

# *Abenomics and Abetunity*

## MARKETS NOW 10<sup>th</sup> NOVEMBER 2014

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# What is “Markets Now”?

## A Lively Forum for Sharing Investment Ideas

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1. Big Picture Strategy (DF, BA)
2. “Private client” high quality, long term ideas (IL)



### ■ *Our promise:*

- INDEPENDENT, GLOBAL INVESTMENT ADVICE
- NO SALES, NO HYPE, NO MARKETING
- NO PRODUCT PUSHING


### ■ *Please contribute with:*

- QUESTIONS
- CONCERNS



# What Is The Big Risk for Private Investors?

## THE ENEMY

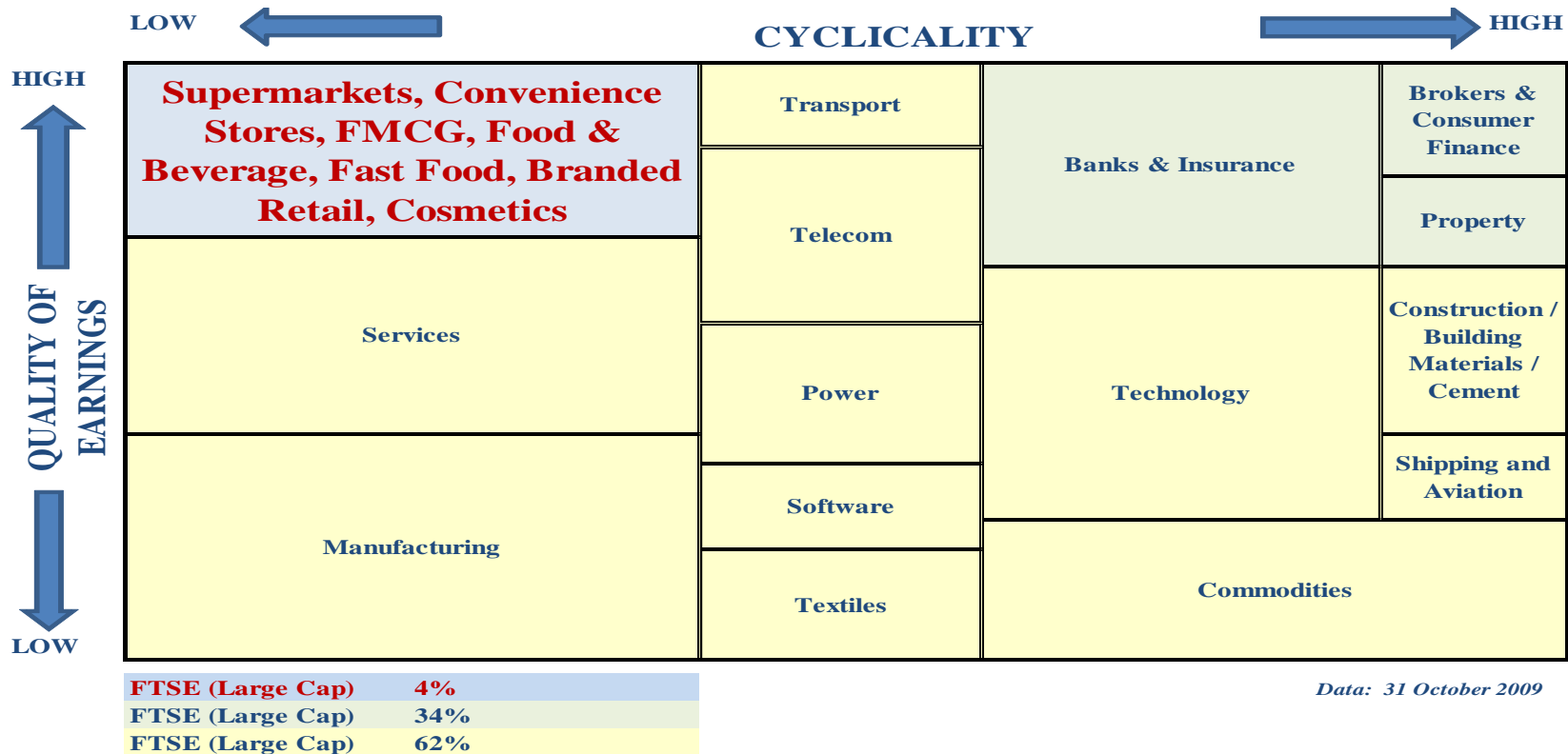
		1979	1994	2009	2013
RPI		100	240	357	413
 BAR~		100 (57g)	192 (65g)	315 (58g)	494 (51g)
SCHOOL FEES		100	491	1145	1319
HOUSE PRICES*		100	307	729	784
UK LIFE EXPECTANCY AT 65#	(M)	13	14	17	21
	(F)	17	18	20	24

