ROSSIE HOUSE
INVESTMENT MANAGEMENT

October 2021

Our Periodicals were so named in order to give us plenty of leeway as to when they were produced. Our good intentions were a) to keep clients updated and b) to give us an opportunity to convey opinions at opportune moments. We feel now is a period where there are changes afoot which deserve a bit of analysis – category “b” if you like.

Ever since the pandemic struck in the first quarter of 2020 and Governments reacted so strongly, we have been comforted by the fact that lavish monetary largesse and rock bottom interest rates would support the value of client portfolios. We have also felt for some time (too long in fact) that inflation may become more problematic. There has been a big debate as to whether the current inflationary pressures are transient. The Bank of England are confident they are, but we are less certain. This is explored in our first article.

We notice that many of our competitors keep a portion of their portfolios in assets designed to shield clients from equity market downdrafts. However, the scale of their enthusiasm for these so-called “Alternatives” has been something we have found hard to get comfortable with. Whilst “Alternatives” now account for a huge part of the investment trust universe, our enthusiasm for this area remains extremely selective . This is explored a bit more in the next piece.

The Rossie House Portfolio Fund has recently sailed through its seventh anniversary – perhaps we should be buying some copper! Seeded by money from a friendly investor alongside partners’ capital, £1 invested was worth £1.78 (dividends included) at the end of September. It is designed as a one-stop, tuck-away type of fund, which need not be looked at by clients too often, on the grounds that we are looking after it as though it is our own money (which a fair proportion of it is!). The next piece elaborates on how it has been positioned and highlights some of the holdings.

We are satisfied that our business has been able to operate smoothly from home. However, we know that you, the client, may have found it harder to get in touch with us and possibly may not have found email reporting as easy as the previous paper based system. We set out our plans about returning to the office and how the Covid period has changed things.

Finally, we normally try to end with a section on “Family Matters” or something far from the madding (investment) crowd. We know many of you may not be terribly interested in the finer points of “Alternatives” or inflation! This time we hope you may enjoy a remarkable visit to St Kilda by Jane Laird, who so diligently keeps our finances on track.

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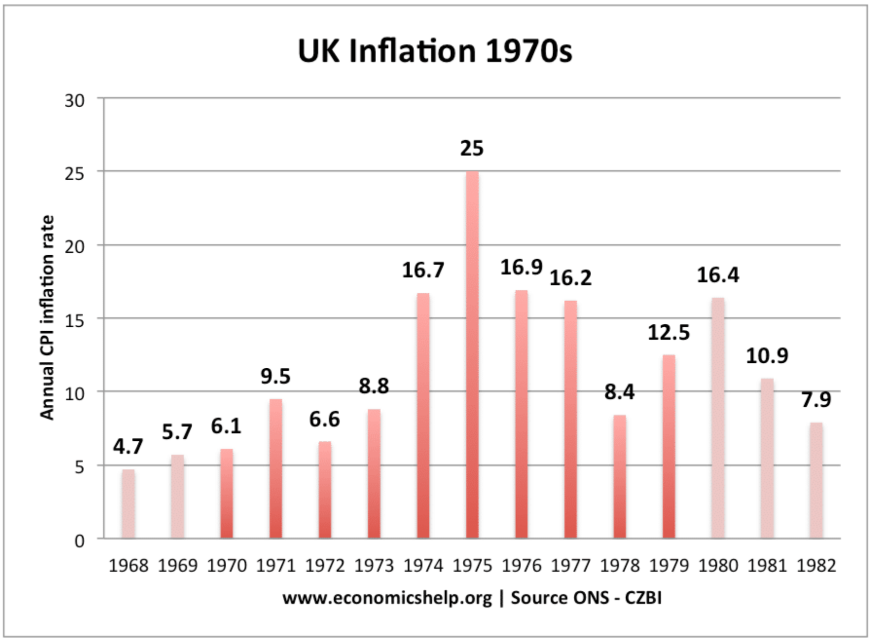
INFLATION – A Monetary Perspective

"But the U.S. government has a technology, called a printing press (or, today, its electronic equivalent), that allows it to produce as many U.S. dollars as it wishes at essentially no cost." - *Ben Bernanke 2002*

"Inflation is always and everywhere a monetary phenomenon" - Milton Friedman 1963

Currently, we hear of shops with empty shelves, garages without petrol, pigs unable to be slaughtered. There are grounds for seeing similarities with the 1970's. For those with long memories (including many of our clients!) that was a time when inflation reached 25%, the lights went out and rubbish went uncollected. Inflation data at present shows rising prices in most of the major economies. In the UK the annual inflation rate jumped to 3.2% in August (and to 5.3% in the US), the highest since March 2012 but, let us be frank, this is some way off the levels of 1975 – see chart below.



