

Strategic Report

Status

The company is a self-managed global growth investment trust and is an investment company within the meaning of the Companies Act 2006. HM Revenue and Customs approved the company as an investment trust under Sections 1158 and 1159 of the Corporation Taxes Act 2010 for accounting periods commencing on or after 1 November 2012. The company continues to satisfy the conditions for such approval.

Investment Objective and Policy

The company carries on business as a global growth investment trust. Its objective is to provide investors, over the longer term, with above-average returns through a diversified portfolio of international equities and to achieve dividend growth ahead of UK inflation.

In order to achieve this objective, the company invests in an integrated global portfolio constructed through an investment process whereby assets are primarily allocated on the basis of the investment merits of individual stocks rather than those of regions, sectors or themes.

The company's portfolio is actively managed and typically will contain 70 to 120 listed international equity investments. The portfolio is widely diversified both by industrial sector and geographic location of investments in order to spread investment risk.

Whilst performance is compared against major global and UK indices, the composition of indices has no influence on investment decisions or the construction of the portfolio. As a result, it is expected that the company's investment portfolio and performance may deviate from the comparator indices.

Since the company's assets are invested globally and without regard to the composition of any index, there are no restrictions on maximum or minimum exposures to specific geographic regions, industry sectors or unlisted investments. However, such exposures are reported in detail to, and monitored by, the board at each board meeting in order to ensure that adequate diversification is maintained.

Liquidity and long-term borrowings are managed with the aim of improving returns to shareholders. In pursuing its investment objective, from time to time the company will hold certain financial instruments comprising equity and non-equity shares, fixed income securities, interests in limited partnerships, structured products and cash and liquid resources. The company may use derivatives, other than in relation to the sale of index futures, for hedging or tactical investment purposes. The company may only sell index futures for efficient portfolio management purposes. For the avoidance of doubt, any derivative instrument may only be used with the prior authorisation of the board.

The company has the ability to enter into contracts to hedge against currency risks on both capital and income.

The company's investment activities are subject to the following limitations and restrictions:

- under the company's articles of association, up to 40% of the company's total assets on the last audited balance sheet may be used to make investments of up to a maximum of 8% of the value of total assets in any one company, at the time the investment is made. Thereafter, individual investments may not exceed 3% of the value of total assets, at the time the investment is made;

- the levels of gearing and gross gearing are monitored closely by the board and the manager. The company applies a ceiling on gearing of 20%. While gearing will be employed in a typical range of 0% to 20%, the company retains the ability to lower equity exposure to a net cash position if deemed appropriate;
- the company has a policy not to invest more than 15% of total assets in other listed closed-ended investment funds; and
- the company may not make investments in respect of which there is unlimited liability except that the company may sell index futures for efficient portfolio management purposes.

Investment policy – implementation

During the year under review, the assets of the company were invested in accordance with the company's investment policy. For details of how the company's absolute performance and relative performance compared to its comparator indices, please refer to the Management Review on pages 8 to 14.

A full list of holdings is disclosed on page 16 and detailed analyses of the spread of investments by geographic region and industry sector are shown on pages 8, 9 and 15. Further analyses of changes in asset distribution by industry and region over the year including the sources of appreciation and depreciation are shown on pages 8 and 9. Attributions of NAV relative performance, by industry and region, against a global equity index are shown on page 12.

At the year-end, the number of listed holdings was 107. The top ten holdings comprised 14.3% of total assets (2012: 16.2%).

Details of the extent to which the company's objective has been achieved and how the investment policy was implemented are provided in the Chairman's Statement on page 4 and the Management Review on pages 8 to 14.

Additional limitations on borrowings

Under the company's articles of association, the directors control the borrowings of the company and its subsidiaries to ensure that the aggregate amount of borrowings does not, unless approved by an ordinary resolution of shareholders, exceed the aggregate of the reserves excluding unrealised capital profits of the company and its subsidiaries, as published in the latest accounts. In addition, the directors are authorised to incur temporary borrowings in the ordinary course of business of up to 10% of the company's issued share capital. Such temporary borrowings are to be for no longer than six months.

Principal risks and uncertainties

The principal risks and uncertainties facing the business are as follows:

- investment and market price risk;
- interest rate risk;
- liquidity risk;
- foreign currency risk; and
- credit risk.

These and other risks facing the company are reviewed regularly by the audit committee and the board. Further information is given in Note 17 to the accounts on pages 38 to 43.

Performance

Management provides the board with detailed information on the company's performance at every board meeting. Performance is measured in comparison with the company's peers and comparator indices.

Key Performance Indicators are:

- NAV total return;
- NAV total return against comparators;
- NAV and share price total return against peers;
- discount with debt at market value;
- dividend growth against UK inflation; and
- ongoing charges ratio.

Dividends

The board may declare dividends, including interim dividends, but no dividend is payable except out of the company's revenue returns or in excess of the amount recommended by the directors. Neither unrealised appreciation of capital assets nor realised profits arising from the sale of capital assets are available for dividend.