~ Adjusted for weight (g)  
 \* Nationwide Building Society Index  
 # Office for National Statistics



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# What Is The Perfect Investment (Equities)?



Source: Arisaig Partners

- Quality Private Client investments mainly found Top Left Hand Corner: simple businesses, high cash flow, investor friendly

# What Is The Perfect Investment (Funds)?

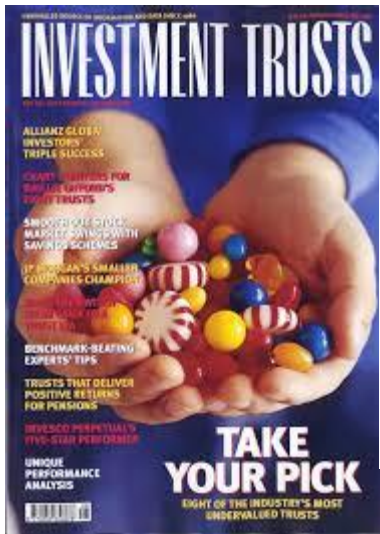
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1. **Long-term** (does better than.....)
2. **Leverage**, but only if needed
3. **Discounts** to real asset value («Leverage at a discount»)
4. **Governance**: proper auditing, proper board, transparency
5. **Know-How proven** over 100+ years
6. **Liquid**, but... (real time trading on SE)
7. **Low management costs** (1/4 to 1/2 the cost of rivals)
8. **New money non-dilutive** (if successful /at discount)
9. **Global** but can be specialist?
10. **Daily** valuations, daily reporting
11. **Yield**. Growing dividend stream payable out of «Reserves»
12. **Elected management**, retail participation, proper AGMs
13. **Information inefficiencies**. Hated by brokers

# What Is The Perfect Investment?

## CORE and SATELLITE

Investment Trusts/ Closed-end Investment companies



SINCE 1909

SCOTTISH Mortgage Investment Trust PLC

Over 100 years of astute investing



SINCE 1873

The Scottish American Investment Company P.L.C.

Over 135 years of astute investing

SINCE 1929

The Monks Investment Trust PLC

Over 80 years of astute investing



**British Empire**


Securities and General Trust p.l.c.



Schroder Real Estate Investment Trust

# How Are We Doing?

## Performance So Far (since 7/3/14)

		<u>Ticker</u>	<u>Sector</u>	<u>Date</u>	<u>Price then</u>	<u>Price Now</u>	<u>Pr/(Disc) NAV</u>	<u>Yield (%)</u>	<u>GBP Performance</u>
<b><u>General equities</u></b>									
Scottish American Inv Trust	SCAM:LN	General, global	09.05.2014	2.49	2.43	<u>-5.1%</u>	4.3%	-2.4%	
British Assets Trust	BSET:LN	UK + Rest of Wld	09.05.2014	1.40	1.33	<u>-6.0%</u>	5.4%	-4.8%	
British Empire Securities	BTEM:LN	General, global	09.05.2014	4.95	5.09	<u>-9.0%</u>	2.9%	2.8%	
Scottish Mortgage Inv Trust	SMT:LN	General, global	09.05.2014	1.93	2.43	<u>1.0%</u>	1.3%	26.2%	
<b><u>Emerging, Frontier, Growth</u></b>									
JP Morgan Emerging Mkts Tr	JMG:LN	Developing markets	07.03.2014	5.05	5.90	<u>-9.0%</u>	1.0%	16.8%	
New India Investment Trust	NII:LN	India	07.03.2014	2.00	3.06	<u>-8.0%</u>	0.0%	53.2%	
Aberdeen Asian Smaller Cos Tr	AAS:LN	Asian smaller cos	07.03.2014	8.02	9.78	<u>0.0%</u>	1.3%	22.0%	
<b><u>Mines, Gold, Res, Hard Assets</u></b>									
Blackrock World Mining Trust	BRWM:LN	Mining companies	07.03.2014	4.92	3.47	<u>-6.3%</u>	6.1%	-29.4%	
<b><u>Alternative/ sectoral</u></b>									
Personal Assets Trust	PNL:LN	General, gold bias	09.05.2014	33'200	34'220	<u>1.0%</u>	1.8%	3.1%	
Impax Environmental Mkts	IEM:LN	Water and Ecology	07.03.2014	1.50	1.48	<u>-11.0%</u>	0.8%	-1.3%	
<b><u>Total Performance (before dividends):</u></b>								<b><u>8.6</u></b>	

