

ROSSIE HOUSE INVESTMENT MANAGEMENT

February 2016

The beginning of the year is always a time when people look into the “crystal ball” and predict what may happen in the year ahead. We try not to “market time” investment because we don’t think this approach can be consistently successful. However, we offer the usual economic and market commentary to set out our current thinking. Investors have enjoyed an equity bull market for an extended period from the lows in 2008/09 and valuations are quite stretched. Markets have fallen quite sharply since the year end and we are glad all portfolios hold some defensive non-equity exposure.

Baillie Gifford has written a piece about Monks Investment Trust for you. This investment trust is fairly widely held – Rossie House owns over £10m – and it has performed slightly less well than its sister trust, Scottish Mortgage. Consequently it had a change of strategy recently and we thought it would be useful to hear more about that. Additionally, it convinces us that an independent board of directors can be a useful advantage.

Another very significant issue weighing on stock markets at present is the Chinese currency. We mention the difficulties in the Chinese economy in our Market Thoughts. An additional article looks more closely at some recent changes in the way China manages its currency and the implications for the rest of us.

We live in a complex world. Every business is being affected by new technology and global competition. Arguably the environment has never been more uncertain due to the current pace of change in many industries. Long-standing businesses such as retailing, banking, the auto industry and estate agencies are finding themselves undermined by destructive new competitors.

With this change comes opportunity. We spend a lot of time investigating subjects that are new to us and where we think opportunity may lie. One such area has been shadow banking and, in particular, peer to peer lending (often written as P2P). A number of investment trusts have launched in this “space”. So far we have not invested. We thought it merited an article to explain more about them and the background, why we have not invested and why it may be an asset class of increasing importance in years to come.

Our regulator, the FCA (Financial Conduct Authority), has been taking an increasing interest in whether fund management firms “know their clients”, “treat them fairly” and have “suitable” portfolios. We take pride in thinking that we do. However, knowing this and proving to the regulator that we know are not the same. We explain a little bit about why we ask you, our clients, certain things and what we will, in future, be having to review annually.

Earlier this year the Chancellor announced plans to change the taxation of dividends. Most of our clients will be affected by this and we have produced a brief description of the new rules. We also show an example from the HMRC website of how the combination of earned income and dividend income is treated as a way of illustrating how they will work in practice.

For those of you who have visited our head office in Forgandenny, you will have seen a splendid selection of cartoons in the hall. We know that some of you have not visited so we show some of them along with other illustrations and some comments by the creator, Alasdair Hilleary, who otherwise calls himself “Loon”. They were drawn at the same time the firm was started in 1993. We have posted the additional ones from our office, as well as the other selection in the article, on our website, www.rossiehouse.com. For a proper view please come and see them.

There is one final point under the heading “Family Matters”. We are pleased to mention that a new recruit, Mike Elliot, has joined us at the start of this year. Mike has connections with Scotland and wanted to move back to Edinburgh. He qualified as an accountant with Mazars and, more recently, had been working at Goldman Sachs. He will now be undertaking the onerous requirement of passing his CISI exams.

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MARKET THOUGHTS

It would clearly be remiss not to mention the major economic and market development of the quarter, the rise in US interest rates after the December US Federal Reserve Open Market Committee meeting. The fact that the rise was only by $\frac{1}{4}\%$ to an official interest rate of $\frac{1}{2}\%$, and that this was probably about as much of a surprise as a rainy afternoon in December by the time policy makers had guided expectations does not matter – this was the first rise in interest rates since 2008 in the largest economy in the world. More analysis of the implications of this move has been written than on almost any subject since the invention of the printing press – yet the precise effects remain uncertain. This change represents a move into new territory after 7 years of super low interest rates and unorthodox monetary policy.

The Federal Reserve and other central banks (including the Bank of England, who would like to be in a position to raise interest rates), hope this is the start of a process of ‘normalisation’ – i.e. a return to consistently higher GDP growth, somewhat higher inflation and higher interest rates. Whilst there is undoubtedly some momentum in the US economic recovery, and to some extent in the UK’s, the outstanding level of debt across the world is still enormous (we cited the recent McKinsey & Co estimate of \$200 trillion in our last periodical) and is still not being reduced. This is quite a heavy counterweight for economies to pull uphill.