The directors recommend a final dividend of 6.80p and a special dividend of 1.80p per share, both are payable on 5 February 2014. With the interim dividend of 4.80p already paid in July 2013, this makes a total of 13.40p for the year. Based on shares in issue at 31 October 2013 the final dividend will cost £7,478,000, and the special dividend will cost £1,980,000. The total dividend for the year will cost £14,782,000.

Share Capital

General

The company had 109,979,926 shares in issue on 31 October 2013. The rights attaching to shares in the company are set out in the company's articles of association which may be amended by the passing of a special resolution of shareholders, that is, by the approval of a majority of not less than 75% of votes cast. The Financial Conduct Authority rules in relation to non-mainstream investment products do not apply to the Company.

Rights to the capital of the company on winding up

Shareholders would be entitled to the assets of the company in the event of a winding up (after the company's other liabilities had been satisfied).

Voting

On a show of hands, every shareholder present in person or by proxy has one vote and on a poll every member present in person or by proxy has one vote for each share.

Deadlines for exercising voting rights

If a shareholder wishes to appoint a proxy to attend, speak and vote at a meeting on his behalf, a valid appointment is made when the form of proxy (together, where relevant, with a notarially certified copy of the power of attorney or other authority under which the form of proxy is signed) is received by the company's registrar not less than 48 hours before the start of the meeting or the adjourned meeting at which the proxy is appointed to vote (or, in the case of a poll taken more than 48 hours after it is demanded, no later than 24 hours before the time appointed for taking the poll). In calculating these time periods, no account is taken of any day or part thereof that is not a working day.

Buybacks

The company's buyback policy is intended to keep the discount to ex-income NAV at or below 9%. In calculating the NAV for the purposes of the buyback policy, the company's borrowings are taken at their market value so as to ensure that future repurchases of shares will take into account changes in the value of the borrowings brought about by movements in long-term interest rates. During the year ended 31 October 2013, the company bought back for cancellation a total of 1,878,000 shares representing 1.7% of shares in issue at 31 October 2012, at a cost of £10,139,000.

At the AGM on 25 January 2013 authority was granted to repurchase up to 14.99% of shares in issue on that date. The number of shares authorised for repurchase was 16,654,179. Share buybacks from the date of the AGM to the company's year end amounted to 1,122,000 shares or 1.01 percentage points of the 14.99% authority.

Substantial Shareholdings

At 12 December 2013, the company had been notified of the following holdings in excess of 3% of its shares.

	Shares	% of issue at date of notification
AXA Investment Managers SA	12,124,110	11.0
Lloyds Banking Group	6,346,524	5.1

Socially Responsible Investing

When investments are made, the primary objective is to achieve the best investment return while allowing for an acceptable degree of risk. In pursuing this objective, various factors that may impact on the performance are considered and these may include socially responsible investment issues.

Company's Directors and Employees

The table below shows the breakdown of directors, senior managers and employees.

	2013		2012	
	Male	Female	Male	Female
Directors	5	0	5	0
Senior Managers	1	0	1	0
Employees	11	10	12	10

The directors have considered the Annual Report and Accounts and believe that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance and strategy.

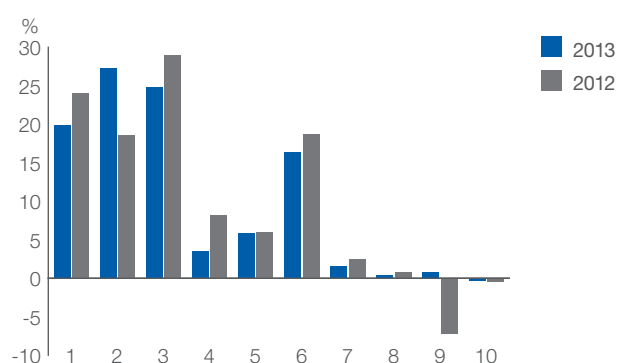


Douglas McDougall
Chairman
12 December 2013

Management Review

Distribution of Shareholders' Funds by Region

At 31 October



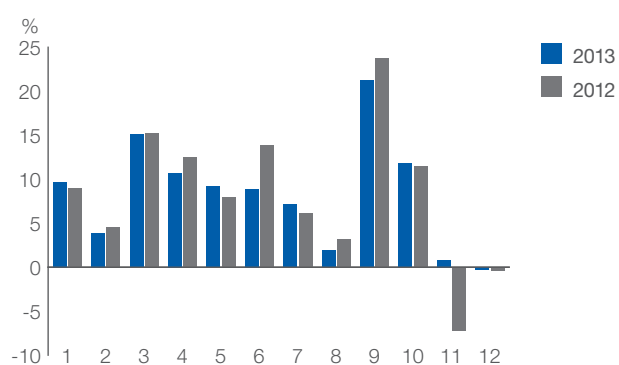
	2013 %	2012 %
1 UK	19.9	24.0
2 Europe (ex UK)	27.3	18.5
3 North America	24.8	29.0
4 Latin America	3.5	8.2
5 Japan	5.8	5.9
6 Asia Pacific (ex Japan)	16.3	18.7
7 Middle East & Africa	1.5	2.5
8 Unlisted	0.4	0.8
Total equities	99.5	107.6
Net current assets	17.1	16.0
Borrowings at market value	(16.3)	(23.2)
9 Net cash/(gearing)	0.8	(7.2)
10 Pension liability	(0.3)	(0.4)
Shareholders' funds	100.0	100.0

