

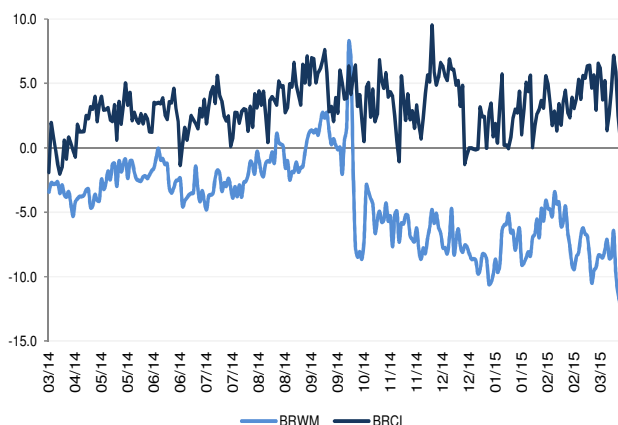
Daily Fund Ideas

Sales Note

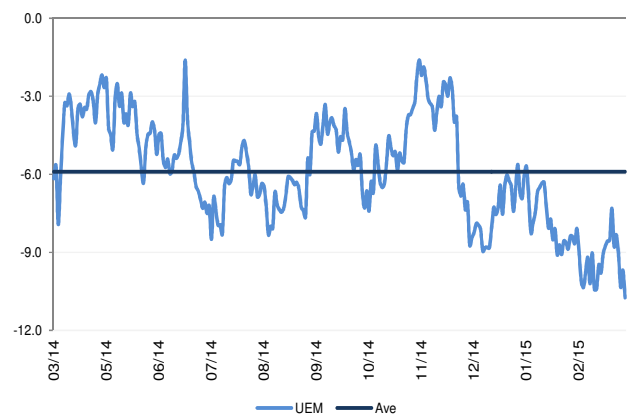
Fund Ideas

- Alliance Trust (ATST.L, 14.0%)** – This morning has seen a further, more detailed response from Elliott to last week's Shareholder Circular issued by ATST. It includes a short form reply and a more detailed version, the latter running into 12 pages and covering areas such as investment performance, costs, dividends (which we flagged as being of concern in yesterday's note), corporate governance and "scare tactics". The longer version is certainly worth reading and goes into detail on all these elements including the sustainability of the dividend and the departure of three of the six new independent NEDs appointed to the board since 2010.
- Of the three, the longest tenure was just three years, which may cause some concern given the board's less radical plans to introduce one further NED effective from Q1 2016 after an extended selection process rather than the three proposed by Elliott. What is perhaps most disconcerting is that despite the presence of a key shareholder pushing for change and the Fund's own re-confirmation of its position and how confident it feels with the team now in place, yesterday saw a renewed widening of the ATST discount. This reached 14%, almost its widest point of the last 12 months, leaving the fund the second cheapest stock on a Z-score basis within the Global Growth sector. Such pricing hardly suggests confidence by the market in the future of the fund post the April AGM, whoever secures victory in the key director vote.
- Blackrock World Mining (BRWM.L, -12.1%)** – Chinese stimulus measures announced this morning are unlikely to provide the spike in demand for new housing (in a still imbalanced market) to boost a still flagging commodity market and shortages of supply in key markets still have to work their way through to firmer pricing. Yet we now appear to be approaching a point of distress on this stock – a stock remember that investors were more than willing to pay a premium for as recently as October 2014 on the basis of its yield as opposed to capital risks. We met with CIO Evy Hambro and team last week and while key issues remain with the stock (any further lurch down in Chinese growth and on BRWM itself, potential over reliance for its income on key equities, option writing and special dividends), pricing now more accurately reflects fundamental risks, at least for the adventurous investor.

Discount trends – BRWM vs BRCI (12M)



Discount trends – UEM vs 12M ave



Source: Datastream

- Investec data would suggest a strong performance by **Baillie Gifford Shin Nippon (BGS.L, -6.7%)** overnight, fed by a broad based rise in value throughout its portfolio but not least by the fund's holding in medical tool manufacturer Asahi