In opposition to the hopes of central bankers, there are many who fear deflation may become entrenched, as it did in Japan during the last two decades. This is a possible danger, but positive wage growth in many developed economies gives cause for some optimism here. The first move upwards in interest rates in the US is a vital signal of intent, but equally important is how fast and far interest rates actually do rise and whether other countries can follow suit. We do not feel the trajectory of interest rate increases is likely to be too aggressive (a rapid rise in interest rates would be negative for financial assets) given the instability moderate global growth and high debt bring. We must also bear in mind that elsewhere ‘QE’, which we wrote about in our last periodical, and which has been a great support to financial assets is still actively being used in Europe and Japan (the UK & US are maintaining but not increasing ‘QE’). This must be removed as well as interest rates rising before normality might be judged to have returned in the major economies.

The other area which will be a focus of investor scrutiny this year is politics. Close to home, there will be the UK referendum on EU membership and the Scottish election. European politicians outside the UK remain pressured by the immigration crisis and by the growth of non-traditional parties less tolerant of the old European orthodoxies and also opposed to austerity measures. The US election takes place in November and is likely to affect sentiment towards the American financial markets.

Stock market returns during the final three months of the year were better than for the weak third quarter, with a recovery in share prices seen in the main. The UK stock market was up 4% over this period, on a total return basis, and the US market by approaching 10% in sterling terms (although 2% of this was accounted for by dollar appreciation). The UK market only managed a 1% total return for the year, with the US market achieving a 7% total return over

the entire year for a sterling investor. The low total return for UK shares this year illustrates an important point, that market returns have been very affected by sectors. The preponderance of oil and gas and mining shares in the UK has acted as a drag on index returns. The capital only return (excluding dividends) from UK stocks was actually negative for the year, as it was for dollar investors in the US. It is also notable that market index performance in the US has been very much influenced by a small number of strongly performing large companies, including Google (now named Alphabet), Amazon and Facebook. Asia and Emerging markets shares rose over the 4th quarter (in £) but did poorly over the year. Japan rose during the quarter and by over 15% (in £) for the year, as corporate restructuring continued. Bond markets generally had a negative quarter and a dull year, with corporate and junk bonds performing poorly.

What do we anticipate for 2016? Our core expectation is that we will see continuing, though modest, improvement in developed country GDP. Wage growth in the US and the UK suggests that inflation could rise from its negligible levels. This should be in some respects a good thing as increased consumer spending would support growth. Wage growth could put some pressure on company profit margins, which is likely to be unhelpful for share prices. Emerging markets face a disproportionate impact from their high debt and related currency weakness. Weak commodity prices are also a concern for those emerging market countries which are exporters of oil and minerals. China continues to be under some pressure economically. These emerging market difficulties also have some feedback on developed countries through a downward effect on the prices of imports and lower demand for exports.

The chief risks we see to stock markets are either too much wage growth reducing profits or too much deflationary pressure (via weak commodities and emerging market exports) stalling interest rate rises and the return of growth to more consistently 'normal' levels. To these worries we must add the large debt levels held by governments, companies and consumers. Alongside these financial Scyllas we must also bear in mind the potential Charybdis of unexpected political events. Overall we suspect that a middle path between much anticipated disaster and a return to ebullient growth rates can be found by stock markets against a context of slowly recovering growth, tilted to developed countries. Government bonds may prove a safe place if we see a further period of equity turbulence, which we could well and so we retain some defensive positions, but the returns on offer look very low if the interest rate 'normalisation' process takes hold – even if this is slow, as we expect.

