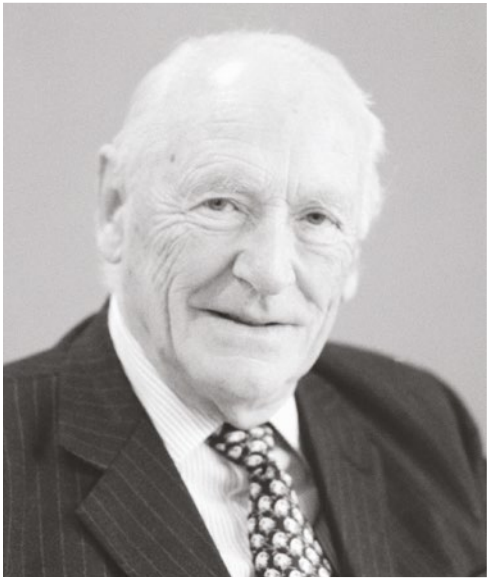
Murray International Trust PLC
Celebrating more than a hundred years of sound investment

Second Edition, 2018




This Prospectus has been filed with the Registrar of Joint-Stock Companies.
The Subscription List will be opened on Thursday, the 19th day of December, 1907, and will be closed on or before Saturday, the 21st day of December, 1907.

THE SCOTTISH WESTERN INVESTMENT COMPANY LIMITED.

COMPANIES REGISTRATION FIVE SHILLINGS

(Incorporated under the Companies Acts, 1862 to 1907.)

Share Capital, £500,000,

DIVIDED INTO

50,000 Shares of £10 each,

Which are now offered for public subscription at par, payable as under:—

	10s.	on Application,
£2	0s.	on Allotment,
£2	10s.	on 1st February, 1908,
£2	10s.	on 1st April, 1908,
£2	10s.	on 1st June, 1908.
£10	0s.	

Subscribers may pay in full on allotment, or on such subsequent dates and on such terms as may be arranged with the Company. Interest at the rate of 5 per cent. per annum will be allowed on prepayments made on allotment.

The Directors are already aware of applications which will be made in terms of this Prospectus, to the extent of 25,000 Shares, and these applications will be allotted in full.

It is proposed that the Shares forming the Capital of the Company, when fully paid up, should be converted into Preference and Ordinary Stock, in the proportions of three-fifths of the former and two-fifths of the latter. The Preference Stock will be entitled to a Cumulative Preferential Dividend at the rate of $4\frac{1}{2}$ per cent. per annum and to priority as to Capital.

It is intended, in the event of any new issues of Share Capital being made, to convert the same as soon as fully paid, into Preference and Ordinary Stock in like proportions, and such Preference Stock will thereafter rank *pari passu* with the Preference Stock of the present issue.

DIRECTORS.

ANDREW BONAR LAW, M.P., Kintillo, Helensburgh; Director, Clydesdale Bank, Limited; *Chairman.*

WILLIAM MACKENZIE, 22 Meadowside, Dundee; of The Alliance Trust Company, Limited, Dundee.

JOHN TRAILL CARGILL, 175 West George Street, Glasgow; Chairman, Burmah Oil Company, Limited.

DAVID MURRAY, LL.D., Writer, 169 West George Street, Glasgow.

ROBERT KING of Levernholm, Merchant, 115 Wellington Street, Glasgow.

BANKERS.

THE CLYDESDALE BANK, LIMITED, Glasgow, London, and Branches.

LONDON CORRESPONDENT.

ROBERT FLEMING, 2 Princes Street (Bank), London, E.C.

SOLICITORS.

MONCRIEFF, BARR, PATERSON & CO., 45 West George Street, Glasgow.

BROKERS.

S. M. PENNEY & MACGEORGE, 24 George Square, Glasgow.

AUDITORS.

M'CLELLAND, KER & CO., C.A., 115 St. Vincent Street, Glasgow.

SECRETARIES.

BROWN, FLEMING & MURRAY, C.A., 175 West George Street, Glasgow.

REGISTERED OFFICE.

175 WEST GEORGE STREET, GLASGOW.

REGISTERED 18 DEC. 1907 No. 9960

EXCHEQUER 18 DEC. 1907 EDINBURGH

Foreword

Dr Kevin Carter
August 2018

This booklet, written for us by John Newlands, describes the history of Murray International Trust from its formation in 1907, under its original title of The Scottish Western Investment Company Limited, to the present day. Over its 111-year life, the Company has had to live through two World Wars and several financial crises, the most recent example being the global banking crisis of 2008-2009.

Murray International has not just survived every test but moved forward to greater heights. No better illustration of this tenacity is that when the Company's history was first written at the beginning of 2008, following its centenary year, Shareholders' Funds were some £508.8 million, with a net asset value (NAV) of 736.8 pence per share, while total dividends of 21p had been paid over the previous year. At the beginning of 2018, despite the severity of the intervening "Credit Crunch", not to mention various political challenges on the world stage, Shareholders' Funds exceeded £1.59 billion, the NAV had reached 1251p per share and dividends totalling 50p had been paid.

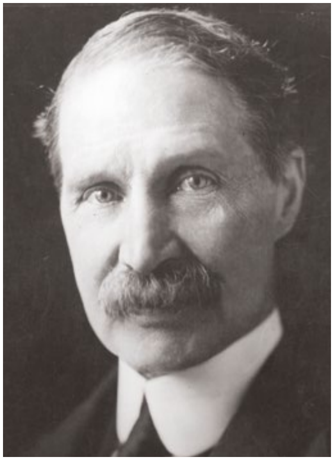
While the past offers no reliable guide to the future, it reflects considerable credit on the management of Murray International over the years that many obstacles have been overcome to the benefit of long-term savers. This account also describes the way successive management and Boards have progressed from a concentration on investment in fixed interest securities in 1907, to the position we are in today, with a commitment to a truly international equity portfolio, while recognising the need to provide investors with a growing income.

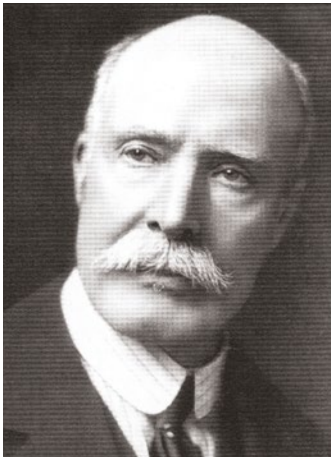
There is a lot to be learned today from the past. I have enjoyed reading this booklet and hope that you will as well.

Kevin Carter
Chairman

Front Cover
Clockwise from top left:
Sir Raymond Johnstone;
the Glasgow SEC Arena;
SS Leopold; the Old Glasgow
Stock Exchange Building.

Left
The original company
prospectus, December
1907, offering 50,000
shares for sale, at £10 each.





Powerful figures:
On the left: The first Chairman, future Prime Minister Andrew Bonar Law.

On the right: Investment Adviser and London Correspondent, Robert Fleming.

Kelvingrove Park,1907
Glasgow's first public park and a classic example of Victorian landscape design, Kelvingrove Park is situated in the West End of the city.

The company's origins

Murray International is today a large, globally diversified investment trust whose roots can be traced to Glasgow's thriving industrial and shipbuilding-based economy that had reached boom proportions by the early years of the twentieth century.

There were several reasons for the Scottish city's prosperity. These were such that Glasgow, with some justification, could lay claim to the title of "Second City of the Empire".

Second City of the Empire

Before the age of air travel, Glasgow's strategic western location and connection with the railway and canal networks made it ideal as a hub for the transatlantic shipping trade. The river Clyde provided a gateway for importing into Britain all manner of goods, including sugar, tea, tobacco and spices. The same ships, the majority of which would have been locally built and maintained, would then embark export items such as linen, yarn, cloth and machinery.

The western Scottish climate, described locally as "moist", was favourable too, at least in the business sense. The area's tendency towards cool summers and mild winters has been described as "eminently desirable in an industrial and commercial centre." It also meant that the supplies of fresh water needed by many engineering and textile processes were close to hand.

The city's upward trend was further accelerated during the latter part of the nineteenth century as wooden ship construction gave way to iron, a commodity that the West of Scotland again had in abundance, together with coal. By now, Glasgow was not just an international trade centre but the shipbuilding capital of the world.

Glasgow as a financial centre

"Iron and railways", says Scottish historian Irene Maver, "represented the glittering El Dorado of the 1830s and 1840s, leading to unprecedented activity in [Glasgow's] financial sector." The resulting boom in company launches, mainly to fund the expansion of the railway system, led to the formation of the Glasgow Stock Exchange - the first in Scotland - in 1844. Maver recounts that the Exchange's founder, Paisley-born accountant and future Lord Provost James Watson, was once described as "a living declaration to all his confrères that it is possible to be a dealer in stocks and shares and at the same time an honest and upright man."

Despite being at the heart of the industrial revolution and the shipping trade, Glasgow was to suffer its own financial disaster in 1878 with the collapse of the City of Glasgow Bank. The bank's failure was made many times worse by the fact that its shareholders, as partners with unlimited liability as to their losses, faced ruin. Ironically, the same investors were by now protected by limited liability legislation with regard to their investments in joint stock companies. Banks were an exception, the feeling at that time being that limited liability would be bad for their prestige. For many, the consequences were disastrous.

Perhaps because of the adverse publicity surrounding the bank's failure, the periodic reversals in the fortunes of the shipbuilding industry, or both, Glasgow was slower than Edinburgh or Dundee to join in with the launch of new investment vehicles such as investment trusts.

By 1907, Robert Fleming was a renowned figure in the financial world. Born in humble circumstances in Dundee in 1845, Fleming began his working life as a 13-year old office boy earning £5 per year in a local textile company. By the age of 28, he had persuaded a group of Dundonian businessmen and 'textile barons' to back the first investment trust founded in Scotland. Over the succeeding 30 years he was to become one of the leading financiers of his day.

Now, together with a group of Glaswegian lawyers, accountants, businessmen and a future Prime Minister, Fleming would put together plans for a new venture, to be called The Scottish Western Investment Company Limited.

The trust's formation and capital structure

The Scottish Western Investment Company Limited was founded in Glasgow by Brown, Fleming & Murray, Chartered Accountants, and incorporated on 18 December 1907.

The company's initial share capital of £500,000 was made up of 50,000 shares of £10 each. Investors were required to submit ten shillings (50 pence) per share upon application and pay the remainder in four instalments such that the shares became fully paid-up by 1 June 1908.

Once fully paid-up the shares were sub-divided into two-fifths Ordinary Stock and three-fifths Preference Stock, the latter being entitled to a cumulative preferential dividend of 4½ per cent.

The launch proved popular. To quote from the Prospectus of the Debenture Stock issue that swiftly followed, of which more in a moment, "the Share Capital of £500,000, which was considerably over-subscribed, was duly allotted ... The Scottish Western Investment Company are [now] prepared to receive applications for [£500,000 of 4 per cent] Debenture Stock."

The founding Board was made up of Andrew Bonar Law, M.P. for Glasgow Blackfriars and Hutchesontown, as Chairman, while the directors were William Mackenzie, a leading figure in the trust sector at that time and the secretary of the Alliance Trust in Dundee; John Traill Cargill, the Chairman of the Burmah Oil Company; Solicitor David Murray, whose firm would evolve into the legal practice of Maclay, Murray & Spens (now part of the global firm, Dentons) of today; and another leading local businessman, Robert King.

Robert Fleming, despite his hand clearly being very close to the new company's tiller, was described simply as "London Correspondent."

Each director was required to make an investment in the company of at least £2,000 nominal of stock. This was a serious personal commitment, broadly comparable to requiring the purchase of £200,000 worth of shares in a £50m trust if launched today. The Articles of Association also included the provision that "the office of director shall be vacated if he shall cease to hold the necessary qualification or if he shall become a lunatic or bankrupt."

Each investor was granted one vote for every £10 of Preference Stock but three votes for every £10 of Ordinary Stock held.

