



09 May 2012

Press Release

ShareSoc Recommends Voting Against the Changes Proposed to the Edinburgh US Tracker Trust

ShareSoc (the "UK Individual Shareholders Society") is urging shareholders in Edinburgh US Tracker Trust to vote against the directors' proposal to change this company from a tracker fund to an actively-managed fund, as it appears to be against the interests of the investors in this company.

Edinburgh US is an investment trust that has been successfully tracking the American stock market (the US S&P 500 index) since 1997 at very low cost (total expenses of 0.38% a year*), and at a very low NAV discount.

The directors propose to change the company to an actively-managed fund in the same market, on the grounds that "*growth in the Exchange Traded Funds market has made it more difficult to attract substantial new demand*".

However, the consistently low discount (5.8% to NAV at 31st December*) compared to most investment trusts suggests that demand for the fund remains strong, and the fund, with a value of £220million (at 31st December*) is in little danger of becoming too small to be viable.

The benefit of this proposal to the fund managers is obvious: they would continue to manage the fund, but annual fees would increase fourfold, from 0.2%* to 0.8%**.

However, there is no apparent benefit to existing shareholders who have chosen to invest in this fund because of its existing investment mandate:

- The cost of the management fees would increase fourfold, and the total running costs would increase from 0.38%* a year to around 1.1%** , plus there would be much higher dealing costs that tend to be incurred by actively managed funds;
- Edinburgh US Tracker is the only US tracker investment trust, and no provision has been made for existing shareholders who wish to remain in a tracker investment trust because of the superior performance and low fees of passive investment trusts compared to other passive vehicles;
- Strong evidence shows that actively-managed funds will on average significantly under-perform the equivalent tracker funds over the medium and long term;
- The proposal document gives no indication of the proposed investment manager's track record;
- There is no indication that the directors have gone through any process of investigating alternative fund managers with proven track records, of which there are many;

- Actively-managed investment trusts often have much higher discounts than passive trusts, so switching is likely to increase the discount and reduce the value of each share.

The company's AGM and General Meeting will be held in Edinburgh on 29th May.

- * From Edinburgh US Tracker trust plc Annual Report, year ended 31 January 2012;
- ** From Edinburgh US Tracker Trust plc Circular dated 27 April 2012.

SHARESOC RECOMMENDS SHAREHOLDERS VOTE AGAINST THE CHANGE OF INVESTMENT POLICY AT THIS COMPANY.

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About the UK Individual Shareholders Society (ShareSoc)

ShareSoc represents and supports individual investors who invest in the UK stock markets (and who own over 10% of the shares in UK public companies in aggregate). We are a mutual association controlled by our members with "not-for-profit" articles and incorporated as a company limited by guarantee. The organisation is financed by member subscriptions, donations from supporters and by the services it provides to members. Associate Membership of ShareSoc is free and is open to everyone with an interest in stock market investment (go to www.sharesoc.org/membership.html to register). More information on ShareSoc can be obtained from our web site at www.sharesoc.org (our objects are fully defined on this page: www.sharesoc.org/objects.html).