

Emerging Markets CEFs as Legacy Products

March 28, 2017



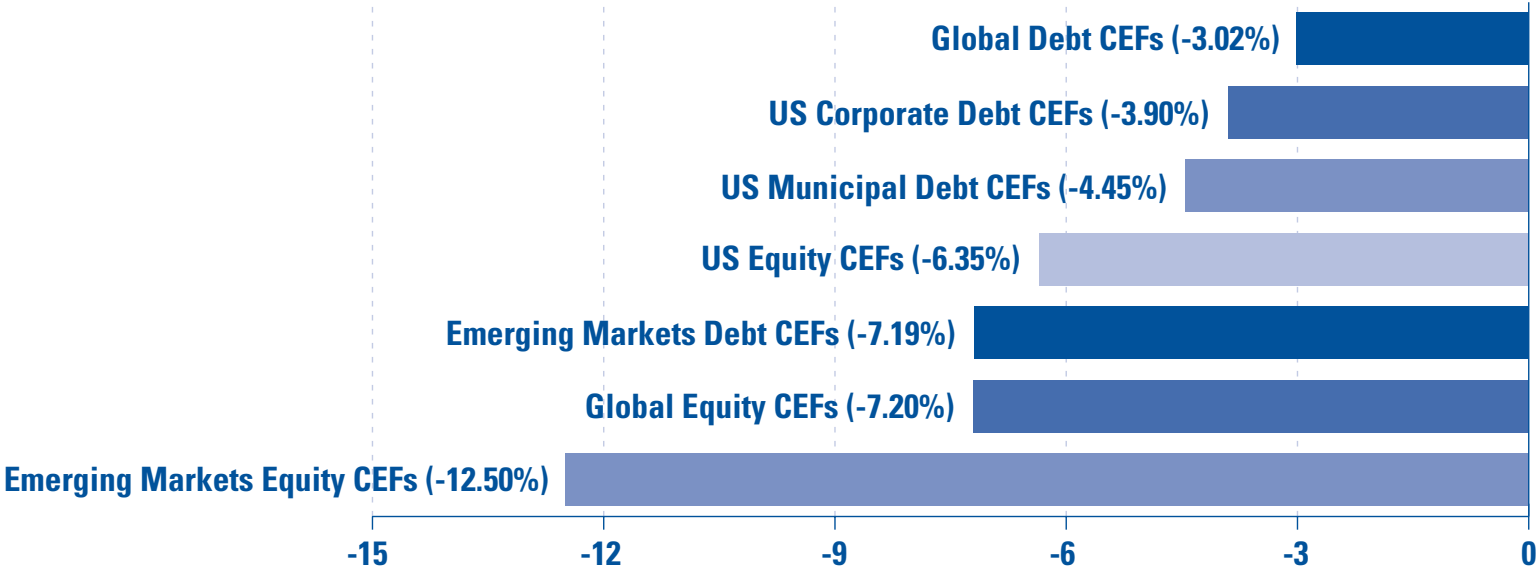
CITY OF LONDON
Investment Management Company Limited

The State of Emerging Markets CEFs in the US

- ▶ Persistently Wide Discounts
- ▶ Lackluster Corporate Governance
- ▶ Limited Options for Frustrated Shareholders

Persistently Wide Discounts

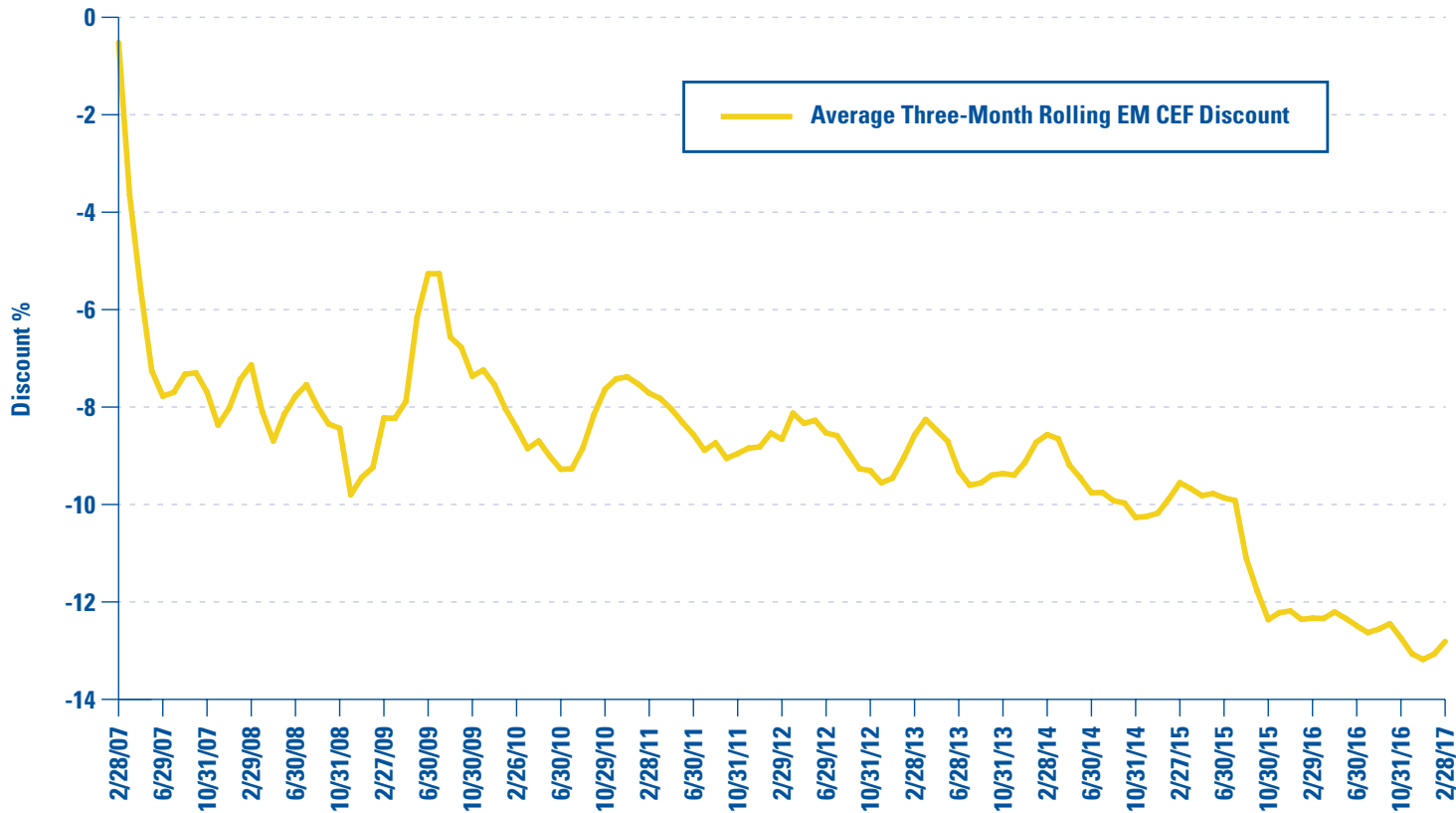
US-Listed Closed-End Fund Average Discounts (%)



