

## **EP Global Opportunities Trust plc**

Half-Yearly Report

30 June 2018





## FINANCIAL SUMMARY

	30 June 2018	31 December 2017	Change
Shareholders' funds	<b>£144,228,000</b>	£148,818,000	(3.1%)
Net asset value per ordinary share ("NAV")	<b>333.2p</b>	337.7p	(1.3%)
Share price per ordinary share	<b>308.0p</b>	320.0p	(3.8%)
Share price discount to NAV	<b>7.6%</b>	5.2%	

*Past performance is not a guide to future performance.*

### OBJECTIVE

The investment objective of the Company 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 stock market index.

### INVESTMENT POLICY

The Company invests in a focused portfolio of approximately 30 to 40 securities of issuers throughout the world, predominantly in quoted equities. The Company may also invest in unquoted securities, which are not anticipated to exceed 10 per cent of the Company's total assets at the time of investment. No investment in the Company's portfolio may exceed 15 per cent of the Company's total assets at the time of investment.

The Company has the ability to invest in other investment companies or funds but will invest no more than 15 per cent of its gross assets in other listed investment companies (including investment trusts).

The Company may also invest a substantial portion of its assets in debt instruments, cash or cash equivalents when the Investment Manager believes market or economic conditions make equity investment unattractive or while seeking appropriate investment opportunities for the portfolio or to maintain liquidity. In addition, the Company may purchase derivatives for the purposes of efficient portfolio management.

It is intended that, from time to time, when deemed appropriate, the Company will borrow for investment purposes up to the equivalent of 25 per cent of its total assets. By contrast, the Company's portfolio may from time to time have substantial holdings of debt instruments, cash or short-term deposits.

The investment objective and policy are intended to distinguish the Company from other investment vehicles which have relatively narrow investment objectives and which are thus constrained in their decision making and asset allocation. The objective and policy allow the Company to be constrained in its investment selection only by valuation and to be pragmatic in portfolio construction by only investing in securities which the Investment Manager considers to be undervalued on an absolute basis.

## CORPORATE INFORMATION

### **Directors** (all non-executive)

Teddy Tulloch (Chairman)  
David Hough  
David Ross  
Giles Weaver

### **Company Secretary and Registered Office**

Kenneth J Greig  
27-31 Melville Street  
Edinburgh  
EH3 7JF

[www.epgot.com](http://www.epgot.com)

### **Alternative Investment Fund Manager**

Edinburgh Partners AIFM Limited  
27-31 Melville Street  
Edinburgh  
EH3 7JF

### **Investment Manager**

Edinburgh Partners Limited  
27-31 Melville Street  
Edinburgh  
EH3 7JF

Tel: 0131 270 3800

email: [enquiries@edpam.com](mailto:enquiries@edpam.com)  
[www.edinburghpartners.com](http://www.edinburghpartners.com)

### **Auditor**

Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

### **Registrar and Transfer Office**

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ

Tel: 0370 889 4069

email: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)  
[www.investorcentre.co.uk](http://www.investorcentre.co.uk)

### **Solicitor and Sponsor**

Dickson Minto W.S.  
16 Charlotte Square  
Edinburgh  
EH2 4DF

### **Depositary**

Northern Trust Global Services Limited  
50 Bank Street  
Canary Wharf  
London  
E14 5NT

### **Custodian and Banker**

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London  
E14 5NT

*Registered in Scotland No. 259207*

*An investment company as defined under Section 833 of the Companies Act 2006*

*The Company is a member of the Association of Investment Companies*

## **CHAIRMAN'S STATEMENT**

### **Results**

At 30 June 2018, our NAV was 333.2p, a reduction of 1.3 per cent from the 31 December 2017 NAV of 337.7p. The 2017 final dividend of 5.3p per share was paid in May 2018 and this resulted in a total return for the six months of 0.3 per cent. This compares with a total return from the FTSE All-World Index over the same period of 2.1 per cent, while the FTSE All-Share Index total return was 1.7 per cent.

The share price at the end of June 2018 was 308p, which was 3.8 per cent below the year-end share price of 320p. At 30 June 2018, the Company's shares were trading at a discount of 7.6 per cent to the NAV, compared to a 5.2 per cent discount at the previous year end. The share price total return, including dividends reinvested, was -2.1 per cent. The discount has been quite volatile recently and this has resulted in us continuing to buy in shares in line with our stated policy to buy back shares with the objective of maintaining the share price at close to the NAV. In the first six months of 2018, we bought back 775,000 shares, which represented 1.8 per cent of the shares in circulation at the start of the period, at a total cost of £2.4 million. Shares bought back have not been cancelled, but instead are held in treasury with the intention of re-issuing them when demand warrants doing so.

