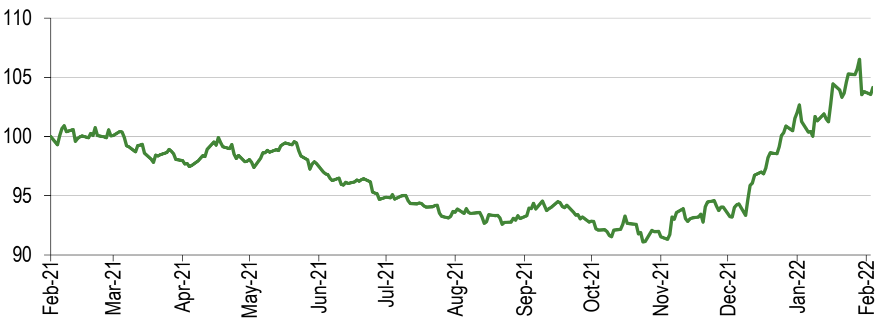
Murray International Trust

Sticking to the fund's income and growth credentials

Investment trusts
Global equities/debt

Murray International Trust (MYI) is managed by Bruce Stout, who is supported by Martin Connaghan and Samantha Fitzpatrick; they are part of abrdn's global equity team. The fund provides a differentiated offering for investors as emerging markets make up close to 50% of the portfolio as the managers favour these regions in terms of their higher growth potential and reasonably attractive valuations. A higher focus on real assets in recent years should stand the trust in good stead in the current inflationary environment. MYI's board has committed to continuing the trust's progressive dividend strategy, using revenue reserves when required. The trust has now achieved a consecutive 17-year stretch of higher annual dividends and offers a 4.3% yield.

NAV outperformance versus the reference index (one year to end-Feb 2022)



Source: Refinitiv, Edison Investment Research

The analyst's view

MYI is a traditional income fund, as all dividends are paid out of revenue not capital. The managers can modestly enhance the trust's income via writing covered options and stock lending. As well as offering an attractive yield, the trust aims to generate capital growth, while protecting capital during periods of market weakness. Over time, MYI's equity has increased and at end-February 2022, the weighting in fixed-income securities and cash was down to 8.4%. Stocks are selected on a bottom-up basis without taking the reference index's weightings into account. The portfolio has a balance between growth and value stocks across a broad range of industries, although the fund is skewed towards quality businesses with high returns, margins and earnings stability that are trading below their estimated intrinsic value. MYI is a large trust with broad appeal as shown by its shareholder base that includes more than 25k retail investors.

Potential for a higher valuation

MYI's current 3.8% discount to cum-income NAV is wider than the 0.5% to 3.3% range of average discounts over the last one, three and five years. There is scope for a higher valuation if the managers can build on the trust's recent outperformance versus the reference index. Shares are repurchased if they trade at a persistent discount to ex-income NAV; during FY21, c 2.6m shares were repurchased and held in treasury, which was c 2.0% of MYI's share base.

NOT INTENDED FOR PERSONS IN THE EEA

31 March 2022

Price		**1,272.0p**
Market cap		**£1,594m**
AUM		**£1,802m**
NAV*		1,321.9p
Discount to NAV		3.8%
*Including income. At 29 March 2022.		
Yield		4.3%
Ordinary shares in issue		125.3m
Code/ISIN		MYI/GB0006111909
Primary exchange		LSE
AIC sector		Global equity income
52-week high/low	1,272.0p	1,076.0p
NAV* high/low	1,321.9p	1,148.0p
*Including income		
Net gearing*		11.3%
*At 25 March 2022.		

Fund objective

Murray International Trust aims to achieve an above-average dividend yield with long-term growth in dividends and capital ahead of inflation, by investing principally in global equities. Its reference is an All-World index (total return).

Bull points

- Unconstrained approach – ability to source interesting opportunities anywhere in the world.
- Progressive dividend policy and attractive yield.
- Well-resourced investment team, which includes ESG specialists.

Bear points

- Large exposure to emerging markets, which can be more volatile than developed regions.
- Performance has lagged the reference index over the mid to long term.
- FY21 dividend was not fully covered.