The original Minute Book, now safely preserved by the Glasgow University Archive Service in a windowless, rusted off-pink warehouse near the Scottish city's Partick Cross, records that the first "Meeting of Directors" took place "on Monday 23 December 1907, at 2 o'clock afternoon; Present: Messrs A. Bonar Law, W. Mackenzie, J. T. Cargill and Robert King."

Right
The Belgian Paddle Steamer Leopold II, built on the Clyde in 1907. Source: Glasgow University Archives Service.

"Attending (note the careful distinction, used in the Minutes throughout the early years, between "Present" and "Attending"): Mr. Murray for Secretaries, Mr. Robert Fleming and Mr. W. K. Whigham (London); Mr. Murray intimated an apology from Dr. Murray." It can be seen, therefore, that the name of Murray was associated with the trust from its first day.

The Minutes continue, "Mr. Bonar Law was unanimously appointed Chairman of the Company. Mr. Murray reported that the Company had been registered on Wednesday the 18 of December and laid on the table the Certificate of Incorporation of the Company. ...The Registered Office was confirmed as 175, West George Street, Glasgow. Mr. Murray submitted the design of the Seal, which was approved and he was instructed to have it fitted with two different locks and that keys for one of the locks be given to each director."

The Minutes end by reporting that "Mr. Fleming then suggested a number of investments and gave full particulars in regard to their position and security."

By 30 December (the Board held formal meetings weekly in the early years, with informal discussions in between) the founding portfolio had been set up, having been recommended by Fleming and approved by the Board.

The trust's first recorded investment, of some $125,000, was made in Jameson and Western Railroad 4 per cent Equipment Trust Notes "Guaranteed principal and interest by the Toledo and Ohio Central Railway. The Notes to be obtained on a basis to yield 7½ per cent, with an average life of about five years."

COMPANY LIMITED BY SHARES

Memorandum of Association

OF

The Scottish Western Investment Company Limited.

I. The name of the Company is "The Scottish Western Investment Company Limited."

II. The registered office of the Company will be situated in Scotland.

III. The objects for which the Company is established are—

(a) To undertake and carry on the business of an investment, lending, and agency company, and to exercise, as principal, or as trustee or agent for any person or persons, all or any of the objects hereby authorised.

(b) To invest the capital and other moneys of the Company in the

Left
Extract from the original Memorandum of Association of the Company, 18 December 1907.

Below
US railroad site 1908.

The rest of the original portfolio had a predominantly transatlantic feel too, with a heavy emphasis on the bonds and preference stocks of railroad and tramway companies:

Debenture Issue

The original share capital having been rapidly and fully subscribed, the decision was taken to expand the trust via an issue of Debenture Stock, the Prospectus for which was drawn up in March 1908.

The Company's original 1907 investment portfolio	
Jameson and Western Railroad, 4% Equipment Trust Notes	$125,000
Cuba Railroad Company, 6% First Mortgage Bonds	$100,000
United Railways of Havana and Regla Warehouses, 4% Debentures	£20,000
Mexican Central Railway Company, 5% Priority Bonds	$200,000
Loan to Thomas Lowry "secured by his personal obligation and by the deposit as collateral of $500,000 of the Common Stock of the Duluth-Superior Traction Company"	$100,000
Omaha and Council Bluff Railway and Bridge Company	$50,000
Investment Trust Corporation, Deferred Stock.	£5,000
New York, New Haven and Hartford Railroad, 6% Debentures	$200,000
Southern Pacific Railroad, 7% Preferred Stock	$200,000
Chicago, Milwaukee and St. Paul Railway, 7% New Preferred Stock	$200,000
Buenos Ayres (sic) Lacroze Tramways, 5% Debenture Stock ("at 91 or under")	£5,000
Lancashire United Tramways, 5% Prior Lien Debenture Stock	£10,000
Manila Electric Railroad and Lighting Corporation, 5% First Mortgage Debentures 1953	$50,000
Mexican Tramway Company, 5% Consolidated Mortgage Bonds.	$50,000
Mexican Electric Light Co. Ltd., 5% Bonds 1935	$10,000
Rio de Janeiro Tramway, Light and Power Co. Ltd., 5% Debenture 1953	$50,000
United States Steel Corporation, 5% Mortgage Bonds	$100,000
J. G. White & Co., Secured one year loan at 7% interest "with a Commission of 2½%"	$50,000
The Puget Sound Electric Railway, 1st Mortgage Gold Bonds (interest rate not stated).	$50,000
The Manhattan Elevated Railway, Guaranteed Stock	Note 3

Notes:
1. For brevity the word "Limited" is omitted from the company names above.
2. Many of the above holdings were purchased at below par value and the Minutes appended with remarks such as "taken at 95" or "purchased at 91 or under".
3. The cost of this holding was listed simply as "1000 shares at 1.15 New York".
4. In 1907 there were approximately five US dollars to the pound.

In an early gesture towards economy, it was decided not to advertise the issue, but to authorise the Company's Glaswegian broker, Messrs S. M. Penney & Macgeorge, to offer the Stock privately. The relevant minute notes that "Mr. Harry Macgeorge did not see his way to agree to the fee of £500 as suggested but said that he would accept £625". This revised fee was accepted by the Board and, although it appears that the broker had to work for several months to get there, the Debenture Stock was fully subscribed by the end of the year. The issue took the initial gross assets (before the deduction of launch fees, etc) of the company to £1 million by late 1908.

A selection of founding investors

Murray International's archives show that, as in the present day, the new trust attracted shareholders with a range of backgrounds and occupations.

The table below lists a random selection taken from the initial share register for 1907. The register of investors' addresses has a distinctly Scottish flavour, with Paisley, Glasgow, Prestwick, Broughty Ferry and Dundee - though interestingly, not to any great extent Edinburgh - very much to the fore.

The table also suggests that communication with Cairo might have been required but in fact Mr Walter Bond used as his forwarding address Moullens, Marshall & Co. a leading Glasgow solicitor of the day. Looking at the table on the previous page, the numbers of shares purchased by individual investors do not at first sight appear large. The figures are put into a better context when one considers that in 1907 the price per share of £10 would also have purchased a single passage from Glasgow to New York with the Anchor Line ("Saloon, bedding and all requisites included"). At the same time the firm of George Ballantine & Son, "Wine Merchants to His Majesty the King", of 100 Union Street, Glasgow was offering "finest and oldest" Talisker Blend whisky for 42 shillings (£2.10) per dozen, carriage paid.

Name	Occupation	Shares
Anderson, James	Ironmonger's assistant	20
Bell, Madeleine	Spinster	25
Bond, Walter	Vice-President, Court of Appeal, Cairo	70
Hamilton, George	Bleacher	25
Huggan, George	Solicitor	110
Stenhouse, Mary	Student	25
Thomson, Robert	Jute Spinner	240
Watson, James	Bank Teller	5

Putting the latter pricing another way, founding shareholder James Anderson, Ironmonger's Assistant, instead of subscribing for 20 shares in the trust, could have used his £200 to buy just over 95 cases, or 1,142 bottles, of a good-quality scotch.

First equity investment

The holding in Investment Trust Corporation, Deferred Stock (ITC) appears to have been the company's first investment in an ordinary share, as opposed to a mortgage bond, preference stock or other fixed income security. This was still a far from adventurous move, however. ITC was itself an investment trust company managed by Robert Fleming & Co. and one with heavy underlying exposure of its own to bonds, preference shares and debentures.

The first true equity investment, as the term would be used today, referring to the ordinary shares of an industrial or other company, was the purchase of 1,000 shares in the Union Pacific Railroad in February 1910. The investment would remain very much a minority holding; it was not until the early 1920s that direct equities appeared in the portfolio to any significant degree.

Early examples of global investment

Over the early years, portfolio adjustments would be made, invariably "recommended by Mr. Fleming and, after consideration, agreed [by the Board]". Not for nothing have Fleming and his contemporaries been described as investment pioneers. Some of the trust's new investments dating to before the First World War period included the Nobel-Dynamite Trust Company, Dominican Republic Sinking Fund Gold Notes, the Calcutta Tramways Company, the California Petroleum Corporation, the Knickerbocker Ice Company and the Paraguay Central Railway.

Very occasionally a more mundane holding closer to home would creep in, such as United Collieries, 5 per cent Debenture Stock, bought for the trust in 1909.

These investments were rarely if ever, selected in a 'hands-off' manner purely on the basis of a set of accounts on paper (the equivalent of today's computer screen). At a time when independent assessments were hard to come by, site visits were essential to gain a true picture. As a consequence, telegrams would periodically be received from Robert Fleming in far-flung spots such as the construction site of the Carolina, Clinchfield & Ohio Railway.

"Have been over one road", reported Fleming from the said railhead on 29 January, 1909, "and think "security good: cheap". For each $3,000 sold they can get additional $1,000 at 90 and interest." Mr Murray informed the Board that "our present holding is $100,000 … we would be entitled to $33,000 at 90 and interest." It was a deal to which the Board subsequently agreed.

Scottish Western soon developed into a successful and thriving concern and was able to issue a further £250,000 of Debenture Stock in 1910. Moreover, it was no small achievement that the fixed dividend and interest obligations to the Preference and Debenture stockholders were met in full before, during and after the First World War. Ordinary shareholders received half-yearly dividends that grew from a total of 6 per cent per annum in 1909 to 10 per cent by February 1914. Remarkably, this figure of 10 per cent was maintained throughout the War, despite the trust's sacrificing a number of portfolio securities to subscribe for government War Loan issues.

The First World War

"When addressing you last year," reported Chairman David Murray in his 1915 AGM speech, "I stated that we saw no reason why the results for the year then current should not be satisfactory. Little did we think that by the end of the first half of the financial year we should be involved in a general European War, the duration and effect of which it is impossible to see."

He continued, "Reliable quotations for many investments are not available and consequently we are unable to submit a valuation of our holdings." The trust's focus on international investments – an approach that remains at the trust's very heart today had, on the other hand, been a significant advantage. "You will see", said Murray, "that our investments are widely spread. Nearly 63 per cent is in the United States of America. Things there have taken a turn for the better and are undoubtedly benefiting from the War. The London Times the other day, wrote, "trust companies must expect a fall in revenue ... but there is no reason for alarm about permanent capital values. These will come right again some day, and the Investment Companies will be little the worse for an experience against which no provision could have insured them."

Patriotic gesture

Matters were to get a good deal worse before this prognosis eventually proved correct. By 1917 Murray was reporting to shareholders that "this unparalleled sacrifice of life and money continues ... we are unable yet to see that the end is in sight. To further assist the Government we have deposited with the Treasury securities to the value of £609,170 ... and invested £346,711 in British Government Securities, of which £250,000 is now in the new War Loan. I am sure that the shareholders will unanimously approve of our having made such a substantial subscription and of doing everything in our power to assist the Government."

As to the remainder of Scottish Western's investments during World War 1, while there were some defaults, the overall picture is of a portfolio that appears to have survived battered but unbowed. In the Chairman's words, "our investments remain intrinsically sound, without having to reduce our dividend and we hope that the depreciation which now exists will disappear when the war is successfully over."

Nor was the investment process entirely frozen during the conflict. In 1917, for example, new purchases were made in Brazilian Traction Light & Power Company Preference Shares and in Barcelona Traction Light & Power Prior Lien Bonds, anything to do with electricity clearly being the new technology stocks of the day. Chinese Government 8 per cent Ten-year Sterling Bonds were also bought, while sales were made of Canadian Vickers and Commonwealth of Australia 5½ per cent stock.

At the 1919 AGM, Mr. Murray was able to tell investors that "We meet today in happier circumstances. The war is successfully over and it is fervently to be hoped that the terms [of the Armistice] will be satisfactory and ensure for many years the peace of the world."

The Chairman then turned to the trust's portfolio, made up of 218 different investments, still at this time with 93 per cent invested in "fixed interest or dividend" securities. He said that "fully the half of our investments are in the United States, and

We meet today in happier circumstances. The war is successfully over and it is fervently to be hoped that the terms [of the Armistice] will be satisfactory and ensure for many years the peace of the world."

Below
A British government poster from the First World War.

The value of a trust company is not material so long as they do not have to default in the payment of interest or dividends.