Rossie House has, for some time, taken the view that inflation is going to be higher and less transitory than markets expect. We think official forecasts are probably too optimistic. We continuously monitor the facts on the ground and certainly remain modest about our abilities to predict these things. Indeed, we take note of Albert Edwards of Societe Generale who recently noted *"economists simply don't know if this surge in inflation is transitory or permanent. They might talk up a good story, but it has become clear to me over my working lifetime that economists may have theories, but they don't really know. They think they do and will articulate views with great confidence, but there can never be certainty."*

That said, research from the Institute of International Monetary Research (IIMR) has consistently suggested that inflation, especially in the US, will remain higher and more sustained than markets expect. They have an excellent track record using research based on monetary data.

Those responsible for keeping inflation under control are the Central Bankers. Most have a target of around 2% and most ignore monetary data* – the Bundesbank being a notable exception~. In response to the coronavirus pandemic the Federal Reserve stepped up with a huge QE (quantitative easing) programme and were, in effect, funding the enormous public sector deficit.

Back in the Spring of 2020 the Federal Reserve's vice-chair worried about multi-year deflation. However, by June 2021 minutes of the US FOMC (Federal Open Market Committee) meeting suggested prices (PCE#) would be rising at 3.3% at the end of the year. Then in July they expected prices "to move down gradually in the second part of 2021". It should be noted that by then inflation was already 3.2%. Now they are expecting it to be "transitory". To us the Federal Reserve's forecasts are not to be relied on.

IIMR, who track US monetary data, report that in the year to June 2020 broad money (M3^) increased 26%, the highest rate since 1943 when, of course, the country was at war. In the two years to mid 2021 M3 had grown by 35%. In simple terms there are 35% more US Dollars in existence today than there were in January 2020. IIMR expect the PCE to be around 6% by the end of 2021 and the US CPI (a more usual measure of inflation) could be as high as 7.5%. Unless policy changes significantly they expect inflation to be <u>higher</u> in 2022 than 2021 – when does transitory become persistent?

Inflationary pressures in the UK and Europe are similar, although less extreme than the US. And in Japan they are much less prevalent. There is much talk of bottlenecks and supply shortages as the cause of recent inflationary pressures. In contrast, the IIMR sees them as the inevitable consequences of monetary excess. They also point out that some prices always rise more than others.

Well, does any of this matter? We think it might, partly because we have got very used to low inflation over the past two decades or more. Companies are having to negotiate a more problematic environment. A wage price spiral is probably the biggest concern and, for industry, the rising costs of commodities and energy. These will reduce profit margins. Merely increasing pay does not, alas, increase productivity. There needs to be a commensurate increase in efficiency. There is no sign of this at present.

* On 23 March 2006, the Board of Governors of the Federal Reserve System ceased publication of the M3 monetary aggregate. The M3 classification was the broadest measure of the US economy's money supply.

~ Professor Charles Goodhart pointed out that the Bundesbank has a University whilst the Bank of England has a sports ground, or at least did until recently when they leased it to the All England Tennis & Croquet Club (Wimbledon).

PCE - Personal Consumption Expenditure Deflator

^ Using Shadow Government Statistics – IIMR

Another less obvious, but still important, factor is the effect on company valuations because of changes to bond yields and the resulting discount rates. For those neither familiar nor interested in the finer details of fixed interest markets the point here is quite simple really. If inflation is forecast to rise it normally follows that Central Banks will raise interest rates to bring inflation back to their mandated levels of about 2%. Bond investors will likely demand higher interest rates (yields) on bonds leading to a fall in their price. Analysts who forecast future profits “discount” them by interest rates. If these discount rates rise, companies become less valuable.

