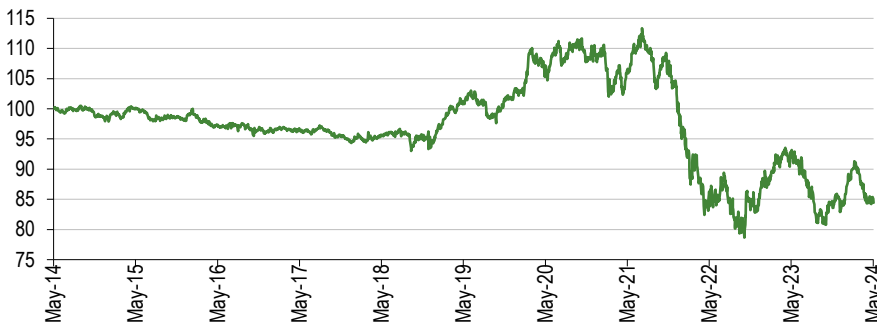


# Martin Currie Global Portfolio Trust

## Manager 'sticking to his knitting'; positive outlook

Martin Currie Global Portfolio Trust (MNP) has been managed by Zehrid Osmani since October 2018. He runs a high-conviction, relatively concentrated portfolio of quality growth companies with pricing power. The manager believes that pricing power is particularly important as he considers that consensus earnings expectations are too bullish and sticky inflation has pushed out the prospect of lower interest rates. With investors focusing on short-term economic data points and central bank commentary, Osmani expects continued share price volatility, which over the longer term should favour MNP's portfolio of high-quality growth businesses with strong cash flows and robust balance sheets.

### NAV versus the benchmark over the last decade



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

## Why consider MNP?

MNP has a portfolio of high-quality companies with long-term growth attributes. Important themes represented in the fund are the growth in artificial intelligence (AI), the energy transition and an ageing global population. Major AI beneficiary NVIDIA is the largest holding (c 10%) and has been in the portfolio since 2021.

Osmani believes that as central banks are in data-dependent mode, markets will remain volatile around the timing of interest rate reductions. Despite stock markets historically pricing in events ahead of time, the manager thinks that, given investors' short-term focus, stocks can continue to move higher once there is greater certainty about interest rate cuts.

The investment approach is not influenced by the trust's benchmark weightings as stocks are selected on a bottom-up basis. MNP's resulting portfolio has a meaningful c 14pp underweight to the dominant US market (c 65% of the index). The trust has a c 14pp overweight in healthcare stocks and zero exposure to four of the 11 sectors, which together make up more than 17% of the benchmark.

MNP is a straightforward listed equity fund with no derivatives. Since 2013, the trust's board has employed a zero-discount policy, aiming to ensure that, in normal market conditions, MNP's shares trade close to NAV. This is an important consideration as generally investment company discounts are wider than their historical averages during a period of elevated investor risk aversion.

## Investment trusts Global equities

11 June 2024

**Price** **382.0p**  
**Market cap** **£259m**  
**Total assets** **£275m**

NAV\* 389.8p  
Discount to NAV 2.0%

\*Including income. At 7 June 2024.

Yield 1.1%

Ordinary shares in issue 67.8m

Code/ISIN MNP/GB0005372411

Primary exchange LSE

AIC sector Global

Financial year end 31 January

52-week high/low 397.0p 299.0p

NAV\* high/low 405.0p 302.4p

\*Including income

Net gearing (at 30 April 2024) 3.9%

### Fund objective

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

### Bull points

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

### Bear points

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

### Analyst

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**Martin Currie Global Portfolio Trust**  
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## **MNP: Maintaining the high-quality growth approach**

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Although MNP's relative performance has struggled during the latest cycle of higher inflation and rising interest rates, Osmani is 'sticking to his knitting', running a high-conviction, concentrated portfolio of quality growth stocks, which he believes will be beneficial for shareholders over the long term. While higher interest rates have put pressure on growth stocks, the manager has a high degree of confidence in the fundamentals of the trust's portfolio companies.

### **Osmani's perspective on the current market environment**

Referring to his year-ahead predictions at the beginning of 2024, the manager says that his non-consensus call, that inflation would remain elevated for longer, has proved to be correct due to sticky wage inflation. The market is now assuming, as Osmani expected, that developed market central banks are generally unlikely to start cutting interest rates until H224, with inflation targets not being achieved until 2025. As flagged by the manager, 2024 consensus earnings growth at the start of the year has proved to be too bullish and is being revised lower. He notes that while the technology sector earnings are strong, this is being driven by a small number of companies and outside of these, the earnings outlook is less robust. Osmani believes that valuation discipline remains critical and that the three seismic growth themes that we highlighted in our January 2024 [review](#) (energy transition, healthcare infrastructure and AI) remain intact.

Given the prevailing market backdrop, the manager continues to seek companies with resilient earnings growth given the risk of estimate downgrades, and that have pricing power. He expects that over the next 24 months, there will be a disparity between companies that can protect their margins and those that will struggle because of higher inflation; hence, the importance of focusing on firms with sound balance sheets and exposure to structural growth drivers.