At the Annual General Meeting held in April 2018, Shareholders again approved a resolution permitting the Company to sell shares from treasury at a small discount to the NAV, with tight restrictions on any potential dilution to the NAV. While no shares were sold from treasury during the first six months of 2018, we will be prepared to do so if we consider it is in the best interests of Shareholders.

### **Revenue account**

The Income Statement on pages 10 and 11 shows revenue per share of 4.7p for the first six months of 2018, which was a 17.5 per cent increase on the 4.0p generated in the same period last year. The revenue per share for the full year in 2017 was 5.3p. The increase in the revenue per share during the period under review resulted principally from portfolio changes with recent purchases having higher dividend yields than the shares that were disposed of. The continued weakness of sterling against foreign currencies also benefitted the revenue per share.

As we have stated in previous annual and half-yearly reports, the decision on which shares we own is driven by our Investment Manager's well-defined investment philosophy of focusing on value regardless of the dividend yield of the shares. While this can result in volatility in our revenue per share from year to year, we continue to believe it will produce a better total return over the longer term.

## **CHAIRMAN'S STATEMENT – continued**

### **Investment Manager**

As detailed in the 2017 Annual Report, on 17 January 2018, Franklin Resources, Inc. announced the acquisition of Edinburgh Partners Limited, our Investment Manager. The acquisition completed on 1 May 2018. An adjustment was made to the carrying value of the Company's investment in Edinburgh Partners Limited and incorporated in the financial statements in the 2017 Annual Report. It is considered that the acquisition is a positive move for Edinburgh Partners, particularly given the complementary investment styles based on value investing. Importantly, the individuals responsible for the investment management of your Company remain the same.

### **Economic and stock market review and investment performance**

After the strong rises in equity markets seen in both 2016 and 2017, returns were much more muted in the first half of 2018. Overall, while a negative total return was seen in the first quarter of the year, this was outweighed by the positive total return achieved during the second quarter, resulting in a marginally positive total return over the half-year. In sterling terms, the US equity market was the best performing of the world's major equity markets achieving a 5.2 per cent return; this was achieved almost equally from the equity market and the US dollar strengthening against sterling.

Concerns over trade sanctions and their potential impact on the global economy cast a shadow over non-US equity markets. In addition, European equity markets were impacted by the results of the Italian election with the anti-establishment Five Star Movement becoming Italy's largest political party. Both the main European and Asian (ex Japan) Indices produced negative total returns over the half year but weakness in the Japanese Topix Index was offset by yen strength. There is currently a lack of clarity over the substance of the UK's exit from the European Union and whether the UK can reach an agreement with the other 27 European Union countries before the planned exit date of 29 March 2019. However, despite concerns over Brexit, the UK equity market saw a small positive return during the period under review.

The best performing sector within the portfolio was oil & gas, where the portfolio has a significant exposure. During the period, the Brent oil price increased by 17.9 per cent from US\$67 to US\$79. Strong performances were seen in Apache, BP and Total. In contrast, the weakest performing sector within the portfolio was the financial sector with Bank Mandiri, Commerzbank and ING being the stocks that were most adversely affected. In the case of Bank Mandiri and Commerzbank, following strong performance, we had partially reduced the size of the holdings in February 2018. Subsequent to the half-year end, we added to the holdings in Commerzbank and ING having considered that the recent share price falls have been overdone. During the six months under review, the three best performing stocks in the portfolio were Tesco, Nokia and Ubisoft Entertainment, the latter being sold following its strong performance, as it was considered to be fully valued. Along with Commerzbank, Celgene and PostNL had relatively disappointing performances in the period, the latter despite having a high dividend yield. Our Investment Manager believes all three stocks remain undervalued.

## CHAIRMAN'S STATEMENT – continued

### Portfolio activity

A key feature of the half year under review was the reduction in the Company's financial sector exposure from 31.8 per cent to 21.7 per cent of net assets. The banking stocks, BNP Paribas, Credicorp and HSBC, were completely disposed of during the period. Credicorp shares had performed well since purchase and the valuation discounted a more optimistic scenario for the Peruvian economy. Despite an attractive dividend, HSBC appeared fully valued and better opportunities existed within the sector. There was also a reduction in financial sector exposure as a result of the sale of the Company's holding in its Investment Manager, Edinburgh Partners Limited, to Franklin Resources, Inc.

There was a reduction in the Company's exposure to the consumer goods sector from 12.2 per cent to 6.3 per cent of net assets which resulted from the sales of Ubisoft Entertainment in France and Whirlpool in the US, as well as partial disposals of a number of other shareholdings, including Goodbaby International in China and Panasonic in Japan.

