



# Investment Trust Savings Scheme

## **WHO ARE EDINBURGH PARTNERS LIMITED?**

Edinburgh Partners Limited (“EPL”) is an independent Scottish investment management house, majority owned by its staff. The company was set up in 2003 and its first investment trust was launched in December 2003. Since inception its funds have grown to £3.8bn under management (as at 31st March 2008).

EPL’s sole business is managing money. It takes a disciplined and patient long term approach to investment with a consistent and distinctive style, based on intensive research and rooted in many years experience across all global markets.

## **WHY CHOOSE EDINBURGH PARTNERS LIMITED?**

When selecting an investment manager you want to make sure you obtain someone who can help make the most of your money. EPL offers a number of valuable characteristics:

### **Investment Professionals – an experienced team of proven achievers**

EPL was founded in 2003 by Dr Sandy Nairn, the chief executive, and a team of experienced colleagues, many of whom had previously worked together. Before his recruitment as Chief Investment Officer at Scottish Widows Investment Partnership in 2000, Dr Nairn had a 10 year career at the Franklin Templeton group, latterly as Director of Global Equity Research, based in Edinburgh and Fort Lauderdale, Florida. He was short listed as European Institutional CIO of the Year in 2002.

Establishing EPL was the culmination of a long-held ambition to establish a specialist investment firm which focuses 100% on providing client returns through global investment analysis of the highest quality.

All the investment partners have specific responsibilities for sector and regional research in addition to their fund management roles. It was this shared investment philosophy and approach which brought EPL together and we believe that the simplicity and independence of our investment approach offers clients and investors a rewarding alternative to existing fund management providers.

### **Investment Philosophy – the investment world is ultimately rational**

We have a simple, clear and rational investment philosophy, rooted in the principles that guided Sir John Templeton throughout his long and successful investment career. We are committed long term investors who believe that markets are not always rationally priced. Our aim is to identify, through disciplined and intensive research, those securities in leading global markets that we regard as being clearly undervalued on an absolute basis.

Put simply, we believe that the best way to make money for clients is through buying assets for less than they are worth. Nobody can know with precision when the markets will correct valuation anomalies, only that they will be corrected in due course. This philosophy requires a patient, long term approach to portfolio construction and a willingness to resist the pressure to conform to an index or benchmark pressures. As a result, our portfolios rarely look the same as the relevant market index. Investors who choose us to look after their money do so in the knowledge that our approach is by definition contrarian and non-consensual.

Our belief is that a patient, value-driven approach to security selection, implemented rigorously and with skill, is the most reliable way to achieve superior

absolute returns over the medium to longer term. A second core strand of our philosophy is the belief that it is common sense to use cash and other liquid assets as alternatives to equities at times when the equity markets are failing to generate a sufficient number of attractively valued opportunities.

The focus of our research is on identifying securities that are capable of maximising the total return to investors, rather than pursuing specific yield or capital growth targets. Our business is about managing a range of global funds and mandates in the same broad style, seeking out the most attractive opportunities across a range of markets, preferably unconstrained by index or benchmark restrictions. Clients, we believe, will be attracted by the simplicity of our long term investment approach.

### **Investment Process – fundamental research is the key**

An efficient and disciplined process is acknowledged to be crucial in the delivery of consistently superior investment results. Our research process is designed to identify undervalued securities and combine them in diversified portfolios. We begin our analysis by sifting through thousands of listed companies, using a variety of valuation techniques to find those that have the potential to provide the most reliable absolute returns to investors. All the investment partners are trained analysts with many years of investment experience.

Our approach is a painstaking and rigorous one. Within the context of the company's operating environment we project the earnings, cash flow and balance sheets for all potential purchases at least five years in to the future. We use these forecasts to determine the intrinsic value of the company. The estimated discounted value is then compared to the current price of

the securities. Only those where we perceive a substantial gap between intrinsic value and the current share price are likely to be purchased. The fewer constraints that are put on this process the greater the potential total return. There is nothing formulaic about the process however. Security selection ultimately rests on the experience and judgement of the managers.

The global stock lists that result from the screening process are reviewed for risk and investor suitability before being assembled into portfolios. With such an intensive research process, the insistence that funds can only buy securities which we believe to be undervalued on an absolute basis is not without the risk that our investment analysis is wrong. For that reason, the assumptions made in our choice of securities and portfolio construction are rigorously tested. Portfolio review, risk analysis and performance attribution are carried out as a matter of course, but primarily for monitoring purposes, not as the driving force of the investment process itself.