### **The manager's thoughts on the impact of AI**

Osmani considers that AI opportunities are a double-edged sword. While AI is speeding up the pace of innovation across all economic sectors, affecting governments, corporates and households, it can cause major disruption risk to businesses. The manager suggests that 18 months ago, the Google search engine was not seen as being at risk from disruption; however, it is now facing increased competition from AI search engines, illustrating that no business is immune from disruption. Osmani cites a Goldman Sachs report, which forecasts that AI could increase global GDP by 7% over the next decade, which would provide opportunities for investors and could increase productivity by 1.5pp a year, benefiting corporates. However, the manager suggests that whether this outcome generates higher margins for companies, or the savings are recycled into more aggressive pricing, will depend on individual industry dynamics. He comments that AI is expected to displace 300m jobs, with job losses proving a challenge to households, particularly if the speed of change does not allow retraining opportunities. Osmani adds that job losses are a challenge for governments and the geopolitical situation as AI adoption could lead to further migration across geographies.

The manager is excited about the potential benefits of AI for MNP, noting an additional estimated \$130bn capex spend from the cloud providers Amazon, Alphabet (parent of Google), Meta Platforms (formerly Facebook) and Microsoft. Osmani believes that it is important to focus on the beneficiaries of AI capex. This is clearly illustrated in MNP's largest position, NVIDIA, which entered the portfolio in March 2021, and due to continued outperformance has been trimmed to keep it within the 10% maximum holding limit (share price +239% in 2023 and c +150% so far in 2024). The company is well-positioned to benefit from the growth in AI due to its market leadership in graphic processing units. NVIDIA is accelerating the innovation cycle, and its capex is multiple

times that of its nearest competitor, Advanced Micro Devices. The company has introduced an integrated hardware and software platform called Blackwell, which should consolidate its market leadership position.

Osmani is also mindful of the potential ‘froth’ in some AI stocks. He cites a basket of global (mainly US) companies that are considered as AI beneficiaries. In the 12 months to the end of April 2024, on a cap-weighted basis, the median share price was +44%, median sales were unchanged and median earnings were just +7%. The manager contrasts these results with those of NVIDIA, which over the same 12 months period delivered a share price +203%, sales +197% and earnings +305%; the company subsequently posted another set of results that exceeded consensus expectations and its stock price has continued to appreciate. Osmani believes that companies that cannot monetise their AI opportunities will suffer over the next 24 months.

### MNP’s portfolio breakdown

At the end of April 2024, MNP’s portfolio had 30 holdings, with the top 10 making up 51.7%, which was not dissimilar to the 52.2% top 10 weighting 12 months earlier. Nine positions were common to both periods. One of the important growth themes represented in the portfolio is companies exposed to what the manager refers to as a ‘semiconductor super cycle’, which has been turbocharged by the growth in AI. The trust’s beneficiaries of this trend include top 10 holdings NVIDIA, ASML Holding and Atlas Copco (an indirect beneficiary).

**Exhibit 1: Top 10 holdings (at 30 April 2024)**

Company	Country	Sector	Portfolio weight %	
			30 April 2024	30 April 2023*
NVIDIA	US	Information technology	9.3	6.3
Microsoft	US	Information technology	6.1	6.2
Linde	US	Materials	5.5	5.9
ASML Holding	Netherlands	Information technology	5.3	4.8
Ferrari	Italy	Consumer discretionary	5.1	4.4
Atlas Copco	Sweden	Industrials	4.3	4.4
Moncler	Italy	Consumer discretionary	4.2	5.8
Mastercard	US	Financials	4.2	4.5
Sartorius Stedim Biotech	France	Healthcare	4.0	N/A
ResMed	US	Healthcare	3.7	5.3
<b>Top 10 (% of portfolio)</b>			<b>51.7</b>	<b>52.2</b>

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

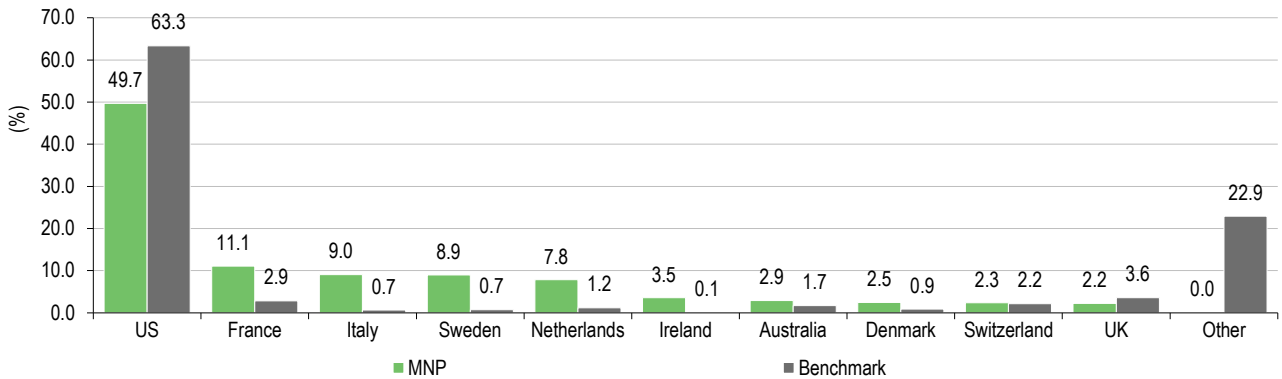
MNP’s geographic and sector allocations are the result of bottom-up stock selection; however, an analysis of the fund’s active weights provides an interesting perspective. By geography, the trust had a notable underweight US exposure (13.6pp), although the US allocation increased by 4.0pp over the 12 months to 30 April 2024. MNP has zero exposure to a long tail of countries, which combined made up 22.9% of the benchmark at the end of April 2024. A full year-on-year comparison is not possible due to more detailed geographic information now being available.