The one sector in which a substantial increase in investment was made was the telecommunications sector with an increase from 4.2 per cent to 9.6 per cent of net assets. New stocks purchased included China Mobile, Singapore Telecommunications and the US-based Verizon. Well-covered dividends, strong and rising dividend yields and having little exposure to inflation-induced cost increases are the principal attractive characteristics of these stocks. China Mobile is the dominant mobile carrier in China, with a rapidly growing fixed-line business. There was relatively little change in the percentage of assets held within other sectors.

From a geographical perspective, there was relatively little change in the overall composition of the portfolio. The Company's highest exposure is to European equities which reduced marginally from 32.5 per cent of net assets at the previous year end to 32.2 per cent at 30 June 2018. There was also a marginal reduction in Asia Pacific exposure which reduced from 19.5 per cent to 18.7 per cent and in Japanese equity exposure from 19.7 per cent to 18.6 per cent. We continue to have a relatively low weighting in US equities, although during the period there was an increase from 8.2 per cent to 10.3 per cent of net assets, following the purchase of Verizon stated above. The most significant reduction in geographical exposure was in the UK which saw a reduction from 12.7 per cent to 8.9 per cent of net assets, as a result of the sale of Edinburgh Partners and HSBC and the partial disposals of AstraZeneca and BP. Following the sale of Credicorp in Peru, we now no longer have a direct exposure to Latin America, although the Company continues to maintain an exposure to emerging economies through its holding in the Edinburgh Partners Emerging Opportunities Fund which represents 2.2 per cent of net assets.

## **CHAIRMAN'S STATEMENT – continued**

The consequence of the reduced geographical equity exposures detailed above has resulted in cash and other net assets increasing significantly during the period from 2.8 per cent to 9.1 per cent of net assets. This reflects our Investment Manager's view that it is becoming increasingly difficult to identify stocks that are considered to be materially undervalued. The Investment Manager has managed the portfolio with reasonably high cash balances in the past when they consider share prices to be on the higher side of fair value, while they await the opportunity to invest in undervalued stocks.

### **Outlook**

While it is possible that the US under the leadership of President Trump will continue to pursue policies which could result in a significant slowdown in global growth through the imposition of trade tariffs, our Investment Manager believes that this is more likely to be rhetoric rather than substance. We believe that the global economy is continuing on an improving trend and thus the gradual trend of rising interest rates is likely to continue. This is not necessarily a negative for equity markets but it is expected to increase the volatility in share prices and to increase the downside risk for the share prices of those companies on very high ratings whose earnings come in below expectations.

Our Investment Manager continues to be wary of expensively-rated companies but perceives there to be selective value in certain areas such as banking and telecommunication stocks. In particular, a number of bank shares in the portfolio are on significant discounts to their tangible book value.

As mentioned above, the portfolio continues to maintain a significant position in the oil & gas sector, which performed strongly during the period as the oil price continued to rise. This is in contrast to the view of a number of commentators that believe the world is on the brink of a significant slowdown. We continue to remain confident on the structure of the portfolio and will use the current relatively high level of cash balances to invest in new stocks or add to existing investments when opportunities occur.