David Murray, Chairman's speech, 1926.

when that country stops borrowing to meet its war expenditure the value of these stocks should improve." He added, "The colossal reconstruction and development which must take place all over the world once that peace is assured should make available new fields of investment." The trust had survived one of the world's greatest crises and was now ready to move ahead, making whatever adjustments would prove necessary in the new, post-war environment. Even at this time, dividend income - and the growth thereof - was regarded as being of paramount importance to investors. Taken with the valuation practices of the day, in which investments were often held either at book value or even written down to zero, this explains why any analysis of capital performance can be misleading for the early years.

Annual dividends that had been held at 10 per cent during the conflict did indeed start to rise again, reaching 13 per cent in 1924 and improving again to 16 per cent by 1926, by which stage, demonstrating an unusual degree of transparency for the era, the true valuation of the trust's 371 portfolio investments was listed as being "at a surplus of £267,112 over the Book Cost of £2,447,629."

Murray clearly felt that in releasing such information - including the fact that the said surplus had increased by £42,981 since the previous year - he was in danger of raising investors' expectations for future years. "The value of a trust company," he was at pains to remind shareholders that year, "is not material so long as they do not have to default in the payment of interest or dividends."

Prime Ministerial appointment

Meanwhile, the trust's founding Chairman, Andrew Bonar Law, who had served the Scottish Western board from 1907 until 1912, was appointed British Prime Minister on 23 October 1922, following the resignation of Lloyd George.

Law had already served in a ministerial capacity for much of World War I, first as Colonial Secretary and then as Chancellor of the Exchequer in the Coalition Government, before which he had forged a successful career with the Glaswegian steel firm of Jacks & Company.

In the event, Law's term as Prime Minister was cut short. His tenure in Downing Street lasted a mere 209 days before he was forced to resign through ill-health in May 1923. He died of throat cancer six months later. A popular but now little-noted Prime Minister, Law's most famous quotation was "if I am a great man, then a good many great men of history are frauds."

The move towards equity investment

During the 1920s, the shape of Scottish Western's portfolio gradually changed, as the company reduced its almost total reliance upon fixed interest holdings and put a toe in the waters of direct equity investment. Holdings in ordinary shares such as The British Mannesmann Tube Co., seen overleaf advertised in Jane's Fighting Ships, started to appear, together with Burmah Oil, Armstrong Whitworth, the Callender Cable & Construction Co. and the Central Argentine Railway.

Unusual holdings

The previous page's investments sound conventional, but other holdings dating to these years would raise even more of an eyebrow if included in an investment portfolio of today.

Examples of the more unusual holdings include Tunnel Asbestos, Cape Explosives, Elephant Trading Holdings and the Anglo Continental Guano Works. Several Cuban railway bonds featured for many years, as did the International Sleeping Car Company.

Lead-in to the Depression Years

By March 1929, the company was holding its twenty-first Annual General Meeting, as ever at the company's offices at 175, George Street, Glasgow, David Murray having died and been succeeded by the newly knighted Sir John Cargill.

The new Chairman was to sound a cautious note. Having described the company's creditable past record in which, barring the war years, dividends had maintained "progressive growth" to the current (1929) figure of 18 per cent, he expressed the somewhat guarded view that "should nothing untoward occur we should again be able to submit a satisfactory result."

Turning to the capital side, Sir John reported a healthy surplus of £535,690 over book value, a figure that had increased for several successive years. But now he warned investors that "you must not be carried away by this. The value of our investments will not always be on the upgrade … though the Company is in a strong position to meet any likely fluctuations."

Against a backdrop of soaring markets, an investment trust boom was by now taking place on both sides of the Atlantic. An indication of the Scottish Western Board's growing concerns is given by the positioning of the trust's portfolio. Despite the new fashion for equity investment, Sir John was at pains to point out that in early 1929 the trust was only invested to the tune of 16 per cent in ordinary shares, stating that "it has always been our policy to invest the bulk of our Capital in Prior Securities. This may have meant some sacrifice of Revenue [these were the days when equities yielded significantly more than fixed interest securities] … but we have had the security of better security and a steady income."

Just six months later, the Wall Street Crash struck, with world-wide stock exchanges declining in value by approximately £8bn between 19 September and 13 November 1929 alone, at a time when the United Kingdom's gross national product was less than £4.5bn. Despite this global setback, a depreciation of only some 5 per cent was reported in the valuation of the company's investments over the course of 1929, while dividends were even increased in 1930 to a new peak annual figure of 19 per cent.

Above
Mannesmann Tubes advertisement. The company still operates today as Vallourec and Mannesmann Oil and Gas (UK), part of the giant French-owned Vallourec Group.

Right
All work ceased on the construction of the 81,000-ton liner, at first simply known as "Hull Number 534", later named RMS Queen Mary, at midday on Friday 11 December, 1931. Work resumed in 1934. The ship would later play a key role in World War II, outpacing prowling U-boats as she ferried troops and supplies across the Atlantic.

Source: Glasgow University Archives Service.

The following two years were more difficult. The worldwide depression took hold across all asset classes and the Dow Jones Industrial Average, which had climbed from 100 in 1924 to a peak of 386 before the crash in 1929 fell to 41 by 1932. The trust suffered capital depreciation of approximately 18 per cent in 1931 and 19 per cent in 1932 and, as defaults increased, dividends had to be cut as well, to 15 per cent in 1932.

The Depression closer to home

There can be few more graphic representations of the 1930s' Great Depression, or one closer to home with regard to Murray International's roots, than the cessation of work on the ocean liner Queen Mary on Friday 11 December 1931. Three thousand Scottish shipyard workers found themselves without work.

To begin with, requests for government help fell on deaf ears, to the extent that the streets around the building yards, according to one contemporary report, made "a terribly depressing sight, with crowds of men loafing about all day long, after digesting Mr Hore-Belisha's refusal, on behalf of the government, to give any assistance to Cunard."

A concerted local campaign was organised by David Kirkwood, M.P. for Dumbarton Burghs, drawing the support of the Prince of Wales, later to become Edward VIII, who visited the unfinished vessel himself. Eventually, the coalition government of the day bowed to pressure and Neville Chamberlain, Chancellor of the Exchequer, approved a loan of £9.5m. There was one key condition to the advance: Cunard must merge itself with the equally troubled White Star line. Cunard agreed to the merger with its fierce rival and on 3 April 1934 the workforce, led by the Dalmuir Parish Pipe Band, marched back to work through the streets of Clydebank.

The resumption of work on the Queen Mary symbolised the gradual emergence from depression and, as the decade progressed, the rebuilding of the economy. Like so many investment trusts of that period, Scottish Western found that its defensive asset allocation had saved the day.

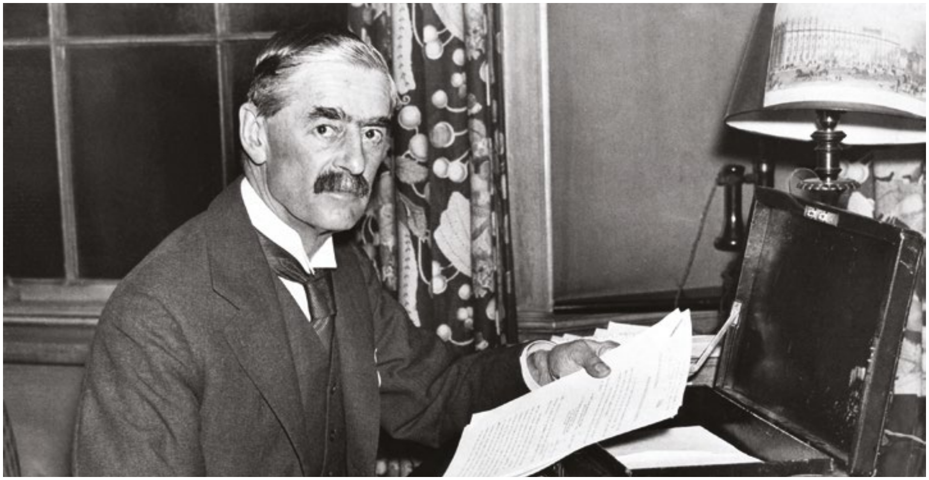
Equity investments had been very much in the minority. A typical portfolio breakdown dating to the mid-1930s was ordinary and deferred stocks, 23 per cent; preference shares and stocks, 31 per cent; and bonds, debentures and loans, 46 per cent. Sector allocations (as they would be referred to today) were listed as railways and transport companies, 14 per cent; electric, lighting, gas and public utility companies, 12 per cent; commercial and industrial companies, 53 per cent; banks, financial and trust companies, 15 per cent and foreign government and municipal loans, 6 per cent.

By early 1939, a further gradual shift towards equity investment had taken place. Approximately 38 per cent of the portfolio was now invested in equities, while the overall portfolio by now contained no fewer than 666 different securities. Geographically, the holdings were divided between 'Home', 58 per cent; USA, 14 per cent; British Colonies and Dependencies, 13 per cent; the remaining 15 per cent being invested mainly across South and Central America with a minuscule 0.6 per cent in Europe.

Another problem suffered by many investment trusts in the late 1930s was that of bond defaults, putting pressure on the revenue account. In its coverage of the 1939 Chairman's Speech, the Glasgow Herald of

11th March that year gave prominence to the problem, under the headline "Uncertain conditions affect [Scottish Western's] earnings."

The extent of the difficulty was clearly significant. In his speech, Sir John Cargill referred to "defaults and smaller distributions, principally in U.S.A., in this country, in Brazil (where there was a total default), the Argentine, and British Colonies and Dependencies, with the result that our gross revenue shows a very considerable reduction." Given this alarming prognosis, it is almost a relief to find that the total annual dividend that year, though back at 1920s levels, was still 13 per cent, while the preference stockholders continued to be paid their 4.25 per cent through thick and thin and might have been excused for not knowing that the Depression had taken place at all.



Top
Neville Chamberlain, Chancellor of the Exchequer, approved a loan of £9.5m to assist Cunard in the completion of the Royal Mail Ship (RMS) Queen Mary which subsequently symbolised the gradual emergence from the depression.

Bottom
The RMS Queen Mary on her maiden voyage in 1936.

The Second World War

There cannot be many investment trusts of which it can be said that one-third of the Board were sufficiently young, not to mention fit and able, to enter active military service upon the outbreak of war.

The Minutes of the Scottish Western Board Meeting of 20 September 1939, less than three weeks after the declaration of the Second World War, show that leave of absence had been granted to Alistair Murray and Michael Fleming "for an indefinite period on military service", Alistair being replaced as a director, for the duration of the conflict, by his brother, J. I. Murray.

Only one of these two volunteers was to return. Barely a year later, Captain Michael Fleming was severely wounded and taken prisoner during the retreat to Dunkirk, later dying of his wounds.

At the March 1941 Annual General Meeting, Sir John Cargill paid tribute to "the memory of Captain Michael V. Fleming, whose name, like that of his father before him, is now added to the long roll of honour of the flower of the young manhood of our Empire who have laid down their lives not only in defence of their country and homes and those they loved but in the sacred cause of civilisation and the freedom of the whole world. A grandson of Mr Robert Fleming, one of the most prominent pioneers of the great world of investment and trust companies, a member of the firm of Robert Fleming and Co. and a director of all the companies of the Scottish Western Group, Captain Fleming threw his whole heart and energies into his business life and held out every promise of being a worthy follower in his grandfather's distinguished career.

[1] Michael Fleming was Adjutant of 4th (TA) Battalion, Oxford and Buckinghamshire Regiment. At the outbreak of war in 1939 he raised a whole platoon for the Battalion from workers on the Fleming's Nettlebed estate and the local Henley district, who fought beside him. In 1940 the unit delayed the German advance to Dunkirk, allowing others to return to England. Setting up defences in the ancient hill top town of Cassel, 20 miles from Dunkirk, they withstood fierce German bombardment for three days.

The Territorials acquitted themselves bravely with Captain Fleming, although seriously wounded, courageously riding his motor bike around the defensive positions to lift the spirits of his men, now very tired and hungry. Michael was Mentioned in Despatches on three occasions.
See http://parish.nettlebed.org/Warriors%20of%20WW2%20web%20version.pdf.