**Exhibit 2: Portfolio geographic changes and active weights vs benchmark (% unless stated)**

	Portfolio end-April 2024	Portfolio end-April 2023	Change (pp)	Active weight vs index (pp)
US	49.7	45.7	4.0	(13.6)
France	11.1	9.8	1.3	8.2
Italy	9.0	9.2	(0.1)	8.4
Sweden	8.9	9.6	(0.6)	8.2
Netherlands	7.8	7.0	0.8	6.6
Ireland	3.5	4.9	(1.4)	3.5
Australia	2.9	N/S	N/A	1.2
Denmark	2.5	3.5	(1.0)	1.6
Switzerland	2.3	N/S	N/A	0.2
UK	2.2	N/S	N/A	(1.4)
Other	0.0	10.3	(10.3)	(22.9)
	<b>100.0</b>	<b>100.0</b>		

Source: MNP, Edison Investment Research. Note: Rebased for cash and gearing. N/S, not stated separately.

**Exhibit 3: MNP's geographic weights versus the benchmark (at 30 April 2024)**



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

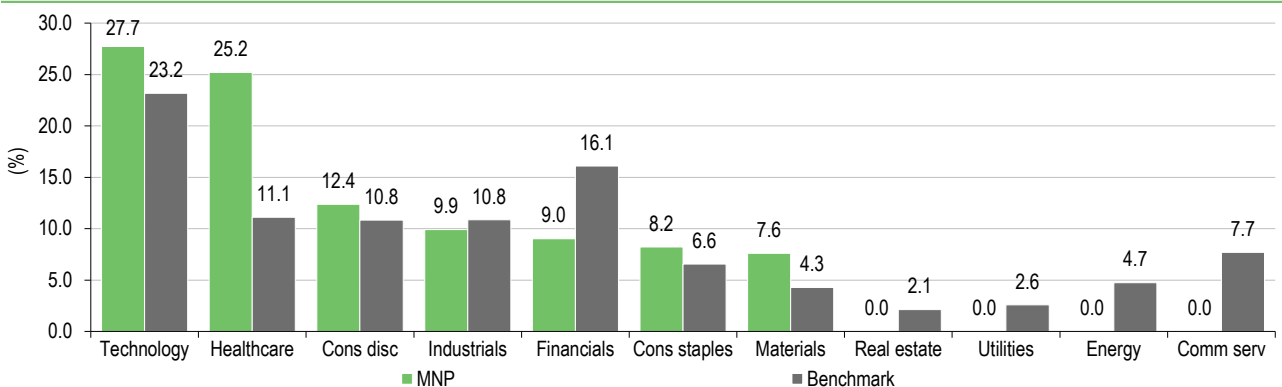
In terms of MNP's sector exposure, in the 12 months to the end of April 2024, weighting changes were minimal. Compared with the benchmark, the trust had a notable above-index allocation to healthcare stocks (+14.1pp) with a smaller active bet in the technology sector (+4.5pp). MNP has a zero weighting in four market sectors, which combined made up more than 17% of the index; the largest of which is communication services (7.7% of the benchmark at 30 April 2024).

**Exhibit 4: Portfolio sector changes and active weights vs benchmark (% unless stated)**

	Portfolio end-Apr 2024	Portfolio end-Apr 2023	Change (pp)	Active weight vs index (pp)
Information technology	27.7	26.5	1.2	4.5
Healthcare	25.2	23.6	1.6	14.1
Consumer discretionary	12.4	14.7	(2.3)	1.5
Industrials	9.9	9.5	0.4	(0.9)
Financials	9.0	9.8	(0.8)	(7.0)
Consumer staples	8.2	8.7	(0.5)	1.7
Materials	7.6	7.1	0.5	3.3
Real estate	0.0	0.0	0.0	(2.1)
Utilities	0.0	0.0	0.0	(2.6)
Energy	0.0	0.0	0.0	(4.7)
Communication services	0.0	0.0	0.0	(7.7)
	<b>100.0</b>	<b>100.0</b>		

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

**Exhibit 5: MNP's sector weights versus the benchmark (at 30 April 2024)**



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

### Recent portfolio activity

In May 2024, the manager initiated a position in Denmark-listed pharma company Novo Nordisk. He took advantage of a modest pullback in the company's share price due to macroeconomic factors. The company's shares have performed very well, driven by the use of its diabetes

medicines as weight-loss treatments and a trial showing these products reduce negative cardiovascular outcomes. Osmani had been concerned about the company's valuation and had underestimated the magnitude of its earnings growth. He is encouraged that Novo is addressing the production bottlenecks that have arisen due to high demand for its products.