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Edison profile page

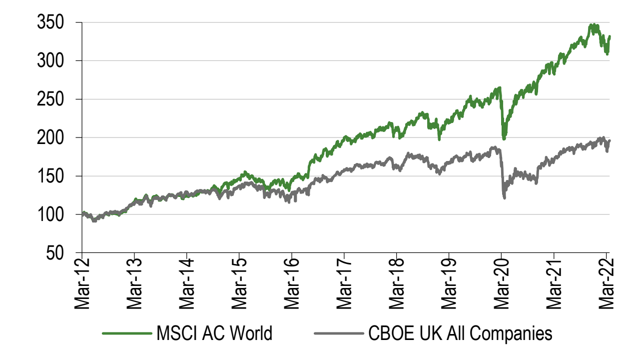
Murray International Trust is a research client of Edison Investment Research Limited

Market outlook: Seeking quality in an uncertain world

Although global stocks have underperformed the UK market recently, as shown in Exhibit 1 (left-hand side), over the long term, investors have been richly rewarded by investing overseas versus domestically. The current economic climate is uncertain and many market participants have never experienced a period of sustained inflation, which has been exacerbated by the Russian invasion of Ukraine. Interest rates are moving higher as central banks attempt to combat the effects of higher costs. This is a very different investment backdrop compared to the last several years when stock markets were supported by loose monetary policies, so investors should brace themselves for potentially further share price volatility. In such an environment, a focus on reasonably priced high-quality companies with pricing power may well be beneficial.

Exhibit 1: Market performance and valuations (last 10 years)

Performance of UK and world indices (£ adjusted)



Datastream indices forward P/E valuations (x)

	Last	High	Low	10-year average	Last as % of average
US	20.4	23.7	11.9	17.4	117
Europe	13.9	17.8	9.2	14.2	98
UK	12.2	15.7	9.4	13.3	91
Japan	13.6	18.6	10.5	14.2	96
Emerging markets	12.9	16.7	10.2	13.1	99
World	16.3	20.0	10.6	15.2	107

Source: Refinitiv, Edison Investment Research. Note: Valuation data at 30 March 2022.

The fund manager: abrdn

The managers' view: Continuing to favour emerging markets

Stout and Connaghan have summarised MYI's FY21 results (ending 31 December). Connaghan started by highlighting the collapse in bond yields over the last 25 years, which has led to a lack of appetite for income funds as investor preference has been for capital growth rather than income; however, MYI has continued to focus on income. One of the trust's key performance indicators is to grow its annual dividend above the rate of UK inflation, which has been achieved in 15 of last 17 years; 2021 was not one of these as the Retail Price Index reached 7.5% by the end of the year. While MYI's 2021 NAV total return of 14.1% did not keep pace with the reference index, the manager says the result was 'solid' and ranked in the trust's top half of returns over the last 20 years. Stout explains the structure of MYI's portfolio has changed. A dividend recession in the early 2000s meant the trust's dividend was uncovered between 2000 and 2004. He says this was a very difficult time and the fund had to have a disproportionately high UK exposure to generate a sufficient level of income; however, the UK weighting has declined from c 46% to c 6%, and MYI now has a fully diversified portfolio. The manager adds that recent increases in the trust's income is leading to an improved dividend coverage ratio. Stout notes that over the long term, the trust's annual dividend growth has exceeded the rate of UK inflation. He highlights that not only does MYI have the second highest dividend yield in the AIC global equity income sector, but some of its peers pay dividends out of capital so the manager questions if these really are income funds; 'this is not how MYI operates', he adds.

Connaghan suggests there is an investor perception that MYI has a value-centric portfolio. However, there is a barbell approach; while there are inexpensive energy and tobacco companies there are a broad range of other areas within the fund including technology, real estate and pharma companies. The manager says that he and his colleagues are always looking for ways to diversify the portfolio, while satisfying MYI's capital growth and income mandates. Connaghan comments that in terms of style, one would expect MYI to be heavily skewed towards dividend yield, which it is. It is not heavily skewed for or against value and growth style metrics, as the managers cannot predict whether growth or value stocks will lead the stock market and how long these trends will continue. However, Connaghan stresses that MYI is skewed towards quality metrics: high returns (on equity, invested capital and assets), robust operating margins and earnings growth stability.

As well as capital growth, the manager says there is a focus on capital preservation. Data from MYI show that over the 19 years to end-January 2022, the trust has outperformed by c 70bp per month in the 78 months when global markets declined and underperformed by c 20bp per month in the 150 months when the market rallied (NAV gross of fees). Average portfolio turnover over the last five years was c 12% pa but was higher in 2020 (19%) due to stock market volatility. For 2022, Connaghan expects a higher-than-average level of portfolio activity to take advantage of market volatility to invest in companies that can be held for the long term.