COUNTRY'S DEBT TO FINANCIAL INSTITUTIONS

At the annual general meeting of the Scottish Western Investment Co., Ltd., last month I drew attention to the debt which our country owed to the financial institutions, such as the banks, trust companies, and insurance companies for the very valuable reservoir of dollars which they had accumulated through their large purchases of American securities of every description. The control of these securities has gone a long way to enable the Government to finance its huge purchases of munitions and foodstuffs from America during the "cash-and-carry" period, and until the "Lease and Lend" Bill came into being. Great tribute should be paid to President Roosevelt, the author of this Bill, which represents such a far-reaching contribution from the great and friendly nation across the Atlantic in its determination to help us in every possible way to win the war. By sponsoring this great act of statesmanship President Roosevelt has proved himself a worthy successor of the equally great Theodore Roosevelt, who in the last war threw his whole weight and influence on to our side in the great fight we then waged, and for the same cause—the cause of right and freedom against the same foul Hun forces which for centuries have been the disturbers of the peace of Europe and have waged war by the same inhuman and bestial methods since the days of Attila.

British Government Securities. -

£150,000	2½% National War Bonds	1949/51.
£ 50,000	do. do.	1951/53.
£100,000	do. do.	1952/54.
£ 50,000	3% War Loan 1955/59.	
£ 40,000	3½% War Loan.	
£ 1,500	3% Defence Bonds (Fourth Issue)	
£ 25,000	2½% National War Bonds	1954/56.
£ 20,000	3% Savings Bonds 1965/75.	

Left
A clipping from the Scotsman of 1 May 1941.

Top right
Captain Michael Fleming.

Bottom right
Extract from the 1942 Report and Accounts. During World War 2, as in World War 1, portfolio switches were made into War Loans and Bonds to help to pay for essential supplies.

Opposite
Some of the 330,000 men saved from Dunkirk are picked up by a French boat in mid-channel.

To his undoubted business abilities Michael Fleming added a bright and happy nature which endeared him to all who came into contact with him, and by his untimely passing your company has lost a valuable director, and we, his fellow-directors, an ideal colleague."

The casualties of war were not confined to those on overseas service. The "Clydebank Blitz" of 1940/41 caused relatively little damage to the shipbuilding yards themselves but devastated local buildings and tenement housing leaving 40,000 homeless and more than 1,000 dead, though the true figures were masked in the press of the time.

It says something for the Glaswegian spirit that within seven months of the end of the raids, 95 per cent of the immediate repairs to the dockyards had been carried out, even though the displaced workforce was now required to travel up to 30 miles daily to their place of work. War notwithstanding, the work of the trust went on. Some investment decisions, such as the purchase of ordinary shares in Shell, Courtaulds and, perhaps less obviously, the Malaya Tin Dredging Company, followed the usual pattern. Others, such as portfolio switches into National War Bonds, not to mention a charitable contribution of £125 to the Clydeside Air Raid Distress Fund, were more a sign of the times.

Sir John Cargill stepped down in May 1943 after a remarkable 34 years of service to the Board. He was succeeded as Chairman by Mr R.F. Barclay.

Despite the incoming Chairman picking up the mantle during some of the darkest days of the war, he was able to report that both revenue and capital valuations had improved over the previous difficult years, such that it was possible to pay an annual dividend of 10.5 per cent, while "the Board have taken advantage of the high prices now ruling to sell certain investments which appear to be over-valued … though suitable [replacement] investments are difficult to obtain at present."

Even two years later, the Directors were still keeping a portion of the Company's funds in liquid form and during the year (1945) further purchases of short-dated government securities were made.

Entering the post-Second World War era

By 1945, the Company was 29 per cent invested in bonds and debentures, 30 per cent in preference shares and 41 per cent in ordinary shares. Geographically, the picture was entirely different from the Americas-orientated distribution during the Robert Fleming era. By now "Great Britain and Empire" accounted for some 83 per cent of the portfolio, the remainder being invested in the United States of America, 4 per cent; South America, 6 per cent and other countries, 7 per cent.

The trust's total assets still amounted only to a little under £3m at this time. This might seem a modest achievement until it is considered that both ordinary and preference shareholders had received substantial dividends - and maintained their capital - throughout the Company's near 40-year life spanning two World Wars and the Great Depression.

With the war now over, Alistair Murray rejoined the Board, having been released from the Army, and, he and his brother James Ian Murray were appointed joint managers on 1 April, 1945, each at a salary of £710 per annum.

The dependence of this country on Marshall Aid and the failure so far to balance our dollar expenditure makes, however, our economic future one of grave anxiety.

Tea investments

The trust's archives reveal that several investments were made in tea companies in the early years following the Second World War, though the reasons for doing so are not given. These included the The Assam Co. Ltd, The Bogawantalawa Tea Co. Ltd, The Jorehaut Tea Co. Ltd, The Pabbjan Tea Co. Ltd and The Lunghla (Sylhet) Tea Co. Ltd.

Dating to the same time is a new investment in the Greyhound Racing Association Trust, Limited, 8 per cent Cumulative Preference Shares.

Did the trust's Board like nothing better than to sit down and watch greyhound racing over a pot of tea?

In 1947, the trust's 4 per cent Debenture Stock, issued at 99 was redeemed at 103 pence and replaced with a similar amount of 3.5 per cent Debenture Stock redeemable on or after 31st May 1967. "The conversion", said Mr R. F. Barclay in his last year as Chairman, "will result in a saving of interest, on a full year, less income tax of 9/- (45p) in the pound, of £2,970. "The winter of 1946/47 proved to be the coldest since 1881. A bright economic outlook must have been difficult to foresee. Taken with the continuing rationing of meat, bread and clothing and the country's coffers depleted by war, the government implemented a vast nationalisation programme. Perhaps for these reasons the new Chairman, Mr T.P. Spens simply said in his March 1948 AGM Speech that "at the moment the economic position of the country holds too many uncertainties to prophesy the future income of the company."

"The dependence of this country on Marshall Aid and the failure so far to balance our dollar expenditure makes, however, our economic future one of grave anxiety." The winter of 1946/47 was the worst since 1881.

The mood of foreboding had scarcely lifted two years later, when Mr Spens felt obliged to report that "The dependence of this country on Marshall Aid and the failure so far to balance our dollar expenditure makes, however, our economic future one of grave anxiety."

Below
The winter of 1946/7 was the worst since 1881.

Post-War growth

Eventually, the economic tide did turn and the post-war equities boom took hold. With an increasing proportion of the company's assets being invested in ordinary shares, and with the preference shares and debenture stock still in place, the trust was geared into the recovery to a substantial extent.
To put the level of gearing into context, at the beginning of the 1950s, Scottish Western's total assets had still only just breached the £3m barrier, of which some £560,000 was made up of Preference Capital and a further £912,000 of Debenture Stock.

These figures might have looked moderate in the days when the very great majority of the portfolio was invested in fixed-interest securities, but the ratchet effect on the ordinary shares' performance would be considered hair-raising by the standards of later years.

In the event, the Board's timing and judgement proved correct in leaving the structural gearing in place as the global economy grew. By 1955, it was being reported that "the market value of our investments over their book values, at 81.81 per cent, show an increase of 44.80 per cent compared with that a year ago … our stake in Canada and the United States of America is now 30.34 per cent." Dividend growth - and fairly substantial growth, at that - had also been resumed such that annual distributions of 14 per cent made in the late 1940s had risen to 22 per cent by 1952 and to 31 per cent in 1955, dividends still being expressed as a percentage of issued value at this time. The fraternal investment management team had clearly matured too. The Chairman went on to record "our thanks to our managers, Mr R. Alistair Murray and Mr J.I. Murray, for their watchful attention to the interests of our company."

One difficulty facing investment managers and trust Boards at that time, but now largely forgotten, was the imposition of the so-called "dollar premium", in which foreign investment could only be made using artificial "investment dollars" which came from a currency pool of existing investments. Mr Spens had cause to mention this disadvantage in his 1952 Chairman's speech, in which he described the way that "the Treasury requisition of [dollar] securities during the war reduced our pre-war holdings. Our recent dollar purchases have had to be made at a premium, but this is discounted in the valuation and the stocks are valued at New York and not London prices."

By 1956, moves were being made to realise a number of the less readily marketable ordinary stocks and preference stocks. As a result, the number of investments has been reduced from 715 to a still hefty 627. Geographical distribution was dominated by "Home" investments, 45 per cent, and the United States of America, 30 per cent, the remainder being distributed largely among countries of the British Commonwealth. The accounts also show that weighting in ordinary shares had now reached a fraction under 90 per cent, a figure that would rise to 95 per cent by the end of the decade.

Notwithstanding the Suez Crisis and other political uncertainties, Scottish Western had, by early 1959, expanded into a £6.4m trust. The accounts - still using the by now old-fashioned jargon of the day, reported "an appreciation over book values of 108.33 per cent - the highest figure in the history of this Company."

An appreciation over book values of 108.33 per cent – the highest figure in the history of this Company.

Merger with Caledonian Trust

The time had come for the first in a series of mergers, rationalisations and name changes.

A figure now entered the frame who would be central to the trust's development - and, later, to the formation of Murray Johnstone itself. Raymond (later Sir Raymond) Johnstone joined Robert Fleming & Co. as an investment analyst in 1955, shortly after qualifying as a chartered accountant. After five years, he was approached by the Glasgow accountancy firm of Brown, Fleming and Murray to become their partner in charge of investment management. After four or five years in London, he could not wait to get back to Scotland. As Sir Raymond explains:

When I arrived in Glasgow there were eight trusts: there was Scottish Western, Second Scottish Western, Third Scottish Western; Caledonian and Second Caledonian, First, Second and Third Clydesdale. They all did exactly the same thing, so every time I decided to buy or sell I bought in the right proportion of the same stock for every company! A complete waste of time, so we decided to amalgamate. We couldn't do the whole lot into one and so we amalgamated them according to their date of formation because then all their debentures and things fitted in with each other.

Sir Raymond Johnstone, interview, 2007.

In the first of these moves, Scottish Western, while retaining its name, merged with the Caledonian Trust Company in November 1959 to form a newly enlarged company whose total assets had reached £17.1m by the end of the following year.

The 1961 accounts list the performance record of the trust over the previous ten years, while adjusting for the merger of the two companies, which had anyway had similar portfolios. Though asset performance is not strictly comparable, because of capital changes, etc, it is still noteworthy that the market value of the trust's investments increased some 2.8 times over the decade. The dividend record was, if anything, even better. It is sometimes forgotten that gearing can also have a significant effect on the revenue account - a factor that Mr Spens, reflecting upon the previous ten years, described at that year's AGM: "the effect of the gearing is that while Gross Revenue has doubled, the distribution to stockholders has increased by more than 3.4 times". The process of portfolio reduction continued. Despite the amalgamation of the two trusts, the total number of investments, at 471 in 1961, was actually lower than the 566 for Scottish Western alone in 1958 - a further sign of the degree of former duplication between the trusts.

Changes in both the Board and the management had also taken place. In 1962, Sir R. Alistair Murray, who had been awarded a Knighthood in the previous New Year's Honours List, stood down as joint manager, in preparation for succeeding T.P. Spens as Chairman later that year.

The trust was entering a new and, as it turned out, challenging era in robust shape. Unfortunately, difficult times were ahead, especially for the trust industry, and matters would get a good deal worse with the introduction of the 1965 Finance Act.

The 1960s

"The Sixties" is a term used descriptively by those seeking to document the past, nostalgically by some of those who joined in the social revolution of the day and derogatively by those who regard the era as one of irresponsible excess.

Those working in the investment trust industry at the time probably lean to the latter view, the excess in question not referring to any form of personal behaviour, however, but to the series of legal and tax changes that could turn a fund manager's previously routine tasks into a nightmare. The 1965 Finance Act alone introduced the abolition of relief from double taxation on overseas investments, corporation tax, long term capital gains tax (with certificates, or 'soup tickets' to allow investors to avoid double taxation) and a 25 per cent levy on overseas currency premium surrender that hampered the management of overseas investments.