Switzerland-based private equity firm Partners Group was added to MNP's portfolio in April 2024. According to the manager, the company has a long track record of value creation from a conservative management team. Partners has a very broad-based exposure to good growth companies with strong balance sheets. It operates in an industry with favourable dynamics, which has high barriers to entry. Osmani says that Partners is a quality company with assets under management growth of 10–15% per year and a return on invested capital (ROIC) greater than 30%.

In February 2024, the manager sold MNP's position in software company Adobe, which had performed well in 2023 due to the excitement around ChatGPT. However, Osmani believes that Adobe's business is at risk of AI-led disruption, so he decided to lock in profits.

## Performance: Looking forward to regaining past form

**Exhibit 6: Five-year discrete performance data**

12 months ending	Share price (%)	NAV (%)	Benchmark* (%)	MSCI AC World (%)	CBOE UK All Companies (%)
31/05/20	9.3	15.2	8.5	8.0	(12.0)
31/05/21	28.0	23.1	23.9	23.9	23.4
31/05/22	(16.3)	(15.4)	5.6	5.6	8.5
31/05/23	11.4	11.0	3.1	3.1	0.9
31/05/24	8.9	11.0	20.8	20.8	15.6

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

MNP is one of the smallest of 13 funds in the AIC Global sector. Its NAV total returns are below average in the periods highlighted in Exhibit 7, ranking 10th over the last 12 months, ninth over the last three years, 10th over the last five years and eighth over the last decade. It should be noted that a lack of gearing until November 2020 is likely to have negatively affected the trust's five- and 10-year results. MNP's performance has yet to recover from a difficult period between Q321 and Q422 when growth stocks were under pressure in a rising interest rate environment. Osmani is continuing to focus on the historically successful strategy of seeking high-quality companies with long-term growth potential and favourable ESG attributes.

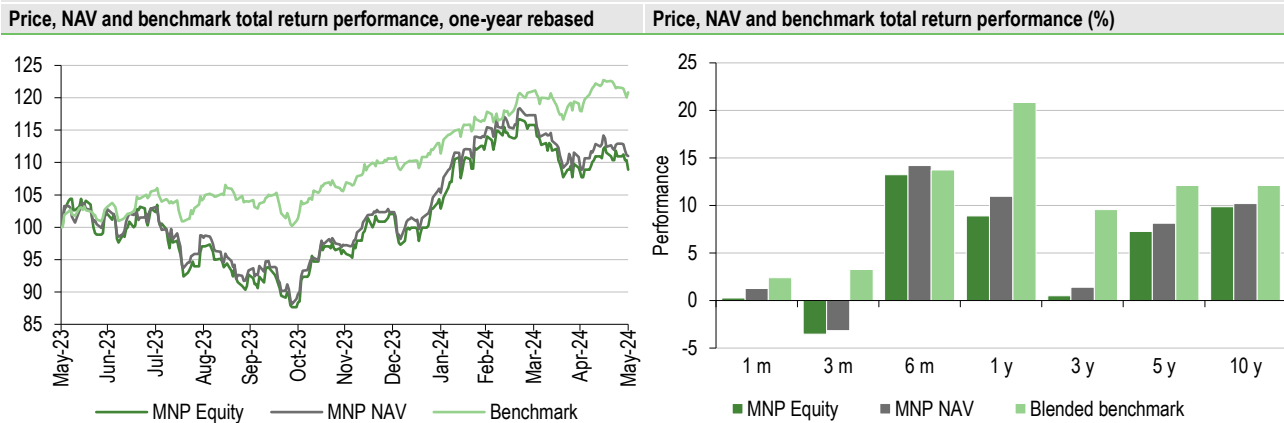
**Exhibit 7: AIC Global sector at 7 June 2024\***

