

# April 2018

## Winners and losers in March

### Best performing funds in price terms in March

	(%)
British & American	16.7
Lindsell Train	10.3
Aberforth Split Level Income	9.5
Mithras	7.7
LMS Capital	7.6
F&C Private Equity	7.6
Woodford Patient Capital	6.8
EJF Investments	6.1
JZ Capital Partners	5.3
Kubera Cross-Border	5.2

Source: Morningstar, Marten & Co

### Best performing funds in NAV terms in March

	(%)
British & American	47.4
EJF Investments	6.2
TR Property	3.4
VietNam Holding	2.8
Gulf Investment Fund	2.4
Sanditon	2.2
Ecofin Global Utilities & Infrastructure	1.9
Dunedin Smaller Companies	1.5
Gresham House Strategic	1.1
ScotGems	0.9

Source: Morningstar, Marten & Co

**British & American** tops both tables. The NAV of the fund, which is quite highly geared, benefited from the performance of Geron, its largest holding. The stock performed well due to the possibility Johnson & Johnson would buy into its operation and on positive newsflow. **Lindsell Train** continued to attract attention from investors, moving it to a higher premium, despite a flat return from its NAV. **Aberforth Split Level Income**, which is thinly traded, recovered from a drop in its share price in February. **LMS** delivered strong annual results in March, under its new manager. US dollar strength had impacted on its share price, but this weakened against the pound in March. **Vietnam Holdings'** NAV rose strongly on the back of the performance of the Vietnamese market. The Gulf markets perform well, with some of **Gulf Investment Fund's** largest holdings continuing to contribute to performance.

### Worst performing funds in price terms in March

	(%)
Premier Global Infrastructure	(14.7)
Infrastructure India	(13.3)
Residential Secure Income	(12.3)
EPE Special Opportunities	(11.8)
TR European Growth	(11.7)
Baker Steel Resources	(10.1)
Blue Capital Alternative Income	(10.0)
India Capital Growth	(9.9)
Pershing Square	(9.7)
Golden Prospect Precious Metals	(9.2)

Source: Morningstar, Marten & Co

### Worst performing funds in NAV in March

	(%)
City Natural Resources	(7.5)
BlackRock Emerging Europe	(7.2)
TR European Growth	(7.1)
Establishment	(5.7)
Acorn Income	(5.6)
Polar Capital Global Financials	(5.5)
Henderson Opportunities	(5.4)
Chelverton Small Companies Dividend	(5.3)
JPMorgan Chinese	(5.3)
Manchester & London	(5.2)

Source: Morningstar, Marten & Co

Negative investor sentiment towards global infrastructure and utilities contributed to a widening discount for **Premier Global Infrastructure**. **Infrastructure India** is still struggling to refinance its debt. There has been growing nervousness around the UK housing market in recent months and this may be behind the movement of **Residential Secure Income's** share price relative to its NAV. The performance of several of **City Natural Resources'** largest holdings were weak over the month. Its second largest holding, First Quantum Minerals which owns two copper mines in Zambia, received a large tax bill from the Zambian authorities. **TR European Growth** performed extremely well in 2017 but has stalled recently. It has much higher gearing than its peers and this amplifies any weakness in the NAV performance.

## Significant moves in discounts and premiums

### More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	29 Mar (%)	28 Feb (%)
Lindsell Trai	+36.5	+23.7
Mithras	+0.8	-7.2
Aberforth Split Level Income	+0.5	-7.5
F&C Private Equity Trust	+1.3	-6.2
Pacific Horizon	-1.4	-7.0

Source: Morningstar, Marten & Co

**Lindsell Train** continued to attract attention from investors, moving it to a higher premium, despite a flat return from its NAV. **Mithras** is in the process of winding up its assets, bring it closer to trading at par. The discount of **Aberforth Split Level Income** narrowed on thin trading volumes. **F&C Private Equity** has moved from a discount to a premium; part of a long-term trend within the private equity sector of narrowing discounts. **Pacific Horizon** has had a higher weighting to technology companies than its peers and strong performance is leading to the narrowing of its discount.

### Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	29 Mar (%)	28 Feb (%)
British & American	+67.3	+111.3
Residential Secure Income	-10.6	+1.9
Premier Global Infrastructure	-16.4	-5.0
Baker Steel Resources	-17.7	-10.3
International Public Partnerships	-2.8	+4.4

Source: Morningstar, Marten & Co

**British & American's** persistent high premium has narrowed a bit. **Residential Secure Income** is still investing the £180 million raised in 2017. The widening discount may be down to negative sentiment towards UK residential housing. Negative sentiment towards global infrastructure and utilities may also be behind **Premier Global Infrastructure's** widening discount. **International Public Partnership** also invests in public infrastructure assets but is more focused on the PFI and PPP type structures that have been in the political firing line. **Baker Steel Resources'** discount continues to widen as the excitement over its Polar Silver sale fades.