Stout comments that the investment backdrop has changed. In recent years, the three managers have focused on real assets as they believe that inflation will be an important part of the investment landscape; inflation is now widespread, not just in commodity prices and has spread into wages. The manager opines that if inflation persists over the next three to four years, market participants will require a different set of investment skills. They will need to make a detailed assessment of how individual businesses are affected by higher wage and input costs and whether these can be passed on to their customers. 'This is a very different operating environment than corporates have been used to', says Stout. He highlights that MYI wants to be as differentiated and as diverse as possible, invested in a range of business models. The manager comments that most countries and companies have accumulated large amounts of debt, which will provide a growth headwind in a rising interest rate environment. Stout notes that COVID-19 vaccination rates have increased meaningfully in emerging markets, which he says has led to high levels of pent-up demand. This bolsters his long-held view that in coming years, economic growth will be considerably higher in emerging compared with developed markets.

Current portfolio positioning

Exhibit 2: Top 10 holdings (at 28 February 2022)

Company	Country	Sector	Portfolio weight %	
			28 February 2022	28 February 2021*
Grupo Aeroportuario del Sureste (ASUR)	Mexico	Industrials	4.2	4.5
Taiwan Semiconductor	Taiwan	Technology	4.1	4.7
GlobalWafers	Taiwan	Technology	3.1	3.5
CME	US	Financials	3.0	3.0
Philip Morris	US	Consumer goods	3.0	2.6
Broadcom	US	Technology	3.0	2.5
AbbVie	US	Healthcare	2.8	N/A
Unilever	UK	Consumer goods	2.4	N/A
Samsung Electronics	South Korea	Technology	2.3	2.8
Verizon Communications	US	Telecommunications	2.3	2.4
Top 10 (% of portfolio)			**30.2**	**31.7**

Source: MYI, Edison Investment Research. Note: *N/A where not in end-February 2021 top 10.

At end-February 2022, MYI held 73 positions: 53 equities and 20 fixed income securities (the board requires a total number of holdings between 45 and 150). The top 10 made up 30.2% of the fund, which is a modestly lower concentration compared with 31.7% a year earlier; eight positions were common to both periods. Connaghan says this list illustrates the barbell approach with a diverse set of companies, all of which are well managed and provide good dividend yields. The active share at end-February 2022 was 93.2% (a measure of how a portfolio differs from an index – 0% is full replication and 100% is no commonality).

MYI's geographic exposure is shown below in Exhibit 3. Over the 12 months to end-February 2021 there was 2.6pp shift from bonds/cash into equities, with the largest total weighting changes (equities and bonds/cash) being a higher weighting to North America (+2.8pp) and a lower exposure to Asia Pacific ex-Japan (-2.7pp). The trust's emerging market bond exposure was a negative contributor to fund performance in FY21; exposure was reduced last year and this has continued in 2022.

Exhibit 3: Portfolio breakdown by security type and geography (% unless stated)

	Portfolio end-February 2022	Portfolio end-February 2021	Change (pp)
Equities			
Asia Pacific ex-Japan	27.5	29.2	(1.7)
North America	27.2	24.4	2.8
Europe ex-UK	18.6	16.5	2.1
Latin America & EM	11.8	12.7	(0.9)
UK	5.5	5.8	(0.3)
Africa	1.0	0.4	0.6
	91.6	**89.0**	**2.6**
Bonds/cash			
Latin America & EM	3.7	4.6	(0.9)
Asia Pacific ex-Japan	3.0	4.0	(1.0)
Africa	0.9	1.0	(0.1)
UK	0.4	0.5	(0.1)
Europe ex-UK	0.3	0.8	(0.5)
Cash	0.1	0.1	0.0
	8.4	**11.0**	**(2.6)**
Total			
Asia Pacific ex-Japan	30.5	33.2	(2.7)
North America	27.2	24.4	2.8
Latin America & EM	15.5	17.3	(1.8)
Europe ex-UK	18.9	17.3	1.6
UK	5.9	6.3	(0.4)
Africa	1.9	1.4	0.5
Cash	0.1	0.1	0.0
	100.0	**100.0**	

Source: MYI, Edison Investment Research. Note: EM: emerging markets. Numbers subject to rounding.

One of MYI's relatively new holdings is **Enbridge**, which is a Canadian multinational pipeline company that transports 20% of the oil and 25% of the natural gas in North America. It has stable revenues with 95% take-or-pay contracts. The manager reports that while the oil price declined during the COVID-19 pandemic, Enbridge's EBITDA remained stable and the company generates high returns. Another addition to the portfolio is Finland-based **Nordea Bank**, which has a mid- to high-teens Tier 1 capital ratio. It has a strong banking franchise in the Nordic region and a growing wealth management business. The position in **Japan Tobacco** was sold; MYI's tobacco exposure has reduced as the manager seeks higher yielding stocks.

