**91.1**	**8**	**2.2**	**9**	**3.0**	**9**	**-1.7**	**9**	**5.4**	**9**	**25.8**	**9**	**100.1**	**8**
ASIA PACIFIC INCOME																									
Aberdeen Asian Income*	AAIF	2.5	2	-1.4	4	-2.0	4	11.1	4	21.9	4	49.6	4	3.4	2	1.6	3	0.7	3	14.2	3	25.8	3	30.2	4
Henderson Far East Income*	HFEL	2.4	3	0.1	3	0.5	2	16.0	2	27.8	2	70.0	3	3.2	3	0.9	4	1.6	2	12.7	4	27.2	2	70.0	3
JPMorgan Asian	JAI	4.7	1	3.4	1	3.9	1	17.0	1	50.8	1	113.7	1	6.2	1	10.3	1	7.9	1	24.1	1	66.5	1	133.2	1
Schroder Oriental Income*	SOI	1.7	4	0.3	2	-1.5	3	14.0	3	22.8	3	85.4	2	2.4	4	3.4	2	0.2	4	15.6	2	24.7	4	89.1	2
ASIA PACIFIC SMALLER COMPANIES																									
Aberdeen Standard Asia Focus	AAS	1.4	1	-0.1	1	-1.3	1	7.5	1	14.6	1	57.0	3	0.7	3	1.8	1	-1.0	2	8.1	1	19.3	2	31.0	3
Fidelity Asian Values	FAS	0.6	2	-2.8	2	-5.1	2	1.8	3	10.8	2	102.8	1	2.8	2	-1.0	2	-5.6	3	2.2	3	23.9	1	133.6	1
Scottish Oriental Smaller Companies	SST	-0.7	3	-5.2	3	-5.7	3	2.0	2	8.5	3	60.0	2	3.4	1	-1.9	3	-0.9	1	4.4	2	12.8	3	44.4	2
JAPAN																									
Aberdeen Japan	AJIT	-0.1	4	2.7	3	11.6	2	22.6	4	21.3	5	99.6	5	-0.4	3	5.1	2	13.6	2	22.3	3	23.2	5	105.6	5
Baillie Gifford Japan	BGFD	-0.4	6	-1.5	6	6.7	6	26.1	3	45.0	2	271.1	1	-1.6	5	-1.0	6	2.8	6	21.8	4	47.2	2	292.9	1
CC Japan Income & Growth	CCJI	0.6	1	0.5	5	8.5	3	21.3	5	41.1	3			0.5	2	2.0	5	3.0	5	11.1	5	42.7	4		
Fidelity Japan	FJV	0.1	2	6.8	1	18.9	1	36.6	1	54.9	1	220.2	2	2.3	1	12.0	1	22.9	1	39.4	1	74.4	1	242.9	2
JPMorgan Japanese	JFJ	0.0	3	2.8	2	8.3	4	26.2	2	40.6	4	194.6	3	-2.0	6	4.8	3	5.1	4	23.6	2	44.1	3	199.7	3
Schroder Japan Growth	SJG	-0.2	5	2.5	4	8.3	5	13.6	6	15.2	6	140.1	4	-0.8	4	3.8	4	10.1	3	9.2	6	9.6	6	148.7	4
Average/count		**0.0**	**6**	**2.3**	**6**	**10.4**	**6**	**24.4**	**6**	**36.4**	**6**	**185.1**	**5**	**-0.3**	**6**	**4.5**	**6**	**9.6**	**6**	**21.2**	**6**	**40.2**	**6**	**198.0**	**5**
JAPANESE SMALLER COMPANIES																									
Atlantis Japan Growth*	AJG	1.5	2	5.3	2	13.5	1	33.6	1	62.4	2	188.1	3	-0.3	2	2.4	3	9.9	2	25.6	2	60.8	1	164.8	3
AVI Japan Opportunity	AJOT	1.6	1	9.5	1	10.1	2	19.0	3					-0.7	3	10.4	1	6.8	3	14.3	3				
Baillie Gifford Shin Nippon	BGS	-2.7	4	1.4	4	4.9	4	18.3	4	64.9	1	372.0	1	-3.7	4	-1.2	4	-1.3	4	10.3	4	55.4	2	350.6	1
JPMorgan Japan Smaller Companies	JPS	-0.5	3	3.9	3	9.6	3	26.6	2	39.9	3	208.4	2	1.5	1	7.9	2	15.9	1	35.8	1	54.6	3	226.0	2
LATIN AMERICA																									
Aberdeen Latin American Income*	ALAI	6.5	2	0.8	2	-0.7	1	12.9	2	22.9	2	9.8	2	6.1	2	2.4	2	2.4	1	16.3	2	23.2	2	0.5	2
BlackRock Latin American	BRLA	10.2	1	7.3	1	-1.6	2	14.2	1	34.6	1	20.9	1	8.5	1	6.8	1	-3.6	2	17.2	1	39.1	1	23.2	1
COUNTRY SPECIALISTS: LATIN AMERICA																									
JPMorgan Brazil	JPB	10.3	1	6.2	1	4.9	1	23.6	1	43.7	1	7.5	1	6.1	1	3.5	1	5.7	1	22.2	1	31.3	1	-6.9	1
COUNTRY SPECIALIST: EUROPE EX UK																									
JPMorgan Russian Securities	JRS	5.1	1	8.5	1	11.1	1	45.3	1	51.7	1	83.2	1	5.3	1	6.7	1	14.7	1	55.2	1	61.7	1	88.6	1
COUNTRY SPECIALIST: ASIA PACIFIC EX JAPAN																									
Aberdeen New India	ANII	-2.0	7	-4.8	7	-3.6	6	0.2	6	27.9	4	117.2	5	-0.4	6	-4.9	7	-7.5	10	0.6	10	26.7	5	114.2	5
Aberdeen New Thai	ANW	-3.3	12	-9.3	10	-11.4	11	4.9	5	17.9	6	51.8	8	-3.9	9	-9.4	11	-10.5	11	3.7	8	22.0	7	55.6	8

Sector and trust name	TRUST SIZE (£M) Total assets	Mkt cap	TOTAL DIST. YIELD (%)	DIVIDEND GROWTH (%) 1 year	3 years	5 years	SHARE PRICE (pence) Current	1 year low	1 year high	Current NAV per share (p)	DISCOUNT/PREMIUM (%) Current	Last quarter	1 year average	Z-SCORE 1 year	3 years	GEARING (%) Current	3 year high	3 year low	ONGOING CHARGES (%) Excl. perf fee	Incl. perf fee
GLOBAL SMALLER COMPANIES																				
BMO Global Smaller Companies	985.7	896.3	1.1	14.6	15.5	15.6	145.1	122.0	149.0	153.6	-3.9	-6.5	-4.5	-0.3	-1.3	5	33	2	0.8	0.8
Edinburgh Worldwide	624.6	598.1					197.1	143.8	205.6	190.8	3.6	1.6	1.4	0.0	0.6	6	13	8	0.8	0.8
Herald	1127.9	1002.9	0.0				1480.0	1060.0	1514.0	1675.6	-11.1	-15.6	-14.6	-0.2	0.2	0	0	0	1.1	1.1
North Atlantic Smaller Companies	601.4	492.8	0.7				3475.0	2660.0	3500.0	4246.8	-18.1	-25.7	-24.7	3.4	1.6	0	0	0	1.1	1.4
Smithson	1453.6	1504.7	0.0				1298.0	1000.2	1334.0	1269.4	3.5	3.1	3.1	-1.1		0	0	0		
											-5.2					**2**				
GLOBAL HIGH INCOME																				
Blue Planet	31.8	17.6	5.2	-50.0	-7.2	0.9	35.5	33.5	43.5	46.4	-23.5	-13.4	-17.6	-1.2	-1.4	36	63	8	3.5	3.5
GLOBAL EMERGING MARKETS																				
Aberdeen Emerging Markets	342.5	274.0	3.0	0.0			599.0	516.0	620.0	690.8	-13.7	-14.6	-13.7	0.5	0.4	3	9	7	1.0	1.0
Aberdeen Frontier Markets	36.6	33.4	3.0	2.3	17.1		46.4	45.5	49.5	50.9	-8.9	-14.7	-11.0	1.4	0.7	0	0	0	2.0	2.0
Africa Opportunity	36.2	32.2	0.0				42.7	43.7	46.8	48.4	-11.0	-10.6	-13.1	0.8	1.1	0	0	0	2.4	2.4
Ashmore Global Opportunities GBP	11.6	1.6	0.0				152.0	152.0	372.4	282.0	-45.9	-31.9	-27.9	-1.9	-2.5	0	0	0	0.7	0.7
BlackRock Frontiers	315.5	320.5	4.4	5.8	5.9	8.7	135.0	124.5	144.3	130.7	1.6	-2.4	0.0	1.5	0.8	0	49	0	1.4	1.4
Fundsmith Emerging Equities	326.1	294.4	0.2				1100.0	1075.0	1257.5	1224.1	-9.7	-11.1	-4.7	-1.2	-2.3	0	0	0	1.5	1.5
Genesis Emerging Markets	1068.2	970.5	1.7	0.1			792.0	628.0	805.0	879.4	-9.1	-11.5	-10.9	0.5	1.3	0	0	0	1.0	1.0
Gulf	128.9	89.2	2.2	0.0	-9.1	-3.0	95.5	80.1	102.1	106.3	-9.2	-8.0	-9.7	-0.1	1.0	0	0	0	1.9	1.9
JPMorgan Emerging Markets Inv	1368.6	1289.2	1.2	12.0	15.9	20.6	1064.0	842.0	1072.0	1129.4	-5.4	-8.8	-8.2	1.0	1.7	0	1	0	1.0	1.0
JPMorgan Global Emerging Markets Income	457.2	408.7	3.5	2.0	1.3	0.8	136.3	122.0	143.5	142.9	-3.8	-3.6	-2.9	-1.0	-0.7	7	10	6	1.3	1.3
Jupiter Emerging & Frontier Income	109.6	95.7	6.4				106.0	91.0	108.3	109.2	-2.7	-6.5	-3.2	0.1		10	18	11	1.2	1.2
Mobius	102.0	89.9					85.5	80.5	105.5	97.1	-11.9	-7.2	-1.4	-1.9		0	0	0		
ScotGems	47.0	38.0	0.0				71.0	70.0	94.0	87.8	-19.1	-14.9	-9.0	-1.1		0	0	0	1.5	1.5
Templeton Emerging Markets	2406.4	2063.6	1.7	6.7	24.7	17.2	840.0	677.0	850.0	939.7	-9.9	-10.5	-10.3	0.1	1.1	1	8	5	1.0	1.0
Utilico Emerging Markets	696.5	542.8	2.9	2.9	4.0	9.5	237.0	204.6	258.0	261.7	-9.1	-11.2	-11.2	1.3	1.4	19	18	9	1.1	1.1
											-11.2					**3**				
NORTH AMERICA																				
Baillie Gifford US Growth	348.4	347.4					140.5	108.1	149.5	135.5	3.7	1.9	2.3	-0.7		2	11	3	0.9	0.9
BlackRock North American Income	151.3	154.3	4.3	0.0	19.4	14.9	191.0	161.0	203.0	187.6	1.9	2.3	2.2	-0.7	0.8	0	0	0	1.1	1.1
Gabelli Value Plus+	145.4	129.2	0.5	25.0	35.7		131.5	115.5	137.5	148.0	-11.1	-7.8	-10.9	-0.2	-1.0	0	0	0	1.4	1.4
JPMorgan American	1064.3	1014.2	1.3	18.2	17.6	19.2	483.0	396.0	494.5	508.4	-4.7	-4.0	-5.0	-1.0	-0.8	0	1	0	0.4	0.4
Middlefield Canadian Income s	125.3	110.7	4.3	0.0	0.7	0.4	100.0	85.0	106.0	117.6	-11.6	-14.7	-13.2	1.2	0.6	0	0	0	1.4	1.4
The North American Income	449.3	435.0	2.9	9.0	8.8	9.5	303.5	248.0	312.5	301.7	0.8	2.2	-0.6	0.8	1.6	0	11	4	1.0	1.0
											-3.5					**0**				
NORTH AMERICAN SMALLER COMPANIES																				
JPMorgan US Smaller Companies	217.3	202.7	0.7	0.0			352.0	266.0	361.0	347.0	1.2	-4.6	-3.2	1.7	1.2	4	15	1	1.4	1.4
Jupiter US Smaller Companies	176.4	151.6	0.0				1132.5	912.0	1170.0	1238.8	-8.2	-7.4	-8.3	0.4	0.4	5	8	5	0.9	0.9
EUROPE																				
Baillie Gifford European Growth	392.4	357.8	3.2	14.8	24.7	17.2	888.0	754.0	890.0	975.0	-8.8	-12.1	-11.2	2.0	2.1	0	0	0	0.6	0.6
BlackRock Greater Europe	377.9	343.6	1.2	1.7	3.4	4.5	407.0	307.0	407.5	416.5	-2.2	-4.3	-3.9	0.3	0.7	7	8	0	1.1	1.1
European Opportunities	1062.1	915.4	0.6	-15.4	0.0	9.5	807.0	675.0	875.0	865.7	-6.3	-3.6	-3.4	-1.5	-1.8	8	11	7	0.9	1.7
Fidelity European Values	1238.0	1076.0	2.2	44.4	23.6	16.1	260.0	207.0	263.5	279.9	-6.6	-9.3	-8.5	1.1	1.5	6	12	7	0.9	0.9
Henderson Euro	291.0	251.0	2.3	22.0	18.1	12.4	1185.0	980.0	1215.0	1326.4	-10.7	-9.2	-9.6	-0.7	-1.1	3	8	1	0.8	0.8
Henderson European Focus	325.2	285.9	2.2	1.0	5.8	5.9	1370.0	1070.0	1370.0	1453.3	-8.5	-10.0	-9.2	-1.7	-1.3	4	5	0	0.8	0.8
JPMorgan European (Growth Pool)	273.1	202.1	2.6	29.2	14.8	5.7	292.5	251.0	304.0	335.7	-12.4	-13.3	-12.0	-1.1	-1.3	17	21	15	1.0	1.0
JPMorgan European Income Pool	206.2	152.9	3.6	7.8	9.6	5.6	153.0	140.3	160.0	176.4	-13.3	-14.5	-11.3	0.2	-0.3	14	20	14	1.1	1.1
											-8.6					**7**				
EUROPEAN SMALLER COMPANIES																				
European Assets	422.9	396.8	5.2	-100.0	-100.0	-100.0	110.0	93.3	115.0	117.5	-6.2	-9.3	-7.7	0.3	-0.8	0	5	0	1.0	1.0
JPMorgan European Smaller Companies	771.6	606.0	1.5	0.0	27.9	18.2	382.0	326.0	385.0	437.3	-13.1	-14.7	-13.6	0.4	-0.6	12	13	1	1.1	1.1
Montanaro European Smaller Companies	197.9	187.4	0.8	5.9	6.3	5.2	1120.0	807.5	1130.0	1182.6	-5.3	-6.0	-7.3	0.6	1.4	0	6	0	1.2	1.2
TR European Growth	609.4	489.1	2.0	15.8	34.7	27.6	967.0	774.0	980.0	1096.4	-11.0	-14.2	-12.7	0.5	-0.5	11	14	8	0.7	0.7
EUROPEAN EMERGING MARKETS																				
Baring Emerging Europe	131.3	111.7	3.6	2.9	15.0	13.0	904.0	663.0	904.0	984.7	-8.7	-9.9	-10.7	1.6	2.1	5	9	7	1.5	1.5
ASIA PACIFIC																				
Aberdeen New Dawn	358.3	287.9	1.5	0.0	3.3	3.6	258.0	215.0	269.5	292.5	-11.3	-13.0	-11.7	0.8	1.6	9	19	10	0.9	0.9
All Active Asset Capital	1.2	1.0	0.0				0.4	0.4	1.3	0.5	-20.0	-20.0	-9.2	-0.3	-1.2	0	0	0	18.3	18.3
Asia Dragon	628.8	527.2	1.0	18.8	14.1	16.6	413.0	353.0	427.0	467.1	-11.8	-12.4	-11.0	0.1	0.6	5	10	0	0.8	0.8
Invesco Asia	238.4	196.2	2.1	3.6	16.0	10.6	293.0	255.0	300.0	329.1	-10.8	-13.1	-10.8	0.2	0.9	9	9	0	1.0	1.0
Pacific Assets	349.8	335.7	1.0	15.4	10.9	2.9	277.5	270.0	311.5	289.2	-4.0	-1.9	-0.1	-2.3	-0.9	0	0	0	1.2	1.2
Pacific Horizon	231.3	195.8	0.0				330.0	288.0	349.0	359.5	-7.7	-8.9	-3.2	-0.7	-0.4	7	23	9	1.0	1.0
Schroder Asian Total Return	374.9	362.2	1.7	29.2	17.7	13.8	368.0	324.0	383.0	370.6	-0.2	0.1	1.1	-1.6	-0.5	4	9	3	0.9	0.9
Schroder AsiaPacific	867.9	797.2	1.9	2.1	26.9	28.7	471.5	389.0	476.5	518.2	-8.2	-11.6	-9.7	0.5	1.2	0	3	0	0.9	0.9
Witan Pacific	231.8	211.2	1.9	27.3	14.6	9.5	345.0	292.0	347.0	378.7	-8.9	-10.6	-10.8	1.2	1.9	0	0	0	1.0	1.0
											-9.2					**4**				
ASIA PACIFIC INCOME																				
Aberdeen Asian Income	447.3	383.7	4.0	1.7	2.5	3.0	214.0	194.0	222.5	231.4	-6.7	-9.5	-7.8	-0.4	0.0	8	10	9	1.1	1.1
Henderson Far East Income	499.2	495.1	6.2	3.7	3.9	4.2	365.5	330.0	387.0	359.0	2.0	0.9	1.9	1.2	1.1	1	6	0	1.1	1.1
JPMorgan Asian	392.0	368.8	3.8	180.4	73.6	48.2	394.0	324.0	395.5	416.7	-5.9	-11.3	-7.8	1.1	1.9	0	0	0	0.8	0.8
Schroder Oriental Income	737.1	692.7	4.0	4.1	5.9	5.7	258.0	230.0	274.0	254.5	1.0	-1.4	0.7	-0.6	-0.3	5	14	6	0.9	0.9
ASIA PACIFIC SMALLER COMPANIES																				
Aberdeen Standard Asia Focus	421.8	355.9	1.6	7.7	10.1	7.0	1075.0	1010.0	1150.0	1223.3	-12.1	-12.2	-11.8	1.1	0.4	4	5	3	1.2	1.2
Fidelity Asian Values	332.6	309.5	2.2	10.0	40.1	38.0	409.0	390.0	457.5	400.8	2.2	1.2	2.7	-0.4	0.9	11	12	4	1.1	1.1
Scottish Oriental Smaller Companies	330.4	296.3	1.0	0.0	0.0	0.0	994.0	946.0	1095.0	1105.8	-10.3	-11.7	-11.9	-1.3	-0.7	0	0	0	1.0	1.0
JAPAN																				
Aberdeen Japan	110.2	88.6	0.8	3.9	8.7	3.7	630.0	515.0	632.5	699.1	-9.9	-12.4	-11.5	2.2	2.4	12	15	12	1.1	1.1
Baillie Gifford Japan	888.6	762.5	0.4	483.3			820.0	676.0	848.0	835.3	-1.2	-2.3	1.8	-0.7	-1.2	12	21	15	0.7	0.7
CC Japan Income & Growth	257.6	211.2	2.4	8.7			156.8	134.0	158.5	159.9	-2.0	-4.4	-1.0	-0.3	-1.2	21	21	18	1.1	1.1
Fidelity Japan	298.1	233.8	0.0				177.0	126.0	178.5	191.1	-8.1	-11.9	-10.0	2.5	1.8	16	20	13	1.1	1.1
JPMorgan Japanese	940.4	743.4	1.0	0.0	11.1	12.3	457.5	368.0	477.5	510.5	-9.7	-12.3	-9.0	-0.3	-0.1	13	18	13	0.7	0.7
Schroder Japan Growth	323.0	247.8	2.1	17.5	18.8	21.2	196.5	176.5	203.0	224.9	-11.9	-14.7	-12.1	0.5	-0.9	11	18	0	1.0	1.0
											-7.1					**14**				
JAPANESE SMALLER COMPANIES																				
Atlantis Japan Growth	115.3	95.9	0.9				230.0	185.0	233.0	265.8	-13.6	-11.7	-10.2	-0.8	-1.1	5	5	4	1.2	1.2
AVI Japan Opportunity	144.5	130.5	0.0				114.3	98.7	116.5	112.8	1.6	0.0	3.0	0.9		10	13	0		
Baillie Gifford Shin Nippon	568.3	501.0	0.0				179.8	163.0	193.4	184.5	-2.9	-1.1	2.4	-0.9	-1.6	9	13	10	0.8	0.8
JPMorgan Japan Smaller Companies	287.8	237.9	3.8				436.5	336.0	441.0	476.9	-8.5	-12.8	-10.4	3.0	2.7	8	14	0	1.1	1.1
LATIN AMERICA																				
Aberdeen Latin American Income	53.7	41.7	4.2	0.0	0.0	-3.8	72.1	64.4	76.8	83.0	-12.5	-13.4	-13.6	0.5	0.4	11	15	12	2.0	2.0
BlackRock Latin American	239.5	192.8	4.9	50.4	31.8	7.1	485.5	437.5	538.0	559.2	-12.2	-12.2	-12.1	-0.1	0.5	9	13	5	1.0	1.0
COUNTRY SPECIALISTS: LATIN AMERICA																				
JPMorgan Brazil	31.2	24.8	0.9	0.0	17.0	-1.2	73.8	61.0	77.0	93.1	-20.5	-17.9	-17.9	-0.6	-1.2	0	0	0	2.0	2.0
COUNTRY SPECIALIST: EUROPE EX UK																				
JPMorgan Russian Securities	393.1	340.0	3.7	23.8	26.0	11.2	737.0	497.5	739.0	837.7	-11.8	-10.1	-14.1	1.4	2.3	1	4	0	1.3	1.3
COUNTRY SPECIALIST: ASIA PACIFIC EX JAPAN																				
Aberdeen New India	341.1	276.4	0.0				470.0	412.0	519.0	546.5	-14.2	-13.8	-12.3	-1.0	-0.9	7	6	4	1.2	1.2
Aberdeen New Thai	115.3	90.9	3.0	62.2	28.4	17.6	547.5	530.0	655.0	637.6	-13.7	-12.3	-13.6	0.2	1.0	8	10	5	1.3	1.3