Changes in Asset Distribution by Region

	31 October 2012 £m	Net purchases/ (sales) £m	Appreciation/ (depreciation) £m	31 October 2013 £m
UK	142.4	(25.9)	29.6	146.1
Europe (ex UK)	110.0	40.8	50.1	200.9
North America	172.4	(10.7)	20.5	182.2
Latin America	48.7	(22.0)	(0.7)	26.0
Japan	35.2	(9.1)	16.2	42.3
Asia Pacific (ex Japan)	110.8	(8.1)	16.8	119.5
Middle East & Africa	15.1	(8.4)	4.4	11.1
Unlisted	4.8	(1.5)	0.0	3.3
Total equities	639.4	(44.9)	136.9	731.4
Net current assets	95.4	31.6	(0.9)	126.1
Total assets	734.8	(13.3)	136.0	857.5
Long-term borrowings at par	(104.1)	–	0.0	(104.1)
Pension liability	(2.5)	–	(0.1)	(2.6)
Shareholders' funds	628.2	(13.3)	135.9	750.8

Distribution of Shareholders' Funds by Industry

At 31 October



	2013 %	2012 %
1 Oil & Gas	9.7	9.0
2 Basic Materials	3.9	4.5
3 Industrials	15.1	15.2
4 Consumer Goods	10.7	12.5
5 Health Care	9.2	7.9
6 Consumer Services	8.9	13.9
7 Telecommunications	7.1	6.1
8 Utilities	1.9	3.2
9 Financials ⁽¹⁾	21.2	23.8
10 Technology	11.8	11.5
Total equities	99.5	107.6
Net current assets	17.1	16.0
Borrowings at market value	(16.3)	(23.2)
11 Net cash/(gearing)	0.8	(7.2)
12 Pension liability	(0.3)	(0.4)
Shareholders' funds	100.0	100.0

Changes in Asset Distribution by Industry

	31 October 2012 £m	Net purchases/ (sales) £m	Appreciation/ (depreciation) £m	31 October 2013 £m
Oil & Gas	53.5	17.2	0.6	71.3
Basic Materials	26.7	2.6	(0.6)	28.7
Industrials	90.5	(4.0)	24.3	110.8
Consumer Goods	74.6	(21.7)	25.6	78.5
Health Care	46.8	5.3	15.2	67.3
Consumer Services	82.3	(32.1)	15.4	65.6
Telecommunications	36.4	(1.7)	17.8	52.5
Utilities	18.7	(5.7)	1.1	14.1
Financials ⁽¹⁾	141.4	(9.3)	23.8	155.9
Technology	68.5	4.5	13.7	86.7
Total equities	639.4	(44.9)	136.9	731.4
Net current assets	95.4	31.6	(0.9)	126.1
Total assets	734.8	(13.3)	136.0	857.5
Long-term borrowings at par	(104.1)	–	0.0	(104.1)
Pension liability	(2.5)	–	(0.1)	(2.6)
Shareholders' funds	628.2	(13.3)	135.9	750.8

1. Includes unlisted.

Summary

- Global equity portfolio performance ahead of both comparator indices
- Equity portfolio ahead of global index over 1, 2, 3, 5 and 10 years
- Global equity portfolio appreciated by £137m
- NAV return ahead of both comparator indices

Global equity markets resumed their upward trend in the company's financial year to 31 October 2013, extending a bull market which started in March 2009 amidst the financial crisis. In what was a strong year for equity markets, most of the gains came in the first half. Between November 2012 and May 2013, the FTSE All-World Index rose by over 19%, pausing only briefly on a recurrence of EU periphery worries, as investors responded to a series of policy measures and events which served to quell concerns which had weighed over 2011/12. Chief among these were the EU's intervention to support the Greek economy, ECB President Mario Draghi's unequivocal support for the eurozone, a solution to the US budgetary impasse or "fiscal cliff", the election of Shinzo Abe as prime minister of Japan and possibly the most important single factor, a continuation of the policy of quantitative easing (QE) to provide further enormous stimulus to the US economy. After the buoyant first half, markets then spent the rest of the year in a broad trading range. Markets sold off sharply in June on concerns that the US authorities would begin to rein in or "taper" its QE stimulus programme, then recovered as the authorities backtracked on stimulus withdrawal and China injected liquidity into its banking system.