## Money raised and returned in March

### Money raised in March

	(£m)
Secure Income REIT	337.7*
JPMorgan Multi-Asset	89.4*
Utilico Emerging Markets	51.1*
City of London	10.3*
Allianz Technology	7.6*

Source: Morningstar, Marten & Co, \*approximate value of shares at 29/03/18

**Secure Income REIT** raised £337.7m to invest in further social housing. **JP Morgan Multi-Asset (MATE)** was launched in March with £89.4m raised by IPO. **Utilico Emerging Markets** created redeemable deferred shares to create a distributable reserve for the company. This could be used in the future for the payment of dividends and/or the buy-back of shares. New shares were issued by **City of London**, raising £10.3m. **Allianz Technology** reissued 25,000 ordinary shares from treasury. Companies that raised greater than £6.3m during month included **Finsbury Growth & Income**, **BlackRock Frontiers**, **Capital Gearing**, **Monks**, **Personal Assets** and **Fundsmith Emerging Equities**.

### Money returned in March

	(£m)
Alliance Trust	16.3*
NB Global Floating Rate Income	14.3*
Scottish Mortgage	13.3*
Mercantile	12.9*
JPMorgan American	10.0*

Source: Morningstar, Marten & Co, \* approximate value of shares at 29/03/18

**Alliance Trust** has continued to buy back its own shares. A combination of transitioning sterling shares to US dollar, keeping them on treasury and buying back shares by **NB Global Floating Rate Income** amounted to a reduction of £14.3m. **Scottish Mortgage** and **Mercantile** also brought back shares in March to be held on treasury by £13.3m and £12.9m respectively. As part of the companies move to reduce the discount to NAV, **JPMorgan American** made several repurchases of its own shares. Other companies that returned more than £10.0m to shareholders in March included **Edinburgh Dragon**, **Jupiter US Smaller Companies**, **Aberforth Smaller Companies**, **JPMorgan Global Convertibles Income** and **Herald**.

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## March's major news stories – from our website

### Portfolio developments

- **Marwyn** announced the float of Safe Harbour for £32.7m
- **Hg Capital Trust** has announced plans to invest in much larger deals than it has done to date
- **3i Infrastructure** funded an investment by Infinis investment in Alkane Energy
- **Alliance Trust** writes off goodwill on Stocktrade deal, following a year of poor financial performance
- **Ranger Direct Lending** hit by Princeton and the General Partner bankruptcy in March
- **Tufton Oceanic Assets** has acquired two sub-Panamax containerships for \$22.8 million
- **JZ Capital Partners** has announced an agreement to sell Bolder Healthcare Solutions to a subsidiary of Cognizant
- **JZ Capital Partners** announced the sale of Paragon Water Systems, Inc. to Culligan Water - an increase in NAV of 0.4%
- **Worldwide Healthcare** rejigs its portfolio and adds to its BMS and Vertex stakes
- **Hg Capital Trust** announces the acquisition of German B2B fleet leasing company Mobility Concept

### Corporate news

- **Third Point** announced a series of structural measures and share buy backs to sort out its discount
- **Pershing Square's** tender was blocked by the Dutch authorities
- **RM Secured Direct Lending** on track for March C share conversion
- **CatCo Reinsurance Opportunities** reports a difficult year in the reinsurance market with an above average number of insurance claims and natural disasters
- **Baillie Gifford Shin Nippon** proposed a stock split on strong performance.
- **JPMorgan Claverhouse** announced a new discount control mechanism
- Klepierre made a bid approach to **Hammerson**
- **John Laing Infrastructure** proposed moving its domicile to the UK
- **BlackRock Emerging Europe** is to offers shareholders a 100% tender offer in June 2018

### Property news

- **Triple Point Social Housing REIT** have acquired 116 properties (828 units)
- **Sirius Real Estate** bought a Hamburg business park
- **Tritax Big Box REIT** benefited from market movements post the BREXIT referendum and negotiations
- **Secure Income REIT** has exchanged contracts to acquire two substantial off-market portfolios at a total cost of £436 m
- **Hansteen** has announced that the Secretary of State for Transport has acquired Saltley Business Park in a compulsory purchase order
- **Regional REIT** NAV fell on dilutive share issuance and debt refinancing costs
- **AEW UK REIT** buys Dagenham leisure park and industrial unit on Gresford Industrial Estate, Wrexham

### Managers and fees

- **JPMorgan European Smaller Companies's** manager of 25 years, Jim Campbell, is to leave the company
- **Monks Investment Trust** has announced a management fee change – introducing a further stepped tier at £1.75bn of total assets
- **LMS Capital** appointed Gresham House Asset Management Limited in 2016 and performance has improved



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Standardised past performance to 30 September\*\*:

	2013	2014	2015	2016	2017
Scottish Mortgage	35.9%	27.6%	4.2%	37.0%	30.4%
AIC Global Sector Average	23.6%	12.1%	5.1%	21.8%	21.6%

Past performance is not a guide to future returns.

