

Income

This quarter we are publishing a list of the highest yielding investment companies based on forecast dividends. We are using Morningstar's figures for this. Figure 1 shows the list of highest yielding funds at the end of September 2015. We have tried to exclude from this list funds that are shrinking deliberately by handing back capital to shareholders.

Figure 1: Highest yielding investment companies (data at 30/9/15)

	Yield
Jupiter Dividend & Growth Trust	19.2
New City Energy	17.4
Carador Income Fund USD	13.4
BlackRock Commodities Income	10.5
BlackRock World Mining Trust	10.2
Nimrod Sea Assets	10.2
Ranger Direct Lending Fund	9.4
Fair Oaks Income Fund	9.0
Premier Energy and Water Ord	9.0
British & American	8.9
DP Aircraft I	8.6
Doric Nimrod Air One	8.5
Amedeo Air Four Plus	8.5
Doric Nimrod Air Two	8.0
Blackstone/GSO Loan Financing	8.0
JPMorgan Income & Capital	7.9
Doric Nimrod Air Three	7.9
Blue Planet Investment Trust	7.7
Aberdeen Latin American Income	7.7
CQS New City High Yield	7.6

Source: Morningstar

Jupiter Dividend & Growth is a split capital company that will wind up in November 2017. The way its structure works (it has a combination of ordinary income shares, common shares and zero dividend preference shares), its ordinary income shares have almost no net asset value right now but are entitled to a disproportionate share of the income generated by the company. M&G High Income is a similar story. Here we show the forecast yield on its income and growth units (comprising an income share and a capital share). JPMorgan Income & capital is also a split capital fund.

New City Energy invests in companies involved in exploration, development and production of energy, and related service companies. The fall in the oil price and other commodities has hit it hard. To date though it has managed to maintain its dividend, hence its high yield. BlackRock Commodities Income and BlackRock World Mining have been similarly affected though in Commodities Income's case its share price decline has been less dramatic.

Carador Income invests in the lower tranches of CLOs (see our website for a detailed explanation). Its investment style leads it to earn quite a bit of income but this is often offset by capital losses, reducing the overall return that investors earn. Fair Oaks Income and Blackstone / GSO Loan Financing are similar funds.

Nimrod Sea Assets is a leasing fund that owns a range of oil service vessels. The collapse in the oil price has hit the company. This table uses Morningstar's yield estimates. The company said in June that it will pay quarterly dividends of 2 cents a share until March 2016 when they will take a look at how the fund is doing and "revisit" the dividend.

Ranger Direct Lending is a relatively new investment company investing in loans originated on online platforms. We believe Morningstar have based this yields on a forecast made in its prospectus that assumed the fund was fully invested but, at the end of August, it had deployed just 42% of the proceeds of its share issue.

Premier Energy & water is another split capital trust. Its yield includes special dividends that it has been paying on a regular basis to run down its revenue reserve. It has said the last of these will be paid alongside its final dividend in March 2016. Even excluding the special dividends, it would have been on a 6.9% yield at the end of September. You can read more about this in [our latest research report](#) on the company.

British American's ordinary shareholders benefit from the presence of a convertible security in its capital structure which boosts the dividend but makes its net asset value more volatile.

DP Aircraft, the three Doric Nimrod funds and Amedeo Air Four Plus are leasing planes. It is hard to tell what the resale value of these planes will be when the leases come to the end of their life. This resale value will have a big impact on their final net asset values and will determine whether these funds generate capital growth or losses.

Blue Planet is a small investment trust trying to generate a combination of capital growth and income for its shareholders. Its yield is boosted by its wide discount, currently 23%.

Aberdeen Latin American Income has been bedevilled by weak markets in Latin America as a combination of weak commodity prices and political scandals and ineptitude take their toll on the region. It has said it will rebase its dividend to 3.5p from 4.25p when it announces its results later in October which would have put it on a 6.9% yield at the end of September.

CQS New City High Yield aims to provide investors with a high dividend yield and the potential for capital growth by investing mainly in high yielding fixed interest securities. It invests predominantly in fixed income securities, including preference shares, loan stocks, corporate bonds and government stocks

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