The FTSE All-World Index sterling total return for the year of 24.3% was driven by broad gains in developed world markets. This was the first time in three years that the North American region, which dominates the global index, did not produce the best regional return. In local currency terms, the picture was very different as by far the strongest market returns came from Japan which produced an extraordinary total return of 64.8%. This was also achieved mainly in the first half of the year following the election of Shinzo Abe and his package of "Abenomics" stimulus measures to attempt to pull the Japanese economy out of a prolonged slump. For overseas investors in Japan however, much of the local gains evaporated due to currency translation as the policy measures also had the effect of weakening the yen, which fell over 20% against sterling and lowered the sterling total return for Japan to 34.6%.

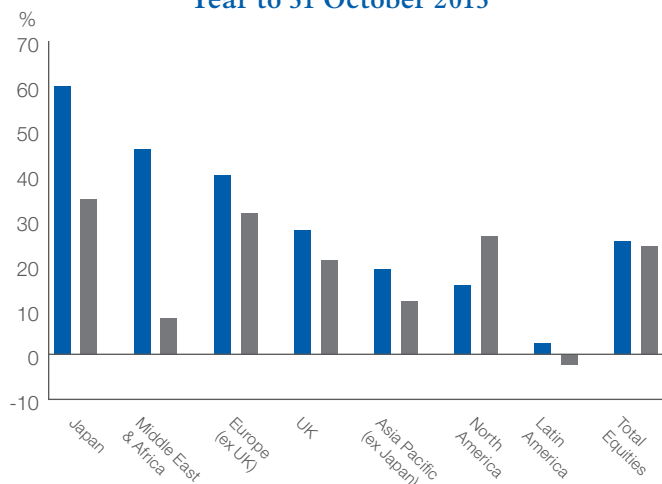
Stockmarket Performance
Total Return 10 years to 31 October 2013



Source: Thomson Reuters

Europe (ex UK) and North America produced almost identical local currency returns but a strengthening of the euro against sterling meant that for UK investors, Europe (ex UK) produced a total return of 31.5% compared with 26.4% for North America. The remaining regional markets which comprise the All-World Index lagged the global return including the UK (+21.1%). Both Asia Pacific (ex Japan) and Middle East & Africa had their local returns reduced by weaker currencies to 11.9% and 8.2% sterling total return respectively with the latter region hit particularly hard. The only region not to produce a positive sterling total return was Latin America (-2.3%) with weak commodity prices and disappointing economic data holding back this region.

**Total Return by Region
Year to 31 October 2013**



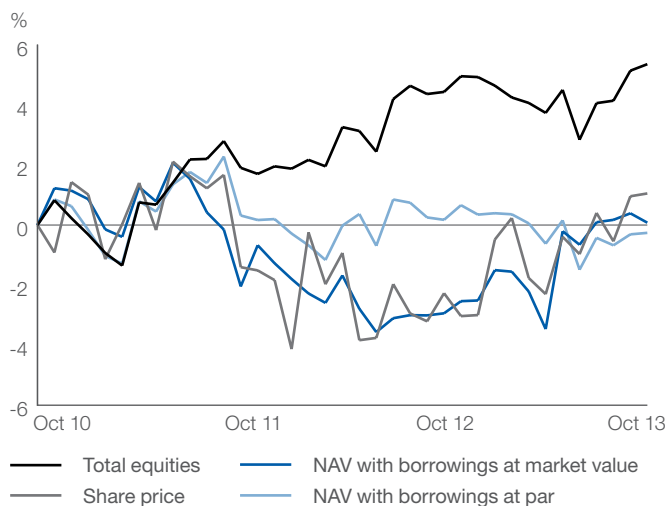
■ SIT equity portfolio
■ FTSE All-World Index

Source: Thomson Reuters and SIT

Indices are components of the FTSE All-World Index Series

The 25.4% total return for the company's global equity portfolio was ahead of both of its comparator indices, the global FTSE All-World Index which returned 24.3% and the FTSE All-Share Index which returned 22.8%. The global equity portfolio total return is now ahead of the FTSE All-World Index over 1, 2, 3, 5 and 10 years.

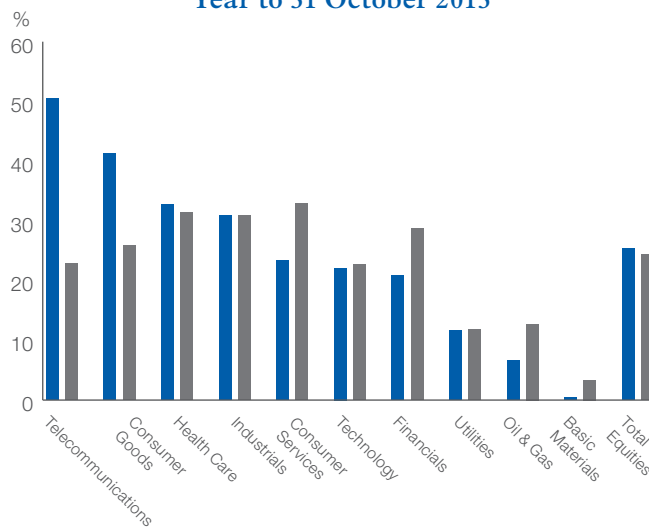
**Relative Performance*
3 Years to 31 October 2013**