# 10 Long Term Ideas (CORE)

## Scottish American Inv Trust

Scottish American Investment Company PLC (SCAM LN EQUITY) 243.00 0.25

2014-11-06



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- **Now after u/perf -5% disc NAV**, GBP 320mn Mkt Cap, **4.3% yield**
- Mgt Baillie Gifford (Dominic Neary), fee 0.45% (geared 126%)
- Object: beat inflation, growth income and capital
- **39% Europe**, 20% N America, 16% Asia, 18% Fixed Inc/Property
- AMLIN 3%, Rio Tinto 2%, Taiwan Semicon 2%, Roche 2%

Q42014

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# 10 Long Term Ideas (CORE)

## British Assets Trust



- -6% disc to NAV, GBP 383mn Mkt Cap, **4.8% yield** (gearing 121%)
- Objective: 80% FTSE, 20% World, growing capital and income
- Managers F&C (Phil Doel), fees 0.3%
- 64% UK, 18% international, emgg mkts 8%, fixed inc 10%
- HSBC 5%, Total 3%, Shell 3%, Rio 3%, BAE 3%

# 10 Long Term Ideas (CORE)

## British Empire Securities



- **-9% discount to NAV**, GBP 724mn Mkt Cap, 2.1% yield
- Mgt Asset Value Investors (John Pennink), fees 0.6%
- Object: capital growth via **value** driven approach international
- 33% Europe, 28% NAM, Asia 14%
- 7% Jardines, 6% Investor, Gpe Bruxelles Lambert 5%, Aker Asa 5%

# 10 Long Term Ideas (CORE)

## Scottish Mortgage IT

Scottish Mortgage Investment Trust PLC (SMT LN EQUITY) 242.10 -1.8

2014-11-06



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- **+1% prem NAV after o/perf**, GBP 3.0bn Mkt Cap, 1.2% yield
- Object: > FTSE World
- Mgt Baillie Gifford (James Anderson), fees 0.3%,
- **36% NAM**, 18% Eurozone, **21% China**, 9% UK (NB China / Tech)
- Baidu 8%, Amazon 7%, Illumina 7%, Tencent Hldgs 6%, Inditex 5%

# 10 Long Term Ideas (SATELLITE)

## JP Morgan Emerging Markets Fund



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- -9% discount to NAV, GBP 770mn Mkt Cap, 1.0% yield
- Manager Austin Forey
- India 20%, Brazil 15%, China 13%, S Afr 11%
- Housing Dev Fin Corp 4%, Tata 3%.Taiwan Semi 3%, Magnit 3%, AIA Gp 3%