In February 2022, two new positions were initiated following market weakness. The manager says that German industrial **Siemens** is very well positioned to benefit from capital investment in automation and digital factories and Dutch firm **BE Semiconductor** is a leading manufacturer of semiconductor equipment. These were funded by taking some profits in Sociedad Química y Minera de Chile and CME plus the divestment of some Indian corporate bonds.

Performance: Relative results are improving

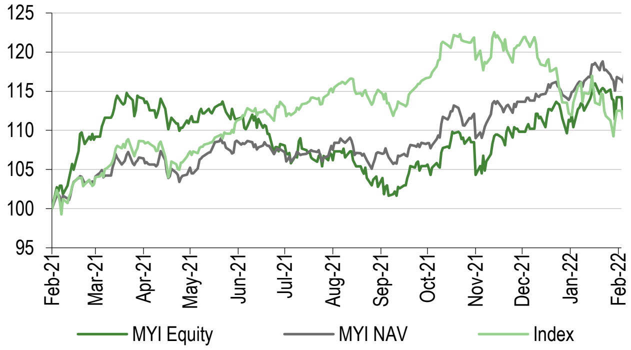
Exhibit 4: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	Index* (%)	CBOE UK All Companies (%)	MSCI World ex-UK (%)	MSCI AC World (%)
28/02/18	8.9	4.0	6.7	4.4	8.1	7.8
28/02/19	(0.5)	(1.7)	2.9	1.6	3.3	3.3
29/02/20	(5.8)	1.6	4.8	(2.1)	9.4	8.8
28/02/21	8.9	9.2	15.8	2.8	20.5	19.6
28/02/22	14.2	16.5	12.5	16.7	12.5	12.8

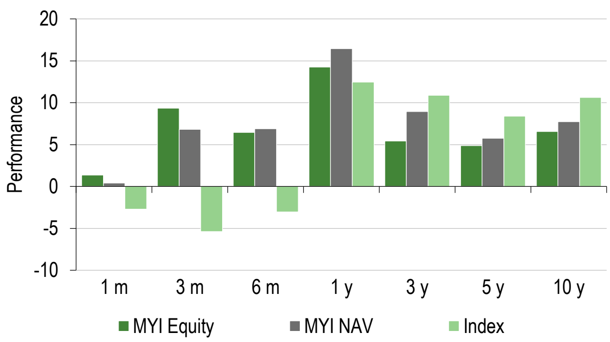
Source: Refinitiv. Note: All % on a total return basis in pounds sterling. *Index is 40% UK and 60% World ex-UK until 27 April 2020 and a broad global index thereafter.

Exhibit 5: Investment trust performance to 28 February 2022

Price, NAV and index total return performance, one-year rebased



Price, NAV and index total return performance (%)



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

In FY21 (ending 31 December), MYI's NAV and share price total returns of +14.1% and +7.2% respectively lagged the reference index's +20.0% total return. By sector, the best absolute total returns were technology (+22.8%) and basic materials (+16.8%), while the only negative return was real estate (-7.5%).

At the individual stock level, the best contributors to MYI's relative performance were US semiconductor manufacturer Broadcom (+0.97pp), South African multinational mobile telecom operator MTN (+0.59pp) and Canadian fertiliser producer Nutrien (+0.47pp). The largest detractors were Chinese insurer Ping An Insurance (-1.10pp), Brazilian bank Banco Bradesco (-0.84pp) and UK consumer goods company Unilever (-0.81pp). MYI's currency exposure is unhedged; it was a headwind to the fund's performance in FY21; although, over the long term, having a globally diversified portfolio is a natural hedge, explains Stout.

Exhibit 6: 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 index	4.2	15.6	9.8	1.6	(14.1)	(15.3)	(31.0)
NAV relative to index	3.2	12.9	10.3	3.6	(5.2)	(11.7)	(23.3)
Price relative to CBOE UK All Companies	1.4	4.7	3.5	(2.1)	(0.2)	1.9	(3.0)
NAV relative to CBOE UK All Companies	0.5	2.3	3.9	(0.2)	10.1	6.2	8.0
Price relative to MSCI World ex-UK	4.2	15.6	9.8	1.6	(21.0)	(23.4)	(43.0)
NAV relative to MSCI World ex-UK	3.2	12.9	10.3	3.6	(12.8)	(20.2)	(36.6)
Price relative to MSCI AC World	4.0	15.0	9.4	1.3	(20.1)	(22.3)	(41.0)
NAV relative to MSCI AC World	3.0	12.4	9.8	3.3	(11.9)	(19.1)	(34.3)