Money Observer's 2020 Rated Funds highlighted in yellow • **as at 1 January 2020**

Sector and trust name	Ticker	NET ASSET VALUE TOTAL RETURN (%) AND SECTOR RANK												SHARE PRICE TOTAL RETURN (%) AND RANK AFTER											
		1 month	Rank	3 months	Rank	6 months	Rank	1 year	Rank	3 years	Rank	7 years	Rank	1 month	Rank	3 months	Rank	6 months	Rank	1 year	Rank	3 years	Rank	7 years	Rank
Ashoka India Equity	AIE	-1.2	5	-2.9	4	-2.3	5	8.8	3					-2.3	7	-3.6	6	-0.5	6	18.9	3				
Fidelity China Special Situations	FCSS	6.3	1	6.1	2	5.2	2	20.4	2	32.4	3	215.2	2	6.5	2	6.0	2	4.5	4	24.1	2	40.9	3	197.2	3
India Capital Growth*	IGC	-2.7	9	-4.3	6	-8.8	10	-12.9	11	-0.9	9	72.9	7	-5.1	11	-7.6	9	-16.9	12	-19.3	12	-3.3	11	70.1	7
JPMorgan Chinese	JMC	4.8	2	7.4	1	14.9	1	45.7	1	67.8	1	149.4	3	13.3	1	17.1	1	29.5	1	59.0	1	88.1	1	163.1	4
JPMorgan Indian	JII	-1.1	4	-3.2	5	-7.0	9	-0.7	7	18.7	5	90.2	6	0.4	5	-1.2	5	-4.9	7	5.2	5	23.9	6	97.4	6
Kubera Cross-Border*	KUBC	-2.4	8	-7.0	9	-11.9	12	-14.7	12	-32.5	11	-57.2	9	-15.1	12	-15.4	12	6.7	3	17.2	4	21.1	8	-33.3	9
Vietnam Enterprise*	VEIL	-2.9	10	-11.5	11	-1.4	4	-1.0	8	42.9	2			-3.0	8	-5.9	8	8.8	2	3.8	7	60.6	2		
VietNam Holding*	VNH	-1.9	6	-11.7	12	-1.3	3	-1.0	9	-1.5	10	323.2	1	-4.9	10	-8.9	10	-4.9	8	-4.9	11	-3.2	10	209.1	2
VinaCapital Vietnam Opportunity*	VOF	-3.1	11	-5.9	8	-6.4	8	-5.1	10	17.4	7	146.3	4	0.7	4	-0.4	4	-0.2	5	3.2	9	30.8	4	217.1	1
Weiss Korea Opportunity*	WKOF	4.0	3	2.6	3	-4.0	7	6.8	4	8.6	8			4.2	3	2.0	3	-5.7	9	4.8	6	13.0	9		
Average/count		**-0.4**	**12**	**-3.7**	**12**	**-3.2**	**12**	**4.3**	**12**	**18.1**	**11**	**123.2**	**9**	**-0.8**	**12**	**-2.7**	**12**	**-0.1**	**12**	**9.7**	**12**	**29.2**	**11**	**121.2**	**9**
COMMODITIES & NATURAL RESOURCES																									
Baker Steel Resources*	BSRT	0.0	5	-2.0	8	2.4	2	20.2	2	42.8	1	-37.3	4	-3.1	9	1.9	3	9.2	3	22.5	2	89.6	1	-35.1	3
BlackRock Energy and Resources Income	BERI	4.5	4	0.2	4	-4.0	6	12.4	5	6.2	3	0.6	1	8.5	3	0.3	5	-1.6	8	5.3	5	-5.4	3	-7.6	2
BlackRock World Mining	BRWM	7.2	2	5.6	2	0.3	4	17.3	4	28.8	2	-10.8	2	9.7	2	8.2	2	4.4	4	19.4	3	32.4	2	-3.9	1
CQS Natural Resources G&I	CYN	5.6	3	0.4	3	2.3	3	18.4	3	-11.9	6	-34.5	3	1.4	6	-1.8	7	-0.1	6	5.3	6	-18.9	6	-41.0	4
Geiger Counter*	GCL	-1.7	9	-6.7	9	-23.2	9	-19.3	7	-36.1	7	-63.6	6	7.6	4	-9.1	8	-18.0	9	-24.0	8	-18.4	5	-56.6	5
Global Resources	GRIT	0.0	6	0.0	5	0.0	5	-57.8	10	-93.6	10			-19.4	10	-13.8	9	50.0	1	15.4	4	-53.1	9		
Golden Prospect Precious Metals*	GPM	14.0	1	5.9	1	25.4	1	65.3	1	-8.2	4	-52.6	5	26.5	1	0.6	4	23.5	2	77.5	1	-15.2	4	-63.6	6
Polo Resources*	POL	-14.0	10	-14.0	10	-14.0	7	-5.7	6	-10.7	5	-63.9	7	5.1	5	33.0	1	-1.3	7	-2.5	7	-37.4	7	-84.0	7
Riverstone Energy*	RSE	0.0	7	0.0	6	-23.6	10	-43.3	9	-51.1	8			-2.0	8	-30.2	10	-51.9	10	-61.5	10	-69.2	10		
Tiger Resource	TIR	0.0	8	0.0	7	-20.5	8	-22.5	8	-63.5	9	-89.9	8	0.0	7	0.0	6	0.0	5	-26.7	9	-38.9	8	-85.3	8
Average/count		**1.6**	**10**	**-1.1**	**10**	**-5.5**	**10**	**-1.5**	**10**	**-19.7**	**10**	**-44.0**	**8**	**3.4**	**10**	**-1.1**	**10**	**1.4**	**10**	**3.1**	**10**	**-13.5**	**10**	**-47.2**	**8**
BIOTECHNOLOGY & HEALTHCARE																									
Adams*	ADA	0.0	6	0.0	7	-2.1	8	-11.7	8	155.2	1			0.0	5	25.0	2	25.0	1	233.3	1	-44.4	7	127.3	4
BB Healthcare	BBH	0.6	4	14.4	3	5.9	4	25.9	3	54.1	3			-2.1	9	12.3	4	5.1	5	22.7	4	47.7	3		
International Biotechnology	IBT	-1.6	8	10.1	4	2.4	5	19.1	5	23.4	7	220.6	3	-1.2	7	5.0	6	1.6	6	13.7	6	31.1	5	260.5	2
Polar Capital Global Healthcare	PCGH	1.7	3	7.7	5	7.0	3	19.7	4	31.3	6	140.7	4	3.0	4	9.2	5	9.7	4	19.2	5	26.0	6	121.6	6
RTW Venture*	RTW	-2.4	9											15.8	1										
Syncona*	SYNC	0.0	7	0.0	8	-1.2	7	3.4	6	58.5	2	117.6	5	-1.4	8	-0.9	8	-1.4	8	-17.3	8	68.1	1	125.8	5
The Biotech Growth	BIOG	8.6	1	35.7	1	20.1	1	47.4	1	38.9	5	247.1	2	11.6	2	34.7	1	23.4	2	48.5	2	33.3	4	221.6	3
Worldwide Healthcare	WWH	3.2	2	17.7	2	13.9	2	31.9	2	47.7	4	270.8	1	4.7	3	19.1	3	15.8	3	32.3	3	51.7	2	290.9	1
Average/count		**1.3**	**8**	**12.2**	**7**	**6.6**	**7**	**19.4**	**7**	**58.4**	**7**	**199.4**	**5**	**3.8**	**8**	**14.9**	**7**	**11.3**	**7**	**50.3**	**7**	**30.5**	**7**	**191.3**	**6**
ENVIRONMENTAL																									
Impax Environmental Markets	IEM	1.5	2	4.3	1	4.9	3	30.3	2	35.8	3	170.0	1	2.5	4	7.1	3	8.1	3	32.9	3	57.1	2	245.1	1
Jupiter Green	JGC	1.9	1	3.8	2	5.0	2	22.6	4	20.9	4	104.0	3	3.9	3	4.7	4	7.0	4	21.0	4	24.3	4	114.3	3
Leaf Clean Energy*	LEAF	0.0	4	0.0	4	0.0	4	635.9	1	189.6	1	106.9	2	96.0	1	35.9	1	45.9	1	964.9	1	454.9	1	191.9	2
Menhaden	MHN	0.1	3	3.4	3	14.4	1	29.3	3	37.2	2			6.6	2	19.1	2	16.3	2	45.3	2	46.7	3		
PROPERTY																									
Aberdeen Standard European Logistics Income	ASLI	0.0	21	0.0	16	0.0	29	1.9	23					-2.0	40	-2.7	38	-6.7	43	-6.5	35				
AEW UK Long Lease REIT	AEWL	0.0	22	0.0	17	1.1	17	1.3	29					-1.0	38	5.4	18	-3.5	39	-11.8	40				
AEW UK REIT	AEWU	0.0	23	0.0	18	1.6	14	3.1	20	26.9	10			6.9	5	8.1	9	5.8	19	20.7	10	32.0	10		
Alpha Real*	ARTL	0.0	24	0.0	19	4.4	5	4.7	12	44.0	4	123.9	4	-1.1	39	1.9	24	6.4	17	30.9	5	92.3	1	290.4	1
Aseana Properties*	ASPL	-2.4	47	-7.0	46	-3.9	42	-7.2	43	-3.4	27	2.1	14	-2.4	44	-8.0	43	-9.8	45	-18.5	44	-17.5	30	42.0	11
BMO Commercial Property*	BCPT	0.0	31	0.0	30	-0.9	37	-1.3	38	11.0	25	87.1	8	-2.1	41	0.4	31	6.1	18	-2.4	31	-3.0	27	54.6	9
BMO Real Estate*	BREI	0.0	32	0.0	31	0.0	24	1.2	30	21.7	16	111.4	5	-0.4	33	4.5	20	8.2	14	-3.5	32	-0.6	25	109.7	5
Ceiba*	CBA	0.0	33	0.0	32	6.5	4	3.0	21					-4.1	46	-12.3	45	-9.0	44	-26.1	45				
Civitas Social Housing	CSH	0.0	34	0.0	33	1.3	16	3.4	18	21.1	18			3.3	13	7.0	11	11.8	7	-10.1	37	-0.2	24		
Custodian REIT	CREI	0.0	35	0.0	40	0.0	33	1.1	32	21.3	17			-0.3	32	-1.7	35	-1.1	35	3.7	25	23.5	12		
Dolphin Capital Investors*	DCI	0.0	36	0.0	34	0.0	25	0.0	34	-30.6	32	-79.9	17	2.4	19	-12.8	46	-14.9	46	-26.5	46	-49.4	33	-83.7	17
Dragon Ukrainian Properties & Development*	DUPD	0.0	37	0.0	35	0.0	26	27.7	2	11.8	24	-59.9	16	2.4	17	7.5	10	8.6	12	-17.0	43	11.3	21	-1.1	15
Drum Income Plus REIT	DRIP	0.0	38	0.0	36	-4.2	43	-1.8	39	6.4	26			0.0	31	-1.9	36	-3.1	38	-12.1	41	-8.3	29		
Ediston Property	EPIC	0.0	39	0.0	37	-0.8	36	-1.3	37	15.4	21			2.9	15	6.3	13	-1.7	37	-11.4	39	-1.5	26		
Energiser	ENGI	0.0	40	0.0	38	0.0	32	-13.6	47	-36.9	33	128.2	3	53.8	1	66.7	1	73.9	1	0.0	29	-52.9	34	-69.2	16
GCP Student Living	DIGS	0.0	41	0.0	39	3.8	6	10.9	5	37.6	6			5.8	7	16.8	3	24.3	2	38.5	2	51.2	5		
Globalworth Real Estate*	GWI	-0.6	42	-4.2	42	-8.4	47	-5.8	42	13.3	23			0.5	26	-7.7	41	2.7	28	15.2	15	59.1	3		
Green REIT*	GRN	-0.6	43	-4.2	43	-5.3	45	-2.2	40	30.3	8			-0.6	35	-7.7	42	-5.1	41	29.7	6	45.9	6		
Ground Rents Income	GRIO	0.0	25	0.0	20	-0.7	35	-2.4	41	-6.4	28	42.4	11	-0.5	34	6.0	15	5.1	21	-12.5	42	-25.7	31	17.1	13
ICG-Longbow Senior Secured UK Property Debt*	LBOW	0.0	26	2.4	2	2.4	10	4.7	13	15.4	22			2.4	18	1.0	26	-1.0	33	2.6	27	11.6	20		
Impact Healthcare REIT	IHR	0.0	27	0.0	41	2.8	8	7.4	7					-0.9	37	-1.3	33	1.0	30	10.4	19				
KCR Residential REIT	KCR	0.0	28	0.0	27	0.0	28	0.0	35	-18.9	30			0.0	30	-1.0	32	-1.0	34	-10.2	38	-28.1	32		
LXI REIT	LXI	0.0	29	0.0	28	7.0	3	21.4	4					10.9	2	8.7	6	11.3	9	21.5	8				
Macau Property Opportunities*	MPO	0.0	30	0.0	29	-0.9	38	-7.5	44	-9.8	29	20.7	13	-3.5	45	-14.6	47	-23.6	47	-31.3	47	-7.7	28	4.1	14
Pacific Alliance China Land*	PACL	-2.4	46	-7.8	47	-8.2	46	-12.0	46	-19.1	31	35.5	12	-2.4	43	-8.3	44	-6.3	42	-4.5	34	15.1	18	99.1	6
Phoenix Spree Deutschland*	PSDL	0.0	7	0.0	26	0.0	27	4.3	15	91.7	1			-2.1	42	5.8	16	14.4	5	-8.3	36	45.8	7		
PRS REIT	PRSR	0.0	8	1.6	3	0.0	22	1.6	25					9.5	4	5.2	19	1.3	29	2.9	26				
Real Estate Credit*	RECI	0.0	9	1.3	4	3.0	7	8.2	6	24.6	14	94.8	7	1.8	20	2.1	23	4.0	23	8.8	22	31.7	11	149.8	3
Regional REIT*	RGL	0.0	10	0.5	6	0.0	23	1.2	31	26.9	11			4.8	9	11.9	5	8.8	11	32.2	4	32.5	9		
Residential Secure Income	RESI	0.0	11	0.0	7	1.8	12	6.2	8					4.1	10	8.2	8	8.5	13	16.9	14				
Schroder European Real Estate Inv	SERE	0.0	12	0.0	8	-0.5	34	2.4	22	24.5	15			-6.4	47	-1.6	34	6.4	16	10.8	18	16.9	17		
Schroder Real Estate*	SREI	0.0	13	0.0	9	1.3	15	1.6	26	25.4	13	99.0	6	3.7	11	1.0	27	3.0	25	1.3	28	10.3	22	96.2	7
Secure Income REIT	SIR	0.0	14	0.0	10	-1.0	39	3.8	17	38.9	5			3.3	12	-3.1	39	10.7	10	18.6	11	52.9	4		
Standard Life Property Income*	SLI	0.0	15	0.0	11	0.4	20	3.2	19	29.6	9	136.6	2	3.2	14	4.3	21	-0.8	32	18.0	13	23.1	13	133.6	4
Starwood European Real Estate Finance*	SWEF	0.0	16	1.0	5	2.7	9	6.2	9	20.0	19	49.1	10	1.5	22	5.7	17	5.8	20	9.1	21	14.4	19	43.8	10
Supermarket Income REIT	SUPR	0.0	17	0.0	12	0.1	21	4.2	16					2.8	16	6.2	14	7.2	15	21.2	9				
Target Healthcare REIT	THRL	0.0	18	0.0	13	2.1	11	5.8	10	25.8	12			0.0	28	2.7	22	3.3	24	13.7	16	21.8	15		
The Local Shopping REIT	LSR	0.0	19	0.0	14	0.0	30	-8.8	45	-69.0	34	-35.4	15	0.0	29	0.5	30	4.0	22	9.4	20	8.2	23	28.6	12
TOC Property Backed Lending	PBLT	0.0	20	0.0	15	0.9	18	1.4	27					1.4	23	1.4	25	2.9	26	5.9	23				
TR Property	TRY	2.8	1	6.2	1	14.7	1	28.3	1	49.8	3	177.7	1	5.9	6	16.3	4	20.4	4	41.4	1	78.9	2	244.2	2
Triple Point Social Housing REIT	SOHO	0.0	2	0.0	21	1.8	13	4.6	14					1.1	25	-2.7	37	12.1	6	-4.5	33				
Tritax Big Box REIT	BBOX	0.0	3	0.0	22	0.0	31	0.4	33	30.8	7			0.4	27	0.6	29	-1.4	36	18.6	12	22.0	14		
Tritax EuroBox EUR	BOXE	-0.6	45	-4.2	45	0.8	19	1.8	24					1.7	21	0.7	28	0.1	31	5.0	24				
UK Commercial Property REIT*	UKCM	0.0	4	0.0	23	-1.9	41	-0.1	36	16.9	20	80.6	9	1.3	24	6.8	12	2.8	27	11.3	17	19.4	16	89.0	8
Urban Logistics REIT	SHED	0.0	5	0.0	24	8.4	2	26.6	3	57.3	2			9.8	3	18.8	2	21.7	3	33.7	3	42.7	8		
Warehouse REIT	WHR	0.0	6	0.0	25	-1.4	40	5.3	11					5.2	8	8.7	7	11.4	8	24.8	7				
Yew Grove REIT	YEW	-0.6	44	-4.2	44	-5.1	44	1.4	28					-0.6	36	-3.4	40	-3.9	40	-2.2	30				
Average/count		**-0.1**	**47**	**-0.4**	**47**	**0.5**	**47**	**3.1**	**47**	**16.0**	**34**	**59.6**	**17**	**2.6**	**47**	**3.3**	**47**	**4.7**	**47**	**5.5**	**47**	**16.7**	**34**	**73.4**	**17**
DEBT - DIRECT LENDING																									
BioPharma Credit	BPCR	-2.4	11	-5.4	10	-1.1	10	4.7	7					-0.9	8	-4.9	8	-4.3	8	-1.3	8				
GCP Asset Backed Income*	GABI	0.0	6	0.2	7	1.9	5	5.6	5	21.6	3			0.5	4	1.7	3	4.6	2	10.2	2	21.2	3		
Hadrian's Wall Secured*	HWSL	0.0	7	-12.5	11	-10.1	11	-10.1	11	-0.6	8			-1.3	9	-20.9	11	-32.8	11	-33.7	11	-34.7	9		
Honeycomb	HONY	0.0	8	1.3	2	3.4	2	7.4	3	26.9	1			1.3	2	-4.1	7	-9.0	10	-7.3	9	18.9	4		
Pollen Street Secured Lending	PSSL	0.0	9	0.4	6	2.1	4	4.7	6	10.6	6			0.2	5	4.0	2	1.2	5	9.6	3	23.5	2		
RDL Realisation	RDL	0.0	10	0.0	8	0.0	8	21.6	1	-27.3	9			-8.4	11	-9.4	10	-6.8	9	-18.7	10	-30.9	8		
RM Secured Direct Lending	RMDL	0.1	2	0.5	5	2.2	3	7.2	4	16.3	4			0.2	6	-0.3	5	1.3	4	4.9	4	14.1	5		
SME Credit Realisation*	SCRF	0.0	3	0.0	9	-0.6	9	1.0	10	9.1	7			0.5	3	4.5	1	4.1	3	2.9	6	-1.0	7		
SQN Secured Income	SSIF	0.0	4	1.3	3	1.1	7	3.0	9	13.6	5			-1.6	10	-5.2	9	-3.7	7	-0.2	7	13.4	6		
VPC Specialty Lending	VSL	0.0	5	1.9	1	4.9	1	11.1	2	24.0	2			3.2	1	1.1	4	14.1	1	13.4	1	33.7	1		
Average/count		**-0.2**	**10**	**-1.2**	**10**	**0.4**	**10**	**5.6**	**10**	**10.5**	**9**		**0**	**-0.6**	**10**	**-3.4**	**10**	**-3.1**	**10**	**-2.0**	**10**	**6.5**	**9**		**0**