Q42014

# 10 Long Term Ideas (SATELLITE)

## JP Morgan Emerging Markets Fund

MSCI Emerging Markets (MXEF INDEX) 987.65 -3.67

2014-11-07



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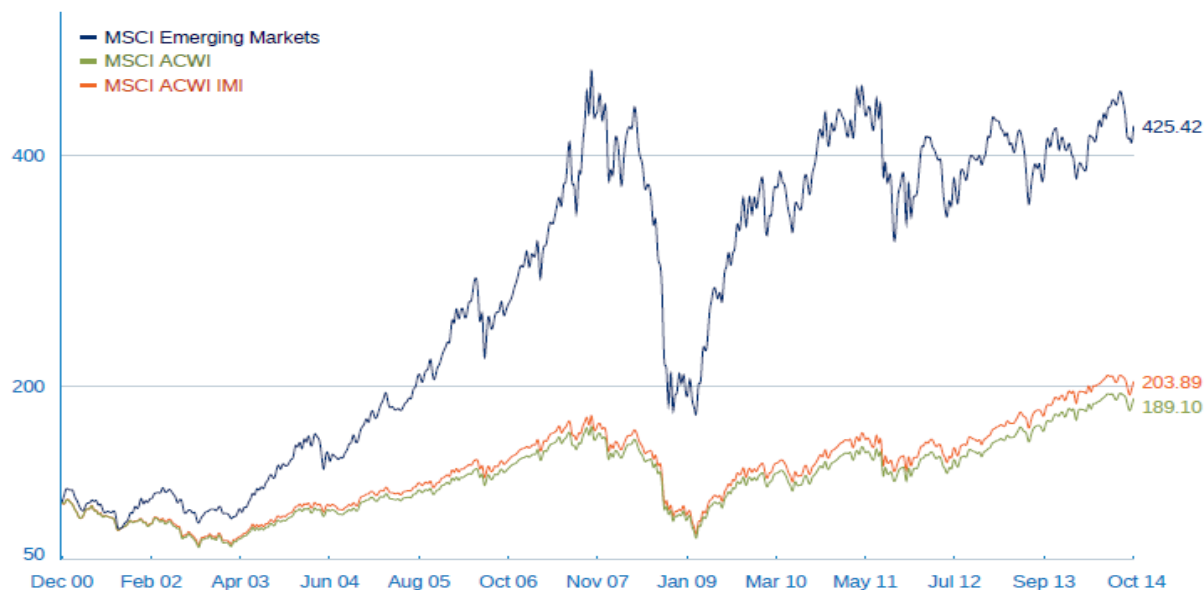
- *Compare and contrast* MSCI with JMG
- JMG (*India 20%*, Brazil 15%, China 13%, S Afr 11%)
- MSCI (China 20%, Korea 14%, Taiwan 12%, Brazil 10%, S Afr 8%, *India ??*)

Q42014

# 10 Long Term Ideas (SATELLITE)

## JP Morgan Emerging Markets Fund

Cumulative Index Performance — Net Returns (Dec 2000 – Oct 2014) — USD



Annual Performance (%)

Year	MSCI Emerging Markets	MSCI ACWI	MSCI ACWI IMI
2013	-2.60	22.80	23.55
2012	18.22	16.13	16.38
2011	-18.42	-7.35	-7.89
2010	18.88	12.67	14.35
2009	78.51	34.63	36.41
2008	-53.33	-42.19	-42.34
2007	39.42	11.66	11.16
2006	32.14	20.95	20.95
2005	34.00	10.84	11.54
2004	25.55	15.23	16.42
2003	55.82	33.99	35.54
2002	-6.17	-19.32	-17.58
2001	-2.62	-16.21	-15.65

Index Performance — Net Returns (%) (October 31, 2014)

	1 Mo	3 Mo	1 Yr	YTD	Annualized			
					3 Yr	5 Yr	10 Yr	Since Dec 29, 2000
MSCI Emerging Markets	1.18	-4.21	0.64	3.63	3.24	4.64	10.54	11.02
MSCI ACWI	0.70	-0.41	7.77	4.46	12.98	10.57	7.09	4.71
MSCI ACWI IMI	0.79	-0.53	7.39	4.04	13.10	10.89	7.40	5.28

Fundamentals (October 31, 2014)

Div Yld (%)	P/E	P/E Fwd	P/BV
2.76	12.86	10.47	1.54
2.47	17.35	14.31	2.08
2.40	18.04	14.58	2.05

Emerging Markets have underperformed for too long and are now cheap versus World Developed (MSCI AC)

# 10 Long Term Ideas (SATELLITE)

## New India Investment Trust



- -8% discount to NAV, GBP 180mn Mkt Cap, 0% yield
- Manager Asian Equities Team
- Tata Consult 9%, Housing Dev Fin 9%, Infosys 8%, ICICI Bank 6%

# 10 Long Term Ideas (SATELLITE)

## Aberdeen Asian Smaller Companies IT



- 0% discount to NAV, GBP 374mn Mkt Cap, 1.3% yield
- Manager Asian Equities Team
- Malaysia 20%, India 15%, HK 13%, Thailand 14%
- Aeon Malaysia 4%, Shangri-La Hotels Malaysia 3%, Aeon Than Sinsap 3%, Multi Bintang Indonesia 3%