* Relative to FTSE All-World Index

The equity portfolio outperformance was attributable to strong geographical stock selection which added 2.6% to relative NAV performance which more than offset the 1.7% impact from holding a different geographical exposure to that of the index. The portfolio was ahead of the FTSE regional indices in six of the seven regions of the world with strong relative performances

**Total Return by Industry
Year to 31 October 2013**



■ SIT equity portfolio
■ FTSE All-World Index

Source: Thomson Reuters and SIT

Indices are components of the FTSE All-World Index Series

in Japan, Middle East & Africa, Europe (ex UK), Asia Pacific (ex Japan), UK and Latin America. Japanese holdings returned an exceptional 59.8% in sterling terms compared with 34.6% from the Japanese index.

The largest overall contribution to relative performance came from Europe (ex UK) holdings which appreciated by £50.1m, adding 1.5% to relative performance. After having added £43.5m to Europe (ex UK) in the previous year, a further £40.8m was added this year and the holdings achieved a sterling total return of 39.4% compared with 31.5% for the regional index. New holdings were among the principal drivers of this performance including German auto industry paint shop supplier **Dürr** and German parcels group **Deutsche Post** which appreciated by 52% and 90% respectively. Other strong contributions came from Polish clothing group **LPP** (+147%), German auto parts and tyre group **Continental** (+87%) and Danish medical devices business **Coloplast** (+52%). Within financials, there were further strong gains from the diversified Scandinavian group **Sampo** and French bank **BNP Paribas**, which appreciated by 59% and 50% respectively.

North American holdings were disappointing in what was otherwise another good year for the portfolio. Computing and consumer technology group **Apple** had been the largest contributor to performance over the previous two years but despite taking significant profits through sales of over £30m over the last three years, a small residual holding declined in value by 11% and was the largest detractor from performance. In Japan, **SoftBank** produced a total return of 135%, an appreciation of £6.9m, as the shares recovered from the initial reaction to its \$21.6bn purchase of US mobile telephony group, Sprint. Other Japanese holdings which contributed well included **Toyota** (+74%) and the bank **Sumitomo Mitsui Financial Group** (+62%).

Management Review (continued)

In Asia Pacific (ex Japan), holdings rose by 18.3% in total return terms compared with a regional index total return of 11.9% with a strong contribution from **Airports of Thailand** which more than doubled in value, an appreciation of £5.8m, and another good year for Chinese internet group **Tencent** which appreciated by 49%. In Middle East & Africa, South African pharmaceutical group **Aspen Pharmacare** appreciated by 48%.

In the UK, house builder **Persimmon** appreciated by 71% as it benefited from low interest rates, an improving residential property market and government policy measures to encourage first time buyers. **BT** continued to execute its restructuring programme while developing its media product offering and the holding rose by 84% to generate a total return of £6.3m. Auto parts group **GKN**, life insurer **Standard Life** and food to retailing group **Associated British Foods** all helped the UK holdings to rise 27.9% compared with 21.1% for the UK index.

NAV Relative Performance Attribution Analysis by Region Year to 31 October 2013

	%		
NAV with borrowings at market value total return	28.2		
FTSE All-World Index total return	24.3		
Relative performance	3.1		
	Region allocation %	Stock selection %	Contribution %
UK	-0.4	1.2	0.8
Europe (ex UK)	0.4	1.5	1.9
North America	-0.5	-2.5	-3.0
Latin America	-0.7	0.2	-0.5
Japan	-0.2	0.9	0.7
Asia Pacific (ex Japan)	-0.2	0.9	0.7
Middle East & Africa	-0.1	0.5	0.4
Unlisted portfolio	0.0	-0.1	-0.1
Total equities	-1.7	2.6	0.9
Gearing	1.4		
Other income, tax & currency	-0.4		
Buybacks	0.2		
Interest and expenses	-1.7		
Change in market value of borrowings	2.7		
Relative performance	3.1		

NAV Relative Performance Attribution Analysis by Industry Year to 31 October 2013

	%		
NAV with borrowings at market value total return	28.2		
FTSE All-World Index total return	24.3		
Relative performance	3.1		
	Industry allocation %	Stock selection %	Contribution %
Oil & Gas	0.2	-0.6	-0.4
Basic Materials	0.6	-0.1	0.5
Industrials	0.2	-0.1	0.1
Consumer Goods	0.0	1.4	1.4
Health Care	-0.1	0.1	0.0
Consumer Services	0.1	-0.9	-0.8
Telecommunications	0.0	1.5	1.5
Utilities	0.1	0.0	0.1
Financials	0.0	-1.5	-1.5
Technology	0.0	0.0	0.0
Total equities	1.1	-0.2	0.9
Gearing	1.4		
Other income, tax & currency	-0.4		
Buybacks	0.2		
Interest and expenses	-1.7		
Change in market value of borrowings	2.7		
Relative performance	3.1		