MONKS INVESTMENT TRUST – GETTING THE GROWTH HABIT

Monks Investment Trust has an intriguing provenance. It was established in 1929 as one of three trusts, the other two being Friars and Abbots. They began life registered at Austin Friars in the City of London, formerly the home of Thomas Cromwell of Wolf Hall fame. They were the brainchild of Lord Geddes who became President of The Board of Trade after World War One and knew a thing or two about investment. He was a friend of Carlisle Gifford and Baillie Gifford has managed Monks since 1931. Monks subsequently gobbled up Friars and Abbots in 1968.

Much more recently, in March 2015, Baillie Gifford handed over the reins of management to Charles Plowden, one of the firm's Senior Partners, who is supported by fellow partners Spencer Adair and Malcolm MacColl. Out went the opportunistic growth approach of previous years and in came Plowden's core growth strategy. What has not changed is the company's objective and policy of investing globally to achieve capital growth, which takes priority over income and dividends. The Plowden strategy now being applied to the £1bn Monks Investment Trust has been in existence since 2005 and currently invests some £20bn on behalf of institutional clients worldwide. It goes by the name of "Global Alpha" but this strategy is now closed to new investors. So Monks is the only way to access the proposition.

The Global Alpha team's approach is distinctive, based on a differentiated, active portfolio, a diversified range of about 120 growth stocks and a patient approach to investment. This philosophy underpins their ambition to outperform. The key is finding the right companies. As active investors, the team are not trying to track any indices, so returns may vary considerably from the index. The managers pay less attention to where companies are listed, than where they generate sales and profits. For example, the trust has only 9% in the UK whilst holding 46% in the US. Underlying growth is critical, because in the long run, the team believe, share prices will follow fundamentals. In other words, growth should drive returns.

Yet not all growth is the same. Monks invests in growth stocks from different perspectives. The managers distinguish between four different kinds of growth and group the companies in which they invest accordingly. These are labelled "growth stalwarts" (stocks with durable franchises and robust profits) such as Prudential and SAP, "rapid growth" companies like Amazon and Ryanair, "cyclical growth" holdings including Royal Caribbean Cruises and Markel and "latent growth" positions (stocks where a catalyst for growth has yet to be reflected in the valuation) CRH and Fairfax Financial. This measured approach differs from Baillie Gifford's largest global trust Scottish Mortgage which strives to identify companies with prospects for exponential growth.

We believe this adds up to a distinctive and disciplined portfolio designed to provide investors with a core element to their own portfolios. Progress has been decent since the team took over and Charles Plowden likes to say that Monks is currently "a premium trust on a discount". Monks may have changed its clothes last year but it remains devoted to the growth habit.

Please see the Important Information and Risk Factors on page 16.

THE CHINESE CURRENCY

A very major concern in financial markets at present is whether the Renminbi ¹ will devalue. Investors worry that a fall in the value of the Renminbi will export deflation to the rest of the world. Already there are many industries, an obvious example being steel, where prices are at rock bottom due to Chinese manufacturers flooding the market.

This would coincide with a period when the US Federal Reserve has started to raise interest rates and has intimated that it is seeking to gradually increase them further. Such a tightening of monetary policy and a devaluation of the Renminbi could be very difficult for world economic growth. This is likely to affect corporate profits negatively and also stock markets.

Quantitative Easing (see Periodical 1) has caused currencies to devalue which improves competitiveness. Since 2012, China has resolutely stuck with a semi-fixed exchange rate peg to the US Dollar. However, there are signs that this policy may now be untenable.

In a surprise move last summer, the PBOC (People's Bank of China) issued amended guidance to their long standing currency policy. It suggested that it still wanted a stable exchange rate but it would now look to be stable against a basket of currencies rather than just the US Dollar. During that period the Renminbi dropped modestly from about 6.1 Renminbi to the Dollar to about 6.4 Renminbi. Although this seems very minor it marked a significant change and has created uncertainty. This uncertainty was demonstrated by the "unofficial" offshore trade in the Chinese Renminbi diverging from the "official" fixed rate.

Towards the end of last year that divergence increased. The PBOC (People's Bank of China) was forced to intervene in foreign exchange markets to maintain the value of the Renminbi. China's foreign exchange reserves have fallen by almost \$700bn from the peak and it has been rumoured that they fell by over \$100bn in December alone.