If you have not lost interest thus far this matters, especially under current conditions where some growth investments have done so well and stand on lofty valuations. They have performed so well because growth, in a slow growing environment, becomes highly prized. It is possible this may now reverse. Rossie House is cognisant of this but note that as long as companies can maintain their growth rates and profits continue to rise then valuations naturally decline. This may argue for value investors to have a better time whilst growth investor outperformance pauses.

Our feeling is that there will be some of this but it is not a simple issue. For a start, we are not sure Central Banks will, or can, raise interest rates very much. Previous attempts to increase interest rates have caused economies to slow sharply leading to a reversal and reignition of QE .

We have a lot of sympathy for the view that we have entered a prolonged period of “financial repression”. That is to say, interest rates will remain below the level of inflation for quite some time. The idea being that debts will gradually erode over time in real (inflation adjusted) terms. This effectively happened to post war Britain.

However, it may turn out to be a lot less easy today. For a start, one quarter of the £2.2 trillion UK national debt is in the form of index linked gilts – those bonds linked to inflation. Additionally, many infrastructure projects – think schools, hospitals – have been financed by PFI (Private Finance Initiative). These very often have payments over many years, again linked to inflation. Then there is the very large bill for pensions which, under the “triple lock”, link future pension payments to inflation.

For all these reasons it not obvious that the UK, US or any of the other major world economies can easily escape the heavy debt burdens they all carry. If inflation increases and, at a time when stock markets are quite highly valued, we think it is right to warn clients that there may be storm clouds on the horizon. Economies and companies are rebounding strongly as they open up after covid induced shutdowns but they will clash head-on with the awkward problems described above. It is unlikely to be plain sailing.

Conclusions

We have resisted becoming over reliant on any particular investment "style". Rossie House has consistently held a blend of fund management styles across portfolios – growth and value strategies. Generally, we have also held about a quarter (sometimes more) of client assets in "defensive" holdings that aim to provide stability in periods when stock markets are weak.

We have written about this ad nauseam and could, we confess, be accused of having "cried wolf" a little too often. As it happens, the monetary largesse showered on countries through rock bottom interest rates and multiple bouts of QE have raised all asset markets.

Should clients have a need for funds in the near future, this looks quite a good time to consider raising cash. However, if clients have an abundance of money lying in bank accounts, inflation will erode the real value of those balances in the coming years. Indeed, this has already been the case over the past twelve years, with cash savers earning a meagre 6% compared to a general rise in prices within the UK of 39%*. Whilst equity markets carry risk they remain one of the better asset classes for investors able and prepared to hold onto them for a long period.

*As measured by UK RPI 2009 to 2021

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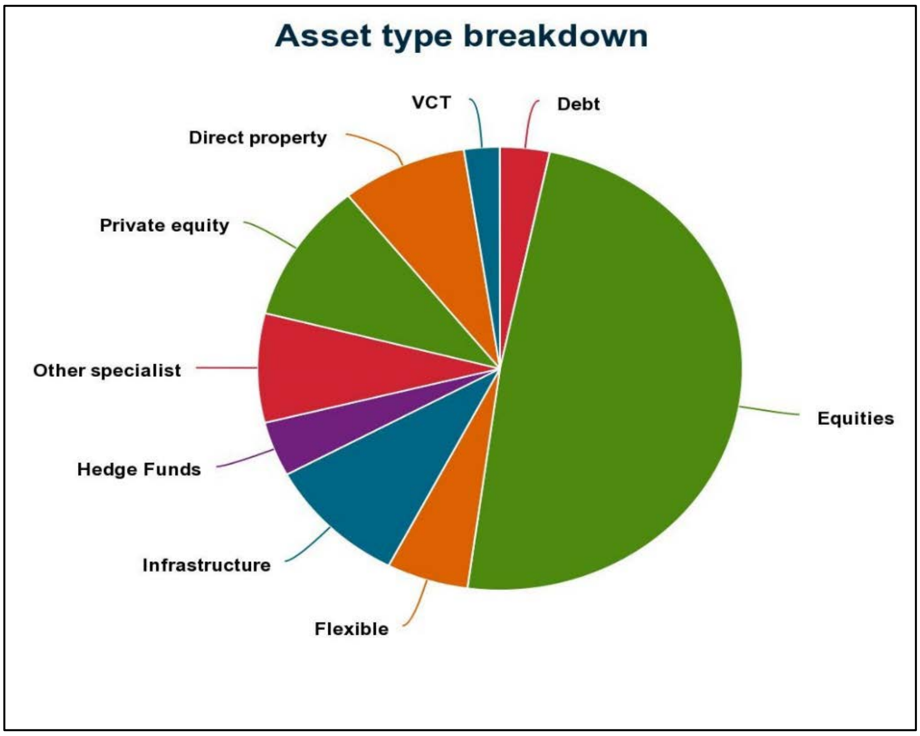
ALTERNATIVE ASSETS INVESTING