Sector and trust name	TRUST SIZE (£M) Total assets	Mkt cap	TOTAL DIST. YIELD (%)	DIVIDEND GROWTH (%) 1 year	3 years	5 years	SHARE PRICE (pence) Current	1 year low	1 year high	Current NAV per share (p)	DISCOUNT/PREMIUM (%) Current	Last quarter	1 year average	Z-SCORE 1 year	3 years	GEARING (%) Current	3 year high	3 year low	ONGOING CHARGES (%) Excl. perf fee	Incl. perf fee
Ashoka India Equity	63.7	64.2					108.5	90.5	112.5	107.6	0.8	3.6	1.2	0.0		0	0	0	1.0	1.2
Fidelity China Special Situations	1738.2	1270.9	1.5	10.0	28.8	27.3	230.0	183.4	250.0	254.3	-9.0	-9.5	-9.1	0.1	1.2	18	33	22	0.9	0.9
India Capital Growth	99.6	79.9	0.0				70.6	69.7	93.3	88.6	-19.8	-18.6	-14.3	-1.1	-1.0	0	0	0	2.0	2.0
JPMorgan Chinese	299.4	262.5	0.8	-28.6	16.0	9.3	360.0	221.0	361.0	375.8	-3.9	-12.1	-11.6	2.8	3.3	8	24	8	1.3	1.3
JPMorgan Indian	873.0	781.2	0.0				735.0	633.0	790.0	805.7	-7.3	-9.1	-9.8	0.8	1.4	3	5	1	0.2	0.2
Kubera Cross-Border	9.2	4.2	0.0				3.8	3.6	17.9	8.4	-54.6	-54.2	-44.6	-0.7	-1.6	0	0	0	1.6	1.6
Vietnam Enterprise	1188.5	1038.0	0.0				474.5	421.5	509.0	517.0	-7.9	-14.2	-12.1	1.1	1.5	5	6	5	2.3	2.3
VietNam Holding	107.9	88.5					174.0	168.0	239.0	212.1	-18.0	-20.8	-16.7	0.2	-0.3	0	0	0	3.5	3.5
VinaCapital Vietnam Opportunity	699.9	611.0	2.2	-27.8			336.0	323.0	357.5	382.0	-12.7	-15.6	-15.2	1.2	1.6	0	0	0	1.2	1.7
Weiss Korea Opportunity	127.1	122.4	2.6	2.7	22.5		150.0	142.5	159.0	155.8	-3.7	-1.0	-0.6	-0.4	0.2	0	0	0	1.9	1.9
											-13.7					4				
COMMODITIES & NATURAL RESOURCES																				
Baker Steel Resources	72.8	58.0	0.0				54.5	44.5	56.3	68.4	-20.3	-23.4	-20.4	0.2	0.3	0	0	0	2.2	2.2
BlackRock Energy and Resources Income	101.6	79.5	5.1	0.0	-7.2	-7.8	70.6	64.8	78.2	78.4	-10.9	-8.3	-8.9	-0.6	-1.3	14	20	6	1.4	1.4
BlackRock World Mining	854.9	671.7	4.8	15.4	-5.0	-3.0	383.0	331.0	395.0	437.3	-12.2	-13.7	-13.9	1.5	0.6	13	17	12	0.9	0.9
CQS Natural Resources G&I	91.4	57.5	4.8	0.0	0.0	0.0	86.2	83.4	93.3	115.7	-25.7	-22.7	-21.3	-0.1	-0.9	15	21	13	2.0	2.0
Geiger Counter	15.6	13.0					15.5	14.4	21.2	14.8	4.5	11.9	6.9	-0.1	0.2	25	58	0	4.1	4.1
Global Resources	0.6	1.6	0.0				3.8	1.1	5.0	1.4	160.4	202.1	41.3	1.0	2.2	1	0	0	8.9	8.9
Golden Prospect Precious Metals	23.1	17.5	0.0				31.5	17.8	36.5	40.4	-24.0	-22.5	-23.8	1.7	0.6	0	0	0	2.7	2.7
Polo Resources	40.8	12.3					4.0	2.7	4.6	13.1	-69.9	-79.3	-74.5	0.9	0.0	14	0	0	3.8	3.8
Riverstone Energy	636.8	335.2	0.0				414.0	403.5	1118.0	797.0	-47.4	-27.2	-30.8	-1.3	-2.4	0	0	0	1.9	1.9
Tiger Resource	0.0	0.0	0.0				0.3	0.2	0.4	0.3	-11.3	-29.5	-24.9	0.9	1.3	0	0	0	22.6	22.6
											-5.7					8				
BIOTECHNOLOGY & HEALTHCARE																				
Adams	2.3	4.1					5.0	1.3	5.0	2.8	77.9	42.4	2.9	1.4	-0.5	0	0	0	6.6	6.6
BB Healthcare	697.6	621.6	3.3	0.0			142.0	118.0	147.0	145.1	-1.3	1.9	1.2	-1.1	-1.1	11	22	10	1.2	1.2
International Biotechnology	247.0	241.4	4.4	0.0			622.0	570.0	670.0	640.5	-2.3	2.3	0.2	-2.9	-0.7	7	0	0	1.3	1.7
Polar Capital Global Healthcare	347.1	289.2	0.8	5.0	-19.7	-9.7	238.0	200.0	242.0	257.6	-7.4	-7.8	-7.7	-0.5	-1.0	8	13	11	1.1	1.1
RTW Venture	142.9	168.8	0.0				103.4	83.5	103.4	88.5	18.1		13.3			0	0	0		
Syncona	1319.0	1464.8	1.2	0.0	1.5	2.8	219.0	203.0	294.0	199.0	11.1	10.6	18.7	-0.7	-1.1	0	0	0	1.8	1.8
The Biotech Growth	444.6	394.5	0.0				940.0	633.0	954.0	1017.2	-8.4	-5.4	-7.8	-1.0	-1.3	4	12	3	1.1	1.1
Worldwide Healthcare	1657.2	1677.5	0.9	51.4	17.1	12.1	3130.0	2390.0	3255.0	3111.8	1.2	1.1	-0.1	0.5	0.4	0	21	0	0.9	0.9
											11.1					4				
ENVIRONMENTAL																				
Impax Environmental Markets	695.2	679.8	0.9	20.0	27.4	20.1	333.0	248.5	336.0	325.8	2.2	3.3	1.3	1.0	1.2	2	7	4	1.0	1.0
Jupiter Green	39.4	37.8	1.1	69.2	50.1	14.9	201.5	167.5	201.5	210.0	-4.0	-5.3	-5.1	1.6	1.4	0	0	0	1.5	1.5
Leaf Clean Energy	0.2	0.2					197.0	18.5	200.0	182.0	8.2	-20.3	11.3	0.0	0.4	53	0	0	1.3	1.3
Menhaden	93.0	77.2	0.6				96.5	67.0	96.5	116.3	-17.0	-22.6	-22.0	1.4	2.2	0	0	0	2.1	2.1
PROPERTY																				
Aberdeen Standard European Logistics Income	218.8	211.5	5.2				90.2	90.2	103.5	93.3	-3.3	-1.4	2.2	-1.0		0	0	0	1.4	1.4
AEW UK Long Lease REIT	75.0	59.0	5.9	69.2			73.3	70.0	91.5	93.1	-21.3	-25.1	-14.9	-0.4		0	0	0	1.7	1.7
AEW UK REIT	194.5	151.6	8.4	0.1	13.3		99.4	89.0	101.0	95.4	4.9	-1.8	-3.9	2.2	0.9	32	35	33	2.4	2.4
Alpha Real	126.3	108.5	1.3	16.7	5.3	1.3	182.5	138.5	185.5	212.5	-14.1	-15.7	-18.3	0.7	1.5	0	0	0	3.6	3.6
Aseana Properties	152.3	69.7	0.0				34.7	34.7	41.4	50.8	-30.9	-30.2	-26.9	-1.0	-1.8	39	51	48	19.4	19.4
BMO Commercial Property	1363.4	924.1	4.5	0.0	0.0	0.0	115.6	106.0	132.8	132.1	-12.5	-13.2	-13.1	-0.1	-1.3	27	29	28	1.2	1.2
BMO Real Estate	354.8	199.3	4.9	0.0	0.0	0.0	84.0	80.0	98.4	102.3	-19.1	-20.4	-16.6	-0.2	-1.1	39	44	42	1.6	1.6
Ceiba	159.9	97.7	4.2				71.0	71.0	101.5	116.1	-38.9	-30.3	-24.9	-2.1		0	0	0	2.0	2.0
Civitas Social Housing	750.9	567.6	5.0	811.1			91.3	76.7	106.5	105.9	-13.8	-19.7	-16.3	0.8	-0.8	0	14	14	1.9	1.9
Custodian REIT	573.6	470.6	6.4	1.6	1.6		114.0	111.0	120.4	102.6	11.3	12.5	10.0	0.0	-0.3	35	36	28	2.1	2.1
Dolphin Capital Investors	342.7	38.9	0.0				4.3	4.1	5.9	18.0	-76.1	-72.6	-71.7	-1.4	-1.9	6	120	108	6.0	6.0
Dragon Ukrainian Properties & Development	36.1	11.8	4.5		10.8		10.8	9.9	13.0	33.0	-67.4	-69.7	-63.3	-0.6	-1.4	0	0	0	3.7	4.9
Drum Income Plus REIT	43.0	29.6	7.1	0.0	4.6		77.5	77.5	94.5	84.1	-7.9	-9.9	-3.4	-0.7	-1.7	23	34	31	2.2	2.2
Ediston Property	336.6	192.3	5.4	1.1	1.5		89.3	83.2	109.5	107.3	-15.2	-21.4	-13.7	-0.4	-1.4	43	48	45	1.4	1.4
Energiser	1.6	1.2	0.0				1.0	0.6	1.0	0.9	12.4	-32.6	-18.4	2.3	0.3	28	45	39	5.1	5.1
GCP Student Living	766.9	898.2	3.7	3.4	2.8	2.4	198.0	147.4	199.2	168.5	17.1	0.9	1.9	2.4	3.0	4	20	0	1.3	1.3
Globalworth Real Estate	3410.3	1763.1	6.9	22.7			792.3	689.1	858.1	747.6	6.3	9.1	1.3	0.8	0.9	90	176	105	1.7	1.7
Green REIT	1139.5	1099.6	2.8	6.0	49.1		155.9	121.6	166.3	159.4	-1.4	1.9	-6.4	0.5	1.2	0	2	2	1.6	1.6
Ground Rents Income	125.8	89.2	3.6	0.0	0.0	0.5	92.0	78.0	110.0	109.9	-16.3	-20.9	-17.4	0.3	-0.7	0	18	17	1.1	1.1
ICG-Longbow Senior Secured UK Property Debt	117.2	116.1	6.2	0.0	0.0	27.6	95.5	94.3	101.0	96.6	-0.9	-0.7	0.4	-1.0	-1.6	0	0	0	2.0	2.0
Impact Healthcare REIT	333.2	347.7	5.9	11.1			108.0	102.0	115.0	104.5	4.4	7.6	4.8	-0.5		0	0	0	1.8	1.8
KCR Residential REIT	15.4	7.7					48.5	48.5	54.0	71.0	-31.7	-31.0	-29.4	-1.0	-1.3	37	37	37	32.4	32.4
LXI REIT	711.1	714.4	4.9	50.1			140.0	118.0	140.0	118.2	15.9	8.7	11.9	1.2		15	27	15	1.2	1.2
Macau Property Opportunities	249.1	69.9					111.5	111.0	166.0	221.0	-48.9	-42.2	-38.0	-1.4	-2.1	64	88	68	3.8	3.8
Pacific Alliance China Land	1.4	1.4	0.0				53.6	53.6	213.0	52.9	2.4	6.2	-1.0	0.9	1.4	0	0	0	3.3	3.3
Phoenix Spree Deutschland	601.8	314.1	1.6	5.2	17.0		320.0	270.0	377.0	421.9	-23.8	-27.5	-19.9	-0.6	-1.5	39	50	45	2.8	3.7
PRS REIT	458.8	444.9	5.4				92.0	83.0	102.0	92.8	-3.0	-4.1	-0.3	-0.3		0	0	0	1.4	1.4
Real Estate Credit	374.8	351.8	7.3	0.0	3.6	2.3	168.0	164.0	175.5	164.1	2.4	1.5	2.4	0.8	0.8	0	13	9	1.7	2.0
Regional REIT	806.9	489.3	7.6	2.6	100.4		113.2	92.5	113.6	108.6	4.4	-7.4	-6.0	1.9	1.6	69	82	71	3.7	5.4
Residential Secure Income	236.6	166.1	4.7	94.4			98.2	86.0	98.2	107.4	-9.6	-15.9	-13.4	2.1		15	30	29	1.6	1.6
Schroder European Real Estate Inv	170.0	147.8	5.5	-1.1	64.0		110.5	99.8	119.0	118.8	-7.0	-7.1	-8.6	0.7	0.2	0	8	7	2.8	2.8
Schroder Real Estate	500.9	295.6	3.8	3.0	1.0	0.6	55.3	52.6	59.0	67.7	-15.7	-19.6	-17.7	-1.1	-1.4	37	43	42	2.0	2.0
Secure Income REIT	1315.6	1397.9	4.1	36.3			434.0	376.0	454.0	407.5	6.3	10.3	3.5	2.3	2.2	0	0	0	1.3	1.7
Standard Life Property Income	490.9	371.0	5.3	0.0	0.8	1.0	91.0	78.1	96.3	89.1	2.6	-1.9	-0.5	0.9	-0.1	33	36	35	2.0	2.0
Starwood European Real Estate Finance	422.8	429.7	6.4	0.0	-2.4	28.8	104.5	98.8	108.0	102.3	1.6	-1.2	0.9	0.6	-0.8	0	0	0	1.1	1.1
Supermarket Income REIT	412.0	370.0	6.2	2.4			109.5	95.5	109.5	94.2	16.3	9.3	10.0	1.7		29	54	29	1.4	1.4
Target Healthcare REIT	557.5	526.1	6.3	2.0	2.1	1.6	116.0	106.0	118.4	106.2	8.3	6.6	8.7	-0.1	-0.2	10	18	14	1.5	1.5
The Local Shopping REIT	7.0	7.1					31.5	26.7	31.5	31.0	1.6	1.6	-7.9	1.0	1.2	0	0	0	12.9	12.9
TOC Property Backed Lending	27.2	27.9	6.7	9.3			103.5	103.5	103.5	90.2	14.8	12.9	11.7	2.1		4	12	12	2.2	2.2
TR Property	1753.4	1550.3	2.9	10.7	17.4	12.6	487.0	355.5	490.0	469.7	4.0	-5.4	-2.4	1.8	1.7	13	21	17	0.7	1.2
Triple Point Social Housing REIT	362.1	324.9	4.9	191.7			90.0	74.8	105.0	103.2	-10.3	-7.7	-11.1	0.3		0	0	0	1.9	1.9
Tritax Big Box REIT	2710.6	2534.9	4.7	0.0	0.0		148.8	131.3	159.7	146.7	1.3	-0.3	-1.9	-0.2	-0.9	1	9	8	0.8	0.8
Tritax EuroBox EUR	411.7	402.7	3.0				94.1	93.3	97.5	97.4	-2.2	-6.1	-2.5	-0.6		0	0	0		
UK Commercial Property REIT	1413.7	1137.0	4.1	0.0	0.0	-6.9	88.8	79.9	92.7	89.6	-2.3	-9.0	-6.1	0.9	0.2	18	21	20	1.6	1.6
Urban Logistics REIT	171.8	127.7	5.0	65.9			145.5	113.5	145.5	141.5	2.9	-13.2	-7.3	2.3	0.6	38	48	37	1.7	1.7
Warehouse REIT	277.8	266.7	5.8	140.0			111.5	92.0	112.5	103.7	7.0	-2.5	-2.3	2.5		10	17	11	1.9	1.9
Yew Grove REIT	94.7	92.9	6.7				82.6	86.1	89.0	84.9	-1.9	-2.7	1.5	-1.4		0	0	0	4.7	4.7
											-7.4					17				
DEBT - DIRECT LENDING																				
BioPharma Credit	1068.7	1068.7	6.9	87.4			77.0	75.5	81.9	77.8	0.0	1.5	1.6	-0.9		0	0	0	1.6	2.3
GCP Asset Backed Income	445.3	480.2	6.4	0.8			108.5	103.8	111.0	100.9	7.8	6.0	6.3	0.7	0.8	0	0	0	1.4	1.4
Hadrian's Wall Secured	117.7	87.2	7.3	0.0			59.0	58.8	97.0	82.0	-25.9	-22.2	-10.8	-1.7	-2.7	0	0	0	1.9	1.9
Honeycomb	397.6	383.7	7.9	-5.3			972.5	972.5	1140.0	1007.9	-3.5	2.2	7.1	-1.7	-2.7	0	0	0	1.6	2.4
Pollen Street Secured Lending	1092.0	619.1	4.9	78.7	-14.1		830.0	798.0	862.0	960.3	-13.4	-15.0	-13.5	-0.5	0.5	42	53	51	2.6	3.4
RDL Realisation	63.5	27.0	8.3	-49.7	-43.8		167.0	162.0	692.0	207.9	-19.5	-8.3	-3.6	-1.5	-0.5	77	90	32	7.5	7.5
RM Secured Direct Lending	132.9	121.6	6.7	54.8			99.5	99.5	102.5	96.8	2.8	3.5	3.4	-0.7	-1.1	1	13	10	2.2	2.2
SME Credit Realisation	330.4	232.1	5.6	-14.5			85.0	80.0	88.0	93.5	-9.6	-12.2	-9.8	1.4	-0.9	13	29	16	1.1	1.1
SQN Secured Income	48.8	44.9	7.6	11.1	2.9		85.3	85.3	92.3	92.6	-8.0	-4.2	-4.8	-2.2	-1.5	0	0	0	2.0	2.0
VPC Specialty Lending	289.4	241.5	8.6	17.7	18.7		78.2	67.0	80.8	92.7	-16.6	-13.8	-18.0	1.2	0.3	0	0	0	1.8	2.5
											-8.6					13				