### **Teddy Tulloch**

Chairman

20 August 2018

*Past performance is not a guide to future performance.*



## PORTFOLIO OF INVESTMENTS

as at 30 June 2018

Company	Sector	Country	Valuation £'000	% of Net Assets
<b>Equity investments</b>				
Roche*	Health Care	Switzerland	4,964	3.4
Tesco	Consumer Services	United Kingdom	4,833	3.4
Verizon	Telecommunications	United States	4,630	3.2
AstraZeneca	Health Care	United Kingdom	4,303	3.0
ENI	Oil & Gas	Italy	4,177	2.9
Apache	Oil & Gas	United States	4,086	2.8
Panasonic	Consumer Goods	Japan	3,996	2.8
Royal Dutch Shell A	Oil & Gas	Netherlands	3,933	2.7
Sumitomo Mitsui Financial	Financials	Japan	3,802	2.6
Nokia	Technology	Finland	3,621	2.5
China Mobile	Telecommunications	China	3,587	2.5
Total	Oil & Gas	France	3,576	2.5
BP	Oil & Gas	United Kingdom	3,576	2.5
Mitsubishi	Industrials	Japan	3,547	2.5
Sumitomo Mitsui Trust	Financials	Japan	3,479	2.4
Synchrony Financial	Financials	United States	3,445	2.4
Bangkok Bank**	Financials	Thailand	3,410	2.4
Novartis	Health Care	Switzerland	3,380	2.3
Shanghai Fosun Pharmaceutical H	Health Care	China	3,341	2.3
DNB	Financials	Norway	3,337	2.3
Ahold Delhaize	Consumer Services	Consumer Services	3,312	2.3
Singapore Telecommunications	Telecommunications	Singapore	3,295	2.3
East Japan Railway	Consumer Services	Japan	3,291	2.3
Swire Pacific A	Industrials	Hong Kong	3,242	2.2
Edinburgh Partners Emerging Opportunities Fund	Financials	Other	3,193	2.2
Alps Electric	Industrials	Japan	3,165	2.2
Sanofi	Health Care	France	3,152	2.2
Bank Mandiri	Financials	Indonesia	2,945	2.0
Japan Tobacco	Consumer Goods	Japan	2,895	2.0
PostNL	Industrials	Netherlands	2,876	2.0
ING	Financials	Netherlands	2,822	2.0
Galaxy Entertainment	Consumer Services	Hong Kong	2,779	1.9
Bayer	Health Care	Germany	2,769	1.9
Celgene	Health Care	United States	2,714	1.9
Nomura	Financials	Japan	2,571	1.8
CK Hutchison	Industrials	Hong Kong	2,381	1.6
Commerzbank	Financials	Germany	2,298	1.6
Telefonica	Telecommunications	Spain	2,256	1.6
Goodbaby International	Consumer Goods	China	2,149	1.5
<b>Total equity investments</b>			<b>131,128</b>	<b>90.9</b>
<b>Cash and other net current assets</b>			<b>13,100</b>	<b>9.1</b>
<b>Net assets</b>			<b>144,228</b>	<b>100.0</b>

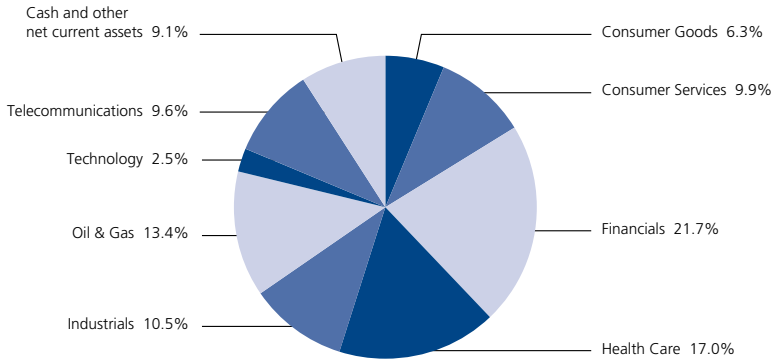
\* The investment is in non-voting shares

\*\* The investment is in non-voting depositary receipts

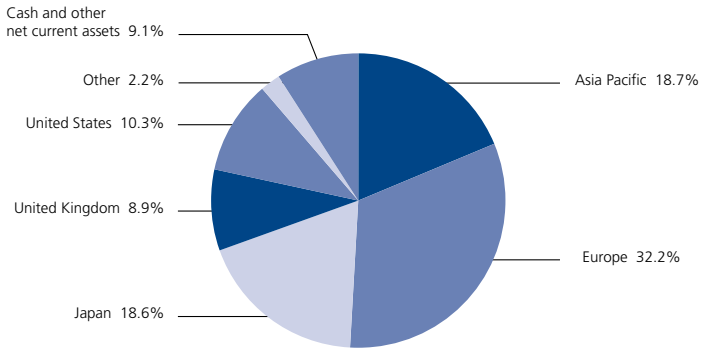
# DISTRIBUTION OF INVESTMENTS

as at 30 June 2018 (% of net assets)

## Sector distribution



## Geographical distribution



## **DIRECTORS' STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES**

The important events that have occurred during the period under review and the key factors influencing the Financial Statements are set out in the Chairman's Statement on pages 3 to 6. The principal factors that could impact the remaining six months of the financial year are also detailed in the Chairman's Statement.

The Board considers that the following are the principal risks associated with investing in the Company: investment and strategy risk, key manager risk, discount volatility risk, market risk, foreign currency risk and regulatory risk. Other risks associated with investing in the Company are liquidity risk, credit risk, interest rate risk, gearing risk, operational risk and other financial risks. These risks, and the way in which they are managed, are described in more detail under the heading "Principal risks and uncertainties" within the Strategic Report in the Company's Annual Report and Financial Statements for the year ended 31 December 2017. The Company's principal risks and uncertainties are unchanged since the date of that report.