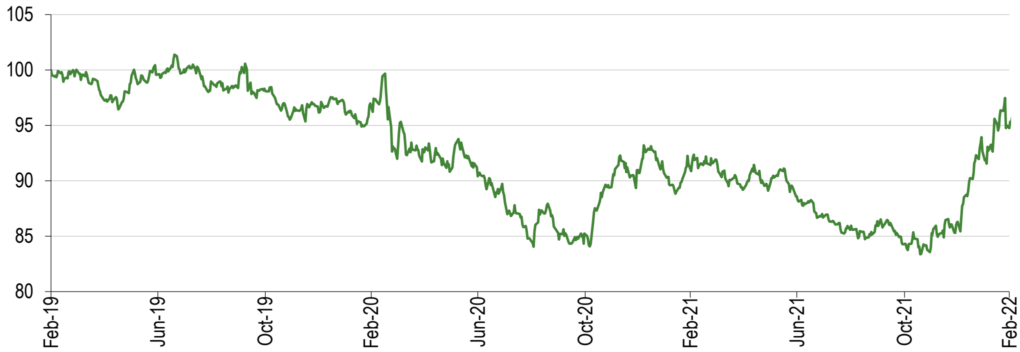
Source: Refinitiv, Edison Investment Research. Note: Data to end-February 2022. Geometric calculation.

MYI is performing relatively better in an environment where growth stocks have come under pressure in the face of rising interest rates, which reduces the present value of their future cash flows. Over the last decade, investors have generally favoured growth stocks, whereas value/cyclical names have lagged considerably. The trust has meaningfully outpaced its reference index over the last three months, which has helped its one-year relative performance; however, MYI's performance still lags over the longer time periods shown. So far this year, areas that have contributed positively to the trust's performance include mining, pipeline and telecom stocks, while technology and some of MYI's industrial holdings have been negative contributors.

Compared with the broad UK market, the trust's NAV has outperformed over all periods shown, apart from modest underperformance over the last year, illustrating the potential benefits of investing overseas, when UK shares are underperforming.

Stout considers the reference index is irrelevant to MYI's shareholders as they seek real income growth. He believes the current reference index keeps things simple but does not reflect what MYI Is aiming to achieve. The manager notes the trust has more than 25k individual investors who like the team's investment approach and often contrarian views.

Exhibit 7: NAV total return performance relative to index over three years



Source: Refinitiv, Edison Investment Research

Peer group comparison

MYI is considerably larger than its six peers in the AIC global equity income sector. The seven funds have a variety of different mandates; for example, MYI is differentiated by a c 50% exposure to emerging markets and its fixed-income holdings. Its relative performance has improved over the last 12 months as investors' preference for growth stocks have waned in the face of rising interest rates. MYI's NAV total return ranks second over the last year and is 4.8pp higher than the mean, although its returns are below average over the other periods shown ranking sixth over the last three, five and 10 years.

The trust's discount is below average in a group where two funds are trading at a premium and one has a noticeably wide discount. MYI has a competitive ongoing charge, ranking second (no performance fee is payable) and it has the highest level of gearing. The trust has the second-highest dividend yield, which is 0.6pp above the mean.