The Chinese authorities will be reluctant to raise interest rates to stem the outflows especially at a time when they are trying to rebalance the economy away from manufacturing to services. Statistics show services have increased as a percentage of GDP. However, closer inspection shows this is almost entirely accounted for by a drop in the relative price of industrial products as compared to services. In inflation adjusted terms there has been little rebalancing. China also has considerable foreign currency debt, especially in US Dollars. Any devaluation would be harmful and would also cause imported goods to increase in price. China therefore has an unenviable task in trying to balance these conflicting requirements.

If the outflows continue the Renminbi may have to devalue or it is even possible the PBOC will implement exchange controls. This would be a draconian step and one that could be at odds with the Chinese authorities' ambition for the Renminbi to be included in the SDR (Special Drawing Rights) ². A currency in the SDR must be "freely usable".

Rossie House is watching this situation closely. There are some very significant implications to both the outlook for economies and stock markets should China devalue the Renminbi more dramatically.

¹ The *Renminbi* is the official name of the Chinese currency. It means "the people's currency". *Yuan* is the name of a unit of the *Renminbi* currency. ² The Special Drawing Right (SDR) is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. Its value is currently based on a basket of four major currencies (U.S. Dollar, Euro, Japanese Yen, and Pound Sterling). The basket will be expanded to include the Chinese Renminbi (RMB) as the fifth currency, starting on October 1, 2016. – Source IMF.

PEER TO PEER LENDING

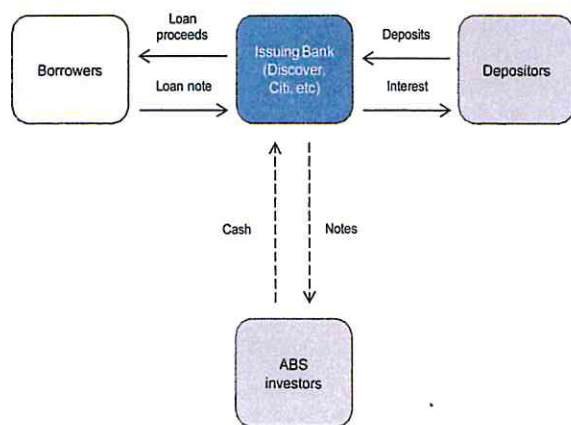
For many years banks have been “disintermediated”. That is to say, traditional bank lending has been replaced by other operators such as hedge funds, investment banks and investing institutions. Examples are corporate bond issues, money market funds as well as more exotic areas such as mortgage backed securities and aircraft lease financing. Post the financial crash of 2008/09 a combination of increased regulation and new technology created an opening for new lenders. So called “Challenger Banks” have been positively encouraged by the authorities.

Stricter capital requirements and regulatory focus on concentration and pricing (especially through stress tests) reduced the amount banks were prepared to lend. Lending to the consumer and smaller companies became more expensive. Banks have large fixed costs in the form of branches, people and some quite old technology platforms. The cost of lending small sums to customers with less than perfect credit ratings has been large.

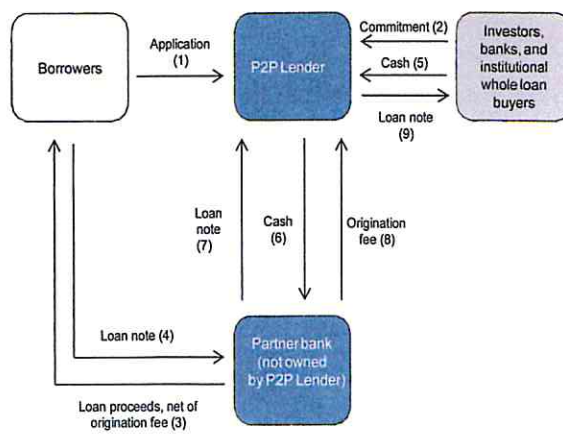
Peer to Peer lenders (often written as P2P) have been able to use new technology to lower the costs of making similar loans. Big data analytics enable small organisations to analyse and price potential loans. Clever individuals, usually with experience gained in credit analysis at conventional banks, joined up with technology specialists to create new companies with much lower overheads.