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (ex-par)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
Martin Currie Global Portfolio Tr	258.9	11.2	6.6	49.7	171.7	(2.0)	0.6	No	103	1.1
Alliance Trust	3,392.6	20.5	28.8	72.9	196.9	(5.2)	0.6	No	103	2.1
AVI Global Trust	1,085.1	24.0	27.0	72.2	165.2	(7.1)	0.8	No	110	1.4
Bankers Investment Trust	1,314.6	13.4	16.6	51.6	164.2	(12.4)	0.5	No	106	2.3
Brunner Investment Trust	565.7	21.5	34.1	74.9	167.1	(6.3)	0.6	No	105	1.7
F&C Investment Trust	4,969.3	19.1	25.7	66.6	198.3	(11.8)	0.5	No	110	1.5
Keystone Positive Change Inv	131.2	(4.2)	(16.5)	(26.5)	(13.4)	(12.0)	0.9	No	109	0.2
Lindsell Train Investment Trust	169.0	3.2	(7.1)	23.0	306.8	(15.4)	0.9	Yes	100	6.1
Manchester & London Inv Trust	292.6	57.7	42.6	91.8	269.6	(13.4)	0.5	Yes	100	1.9
Mid Wynd International Inv Trust	393.2	10.4	11.1	58.0	216.9	(1.8)	0.6	No	100	1.0
Monks Investment Trust	2,490.7	15.5	(2.4)	53.6	199.3	(9.9)	0.4	No	106	0.3
Scottish Mortgage Inv Trust	11,930.8	19.2	(23.0)	99.4	381.1	(9.0)	0.3	No	112	0.5
Witan Investment Trust	1,566.5	15.9	13.7	44.4	132.3	(8.4)	0.8	Yes	108	2.3
<b>Average (13 funds)</b>	<b>2,196.9</b>	<b>17.5</b>	<b>12.1</b>	<b>56.3</b>	<b>196.6</b>	<b>(8.8)</b>	<b>0.6</b>		<b>105</b>	<b>1.7</b>
<b>MNP rank in peer group</b>	<b>11</b>	<b>10</b>	<b>9</b>	<b>10</b>	<b>8</b>	<b>2</b>	<b>9</b>		<b>9</b>	<b>9</b>

Source: Morningstar, Edison Investment Research. Note: \*Performance data to 6 June 2024 based on ex-par NAV. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

The trust has a straightforward, concentrated equity fund with no unlisted companies or derivatives and a zero-discount policy has been employed since 2013. On 7 June 2024, MNP had the second-highest valuation in a sector where no funds were trading at a premium. The trust has an average ongoing charge (some of the much larger funds have a lower fee structure), and there is no performance fee. MNP has a below-average level of gearing and, in keeping with its capital growth mandate, a dividend yield that is below the sector mean.

### Exhibit 8: Investment trust performance to 31 May 2024



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

In FY24 (ending 31 January), MNP's NAV and share price total returns of +11.2% and +11.1% respectively were ahead of the benchmark's +10.9% total returns. The largest positive contributions to the trust's relative returns were: NVIDIA (+6.6pp – high demand for its products driven by the growth in AI); Adobe (+1.2pp – another AI beneficiary but the position was subsequently sold, locking in profits, due to a heightened competitive environment); and Microsoft (+1.0pp – another AI beneficiary, which delivered results that exceeded consensus expectations). Positions that detracted the most from MNP's performance were: Masimo (-2.0pp – an activist investor gained seats on Masimo's board, and the company had operational challenges, so the position was sold); WuXi Biologics (-1.9pp – Chinese equity market weakness and low credibility with investors; this position was also sold to fund better opportunities elsewhere); and ResMed (-1.4pp – competitive threats, which appear to be lifting).

### Exhibit 9: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to benchmark	(2.1)	(6.6)	(0.4)	(9.9)	(22.8)	(19.7)	(18.3)
NAV relative to benchmark	(1.1)	(6.2)	0.4	(8.2)	(20.7)	(16.4)	(15.6)
Price relative to MSCI AC World	(2.1)	(6.6)	(0.4)	(9.9)	(22.8)	(19.3)	(17.6)
NAV relative to MSCI AC World	(1.1)	(6.2)	0.4	(8.2)	(20.7)	(16.0)	(14.9)
Price relative to CBOE UK All Companies	(2.0)	(11.9)	(0.5)	(5.8)	(19.8)	3.5	43.6
NAV relative to CBOE UK All Companies	(1.1)	(11.6)	0.3	(4.0)	(17.6)	7.8	48.3

Source: LSEG, Edison Investment Research. Note: Data to end-May 2024. Geometric calculation. Benchmark is MSCI AC World since 1 February 2020, previously a less broad global index.

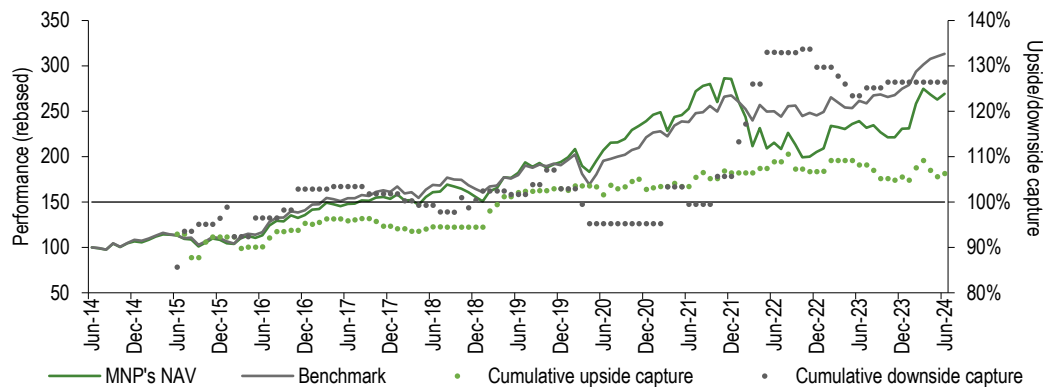
Commenting on MNP's recent relative performance, the manager says that growth stocks have remained under pressure on the realisation that inflation will stay higher for longer, so interest rate reductions are being pushed out. Some of the trust's healthcare holdings detracted from performance as the sector has been used as a source of funds for investors' preferred areas such as large-cap technology. Chinese economic weakness has negatively affected the performance of some luxury goods companies; for example, Kering issued another profit warning in April. Osmani also notes renewed weakness in US consumer spending, highlighted by firms including Nike.