It is no secret that at Rossie House we are great fans of investment trusts. While we often think of them as the ideal buy and hold equity vehicle, something rather surprising has happened. Equities no longer account for the majority of assets under management among investment trusts and companies. In fact they account for just under half of the £265 billion total assets recorded by the AIC in August 2021.



Source AIC 31/08/21

How has this happened? Well, the answer is multi-layered. The first part of it concerns the oft discussed advantages of a closed-ended fund structure for an asset with limited, or at least slow or complex liquidity. This means that alternative assets, which are not usually traded in liquid venues are ideally suited to a listed fund structure. The discount is the risk you take for the advantages of liquidity, although popular assets can also trade at a premium – which you need to be careful about when buying. Discounts and premiums reflect other market participants estimates of value, assessment of the skill of a manager (i.e. the likely future returns) and simple supply and demand.

Two trends, the low popularity of equity trusts (this has improved to a degree) and high discounts and the ideal nature of the listed structure for alternative assets with liquidity challenges have meant growth has been very biased to alternative assets over the last 20 years and that alternatives now dominate (just!) the assets under management in the industry. It has of course done no harm to this trend that alternative assets typically command higher fees and so managers and sponsors find better money making prospects among them.

But what is an alternative asset? It is a catch all term which broadly may even be said to encompass anything which is not an equity or a government bond. And the range of assets available globally is quite remarkable and at times even mystifying. Property and office buildings are a fairly conventional area of alternatives. These have proliferated into other specialist sectors – for example logistics warehouses, REITS* letting buildings to supermarkets, care homes, doctors' surgeries, social housing to name a few. There are, or have also been, alternative funds investing in music royalties, timber, aircraft and ship leasing and any number of sectors.

As investors, we have long periods of history in equity investing to draw on and reams of academic research exists. We are naturally inclined to trust assets of which we have experience and observable measurements of risk and return over long periods. However, one must remember that historically land, gold and livestock were the principal stores of wealth for thousands of years. Equities, in comparison, are 'new'. We need to bear in mind the other options available to us when investing which may help us construct portfolios which have better risk / return characteristics and alternative assets have grown up to fulfil that need. It is also worth considering that equities are often companies which may trade in and own many 'alternative' assets. An example would be the insurance assets held by listed insurance funds. This is not a guarantee that familiarity will yield returns, but 'novel' assets are sometimes not as original as they first appear and there may be a good deal of information available on their likely behaviour (see our comments in Do's and Don'ts below). Examples might include PRS REIT, which provides affordable private rental housing to let, or even Taylor Maritime Investments – shipping has been a very longstanding asset class, albeit a cyclical one and hence requiring specialist management. Genuinely novel assets (for example, crypto-currencies) are the most difficult to analyse.