Contributors to Absolute Performance

	Total return performance %	Positive contribution %		Total return performance %	Negative contribution %
SoftBank	135.5	1.1	Apple	-10.6	-0.3
BT	83.7	1.0	Lippo Karawaci	-31.4	-0.3
Airports of Thailand	143.1	0.9	Newcrest Mining	-41.8	-0.2
Sampo	58.7	0.9	TGS-NOPEC Geophysical	-18.9	-0.2
Persimmon	70.7	0.9	Calumet Speciality Products Partners	-21.2	-0.1

Over the period, the global equity portfolio appreciated in value by £136.9m with £44.9m net sales of equities.

There were three broad strands to portfolio activity over the year. First, having started the year in a modestly geared position of 7% (with borrowings at market value) which was a benefit in the first half rally, profits were taken with net sales of equities over the year of £44.9m to bring gearing to a net cash position of 1% at the year-end.

Second, in taking profits, the main focus was to lower exposure to consumer related stocks which had done well in recent periods or looked vulnerable to deteriorating trading conditions. In Consumer Goods, there were net sales of £21.7m with complete sales of **Volkswagen**, a reduction in Brazilian brewer **AmBev** and for the first time in recent memory, withdrawal from the increasingly challenged tobacco industry with sales of two holdings. In Consumer Services, part of the £32.1m reduction in exposure featured complete sales of quick-service restaurant chain **McDonald's** and UK betting group **Ladbrokes** as well as significant profit-taking in online auction group **eBay**.

Third, while the reduction in gearing was funded from consumer stocks in the UK, US and Asia in the main, there were further significant additions of £40.8m to Europe (ex UK) which proved to be well timed. New holdings taken as part of this move, which reflected good comparative value in Europe compared to other regions, included **Dürr**, **Deutsche Post**, personnel group **Adecco**, aerospace group **EADS** and dredging specialist **Boskalis Westminster**. We also added to exposure in European Oil & Gas, through **Fuchs Petrolub** and added to **Seadrill** and **TGS-NOPEC Geophysical**. In European Telecommunications, we added new holdings in the French operator **Iliad** and Norway's **Telenor**.

The NAV total return (with borrowings at market value) was 28.2%. The outperformance by the global equity portfolio added 0.9% to relative NAV performance and the uplift from share buybacks added 0.2%. With average gearing over the year of 5%, but heavily loaded to the first half of the year, it added a useful 1.4% to performance. Interest charges and expenses deducted a combined 1.7% from NAV performance as shown in the tables on page 12.

The change in the level of long-term interest rates and the effect of a change in the basis for estimating the market value of the company's long-term borrowings which was highlighted at the interim stage, combined to add 2.7% to the NAV total return. The reduction in the level of long-term interest rates reversed in part a trend over recent years whereby lower interest rates forced up the value of the company's borrowings and lowered the NAV. The effect of this is shown in the relative performance chart on page 11.

Portfolio turnover was 37%, inflated by changes to gearing levels. Portfolio turnover excluding moves to deploy cash and buy back shares was 31%.

Income generation was good over the year despite the lower level of equity investment with strong dividend growth from holdings enabling an 11.2% increase in dividend income. Expenses were in line with budget and earnings per share over the year rose by 11.7%. The ongoing charges ratio for 2013 was 0.75% (2012: 0.79%).

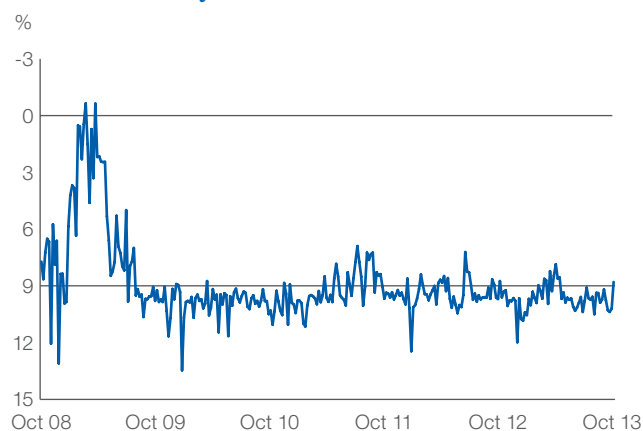
Holdings in Listed Closed-ended Investment Funds

Company holdings include investments in listed closed-ended investment funds of £9.2m: 1.1% of total assets (2012: £20.8m: 2.8%). The company has a policy not to invest more than 15% of total assets in other listed closed-ended investment funds.