Exhibit 8: AIC global equity income sector at 30 March 2022*

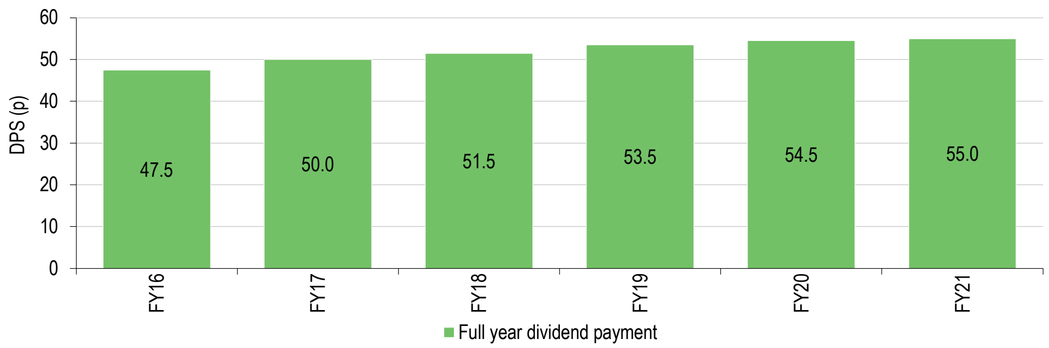
% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Murray International	1,594.2	17.2	32.2	34.3	121.2	(4.4)	0.6	No	112	4.3
Henderson International Income	341.5	11.9	32.7	44.1	183.6	(6.2)	0.8	No	104	4.1
Invesco Perp Select Global Equity Inc	59.1	14.6	39.1	49.1	205.6	(5.8)	0.8	No	107	3.0
JPMorgan Global Growth & Income	764.8	18.5	71.8	78.6	274.6	3.4	0.5	No	100	3.6
Majedie Investments	104.7	(7.3)	(6.3)	(5.3)	65.5	(23.1)	1.1	Yes	111	5.8
Scottish American	900.6	15.0	47.5	69.0	202.1	1.3	0.6	No	109	2.5
Securities Trust of Scotland	228.4	16.6	40.6	52.6	176.3	(1.7)	0.9	No	106	2.4
Average	**570.5**	**12.4**	**36.8**	**46.1**	**175.6**	**(5.2)**	**0.8**		**107**	**3.7**
MYI rank in sector (7 funds)	**1**	**2**	**6**	**6**	**6**	**4**	**2**		**1**	**2**

Source: Morningstar, Edison Investment Research. Note: *Performance at 29 March 2022 based on ex-par NAV. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

Dividends: Progressive policy will be maintained

The managers are encouraged by how MYI's dividend receipts are coming back as businesses recover from the pandemic-induced slowdown. The trust's FY21 income per share was 51.7p, which was a 10.9% increase compared with 46.6p in FY20. The board has announced a 55.0p per share (0.94x covered) annual dividend in respect of FY21, which is 0.9% higher year-on-year and compares with the 7.5% increase in the Retail Price Index in 2021. This represents the 17th consecutive year of higher annual distributions. Payment of the final dividend will require £23.9m of the year-end £62.9m revenue reserves to be utilised. The remaining £39.0m is equivalent to c 0.6x the FY21 annual payment. Starting in 2021, the manager is now able to write covered put and call options on underlying portfolio investments and employ stock lending to generate a modestly higher level of income. Based on its current share price, MYI offers an attractive 4.3% dividend yield.

Exhibit 9: Dividend history since FY16

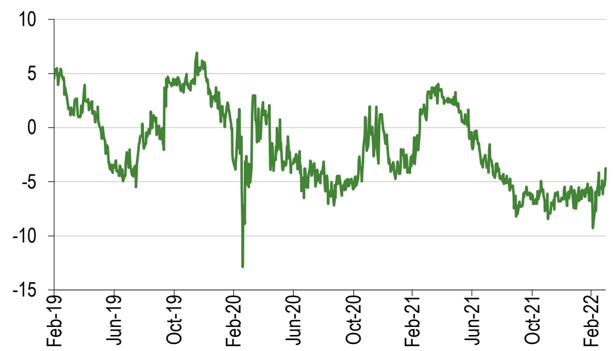


Source: Bloomberg, Edison Investment Research

Valuation: Scope for a narrower discount

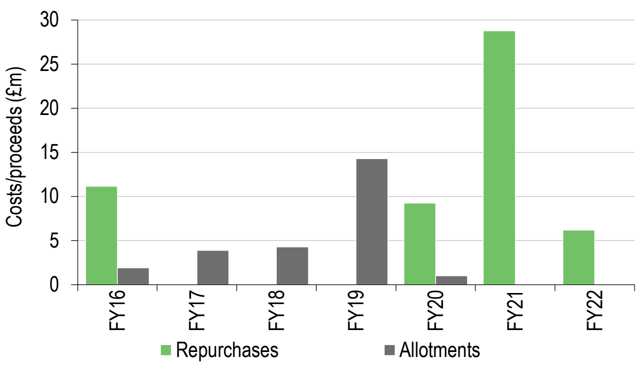
Over the last year, MYI's discount has widened meaningfully (Exhibit 10); there is potential for a higher valuation if the trust's relative performance continues to improve. The current 3.8% discount to cum-income NAV compares with a range of a 4.0% premium to a 9.3% discount over the last 12 months. It is wider than the average discounts of 3.3%, 1.7% and 0.5% over the last one, three and five years respectively.

Exhibit 10: Discount over three years (%)



Source: Refinitiv, Edison Investment Research

Exhibit 11: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Renewed annually, the board has the authority to issue up to 10% and repurchase up to 14.99% of MYI's issued share capital. Aiming to reduce volatility in the trust's valuation and make a small positive contribution to the NAV, the board repurchases shares if they trade at a persistent discount to ex-income NAV, while issuing shares if they trade at a persistent premium to cum-income NAV.