In our view, the best way to think about alternative assets is to think about why you might want to own things other than equities or government bonds. The answer would typically involve diversification and return seeking – either for lower volatility returns than equities or lower correlation, or indeed for higher returns than equities. A listed structure is the golden key which frees assets that might be hampered by liquidity issues in an OEIC or unit trust (which must provide a regular exit possibility for their underlying shareholders) from these problems. And managers have used that key with enthusiasm – private equity trusts, such as Pantheon International plc have been launched to overcome the innate illiquidity of the typical LLP^ structure and provide access to smaller lot sizes and greater diversification. Hedge Funds and Fund of Hedge Funds were the most popular alternative asset closed end funds of the mid 2000s - the listed structure overcame the liquidity problems associated with tax, lengthy notice periods and esoteric investments. These have declined in popularity as returns disappointed and heavy fee structures took their toll, but are still a presence in the market. Infrastructure is also a huge area for alternatives (with renewable energy infrastructure funds, such as TRIG 'The Renewables Infrastructure Group', a large part of this), with companies owning assets with either contracted or predictable revenues (think toll roads, or prisons) for specified and lengthy

* Real Estate Investment Trusts
^ Limited Liability Partnership

contract terms. Such contracts offer an attractively predictable revenue stream and usually a good dividend pay-out. Quite a number of listed debt funds have been launched, taking advantage of the challenges of the banking sector in regulatory and capital terms post the Great Financial Crisis.

But there is one thing most alternative investment trusts have in common – and that is a bias to producing income. Many of the assets that encompass alternatives do naturally produce a good income – take the case of commercial property rentals – and so income is a natural bias. The problems tend to come when that unreliable partner, leverage, is introduced. It makes everything, including income and fees, so much bigger and better. It has also caused many of the problems in the sector.

Given the focus on income in the alternatives space, and also the use of leverage, it is vital to consider the sensitivity of the investment to interest rate changes. Whilst the majority of investments tend to have a negative correlation to interest rate rises, those with high income and leverage are likely to feel the greatest impact – and at present interest rates have little scope to fall. Alternatives may also contain linkages to inflation in one form or another, as is the case with many infrastructure contracts, which can mitigate interest rate rises. However, the devil is in the detail as many contracts contain caps on the level of inflation pass-through and these characteristics need to be assessed carefully.

At their best, alternatives offer the possibility of outperforming inflation in asset classes, be they shipping, forestry, or infrastructure, which are not too correlated to equity markets and which typically produce a good income. That said, it behoves everyone to bear in mind the observation of David Swenson, the famed Yale Endowment investment manager, in the appendix (p370 2009 Free Press edition) of his book ‘Pioneering Portfolio Management’: *‘As a general rule, the more complexity that exists in a Wall Street creation, the faster and farther investors should run’***.**

Here is a short list of top Do’s and Don’t’s for Alternative Investing.

Do

- Favour seasoned assets. They may not have been available in investment trusts before, but have people owned them for many years successfully in other structures? (eg Property, Private Equity or Shipping would pass this test).
- Be wary of yields that seem too high.
- Think carefully about leverage and how much is too much.
- Check fees – remember the fund of hedge funds charging high fees and performance fees on hedge funds with high fees and performance fees.
- Check managers out. In a new asset class, you really are reliant on their expertise.
- Remember that while investment trusts provide better liquidity, a small trust in an unusual asset may not always be very easy to trade.

Don't

- Invest in things you can't really understand. The risk is too high.
- 'Don't believe the hype' – to quote rappers Public Enemy. These fund launches are highly profitable for brokers and managers.
- Forget these assets may have cycles of their own and 'Buy and Hold' may not be the best way to invest in them.

A longer version of this article will appear in the Investment Trusts Handbook 2022, which will be published in December 2021.

ROSSIE HOUSE PORTFOLIO FUND

The Rossie House Portfolio Fund (RHPF) is a vehicle that we launched on 1st May 2014 to give clients the ability to invest smaller sums of money in a very similar way to the segregated portfolios we invest for clients. Managing smaller sums of money in discrete portfolios can be inefficient and this structure helps improve the economics in our clients' favour.

The assets of RHPF have grown to almost £13m, and are spread over the same funds (both unit trusts and investment trusts) used in a typical client portfolio. As such, investors are able to gain exposure to the Rossie House style and investment strategy, currently with around one quarter held in defensive funds and the remainder in equities. A spread of growth and value mandates populate the equity component – coupled with more specialist offerings. An example of the latter is Taylor Maritime Investments, a listed fund run by an experienced family, buying small, versatile, second-hand cargo ships for charter. Current charter rates on these vessels look compelling.