Unlisted Portfolio

The company's unlisted holdings depreciated very slightly and were valued at £3.3m (0.4% of shareholders' funds). Net distributions totalled £1.5m (2012: £2.8m). No new partnerships were entered into during the year. Outstanding commitments to invest in these partnerships totalled £0.7m (2012: £0.9m).

Discount to ex-income NAV* 5 years to 31 October 2013



* With borrowings at market value.

The discount to ex-income NAV (with borrowings at market value) was again broadly stable ending the year at 8.6% (2012: 8.6%). The company's buyback policy is intended to keep the discount to ex-income NAV at or below 9.0%. Under this policy, 1.9m (2012: 2.4m) shares were repurchased for cancellation over the financial year accounting for 1.7% (2012: 2.1%) of the shares in issue at the start of the period. The shares were repurchased at an average discount of 9.8% and a cost of £10.1m (2012: £11.1m) inclusive of dealing expenses. The average discount to NAV between the introduction of the scheme in February 2006 and the year-end was 8.8%.

Analysis of Share Register at 31 October 2013

Category of holder	Number	Share capital %
Individuals	22,077	65.2*
Insurance companies	11	18.3
Investment companies	51	4.4
Pension funds	43	6.0
Other	167	6.1
Total	22,349	100.0

* Includes 21.2% held in SIT Savings' products.

Glossary

Total assets means total assets less current liabilities.

NAV is net asset value per share after deducting borrowings at par or market value, as stated.

Ex-income NAV is the NAV excluding current year revenue.

Borrowings at par is the nominal value of the company's borrowings less any unamortised issue expenses.

Borrowings at market value is the company's estimate of the 'fair value' of its borrowings. The current estimated fair value of the company's borrowings is based on the redemption yield of the relevant existing reference gilt plus a margin derived from the spread of BBB UK corporate bond yields (15 years+) over UK gilt yields (15 years+). At 31 October 2012 the margin was derived from the spread of AA UK corporate bond yields (15 years+) over UK gilt yields (15 years+). The reference gilt for the secured bonds is the 6% UK Treasury Stock 2028 and the reference gilt for the perpetual debenture stocks is the longest dated UK Treasury stock listed in the Financial Times.

Discount is the difference between the market price of a share and the NAV expressed as a percentage of the NAV.

Gearing is the term used to describe the process of borrowing money for investment purposes in the expectation that the returns on the investments purchased will exceed the cost of those borrowings.

Gross gearing is the geared position if all the borrowings were invested in equities: Borrowings expressed as a percentage of shareholders' funds.

Gearing is the true geared position of the company: Borrowings less cash and equivalents expressed as a percentage of shareholders' funds.

Distribution of Shareholders' Funds by Industry

as at 31 October 2013

	2013 %	2012 %
Oil & Gas	9.7	9.0
Oil & Gas Producers	6.4	5.4
Oil Equipment, Services & Distribution	3.3	3.6
Basic Materials	3.9	4.5
Chemicals	1.5	0.9
Industrial Metals & Mining	–	0.5
Mining	2.4	3.1
Industrials	15.1	15.2
Construction & Materials	3.0	2.9
Aerospace & Defence	0.8	–
General Industrials	0.9	1.6
Electronic & Electrical Equipment	1.5	1.5
Industrial Engineering	2.4	3.1
Industrial Transportation	4.9	5.3
Support Services	1.6	0.8
Consumer Goods	10.7	12.5
Automobiles & Parts	5.1	4.9
Beverages	0.6	1.5
Food Producers	1.8	1.7
Household Goods & Home Construction	1.5	1.4
Leisure Goods	–	0.7
Personal Goods	1.7	0.6
Tobacco	–	1.7
Health Care	9.2	7.9
Health Care Equipment & Services	3.3	3.3
Pharmaceuticals & Biotechnology	5.9	4.6
Consumer Services	8.9	13.9
Food & Drug Retailers	1.0	1.5
General Retailers	4.3	5.9
Media	2.1	2.5
Travel & Leisure	1.5	4.0
Telecommunications	7.1	6.1
Fixed Line Telecommunications	3.7	2.4
Mobile Telecommunications	3.4	3.7
Utilities	1.9	3.2
Electricity	–	1.3
Gas, Water & Multi-utilities	1.9	1.9
Financials	21.2	23.8
Banks	9.2	9.6
Non-life Insurance	4.2	3.0
Life Insurance	1.0	2.0
Real Estate Investment & Services	2.3	2.0
Real Estate Investment Trusts	0.7	0.7
Financial Services	2.9	3.1
Equity Investment Instruments	0.9	3.4
Technology	11.8	11.5
Software & Computer Services	7.6	4.7
Technology Hardware & Equipment	4.2	6.8
Total equities	99.5	107.6
Net cash/(gearing)	0.8	(7.2)
Net current assets	17.1	16.0
Borrowings at market value	(16.3)	(23.2)
Pension liability	(0.3)	(0.4)
Shareholders' funds	100.0	100.0

