

Miton Global Opportunities plc

Trust insight



Charlotte Cuthbertson, assistant fund manager on Miton Global Opportunities plc, discusses the opportunities arising in the closed-ended sector and how these are reflected in the trust's investments.

This update should not be taken as advice. If you are unsure about any of the content please contact your financial adviser. Please remember that the value of stock market investments will fluctuate and investors may not get back the original amount invested.

What is global about Miton Global Opportunities plc?

As the name of the trust would suggest, we can invest all over the globe and not just in developed Western economies like the US and the UK. Often there are exciting opportunities in less-well known areas. We tend to look for single country trusts when investing in emerging markets and frontier markets. An emerging market is a country that has less developed financial markets and is generally considered riskier than investing in a developed market. A frontier market is even less established than emerging markets for reasons which can include that it is too small or too difficult to sell to be considered an emerging market.

We are not a big fan of generalist emerging market trusts, that isn't to say we haven't or won't hold them, but we prefer trusts focusing on a single country or region. This is because the term "emerging markets" covers many different countries and economies. For example, the drivers of the Brazilian economy are very different to those in China, so it may not be the right time to invest in Brazil when it is to invest in China, and doing so may dilute potential returns. We also like to invest in very experienced managers in emerging and frontier trusts. The political landscape, legislation and corporate governance can differ widely from country to country and also from what we are used to in the UK, so managers that have already witnessed pitfalls or opportunities are beneficial.

In emerging markets our main exposure is to India. India has been part of our portfolio for many years as we see a multi-year transformation occurring in the country. Prime Minister Modi came to power in 2016 with some bold ideas to modernise the country and the economy. A big part of this was to transition away from the black economy to companies within the system that pay tax. Over the past few years, he has employed some radical initiatives, which although very disruptive in the short term, should ultimately help reach this goal. Firstly, there was demonetisation. Overnight the vast majority of bank notes were suddenly no longer legal tender. The aim of this was to compel companies and citizens to deposit their money into bank accounts to receive the new currency, thus forcing the informal economy into the official system. Secondly, there was an

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overhaul of the tax system. The previous system had been very complex and open to corruption, with each state having their own set of rules rather than adopting a nationwide approach. The new system, while not perfect, certainly streamlined the process and allowed goods to be transported more easily all over the country.

This provides focus on economies that are benefitting from structural change which should help power returns over the coming years. Our current focus is on Vietnam, Georgia and India.

Whilst Vietnam is currently battling with a Covid outbreak, in the longer term we believe the country will be a beneficiary of the pandemic. Many companies are nervous about having all their manufacturing in China and are moving their supply chains to Vietnam in order to diversify their exposure. The US-China friction has further exacerbated this trend. With a growing middle class and increasing urbanisation, this should boost the economy going forward. The trusts we hold, VinaCapital Vietnam and Vietnam Enterprise, are both currently trading at large discounts to their Net Asset Value (NAV).

Georgia Capital plc is invested in a mix of listed and private assets in that Eastern European country. Georgia is a very interesting place, being a conduit between Eastern and Western Europe, playing a role not too dissimilar to that of Singapore in the past with Asia. This can be seen in the Ease of Doing Business Index where Georgia holds the 7th position inbetween the UK and the US. Georgia Capital itself holds a wide variety of assets there including; healthcare, education, beverages and infrastructure. With such a positive outlook, it may seem surprising that the trust trades on such a wide discount. This is partially due to many investors' lack of knowledge of the area, and also a complex transaction that was badly managed in 2019. The trust had two listed subsidiaries, Georgia Healthcare and Bank of Georgia. As Georgia Healthcare was very small and suffering from liquidity issues, the trust offered shareholders of the company the option to swap their holding into shares of the trust. This created a large build-up of selling pressure for the trust shares in the market and put pressure on the share price. This issue seems to have now worked itself through and we anticipate some good NAV performance should attract investors to the trust in the future.

The ability to invest anywhere in the world means Miton Global Opportunities plc can unearth opportunities overlooked by other investors and creates a very diversified portfolio. Our range of assets and geographies has helped create some excellent performance. We will continue to try and unearth areas of the world that are not being valued properly by the rest of the market.

Charlotte Cuthbertson
Assistant Fund Manager, Miton Global Opportunities plc

Risks

Reference to any particular stock does not constitute a recommendation to buy or sell the stock. The value of investments may fluctuate which will cause trust prices to fall as well as rise and investors may not get back the original amount invested.

The performance information presented in this document relates to the past. Past performance is not a reliable indicator of future returns.

For trusts investing globally, currency exchange rate fluctuations may have a positive or negative impact on the value of your investment. Property values can rise and fall sharply depending on the strength of a country's economy.

Investments made in bonds, equities or other assets in less-developed countries generally carry higher risk than in developed countries.

Forecasts are not reliable indicators of future returns.

GLOSSARY

Alternative asset

An alternative investment is a financial asset that does not fall into one of the conventional equity/Income/cash categories.

Assets

Different groups of investments such as company shares, bonds, commodities or commercial property.

Discount

A discount refers to a situation when a security is trading for lower than its fundamental or intrinsic value.

Emerging Markets

Countries with less developed financial markets and which are generally considered riskier than investing in developed markets.

Frontier markets

A frontier market is less established than emerging markets for reasons which can include that it is too small or is too illiquid to be considered an emerging market

Liquidity

Liquidity refers to how easily an asset can be bought or sold in the market without affecting its price – it can also be known as market liquidity. When there is a high demand for an asset, there is high liquidity, as it will be easier to find a buyer (or seller) for that asset

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Net Asset Value (NAV)

The total of a company's assets minus its liabilities. The net asset value per share is the total of a company's assets minus its liabilities divided by the number of shares in issue.

Share price

The amount it would cost to buy one share in a company; it is not fixed but fluctuates according to the success of the company and market conditions.

IMPORTANT INFORMATION:

The views expressed in this document should not be taken as a recommendation, advice or forecast. We are unable to give financial advice. If you are unsure about the content contained within/suitability of the trusts mentioned, please speak to a financial adviser.

The value of stock market investments will fluctuate, which will cause trust prices to fall as well as rise and you may not get back the original amount you invested. All data is sourced to Premier Miton unless otherwise stated. Persons who do not have professional experience in matters relating to investments should not rely on the content of this document.

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For your protection, calls may be monitored and recorded for training and quality assurance purposes.

A free, English language copy of the trust's full Prospectus, the Key Information Document and Pre-investment Disclosure Document are available on the Premier Miton website, or you can request copies by calling us on 01483 306090.

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