# 10 Long Term Ideas (SATELLITE)

## Blackrock World Mining Trust

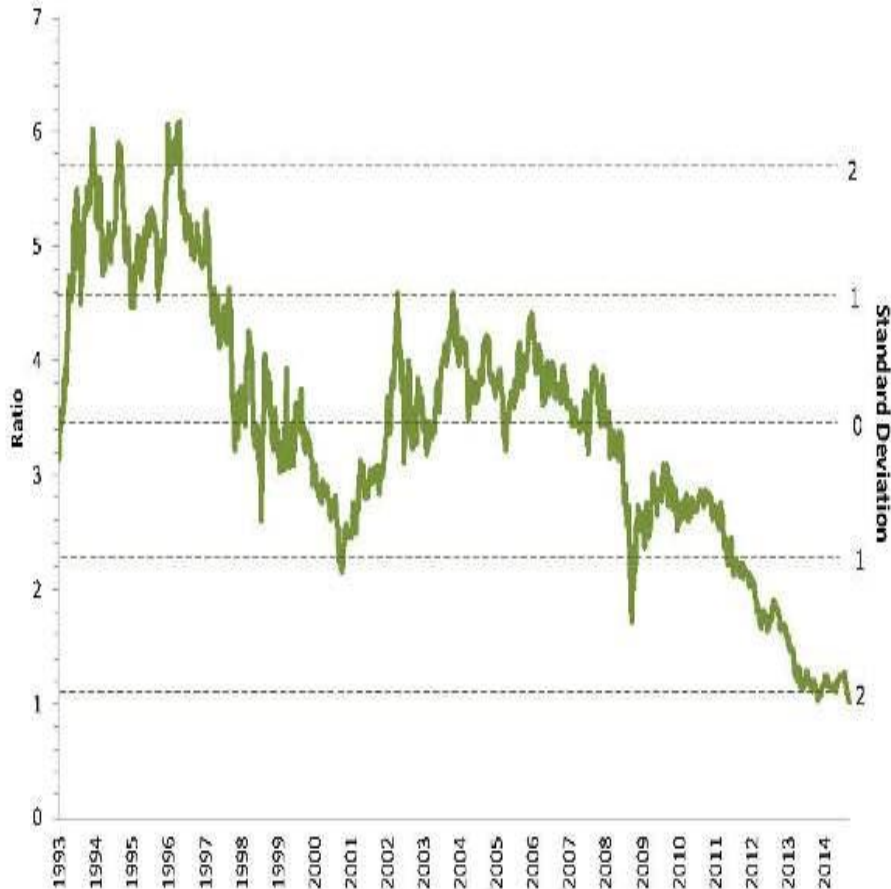


- -6% discount to NAV, GBP 619mn Mkt Cap, **6.1% yield**
- Manager Evy Hambro
- Rio 12%, Glencore Xstrata 13%, BHP 11%, First Quantum 11%
- Platinum and precious 15%
- London Mining -7% NAV (Marampa), **but bd div cfm 21p**