## **DIRECTORS' STATEMENT OF RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors confirm that to the best of their knowledge:

- The condensed set of Financial Statements, prepared in accordance with Financial Reporting Standard ("FRS") 104: "Interim Financial Reporting", gives a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- This Half-Yearly Report includes a fair review of the information required by:
  - (a) 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half-Yearly Report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by:

**Teddy Tulloch**  
Chairman  
20 August 2018

## INCOME STATEMENT (UNAUDITED)

for the six months to 30 June 2018

		Six months to 30 June 2018		
	Note	Revenue £'000	Capital £'000	Total £'000
(Loss)/gains on investments at fair value through profit or loss	6	–	<b>(2,084)</b>	<b>(2,084)</b>
Foreign exchange gains/(loss) on capital items		–	<b>217</b>	<b>217</b>
Income	2	<b>2,904</b>	–	<b>2,904</b>
Management fee		<b>(469)</b>	–	<b>(469)</b>
Other expenses		<b>(193)</b>	–	<b>(193)</b>
<b>Net return before finance costs and taxation</b>		<b>2,242</b>	<b>(1,867)</b>	<b>375</b>
<b>Finance costs</b>				
Interest payable and other charges		–	–	–
<b>Net return before taxation</b>		<b>2,242</b>	<b>(1,867)</b>	<b>375</b>
Taxation	3	<b>(220)</b>	–	<b>(220)</b>
<b>Net return after taxation</b>		<b>2,022</b>	<b>(1,867)</b>	<b>155</b>
		pence	pence	pence
<b>Return per ordinary share</b>	5	<b>4.7</b>	<b>(4.3)</b>	<b>0.4</b>

All revenue and capital items in the above statement derive from continuing operations.

The total column of this statement is the profit and loss account of the Company.

The revenue and capital columns are prepared in accordance with guidance issued by the Association of Investment Companies ("AIC").

A separate Statement of Comprehensive Income has not been prepared as all gains and losses are included in the Income Statement.

## INCOME STATEMENT (UNAUDITED) – continued

for the six months to 30 June 2018

Six months to 30 June 2017			Year to to 31 December 2017 (audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	8,830	8,830	–	17,318	17,318
–	(411)	(411)	–	(551)	(551)
2,653	–	2,653	4,014	–	4,014
(487)	–	(487)	(982)	–	(982)
(186)	–	(186)	(376)	–	(376)
1,980	8,419	10,399	2,656	16,767	19,423
–	–	–	–	–	–
1,980	8,419	10,399	2,656	16,767	19,423
(113)	–	(113)	(202)	–	(202)
1,867	8,419	10,286	2,454	16,767	19,221
pence	pence	pence	pence	pence	pence
4.0	17.8	21.8	5.3	36.3	41.6

## BALANCE SHEET (UNAUDITED)

as at 30 June 2018

	Note	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 (audited) £'000
<b>Fixed asset investments</b>				
Investments at fair value through profit or loss	6	<b>131,128</b>	143,727	144,663
<b>Current assets</b>				
Debtors		<b>414</b>	354	513
Cash at bank and short-term deposits		<b>12,917</b>	3,170	4,298
		<b>13,331</b>	3,524	4,811
<b>Current liabilities</b>				
Creditors		<b>231</b>	152	656
		<b>231</b>	152	656
<b>Net current assets</b>		<b>13,100</b>	3,372	4,155
<b>Net assets</b>		<b>144,228</b>	147,099	148,818
<b>Capital and reserves</b>				
Called-up share capital		<b>645</b>	645	645
Share premium		<b>1,597</b>	1,597	1,597
Capital redemption reserve		<b>14</b>	14	14
Special reserve		<b>52,508</b>	62,168	54,952
Capital reserve		<b>85,568</b>	79,087	87,435
Revenue reserve		<b>3,896</b>	3,588	4,175
<b>Total Shareholders' funds</b>		<b>144,228</b>	147,099	148,818
		pence	pence	pence
<b>Net asset value per ordinary share</b>	7	<b>333.2</b>	317.1	337.7