TRUST DATABANK

Money Observer's 2020 Rated Funds highlighted in yellow • **as at 1 January 2020**

Sector and trust name	Ticker	NET ASSET VALUE TOTAL RETURN (%) AND SECTOR RANK												SHARE PRICE TOTAL RETURN (%) AND RANK AFTER											
		1 month	Rank	3 months	Rank	6 months	Rank	1 year	Rank	3 years	Rank	7 years	Rank	1 month	Rank	3 months	Rank	6 months	Rank	1 year	Rank	3 years	Rank	7 years	Rank
DEBT - LOANS & BONDS																									
Alcentra European Floating Rate Income*	AEFS	0.6	9	1.3	8	1.7	9	4.6	10	12.1	8	38.4	6	0.0	10	1.5	9	2.9	8	4.2	9	13.3	7	32.1	6
Axiom European Financial Debt*	AXI	1.1	5	5.4	1	7.4	1	17.5	1	25.5	2			3.9	1	13.4	1	4.8	4	14.2	5	22.7	3		
City Merchants High Yield*	CMHY	1.1	6	2.6	4	4.4	6	13.4	4	18.9	5	63.8	2	1.8	6	2.9	7	4.6	5	18.7	2	20.5	5	74.2	2
CQS New City High Yield*	NCYF	0.7	7	2.0	6	4.6	4	11.4	6	21.3	4	52.9	5	3.8	2	3.1	6	2.9	7	14.7	4	26.7	2	48.9	5
CVC Credit Partners European Opportunities GBP*	CCPG	1.3	3	1.2	9	0.8	10	2.9	11	14.0	7			0.6	8	1.6	8	-2.8	11	-3.5	11	11.3	8		
Henderson Diversified Income	HDIV	0.6	10	1.6	7	4.6	5	15.9	3	18.4	6	56.7	4	2.2	4	5.1	2	2.5	9	23.2	1	22.0	4	60.4	3
Invesco Enhanced Income*	IPE	1.2	4	2.9	3	5.5	2	16.2	2	22.5	3	73.5	1	1.4	7	4.6	3	5.7	2	15.8	3	19.6	6	99.6	1
M&G Credit Income	MGCI	0.0	11	1.0	10	1.8	8	5.3	9					0.0	9	-0.9	10	4.0	6	5.5	8				
NB Distressed Debt Inv Extended Life*	NBDX	-1.8	14	-5.5	14	-5.5	14	-6.7	13	-9.8	13			-3.1	16	-11.3	16	-16.0	16	-20.8	15	-23.5	14		
NB Distressed Debt*	NBDD	-4.6	16	-8.7	16	-7.0	15	-10.7	15	-18.9	14	12.2	8	-2.6	15	-11.2	15	-10.3	15	-11.2	13	-22.1	13	12.6	8
NB Distressed Debt New Glb*	NBDG	-1.5	13	-4.8	12	-8.3	16	-9.3	14	-9.6	12			-1.0	13	-7.4	13	-9.4	14	-13.7	14	-8.5	12		
NB Global Floating Rate Income GBP*	NBLS	1.9	1	2.5	5	3.6	7	9.6	7	11.1	9	28.6	7	2.2	3	4.3	4	6.5	1	10.4	7	9.0	9	24.0	7
Riverstone Credit Opportunities Income	RCOI	-2.4	15	-7.0	15	-2.7	12							-2.1	14	-8.9	14	-8.7	13						
TwentyFour Select Monthly Income*	SMIF	1.7	2	4.3	2	5.1	3	11.9	5	26.4	1			1.9	5	3.7	5	5.6	3	11.1	6	27.9	1		
Average/count		**0.0**	**14**	**-0.1**	**14**	**1.1**	**14**	**6.3**	**13**	**11.0**	**12**	**46.6**	**7**	**0.6**	**14**	**0.0**	**14**	**-0.6**	**14**	**5.3**	**13**	**9.9**	**12**	**50.2**	**7**
DEBT - STRUCTURED FINANCE																									
Blackstone / GSO Loan Financing*	BGLF	-0.6	4	-2.7	3	2.6	1	17.9	1	20.2	3			1.2	2	3.6	3	0.1	4	15.9	1	12.5	3		
Blackstone/GSO Loan Financing C*	BGLC	-0.6	5	-3.6	4	-3.1	5							1.5	1	-0.9	4	6.6	1						
Carador Income Repurchase Pool s*	CIFR	-2.4	6	-20.0	9	-43.2	9	-32.7	8					-17.4	8	-29.4	8	-26.6	8	-27.1	8				
Carador USD*	CIFU	-2.4	7	-14.7	8	-22.2	8	-13.6	7	-17.9	6	30.9	1	-17.5	9	-31.4	9	-32.0	9	-24.5	7	-26.4	6	5.4	1
Chenavari Toro Income*	TORO	-0.6	3	-3.9	5	-2.6	4	3.7	3	26.8	1			-1.5	5	-6.6	5	0.9	2	8.3	2	19.3	1		
Fair Oaks Income 2017*	FAIR	-2.4	8	-10.3	6	-9.6	6	-7.4	6	2.8	5			0.9	3	-11.9	7	-15.8	7	-3.7	4	0.0	4		
Marble Point Loan Financing*	MPLF	-2.4	9	-10.5	7	-12.5	7	-3.6	5					-2.4	6	-7.0	6	-5.2	6	-14.1	6				
TwentyFour Income*	TFIF	1.2	1	3.0	1	2.0	2	5.1	2	22.1	2			0.0	4	4.2	1	0.5	3	5.2	3	17.7	2		
UK Mortgages*	UKML	0.0	2	0.6	2	0.7	3	2.4	4	7.2	4			-5.2	7	4.0	2	-4.0	5	-10.9	5	-11.6	5		
Average/count		**-1.1**	**9**	**-6.9**	**9**	**-9.8**	**9**	**-3.5**	**8**	**10.2**	**6**	**30.9**	**1**	**-4.5**	**9**	**-8.4**	**9**	**-8.4**	**9**	**-6.4**	**8**	**1.9**	**6**	**5.4**	**1**
FLEXIBLE INVESTMENT																									
Aberdeen Diversified Income & Growth	ADIG	0.7	13	2.0	9	4.2	4	9.2	10	13.5	17	29.9	18	4.5	4	4.5	8	4.9	7	3.3	18	20.0	11	29.0	16
BMO Managed Portfolio Growth	BMPG	3.3	3	6.1	1	5.4	2	17.5	3	33.2	2	105.8	3	5.6	2	8.2	1	6.6	6	18.1	4	37.6	2	112.3	7
BMO Managed Portfolio Income	BMPI	3.6	1	6.1	2	7.2	1	20.6	1	27.7	3	82.9	9	4.7	3	7.8	2	6.9	4	22.1	2	30.3	5	87.0	10
Caledonia	CLDN	0.2	19	-0.1	21	1.6	16	6.9	15	23.7	6	109.3	2	2.0	11	4.7	6	3.0	12	13.0	7	32.6	3	145.1	2
Capital Gearing	CGT	0.6	15	0.0	20	3.0	9	8.7	11	17.4	14	47.1	13	0.6	14	0.6	15	3.4	10	8.9	13	18.6	13	30.2	15
CIP Merchant Capital*	CIP	-1.7	26	-7.8	27	-3.7	24	-3.7	25					-8.2	26	-19.8	26	-21.7	25	-30.3	25				
Hansa*	HAN	2.5	5	3.2	5	0.3	18	5.9	17	18.4	12	57.7	11	2.8	9	2.6	9	-5.1	23	-6.3	24	19.1	12	47.5	11
Hansa A s*	HANA	2.5	6	3.2	6	0.3	19	5.9	18	18.4	13	57.7	12	4.1	5	2.0	11	-3.0	22	-1.2	23	20.5	9	45.7	12
Henderson Alternative Strategies	HAST	1.9	9	0.1	16	-1.9	22	2.9	23	9.3	20	29.9	17	-0.9	20	-2.0	23	-7.1	24	-0.3	22	4.5	19	22.9	18
Invesco Perpetual Select Balanced Risk Allocation Portfolio	IVPB	1.3	11	2.6	7	2.8	10	13.1	6	13.6	16	35.4	16	0.0	17	1.4	12	2.9	13	9.9	11	12.3	17	40.8	13
JPMorgan Global Core Real Assets*	JARA	0.0	20	-3.5	23									-1.4	22	1.0	14								
JPMorgan Multi-Asset	MATE	1.8	10	2.1	8	4.7	3	15.1	5					2.8	10	7.3	3	9.4	3	14.1	6				
JZ Capital Partners*	JZCP	0.0	23	-6.1	24	-6.2	26	-5.3	26	-11.0	22	43.4	14	-12.3	27	-34.2	27	-36.6	26	-30.8	26	-39.3	22	-16.2	19
Livermore Group*	LIV	0.0	25	0.0	19	0.0	21	5.6	19	17.2	15	85.8	7	7.7	1	4.6	7	17.8	2	20.5	3	22.4	8	203.9	1
Miton Global Opportunities	MIGO	2.2	8	3.8	3	2.7	11	8.0	13	25.2	5	92.1	5	3.7	6	5.5	4	3.2	11	5.9	15	31.0	4	111.9	8
New Star	NSI	0.0	22	0.0	17	1.7	15	9.9	7	19.3	11	64.4	10	0.4	16	4.8	5	6.6	5	12.7	8	27.4	6	91.0	9
Personal Assets	PNL	0.7	12	-0.1	22	1.8	14	9.8	8	13.0	18	38.3	15	1.2	12	0.6	16	0.8	17	10.2	10	12.9	16	37.8	14
RIT Capital Partners	RCP	0.0	21	1.1	14	1.1	17	9.7	9	19.6	10	88.3	6	-2.5	24	-0.4	19	2.3	14	12.5	9	17.9	14	113.3	6
Ruffer*	RICA	2.2	7	0.9	15	3.3	7	8.4	12	4.5	21	28.4	19	3.7	7	1.4	13	4.6	8	9.1	12	-1.7	21	23.2	17
Seneca Global Income & Growth	SIGT	3.5	2	3.8	4	4.2	5	15.7	4	26.1	4	84.4	8	3.0	8	2.4	10	4.1	9	16.4	5	26.5	7	113.7	5
Tetragon Financial Group*	TFG	-2.4	27	-7.5	26	-2.6	23	3.4	22	19.6	9	143.9	1	-3.9	25	-6.7	25	-2.6	21	7.2	14	10.0	18	129.6	4
UIL*	UTL	2.7	4	-6.8	25	-4.4	25	20.4	2	43.9	1	96.3	4	1.2	13	-2.0	22	28.6	1	50.1	1	99.3	1	129.7	3
Average/count		**1.2**	**22**	**0.1**	**22**	**1.2**	**21**	**8.9**	**21**	**18.6**	**19**	**69.5**	**19**	**0.9**	**22**	**-0.3**	**22**	**1.4**	**21**	**7.9**	**21**	**21.2**	**19**	**78.9**	**19**
FINANCIALS																									
Chenavari Capital Solutions*	CCSL	0.0	3	0.6	3	-2.5	5	-1.6	5	8.0	2			-15.9	5	-18.8	5	-20.2	5	-19.3	5	-16.6	2		
EJF*	EJFI	0.0	4	-0.2	5	1.4	3	11.0	3					-2.3	4	2.1	2	-6.7	4	2.0	3				
Polar Capital Global Financials	PCFT	1.7	1	2.7	2	5.7	2	21.9	1	22.0	1			1.6	1	4.3	1	6.5	1	23.1	1	24.3	1		
Trian Investors 1*	TI1	0.0	2	11.6	1	16.0	1	21.4	2					-0.7	3	-1.5	4	-1.5	3	-1.5	4				
INFRASTRUCTURE																									
3i Infrastructure	3IN	0.0	1	0.0	2	5.7	1	11.8	1	57.3	1	158.4	1	1.2	5	1.2	7	0.6	7	17.5	2	66.3	1	197.4	1
BBGI SICAV*	BBGI	0.0	2	0.0	3	0.0	7	4.1	5	24.0	2	84.9	3	-0.3	7	5.4	4	12.0	3	11.8	5	38.4	2	111.6	2
GCP Infrastructure*	GCP	0.0	3	0.0	4	1.1	5	4.2	4	21.6	5	82.0	4	1.2	4	5.6	3	6.4	5	9.9	6	28.5	3	90.6	4
HICL Infrastructure	HICL	0.0	4	0.0	5	2.9	4	6.3	3	23.7	3	94.4	2	5.8	2	3.9	5	9.5	4	13.7	4	20.4	5	95.0	3
Infrastructure India*	IIP	0.0	5	0.0	6	4.8	2	-3.8	7	-54.2	7	-68.1	6	132.3	1	118.2	1	67.4	1	71.4	1	-55.7	7	-86.2	6
International Public Partnerships*	INPP	0.0	6	0.0	7	0.0	6	4.0	6	19.1	6	71.3	5	5.4	3	8.5	2	14.2	2	13.8	3	23.7	4	82.8	5
Sequoia Economic Infrastructure Inc*	SEQI	0.0	7	1.1	1	3.7	3	9.4	2	22.3	4			0.9	6	2.2	6	5.5	6	8.4	7	20.1	6		
Average/count		**0.0**	**7**	**0.2**	**7**	**2.6**	**7**	**5.1**	**7**	**16.3**	**7**	**70.5**	**6**	**20.9**	**7**	**20.7**	**7**	**16.5**	**7**	**20.9**	**7**	**20.2**	**7**	**81.9**	**6**
TECHNOLOGY & MEDIA																									
Allianz Technology	ATT	-0.9	4	4.9	2	1.1	3	28.7	2	97.3	1	364.3	1	-0.2	3	3.7	3	0.1	3	35.0	2	101.0	1	413.1	1
Augmentum Fintech	AUGM	0.0	3	0.0	4	2.4	2	7.9	3					-2.8	4	-5.9	4	-8.8	4	5.3	3				
Polar Capital Technology	PCT	1.4	1	5.0	1	8.9	1	34.0	1	90.1	2	312.7	2	5.9	1	13.0	1	18.5	1	43.7	1	87.4	2	336.3	2
Sure Ventures	SURE	0.0	2	0.0	3	-8.0	4	-9.5	4					4.9	2	4.9	2	4.9	2						
ROYALTIES																									
Hipgnosis Songs C*	SONC	0.0	1											1.1	2										
Hipgnosis Songs*	SONG	0.0	2	0.0	1	4.5	1	6.2	1					1.4	1	3.5	1	7.2	1	6.7	1				
RENEWABLE ENERGY INFRASTRUCTURE																									
Aquila European Renewables Income	AERI	-0.6	11	-4.2	11	-5.9	11							-1.3	12	-3.6	12	0.2	11						
Bluefield Solar Income*	BSIF	0.0	3	0.6	1	1.1	7	7.8	2	30.2	3			2.5	6	10.2	2	7.3	4	22.1	5	56.6	1		
Foresight Solar*	FSFL	0.0	4	0.0	2	1.1	6	2.7	8	23.5	6			5.4	2	2.7	8	7.1	5	23.4	3	41.8	4		
Gore Street Energy Storage	GSF	0.0	5	0.0	3	2.1	3	5.1	5					-0.3	11	5.9	4	11.8	1	7.6	10				
Greencoat Renewables*	GRP	-0.6	10	-4.2	10	-5.9	12	-3.5	10					1.5	9	0.4	10	2.0	10	12.2	7				
Greencoat UK Wind	UKW	0.0	6	0.0	4	1.2	5	4.1	6	32.9	2			2.2	7	6.0	3	9.3	3	25.4	2	47.2	3		
Gresham House Energy Storage	GRID	0.0	7	0.0	5	-0.4	9	3.7	7					3.8	3	3.8	6	5.4	7	7.9	9				
JLEN Environmental Assets Group*	JLEN	0.0	8	0.0	6	3.3	2	6.8	4	24.7	5			3.0	5	4.8	5	5.0	8	23.0	4	37.2	5		
NextEnergy Solar*	NESF	0.0	9	0.0	7	3.4	1	7.0	3	28.5	4			1.2	10	3.1	7	6.7	6	14.1	6	36.8	6		
Octopus Renewables Infrastructure	ORIT																								
SDCL Energy Efficiency Income	SEIT	0.0	1	0.0	8	1.6	4	2.1	9					1.9	8	0.9	9	3.3	9	11.1	8				
The Renewables Infrastructure Group*	TRIG	0.0	2	0.0	9	0.0	8	8.8	1	34.4	1			5.5	1	11.1	1	10.8	2	29.0	1	50.0	2		
US Solar	USF	-2.4	12	-7.0	12	-4.1	10							3.0	4	-0.4	11	-1.2	12						
Average/count		**-0.3**	**12**	**-1.2**	**12**	**-0.2**	**12**	**4.5**	**10**	**29.0**	**6**		**0**	**2.4**	**12**	**3.7**	**12**	**5.7**	**12**	**17.6**	**10**	**45.0**	**6**		**0**
GROWTH CAPITAL																									
Adamas Finance Asia*	ADAM	0.0	1	0.0	1	-4.5	3	-5.3	2	-32.9	1	-81.8	1	-17.0	4	-35.0	4	-51.3	4	-58.9	3	-84.1	2	-87.9	1
Merian Chrysalis*	MERI	0.0	2	0.0	2	2.0	1	15.0	1					1.7	2	-0.8	1	0.0	1	19.4	1				
Schiehallion*	MNTN	-2.0	3	-6.1	3	-2.3	2							0.1	3	-4.6	2	-1.5	2						
Schroder UK Public Private	SUPP	-6.4	4	-17.4	4	-25.1	4	-44.7	3	-42.5	2			27.8	1	-14.6	3	-31.5	3	-53.3	2	-57.9	1		
LEASING																									
Amedeo Air Four Plus*	AA4	0.0	1	0.0	3	6.8	1	32.7	1	132.4	1			-3.5	4	-6.0	4	-13.2	5	-20.8	5	-7.0	2		
Doric Nimrod Air One*	DNA	0.0	2	0.0	4	5.6	2	17.7	2	75.2	4	102.0	1	-16.9	8	-21.4	8	-20.8	8	-34.7	8	-23.0	7	-4.4	2
Doric Nimrod Air Three*	DNA3	0.0	3	0.0	5	0.6	6	14.5	4	78.9	2			-16.0	7	-16.2	6	-13.4	6	-24.5	6	-8.8	3		
Doric Nimrod Air Two*	DNA2	0.0	4	0.0	6	2.8	3	14.6	3	77.6	3	95.7	2	-14.9	6	-19.4	7	-18.7	7	-27.3	7	-14.8	6	8.8	1
DP Aircraft I*	DPA	-2.4	8	-7.0	8	-3.9	8	0.4	8	20.5	5			-3.6	5	-8.4	5	-12.9	4	-20.7	4	-9.5	5		