After a four-year period as Chairman, Sir Alistair Murray, who had served the trust since the 1920s, was succeeded by his brother James Ian Murray in August 1966. Lord Clydesmuir also joined the Board in 1965, as a replacement for Sir A. Murray-Stephen who resigned that same year. From 1st July 1965 Brown, Fleming and Murray CA changed their name to Whinney Murray & Co. and continued as Managers and Secretary under the new name.

It was J. I. Murray's unenviable duty to try and convey the complexity of the 1965 Finance Act to the shareholders in the annual report. The following extract captures some of the difficulties being faced:

"During the past year the company has been feeling the adverse influence of the deflationary measures taken by the Government to strengthen the country's balance of payments position combined with those of the 1965 Finance Act which was deliberately aimed at making overseas investment unattractive for companies such as ours. Our first aim must be at least to maintain, during the difficult period which lies ahead, the rate of dividend at present being paid. ...Of course our income could be quickly improved by withdrawing funds from America and re-investing them at high-yields in equities in this country, the dividends of which would be franked. This we have not done so far. Nor is it our intention to do so as long as the investment prospects here are less favourable than they are in America. On the basis of current taxation at home we are virtually forced, apart from limited purchases of preference shares, in to the equity market and this could hardly be thought to be an attractive field at the present moment. There is a complete lack of confidence in business and this, I am afraid, is bound to continue as long as government expenditure goes on rising and prospects are for more and more controls, mounting taxation, fewer incentives and lower profit margins."

J.I. Murray, 1967 Chairman's Remarks.

Left
City commuters cross London Bridge on their way to work in 1965.

International exposure and diversification have been the Company's hallmark since its first day.

Despite such concerns, political turbulence including industrial unrest, the Cuban missile crisis, the Six-Day War and the devaluation of the pound in 1967, the trust continued to progress. Moving into the investment terminology of the modern era, net asset value (adjusted for a series of capitalisation issues and other capital changes during the sixties) had increased to a new peak of 41/9 (£2.0875) per ordinary share by 1969, accompanied by headline total assets which broke through the £50m barrier for the first time that year.

Introduction of "B" Shares

One of the consequences of the numerous rules and regulations introduced during the 1960s was that many trusts were badly affected by the reduction in income received from their overseas investments. The "B" Share, a simple but ingenious idea introduced by Raymond Johnstone not just to Scottish Western but to the entire trust sector, helped to counter this problem until such time as dividend income improved. Instead of a cash dividend, shareholders were given a tiny scrip issue to an equivalent amount, with an annual option to convert into ordinary shares. "B" shares were effectively a precursor to the dividend reinvestment scheme that would appear in later years.

Launch of Murray Johnstone as managers

By the late 1960s, it was no longer regarded as sound corporate governance practice for firms such as Whinney Murray to conduct both accountancy and investment management functions under the same roof. This conflict was resolved with the formation of Murray Johnstone & Co. and its appointment in 1969 as manager of Scottish Western and its sibling trusts. The move heralded the dawn of the investment management company that is regarded as the norm today. "We shall continue to foster our close links with Robert Fleming & Co.", the trust's 1969 Accounts record, "but Murray Johnstone & Co. welcomes and examines investment information and suggestions from any reliable source."

By January 1969, Chairman J.I. Murray was reporting that "inflation has again continued unabated. …not unnaturally, this factor has reflected in the results. … I cannot see a further rise in capital values on the scale that we have seen recently." And so it proved, asset values falling by a few percentage points in both 1970 and 1971 before recovering all of the lost ground the following year.

Dividends, on the other hand were not just maintained but increased, to a new peak of 2.1875 pence per share by 1971, compared with a restated figure of some 1.4167 pence eight years earlier. This figure, which was maintained in 1972, was a commendable performance given the challenges faced during the years in question. Total assets also increased to a record £81.1 million. It was a fitting note on which for Mr Murray to retire after serving the trust continuously, bar his war service, as a manager and later director and Chairman, since 1929.

The asset allocation of investments was very different to that which either of the brothers would have recognised when they joined the company. By the early 1970s, equities made up c. 99 per cent of the total with virtually negligible fixed interest exposure. The focus on international exposure and diversification, on the other hand, has been the trust's hallmark since its first day. In 1972 this involved exposure to the United Kingdom, 46 per cent, USA, 30 per cent, Japan, 10 per cent, Asia and Australia, 6 per cent, Europe, 5 per cent and Africa, 3 per cent.

Postal strikes and bear markets

A change in the company's financial year end from 15 January to 31 December took place in 1971, producing the odd result that the trust was required to issue two annual reports for the same year.

Before electronic communications and file transfers, a postal strike meant that the company was unable to print the Notice of the AGM in the Annual Report and it had to be promulgated later on when the postal strike was resolved.

The 1971 postal strike affected the distribution of the 1971 Annual Report.

1972 had been a record year but the incoming Chairman, J.A. Lumsden, was shortly to be confronted with the worst bear market conditions since the Wall Street Crash. The FT-Actuaries All-Share Index, which had begun in 1965 at 100, stood at approximately 221 at the end of 1972. Two years later it had fallen to 66.8, a decline of almost 70 per cent, driven down by the 1973 oil crisis, strikes, surging inflation and balance of payments crises.

As on so many previous occasions, the trust's revenue account stood up remarkably well despite the market turmoil. Both earnings and dividends were maintained and then gradually increased during the 1970s, giving further credibility to the 1926 Chairman's Statement mentioned earlier, to the effect that for long-term investors, fluctuating capital values are not material so long as there is no default in the payment of interest or dividends. Moreover, like every other bear market before or since, even if few would have predicted it, the end eventually comes and upward progress resumes. In the case of Scottish Western, global diversification had once again proved its worth. To quote from the 1977 Accounts, "our policy of having almost 70 per cent of equity investments overseas, primarily in the USA and Japan has paid off well … over the past ten years, the increase in the net asset value of the company has exceeded the FT Actuaries All-Share Index."

The move to Murray Western

In 1978, the Boards and managers of the five Murray Johnstone-run trusts undertook a wide-ranging policy review, part of which involved gaining the approval of investment trust boards to rationalise company names. As part of this process, mainly aimed at improving brand strength and recognition, the name was changed to Murray Western Investment Trust Limited in November 1979.

At the same time, in a move that effectively established the roots of Murray International Trust as it operates today, the trust's stated investment objective was now "to maintain a balanced portfolio base primarily upon the three major economies of the UK, the US and Japan, but with significant interests in other areas such as Asia, Australia and Europe … the intention is to continue the previous policy aimed at a balance between net asset growth and a steadily rising income."

On the wider political stage, the change of UK government in May 1979 had swiftly been followed by the sweeping away of exchange controls and important changes to the way that investment trust portfolios, in particular, had been taxed.

Mr Lumsden commented on these developments in the February 1981 Annual Report, saying that "1980 turned out to be an encouraging one for investment trust companies, UK exchange controls

Above
The 1971 postal strike affected the distribution of the 1971 Annual Report.

Over the past ten years, the increase in the net asset value of the Company has exceeded the FT Actuaries All-Share Index.

Above
Painting of 163 Hope Street, location of Murray Johnstone's original offices in Glasgow, by Ernest Hood. Murray Johnstone acquired nearly 100 works of art over a period from 1985 to 1997.

having been abolished in October 1979 and exemption from capital gains tax was granted in the Finance Act 1980."

Investment trust managers were now free - for the first time, for many of them - to make investment decisions such as portfolio switches purely on their merits. Any liability to capital gains tax was now, far more sensibly, levied upon investment trust investors when they sold their shares, removing the need for CGT calculations on each and every transaction conducted in the day-to-day running of the trust. This was a particularly useful development for Murray Western at a time when its portfolio was being fine-tuned to match its new investment remit.

In all, 1980 was a very good year for the trust, during which its assets recovered the ground lost in asset performance terms during the mid-1970s and increased on to a new peak of £83.7m, expressed as equity shareholders' interests (i.e. net), or £93.4m in gross asset terms. What none could have realised was that this was just the start of an unbroken seven-year bull run.

The 1980s boom years

The 1980s financial boom years have been flamboyantly described by Peter York as "wealth, power, tomorrow ... up-all-hours work sessions and spontaneous deal-making, eating, drinking and wassailing in the smartest environments."

How much of this wassailing ever reached central Glasgow remains open to doubt. Be that as it may, Murray Western, having repositioned itself for whatever the future might hold and geared to the tune of perhaps 20 per cent by the presence of its cumulative preference shares and debenture stocks, embarked upon a period of scarcely restrained capital growth. Assets under management swiftly broke the £100m barrier in 1982, the £150m barrier the following year, £200m in 1984 and £250m in 1986. Impressive dividend growth was achieved too, from 1.53 pence per share at the start of the decade to 5.5p by 1987.

In the Boardroom, J. A. Lumsden retired as Chairman in 1984, and from the Board at the 1985 Annual General Meeting, having attained the age of 70.

His successor as Chairman, J.F. (later Sir Ian) Denholm, commented upon the trust's investment performance in the 1984 Annual report, saying that "the five year record of the company continues to improve as the loss of the dollar premium in 1979 ceases to affect it. The net asset value over the past five years has risen by 183.3 per cent, compared with an average rise of all investment trusts of 167.4 per cent and of the FT Actuaries All-Share Index of 158 per cent."

Name change to Murray International

In 1984, two further important changes took place. In recognition of the company's global investment remit, The Board gained shareholder approval to change the name of the trust from Murray Western to Murray International Trust. The same year, Murray Johnstone itself underwent a management buyout, enabling key staff to become stakeholders in the company, "an arrangement", said the Chairman,"that will enable Murray Johnstone to obtain and retain the executives required of a first class management team."

By mid-October 1987, Wall Street, London and Tokyo had risen by 17 per cent, 41 per cent and 40 per cent in local currency terms since the beginning of the year. In the US, prime rates increased from 8.75 to 9.25 per cent and two leading US analysts predicted that a crash was coming. On Friday 16th October, the day of southern England's Great Storm, prime rates were raised again, this time to 9.75 per cent. Three days later, 'Black Monday' struck, during which the Dow Jones and FTSE-100 Indices fell by 508 and 249 points respectively in a single day.

The FTSE subsequently fell to 30 per cent below its July 1987 peak.

Against this unpromising backdrop, Murray International's net asset value fell by 10.8 per cent in 1987. It would then increase by 11.3 per cent the following year, placing the trust first in the Association of Investment Trust Companies' (AITC) income growth performance table for that in 1988.

More initiatives followed that year, the first of which, the Murray Investment Trust Savings Scheme, provided investors with a low cost and simple method of investing, either by individual lump sum transactions or on a monthly basis. For the trust itself, the generation of dividend income had, as now, become a key feature of the trust and one that differentiated it from many of its large generalist peers.

The "high yield initiative", also introduced in 1988, involved the purchase of high quality preference shares, financed by foreign currency borrowings so as to increase the company's income, which would now be distributed as quarterly, rather than half-yearly, dividends.

Each of these moves was designed to enhance the attractions of the trust which had already built up a shareholder base numbering some 7,069, of whom 5,950 were private investors. In pursuit of the same aim, in early March 1989, a further move was made to increase the trust's exposure to overseas equities and "to gain exposure to higher yielding equities judged to be out of favour with their local market … as a result, the yield of the portfolio from the main areas of investment is approximately 20 per cent above the respective local indices."

In November 1989, the Rt. Hon. George Younger MP, who was also at that time Chairman of the Royal Bank of Scotland Group, was invited to join the Board, becoming Deputy Chairman in 1992. In 1990 J. Burnett-Stuart, the immediate past Chairman of Robert Fleming Holdings, was also appointed a director.

By the end of the 1980s, Murray International had evolved into a £343m trust (£426m gross) while annual net

Above
The Rt. Hon. George Younger MP, later Viscount Younger of Leckie, was Chairman of Murray International from 1993 until 2002.

Below
The Great Storm of 16 October 1987 brought the 1980s bull market to an end.