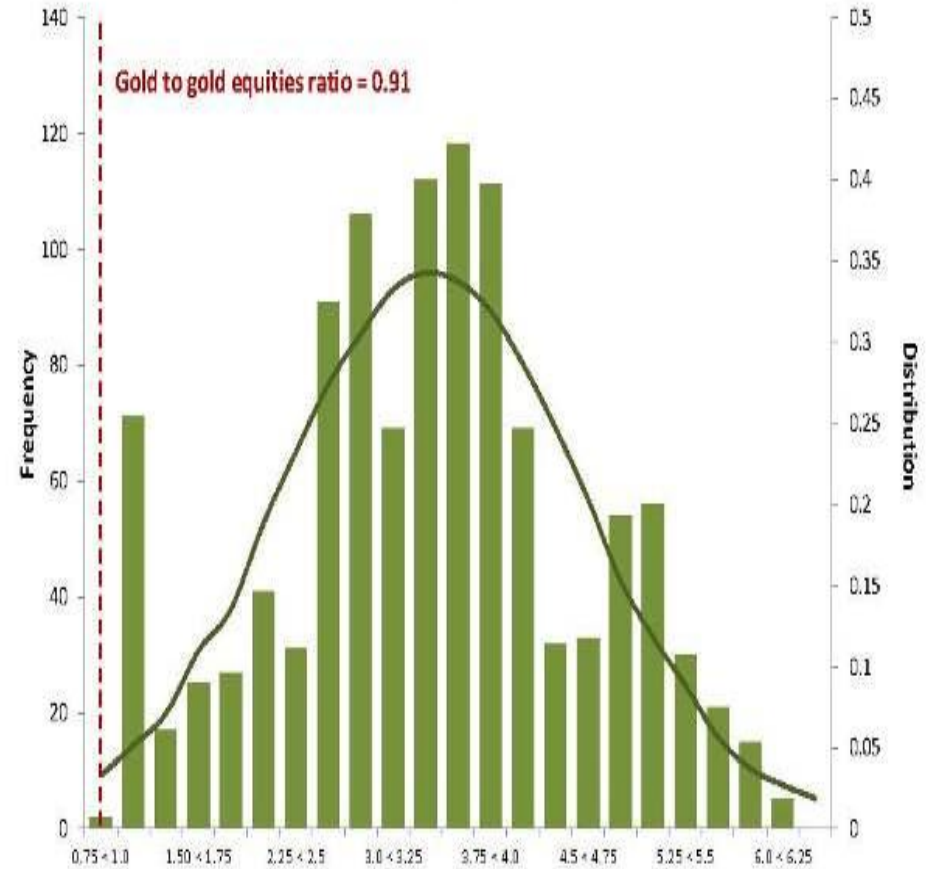
# 10 Long Term Ideas (SATELLITE)