Sector and trust name	TRUST SIZE (£M) Total assets	Mkt cap	TOTAL DIST. YIELD (%)	DIVIDEND GROWTH (%) 1 year	3 years	5 years	SHARE PRICE (pence) Current	1 year low	1 year high	Current NAV per share (p)	DISCOUNT/PREMIUM (%) Current	Last quarter	1 year average	Z-SCORE 1 year	3 years	GEARING (%) Current	3 year high	3 year low	ONGOING CHARGES (%) Excl. perf fee	Incl. perf fee
DEBT - LOANS & BONDS																				
Alcentra European Floating Rate Income	123.9	119.2	4.4	6.1	-5.7	-2.8	98.9	94.8	101.0	103.3	-3.8	-4.8	-4.8	0.1	-0.3	0	0	0	1.1	1.1
Axiom European Financial Debt	91.3	86.3	6.0	0.0			94.0	83.5	94.0	99.4	-5.5	-9.9	-6.2	-0.3	-1.1	0	0	0	1.5	1.5
City Merchants High Yield	193.4	196.1	5.2	0.0	0.0	0.0	197.0	174.3	197.0	192.3	1.9	2.1	0.9	0.5	0.4	0	1	1	1.0	1.0
CQS New City High Yield	236.3	254.3	8.0	0.7	0.7	1.4	60.2	55.8	61.4	55.4	7.6	7.9	7.3	0.4	1.1	0	26	0	1.2	1.2
CVC Credit Partners European Opportunities GBP	455.3	326.2	5.2	0.0	3.2	23.4	99.4	97.4	109.5	105.2	-4.9	-6.1	-2.2	-1.5	-2.4	0	0	0	1.0	1.0
Henderson Diversified Income	202.9	179.0	4.9	-2.9	-4.8	-2.9	94.1	78.5	95.8	89.8	5.1	1.8	2.4	0.3	0.4	19	25	5	0.9	0.9
Invesco Enhanced Income	150.6	132.9	6.7	0.0	0.0	0.0	77.4	70.0	77.4	75.1	3.1	2.3	2.1	0.8	0.0	10	22	15	1.0	1.0
M&G Credit Income	131.3	137.8	4.1				106.0	101.0	108.5	101.0	5.0	7.6	5.0	0.0		0	0	0		
NB Distressed Debt Inv Extended Life	81.2	64.0	0.9	-35.8	-36.3		55.5	55.5	71.6	71.1	-21.2	-15.8	-13.4	-2.2	-2.4	0	0	0	2.5	2.5
NB Distressed Debt	14.0	9.9	0.0	-82.4			63.8	63.8	72.1	69.2	-6.9	-3.7	-7.0	0.3	-0.1	0	0	0	2.5	2.5
NB Distressed Debt New Glb	61.2	51.1	0.9	-31.1			71.2	71.2	82.5	85.3	-16.5	-12.3	-13.4	-1.0	-0.7	0	0	0	2.5	2.5
NB Global Floating Rate Income GBP	438.3	403.1	5.0	18.7	5.6	5.4	92.8	87.6	92.8	95.9	-3.4	-5.3	-5.0	1.2	-0.4	0	0	0	1.0	1.0
Riverstone Credit Opportunities Income	76.1	72.8	0.0				72.1	72.7	80.6	76.1	-4.3	-2.3	-1.0			0	0	0		
TwentyFour Select Monthly Income	171.4	174.3	6.9	-3.2	-2.5	2.9	94.5	89.2	94.6	92.6	1.7	2.4	1.8	1.3	0.1	0	0	0	1.2	1.2
											-3.0					**2**				
DEBT - STRUCTURED FINANCE																				
Blackstone / GSO Loan Financing	310.1	283.6	11.1	0.0	7.7		69.9	65.7	76.6	77.1	-8.6	-12.5	-10.0	0.7	-0.8	2	0	0	0.4	0.4
Blackstone/GSO Loan Financing C	60.3	56.4	14.9				41.9	40.1	47.3	45.2	-6.4	-10.7	-11.9	1.5		0	0	0		
Carador Income Repurchase Pool s	2.3	2.8	0.0				41.5	41.5	56.5	34.1	23.4	39.5	15.7	0.4		0	0	0		
Carador USD	21.7	13.6	11.9	-29.2	-14.0	-13.4	32.8	32.8	50.6	40.8	-17.8	1.1	-5.8	-3.5	-3.8	0	0	0	1.8	1.8
Chenavari Toro Income	308.5	208.1	8.1	0.0	7.2		66.3	68.2	72.8	84.7	-21.1	-19.2	-20.4	-0.4	-1.0	0	0	0	1.4	2.5
Fair Oaks Income 2017	253.9	238.2	15.2	-17.1	4.0		52.1	49.5	66.0	56.1	-6.2	-4.1	-3.1	-0.3	-0.9	0	0	0	0.3	0.3
Marble Point Loan Financing	117.1	120.8	11.4	5.7			58.1	58.1	74.6	56.9	3.2	-1.5	-1.6	1.4		0	0	0	1.4	1.4
TwentyFour Income	564.6	562.8	5.8	-10.8	-3.3	1.6	111.5	107.0	116.0	111.9	-0.3	-3.1	0.3	-0.3	-1.0	0	0	0	1.0	1.0
UK Mortgages	219.4	188.4	5.6	-6.3	23.3		69.0	65.5	83.8	80.4	-14.1	-16.9	-7.3	-0.7	-1.8	0	0	0	1.5	1.5
											-5.3					**0**				
FLEXIBLE INVESTMENT																				
Aberdeen Diversified Income & Growth	467.6	353.8	4.5	2.3	-6.4	-3.6	111.5	104.5	120.5	119.6	-7.8	-8.8	-5.8	-0.9	-1.4	16	23	20	0.6	0.6
BMO Managed Portfolio Growth	78.8	79.8					225.0	189.5	225.0	222.1	1.3	-0.3	0.0	1.2	0.8	0	0	0	1.0	1.4
BMO Managed Portfolio Income	68.0	63.9	4.3	4.4	4.6	4.4	142.5	121.5	143.5	140.7	1.3	-0.1	0.9	0.8	0.4	0	10	8	1.1	1.2
Caledonia	2031.0	1719.0	1.6	4.0	4.1	3.9	3130.0	2785.0	3160.0	3698.1	-15.4	-19.2	-16.6	0.6	0.8	0	0	0	1.0	1.0
Capital Gearing	466.0	477.7	0.5	9.5	4.8	7.5	4385.0	4050.0	4440.0	4292.0	2.5	1.9	2.1	0.8	0.9	0	0	0	0.7	0.7
CIP Merchant Capital	46.1	27.8	0.0				50.5	49.7	74.0	83.8	-39.8	-29.6	-28.8	-1.5		0	0	0	2.8	2.8
Hansa	344.6	226.3	0.8				188.1	176.0	228.0	287.2	-34.3	-31.7	-29.6	-1.0	-1.5	0	0	0	0.6	0.6
Hansa A s	344.6	227.1	0.8				189.0	177.3	206.0	287.2	-34.1	-33.6	-31.3	-1.1	-1.6	0	0	0	0.6	0.6
Henderson Alternative Strategies	130.0	103.5	1.5		9.6	10.8	263.5	253.5	289.0	336.1	-20.4	-19.6	-18.7	-0.4	-1.0	0	0	0	0.9	0.9
Invesco Perpetual Select Balanced Risk Allocation Portfolio	8.2	8.0	1.0				144.0	131.0	144.0	148.3	-2.9	-1.7	-2.2	0.8	-0.1	0	0	0	1.2	1.2
JPMorgan Global Core Real Assets	161.0	173.2					103.5	100.8	108.5	95.5	7.6	4.2	7.1			0	0	0		
JPMorgan Multi-Asset	92.0	88.5	3.7				102.8	92.0	103.5	106.9	-3.9	-8.1	-7.7	1.3		0	0	0	1.1	1.1
JZ Capital Partners	615.3	238.6	0.0				308.0	300.0	490.0	728.8	-57.7	-39.4	-42.5	-2.3	-3.1	3	9	8	3.2	3.6
Livermore Group	144.2	83.2	3.1		-27.9	10.5	47.6	34.9	47.6	82.5	-42.3	-42.9	-47.2	2.0	0.3	0	0	0	6.6	6.6
Miton Global Opportunities	78.7	77.4					277.0	252.5	277.5	281.5	-1.6	-3.3	-1.6	-0.1	-0.3	0	7	0	1.5	1.5
New Star	114.9	83.1	0.9	40.0	67.1		117.0	105.0	120.0	161.8	-27.7	-30.0	-30.1	1.6	1.2	0	0	0	0.9	1.2
Personal Assets	1133.8	1147.9	1.3	0.0	0.0	0.0	42550.0	39000.0	43150.0	42026.4	1.3	1.3	1.2	0.1	0.2	0	0	0	0.9	0.9
RIT Capital Partners	3515.3	3325.2	1.7	0.0	0.0	0.0	2115.0	1910.0	2180.0	1963.0	8.0	10.1	8.5	-1.1	-0.5	11	16	14	0.7	0.7
Ruffer	415.1	403.2	0.8	0.0	-19.1	-11.9	225.0	204.0	230.0	229.6	-2.9	-3.4	-3.7	0.3	-1.2	0	0	0	1.1	1.1
Seneca Global Income & Growth	95.3	88.5	3.8	3.5	3.6	4.0	179.3	160.0	181.8	178.9	0.2	2.0	0.4	1.0	0.8	6	9	8	1.5	1.5
Tetragon Financial Group	1634.3	850.8	3.1	2.9	3.6	5.0	924.7	912.7	1074.7	1787.1	-47.9	-47.0	-46.8	-1.3	-1.9	0	0	0	1.9	4.2
UIL	514.7	217.2	2.2	0.0	0.0	0.0	252.0	169.0	260.0	343.5	-26.6	-31.8	-38.7	1.3	2.2	73	84	64	2.1	5.1
											-15.6					**5**				
FINANCIALS																				
Chenavari Capital Solutions	28.9	20.7	2.7	-40.7	-18.9		61.0	61.0	78.0	86.1	-28.6	-12.2	-14.1	-4.2	-3.6	0	0	0	1.7	1.7
EJF	136.9	109.7	5.7	-22.7			171.0	168.0	189.0	187.0	-8.6	-10.5	-3.1	-1.1		14	15	14	2.2	3.3
Polar Capital Global Financials	318.7	298.1	2.8	6.4	8.8	20.5	146.0	122.3	149.0	152.2	-3.4	-4.8	-4.7	1.2	0.8	0	11	3	1.0	1.0
Trian Investors 1	323.0	270.6	0.0				100.0	99.5	101.5	119.4	-16.2	-1.8	-2.1	-2.1		0	0	0	0.3	0.3
INFRASTRUCTURE																				
3i Infrastructure	2130.5	2629.7	3.9	-2.8	-2.0	-1.7	294.5	258.4	306.5	239.0	23.4	22.3	22.4	-0.2	0.8	0	0	0	1.7	3.4
BBGI SICAV	834.6	1058.8	5.3	3.9	4.0	4.2	166.5	150.5	170.0	132.4	26.9	19.7	20.6	1.3	1.7	0	0	0	1.0	1.0
GCP Infrastructure	1052.5	1162.6	6.9	0.0	0.0	0.0	131.8	122.6	132.4	109.8	20.6	12.8	15.2	1.9	1.7	9	15	9	1.1	1.1
HICL Infrastructure	2886.9	3158.6	5.3	2.6	2.6	2.5	170.6	155.8	174.0	155.7	9.4	5.2	5.4	1.8	0.9	0	0	0	1.1	1.1
Infrastructure India	177.7	24.6					3.6	1.0	3.8	22.0	-83.6	-92.5	-91.2	2.9	2.0	17	25	18	7.2	7.2
International Public Partnerships	2363.2	2670.7	4.9	2.6	2.8	2.6	166.8	146.8	167.0	146.7	13.0	5.2	7.6	2.4	1.8	0	0	0	1.2	1.2
Sequoia Economic Infrastructure Inc	1554.1	1614.0	6.0	0.0	6.3		116.6	110.0	117.6	104.9	11.0	10.0	10.1	1.9	1.4	6	9	7	1.0	1.0
											3.0					**5**				
TECHNOLOGY & MEDIA																				
Allianz Technology	587.2	578.5	0.0				1647.0	1190.0	1820.0	1664.8	-1.5	1.3	-0.4	-1.6	-0.6	0	0	0	0.9	2.1
Augmentum Fintech	131.3	120.6					103.0	97.8	113.0	112.2	-8.2	-2.4	0.5	-2.1		0	0	0	2.1	2.1
Polar Capital Technology	2178.6	2141.2					1586.0	1090.0	1622.0	1587.0	0.8	-6.8	-5.5	1.7	0.4	0	6	3	1.0	1.3
Sure Ventures	4.0	5.2					107.5	97.0	107.5	83.1	29.4	23.4	18.4			0	0	0	8.8	8.8
ROYALTIES																				
Hipgnosis Songs C	226.4	240.2					104.0	101.0	104.0	98.0	6.1		5.2			0	0	0		
Hipgnosis Songs	384.6	422.5	5.1				110.0	103.0	110.0	98.8	9.9	7.5	9.2	0.1		0	0	0	2.6	3.0
RENEWABLE ENERGY INFRASTRUCTURE																				
Aquila European Renewables Income	127.6	142.4	3.1				91.3	89.3	91.5	82.5	11.5	10.0	8.8			0	0	0		
Bluefield Solar Income	424.7	523.3	6.9	3.4	1.9	13.2	141.5	122.8	142.0	114.6	23.2	13.1	17.0	1.5	2.1	0	0	0	1.1	1.1
Foresight Solar	650.0	762.5	6.3	4.1	2.6		126.0	108.0	126.5	107.4	17.3	12.1	9.3	1.6	2.4	0	0	0	1.2	1.2
Gore Street Energy Storage	44.8	47.3	7.7				96.5	81.5	99.3	91.5	5.7	-0.8	-0.3	1.6		0	0	0	2.5	2.5
Greencoat Renewables	864.2	639.8	5.9	-1.2			101.3	89.8	106.7	88.0	15.3	11.8	9.4	1.5		55	93	56	1.4	1.4
Greencoat UK Wind	2318.9	2285.4	5.7	4.2	2.6	10.1	150.4	126.0	151.2	121.2	24.3	16.4	14.5	1.9	2.9	26	35	26	1.1	1.1
Gresham House Energy Storage	200.6	219.6	4.6				107.5	103.0	109.5	98.2	9.5	5.9	5.6	2.8		0	0	0		
JLEN Environmental Assets Group	512.1	606.4	6.5	3.2	2.5		122.0	105.0	123.0	103.0	18.4	13.2	11.8	1.6	2.4	0	0	0	1.3	1.3
NextEnergy Solar	638.8	729.5	6.3	3.6	2.1		124.0	112.0	125.0	109.5	14.2	12.5	9.4	1.5	2.2	5	0	0	1.1	1.1
Octopus Renewables Infrastructure	343.0	374.5	0.0				107.5	105.0	108.1	98.0	9.2		8.6			0	0	0		
SDCL Energy Efficiency Income	309.2	346.0	5.2				107.5	99.9	112.0	96.5	11.9	10.6	7.4	1.2		0	0	0	3.6	3.6
The Renewables Infrastructure Group	1824.5	2254.5	6.0	1.6	1.6	2.0	138.4	113.2	138.4	111.7	23.6	11.5	12.5	1.7	2.5	0	0	0	1.1	1.1
US Solar	185.5	200.2	0.4				79.3	76.5	79.3	74.2	7.9	0.6	3.6			0	0	0		
											14.8					**7**				
GROWTH CAPITAL																				
Adamas Finance Asia	85.3	19.8	0.0				19.5	18.0	60.5	84.0	-76.8	-64.3	-56.0	-0.2	-0.9	0	0	0	4.1	4.1
Merian Chrysalis	381.6	417.6					123.0	102.5	140.5	113.3	9.4	6.8	10.7	-0.8		0	0	0		
Schiehallion	369.9	438.5					91.0	85.3	91.0	77.5	18.5	16.3	16.3			0	0	0		
Schroder UK Public Private	605.3	327.1	0.0				38.4	28.6	90.0	54.4	-33.8	-31.5	-28.1	-0.4	-1.4	23	23	15	0.2	0.2
LEASING																				
Amedeo Air Four Plus	2343.7	491.3	7.5	0.0	0.0		76.5	76.5	107.5	110.7	-30.9	-25.5	-11.0	-1.2	-1.5	17	418	225	1.1	1.1
Doric Nimrod Air One	89.6	29.1	7.8	0.0	0.0	0.0	67.8	67.5	114.5	115.8	-40.9	-25.0	-17.2	-1.9	-2.1	74	91	81	1.3	1.3
Doric Nimrod Air Three	344.8	157.3	11.8	0.0	0.0	9.2	71.0	70.0	103.5	70.2	1.9	20.1	24.9	-1.9	-1.7	15	164	120	0.9	0.9
Doric Nimrod Air Two	674.2	247.0	10.0	0.0	0.0	0.0	143.0	138.0	220.0	180.8	-20.9	-2.1	3.0	-2.1	-2.0	7	123	111	1.1	1.1
DP Aircraft I	339.3	124.1	9.2	0.0	0.0		58.7	59.1	81.4	74.3	-20.3	-18.5	-8.2	-1.3	-2.3	97	118	113	0.9	1.1