On a more upbeat note, portfolio stocks that have made a positive contribution in recent months include NVIDIA, Mettler Toledo (a relatively recent re-entry into the fund), ResMed (results exceeded expectations), Kingspan and Atlas Copco.

### MNP's upside/downside analysis

Exhibit 10 shows MNP's cumulative upside/downside capture analysis over the last decade. Its upside is 106%, suggesting that the fund is likely to outperform the global equity market by around 5% when share prices are rising. MNP's downside capture is much larger at 126%, implying that the fund is likely to underperform by around 25% during periods of market weakness. It is interesting to note that the downside capture increased significantly during 2022, a period when growth stocks were out of favour in an environment of rising interest rates. Prior to this, there was a period when MNP's downside capture was below 100% and its upside capture was modestly above 100%, suggesting that during this time the trust had the potential to outperform its benchmark in both a rising and falling global market.

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

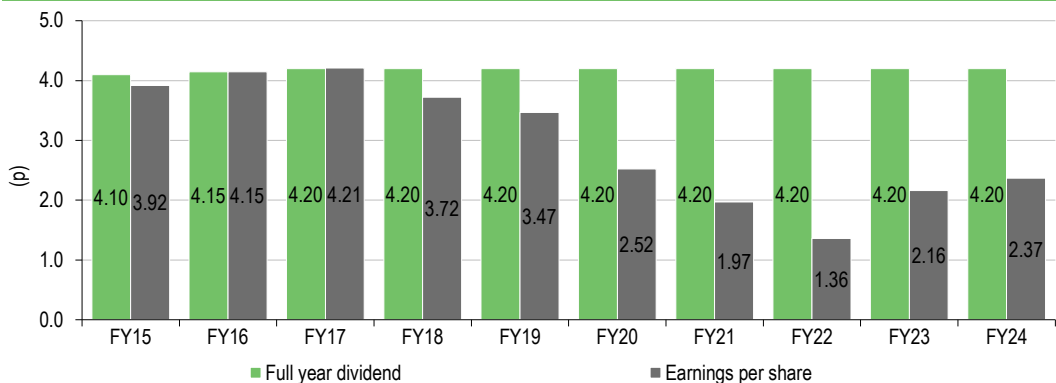


Source: LSEG, Edison Investment Research. Note: Cumulative upside/downside capture calculated as the geometric average NAV total return (TR) of the fund during months with positive/negative reference index TRs, divided by the geometric average reference index TR during these months. A 100% upside/downside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

### Dividends: Stable annual payments since FY17

MNP's 4.20p per share annual dividend has been maintained for the last eight financial years. There are quarterly distributions of 0.90p per share paid in July, October and January, with a larger payment of 1.50p per share in April. The trust's total FY24 dividend was c 0.6x covered, which compared with c 0.5x coverage in FY23.

**Exhibit 11: MNP's 10-year dividend and revenue history**



Source: MNP, Edison Investment Research

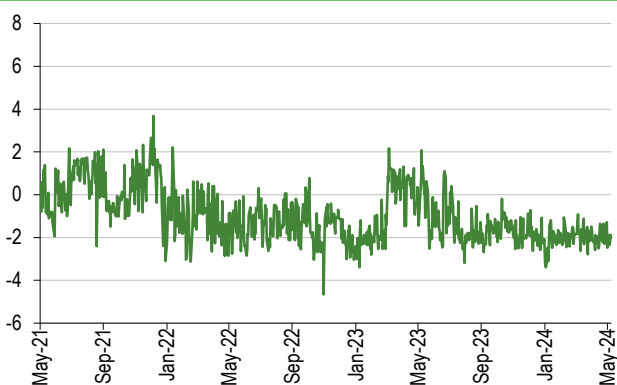
In June 2022, MNP's shareholders approved the payment of dividends from realised capital gains. The board believes this allows more flexibility, facilitating the payment of an appropriate dividend,

without constraining the manager with an income target. At the end of FY24, MNP had 219.98p per share in realised capital gains and 0.88p per share in revenue reserves. Combined, these distributable reserves equate to c 53x the annual dividend payment (combined distributable reserves at the end of FY23 were c 49x the annual dividend).