In early March 1989, a further move was made to increase the trust's exposure to overseas equities.

dividends had risen to 9.2 pence per share compared with 1.67p in 1981. An indication of the international reach of the portfolio is given by the fact that its ten largest investments included Cheung Kong Holdings, Henderson Land Development (Far East), China Light and Power, Hong Kong Electric and Philip Morris (US).

The 1990s

As with any long-surviving investment trust, the good times never last forever - but nor, for that matter, do the bad times in between.

The next development on the world stage was Saddam's invasion of Kuwait in August 1990. By the end of the month, the FTSE-100 Index had dropped to 2100 from over 2400 and the price of oil had risen to $30 per barrel. Just a few weeks later, Chancellor of the Exchequer John Major simultaneously reduced base rates to 14 per cent and took sterling into the European Exchange Rate Mechanism (ERM). Under difficult trading conditions, the total return on the trust's net assets that year was -22.5 per cent, compared with a similar return on the FT Actuaries World Index of -30.0 per cent and on the FT Actuaries All-Share Index of -9.9 per cent. The trust, however, remained fully invested, in the belief that the previous year's falls in stock markets had left good fundamental value. As a consequence, it was well positioned for the market's extremely rapid rise that occurred in early 1991.

Below
The August 1990 invasion of Kuwait by Saddam Hussein's forces led to the first Gulf War.

This bold move, implemented by the Murray Johnstone investment management team led by David Briggs and his deputy, Bruce Stout, paid off in style. In the year to 31 December 1991, the total return on the trust's net assets was 27.9 per cent, outperforming both the FT Actuaries World Index (plus 23.4 per cent) and the FT Actuaries All-Share Index which rose by 20.8 per cent on the same basis. 1992 proved to be another strong year, the trust's assets rising to a new peak of £351.8m (£467.7m gross).

Lord Younger was appointed Chairman on 1 April 1993. Dr Michael Shea, outgoing Head of Political and Government Affairs for Hanson PLC and a former Press Secretary to the Queen, also joined the Board in July 1992. Sir Raymond Johnstone, who had already been a director from 1973 until 1981, rejoined the Murray International Board in 1989.

By the end of 1995, the trust's assets, which had risen strongly in four out of the previous five years, interrupted only by a decline of 9.8 per cent in 1994, had increased by approximately 90 per cent since 1990 to a new figure of £475.6m (£591.0m gross).

As in so many previous decades since 1907, dividend growth had been achieved as well, such that annual distributions of 5 pence in 1990 had improved to 12.6 pence per share by 1995. The icing on the cake was provided by the trust's appearance once more at the head of the AITC's International Income Growth sector for the year.

In his 1996 Chairman's Remarks, Lord Younger observed that "the principal difference between 1995 and 1996 was the strength of sterling, which appreciated by 9.1 per cent against the dollar, 23.2 per cent against the yen and by as much as 27.7 per cent against the Swiss Franc. Sterling appreciation makes it more difficult to produce good returns from the overseas portion of the portfolio and resulted in a significantly lower return for the year than would otherwise have been the case. "To some extent this was offset by the Yen 3,900 million of borrowing which contributed materially to performance on both the capital and revenue accounts."

Notwithstanding these disclaimers, the trust had another satisfactory year, net asset value per share improving 10.7 per cent, compared with an uplift in the FT-Actuaries World Index of 2.3 per cent.

Perhaps on the back of this solid performance, the once reticent Annual Accounts now listed and even included a photograph of the trust's then management team.

Holding in Robert Fleming & Co.

For many years, Murray International had held an unquoted holding in Robert Fleming Holdings, the trust, as we have seen, having been guided by and connected with the great man himself from its first day.

By 1997, the original investment in the holding company had increased in value by an astonishing 500 times. It was therefore decided "to reduce the holding to a more reasonable level. During the year some £12.4m was realised from this investment on rising prices." (Annual Accounts, March 1998).

The final directorial appointment of the decade, and indeed of the millennium, was made in October 1999, when David Benson, the Chairman of Charter European Trust, joined the board, while B.N.A. (Blaise) Hardman stood down at the end of that year.

The twentieth century was now drawing to a close, but not without further volatility on the world stage. This included the East Asian financial crisis of 1997, the Russian rouble crisis the following year and the need for leading banks to bail out a major hedge fund. In short, unpredictable conditions, as normal.

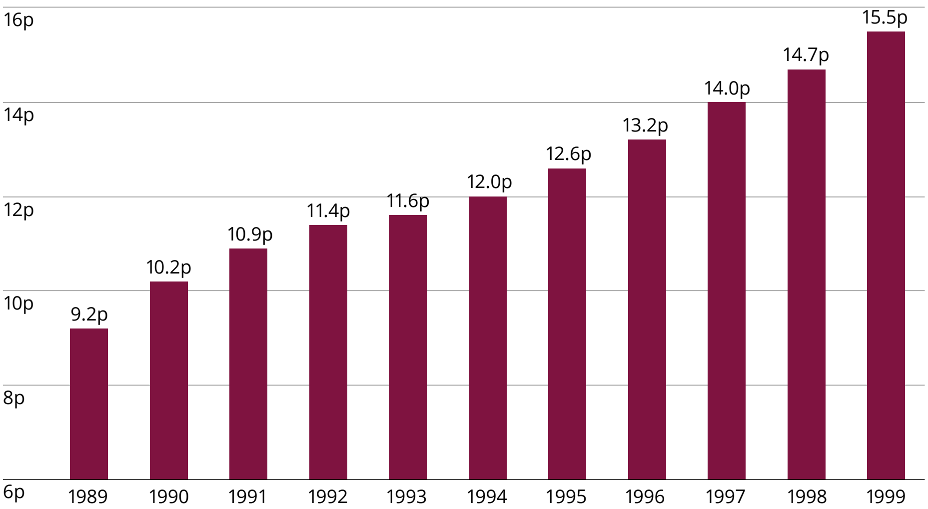
Despite all these concerns, the company was able to report the useful double achievement that shareholder return, with net dividends reinvested, was ahead of the FTSE World Index through the 1990s, while dividend growth over the decade was faster than for the International Income Growth and the UK Income Growth investment trust sub-sectors.

The trust had grown meanwhile such that equity shareholders' interests had reached a new record level of £653m, while total assets under management exceeded £789m. The discount to net asset value was some 16.4 per cent, a matter that was already being addressed via the use of share buyback powers taken by the Board in 1998.

Above
Sir Raymond Johnstone was chairman of Murray Johnstone Limited from 1988 to 1992. He was a board member of Murray International for two periods in its history, 1973 - 1981 and 1989 - 2005.

With more than 30,000 shareholders, over 25,000 of them private investors, the trust was entering the new millennium on a strong note, ready as ever to cope with any bear markets and crises to come.

Dividend progression during the 1990s



Over 1 year* up 5.4%
Over 10 years* up 68.5%

Source: Murray Johnstone

* In addition, in respect of the year ended 31 December 1998, there was an exceptional distribution of 0.8p per share to reflect the saving made from the payment of a foreign income dividend.

Entering the new millennium

With the turn of the millennium came a new benchmark for the company comprising 40 per cent of the FTSE World-UK and 60 per cent of the FTSE World ex-UK, to take effect from 1 January 2000. The move had the effect of bringing significant portfolio exposure to Japan for the first time, having previously been excluded owing to the lack of dividend yield available in that market.

The trust's investment style, on the other hand, remained focused upon offering the advantages of exposure to world markets, "while maintaining the higher income generally associated with the UK equity market." As the 2000 Annual Report put it, "controlling risk and maintaining dividend growth are the main pillars of the investment policy. Usually 100 per cent of net assets is invested in a diversified portfolio of international equities and around 25 per cent, financed by borrowings, in lower risk fixed income securities."

These hallmarks of the trust's investment style were soon to come into their own. The year 2000 was marked by market volatility following a severe correction in technology-related stocks that started in March and April. The FTSE World Index in sterling terms showing a negative return of 4.2 per cent while in the UK, the All-Share Index return was -5.9 per cent.

Against this difficult background the trust produced a total return on assets with net income reinvested of 0.9 per cent for the year to 31 December 2000 compared with -4.3 per cent for the company's composite benchmark adopted at the start of the year. As Lord Younger reported in that year's Accounts, two factors had helped the trust contend with the worst of the stock market falls.

The first was the defensive positioning of the portfolio and the second, the acquisition that year of the company's largest holding, Robert Fleming, by Chase Manhattan, which resulted in a timely £51.1 million uplift in net asset value.

2000 was also a year of change at both boardroom and managerial level. Two new directors joined in October 2000: John Trott, Chairman of Standard Life Assurance Company, who would become Chairman of Murray International in late 2002; and Fred Shedden, who had been senior partner of McGrigor Donald (now merged with Pinsent Masons) from 1993 until April 2000.

Dr Michael Shea, who had been a director since 1992, retired at the 2001 AGM. The directorial line-up was completed with the appointment of the trust's first female director, Lady Balfour of Burleigh, who is a writer, who has worked for governments in a number of countries and for a number of public companies, in 2003. James Best, previously managing director of UBS in London and Credit Suisse in Singapore, joined the board in 2005.

Acquisition of Murray Johnstone by Aberdeen

On 30 November 2000, Aberdeen Asset Management PLC acquired Murray Johnstone Limited to create an enlarged group with over £29 billion of funds under management, a figure, taking into account later mergers including the formation of Aberdeen Standard Investments in 2017, which had increased to £575 billion by 31 December 2017.

The Murray International Board welcomed "this positive move and the increase in investment and marketing resources that this will bring to your company."
In his 2001 Chairman's Remarks, Lord Younger observed that "investors enter 2002 following the worst bear market in global stock markets for thirty years and one that has run, albeit with considerable volatility, for more than two years."

In the UK, the FTSE-100 Index was to reach its peak of 6930.2 on 30 December 1999, extraordinarily close to the turn of the millennium. It then fell to a low of 3287.04 on 12 March 2003. During this period the trust's net asset value showed a total return for the year to 31 December 2002 of -21.6 per cent, compared with a return on the benchmark index described above of -25.3 per cent.

Lord Younger resigned from the Murray International Board on 6 November 2002, owing to ill health, being succeeded as Chairman by John Trott. It was with great sadness that his former colleagues learned of Lord Younger's death on 26 January 2003.

In that year's Accounts, Mr Trott said that "Shareholders will be aware that he was held in the highest regard by his colleagues on the Board, the City and all who had dealings with him in his many and varied interests."

War and market recovery

The 2003 Accounts were published on 19 March of that year and in them, with 100,000 Allied troops already positioned in Kuwait, the Chairman pointed out that "we are witnessing a major build-up of military personnel and weaponry in preparation for a war with Iraq. The markets have been weak reflecting the uncertainty."

Above
John Trott, Chairman from 2002 - 2011.

Above
Bruce Stout became Senior Investment Manager in 2004.

The very next day, on 20 March 2003, presumably as the Annual Report was being despatched for print, Allied forces invaded Iraq. The uncertainty was over, Saddam would ultimately be deposed, and the markets responded accordingly.

Aided by the recovery in market confidence, the trust produced another set of good figures, with a net asset value total return of 25.5 per cent, considerably ahead of the return on the benchmark index of 19.9 per cent. The share price total return of 36.5 per cent also reflected "a substantial, and welcome, reduction over the year in the level of discount at which the shares trade in the stock market."

The figures were a fitting send-off for David Briggs, who retired in June 2004 and who had been responsible for the day to day management of the trust since 1988. He was succeeded by his then deputy manager and present senior investment manager, Bruce Stout, who turned in another year of out performance. In the year to 31 December 2004, the trust achieved a positive net asset total return of 14.1per cent, or 17.3 per cent in share price terms, as against 9.4 per cent for the benchmark.

Sir Raymond Johnstone retired at the AGM held on 3 May 2005. He had played an enormous part and, indeed, for many years the major role in the evolution and management of the trust, his departure marking the end of an era dating to the late 1950s.

The trust's financial year to 31 December 2007 marked the fifth consecutive year of positive returns in both net asset value and in earnings per share. In the centenary year itself, the net asset value total return for the 12 months to 31 December 2007, with net dividends reinvested was 14.9 per cent, compared with a return of the benchmark of 8.7 per cent.