TRUST DATABANK

Sector and trust name	Ticker	NET ASSET VALUE TOTAL RETURN (%) AND SECTOR RANK												SHARE PRICE TOTAL RETURN (%) AND RANK AFTER											
		1 month	Rank	3 months	Rank	6 months	Rank	1 year	Rank	3 years	Rank	7 years	Rank	1 month	Rank	3 months	Rank	6 months	Rank	1 year	Rank	3 years	Rank	7 years	Rank
SQN Asset Finance Income C*	SQNX	0.0	5	1.2	1	2.3	4	6.2	5	11.8	7			0.1	2	1.6	2	-0.9	2	3.1	1	-4.3	1		
SQN Asset Finance Income*	SQN	0.0	6	0.6	2	1.9	5	3.2	6	17.0	6			2.0	1	3.9	1	-4.9	3	-7.1	3	-9.2	4		
Tufton Oceanic Assets*	SHIP	-2.4	7	-7.0	7	-3.7	7	1.7	7					-0.9	3	-3.1	3	4.4	1	1.9	2				
Average/count		**-0.6**	**8**	**-1.5**	**8**	**1.5**	**8**	**11.4**	**8**	**59.0**	**7**	**98.8**	**2**	**-6.7**	**8**	**-8.6**	**8**	**-10.1**	**8**	**-16.3**	**8**	**-11.0**	**7**	**2.2**	**2**
FORESTRY & TIMBER																									
Cambium Global Timberland*	TREE	0.0	1	0.0	1	0.0	1	-4.6	1	-14.5	1	-69.7	1	-1.2	1	-1.2	1	6.4	1	5.5	1	69.5	1	-72.2	1
LIQUIDITY FUNDS																									
Invesco Perpetual Select Managed Liquidity Portfolio	IVPM	0.1	2	0.7	1	1.0	1	2.2	1	2.8	1	3.0	2	1.0	1	1.5	1	1.8	1	2.3	1	2.5	2	4.3	2
JPMorgan Elect (Managed Cash Pool)	JPEC	0.1	1	0.0	2	0.6	2	1.3	2	2.8	2	4.6	1	0.0	2	0.0	2	1.4	2	1.9	2	3.1	1	4.3	1
PRIVATE EQUITY																									
3i Group	III	0.0	14	0.0	12	1.3	12	11.6	8	76.2	1	322.1	1	4.2	9	-4.3	20	0.3	16	47.2	3	73.5	3	561.9	1
Apax Global Alpha*	APAX	0.0	15	0.0	13	0.0	15	13.3	6	31.1	11			0.6	17	12.7	6	20.2	5	35.6	5	47.2	9		
Better Capital PCC 2009*	BCAP	0.0	16	0.0	14	-6.7	23	-6.7	21	19.5	14	38.5	17	0.0	21	0.0	16	2.1	15	-4.9	19	-8.8	17	-14.4	18
Better Capital PCC 2012*	BC12	0.0	17	0.0	15	-11.0	24	-11.0	24	-52.8	23	-64.9	20	-1.3	22	-4.5	21	-14.5	22	-12.3	20	-33.6	22	-76.4	21
BMO Private Equity	BPET	0.0	18	0.0	16	0.0	14	2.4	20	21.9	13	96.8	12	3.2	12	5.1	12	8.7	11	23.6	11	43.6	10	176.9	8
Dunedin Enterprise	DNE	0.0	19	0.0	17	6.7	4	10.2	10	48.2	5	52.6	15	3.0	14	10.3	10	2.2	14	23.6	12	134.7	1	96.3	15
EIH*	EIH													-2.4	23	-35.8	26	-33.7	26	-34.7	25	-38.6	23	14.4	17
Electra Private Equity	ELTA	0.0	8	0.0	9	7.6	2	15.8	3	4.8	17	128.4	8	32.4	1	27.4	2	20.4	4	21.4	13	10.4	13	195.0	6
EPE Special Opportunities*	ESO	0.0	9	7.6	1	0.6	13	37.9	1	-18.9	20	193.4	2	4.2	10	4.8	13	-8.0	20	16.4	14	-31.9	21	230.4	4
FastForward Innovations*	FFWD	0.0	10	0.0	8	6.9	3	11.1	9	59.5	3	163.1	4	30.6	2	18.2	4	-7.4	19	-16.9	23	-25.5	20	24.6	16
HarbourVest Global Private Equity*	HVPE	0.0	11	-2.2	20	4.1	8	13.4	5	41.3	6	179.0	3	4.3	8	0.9	15	11.4	9	33.4	6	55.7	6	279.6	2
HgCapital	HGT	0.0	12	0.0	10	4.1	7	18.4	2	64.4	2	148.6	6	1.6	16	12.0	7	20.4	3	47.5	2	82.2	2	214.9	5
ICG Enterprise	ICGT	0.0	13	0.0	11	10.7	1	14.1	4	52.5	4	127.0	9	3.1	13	14.6	5	14.4	7	26.0	9	57.4	5	164.8	9
JPEL Private Equity*	JPEL	-2.4	24	-8.1	25	-4.5	21	-7.7	23	4.4	18	85.1	13	-3.5	24	-11.4	22	-13.0	21	-15.9	22	0.9	16	152.2	12
LMS Capital	LMS	5.8	1	5.8	2	5.0	5	3.0	18	8.9	16	-9.5	18	-14.3	25	-23.7	25	-16.6	23	-14.7	21	-21.6	18	-34.4	19
NB Private Equity Partners*	NBPE	0.0	2	0.3	3	-0.1	18	6.4	13	23.4	12	150.5	5	8.5	5	6.6	11	9.8	10	25.7	10	39.6	11	235.0	3
Oakley Capital*	OCI	0.0	5	0.0	6	0.0	16	12.9	7	41.0	7	83.8	14	13.3	3	18.6	3	18.0	6	57.0	1	73.4	4	113.8	13
Origo Partners*	OPP	0.0	6	0.0	7	0.0	17	8.0	12	-88.3	24	-95.0	22	5.2	7	120.6	1	142.7	1	45.6	4	-82.9	25	-97.3	23
Pantheon International	PIN	0.0	7	-4.3	23	1.3	11	6.2	14	33.5	10	131.2	7	10.8	4	11.0	8	20.6	2	30.7	7	48.6	7	191.8	7
Princess Private Equity Holding*	PEY	-0.6	22	-4.1	21	-1.0	19	8.1	11	35.0	8	119.3	11	3.7	11	10.5	9	13.4	8	29.7	8	48.5	8	164.0	10
Reconstruction Capital II*	RC2	-0.6	23	-4.2	22	-6.0	22	-6.9	22	-21.6	21	-23.0	19	-15.9	26	-19.0	23	-30.4	25	-26.9	24	-24.1	19	-59.3	20
St Peter Port Capital*	SPPC	0.0	20	0.0	18	4.8	6	-16.5	25	-50.2	22	-82.1	21	0.0	20	-19.2	24	-22.2	24	-38.2	26	-54.8	24	-88.5	22
Standard Life Private Equity	SLPE	0.0	21	-1.2	19	-2.0	20	5.4	15	34.3	9	126.5	10	2.3	15	-0.1	18	4.7	12	11.8	16	31.6	12	158.0	11
Symphony International*	SIHL	-2.4	25	-7.0	24	-12.6	25	2.8	19	-0.4	19	49.1	16	8.5	6	-0.5	19	3.6	13	12.9	15	5.8	15	103.0	14
Average/count		**0.0**	**23**	**-0.8**	**23**	**0.4**	**23**	**6.6**	**23**	**16.0**	**23**	**87.3**	**22**	**4.3**	**24**	**6.5**	**24**	**7.0**	**24**	**13.5**	**24**	**18.0**	**24**	**117.7**	**23**
HEDGE FUNDS																									
Alternative Liquidity*	ALF	-2.4	11	-5.0	9	-6.5	11	-7.6	11	-55.1	10			24.7	1	9.2	1	-11.2	10	-3.2	10	41.0	1		
BH Global GBP*	BHGG	1.0	3	0.1	3	-1.3	5	4.7	6	12.3	5	23.4	7	3.2	2	-2.1	4	-7.8	9	2.4	7	16.3	6	33.6	6
BH Macro GBP*	BHMG	1.4	2	0.5	2	-1.1	4	7.9	3	16.0	3	25.7	6	-0.8	8	-4.0	5	-5.4	6	10.4	3	22.3	4	32.5	7
Boussard & Gavaudan GBP*	BGHS	0.6	4	1.0	1	3.4	1	4.9	5	7.1	7	54.6	5	0.0	4	3.7	2	0.6	4	3.3	6	-1.4	8	58.4	5
Gabelli Merger Plus+	GMP	-1.6	10	-4.8	8	-0.3	3	2.7	7					-2.4	9	-6.8	7	0.5	5	5.0	5				
Highbridge Tactical Credit*	HTCF	0.1	6	-2.1	4	-3.3	8	-1.3	9	0.3	9	18.5	8	-6.1	11	-8.9	10	-12.4	11	-11.1	11	-7.6	10	8.2	8
Pershing Square*	PSH	1.7	1	-4.8	7	-1.3	6	52.2	1	40.8	1			0.6	3	-6.8	6	6.0	1	45.6	1	25.7	2		
Third Point Offshore Investors USD*	TPOU	-0.7	7	-3.5	6	1.6	2	17.1	2	20.6	2	124.9	1	-0.4	6	-8.7	9	4.6	3	11.9	2	16.3	5	118.8	1
Average/count		**0.0**	**8**	**-2.3**	**8**	**-1.1**	**8**	**10.1**	**8**	**6.0**	**7**	**49.4**	**5**	**2.4**	**8**	**-3.0**	**8**	**-3.1**	**8**	**8.0**	**8**	**16.1**	**7**	**50.3**	**5**
INSURANCE & REINSURANCE STRATEGIES																									
CATCo Reinsurance Opportunities*	CAT	-2.4	1	-10.8	2	0.8	2	-13.9	5	-74.9	1	-38.5	1	6.9	2	27.2	2	97.1	2	20.7	4	-77.0	1	-42.6	1
CATCo Reinsurance Opps C*	CATC	-2.4	2	-13.0	4	-0.1	3	-12.5	4					12.8	1	43.4	1	114.3	1	7.7	5				
Life Settlement Assets A	LSAA	-2.4	3	-7.8	1	1.7	1	10.8	3					-2.4	6	-7.0	3	-1.1	5	21.4	3				
Life Settlement Assets B	LSAB	-2.4	4	-12.2	3	-11.6	4	-18.4	6					-2.4	3	-9.9	4	-9.7	6	0.1	6				
Life Settlement Assets D	LSAD	-2.4	5	-14.2	5	-26.3	5	30.7	2					-2.4	5	-12.1	6	14.7	3	153.8	2				
Life Settlement Assets E	LSAE	-2.4	6	-17.7	6	-45.2	6	631.6	1					-2.4	4	-11.4	5	1.7	4	217.0	1				
Average/count		**-2.4**	**6**	**-12.6**	**6**	**-13.4**	**6**	**104.7**	**6**	**-74.9**	**1**	**-38.5**	**1**	**1.7**	**6**	**5.1**	**6**	**36.2**	**6**	**70.1**	**6**	**-77.0**	**1**	**-42.6**	**1**
UTILITIES																									
Ecofin Global Utilities & Infrastructure	EGL	1.8	2	-4.2	3	6.4	2	24.8	2	44.1	1			4.4	1	3.9	1	16.6	1	31.6	2	68.0	1		
Premier Global Infrastructure	PGIT	4.9	1	3.4	1	10.1	1	39.1	1	2.6	3	116.0	1	2.4	2	3.9	2	15.0	2	38.3	1	1.5	3	125.6	1