There are some key benefits of investing in RHPF. These include the ability to buy and sell holdings within the fund without triggering capital gains. Also, clients may experience a saving in other costs - e.g. accountancy – because it is a very simple vehicle. The downside is that we are not able to tailor the investments within the fund to any particular client's requirements.

As at the end of September 2021, the B income shares (with distributions added back) were up 78.3% since inception (1st May 2014) vs 68.9% for the benchmark, the MSCI PIMFA Balanced Index. The recent outperformance against the benchmark has been due to excellent gains made by several holdings as economies emerged from the pandemic at the end of last year.

Throughout the seven and a half years since inception, longstanding holdings that have made significant contributions to performance include Monks Investment Trust - a Baillie Gifford run fund specialising in global growth stocks, Findlay Park American Fund – run by a team of investors targeting growing US companies on reasonable valuations, and Herald Investment Trust – a technology and communications fund investing in smaller quoted shares throughout the UK, US, Europe and Asia.

With hindsight, it is no surprise that these three funds have been star performers over the period. The past decade has seen the US market and technology stocks account for the lion's share of positive performance across the globe. Funds focussed on these areas, run by talented and trusted managers, have been an important driver of overall returns.

There may well be a rotation in markets coming that will see other geographies and investment styles come to the fore. RHPF remains diversified in both style and geography so as to capture growth in whatever form it takes, while also keeping one eye on protecting clients' assets.

WORKING FROM HOME (WFH) – An Update

On 19th March 2020 the Prime Minister said he thought the UK "can turn the tide of the [corona]virus" in twelve weeks. Meanwhile, Rossie House was ignoring Boris's optimism and had already instigated an "on the hoof" plan to get people working from home. With good fortune, a couple of weeks earlier we had ordered additional laptops and instructed our IT consultants to ensure we could connect remotely and securely (using dual factor authentication for data security). We later learned that other clients of the same IT consultants who had ordered laptops two weeks later found none were available – we were lucky.

By the date of "lockdown" on March 23rd everyone, bar one person manning the office for post and general efficiency reasons, was at home. Most importantly, our core purpose, to manage your precious assets, didn't miss a beat.

It all worked surprisingly well but it would be a lie to say it was seamless or just the same. Laptop screens are smaller, connectivity was not always quite as good; printing, scanning and answering the telephone (more later) were all less satisfactory. Fortunately, upgrades to our IT resources have enabled working conditions to improve over the lockdown.

All that said, and nearly eighteen months later, we think WFH has somewhat eroded our office's "social capital", which has been heavily leaned on over this period. We could certainly go on for some years but we miss that precious ability to spontaneously discuss investment ideas and piece together conversations on other matters, all of which grease the team's effectiveness.

So, our plan in the short term (probably until Christmas), has been to slowly increase the numbers in the office but still continue in a partial WFH state. We are splitting into groups to ensure we do not all catch the dreaded sniffle at the same time. We cannot afford to have the entire office off work for an extended period, let alone catch the horrible long covid (as has the husband of one of our colleagues). It would be nice to all be back together but, whilst case numbers remain high, and even though we are all now double jabbed, we intend to play it safe.

We have begun to have some face-to-face meetings both with clients and companies. We intend to continue with this, encouraging lateral flow tests beforehand. This has proved a welcome reminder of the normal levels of service and attention we feel proud to provide.

Our earnest hope is that our clients have not noticed any diminution in service. We suspect it may not have been quite as good and we are very sorry for that. Some technical aspects have been a challenge, such as diverting telephone calls, resulting in managers having to ring back. It has not always been possible to respond in the speed and manner we would normally expect. We have also had the occasional client who has admitted they haven't looked at their valuation report because they cannot open our emails; usually password related but sometimes other factors. Please, please if this applies to any of you and you have been too polite to say, just alert us and we will send hard copy reports.

ST KILDA

THE STORY SO FAR…

This is a story about St. Kilda that you won't have heard before…

The human connections with the "islands on the edge of the world" have, for centuries, fascinated everyone who has visited. The incredible history of those who lived there often commands more attention than the shocking sculpture of the islands thrown out by the volcanic activity from 50+ million years ago.

But what follows is a short story of modern history and how the magnetic attraction of St. Kilda has kept friendships alive for 50 years.