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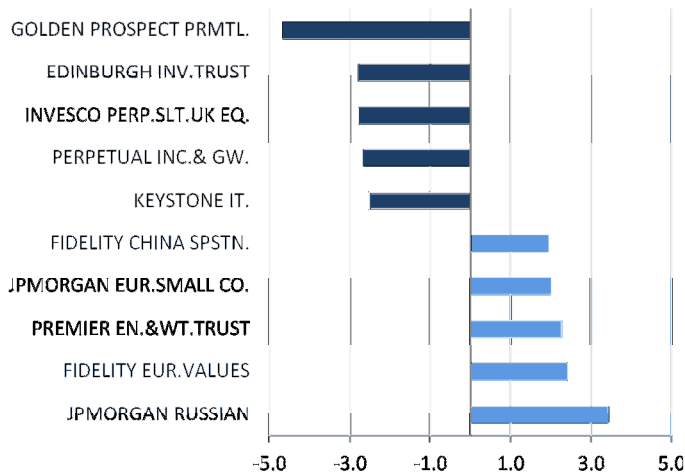
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Intecc (7747 JP), Pricing on this stock (which featured in BGS' top 10 holdings at the latest available date of end-February) has risen by over 40% on a year-to-date basis against 10% for the TOPIX, reaching an all-time high this morning and, if still held by BGS, pushing the discount to a level of over 6% on our estimates, an attractive re-entry point.

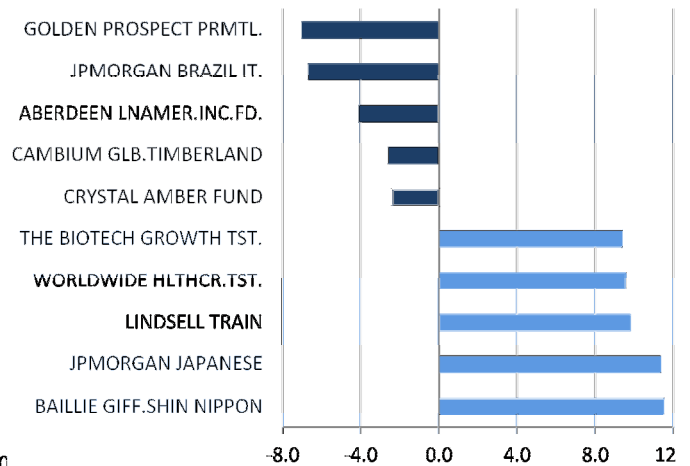
- Emerging markets** – this sector naturally remains out of vogue, though pricing arguably fails to discriminate between the commodity producing or structural imbalanced states such as Russia and Brazil (which face ongoing pressures) and those with firmer fundamentals (balanced fiscal and external accounts and strong corporates in Asia). For those investors seeking a more “defensive” focus on the asset class, **Utilico Emerging Markets (UEM.L, -10.5%)** looks particularly good value at current levels, buoyed further in recent days by its holding in China waste company China Everbright (257 HK), where earnings growth has been and is expected to remain strong amid China’s strong forward environmental needs. For those seeking “value”, **Templeton Emerging Markets (TEM.L, -12.3%)** would appear attractive but arguably far higher risk than UEM and is now priced at a decent discount to its US counterpart (**EMF.N, -9.5%**). It is also interesting that most Asian generalist trusts are priced at similar or even wider levels than their counterparts in Latin America despite divergent risk profile. Latin America may be superficially cheap, but Brazil (with an effectively lame duck president) is particularly exposed to a rise in US interest rates or any further weakening in Chinese/global growth, while most Asian states (particularly at the more developed end) provide often excellent and well managed corporates well exposed to the US growth story.