KEY FACTS AND PERFORMANCE FOR VENTURE CAPITAL TRUSTS

	Sector code	Mkt cap £m	Share price p	Discount to NAV %	Current yield %	Share price total return (%) and rank after								Net asset value total return (%) and rank after							
						6 mths	Rk	1 yr	Rk	3 yrs	Rk	7 yrs	Rk	6 mths	Rk	1 yr	Rk	3 yrs	Rk	7 yrs	Rk
Albion Development VCT	VCG	66.4	79.5	-4.3	5.4	2.2	19	9.3	11	42.9	3	84.4	15	0.0	22	3.4	21	38.8	3	74.2	7
Albion Enterprise VCT	VCG	71.9	113.0	-5.4	5.0	3.7	16	12.6	9	43.5	2	105.7	6	3.5	4	5.7	13	40.6	2	91.8	2
Albion Technology & General VCT	VCG	87.7	79.0	-5.1	4.8	11.0	9	12.4	10	42.8	4	78.4	17	0.2	19	13.1	3	38.2	4	50.5	18
Albion VCT	VCG	69.8	73.8	-4.7	6.5	3.4	17	5.8	18	30.6	10	69.2	20	1.4	16	3.7	18	25.9	8	63.0	12
Baronsmead Second Venture	VCG	179.2	75.5	-4.2	17.2	2.7	18	2.8	23	8.8	24	51.7	25	0.1	21	6.6	10	4.7	33	44.0	23
Baronsmead Venture	VCG	157.0	73.3	-4.4	18.3	1.7	23	-1.2	30	7.7	27	57.0	23	0.1	20	2.3	25	6.6	28	49.4	19
British Smaller Companies VCT	VCG	96.7	69.5	-4.0	15.2	2.2	20	7.4	15	8.4	26	91.7	12	3.0	5	3.3	23	-3.9	38	62.0	14
British Smaller Companies VCT 2	VCG	68.2	52.0	-3.2	14.9	5.1	13	8.2	13	14.2	20	57.1	22	3.5	3	3.4	22	15.0	18	39.4	24
Calculus VCT	VCG	14.9	60.0	-16.9	4.7	-21.7	44	-10.5	37	-31.0	39			-0.7	27	-2.9	33	-13.2	40		
Chrysalis VCT	VCG	15.7	55.3	-17.5	18.3	-4.3	40	-1.1	29	26.8	13	172.7	2	-3.0	32	1.0	27	12.4	21	56.8	15
Crown Place VCT	VCG	61.0	32.7	-6.1	5.7	1.8	22	7.2	16	36.8	6	83.5	16	1.5	15	13.5	2	36.6	5	78.0	4
Downing Four VCT DP67	VCG	3.0	27.0	-8.2	61.3	30.6	2	30.6	2	31.5	9	160.5	3	-6.1	38	-6.1	37	11.4	22	30.8	27
Downing Four VCT DSO 1 D	VCG	0.9	11.0	0.9	0.1	87.1	1	87.1	1	45.7	1	28.6	29	-4.6	34	-4.6	35	7.5	27	8.3	31
Downing ONE VCT	VCG	95.3	72.0	-4.6	6.6	-3.0	37	-2.0	32	2.0	32	40.7	27	-11.7	41	-8.5	40	-0.1	36	15.3	29
Downing Three VCT 'F'	VCG	1.7	16.0	-25.2	23.4	0.0	33	-14.9	38	-1.4	33	-17.4	33	-15.4	43	-9.8	41	-17.7	42	-17.0	34
Downing Three VCT 'H'	VCG	4.6	34.5	3.0	29.9	-8.5	42	-38.3	41	-35.2	40			-13.0	42	-18.2	43	-45.0	44		
Downing Three VCT 'J'	VCG	5.9	55.0	-13.3	3.9	-30.6	45	-37.9	40	-41.0	41			-3.6	33	-23.8	44	-29.3	43		
Downing Two VCT 'F'	VCG	2.1	19.0	-12.0	0.1	18.7	4	18.7	6	-11.9	37	-24.5	34	-15.6	44	-10.0	42	-17.6	41	-9.0	33
Downing Two VCT 'G'	VCG	9.2	36.5	189.7	0.0	-14.0	43	-22.9	39	-21.5	38			-57.9	45	-56.3	45	-60.2	45		
Draper Esprit VCT	VCG	40.5	50.5	-9.2	5.4	-5.5	41	-1.9	31	-5.8	36	104.6	7	-2.5	31	-2.5	32	0.3	35	52.2	17
Foresight 4 VCT	VCG	118.4	60.5	-7.4	6.1	7.7	11	7.7	14	26.9	12	-0.2	32	1.6	14	3.5	20	5.6	31	-7.2	32
Foresight VCT	VCG	120.0	69.0	-10.0	6.5	4.5	15	8.4	12	20.5	16	20.6	31	1.7	12	-1.4	31	16.6	16	18.2	28
Kings Arms Yard VCT	VCG	70.4	21.1	-3.7	5.5	-1.0	35	1.4	26	23.6	14	91.9	11	-0.1	24	1.4	26	18.3	13	65.8	9
Maven Income & Growth VCT	VCG	40.5	43.6	-6.2	27.0	0.0	31	6.0	17	9.9	22	52.5	24	1.6	13	7.1	9	9.9	24	48.6	20
Maven Income & Growth VCT 3	VCG	37.1	54.5	-12.1	11.7	0.0	32	-0.9	28	3.4	31	50.6	26	4.3	2	4.1	14	3.5	34	45.9	22
Maven Income & Growth VCT 4	VCG	68.1	66.0	-9.2	2.8	4.8	14	4.0	21	11.7	21	28.3	30	2.7	7	4.1	15	5.8	30	30.8	26
Maven Income and Growth VCT 5	VCG	41.1	32.6	-12.1	4.0	0.3	30	-4.3	34	17.1	18	139.9	4	1.8	11	0.0	28	21.1	10	76.1	5
Mobeus Income & Growth 2 VCT	VCG	41.2	85.5	-4.8	5.6	12.6	8	19.8	4	35.9	7	191.0	1	-2.4	30	7.3	8	20.4	11	92.4	1
Mobeus Income & Growth 4 VCT	VCG	44.1	66.0	-4.1	8.7	13.4	7	19.7	5	34.4	8	98.2	10	-0.3	25	8.5	7	18.7	12	62.4	13
Mobeus Income & Growth VCT	VCG	62.5	59.8	-5.1	6.4	13.7	6	22.5	3	42.2	5	138.9	5	-0.1	23	11.4	6	28.7	6	89.0	3
Northern 2 VCT	VCG	83.4	60.0	-4.8	6.4	0.8	26	4.2	20	7.3	28	86.0	14	-0.9	29	3.2	24	8.5	25	64.4	10
Northern 3 VCT	VCG	82.1	88.0	-4.5	4.3	0.6	28	2.3	25	6.6	29	90.5	13	-0.8	28	4.0	16	5.4	32	63.2	11
Northern Venture	VCG	88.8	64.0	-4.3	6.0	1.5	24	4.7	19	9.8	23	101.0	8	2.1	10	3.8	17	12.5	20	70.9	8
Octopus Apollo VCT	VCG	123.9	42.7	-1.2	6.9	0.9	25	2.7	24	6.4	30	29.2	28	-5.3	36	-3.9	34	-0.9	37	9.3	30
Octopus Titan VCT	VCG	823.1	86.5	-6.4	4.6	0.6	27	3.5	22	14.4	19	70.1	18	2.2	9	3.7	19	10.6	23	53.6	16
Pembroke VCT B	VCG	68.4	106.5	-5.0	2.7	6.9	12	18.5	7	17.3	17			3.0	6	-0.6	29	13.9	19		
Pembroke Venture Capital	VCG	17.6	97.0	-24.1	2.4	0.0	34	0.0	27	-5.5	35			-5.5	37	-1.4	30	18.1	14		
ProVen Growth and Income VCT	VCG	118.6	59.0	-4.4	3.2	-4.0	39	-5.4	36	8.7	25	60.7	21	-7.6	40	-6.8	39	8.0	26	38.7	25

Sector and trust name	TRUST SIZE (£M) Total assets	Mkt cap	TOTAL DIST. YIELD (%)	DIVIDEND GROWTH (%) 1 year	3 years	5 years	SHARE PRICE (pence) Current	1 year low	1 year high	Current NAV per share (p)	DISCOUNT/PREMIUM (%) Current	Last quarter	1 year average	Z-SCORE 1 year	3 years	GEARING (%) Current	3 year high	3 year low	ONGOING CHARGES (%) Excl. perf fee	Incl. perf fee
SQN Asset Finance Income C	135.3	117.0	7.5	201.6			86.5	80.8	95.9	97.4	-13.5	-10.4	-8.5	-1.3	-1.5	0	0	0	0.9	0.9
SQN Asset Finance Income	331.3	293.3	7.8	0.0	0.0		82.8	70.6	97.6	93.1	-11.5	-15.2	-8.2	-0.3	-0.9	2	0	0	2.2	2.2
Tufton Oceanic Assets	189.4	201.5	7.2	148.5			78.5	79.3	81.3	74.2	6.4	2.5	4.4	0.7		0	0	0	1.1	1.1
											-16.2					27				
FORESTRY & TIMBER																				
Cambium Global Timberland	15.5	9.2					12.5	11.7	12.7	18.8	-33.5	-32.7	-35.9	-0.2	1.2	4	12	10	3.3	3.3
LIQUIDITY FUNDS																				
Invesco Perpetual Select Managed Liquidity Portfolio	3.8	3.7	0.8				103.0	101.0	103.0	105.2	-2.1	-2.9	-2.8	1.7	-0.2	0	0	0	0.4	0.4
JPMorgan Elect (Managed Cash Pool)	5.4	5.1	0.4	14.3	4.6	2.7	102.5	100.0	103.5	103.2	-0.7	-0.7	-1.1	0.8	1.3	0	32	0	0.0	0.0
PRIVATE EQUITY																				
3i Group	8899.1	10732.3	4.4	16.7	16.7	17.0	1098.0	773.4	1184.5	855.5	28.9	32.0	24.4	0.3	-0.1	0	7	7	1.6	1.6
Apax Global Alpha	899.4	849.6	4.9	0.5	31.8		172.5	135.0	176.0	183.1	-5.5	-15.1	-12.5	2.0	1.4	0	0	0	0.8	0.8
Better Capital PCC 2009	26.4	17.1	0.0	0.0			48.5	47.5	51.0	74.9	-35.2	-35.2	-38.1	1.5	0.1	0	0	0	0.8	0.8
Better Capital PCC 2012	46.6	21.7	0.1	0.0	0.0		7.5	7.5	10.3	16.1	-53.5	-51.3	-50.3	-1.0	-1.0	0	0	0	1.0	1.0
BMO Private Equity	377.7	277.3	3.8	101.8	610.9		375.5	314.0	378.0	380.5	-1.5	-5.8	-7.7	2.0	1.1	14	36	0	1.2	2.1
Dunedin Enterprise	88.3	78.2	12.2	-89.5		-34.4	376.0	327.0	389.0	427.9	-11.4	-14.9	-13.6	0.4	0.8	0	0	0	1.5	1.5
EIH	7.7	4.9	12.8	0.0	0.0	0.0	7.5	7.5	20.2	11.9	-35.9	-7.1	-15.7	-1.8	-1.3	0	0	0	2.8	2.8
Electra Private Equity	197.9	150.8	0.0	0.0	0.0		391.5	288.0	427.0	517.0	-23.8	-39.5	-32.6	0.6	-0.9	0	0	0	1.3	1.3
EPE Special Opportunities	92.1	60.8					185.0	150.0	210.0	262.0	-29.4	-27.5	-25.4	-0.7	-0.2	0	11	7	4.4	4.4
FastForward Innovations	20.4	12.8					8.1	5.3	12.5	12.6	-37.5	-45.4	-30.1	-0.4	-1.2	0	0	0	6.0	6.0
HarbourVest Global Private Equity	1635.6	1439.1					1798.0	1348.0	1810.0	2048.0	-12.0	-14.7	-18.0	2.3	2.0	0	0	0	0.6	0.6
HgCapital	1017.3	1033.6	1.9	0.0	4.8	9.7	257.5	178.0	257.5	250.0	1.6	-5.2	-2.2	1.3	2.1	0	0	0	1.9	1.9
ICG Enterprise	802.4	692.2	1.9	4.8	26.0	24.0	988.0	792.0	1010.0	1165.0	-13.7	-25.8	-20.4	1.8	0.8	0	0	0	1.3	1.3
JPEL Private Equity	407.9	187.3					97.8	97.8	115.4	128.9	-23.4	-20.0	-18.8	-1.9	-2.1	22	28	23	1.2	1.2
LMS Capital	58.7	31.5	0.0				39.0	39.0	59.5	72.7	-46.4	-21.6	-31.1	-2.3	-2.4	0	0	0	1.9	1.9
NB Private Equity Partners	798.1	561.6	3.2	16.3			1210.0	1003.0	1210.0	1445.0	-17.0	-21.2	-22.1	1.8	1.1	15	22	17	2.8	2.8
Oakley Capital	619.6	531.3	1.4	0.0			267.5	174.0	267.5	312.0	-14.3	-27.7	-27.1	2.7	3.7	0	0	0	0.8	1.1
Origo Partners	5.0	0.8	0.0				0.2	0.1	0.4	1.4	-85.0	-86.2	-91.1	1.5	-0.2	0	0	0	11.6	11.6
Pantheon International	1508.7	1390.1	0.0				2575.0	1960.0	2595.0	2789.3	-7.9	-20.0	-18.6	2.2	2.4	0	0	0	1.2	1.2
Princess Private Equity Holding	718.9	649.9	4.9	0.0	0.0	0.0	923.6	754.0	959.4	1015.0	-7.4	-16.5	-15.2	2.9	0.5	0	3	2	1.7	3.2
Reconstruction Capital II	25.6	16.0	0.0				11.7	11.7	16.7	18.9	-37.7	-26.9	-21.7	-2.6	-2.4	0	0	0	3.0	3.0
St Peter Port Capital	11.6	3.4				-24.2	5.3	5.3	8.5	18.0	-70.9	-64.0	-63.0	-1.9	-1.8	0	0	0	4.3	4.3
Standard Life Private Equity	673.6	533.5	2.9	3.2	33.3	20.7	348.5	323.5	384.5	438.1	-20.8	-19.0	-18.1	-0.5	-0.9	0	0	0	1.1	1.1
Symphony International	509.3	236.8	2.5	0.0	0.0	9.9	49.1	44.0	52.2	75.7	-39.0	-44.7	-40.1	0.1	-0.9	0	0	0	2.6	2.6
											-24.9					2				
HEDGE FUNDS																				
Alternative Liquidity	29.3	10.5		0.0			7.1	5.8	11.3	19.9	-64.3	-66.4	-59.6	-0.4	-0.2	0	0	0	3.8	3.8
BH Global GBP	351.4	298.0	0.0				1517.5	1432.5	1667.5	1601.0	-6.3	-3.0	-3.4	-0.2	0.6	0	0	0	2.1	3.4
BH Macro GBP	420.9	370.6	0.0				2610.0	2250.0	2830.0	2592.0	-0.1	4.3	1.1	-0.1	0.9	0	0	0	0.7	1.8
Boussard & Gavaudan GBP	363.3	6.2	0.0				1560.0	1450.0	1580.0	2063.0	-24.4	-25.5	-24.3	0.0	-1.1	0	20	10	1.6	1.6
Gabelli Merger Plus+	77.3	69.0	4.9	2.1			660.5	623.8	766.4	748.1	-10.8	-9.0	-11.1	0.0		0	0	0	1.4	1.4
Highbridge Tactical Credit	220.0	190.0	0.0				184.0	180.0	218.0	211.6	-13.6	-5.8	-5.0	-2.2	-3.1	0	0	0	0.3	0.3
Pershing Square	4253.2	3015.6	1.5	0.0			1446.3	1026.8	1567.7	2052.1	-29.1	-27.4	-27.2	-0.2	-1.9	0	0	0	1.5	1.5
Third Point Offshore Investors USD	824.1	486.3	0.0	14.1	-3.5	6.4	1230.4	1093.2	1347.1	1601.4	-22.6	-20.3	-22.4	0.4	-0.5	0	0	0	2.8	2.9
											-21.4					0				
INSURANCE & REINSURANCE STRATEGIES																				
CATCo Reinsurance Opportunities	64.3	52.5	9.6	-51.6	-26.3	-14.3	17.4	9.4	19.0	21.0	-18.5	-40.1	-38.2	2.2	0.1	0	0	0	5.5	5.5
CATCo Reinsurance Opps C	170.8	130.0	8.8				29.2	12.8	38.2	38.8	-23.9	-51.8	-43.2	1.2		0	0	0		
Life Settlement Assets A	68.9	54.0	0.0				134.0	110.6	151.2	172.7	-21.6	-22.7	-21.8	0.0		0	0	0		
Life Settlement Assets B	10.5	7.0	0.0				47.2	43.6	54.7	71.6	-33.5	-36.2	-37.7	1.1		0	0	0		
Life Settlement Assets D	5.7	5.7	0.0				64.2	47.2	123.7	65.3	-0.7	3.5	-18.1	0.6		0	0	0		
Life Settlement Assets E	2.9	2.3	0.0				143.4	133.6	314.7	182.8	-20.7	-13.6	-31.8	0.2		0	0	0		
											-19.8					0				
UTILITIES																				
Ecofin Global Utilities & Infrastructure	167.6	147.5	3.8	0.0	58.7		161.5	124.0	162.8	168.6	-4.8	-9.1	-10.9	2.0	2.7	3	19	8	1.7	1.7
Premier Global Infrastructure	55.4	23.1	7.1	2.0	-0.8	-3.6	130.0	102.0	134.5	146.1	-12.7	-10.5	-9.7	0.5	0.2	5	135	103	3.7	3.7

KEY FACTS AND PERFORMANCE FOR VENTURE CAPITAL TRUSTS

	Sector code	Mkt cap £m	Share price p	Discount to NAV %	Current yield %	Share price total return (%) and rank after 6 mths	Rk	1 yr	Rk	3 yrs	Rk	7 yrs	Rk	Net asset value total return (%) and rank after 6 mths	Rk	1 yr	Rk	3 yrs	Rk	7 yrs	Rk
ProVen VCT	VCG	107.1	71.0	-4.6	3.4	-3.9	38	-4.6	35	21.0	15	69.4	19	-7.1	39	-4.7	36	15.9	17	46.4	21
Puma VCT 11	VCG	31.7	83.0	0.8	6.1	-2.4	36	-2.4	33	-2.5	34			-0.6	26	-6.7	38	-5.8	39		
The Income & Growth VCT	VCG	73.0	71.0	-9.7	7.6	10.2	10	15.2	8	28.6	11	98.2	9	2.6	8	12.8	4	23.7	9	74.9	6
Triple Point Income VCT C	VCG	13.2	98.5	-25.8	3.8	24.1	3							16.2	1	42.1	1	71.6	1		
Triple Point Income VCT D	VCG	14.0	102.5	-9.7	4.4	13.9	5							0.4	18	12.2	5	26.0	7		
Triple Point VCT 2011 A	VCG	7.9	79.0	-6.0	4.8	2.0	21							1.0	17	5.8	12	16.8	15		
Triple Point VCT 2011 B	VCG	6.5	96.0	-4.9	5.0	0.5	29							-4.8	35	5.9	11	6.5	29		
Amati AIM VCT	VCA	131.4	143.5	-6.3	4.9	4.1	5	20.7	1	53.8	1	109.9	4	4.4	4	20.5	1	52.6	1	120.9	2
Artemis VCT	VCA	18.9	36.0	-7.3	10.3	8.3	1	-16.5	7	25.5	2	260.4	1	3.5	5	8.7	7	33.3	2	222.7	1
Hargreave Hale AIM VCT	VCA	135.3	66.5	-7.4	7.7	1.9	6	2.8	5	12.7	5	67.3	8	4.8	3	6.6	8	10.6	6	69.5	6
New Century AIM VCT 2	VCA	2.3	49.0	-0.8	6.9	-21.0	8	-16.6	8	2.6	8	107.5	5	-3.9	8	12.4	3	-2.2	8	47.8	8
New Century AIM VCT	VCA	5.2	66.0	-5.5	5.0	-2.4	7	-5.1	6	11.1	7	110.1	3	3.0	6	11.8	5	2.3	7	59.0	7
Octopus AIM VCT	VCA	113.9	95.5	-6.6	5.4	6.9	2	10.3	4	12.7	6	83.3	6	10.0	2	11.2	6	13.9	5	72.6	4
Octopus AIM VCT 2	VCA	77.9	70.8	-7.9	5.5	5.2	3	10.5	3	14.8	4	80.4	7	10.6	1	12.4	4	14.1	4	70.9	5
Unicorn AIM VCT	VCA	182.1	140.0	-12.6	7.2	5.2	4	19.7	2	19.5	3	130.7	2	-1.0	7	18.0	2	15.2	3	104.9	3
Downing Four Generalist Shs	VGP	45.4	81.0	4.4		-14.7	6	-14.7	4					-10.8	7	-10.8	4				
Downing Two VCT 'K'	VGP	11.0	70.0	2.9	0.0	-21.3	7	-26.3	5	-33.3	2			-6.7	6	-25.5	6	-31.3	2		
Puma VCT 12	VGP	25.7	83.0	1.1	1.2	-1.2	4	-8.7	3	-14.2	1			-0.5	5	-12.2	5	-10.8	1		
Puma VCT 13	VGP	21.2	92.0	2.8		-1.1	3	-6.1	1					0.8	2	0.5	3				
Seneca Growth Capital VCT B	VGP	5.7	89.0	-9.2	1.5	-7.7	5	-8.1	2					0.0	3	1.9	2				
Triple Point 2011 Venture s	VGP	6.9	100.0	5.8		0.0	2							0.0	4						
Triple Point Income VCT E	VGP	26.3	91.0	-10.2		2.8	1							2.5	1	3.2	1				
Downing Four Healthcare Shs	VHP	18.4	80.0	3.0		-11.1	1	-20.0	1					-6.7	1	-7.5	1				
Foresight Solar & Technology VCT	VCE	37.5	87.5	-2.3	6.7	2.9	5	2.8	8	14.1	7	48.0	7	-0.9	9	-1.8	9	6.6	9	32.3	7
Gresham House Renewable Energy VCT 1	VCE	26.5	104.0	-7.0	4.8	0.3	6	2.2	9	12.9	9	98.4	6	1.4	7	2.1	7	8.6	7	73.8	4
Gresham House Renewable Energy VCT 2	VCE	27.2	104.0	-5.9	4.9	-0.6	7	3.1	7	13.2	8	99.9	5	1.4	6	1.9	8	8.2	8	71.9	5
Ventus 2 VCT	VCE	18.5	76.0	-5.4	6.2	8.7	2	18.1	2	37.7	4	152.3	2	2.7	3	12.9	4	29.7	3	78.8	3
Ventus VCT 2 C	VCE	14.3	127.0	-5.7	5.9	7.1	4	13.4	3	39.1	2	150.3	4	2.6	4	11.9	5	34.2	1	94.8	1
Ventus VCT 2 D	VCE	2.5	127.0	-14.2	3.4	-2.3	8	9.9	5	25.6	5			4.0	1	18.9	1	25.7	5		
Ventus VCT C	VCE	14.3	127.0	-2.7	6.1	7.1	3	13.4	4	39.1	1	150.5	3	0.7	8	9.8	6	31.6	2	90.2	2
Ventus VCT D	VCE	2.5	127.0	-14.7	3.4	-4.2	9	7.8	6	23.2	6			3.9	2	18.8	2	24.9	6		
Ventus VCT	VCE	18.8	115.0	3.9	7.2	13.0	1	24.3	1	38.4	3	160.7	1	2.4	5	13.4	3	26.9	4	65.6	6
Oxford Technology 2 VCT	VPT	1.3	25.0	-18.6	26.1	-13.8	4	-43.8	4	69.4	1	106.1	1	-0.6	2	1.0	2	38.5	1	68.3	1
Oxford Technology VCT 3	VPT	3.3	48.5	-54.6		2.1	1	-22.4	3	1.1	2	15.2	2	7.9	1	25.0	1	36.3	2	55.1	2
Oxford Technology VCT 4	VPT	3.1	26.5	-36.8	7.2	0.0	2	0.0	1	-18.7	4	-3.0	3	-8.7	3	-4.0	3	-22.0	4	-5.9	3
Oxford Technology Venture Capital	VPT	1.8	34.0	-22.6		-2.9	3	-15.0	2	-7.8	3	-37.6	4	-10.0	4	-7.2	4	-19.6	3	-22.1	4
Seneca Growth Capital VCT	VCH	1.7	21.0	-37.5	0.0	-8.7	1	-3.5	1	-0.4	1	-35.1	1	0.0	1	-5.9	1	-10.3	1	-46.7	1

COMPANY REPORTS ANALYSIS

Our latest annual report summaries have been compiled by Fiona Hamilton. Each one is a condensed analysis, covering the aim and investment style of the investment company and current and historical performance at a share price and net asset value level.