During FY21, c 2.6m shares were repurchased and held in treasury (Exhibit 11), which was c 2.0% of MYI's share base.

Fund profile: Differentiated geographic exposure

Launched in December 1907, MYI is one of the oldest UK investment trusts; it is listed on the Main Market of the London Stock Exchange. Bruce Stout, a senior investment director in abrdn's global equity team, has been the trust's lead manager since 2004, although he has been directly involved with MYI since 1992. He works closely with investment directors Martin Connaghan and Samantha Fitzpatrick. The team aims to generate long-term capital growth (while preserving capital during periods of stock market weakness) and an above-average dividend yield from a globally diversified portfolio of equities and fixed-income securities. Around 50% of the fund is invested in emerging markets as the managers believe these regions offer the prospect of higher economic growth alongside relatively attractive company valuations.

MYI's performance is now measured against an All-World reference index; before 27 April 2020 it was benchmarked against a composite measure (40% UK and 60% world ex-UK). The trust's investment objective was also changed on this date, aiming to achieve an above-average dividend yield, with long-term growth in dividends and capital ahead of inflation, by investing principally in global equities (MYI's prior aim was to achieve a total return greater than its benchmark by investing predominantly in equities worldwide). The board believes the different wording gives shareholders a clearer picture of what the trust is trying to deliver.

There are no geographic or sector limits on portfolio construction, but at the time of investment, a maximum 15% of the fund is permitted in a single security, although in practice this percentage is much lower. From time to time, the trust may invest in equity-related securities such as depositary receipts, preference shares or unlisted companies and derivatives are permitted for efficient portfolio management. Gearing of up to 30% of NAV is permitted (in normal market conditions); at 25 March 2022, net gearing was 11.3%.

Investment process: Bottom-up stock selection

Stocks are selected on a bottom-up basis, so sector, regional and country allocations are a result of these decisions. abrdn employs a long-term approach, focusing on companies that its research analysts identify as high quality. Firms are considered on five key factors: the durability of its business model and its economic moat; the attractiveness of the industry in which it operates; the strength of its financials; the capability of its management team; and an assessment of its ESG credentials. Company valuations are assessed across a variety of relevant measures including earnings yields, free cash flow yields and dividend yields. The manager targets a double-digit annual total return from MYI's holdings, selecting companies that have the most attractive quality and valuation characteristics, while offering the best expected risk-adjusted returns. abrdn uses a global coverage list that is constructed by each of the specialist regional analyst teams (UK, Europe, Asia Pacific ex-Japan, North America, Japan and emerging markets) containing all companies with buy-and-hold recommendations, which provides the trust's investment universe.

For MYI's fixed-income holdings, the process for selecting and monitoring both sovereign and corporate bonds follows the same methodology used for equity investment. Portfolio geographic and sector exposures are a function of each security's relative valuation and prospects.

Within the portfolio there are typically 60–80 companies across the market-cap spectrum ranging from position sizes of between c 1% and c 5%. Equity holdings are generally initiated at around 1.0% to 1.5% of the fund, while initial fixed income positions tend to be smaller. If a holding reaches

5% of the portfolio, it is trimmed within 30 days and the manager will sell a holding within 30 days if it is no longer rated buy or hold on the global coverage list.

MYI’s approach to ESG

Although ESG and climate-related factors are not the overriding criteria in relation to Stout’s portfolio decisions, they do form a very important part of the investment process and have done so for more than 30 years for three key reasons:

- Financial returns: ESG factors can be financially material; companies that take their responsibilities seriously tend to outperform those that do not.
- Fuller insight: systematically assessing a company’s ESG risks and opportunities alongside other financial metrics leads to better investment decisions.
- Corporate advancement: informed and constructive engagement helps foster higher-quality companies, thereby protecting and enhancing the value of MYI’s investments.

The manager can draw on the resources of abrdn’s ESG equity analysts and central ESG investment team (more than 20 experienced specialists) who collaborate to generate a deep understanding of the ESG risks and opportunities associated with each company analysed.

Climate change risks are vast and becoming increasingly financially material for many of abrdn’s investments not only in the high-emitting sectors, such as energy, utilities and transportation, but also along the supply chain, for providers of finance and in those reliant on agricultural outputs and water. Companies that successfully manage climate change risks are expected to perform better over the long term.