Movers & shakers

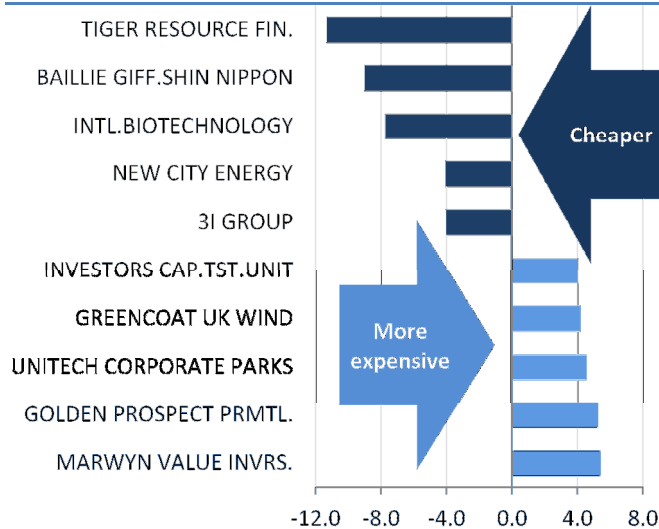
Key NAV movers – 5 days



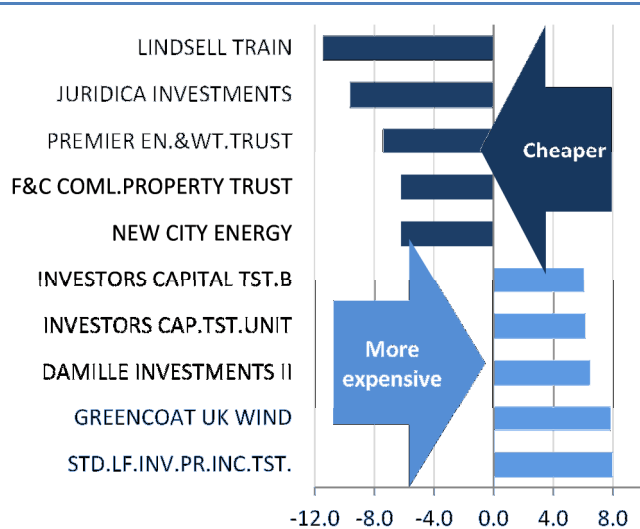
Key NAV movers – 30 days



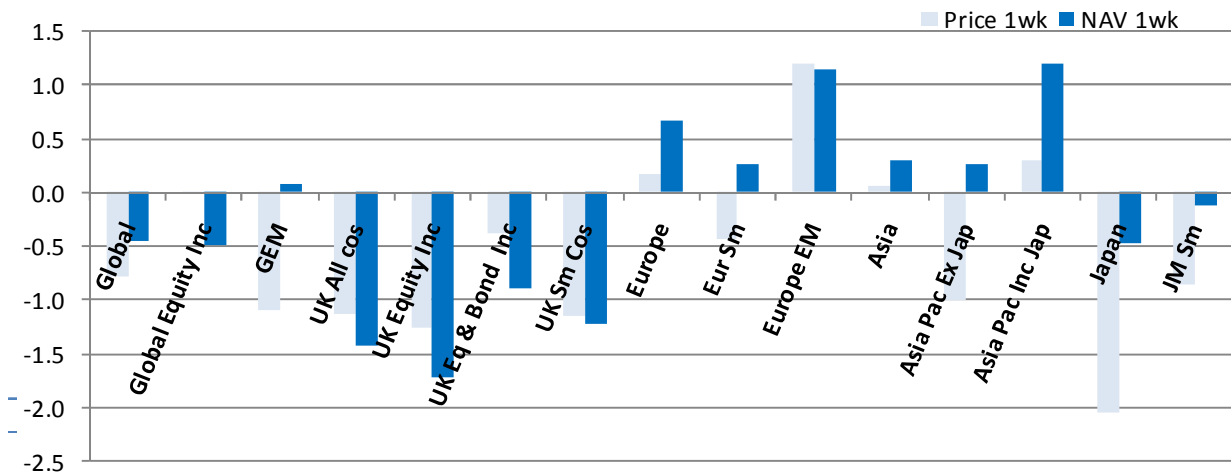
Key discount movers – 5 days



Key discount movers – 30 days



Source: Datastream



Daily Volume / 3m Volume

Fund Name	Ticker	Ratio
Scottish Oriental Smaller Cos Ord	SST	3.9
JPMorgan Income & Capital O/Inc	JPI	3.0
Fidelity Japanese Values Ord	FJV	3.0
JPMorgan Income & Growth Cap	JIGC	2.9
Central Securities Corporation Ord	CET	2.6
Investors Capital A Share Ord	ICTA	2.5
Nuveen Tax-Adv Div Growth Ord	JTD	2.2
PIMCO Income Strategy Fund II Ord	PFN	2.2
MS Emerging Markets Ord	MSF	2.2
Genesis Emerging Markets Ord	GSS	2.2

1 Month Average Daily Volume £m

Fund Name	Ticker	£m
3i Ord	III	7.9
Tritax Big Box Ord	BBOX	4.3
Scottish Mortgage Ord	SMT	4.1
Kennedy Wilson Europe Real Est Ord	KWE	3.5
Alliance Trust Ord	ATST	3.2
HICL Infrastructure Company Ord	HICL	2.7
Templeton Emerging Markets UK Ord	TEM	2.7
Worldwide Healthcare Ord	WWH	2.6
BlackRock World Mining Trust Ord	BRWM	2.5
Electra Private Equity Ord	ELTA	2.4

Source: 2015 Morningstar

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