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (UNAUDITED)

for the six months to 30 June 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>Six months to 30 June 2018</b>							
At 31 December 2017	645	1,597	14	54,952	87,435	4,175	148,818
Net return after taxation	–	–	–	–	(1,867)	2,022	155
Dividends paid	–	–	–	–	–	(2,301)	(2,301)
Share purchases for treasury	–	–	–	(2,444)	–	–	(2,444)
<b>At 30 June 2018</b>	<b>645</b>	<b>1,597</b>	<b>14</b>	<b>52,508</b>	<b>85,568</b>	<b>3,896</b>	<b>144,228</b>
<b>Six months to 30 June 2017</b>							
At 31 December 2016	645	1,597	14	66,630	70,668	4,203	143,757
Net return after taxation	–	–	–	–	8,419	1,867	10,286
Dividends paid	–	–	–	–	–	(2,482)	(2,482)
Share purchases for treasury	–	–	–	(4,462)	–	–	(4,462)
<b>At 30 June 2017</b>	<b>645</b>	<b>1,597</b>	<b>14</b>	<b>62,168</b>	<b>79,087</b>	<b>3,588</b>	<b>147,099</b>
<b>Year ended 31 December 2017 (audited)</b>							
At 31 December 2016	645	1,597	14	66,630	70,668	4,203	143,757
Net return after taxation	–	–	–	–	16,767	2,454	19,221
Dividends paid	–	–	–	–	–	(2,482)	(2,482)
Share purchases for treasury	–	–	–	(11,678)	–	–	(11,678)
<b>At 31 December 2017</b>	<b>645</b>	<b>1,597</b>	<b>14</b>	<b>54,952</b>	<b>87,435</b>	<b>4,175</b>	<b>148,818</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the six months to 30 June 2018

### 1 Accounting policies

#### Basis of accounting

The Company's Financial Statements for the six months to 30 June 2018 have been prepared on the basis of the accounting policies set out in the Annual Report and Financial Statements of the Company for the year ended 31 December 2017 and in accordance with FRS 104: "Interim Financial Reporting". The Company has elected to remove the Cash Flow Statement from the Half-Yearly Report, as permitted by FRS 102.

#### Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business. The Company primarily invests in listed companies.

<b>2 Income</b>	<b>Six months to 30 June 2018</b>	Six months to 30 June 2017	Year to 31 December 2017
	£'000	£'000	£'000
UK net dividend income	<b>385</b>	404	695
Overseas dividend income	<b>2,517</b>	2,226	3,294
Income from investments	<b>2,902</b>	2,630	3,989
Bank interest	<b>2</b>	5	7
Interest on withholding tax reclaim	<b>-</b>	18	18
Total income	<b>2,904</b>	2,653	4,014

<b>3 Taxation</b>	<b>Six months to 30 June 2018</b>	Six months to 30 June 2017	Year to 31 December 2017
	£'000	£'000	£'000
UK corporation tax	-	-	-
Overseas withholding tax	<b>220</b>	180	269
Overseas withholding tax reclaim	<b>-</b>	(67)	(67)
	<b>220</b>	113	202

In February 2017, the Company received an overseas withholding tax refund of £67,000 in relation to a successful reclaim of French withholding tax charged during the calendar years 2009 to 2012. The interest received on the reclaim is detailed in note 2, with the total reclaim, including interest, amounting to £85,000. There were no such reclaims of withholding tax in the six months to 30 June 2018.



## NOTES TO THE FINANCIAL STATEMENTS – continued

for the six months to 30 June 2018

### 4 Dividends

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
<b>Declared and paid</b>			
2017 final dividend of 5.3p per ordinary share paid in May 2018	<b>2,301</b>	–	–
2016 final dividend of 4.3p per ordinary share paid in May 2017	–	2,014	2,014
2016 special dividend of 1.0p per ordinary share paid in May 2017	–	468	468
	<b><u>2,301</u></b>	<u>2,482</u>	<u>2,482</u>

### 5 Return per ordinary share

	Six months to 30 June 2018		Six months to 30 June 2017		Year to 31 December 2017	
	Net return £'000	Per share pence	Net return £'000	Per share pence	Net return £'000	Per share pence
Revenue return after taxation	<b>2,022</b>	<b>4.7</b>	1,867	4.0	2,454	5.3
Capital return after taxation	<b>(1,867)</b>	<b>(4.3)</b>	8,419	17.8	16,767	36.3
Total return	<b><u>155</u></b>	<b><u>0.4</u></b>	<u>10,286</u>	<u>21.8</u>	<u>19,221</u>	<u>41.6</u>

The returns per share for the six months to 30 June 2018 are based on 43,603,333 shares (six months to 30 June 2017: 47,122,367 shares; year to 31 December 2017: 46,234,011 shares), being the weighted average number of ordinary shares, excluding shares held in treasury, in circulation during the period.