## Valuation: Actively managed zero-discount policy

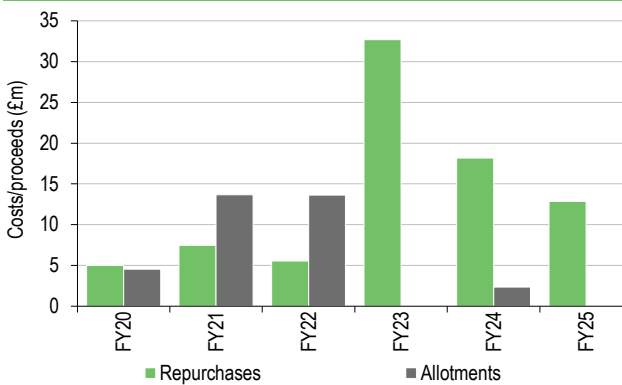
MNP's board has employed a zero-discount policy since 2013, aiming to ensure that, in normal market conditions, the trust's shares trade close to NAV. Renewed annually, the board has authority to repurchase up to 14.99% of MNP's shares and allot up to 10% of its issued share capital to manage a discount or premium. The trust's shares are trading at a 2.0% discount to cumulative NAV, which compares with a range of a 3.7% premium to a 4.7% discount over the last three years. Over the last one, three, five and 10 years, the trust traded in a 0.6% to 1.7% range of average discounts.

**Exhibit 12: Discount over three years (%)**



Source: LSEG, Edison Investment Research

**Exhibit 13: Buybacks and issuance**



Source: Morningstar, Edison Investment Research

In FY24, c 5.6m shares (c 7.3% of the FY23 share base) were repurchased and held in treasury, at a cost of c £18.2m, while c 0.7m shares (c 0.9%) valued at c £2.3m were reissued from treasury.

## Fund profile: High-conviction global equity portfolio

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

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

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

- To invest predominantly in listed global equities of quality growth companies with superior share price appreciation potential, based on projected ROIC, balance sheet strength and sustainable business models.
- To manage a high-conviction portfolio with typically 25–40 positions, held for the long term.



- To spread risk via a portfolio that is diversified by type of company and sources of revenue. No more than 10% of total assets may be invested in a single stock.
- To fully integrate ESG criteria into fundamental analysis when assessing business models.
- To exclude investments identified through the manager's proprietary ESG risk assessment as having a high level of sustainability or governance risk.
- To potentially use debt to enhance shareholder returns. Gearing will not exceed 20% of net assets at the time of drawdown.
- To not invest in other listed closed-end funds.

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

- NAV performance versus the benchmark over a rolling three-year period – not achieved in FY24, with an underperformance of 24.41% (underperformance of 17.72% in FY23).
- Top-third share price performance versus the peers in the AIC Global sector over a rolling three-year period – not achieved in FY24: ninth out of 13 funds (10th out of 14 funds in FY23).
- Ongoing charges (excluding performance fees) of less than 0.70% per year – achieved in FY24: 0.64% (0.61% in FY23).

## Investment process: Three-step, bottom-up approach

Osmani is head of Martin Currie's 10-strong GLTU team and is supported by a wider group of more than 30 investment professionals who meet hundreds of companies every year. He aims to generate a total return above that of the MSCI AC World Index by focusing on high-quality, undervalued growth stocks with the potential to outperform consistently. The manager has an unconstrained, high-conviction approach and invests with a long-term, five- to 10-year horizon. At the end of April 2024, there were 30 holdings in the portfolio. There is a systematic three-step investment process that builds conviction at each stage:

- **Idea generation:** the total universe of c 2,800 listed global stocks is screened down to an investible universe of c 500 companies and then a research pipeline of 90+ names is prioritised to identify companies with a combination of quality, sustainable growth and an attractive valuation. The team believes that companies that can generate a high and sustainable ROIC, above their weighted average cost of capital, can generate above-average total returns over the long term.
- **Fundamental analysis** is based on eight key criteria: industry analysis, a company's growth drivers, returns, financial strength, accounting, corporate ethos, ESG profile and valuation. Businesses are assessed on a scale of 1 (lowest risk) to 5 (highest risk) across a wide range of measures. As part of the process, there is a systematic risk assessment focusing on industry risks, company risks, governance and sustainability, and portfolio risks. Companies are also assessed against more than 50 ESG criteria and mega-trend thematic analysis: demographic change, future of technology and resource scarcity. Firms considered for inclusion in the portfolio are likely to have a dominant position and pricing power in a market with high barriers to entry. The manager seeks businesses with structural growth prospects, high returns on invested capital, strong cash flow generation and a quality management team with a strong corporate culture. To ensure a consistent approach, a proprietary research template is compiled for companies reviewed, and each is given a conviction rating between 1 (strong buy) and 5 (sell).
- **Portfolio construction:** each position is weighted appropriately, aiming to ensure a meaningful contribution to the fund's returns. Osmani and his team break down the portfolio by geographic revenue and profit, rather than where a company is listed, to understand the fund's exposure by economic value (it is overweight developed and underweight emerging markets). The portfolio is also assessed in terms of end-user exposure at a tier one level – the consumer, business and government – and then at a more detailed tier two level focusing on individual

sectors and industries. Stocks may be sold when they have reached their price target, if they are nearing their price target and there are better risk/reward opportunities elsewhere, or if the high-conviction investment case no longer holds true.