## Blackrock World Mining Trust

Gold shares ratio to gold has reached new extremes



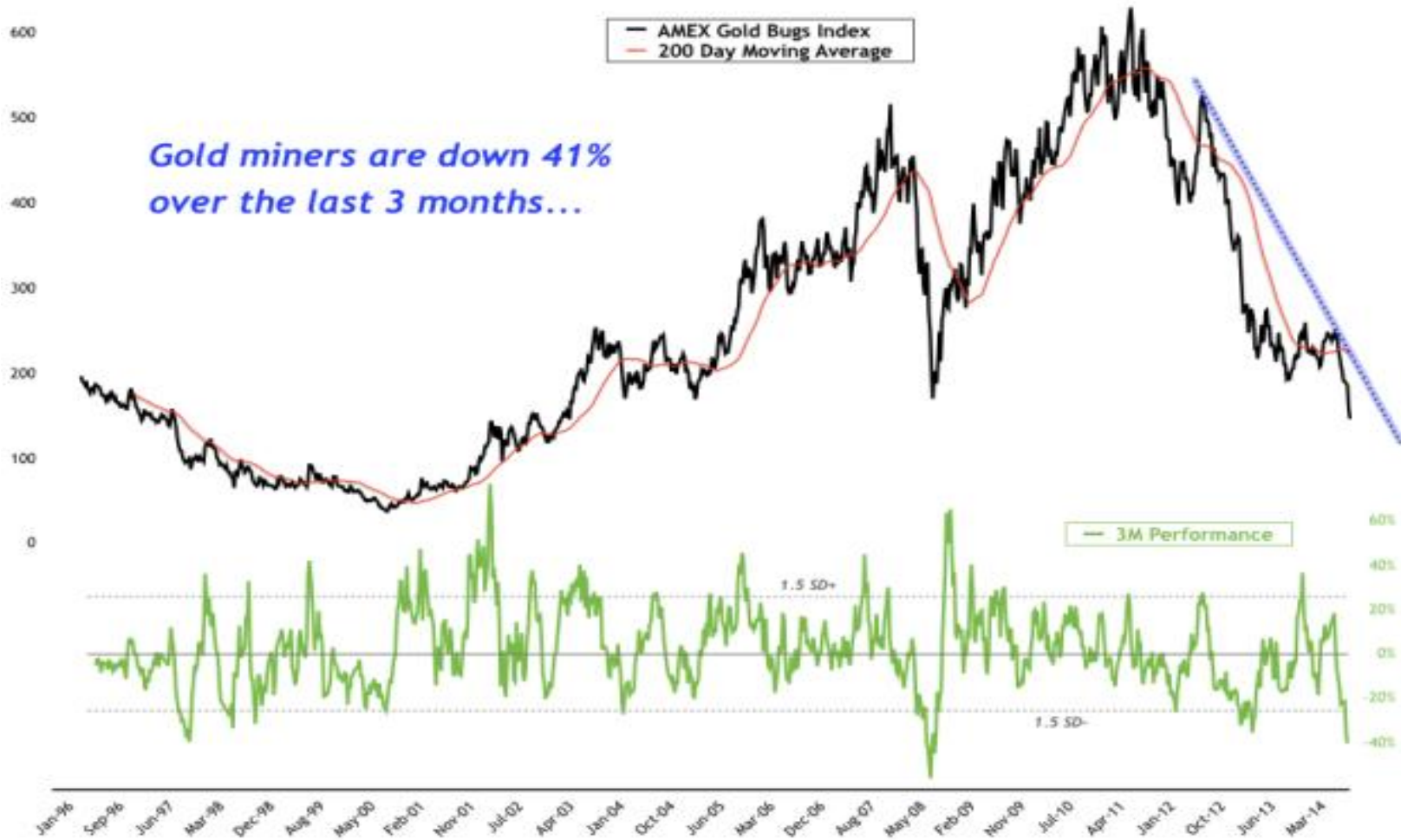
Historical Gold Equities to Gold Ratio



# 10 Long Term Ideas (SATELLITE)

## Blackrock World Mining Trust

700 Source: AMEX, [ShortSideOfLong.com](http://ShortSideOfLong.com)



# 10 Long Term Ideas (SATELLITE)

## Blackrock World Mining Trust

NYSE Arca Gold Bugs Index (HUI INDEX) 164.5384 12.01

2014-11-07



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# 10 Long Term Ideas (SATELLITE)

## Blackrock World Mining Trust (Bob Hoye)

### A Time for the Brave to Catch a Falling Knife

Silver has a rare 'daily Downside Capitulation alert'. The signal requires both an over extended downtrend and an oversold reading in our short term Summation oscillator which measures urgency on the part of sellers. This is only the fourteenth set of alerts since 1965. Only two instances saw silver and gold fail to generate an interim bottom within two trading days. The mining indices, as represented by the XAU, generally stepped higher over the next four to six weeks. The 20 and 50-day moving averages become optimum targets.

Capitulations noted with red circle on the silver charts



# 10 Long Term Ideas (SATELLITE)

## Impax Environmental Markets



- -11% discount to NAV, GBP 326mn Mkt Cap, 0.8% yield
- Managers Bruce Jenkyn-Jones, Ian Sim
- 37% Europe, 41% NAM
- Kingspan 3%, Spirax Sarco 3%, China Lonyuan Power 3%, Nibe 3%, Pall C 3%, Vacon 3%