Source: Bloomberg

Persistently Wide Discounts

Investors Have Seen 10 Years of Widening



Source: Bloomberg

Lackluster Corporate Governance

▶ Boards are Entrenched and Clubby

- Director tenure routinely exceeds 9 years
- No forced mechanism in place for refreshment
- What is the function of the Nominating Committee?
- Influence shifts from Shareholders to the Investment Manager and Legal Counsel

Limited Options for Frustrated Shareholders

- ▶ Termination of the investment advisory agreement is the only binding proposal shareholders can submit
 - In some cases, this is punishing the Fund Manager for Board inaction
- ▶ Until recently, most funds used plurality voting standard
 - Majority voting gives shareholders a real voice
 - Our vote actually counts!

Foreign & Colonial Investment Trust, 1868

THE SCHEDULE

Referred to in the Agreement dated the 19th March, 1868.

Description of Stock	Amount of Stock	Proportion of Stock to Total Investment	Market Price of Stock	Price at which Stock Sold to the Trust	Amount of Purchase Money
	£ s. d.				£ s. d.
Argentine 6 per Cents	52,900	Eight two-hundredths	73	75.5	39,939
Austrian 5 per Cents	88,200	Twelve two hundredths	65.5	68	59,976
Brazilian 5 per Cents., 1865	46,800	Seven two-hundredths	72.5	74.75	34,983
Chilian 6 per Cents	54,600	Ten two-hundredths	89	91.5	49,959
Chilian 7 per Cents	50,200	Ten two-hundredths	97	99.5	49,949
Danubian 8 per Cents	83,200	Twelve two hundredths	69.5	72	59,904
Egyptian 7 per Cents	55,400	Ten two-hundredths	87.75	90.25	49,998
Egyptian Railway Loan, 7 per Cent	53,300	Ten two-hundredths	91.5	94	49,968
Italian 5 per Cents, 1861	201,000	Twenty two-hundredths	47.5	49.75	99,997
New South Wales 5 per Cents	15,100	Three two-hundredths	96.5	99	14,949
Nova Scotia 6 per Cents	34,700	Seven two-hundredths	99.75	102.75	35,480
Peruvian 5 per Cents	124,200	Twenty two-hundredths	78	80.5	99,981
Portuguese 3 per Cents	119,700	Ten two-hundredths	39.25	41.75	49,974
Russian Anglo Dutch Bonds Fl. 1,070,000	90,682	Sixteen two-hundredths	85.5	88.5	80,027
Spanish New 8 per Cents	259,590	Twenty two-hundredths	36	38.5	99,942
Turkish 5 per Cents	166,000	Twelve two hundredths	33.75	36.5	59,967
Turkish 6 per Cents	69,200	Eight two-hundredths	55.2	57.5	39,963
United States 10/40 Bonds	36,225	Five two-hundredths	66.5	68.5	24,949
Total	£1,600,997.00	Two hundred two-hundredths			£ 999,910.00

*The trust's original 1868 Schedule or portfolio of 'foreign & colonial' government stocks
Recreated from 'F&C' A History of Foreign & Colonial Investment Trust*

Source: 'F&C' A History of Foreign & Colonial Investment Trust

The Future of Emerging Markets CEFs in the US

- ▶ The universe needs to be reduced in order to survive
 - Laws of supply and demand are speaking loud and clear
 - Boards should take steps to narrow discounts wider than 10%
 - Unsustainable funds should voluntarily liquidate
 - New funds with lower fees and more rigorous corporate governance standards should take their place

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