MNP's portfolio has a high active share (91.6% at end-April 2024); this is a measure of how a fund differs from its benchmark, with 0% representing full index replication and 100% showing no commonality. Portfolio turnover is typically up to 20% per year, implying a holding period of around five years. Compared with the MSCI AC World Index, in aggregate, the trust's holdings have higher forecast revenue, earnings, free cash flow and dividend growth, higher valuations in terms of forward P/E and EV/EBITDA multiples, a higher ROIC and less leverage based on net debt/EBITDA. These relative metrics reflect MNP's biases towards growth and high-quality companies with pricing power.

**Exhibit 14: MNP's portfolio characteristics versus the benchmark (at 31 March 2024)**

	Portfolio	Benchmark
Revenue growth, annual next 5Y (%)	10	5
EBIT growth, annual next 5Y (%)	15	9
EPS growth, annual next 5Y (%)	14	11
DPS growth, annual next 5Y (%)	11	6
Free cash flow growth, annual next 5Y (%)	16	8
P/E, next 12 months (x)	36.6	17.8
EV/EBITDA (x)	24.4	11.9
Return on invested capital (%)	37.3	8.0

Source: MNP, Edison Investment Research

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

## MNP's approach to ESG

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

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

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

## Gearing

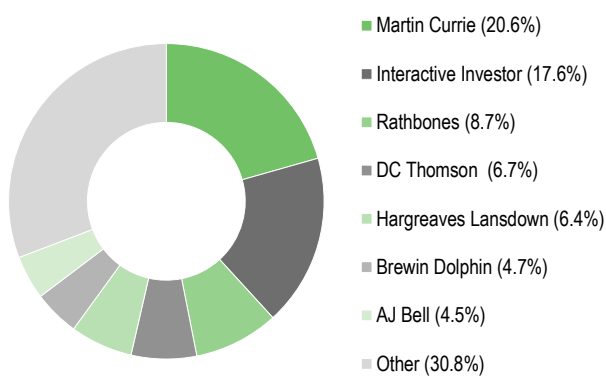
MNP did not employ gearing between 2008 and 2020. However, in November 2020 the board announced that it had entered into a £30m three-year 1.181% unsecured sterling term loan facility with Royal Bank of Scotland International. On 23 November 2023, the £30m loan was repaid in full and a new £10m three-year revolving loan facility was fully drawn down for a minimum six months. It has a variable rate of the sterling overnight index average (SONIA) plus 1.55%. At the end of April 2024, MNP's net gearing was 3.9%.

## Fees and charges

Since 1 July 2022, MNP's investment management fee is 0.45% of ex-income NAV per year (previously 0.50% per year up to £300m of ex-income NAV and 0.35% of ex-income NAV thereafter). Also, there is no longer a separate company secretarial fee. In FY24, MNP's ongoing charges were 0.64%, 3bp higher than 0.61% in FY23.

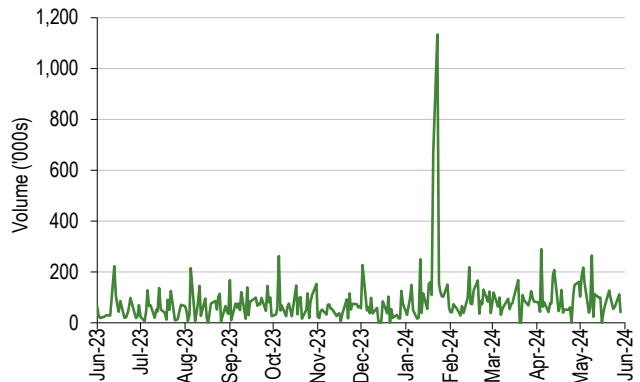
## Capital structure

**Exhibit 15: Major shareholders**



Source: Bloomberg. Note: At 31 May 2024.

**Exhibit 16: Average daily volume**



Source: LSEG. Note: 12 months to 7 June 2024.

MNP is a conventional investment trust with one class of share – there are c 67.8m ordinary shares in issue, with a further c 30.9m held in treasury. Over the last year, MNP's average daily trading volume was c 82.0k shares.

## The board

**Exhibit 17: MNP's board of directors**

Board member	Date of appointment	Remuneration in FY24	Shareholdings at end-FY24
Christopher Metcalfe (chair since 1 June 2023)	19 September 2019	£38,667	8,600
Gary Le Sueur	1 December 2016	£29,000	31,735
Marian Glen	1 December 2016	£29,000	Nil
Lindsay Dodsworth	1 November 2021	£36,000	2,542

Source: MNP

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