# 10 Long Term Ideas (CORE)

## Personal Assets Trust



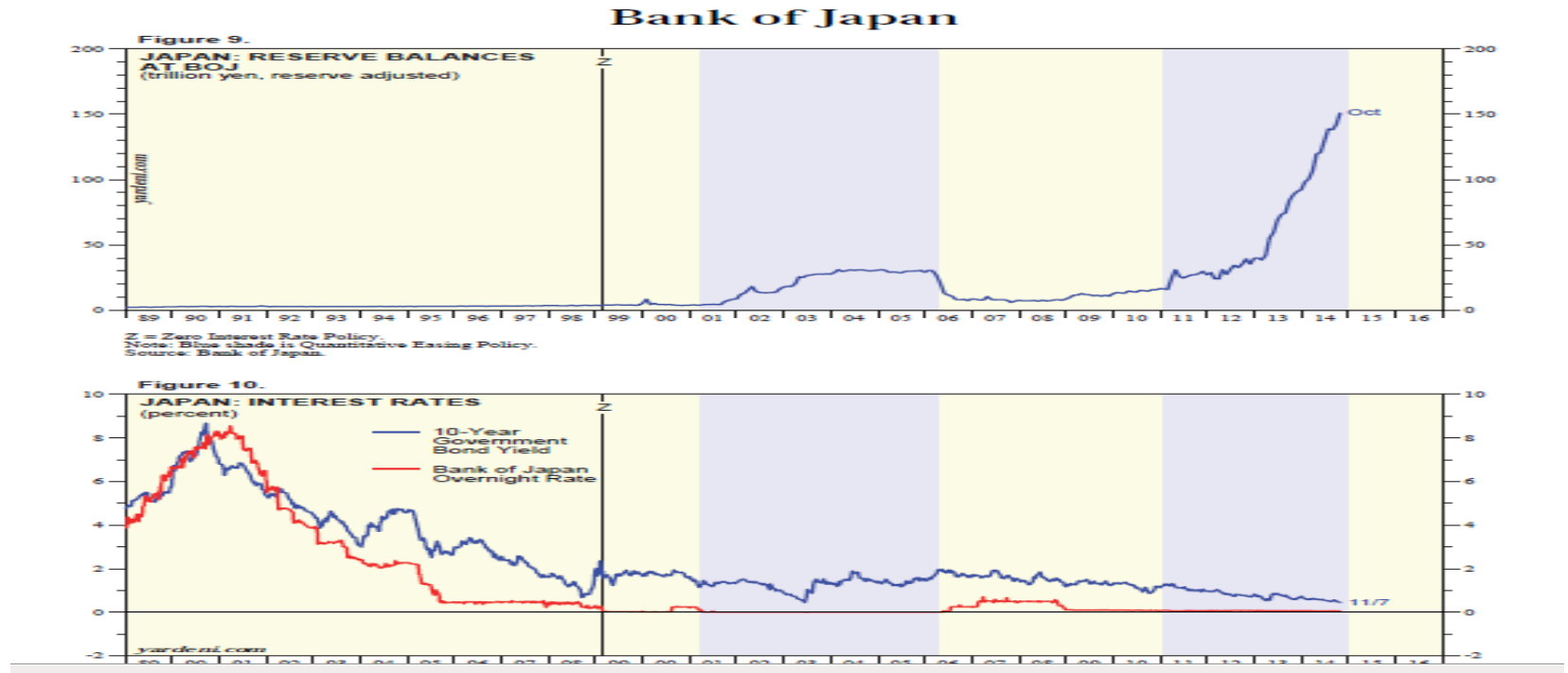
- **+1% premium to NAV**, GBP 590mn Mkt Cap, 1.2% yield
- Mgt Troy Asset Management (Sebastian Lyon), blended fee 0.65%
- Object: protect, then increase/ outpfm bear, underpfm bull
- 44% Blue Chip equ, 11% gold, 5% **(21%?)** ind-link, 24% cash (eg SGD), 17% USA (+).....NB, quarterly figures
- Nestlé 4%, BAT 4%, Microsoft 4%, Glaxo 3%, Coke 3%, Imp Oil 3%

# Our Newest Fund Idea



# Our Newest Fund Idea (SATELLITE)

## Japan QE



- Risk of missing 2% CPI => USD 720bn JGBs pa (was c USD400bn)
- BOJ owns 25% JGBS, cld be 50% in 3 years
- x3 purchase ETFs, REITS, Jap stock target 12% to 25% + non Jap equ
- USD 240bn bonds finance USD90bn Jap+USD 110bn non Jap equities

# Our Newest Fund Idea (SATELLITE)

## Baillie Gifford Shin Nippon Trust

Baillie Gifford Shin Nippon Trust (UK) (BGS LN EQUITY) 311.375 0.38

2014-11-07



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- Mgt Baillie Gifford (John MacDougall), GBP 115mn
- -1% discount to NAV, fee 1.0%
- Object: Japan smaller companies (domestic, benefit from Abenomics)
- Iriso Electronics 3%, Nihon M&A Centre 3%, Monotaro 2%, Asics 2%, Asahi Intecc 2%, Infomart 2%

# P&C People

# The P&C Investment Team: 75 years global experience and research expertise

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## **Bruce Albrecht** (Investment Manager and Partner P&C)

- 40 years experience asset allocating and managing global institutional equity and bond portfolios. Ex CIO Pictet London and Global CIO Rothschilds, Senior Manager Abu Dhabi Investment Authority, Group Head of Asset Management Butterfield Bank Group. Work experience includes London, Abu Dhabi. Special interest:: quantitative / systematic analysis. Educated: Emory University, Manchester Business School.

## **Iain Little** (Investment Manager and Partner of P&C).

- 35 years experience managing global private client portfolios and ex head Pictet London UK private clients (asset allocation / fund selection). Recently MD Butterfield Asset Management (Switzerland). Work experience includes Tokyo, Geneva, London, Edinburgh, “French-speaking Africa” and Hong Kong. Special interest: undervalued frontier markets and undiscovered managers. Educated: Cambridge University (MA)

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