Due to the very low interest rate environment there have been plenty of investors’ seeking out higher yielding, higher risk investments. P2P lenders have been able to disrupt traditional banks by using the internet to secure capital to fund the loans. Typically, a bank loan is funded with deposits and held on the bank’s balance sheet thereby being exposed to the credit risk of the borrower. Sometimes these have been packaged up and sold off into asset backed securities (ABS) which reduce banks’ capital requirements. In contrast, P2P lenders typically connect investors with the borrowers through a platform, leaving the P2P lender with no credit risk. In order to avoid regulation some P2P lenders have sourced loans from partner or affiliate banks (see charts below).

A typical bank funds a loan with deposits or ABS debt



P2P Lender may use a partner bank to originate loans that are subsequently purchased by the P2P Lender



By lowering the cost of making the loans P2P lenders have been able to price them at rates lower than the banks. This, in turn, has resulted in an increase in demand for loans, especially for individuals who have been consolidating their unsecured consumer loans.

There are multiple types of traditional bank loans that are threatened by disintermediation. Probably the greatest opportunity (or threat) is in unsecured consumer loans and small business loans, some of which offer security or asset backing. A leading broker estimates that \$209bn of consumer loans and approximately \$4.6bn of profit may migrate from banks to new loan providers over time. Similarly for small business loans they estimate \$178bn of loans and \$1.6bn of profit may be lost. In addition to these types there are student loans, mortgages and highly leveraged loans that may also migrate. These are very significant sums.

As one would expect some of the earliest P2P lenders started out on the West coast of America. For example, Lending Club which is one of the biggest and the first to list on the stock market, is headquartered in San Francisco and is capitalised at about \$3bn. More recently, there has been a spate of investment trust launches in the UK such as P2P Global Investment, GLI Alternative Finance, Funding Circle and VPC Specialty Lending.

These vehicles usually have yields of 6-8% and effectively provide permanent capital to lend. This means *they do take credit risk*. Some of them have also taken equity stakes in P2P lenders in which they hope to capitalise value when and if they go public. As they have developed they have also started to leverage their capital in the same way as traditional banks do. However, they are not leveraged to anything like the same extent – usually a maximum of one times their capital as opposed to say ten times for a conventional bank.

So why have we not invested? Firstly, the new technology, smart though it almost certainly is at evaluating credit, has not really been tested in difficult economic times and certainly not in a higher interest rate environment. It seems likely to us that regulation on these types of lenders is likely to increase and so will the costs. We also presume that over time the incumbents will react and step up the competition. Finally, the initial launches of the investment trusts were often led by hedge fund types who have high levels of fees – typically 1% base fee plus a 15% performance fee. Rossie House is very conscious that there have been a lot of highly popular “alternative finance” companies that have been spawned and quoted in recent years to offer higher yields for income hungry investors. It is notable that in recent weeks, at a time when the US has raised interest rates, many of these are seeing price falls. For all these reasons we have sat on the sidelines so far.

SUITABILITY

Some of our clients ask why it's necessary to have a regular review of their financial circumstances and attitude to investment risk – particularly when we may have known many of you for some years. However intrusive this exercise may appear, there are good reasons for it. As your agent, we always want to act in your best interests. Unless we have up to date information on *your financial position and aims, your investment knowledge* and, importantly, a sound sense of *how much risk you are prepared to take*, we can't be certain that your portfolio is suitable – i.e. meets your needs.

