



Investment Beliefs

Edinburgh Investment Trust | October 2020

This short paper is designed to serve as an introduction to our investment beliefs and, in turn, how we manage the Edinburgh Investment Trust portfolio in practice. Further up-to-date information on the portfolio and its current positioning can be found in the monthly Factsheets, as well as other documents available on this website such as the Interim and Annual Financial Reports.

Majedie Asset Management

Majedie was established in 2002 and to this day we remain loyal to our single purpose: to make money for our clients, responsibly. We are owned and managed internally. We only manage equity portfolios and have no other forms of income to fall back on, ensuring full alignment with our clients' interests.

Our competitive edge rests on the combination of our independent business structure and our flexible investment style. Our independence provides a stable environment in which our fund managers operate, and our investment approach produces portfolios that aim to deliver long-term outperformance on a repeatable basis.

Active Management

Stock-driven. Share prices follow fundamentals over the long term. Through our proven investment approach, we expect to outperform over the long term, net of fees.

High conviction portfolio. We expect the portfolio to contain around 40 to 50 stocks. Holdings sizes reflect the conviction we have in each company and our assessment of the upside and downside potential of its share price.

Risk. We think of risk as permanent capital loss. To mitigate this, our analysis of a company's valuation is the first line of defence. Our risk management process combines our depth of knowledge of the stocks in the portfolio, plus separate analysis of portfolio risk by our Performance and Risk Team.

Flexible investment style

Open-minded approach. We do not have dogmatic style biases, such as 'growth' or 'value'. We are also prepared to invest in companies that we identify as having scope for recovery through management change, business transformation or an improving business environment. We expect the profile of the portfolio to evolve, depending on our assessment of individual companies, and our reading of the economic and market background.

Disciplined, rigorous, fundamental research. In keeping with the stock-driven nature of the portfolio, typically around approximately three quarters of our effort takes the form of indepth stock research. The remainder is spent on macroeconomic and geopolitical analysis.

Full Environmental, Social and Governance ('ESG') integration. ESG-related issues have financial implications for the portfolio's holdings. We prioritise and engage our holdings on their key, material issues, many of which are ESG-related. The outcomes from our in-depth analysis and engagements help form our conviction level and investment decisions. In this way, ESG lies at the heart of our investment process.

Total return strategy

A focus on both capital growth and income. We take a total return approach: investor returns should derive over the long term from both capital appreciation and dividend income. We often prefer companies with organic investment opportunities: as such, we normally expect companies with growing profits – and share prices – to contribute to returns. We view income as an important component rather than the primary driver of investment return. This aligns with the Company's twin objectives.

Long term

Typical holding period of 3-5 years. This is an appropriate period to ensure that underlying corporate fundamentals drive investment returns. It is therefore also a sensible period over which to measure an active manager.

Gearing should enhance shareholder returns. One of the advantages of an investment trust is the ability to borrow to enhance equity returns. We therefore expect gearing to boost investment returns over time.

Capacity management

Scale diseconomies. In our view, investment performance can rapidly suffer if assets under management become too large. Since Majedie was established in 2002, we have carefully managed capacity to ensure that the interests of existing clients take precedence over new clients. The approach ensures we retain a size advantage. It enables us to reposition the portfolio – and those of all our other clients – quickly and efficiently when required.

Deep investment resource with global perspective

A close-knit investment team of 21. Average experience for each member of the team is 15 years. The team has been stress-tested across various market cycles.

Challenge and debate. This is encouraged within a structured risk control environment, with robust oversight processes. Every member of the Majedie team is an equity owner, which fosters a deep sense of teamwork and collaboration.