A systematic and globally applied approach to evaluating stocks allows abrdn to compare companies consistently on their ESG credentials – both regionally and against their peer group. Findings from research and company meetings are captured in formal research notes. All firms analysed are allocated an ESG rating between 1 and 5, where 1 is best in class; 2, leader; 3, average; 4, below average; and 5, laggard. Once abrdn invests in a company, it is committed to helping that firm maintain or raise its ESG standards further. Regular engagement is seen as a necessary fulfilment of its duty as a responsible steward of clients’ assets and provides an opportunity to share examples of best practice seen in other companies.

Gearing

MYI has total borrowings of £200m with The Royal Bank of Scotland International (RBSI): a £50m 10-year senior unsecured loan note at an all-in annualised interest rate of 2.240% expiring on 31 May 2031 and three unsecured fixed-rate term loans (£60m at 1.715% expiring on 31 May 2022, £60m at 2.328% expiring on 31 May 2023 and £30m at 2.250% expiring on 16 May 2024). The trust also has a £150m facility available for drawdown, which the board intends to use to repay MYI’s existing RBSI debt as it falls due over the coming years. On 8 March 2022, MYI’s board announced that it had agreed terms to utilise part of its £150m shelf facility, via the issuance of a £60m 15-year senior unsecured loan note at a fixed rate of 2.83%. This will be used to repay the £60m fixed-rate term loan that expires on 31 May 2022. Following this drawdown, £90m of the shelf facility will remain available for a further four-year period. At 25 March 2022, net gearing was 11.3%.

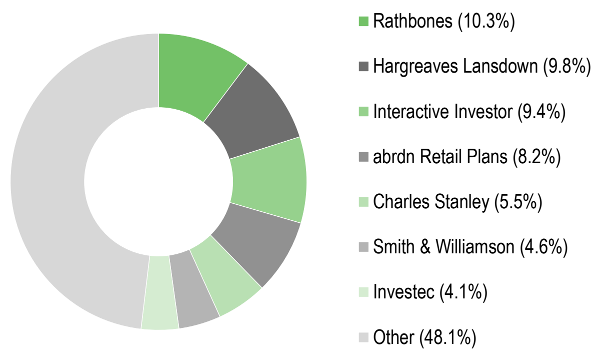
Fees and charges

From 1 January 2022, MYI has a reduced tiered fee structure of 0.5% of NAV up to £500m and 0.4% of NAV above this level (previously 0.5% of NAV up to £1.2bn and 0.425% of NAV above £1.2bn). It is split 30:70 between the revenue and capital accounts respectively. In FY21, the trust’s ongoing charge was 0.59%, which was 9bp lower than 0.68% in FY20. The board remains focused on controlling costs, and with all other things being equal, the lower management fee should help to contribute to a further reduction in the ongoing charge in the future.

Capital structure

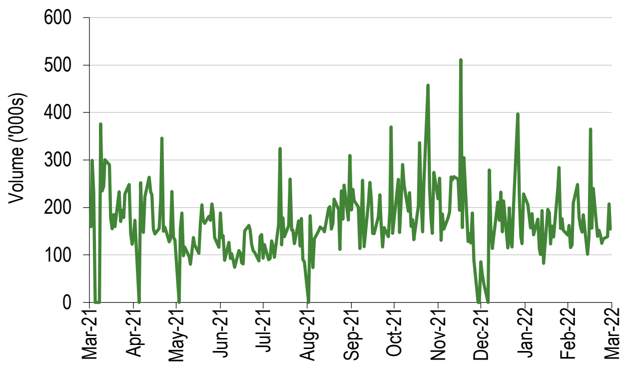
MYI is a conventional investment trust with one class of share; there are 125.3m ordinary shares in issue, with a further 4.1m shares held in treasury, and its average daily trading volume over the last 12 months is c 175k shares.

Exhibit 12: Major shareholders



Source: abrdn. Note: At 28 February 2022.

Exhibit 13: Average daily volume



Source: Refinitiv. Note: 12 months to 24 March 2022.

The board

Exhibit 14: MYI's board of directors at the end of FY21

Board member	Date of appointment	Remuneration in FY21	Shareholding at 3 March 2022
David Hardie (chairman)*	1 May 2014	£38,280	15,643
Alexandra Mackesy	1 May 2016	£29,570	975
Claire Binyon	1 May 2018	£32,117	1,213
Nicholas Melhuish	1 May 2021	£18,667	2,563

Source: MYI. Note: *Appointed as interim chairman in August 2021 and chairman in October 2021.

The board is recruiting an additional independent non-executive director using an external recruitment consultant.