Note: Figures in the charts are derived from each company's reports and accounts

View the archive of investment company report analysis at moneyobserver.com/annual-report-summaries

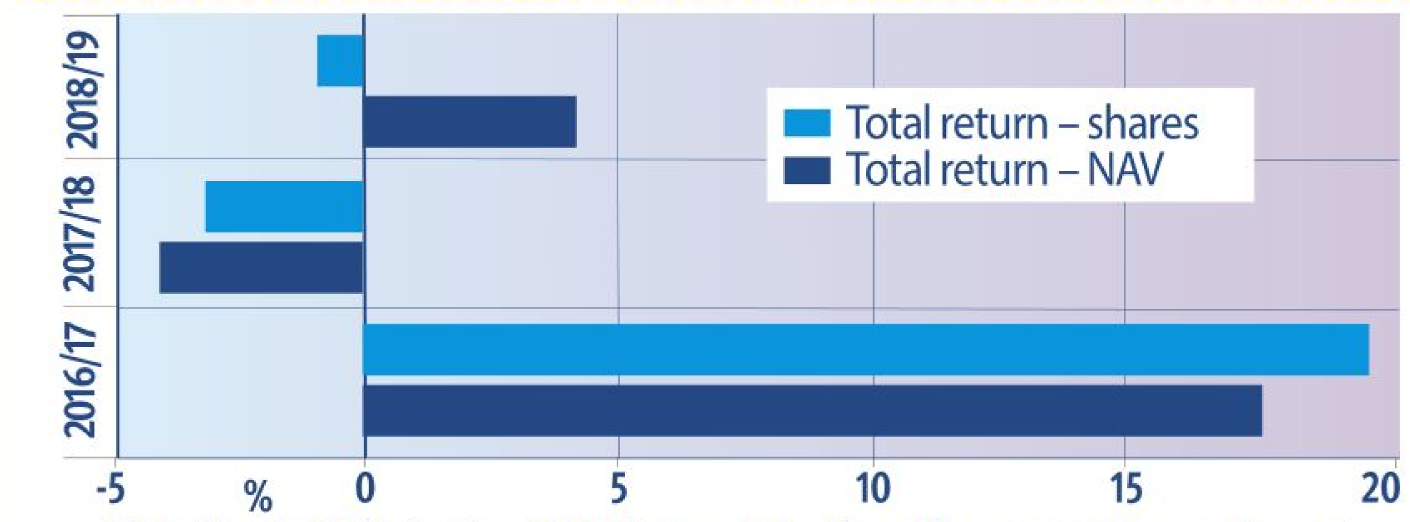
DIVIDEND DELIGHT FOR ADVENTUROUS PORTFOLIO

BlackRock Frontiers Investment Trust (BRFI) targets long-term capital growth from firms listed or mostly active in countries that are neither part of the MSCI World index of developed markets nor one of the eight largest countries by market capitalisation in the MSCI Emerging Markets index. Its accounts for the year to 30 September 2019 show shareholder assets of $411million (£313 million).* Issued share capital was 20% higher over the year. Sam Vecht has been manager of the trust since its December 2010 launch. Emily Fletcher has been co-manager since 2013.

At the end of September equity stakes in 47 companies from 20 countries accounted for 80% of assets. The balance was mainly in a portfolio of long contract-for-difference positions. Net gearing was 6%.

In sterling terms, net asset value and share price total returns last year were 4.2% and -0.9% respectively, compared with 12% in the MSCI Frontier Markets index and 3.7% in the MSCI Emerging Markets index. Excluding special dividends, total dividends were up from 7.24 to 7.75 cents, having risen every year since launch. Earnings per share fell to 8.24 cents. Ongoing charges were 1.39%.

BlackRock Frontiers Investment Trust



Note: Year to 30 September 2019. Figures derived from the company's annual report.

www.blackrock.co.uk/brfi

*BRFI's accounts are presented in dollars.

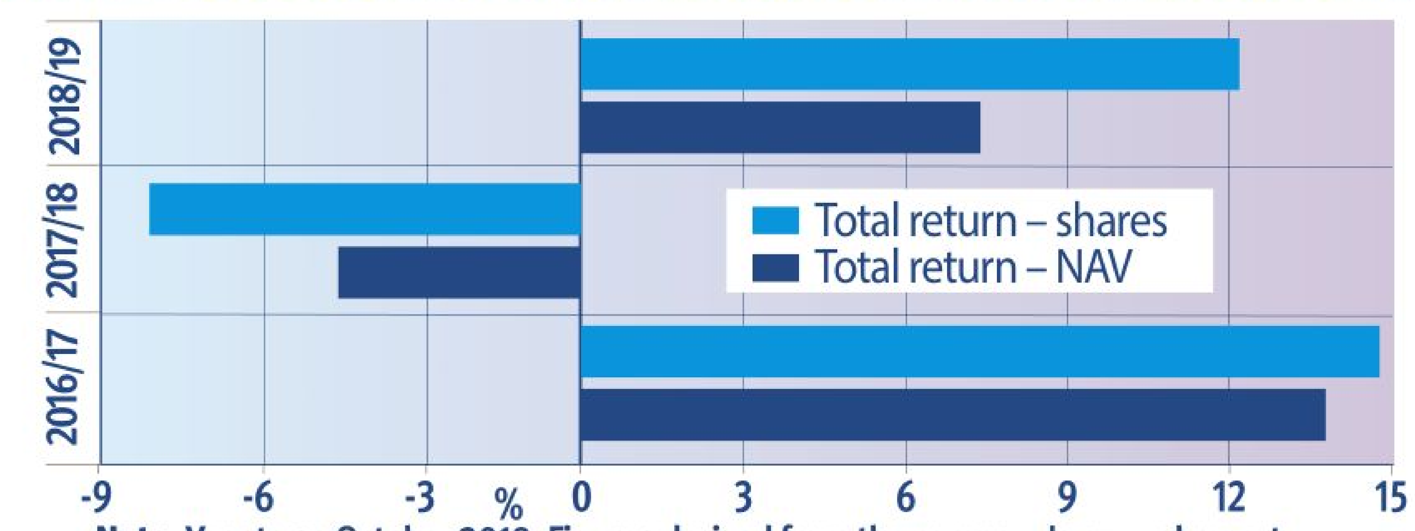
CASH FLOW-DRIVEN INVESTMENT APPROACH PAYS OFF

BlackRock Income and Growth Investment Trust (BRIG) aims for growth in capital and income over the longer term from UK equities. Its report for the year to 31 October 2019 shows assets of £46.2 million.

Adam Avigdori has managed the trust since April 2012. David Goldman is co-manager. They invest on a bottom-up basis in their best ideas, while giving regard to ESG factors.

About 70% of the portfolio is in firms that are expected to sustain a high free cash flow and pay a growing yield while delivering a double-digit total return.

BlackRock Income and Growth Investment Trust



Note: Year to 31 October 2019. Figures derived from the company's annual report.

Around 20% is in firms with significant barriers to entry and scalable business models. The rest is in out-of-favour companies with high yields/low valuations but recovery potential.

At the end of October the portfolio comprised 48 holdings. The top 10, accounting for 42%, were all multinational constituents of the FTSE 100 index. Gearing ended the financial year at 6.7%. NAV total returns per share were 7.4%, compared with 6.8% from the FTSE All-Share index. With the discount down to 1.6%, share price total returns were 12.2%. The total dividend was raised. Ongoing charges were 1.07%. Share buybacks kept the discount tight.

www.blackrock.co.uk/brig

PERFORMANCE BEATS BENCHMARK AND DIVIDEND RISES

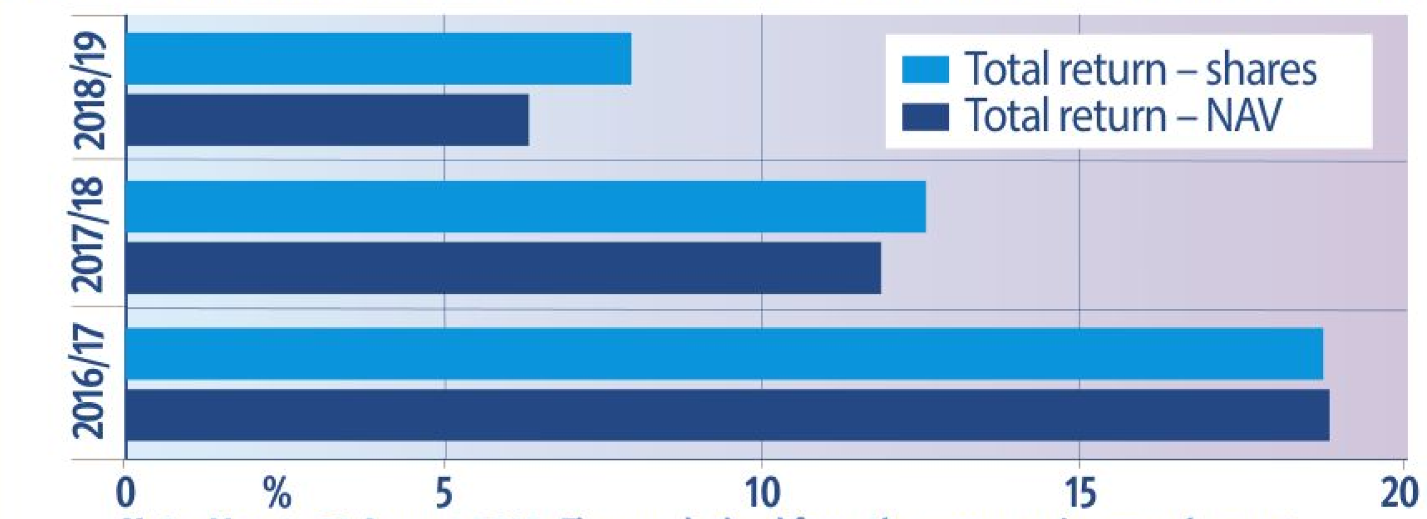
BlackRock Greater Europe Investment Trust (BRGE) aims for capital growth through a concentrated portfolio of European companies, the majority of which have market capitalisations of more than €5 billion (£3.8 billion). BRGE's annual report for the year to 31 August 2019 shows assets of £338 million.

Stefan Gries is co-manager of the trust along with Sam Vecht. They favour good-quality firms with strong management and healthy cashflows. The positioning of the portfolio in lower-yielding growth stocks has produced competitive NAV total returns.

At 31 August 2019 BRGE held 33 investments. The sector spread has shifted over the past two years, with industrials down to 26%, healthcare up at 21% and technology now the third largest sector at 17%. Gearing ended the year at 0.7%.

NAV and share price total returns last year were 6.3% and 7.9% respectively, outperforming the 4.8% rise in BRGE's benchmark, the FTSE World Europe ex UK index. The dividend was raised to 5.85p, despite earnings per share falling to 4.87p, as BRGE's board is prepared to use its revenue reserves to maintain the dividend. Ongoing charges were 1.09%.

BlackRock Greater Europe Investment Trust



Note: Year to 31 August 2019. Figures derived from the company's annual report.

www.blackrock.co.uk/brge

Bargains difficult to find but hidden in plain sight

Following a strong year for equity markets, trusts at knock-down prices seem thin on the ground, but David Liddell has spotted three

As usual going into a new year, a wide range of views are being expressed about likely market outcomes in 2020. As usual, if there is a consensus, it is that we will see more of the same this year, if a little less.

The view at BlackRock, the largest investment manager in the world, is fairly representative of the market view. It expects growth to edge higher in 2020, which leaves it modestly positive on equities. Among equities, it favours those in Japan and emerging markets, it's neutral on the US and it gives Europe the thumbs down.

VANISHING VALUE

The FTSE All-Share index posted a total return of 19% in 2019. This was the weakest performance among the main developed equity markets, so the current dearth of value in markets is hardly surprising. Fortunately, though, investment trusts provide an opportunity, through discounts, to buy exposure 'on the cheap'.

For our first choice, we return to a familiar theme. Assets listed in Europe can be purchased at a discount to their global competitors. **JPMorgan European Income** (JETI) is on a discount of 13.6% (as at 8 January), considerably higher than most of its peers. Yet the top five holdings from its latest factsheet – Roche, Novartis, Allianz, Sanofi and Unilever – are all global businesses with considerably more sales outside Europe than in it. The three healthcare companies of Roche, Sanofi and Novartis have European sales of just 20%, 27% and 37% respectively; 76% of Unilever sales are outside Europe; while even German insurer and fund manager Allianz makes more money in the rest of the world than in Europe. So placing a discount on these businesses versus other global stocks just because they are listed in Europe does not make much sense.

Elsewhere, is there more mileage in the rotation from growth to value? If so, it may be possible to buy up some 'cheaper' growth assets over the coming months. We have already seen **Finsbury Growth & Income** (FGT) underperform over the past four months: since the end of August 2019, its share price is down by 8%, while the FTSE All-Share index gained 5% over that period. The price has moved from a small premium to a slight discount, a very rare occurrence over the past five years. This does not yet make the trust cheap. However, the trust's underlying holdings are just the sort of 'defensive' growth assets the market has loved more or less since the financial crisis – the top five being LSE, Relx, Diageo, Unilever and Burberry – so the trust is one to watch. Bear in mind that the board has a policy of buying back shares if its discount hits 5%.

> Investment trusts provide an opportunity, via discounts, to buy exposure 'on the cheap'

The long-term performance of the Finsbury trust is, of course, excellent, and it holds some interesting assets. We are watching Unilever's yield as a proxy for defensive growth assets as a whole: if that hits 3.5%-plus, which it would at a share price of around £37.50, some 12% below the price at the time of writing, we might get interested. Of course, we may never get there.

DEFENSIVE PROPOSITION

A contrarian response to the general bullishness is to go more defensive. **Ruffer Investment Company** (RICA) has about 50% of its assets in defensive holdings: gilts, index-linked government bonds, cash and gold. The top five equity holdings are Disney, Lloyds Banking Group, Tesco, Sony and Royal Bank of Scotland. The shares currently trade at a 4% discount and have had a satisfactorily poor performance versus equities, but this is unsurprising given the asset allocation and objective of the firm to achieve a total annual return of at least twice the Bank of England rate. Its five-year net asset value return is just 9.1%.

David Liddell is chief executive of IpsoFacto. He may have equity holdings in any or all of the stocks listed.

Built to stand the test of time

FIDELITY EUROPEAN VALUES PLC

This investment trust is built on companies with well-formed, long-standing foundations.

Europe is home to the world's largest economy and some of the strongest, most stable and resilient companies. These global household names are famed for standing the test of time, even through periods of economic uncertainty.

PAST PERFORMANCE

	Nov 14 – Nov 15	Nov 15 – Nov 16	Nov 16 – Nov 17	Nov 17 – Nov 18	Nov 18 – Nov 19
Net Asset Value	**2.9%**	**12.0%**	**25.3%**	**0.3%**	**16.7%**
Share Price	**5.5%**	**4.6%**	**34.2%**	**-1.9%**	**21.7%**
FTSE World Europe ex-UK Total Return Index	**0.2%**	**12.1%**	**25.0%**	**-4.6%**	**13.7%**

Past performance is not a reliable indicator of future returns.
Source: Morningstar as at 30.11.2019, bid-bid, net income reinvested.
©2020 Morningstar Inc. All rights reserved. The FTSE World Europe ex-UK Total Return Index is a comparative index of the investment trust.

Using Fidelity's extensive research team, portfolio manager Sam Morse aims to select well-established European companies with proven business models, attractive valuations and the ability to grow dividends both now and in the future. It's these classic giants with market-beating potential that have helped the investment trust outperform the index over the long term.

Past performance is not a reliable indicator of future returns. The value of investments can go down as well as up and you may not get back the amount you invested. Overseas investments are subject to currency fluctuations. The shares in the investment trust are listed on the London Stock Exchange and their price is affected by supply and demand. The investment trust can gain additional exposure to the market, known as gearing, potentially increasing volatility.

To find out more, go to fidelity.co.uk/europe or speak to your adviser.

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