Friday 6th August 1971, Anderston, Glasgow – seven 16 to 18 year old schoolgirls and four of their teachers (Helen Jamieson our headmistress, her deputy Katherine Black, geography teacher Evelyn Bell and PE teacher Daphne Ferris) from The Glasgow High School for Girls meet with Jock Nimlin from The National Trust for Scotland. Packed into Miss Bell's VW van and another vehicle, we headed for Oban to board the Charna, owned and skippered by Bruce Howard.

This was the first all-girl working school party to spend two weeks on St. Kilda, which The National Trust had organised – at that time, quite a novelty and the press covered the story to our delight. Helen, Doreen, Margot, Vivien, Jane, Hilary and Margaret had an eventful, unforgettable experience.

In Oban, the loading "chain" soon moved the luggage and supplies from the pier to below decks and the exciting voyage began the following morning, heading out at about 8.30 a.m. in a calm sea and sunshine, passing Mull, Skye and out to meet the Atlantic swell and rougher weather later on. The voyage was a new experience to us girls, with Force 5+ winds giving Charna some interesting moments. We anchored in Village Bay around 3.30 a.m. and slept on until we woke with the daylight to see our first close-up sight of this fantastic archipelago.

Army helpers came out to decant us onto their Zodiac – this was becoming a very big adventure. Ashore on Hirta, we explored our accommodation – the three habitable "new" houses which were built after a terrible storm in 1860 had destroyed many of the original blackhouses. We organised ourselves – House 1 was the "Gathering/Dining/Mess", House 2 was for teachers, House 3 was for the girls. The houses had earth floors, army issue bunk beds and no electricity, the kitchen was a lean-to open-plan arrangement and the toilet block was a good walk away over tussocks and low walls – every minute was bringing us some new experience!

Allocated to a few work parties, we got stuck in with the work of digging out and re-roofing some of the cleits – small drystone structures in which the St. Kildans stored and dried birds and eggs, harvested crops, and peat and turf which was used for fuel. We were very lucky to have good weather for our stay – the "St. Kilda summer" had arrived and we could dodge the work for a wee while to get a dip in the sea from the small but lovely sandy beach of Village Bay.

Working party at rest

Later on our first evening we had two visitors who joined us for dinner – the RSPB warden, Donald Stewart, and Charlie McLean (a very attractive young man as most of our little band thought) who was busy researching his book "Island on the Edge of the World". The book was published in 1972 and is an award-winning classic work of social history.

We were able to take advantage of the good weather and alternate the work duties with exploration trips. On a visit to Lover's Stone, Jock demonstrated the traditional St. Kilda ritual - where the young men of St Kilda, before they could marry, had to balance on their left foot over the edge of the rock, put their right foot in front, and bend down to make a fist over their feet, proving they were able to provide for a family by climbing the rocks to catch birds for food. How impressed the teachers were with Jock's agility and balance!

The army had extended an invitation to watch a film at their base ("The Bedford Incident" for readers who want the details!) and pupils and teachers found it fun to be entertained by the officers and soldiers of the Royal Artillery. And it was the first of a few gatherings to watch films or meet in the Puff Inn.

The work on the cleits was quite slow and time-consuming but occasionally we unearthed items such as an intact medicine bottle or pieces of pottery which were washed and put on display in the Schoolhouse. Those findings helped to give us a feeling of connection with the St. Kildan people because for young teenagers from Glasgow, their story was from a very different time.

Britannia arrives

On Thursday 12th August, Margot and Jane, on cooking duty, were told to plan for some extra visitors – and around mid-morning we watched Britannia sail into Village Bay! The story is well told by this piece from Margot's diary:

"Jane and I were cooks for the day. We all took turns doing this. During breakfast we were told that there would be visitors coming to the island, the Royal Family. Some serious cleaning took place and we were instructed how to act and reply as and when we were spoken to.

Around 11 o'clock Britannia anchored in Village Bay and by 11.30 the party came ashore by launch – no Zodiac for them! We could take photographs but should be discrete and polite about it as this was a private visit and they would probably be quite casual. We lined up on the path and the Duke of Edinburgh immediately came over and chatted to us about the work we were doing for the NTS and also about our school.