List of Investments

as at 31 October 2013

Listed Equities

Holding	Country	Market value £'000	Cumulative weight %	Holding	Country	Market value £'000	Cumulative weight %
Sampo	Finland	15,038*		Aberdeen Asset Management	UK	5,457	
BT	UK	14,633*		CCR	Brazil	5,455	
UnitedHealth	US	14,148*		Aeroportuario del Sureste	Mexico	5,434	
Sumitomo Mitsui Financial	Japan	12,162*		ENN Energy	Hong Kong	5,415	
BNP Paribas	France	11,504*		Svenska Handelsbanken	Sweden	5,151	
Comcast	US	11,490*		Yum! Brands	US	5,114	
Aspen Pharmacare	South Africa	11,152*		Micro Focus International	UK	5,104	
Persimmon	UK	10,876*		Daito Trust Construction	Japan	5,058	
SoftBank	Japan	10,860*		Hutchison Port Holdings Trust	Singapore	4,998	
Spectris	UK	10,735*	16.8	Iliad	France	4,980	84.8
Toyota Motor	Japan	10,635		British Land	UK	4,975	
Tencent	Hong Kong	10,401		Kia Motors	South Korea	4,898	
Ross Stores	US	10,315		Vodafone	UK	4,803	
Qualcomm	US	10,167		Tüpras	Turkey	4,637	
Coloplast	Denmark	10,163		Great Wall Motor	China	4,616	
Samsung Electronics	South Korea	9,972		Sydney Airport	Australia	4,581	
Roche	Switzerland	9,872		Vale	Brazil	4,522	
Google	US	9,612		Avery Dennison	US	4,424	
Continental	Germany	9,512		Ambev	Brazil	4,399	
Hess	US	9,170	30.4	Fuchs Petrolub	Germany	4,374	91.1
Severn Trent	UK	8,693		ANZ Banking	Australia	4,368	
Deutsche Post	Germany	8,644		MedicX Fund	UK	4,187	
Hikma Pharmaceuticals	UK	8,636		Boskalis Westminster	Netherlands	4,180	
US Bancorp	US	8,576		Vivendi	France	4,168	
Chevron	US	8,555		Taiwan Semiconductor Manufacturing	Taiwan	4,131	
LinkedIn	US	8,450		Calumet Speciality Products Partners	US	4,042	
Kering	France	8,355		Freehold Royalties	Canada	4,021	
Goldman Sachs	US	8,312		TGS-NOPEC Geophysical	Norway	3,896	
Dürr	Germany	8,107		Weir Group	UK	3,709	
National Oilwell Varco	US	8,096	42.0	Prada	Hong Kong	3,660	96.6
Standard Life	UK	7,574		Topdanmark	Denmark	3,654	
Telstra	Australia	7,570		Fast Retailing	Japan	3,626	
Baidu	China	7,562		Advanced Info Service	Thailand	3,505	
DBS	Singapore	7,489		Richemont	Switzerland	3,419	
GKN	UK	7,456		Lippo Karawaci	Indonesia	3,370	
BHP Billiton	UK	7,367		Inditex	Spain	3,243	
Mail.Ru	Russia	7,308		Ayala Land	Philippines	806	
Accenture	US	7,151					
Casino Guichard-Perrachon	France	6,949		Total listed equities		728,085	99.6
Wharf Holdings	Hong Kong	6,918	52.0				
Apple	US	6,891					
Seadrill	Norway	6,783					
BASF	Germany	6,782					
Nestlé	Switzerland	6,760					
Vinci	France	6,672					
Biogen Idec	US	6,650					
Celgene	US	6,644					
Associated British Foods	UK	6,597					
Airports of Thailand	Thailand	6,550					
Jardine Matheson	Singapore	6,531	61.1				
NCC	Sweden	6,454					
Barclays	UK	6,362					
Capital One Financial	US	6,337					
Tourmaline Oil	Canada	6,302					
Adecco	Switzerland	6,243					
Zurich Insurance	Switzerland	6,206					
Telenor	Norway	6,196					
HSBC	UK	6,162					
Sands China	Hong Kong	6,154					
Banco Brasil	Brazil	6,145	69.7				
eBay	US	6,144					
China Overseas Land & Investment	China	6,018					
EADS	Netherlands	5,956					
Royal Dutch Shell	UK	5,906					
Brown & Brown	US	5,793					
Rockwell Automation	US	5,748					
Serco	UK	5,739					
LPP	Poland	5,650					
Rio Tinto	UK	5,589					
Petrofac	UK	5,556	77.6				

Unlisted

Holding	Country	Market value £'000	Cumulative weight %
Boston Ventures VI	US	1,428	
Heritable Property & Subsidiaries	UK	1,027	
Apax Europe V-B	UK	701	
Others (under £0.5m) (2)	US	132	
Total unlisted		3,288	0.4
Total equities		731,373	100.0

* Denotes 10 largest holdings with an aggregate market value of £122,598,000.