a) Assessing your needs

- All clients are different and requirements vary. It's our job to ensure we have up to date details on each client's financial circumstances and aspirations, which may change over time.
- We need to know your priorities and what you want us to achieve with your capital. For example, is investment income more important to you than capital growth? Do you want to maintain the real value of your capital, i.e. adjusted for inflation, over the longer term? If so, how much risk are you prepared to take to achieve this? Or, are you uncomfortable about taking any investment risk at all? Is a loss, however short term, unacceptable and would you be more comfortable holding cash?
- When asking these questions, too often investment managers hide behind jargon. Our motto is to keep things simple. We need to explain what can be complex issues such as risk and investment objectives as simply as we can to help you decide on these important issues.
- In short, we need to gather everything that could be relevant to establishing whether your Rossie House portfolio is suitable and right for you.

b) Assessing your attitude to risk

- All investment involves some risk. Even so called "safe" investments like cash or gilts run the risk of capital loss, not necessarily due to a fall in value, but rather that they don't keep up with inflation. Investment is all about balancing risk and reward. Generally speaking, the lower the risk that you are prepared to take, the lower the return you can expect.
- Some investors may be more sophisticated than others in understanding risk. It is as critical for us to explain the risk of a Rossie House portfolio, as it is for clients to understand and agree the amount of risk they are prepared to take on. Important factors come into play when weighing this up: for example, long and short term commitments, existing loans, timescale, age, and personal financial resources.

- Increasingly, we have to live with volatility in financial markets. In setting out to achieve longer term growth objectives, clients need to be aware of the possibility of shorter term losses, as well as external risk factors, such as geopolitical events and interest rate changes, which can cause them.

We hope this brief summary explains the importance of periodic suitability reviews, and why they are necessary. It's common sense to be sure we have up to date information on our clients, as well as a clear and agreed sense of the risk they are able and willing to take. This information is a sine qua non and helps us to design a portfolio which is right for each client.

However, there is also a regulatory requirement to show not only that we have this information but that we review it regularly. The FCA has not prescribed the frequency that is required but we have been advised that "best practice" is annually. In order not to overly burden our clients with endless paperwork we propose to write to you (or by email where preferred) with a short summary of our understanding of your personal details, your financial position and risk tolerances. Should this information need to be updated, please let us know.

NEW DIVIDEND TAXATION RULES

Many of you will already be aware that the taxation of dividend income is changing with effect from 6th April 2016.

The current rules for the taxation of dividends involve a notional tax credit of 10%. At present this cannot be reclaimed but can be used to offset basic rate tax. Dividend income is currently taxed at different rates to other income.

In future the 10% tax credit will be abolished and the first £5,000 of dividend income which individuals receive will be tax free. This is called the Dividend Tax Allowance (DTA). ISA income will remain untaxed. If dividend income outside an ISA is above £5,000 it will be necessary to complete a self assessment tax return.

Dividends above this level will be taxed at 7.5% (basic rate), 32.5% (higher rate) and 38.1% (additional rate). Dividend income will be treated as the top band of income.

Dividend tax rates (%)

	2015-16	2016-17
Non taxpayers	0	0
Basic-rate taxpayer	0	7.5
Higher-rate taxpayers	25	32.5
Additional-rate taxpayers	30.6	38.1

A useful example* is shown to illustrate the new regime for a client with non-dividend income of £40,000, and who receives dividends of £9,000 outside of an ISA.

The calculation uses the limits that will apply from April 2016:

- Personal Allowance: £11,000
- Basic Rate Limit: £32,000
- Higher Rate Threshold: £43,000

Of the £40,000 non-dividend income, £11,000 is covered by the Personal Allowance, leaving £29,000 to be taxed at basic rate.

This leaves £3,000 of income that can be earned within the basic rate limit before the higher rate threshold is crossed. The Dividend Allowance covers this £3,000 first, leaving £2,000 of Allowance to use in the higher rate band. All of this £5,000 dividend income is therefore covered by the Allowance and is not subject to tax. The remaining £4,000 of dividends are all taxed at higher rate (32.5%).

Rossie House are not accountants and suggest clients take their own specialist tax advice.

** Source: HMRC Dividend Allowance factsheet*

AM I REAL?