### **WHAT IS AN INVESTMENT TRUST?**

An investment trust is a public limited company whose shares are listed and traded on the stock market. It invests its capital in a portfolio of investments, which may include stock market shares, bonds, property or other assets. The company is run by a board of directors, who are there to protect the interests of the shareholders, and who appoint an investment manager to run the portfolio. Investors can become shareholders by purchasing new issues of shares or by acquiring shares through the stock market.

The benefits of investing in an investment trust include:

- **Pooling of resources.** When you invest in an investment trust, you pool your money with other investors to invest in a wide range of shares. This should help to ensure that you are exposed to less risk than if you had a few individual shares.
- **Shareholders' interests are protected.** An independent board of directors is responsible for ensuring the trust is run in the interests of its investors. The directors are also responsible for setting the investment objective and policy and choosing the investment professionals to implement it.
- **Professional management.** You have professionals working for you so you can be sure your money is in expert hands.
- **Transparency.** Investment trusts publish audited Reports and Accounts and hold Annual General Meetings which all shareholders are entitled to attend.
- **Choice and flexibility.** Whilst investment trusts should be viewed as long-term investments, you are not locked in. So if you need to you can sell some or all of your holdings (subject to a charge).
- **Gearing.** Investment trusts are able to borrow money to make additional investments. This should enhance returns in rising markets but will reduce returns when markets fall.
- **Closed end structure.** Investors increase or decrease their holdings in investment trusts by buying or selling the shares in the market. This means that the investment manager himself does not have to incur any costs buying or selling portfolio investments as a result of inflows and outflows.

On the other hand there are a few disadvantages to investment trusts:

- **Gearing.** Investment trusts are able to borrow money to make additional investments. Whilst this can be an advantage as set out above, the downside is that when this money is repaid the value of the investments may not be enough to cover the borrowing and interest costs. If the trust's investments fall in value, gearing will increase the amount of loss to investors.
- **Discount.** An investment trust's shares may trade at a discount to the net asset value of the fund. Changes in the level of discount introduce additional volatility to shareholder returns.
- **Spread.** The spread is the difference between the price at which a stockbroker will buy shares for an investor and the price at which the broker will sell an investor's shares. The spread is a cost which is incurred in transacting any equity shares, but spreads on investment trust shares tend to be higher than the average due to lower liquidity.

## WHAT INVESTMENT TRUSTS ARE MANAGED BY EDINBURGH PARTNERS LIMITED?

The range of investment trusts managed by EPL is set out below:

**EP Global Opportunities Trust plc** – (Net assets £51m as at 31st March 2008).

The company's objective is to provide shareholders with an attractive real long term total return, by investing globally in undervalued securities. The portfolio is managed without reference to the composition of any stockmarket index. The trust pays an annual dividend in May each year.

**Anglo & Overseas Plc** – (Net assets £93m as at 31st March 2008). The company's investment objective is to provide shareholders with above average returns over the longer term through both capital appreciation and income growth. The company invests in publicly quoted companies worldwide, normally comprising between 40-70 securities. The company may also invest in bonds or short term deposits where the manager considers it prudent to do so. The trust pays dividends twice a year, in May and November.

## **SHARE PLAN AND INDIVIDUAL SAVINGS ACCOUNT ("ISA")**

EPL's Share Plan and ISA scheme provides a simple and convenient method of investing in the investment trusts managed by EPL. You can make lump sum investments or regular contributions by direct debit or debit card from as little as £150 per month. You can register for online access to track your investments.

EPL has appointed Halifax Share Dealing Limited ("HSDL") as the Plan Manager to the ISA and as the Administrator to the Share Plan.

### **ISAs and PEPs**

ISAs are tax-efficient if you are a higher-rate tax payer or liable to capital gains tax. ISAs comprise two separate component parts (cash and stocks and shares). EPL's ISA is a stocks and shares ISA only.

You can only subscribe to one ISA in each tax year. The limit for an ISA is £7,200 from 6th April 2008 of which £3,600 may be in the cash component of an ISA.

Changes to the PEP rules mean that PEPs have ceased to exist. If you have a PEP it will automatically become a stocks and shares ISA in April 2008 and you will be able to invest in this provided you have not

subscribed to another stocks and shares ISA in the current tax year.

### **Tax benefits**

ISAs are tax-efficient, because you do not have to pay any capital gains tax on investments held within these plans. In addition, although the 10% tax credit on dividends from UK equities ceased to be recoverable after 5th April 2004 for ISAs, higher-rate tax payers are not liable for any additional tax on dividend income in ISAs. In addition, ISAs simplify administration of your tax affairs because you do not have to declare income or capital gains from ISAs on your tax return.