Please remember that changing stock market conditions and currency exchange rates will affect the value of the investment in the fund and any income from it. Investors may not get back the amount invested.

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\*Ongoing charges as at 31.03.17. \*\*Source: Morningstar, share price, total return as at 30.09.17. Your call may be recorded for training or monitoring purposes Scottish Mortgage Investment Trust PLC is available through the Baillie Gifford Investment Trust Share Plan and the Investment Trust ISA, which are managed by Baillie Gifford Savings Management Limited (BGSM). BGSM is an affiliate of Baillie Gifford & Co Limited, which is the manager and secretary of Scottish Mortgage Investment Trust PLC.

## Income

### Investment Companies announcing their full year dividends in March

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
F&C Investment Trust	31/12/2017	10.4 <sup>a</sup>	5.6	11.7	1.10
Tritax Big Box	31/12/2017	6.4	3.2	6.40	1.00
JPMorgan Claverhouse	31/12/2017	26.0 <sup>b</sup>	13.0	29.3	1.12
BlackRock Latin American	31/12/2017	\$0.13 <sup>c</sup>	-13.3	\$0.13	1.00
City Merchants High Yield	31/12/2017	10.0	unchanged	10.0	1.00
North American Income Trust	31/12/2017	39.0 <sup>d</sup>	8.3	42.12	1.08
Schroder Asian Total Return	31/12/2017	4.8	6.7	5.48	1.14
Henderson High Income	31/12/2017	9.4	2.7	10.13	1.03
BlackRock Emerging Europe	31/01/2018	\$0.15	100	\$0.16	1.06
F&C Private Equity Trust	31/12/2017	14.04	11.4	19.65	1.39
John Laing Infrastructure	31/12/2017	6.96	2.5	10.20	1.46
Regional REIT	31/12/2017	7.85	2.6	9.10	1.15
International Public Partnerships	31/12/2017	6.82	2.5	8.36	1.20
Hansteen Holdings	31/12/2017	6.1 <sup>e</sup>	3.4	9.80	1.60
Real Estate Investors	31/12/2017	3.12	19.0	3.30	1.05
Fidelity European Values	31/12/2017	4.17	4.3	4.37	1.05
Witan	31/12/2017	21.0	10.5	23.8	1.13
Murray International	31/12/2017	50.0	5.3	51.8	1.04
Secure Income REIT	31/12/2017	13.6	19.1	13.6	1.00
Alliance Trust	31/12/2017	13.6	3.0	12.84	0.97

- a) Special dividends treated as income were £2.7m for the year, (£1.7m lower than last year).
- b) The board of JPMorgan Claverhouse's dividend policy remains to seek to increase the dividend each year and, taking a run of years together, to pay dividends that at least match the rate of inflation. Given the Company's strong revenue reserves, the board currently expects future dividend increases to continue to exceed the rate of inflation. The board also intends to increase the first three quarterly interim dividends in 2018 from 5.5p per share to 6.0p per share, to even out dividend payments more through the year.
- c) The board of BlackRock Latin American is proposing to amend the dividend policy: to pay a quarterly dividend of 1.25% of USD NAV through available net income alongside revenue and capital reserves (to be approved at the May 2018 AGM)
- d) The dividend pay-out leaves an undistributed balance of £920,000 (equivalent to 3.2p per Ordinary share), which will be added to the revenue reserve, making a further increase in this reserve and providing the Company with added flexibility for future years
- e) Since the year-end, Hansteen has contracted to sell the IMPT portfolio and Saltley Business Park has become the subject of a CPO (as announced on 5 February 2018 and 13 March 2018 respectively). On completion, the combined net proceeds are expected to be at least £150.0 million and, with no debt to repay as the properties were not secured, the Group's cash balance of £71.2 million at 31 December 2017 will rise significantly. The Board is proposing a capital distribution of 35p per share (£144.5 million) to shareholders in the first half of 2018.

Publications



Our Fidelity Closed-End Funds Review – a regular publication looking at Fidelity and recent developments in three of its investment trusts – Fidelity Asian Values, Fidelity Japanese Values and Fidelity Special Values.



We spoke to Aberdeen Frontier Markets (AFMC) about its move last year from investing indirectly via funds to investing directly into shares of listed companies.



Our initiation note on CQS New City High Yield provides the details of the way the company is managed. The fund manager describes the fund as “really conservative and boring”, despite providing a high yield and consistent low volatility returns.



We interviewed Ecofin Global Utilities and Infrastructure’s investment manager to review the portfolio and hear their views on the Global Utilities and Infrastructure sector.



In pre-IPO note, we cover how Global Diversified Infrastructure gives shareholders exposure to different infrastructure sectors in a global portfolio.



Our note on John Lang Environmental provides an update on developments in the company, additions to its wind portfolio and looks in more detail of its anaerobic digestion investments.



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