When I first started out as a cartoonist I sat beside a terrifyingly sophisticated lady at a dinner at Allangrange. She turned to ask me what I did to earn a crust, so I said I was an 'artist' ... to which she retorted "Ah! But are you a REAL artist?" That question still reverberates daily around my psyche and as I face a blank sheet of clean watercolour paper I aspire to make that answer "Yes!". I suppose a real artist should not be afraid of any avenue of creativity, but I have tried to focus on what I can do best which is to create something that is both visually pleasing with a touch of humour!

Having served a short-service commission in the Scots Guards, I held my first exhibition back in 1978 featuring 'The Ascot Rat'. The rat was a satirical characterisation who epitomised the enthusiastic race-goer amidst the colour and circumstance of that famous race meeting; the exhibition sold out in two days and I then embarked on my new career



(having passed up a job with Jardine Matheson in Hong Kong ... that was a close one!). Some years later I was commissioned by David Nichol and Charlie Cox to do a set of six Rats for Rossie House, which I felt should depict the enthusiastic investment manager! I also happen to remain a happy client ever since!



I hold exhibitions of my own work from time to time, to practice my aspiration of becoming a real artist! I have exhibited many times in London, during a 2½ year trip around the world, and in particular eighteen shows in St. Moritz which has proved to be both a rich source of inspiration for my winter sports cartoons (the Cresta, skiing, good living etc.!) and a good hunting ground for the slightly 'wealthier' clientele! 'High Spirits!' was the name I gave to one of these exhibitions; those two words are not only at the corner stone of the originality and humour I seek to portray, but they have also lent themselves to a caption for what I imagine is waiting for us skiers beyond the grave!



Much of what I create now is on commission for people, this at least provides me with a meagre crust to feed my withering shell in the freezing garret! Amongst the most enjoyable and prestigious commissions I have done was a set of four cartoons for Her Majesty's Diamond Jubilee, commissioned by The Royal Company of Archers, that did make me feel more like a real artist! I have also just completed two cartoons for The Black Watch (adding to a set of four I painted for them twelve years ago). Here is 'The Rampant Roar', as the officer bellows his command in front of Edinburgh castle ... another great fun commission!

I also do caricatures and meet all kinds of people in doing so, from the past Chairmen of The Hong Kong Club, to the committee of Draculas St. Moritz. Most of them are for private consumption and are highly personalised so I can't show them here! I am currently working on a large painting which is a group caricature of forty people at a sumptuous wedding in Rome with ten cartoon vignettes depicting other aspects of their celebrations, this will take me around three months to paint!

Another FAQ is "Do I ever do anything serious?" It has been known! I love to do landscapes, such as this one overlooking the rooftops of St. Moritz at the setting sun's rays. Very often these landscapes become studies for a painting that includes some form of humour, other times someone can look at it for several minutes and then say: "I don't get it ... where's the joke?!"



At 61, my quest to become a 'real artist' continues and evolves in its own inimitable way ... I am occasionally asked which picture I regard as my best one ... well, I haven't painted it yet!

For further information or a closer look at Loon's website see www.looncartoons.co.uk

Monks Investment Trust (p.6) - Baillie Gifford Risk Warning

Important Information and Risk Factors

The views expressed in this article are those of James Budden and should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect personal opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

Please remember that the value of a stock market investment and any income from it can fall as well as rise and investors may not get back the amount invested. Monks Investment Trust PLC invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up. Investment trusts are listed on the London Stock Exchange and are not authorised or regulated by the Financial Conduct Authority.

This information has been issued and approved by Baillie Gifford & Co Limited and does not in any way constitute investment advice. All information is current and sourced from Baillie Gifford & Co unless otherwise stated.

Rossie House Investment Management is authorised and regulated by the Financial Conduct Authority and as such is required to state that:

- (i) the value of investments and income derived from investments can fall as well as increase and the investor may not get back the amount invested,
- (ii) past performance is no guide to the future, and
- (iii) the levels and bases of, and reliefs from, taxation can change.

As the issuer, Rossie House Investment Management has approved the contents of this publication.