Shore Party

They all then had a wander round the main street and looked in the cottages. At that point, a lady in waiting to the Queen asked if a cup of tea could be provided for Her Majesty. It seems she is not a great sailor and Britannia has awful stabilisers… she should have tried Charna!! After her cup of tea, the Queen and the rest of the family headed off to see how to re-turf a cleit and then they went by Land Rover to the top of the island for a picnic.

As the Royal party headed back to the jetty and Britannia, Prince Charles popped his head into the kitchen area and asked what we were cooking. Let's just say never to invite him for a curry! (Vesta curries were a staple during our trip…) We fed around 17 people that night, not sure who they all were but the meal was enjoyed. The base BSM came up and invited us all for supper at the base the next day."


CITY EDITION

ASGOW HERALD

SATURDAY, AUGUST 14, 1971

Four pence (4p)

The Queen walking through the abandoned village with Dr Morton Boyd (left), director of the Nature Conservancy, Scotland, during h with other members of the royal family, to Hirta, the largest of the St Kilda group of islands. Also in the picture (rear) are the Earl of president of the National Trust for Scotland, and Mr Alan Aitken, a member of the trust's party. (Another picture on Page 1

Other adventures included rescuing pufflings who had flown down to the army base, attracted by the lights but then couldn't get any height from the ground to take off again. So we gathered them up and kept them overnight in cardboard boxes. Next day, first duty was to free them by picking them up gently in both hands and launching them into the air, in the direction of the sea! They are comical little birds and seemed fairly happy about being handled. Not sure about one of Helen's who got launched back to front though…

Visits were made to the Tunnel with its spectacular foaming seas and playful seals, walks up to the top of Conachair and the highest sheer sea cliffs in Britain – stunning and savage beauty, a trip over to Dun with transport provided by our new best friends from the army.

What an impression that trip has left on seven schoolgirls. To quote again from Margot –

"In hindsight I doubt I ever thought that trip would have such an impact on me. Nearly 50 years later I still recall so much of it and remember, so fondly, our time on that unique place. I know Helen and Doreen have returned. I have not. I think it is now time to rectify that."

How very fortunate we were to have had that opportunity of a lifetime. Most of the seven girls have stayed in touch over the years and four of us travelled back in time and, 50 years to the day, we landed on St. Kilda and remembered how those two weeks changed our views of our friends, our teachers, and us. It gave us insights into a past way of living we had never heard of, introduced us to the National Trust, the RSPB, the British Army and the Royal Family! And it revealed to us the most magical, stunning beauty of St. Kilda.

August 6th 2021, 50 years to the very day… the local Leverburgh sea eagle, gazing down from the hill on the small island beside the pier, was a treat after a very early start to catch the boat.

Margot describes our feelings very well – we were excited but also apprehensive in case it had changed from the very special place in our memories. Sailing into Village Bay was as wonderful as it could be – we were back in the St. Kilda summer. There have been major changes to the Village during 50 years of course – another four of the houses and all the cleitan we could see around the village have now been restored, and the Army buildings demolished and replaced with turf-roofed timber-clad structures. We could still visit the special places – Main Street, the Graveyard and the School and Church (not forgetting the ablutions!), inducing thoughts of how we had changed and how our lives had evolved since those days.

Some brave souls walked up the Gap and ran the Skua gauntlet. Others headed up the road and were lucky to see the resident snowy owl. National Trust warden, Sue, had been snorkelling off the pier and we had a chance to talk with her and swap stories.

Having had some time for private contemplation, we met up later to toast the islands, our memories, the people we shared our time there with and to our continued friendship. The tender collected us from the pier and we were back on Kilda Cruise boat "Hirta" for essential tea and cake, before a jaw-dropping tour around Boreray, Soay and the Stacs. The sky was full of puffins, gannets and fulmars as we headed home, through water which by now was growing a bit lumpier. A long evening of chat and laughter followed.

We plan to return, though we won't wait another 50 years. But whatever other changes may come by human hands, the permanent beauty of the islands still dominates over all.

The St Kilda girls

Photos courtesy of Helen Macdonald, Stornoway

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As the issuer, Rossie House Investment Management LLP has approved the contents of this publication.

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