Below
A symbol of the aftermath of the banking crisis.

Warning signs

Unfortunately, early warning signs of the next great financial crisis were already beginning to emerge. As John Trott noted in his Chairman's Remarks signed off in March 2008, "in 2007 we saw evidence of the downside of globalisation as the problem of sub-prime loans in the United States affected banks throughout the world. The difficulties spread to a wider range of financial instruments with any form of structured product coming under suspicion. In the UK the problems of Northern Rock highlighted the reluctance of banks to lend to each other, which in turn led to sharp rises in interest rates in the inter-bank market … tough times are ahead … since the year end we have seen a sharp downward move in markets accompanied by increasing volatility."

The onset of the banking crisis, when it struck, came as little surprise to Bruce Stout, who, this author can personally attest dating to his analytical career, had been forecasting something similar for several years. Stout had long felt that US and UK banks in particular suffered from structural imbalances and over-indebtedness, and that eventually something would give.

While the trust's portfolio had been placed on a defensive footing, being heavily underweight in the UK and North America in favour of Asia an Emerging Markets, the resulting "Credit Crunch", when it came, starved virtually all financial institutions of available capital, affecting asset classes across the board.

Against this testing background, the trust's negative net asset value total return of 12.3 per cent in 2008 may be put into true perspective by a fall in the benchmark total return of 21.7 per cent on the same basis.

Then, as market confidence lifted sharply during 2009, causing the trust's board and manager to increase gearing temporarily, a third successive year of strong relative performance took the form of an increase in NAV total return of 28.6 per cent, with an even more dramatic rise of 35.2 per cent in share price total return terms, each figure well ahead of the 22.5 per cent gain in the benchmark on the same basis.

Murray International Trust, in short, had a very good banking crisis indeed.

VAT Refund

Meanwhile, away from the dramatic headlines and market volatility, the industry's trade body, the Association of Investment Companies (AIC) had quietly been achieving a remarkable victory behind the scenes.

It had been a long road, involving the AIC taking its case all the way to the European Court of Justice, but HM Revenue & Customs ultimately agreed that VAT on management fees should not have been incurred by UK investment trusts. In Murray International's case, a refund of some £1,337,190 was received during 2008, covering the VAT charged on fees, with the prospect of further smaller amounts to be distributed in the future, as well, of course, as the cumulative beneficial effect of being free from liability to VAT on fees over the years to come.

Share buybacks and issuance

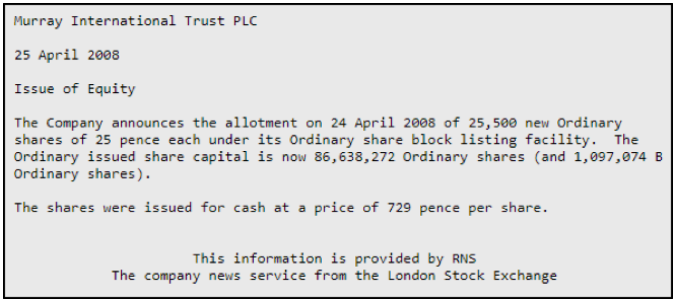
Unmentioned thus far is that Murray International, in common with the vast majority of its sector peers, had traded at a discount to its underlying net asset value for decades, indeed in most cases for as long as accurate records had been available.

Numerous academic studies have sought to explain this apparent anomaly, given that investment trusts, as diversified, low cost, professionally managed funds might reasonably be expected to carry a premium over the alternative and time-consuming route of self-selecting and running a portfolio of individual holdings. Yet numerous investment trusts, including some of great quality and with strong performance records, have found it necessary to buy back millions of their own shares to maintain their discount at a reasonably moderate level.

Against a backdrop of falling wider interest rates over past years, however, it has become a different story where trusts are generating a substantial dividend yield, especially where this is accompanied by creditable asset performance.

A third successive year of strong relative performance ... a very good banking crisis indeed.

Above
London Stock Exchange announcement of the April 2008 issuance of new Murray International Trust shares.


Murray International Trust PLC

25 April 2008

Issue of Equity

The Company announces the allotment on 24 April 2008 of 25,500 new Ordinary shares of 25 pence each under its Ordinary share block listing facility. The Ordinary issued share capital is now 86,638,272 Ordinary shares (and 1,097,074 B Ordinary shares).

The shares were issued for cash at a price of 729 pence per share.

This information is provided by RNS
The company news service from the London Stock Exchange

In the trust's case, a discount to net asset value that had exceeded 15 per cent in 2002 narrowed significantly over the succeeding years to the point where by 2008, the rating had not just moved into premium territory but remained there for much of the year.

With buyers prepared to pay above net asset value to obtain a stake in a given investment trust, it can make sense to meet such demand via the issuance of new shares. The London Stock Exchange announcement above shows one of the earliest of numerous bouts of issuance of Murray International shares which have been made over the past decade.

There are several benefits to such a move. To begin with, liquidity - that is, the ability to buy or sell the shares easily in any quantity - is improved as the trust expands. Secondly, many running costs are fixed and, as the fund expands, these can fall in percentage terms.

Last but not least, such issues are invariably made at a small premium to net asset value, with the effect of increasing the NAV per share for existing holders. Returning to the fortunes of the trust, by early 2010 Bruce Stout was reporting that "overall, equity valuations are nowhere near as attractive as this time last year, but we believe potentially decent investment returns still exist for focused international investors".

Passing the £1 billion barrier

Despite the manager's cautious stance, which has been a prevailing characteristic throughout the politically volatile years since the end of the global banking crisis, 2010 turned out to be another excellent year for the trust. Net asset value and share price total returns were respectively 24.7 per cent and 27.2 per cent, once again ahead of the benchmark's 14.9 per cent on the same basis, while total dividends increased by 18.5 per cent, excluding a special one-off 2.5p dividend paid that year.

67 million new shares were also issued in 2010 which, taken with the strong asset performance, took gross assets through the £1 billion for the first time.[1]

Below
The 2009 Annual General Meeting was held in Glasgow's Royal Concert Hall.

[1] Net assets of £967.7 million at the end of 2010 would pass the billion-pound barrier in early 2012.
Source: Annual Report.

It was on an upbeat note, therefore, that John Trott stood down as Chairman after the 2010 AGM, being succeeded by Dr Kevin Carter, a former head of EMEA Pension Advisory Group at JP Morgan and a past CEO of Old Mutual Asset Managers in both the UK and the US and who had been a director of the trust since 2009.

Dr Carter paid tribute to his predecessor in saying "I would like to reiterate the Board's thanks to Mr Trott for his valuable contribution to the Company over many years".

Other boardroom changes dating to this period included the appointment of Peter Dunscombe, former head of Pensions at the BBC Pensions Trust and former investment manager Ella Brown, both whom joined the board in 2011, though Ms Brown resigned later the same year to pursue a career opportunity overseas. Marcia Campbell, former operations director at Ignis Asset and group operations director and CEO Asia Pacific at Standard Life before that, joined the board a year later.

Looking back on 2011, a year in which the trust's assets had broadly marked time, while the trust's benchmark fell by 4.6 per cent in total return terms[2], Bruce Stout observed that "the crisis of public sector indebtedness in the developed world proved to be the single most powerful factor influencing financial returns … stock markets were predominantly negative."

Notwithstanding the disquieting political backdrop, the following year marked a welcome recovery for global equity markets, in which positive total returns of 14.0 per cent and 19.0 per cent at the NAV and share price level once more outperformed the benchmark's equivalent return of 11.4 per cent. "The key positive influences", Kevin Carter noted that year, "were a significant overweight position in Asia ex Japan and excellent stock selection in Latin America." Share issuance of £99 million also took place during the year.

Recent history

It is not easy, in an account of this kind, to judge the events of the most recent few years with any sort of historical perspective. Manager Bruce Stout, with the full support of the Murray International Board, has maintained a watchful and predominantly defensive stance for much of the last decade.

The fund manager's scepticism about the long-term effects and merits of quantitative easing (QE) by Central Banks - and what he regards as other misguided policy initiatives - are well-known to all who have heard him speak. One of his more measured observations, during what historians might in future refer to as the "QE and Brexit" phase of economic history, is shown below.

Universal recognition of basic common sense remained distant from Western politicians and policymakers as they intensified their efforts to convert their currencies into confetti. For, without doubt, the process of quantitative easing, or printing money in straight-talking vernacular, dominated the economic landscape over the past twelve months. Extolling the virtues of fiscal prudence and economic austerity, Central Banks conducted the rhetoric of resolve and restraint, but behind the scenes the monetary printing presses provided the orchestral support for evolving events. Seemingly neither concerned nor embarrassed by flooding financial markets with extra liquidity, government balance sheets deteriorated further.

Bruce Stout makes his views crystal clear in the trust's 2012 Annual Report.

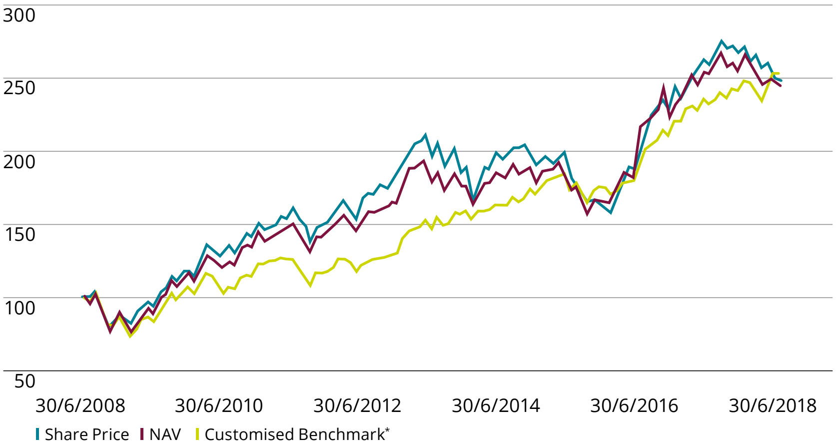
[2] Actual figures for calendar year 2011 (all total return figures): net asset value, -0.1 per cent; share price, +1.3 per cent; benchmark, -4.6 per cent. Source: Annual Report.

Bruce's wider thoughts – perhaps destined to be published in book, one day, on the lessons of financial history - have been recorded for posterity in an excoriating series of Manager's Reviews in the trust's Annual Report and Accounts over the past ten years or more.

Returning to the fortunes of the trust, low single figure positive total returns were generated at the NAV and share price level in both 2013 and 2014. Though welcome in the absolute sense, both sets of figures were some way behind the benchmark returns of 25.8 per cent and 7.6 per cent respectively, as developed equity markets continued their almost logic-defying bull run. 2015 proved even tougher, in relative terms, as the trust's NAV and total returns were both in negative territory, at -7.8 per cent and -15.2 per cent respectively, whereas the benchmark rose fractionally by 2.6 per cent on the same total return basis. Under such market conditions, Kevin Carter noted in his March 2016 Chairman's Remarks, "the Company's yield focused, value-conscious, diversified portfolio style has struggled to keep up … your Board has conducted a strategic review with the Manager to consider its response to these difficult conditions and continues to believe in the principles of broad portfolio diversification, emphasis on high quality businesses and focusing on companies with strong balance sheets. The Board and the Manager remain committed to this approach as the best portfolio strategy to pursue in order to achieve the Company's investment objective."

Murray International – Net Asset Value and Share Price Total Return rebased to 100 (with net dividends reinvested)

Ten Years to 30 June 2018



Total return; NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis. Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at fair value including current year revenue
Source: Aberdeen Standard Investment and Morningstar

The decision to hold firm to the trust's principles would be firmly underpinned the same year when, aided by a decline in Sterling versus the dollar of some 11 per cent, the trust recorded an NAV total return of 40.3 per cent, or an even more rewarding 50.5 per cent in share price terms, as against 25.8 per cent for the benchmark, for 2016.

Further positive total return figures, of 14.7 per cent, 11.0 per cent and 12.8 per cent were achieved the following year at the NAV, share price and benchmark level. During these periods of fluctuating capital fortunes, meanwhile, total annual dividends had been increased year in, year out to a new peak figure of 50.0p for 2017.