## NOTES TO THE FINANCIAL STATEMENTS – continued

for the six months to 30 June 2018

### 6 Investments

	Unlisted £'000	Listed £'000	30 June 2018 Total £'000	30 June 2017 Total £'000	31 December 2017 Total £'000
<b>Analysis of investment portfolio movements</b>					
Opening bookcost	214	112,884	113,098	112,079	112,079
Opening investment holding gains	1,568	29,997	31,565	27,387	27,387
Opening valuation	1,782	142,881	144,663	139,466	139,466
Movements in the period:					
Purchases at cost	–	26,527	26,527	20,452	24,373
Sales – proceeds	(1,800)	(36,178)	(37,978)	(25,021)	(36,494)
– realised gains on sales	1,586	10,603	12,189	10,446	13,140
(Decrease)/increase in investment holding gains	(1,568)	(12,705)	(14,273)	(1,616)	4,178
Closing valuation	–	131,128	131,128	143,727	144,663
Closing bookcost	–	113,836	113,836	117,956	113,098
Closing investment holding gains	–	17,292	17,292	25,771	31,565
Closing valuation	–	131,128	131,128	143,727	144,663

The unlisted investment above was 71,294 (30 June 2017: 71,294, 31 December 2017: 71,294) shares in Edinburgh Partners Limited. In January 2018, Franklin Resources, Inc. announced the acquisition of Edinburgh Partners Limited and the acquisition was completed on 1 May 2018. This unlisted investment fell into level 3 of the fair value hierarchy. There were no other unlisted investments held during the six months to 30 June 2018.

The listed investments detailed above include the Company's investment in the Edinburgh Partners Emerging Opportunities Fund, a sub-fund of an Irish domiciled open-ended investment company listed on the Dublin Stock Exchange, which was valued at £3,193,000 at 30 June 2018. As at 31 March 2018, the most recent half-year end of the Edinburgh Partners Emerging Opportunities Fund, the aggregate amount of capital and reserves was US\$12,590,000. For the six months to 31 March 2018, the loss for the period after tax and distributions was US\$149,000.

## NOTES TO THE FINANCIAL STATEMENTS – continued

for the six months to 30 June 2018

### 6 Investments – continued

#### Analysis of capital gains and losses

	<b>Unlisted</b>	<b>Listed</b>	<b>30 June 2018 Total</b>	30 June 2017 Total	31 December 2017 Total
	£'000	£'000	£'000	£'000	£'000
Realised gains on sales	<b>1,586</b>	<b>10,603</b>	<b>12,189</b>	10,446	13,140
Changes in fair value of investments	<b>(1,568)</b>	<b>(12,705)</b>	<b>(14,273)</b>	(1,616)	4,178
Gains/(losses) on investments	<b>18</b>	<b>(2,102)</b>	<b>(2,084)</b>	8,830	17,318

#### Fair value hierarchy

In accordance with FRS 102 and FRS 104, the Company must disclose the fair value hierarchy of financial instruments.

The different levels of the fair value hierarchy are as follows:

- 1 Quoted price for an identical asset in an active market.
- 2 The price of a recent transaction for an identical asset, as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.
- 3 A valuation technique:
  - a) using observable market data; or
  - b) using non-observable market data.

All of the Company's financial instruments fall into level 1, except its investment in Edinburgh Partners Limited, which fell into level 3 and was fair valued using an unquoted price derived from inputs that are not based on observable market data by using recognised valuation methodologies, in accordance with IPEVC Valuation Guidelines. A reconciliation of the fair value movements of level 3 investments is shown on page 16.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

for the six months to 30 June 2018

### **7 Net asset value per ordinary share and share capital**

The net asset value per ordinary share is based on net assets at 30 June 2018 of £144,228,000 (30 June 2017: £147,099,000; 31 December 2017: £148,818,000) and on 43,287,725 ordinary shares (30 June 2017: 46,387,725 ordinary shares; 31 December 2017: 44,062,725 ordinary shares), being the number of ordinary shares, excluding shares held in treasury, in circulation at the period end. Net asset values calculated include current period revenue.

During the six month period to 30 June 2018, 775,000 ordinary shares were repurchased for treasury at a total cost of £2,444,000.

No ordinary shares were sold from treasury during the six months to 30 June 2018.

As a result of the transactions detailed above, there were 64,509,642 ordinary shares in issue as at 30 June 2018, of which 21,221,917 ordinary shares were held in treasury, resulting in there being 43,287,725 ordinary shares in circulation.

### **8 Related party transactions**

There were no related party transactions during the period.

### **9 Financial information**

The financial information for the six months to 30 June 2018 and for the six months to 30 June 2017 has not been audited or reviewed by the Company's Auditor pursuant to the Auditing Practices Board guidance on such reviews. The financial information contained in this report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The latest published audited Financial Statements which have been delivered to the Registrar of Companies are the Annual Report and Financial Statements for the year ended 31 December 2017; the report of the independent Auditor thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The information for the year ended 31 December 2017 is an extract from that Annual Report and Financial Statements.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

for the six months to 30 June 2018

### **10 Status of the Company**

It is the intention of the Directors to conduct the affairs of the Company so that it continues to satisfy the conditions for approval as an investment trust company as set out in Sections 1158 and 1159 of the Corporation Tax Act 2010.