The value of any tax reliefs will depend on your individual circumstances. The subscription limits for ISAs changed in April 2008 to a total of £7,200 and £3,600 for a cash ISA. Tax rates and reliefs, as well as tax treatment of ISAs may change at any time.

You should seek professional advice on your own tax position.

### **Share Plan**

The EPL Share Plan provides a simple and convenient way for you to purchase and hold shares in investment trusts managed by EPL. Remember that there is no maximum investment limit in the Share Plan and this is not affected by any ISA investment you make. Whilst it doesn't have the tax-efficiencies of an ISA, the Share Plan has a number of benefits:

- Flexible contributions – regular or lump sum, with low minimum contributions and no upper limit.
- The Share Plan can be held with up to three other people or you can use the Share Plan to make a gift or set up an account for children's savings.

## PRODUCT FEATURES

	<b>Share Plan</b>	<b>ISA</b>
<b>Lump sum investment</b>	Minimum £1,000	Minimum £1,000
	No maximum	Maximum £7,200
	Initial lump sum investments by personal cheque Further lump sum investments can be made by debit card or by the telephone	
<b>Regular investment</b>	Minimum £150 per month	Minimum £150 per month
<b>Dealing</b>	Cash is invested on the business day following receipt Purchases are FREE and can be instructed in writing or by telephone Sales can be instructed in writing, online or by telephone	
<b>Interest</b>	Interest is payable on uninvested cash balances	
<b>Dividend reinvestment</b>	Dividends can be reinvested or paid out to your nominated bank account	
<b>Transfer of existing plans</b>	Existing plan can be transferred in cash or in EP Global/Anglo shares	Existing ISA can be transferred in cash, or in EP Global/Anglo shares

## CHARGES

Charge	Share Plan	ISA
<b>Initial Charge</b>	FREE	£30**
<b>Annual Charge</b>	FREE	£30**
<b>Dealing charge – purchases</b>	FREE	FREE
<b>Stamp duty on purchases</b>	0.5%	0.5%
<b>Dealing charges – sales</b>	The charge is dependent on the value of the sale: On line sales: Up to £250      £5 Over £250      £11.95 Sales by telephone or in writing: Up to £2,500      £15 £2,500-£5,000      £30 £5,000-£10,000      £40 £10,000-£60,000      £60 Over £60,000      0.1% of sales value	
<b>Cash withdrawal</b>	FREE	
<b>Transfer out to another provider</b>	£30**	£30**
<b>Withdrawal of stock into certificated form</b>	£25 per line of stock	£25 per line of stock
<b>Transfer out of stock electronically</b>	£15 per line of stock	£15 per line of stock
<b>Account closure</b>	£15**	£15**
<b>Void account</b>	Not applicable	£50**
<b>Ad hoc statement or valuation</b>	£30**	£30**

Notes:

1. Charges marked \*\* are subject to VAT at the prevailing rate
2. Where you transfer a plan to another provider, the £30 + VAT transfer out charge applies, but there are no additional charges for transferring individual lines of stock.

## RISK WARNINGS

- Past performance is not necessarily a guide to the future.
- The value of investments and the income that is generated from them can go down as well as up and is not guaranteed. This may be due to market fluctuations or, for funds which invest overseas, changes in exchange rates, or both.
- The tax treatment of investment trusts and ISAs may change.
- If you cash in your investment there is no guarantee you will get back what you put in, particularly in the first few years.
- An investment trust may borrow money to invest in shares to make the most of market opportunities. The risk is that when this money is repaid the value of the investments may not be enough to cover the borrowing and interest costs. If the trust's investments fall in value, gearing will increase the amount of the loss to the investors.

## WHAT TO DO NEXT

This brochure should be read in conjunction with the Key Features and the Terms and Conditions, which contain full details of investing in the Share Plan and ISA together with details of the individual trusts.

To invest in the EPL Investment Trust Savings Scheme, complete the relevant enclosed application form(s) and return it to Halifax Share Dealing Limited at the address given on each form.

Our website [www.edinburghpartners.com](http://www.edinburghpartners.com) contains up-to-date analysis, performance and prices as well as the latest monthly factsheet for each trust.

We hope that this brochure and the Key Features and Terms and Conditions will help to answer all of your questions, but if you need to clarify anything please call our Client Relations Team on 0845 850 0181.

Each of the investment trusts available under the EPL Investment Trust Savings Scheme is a UK public listed company and its shares are listed and traded on the London Stock Exchange. Investment Trusts are not regulated or authorised by the Financial Services Authority.

This document has been issued and approved by Edinburgh Partners Ltd, 12 Charlotte Square, Edinburgh, EH2 4DJ.

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