A turbulent ten years

The ten years since the trust's centenary in 2007 have included some of the most volatile and unpredictable market conditions in modern financial history. During these events, Murray International has gone on providing its shareholders with a professionally-managed, globally diversified investment portfolio, achieving long-term capital growth while generating an attractive and growing stream of dividend income.

The chart on the previous page reveals that whatever perturbations have occurred over short timescales, Murray International has outperformed its benchmark at both the net asset value and the share price level over the ten years to 31st December 2017, as well as increasing its dividends every year.

In the Boardroom, David Hardie, a corporate lawyer and former partner of Dundas & Wilson (now part CMS Cameron McKenna) was appointed in 2014. Fred Shedden stood down the same year, having, the Chairman noted, “joined the Board in 2000 and served the Company in exemplary fashion as both Senior Independent Director and as Chairman of the Audit Committee”.

Alexandra Mackesy, a former equity research analyst, having served a major portion of her career in Asia, became a director in 2016. Most recently Claire Binyon, a chartered accountant and corporate development director at Fenner PLC, joined the board in April 2018. Lastly James Best retired from the board after the 2018 AGM, having been thanked by his colleagues for “his outstanding contribution ... since his appointment in 2005”.

Taking stock

Murray International is now the largest investment trust in the AIC’s Global Equity Income sector, with net assets, at the time of writing in mid-2018, of £1.47 billion (£1.66 billion gross), while an average of £1.8 million of shares are traded every day. Its investment portfolio, the ten largest holdings within which are listed above, is

No.	Ten largest portfolio holdings as at 31 May 2018	% of total investments
1	Taiwan Semiconductor	4.4
2	Quimica Y Minera	4.2
3	ASUR	4.0
4	Taiwan Mobile	3.3
5	British American Tobacco	3.3
6	Daito	3.0
7	Total	2.8
8	Unilever Indonesia	2.7
9	Philip Morris	2.5
10	CME	2.4
	Total percentage invested in “top ten”:	32.6

Source: Aberdeen Standard Investments, June 2018

made up of 50 equity and 27 bond holdings, c. 29 per cent of which by total value are invested in Asia Pacific (ex-Japan), 26 per cent in Latin America, 15 per cent in North America, 13 per cent in the UK, 10 per cent in Europe (ex-UK), 4 per cent in Japan, 2 per cent in Africa and 1 per cent elsewhere. Of this total, c.83 per cent is invested in equities, with the balance in fixed income securities, the latter predominantly in Latin America, Asia and Africa.

The trust’s dividends have been increased every year since 2005 and represent a yield of more than 4.5 per cent at the prevailing share price. Total running costs, meanwhile, are competitively low, with an Ongoing Charges Ratio of 0.64 per cent.

Murray International Trust, in short, is in robust shape. With a truly globally diversified portfolio - even more so than in earlier years - it looks well positioned to go on creating shareholder value, riding out whatever tests are put before it, for another 111 years, if not more.

“Times change, but the trust’s search for innovative and strong companies around the globe continues. Taiwan Semiconductor Manufacturing is today is one of the largest holdings in the portfolio, one of the largest integrated circuit manufacturers in the world.”

Directors of the Company, 1907-2018

	Director	Chairman
A. Bonar Law MP	1907-1912	1907-1912
David Murray LLD	1907-1928	1912-1928
W. Mackenzie	1907-1922	
Robert King	1907-1910	
J.T. (later Sir John, Bt) Cargill LLD	1907-1943	1928-1943
R.A. (later Sir Robert Alistair) Murray MBE	1937-1939 & 1945-1966	1962-1966
Sir David McCowan	1925-1937	
J. I. Murray	1939-1945 & 1959-1961	1966-1971
R. F. Barclay CBE LLD	1929-1948	1943-1947
Michael V. Fleming	1938-1941	
T. P. Spens OBE MC WS	1938-1966	1948-1962
Sir A. Murray Stephen MC LLD	1943-1965	
Robert Laidlaw	1950-1961	
D. A. C. Parker OBE TD CA	1951-1961	
Sir John johnston Campbell	1959-1966	
A. I. Mackenzie BA CA	1959-1982	
Lord Clydesmuir CB MBE TD DL	1965-1978	
J. A. Lumsden MBE TD DL BA LLB	1967-1985	1971-1984
Sir Robert Fairbairn JP	1971-1981	
J. R. (Later Sir Raymond) Johnstone CA CBE	1973-1981 & 1989-2005	
W. F. Robertson LLD	1978-1988	
E. A. Macpherson BA	1980-1993	
L. T. Miller	1982-1986	
J. F. (later Sir Iain) Denholm CBE	1981-1993	1984-1993
A. M. M. Stephen BA	1981-1992	
W. M. Cuthbert	1983-1988	
Sir William Coats LLD	1986-1992	
D. G. Sutherland CA	1986-1989	
B. N. A. Hardman	1988-1999	
Rt. Hon. G. K. H. Younger TD PC DL MP (later Viscount Younger of Leckie KT KCVO TD DL)	1989-2002	1993-2002
J. Burnett-Stuart	1991-1994	
Dr Michael Shea CVO MA PhD	1992-2001	
A. D. Fergusson	1995-2000	
D. H. Benson	1999-2009	
A. C. (Fred) Shedden	2000-2014	
J. F. H Trott	2000-2011	2002-2011
James Best	2005-2018	
A. C. (Fred) Shedden	2000-2014	
Lady Balfour of Burleigh	2003-2016	
Dr Kevin Carter	2009-present	2011-present
Peter Dunscombe	2011-present	
Ella Brown	April-June 2011	
Marcia Campbell	2012-present	
David Hardie	2014-present	
Alexandra Mackesy	2016-present	
Claire Binyon	2018-present	

Clydebank historian Fred M. Walker recounts that in the late 1880s a young man paid his first unaccompanied visit to Glasgow. On alighting from the train he found himself lost in a busy street thronged with tramways, horses, carts and Saturday crowds. He noticed a policeman and after greeting him asked, “can I get to Kelvingrove?” The policeman looked at the young man and then with a twinkle in his eye replied, “Laddie, from here you can get to any place in the world!”

“Laddie, from here you can get to any place in the world!”

The above quotation captures not just the unique spirit, civic pride and humour of the typical Glaswegian but the way in which Murray International Trust, with its Western Scottish origins, applies itself so successfully to investing around the globe, wherever the greatest opportunities may be found.

Above
Launch of RMS Aquitania, River Clyde, 1913.

Imagery acknowledgements

The assistance of the Glasgow University Archive Service, Glasgow University Special Collections, the Mitchell Library, Glasgow City Library and the National Maritime Museum, Greenwich are gratefully acknowledged.

Other photographs are sourced from the Hulton Collection at Getty Images.

About the author

John Newlands writes books and articles about investment trusts. He is contactable via Linkedin, or by emailing: jn1868@gmail.com.

Timeline of key historical events

- **1845** – Robert Fleming born
- **1858** – Robert Fleming leaves school to start work as office boy
- **1878** – City of Glasgow Bank failure
- **1888** – Fleming forms the Investment Trust Corporation
- **1907** – Future Prime Minister Bonar Law is appointed first Chairman
- **1907** – **The Scottish Western Investment Company Limited is founded in Glasgow; Fleming becomes "London Correspondent"**
- **1908** – Issue of Debenture Stock takes total assets above £1million by the end of the year
- **1910** – Company makes its first equity investment: 1,000 ordinary shares in Union Pacific Railroad
- **1912** – David Murray appointed chairman
- **1914–1918** – First World War; Company subscribes for War Loan issues
- **1922** – Andrew Bonar Law becomes Prime Minister; only serves 209 days owing to ill health and dies in 1923
- **1928** – Sir John Cargill appointed Chairman
- **1929** – Wall Street Crash
- **1931** – During the Great Depression, work ceases on the future RMS Queen Mary, laying off 3,000 Scottish shipyard workers
- **1933** – Robert Fleming dies
- **1934** – After campaign by local MPs, government loan funds completion of Queen Mary by 1936
- **1939–1945** – Second World War
- **1941** – Scottish Western Director Captain Michael Fleming dies during retreat from Dunkirk
- **1943** – R. F. Barclay appointed Chairman
- **1948** – Introduction of the 1948 Companies Act
- **1948** – T. P. Spens appointed Chairman
- **1955** – Raymond (late Sir Raymond Johnstone joins Robert Fleming & Co. as an investment analyst
- **1959** – Scottish Western merges with Caledonian Trust, taking total assets to £17.1 million
- **1963** – Sir Alistair Murray appointed Chairman
- **1965** – 1965 Finance Act
- **1966** – J. I. Murray appointed Chairman
- **1969** – Total assets pass £50 million barrier
- **1969** – Murray Johnstone & Co. appointed manager
- **1971** – Postal Strike delays Annual Report
- **1971** – J. A. Lumsden appointed Chairman
- **1973** – "Oil Shocks" disrupt world markets
- **1979** – Incoming Conservative government removes exchange controls
- **1979** – Company's name changes to Murray Western Investment Trust Limited
- **1982** – Total assets pass £100 million barrier
- **1984** – J.F. (later Sir Ian) Denholm appointed Chairman
- **1984** – Name change to Murray International Trust
- **1987** – The Great Storm and market crash
- **1988** – Sir Raymond Johnstone appointed Chairman of Murray Johnstone Limited
- **1988** – David Briggs appointed lead manager
- **1990** – Net assets reach new peak of £476 million (£591 million gross)
- **1990** – Saddam's forces invade Kuwait
- **1993** – Lord Younger appointed Chairman
- **2000** – Peak of technology boom
- **2000** – Aberdeen Asset Management (now Aberdeen Standard Investments) acquires Murray Johnstone
- **2001** – US twin towers terrorist attack
- **2002** – John Trott appointed Chairman
- **2003** – Second Gulf War
- **2004** – Bruce Stout succeeds David Briggs as lead manager
- **2008–2009** – Global banking crisis; the "Credit Crunch"
- **2010** – Gross assets pass £1 billion barrier
- **2011** – Dr Kevin Carter appointed Chairman
- **2013** – Aberdeen Asset Management voted Best Investment Trust Group at What Investment Trust Awards
- **2013** – Gross assets pass £1.5 billion barrier for first time
- **2016** – Last B shares converted to Ordinary Shares
- **2017** – Aberdeen Asset Management voted Best Investment Trust Provider at Online Personal Wealth Awards

Discrete performance (%)

Year ending	31/07/18	31/07/17	31/07/16	31/07/15	31/07/14
Share price	**(2.5)**	**23.4**	**20.8**	**(9.7)**	**(4.0)**
NAV[A]	**0.2**	**16.7**	**26.4**	**(4.6)**	**(0.8)**
Composite Benchmark	11.2	16.7	13.2	9.2	4.8

Total return: NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis.
Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVS with debt valued at fair value. Source: Aberdeen Managers Limited, Lipper and Morningstar.
Past performance is not a guide to future results.

Risk factors you should consider prior to investing:

- The value of investments and the income from them can fall and investors may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.
- The Company may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that any movement in the value of the company's assets will result in a magnified movement in the NAV.
- The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.
- The Company may charge expenses to capital which may erode the capital value of the investment.
- Movements in exchange rates will impact on both the level of income received and the capital value of your investment.
- There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- With funds investing in bonds there is a risk that interest rate fluctuations could affect the capital value of investments. Where long term interest rates rise, the capital value of shares is likely to fall, and vice versa. In addition to the interest rate risk, bond investments are also exposed to credit risk reflecting the ability of the borrower (i.e. bond issuer) to meet its obligations (i.e. pay the interest on a bond and return the capital on the redemption date). The risk of this happening is usually higher with bonds classified as 'subinvestment grade'. These may produce a higher level of income but at a higher risk than investments in 'investment grade' bonds. In turn, this may have an adverse impact on funds that invest in such bonds.
- Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends.
- The Company invests in emerging markets which tend to be more volatile than mature markets and the value of your investment could move sharply up or down.

Other important information:

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Aberdeen Standard Investments