### **11 Going concern**

The Company's business activities, together with factors likely to affect its future development and financial performance, are set out in the Chairman's Statement on pages 3 to 6 and the Directors' Statement of Responsibilities in respect of the Financial Statements on page 9. The Company's principal risks are listed in the Directors' Statement of Principal Risks and Uncertainties on page 9.

The Company's assets consist principally of a diversified portfolio of listed global equity shares, which in most circumstances are realisable within a short period of time and exceed its current liabilities by a significant amount. The Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date this Half-Yearly Report is approved. For this reason, they have adopted the going concern basis in preparing the Financial Statements.

## SHAREHOLDER INFORMATION

### Investing in the Company

The Company's ordinary shares are traded on the London Stock Exchange and can be bought or sold through a stockbroker or financial adviser. The ordinary shares are eligible for inclusion in Individual Savings Accounts ("ISAs") and Self-Invested Personal Pensions ("SIPPs"). These are available through Alliance Trust Savings, who also offer the opportunity to invest in the Company through a dealing account. The Company's shares are also available on other share trading platforms.

### Frequency of NAV publication

The Company's NAV is released daily to the London Stock Exchange and published on the Company's website at [www.epgot.com](http://www.epgot.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://www.edinburghpartners.com).

### Portfolio updates

The Company's portfolio holding report, detailing a list of all investments, including sectoral and geographical analyses, is released on a monthly basis to the London Stock Exchange. It is also published on the Company's website at [www.epgot.com](http://www.epgot.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://www.edinburghpartners.com).

### Sources of further information

The Company's ordinary share price is quoted daily in the Financial Times and the Daily Telegraph under "Investment Companies". Previous day closing price, daily NAV and other portfolio information is published on the Company's website at [www.epgot.com](http://www.epgot.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://www.edinburghpartners.com). In accordance with the Packaged Retail and Insurance-based Investment Products ("PRIIPs") Regulation, a Key Information Document ("KID") is available on the Company's website. Other useful information on investment trusts, such as prices, NAVs and company announcements, can be found on the websites of the London Stock Exchange at [www.londonstockexchange.com](http://www.londonstockexchange.com), and the AIC at [www.theaic.co.uk](http://www.theaic.co.uk).

### Share register enquiries

The register for the ordinary shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on 0370 889 4069 or email: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk). Changes of name and/or address can be made online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) or by contacting the Registrar by telephone. Alternatively, you can notify changes in name and/or address in writing to the Registrar, supported by appropriate documentation, at the address on page 2. You can check your shareholding and find practical help on transferring shares or updating your details at [www.investorcentre.co.uk](http://www.investorcentre.co.uk).

### Key dates

Company's half-year end	30 June
Half-yearly results announced	August
Company's year end	31 December
Annual results announced	March
Annual General Meeting	April
Dividend paid	May

## **RISK FACTORS**

This document is not a recommendation, offer or invitation to buy, sell or hold shares of the Company. If you wish to deal in the shares of the Company, you may wish to contact an authorised professional investment adviser.

An investment in the Company should be regarded as long term and is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.

The market value of, and the income derived from, the ordinary shares can fluctuate. The Company's share price may go down as well as up. Past performance is not a guide to future performance. There is no guarantee that the market price of the ordinary shares will fully reflect their underlying NAV. Fluctuations in exchange rates will affect the value of overseas investments (and any income received) held by the Company. Investors may not get back the full value of their investment. There can be no guarantee that the investment objective of the Company will be met. The levels of, and reliefs from, taxation may change.

This Half-Yearly Report contains "forward-looking statements" with respect to the Company's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events that are beyond the Company's control. As a result, the Company's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Company's forward-looking statements. The Company undertakes no obligation to update the forward-looking statements contained within this Half-Yearly Report or any other forward-looking statements it makes.

The Company is a public company. It is registered in Scotland and its shares are traded on the London Stock Exchange. The Company is not regulated or authorised by the Financial Conduct Authority.

The Directors of the Company, the directors of Edinburgh Partners AIFM Limited and the directors and employees of Edinburgh Partners Limited may (subject to applicable laws and regulations) hold shares in the Company and may buy, sell or offer to deal in the Company's shares from time to time.

## **GLOSSARY OF INVESTMENT TRUST TECHNICAL TERMS**

A glossary of technical terms can be found in the 2017 Annual Report and Financial Statements on page 63.

