

Second Quarter of 2018

QuotedData news

Global equities markets rose in the second quarter of 2018, Markets were volatile, as positive economic data and encouraging company performances played off against geopolitical concerns. Yields from bond markets rose early in the quarter but fell back as investors turned to 'safer' investments. The threat of a trade war and the strength of the US dollar contributed to falls in emerging markets, particularly in Asia.

New research

Over the quarter, we published notes on **Seneca Global Income & Growth**, **Premier Global Infrastructure Trust**, **JPMorgan Russian Securities**, **Aberdeen Emerging Markets**, **Herald Investment Trust**, **Civitas Social Housing** and **India Capital Growth** You can read all these notes, and more, by clicking on the links embedded above or by visiting www.quoteddata.com.

In this issue

Performance Data – EF Realisation benefited from its holding in US shale oil and gas company Lonestar Resources and the strong oil price. **Syncona** held Autolus Therapeutics, which IPO'd during the quarter.

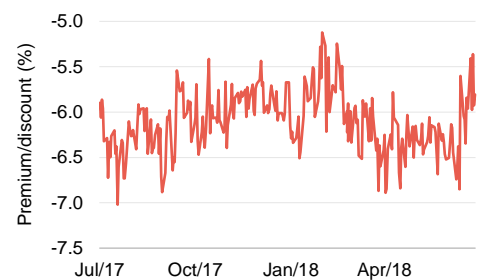
Major news stories – There have been a number of fund manager changes and fee reductions, with the managers of **Invesco Perpetual Enhanced Income** and **Vietnam Holding** both resigning and then being reappointed. **Monks** and **Securities Trust of Scotland** were amongst those funds that reduced their fees during the quarter.

Money in and out – **Scottish Mortgage** issued shares worth more than £150m during the quarter.

More information about the funds mentioned in this report is available on our website. If you are reading this online, there are links embedded in the document that will take you through to the relevant webpage.

All investment companies median discount

Time period 01/06/2017 to 30/06/2018

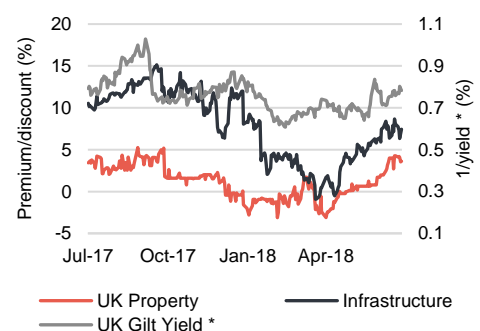


Source: Morningstar, Marten & Co

Discounts, which had been drifting out a little in 2018, narrowed again towards the end of the quarter.

Premiums on infrastructure and UK property funds

Time period 01/06/2017 to 30/06/2018



Source: Morningstar, Marten & Co. * Note this is the yield on 10-year UK government bonds, inverted

The chart suggests that the premiums / discounts on the property and infrastructure sectors are responding to changes in UK government bond yields. Both sectors are income providers and investors' views on the prospects for interest rates appear to be feeding through into sentiment. Over the quarter, the prospect of interest rate rises in the UK seems to have receded, gilt yields have fallen and premiums on property and infrastructure funds have risen.

Performance Data

The majority of investment funds delivered positive returns. Funds investing in the US performed well over the quarter, helped by a stronger US dollar. The same was true for companies with US dollar earnings and/or with exposure to commodities and oil. The technology sector did well for most of the quarter, but we saw a bout of profit taking towards the end of it.

Looking first at the positive moves:

Figure 1: Best performing funds in price terms in Q2 *

	(%)
EF Realisation	55.0
Syncona	34.8
Ashmore Global Opportunities	28.3
Blue Capital Alternative Income	23.2
BB Healthcare	21.1
Scottish Mortgage	20.2
Baillie Gifford US Growth	19.9
Gresham House Strategic	19.6
Herald	18.0
Dunedin Smaller Companies	18.0

Source: Morningstar, * excluding funds with market cap. below £15m

Figure 2: Best performing funds in NAV terms in Q2 *

	(%)
EF Realisation	67.7
Crystal Amber	21.5
Baillie Gifford US Growth	21.5
BB Healthcare	17.7
BlackRock Commodities Income	17.6
Scottish Mortgage	17.3
Pacific Alliance China Land	17.0
BH Macro USD	15.7
Jupiter US Smaller Companies	15.7
Edinburgh Worldwide	15.6

Source: Morningstar, * excluding funds with market cap. below £15m

- **EF Realisation**'s largest holding (over half its NAV), Lone Star Resources, rose by more than 90%.
- **Syncona** rose as shareholders got excited about an uplift in the valuation of Autolus Therapeutics, which IPO'd during the quarter. Syncona is yet to publish its end June NAV.
- **BB Healthcare** had a good quarter on the back of holdings such as Align Technology.
- **Blue Capital Alternative Income** benefitted from a decision to wind up the fund, as well as the strong dollar.
- **Crystal Amber** did well on the back of an uplift in the value of its stake in Hurricane Energy.
- **Baillie Gifford Shin Nippon** extended its impressive run of results over the quarter. Japanese smaller companies have performed well in recent months
- US dollar strength helped sterling-based investors see strong returns from **Baillie Gifford US Growth**, **BlackRock Commodities Income**, **BH Macro**, **Jupiter US Smaller Companies** and to a certain extent, the US holdings of **Edinburgh Worldwide**.
- **Scottish Mortgage** and **Herald** have been reaping the rewards of a strong technology sector.
- **Dunedin Smaller Companies** will merge with Standard Life UK Smaller Companies.

On the negative side:

As the rhetoric ramped up and the first tariffs were imposed in Trump's trade war, investors in many emerging markets became more nervous.

Figure 3: Worst performing funds in price terms in Q2*

	(%)
FastForward Innovations	(34.9)
JPMorgan Brazil	(19.5)
BlackRock Latin American	(17.8)
Infrastructure India	(16.9)
Vinaland	(14.2)
Vietnam Enterprise	(13.4)
Alternative Liquidity	(12.1)
CATCo Reinsurance Opportunities	(12.1)
Aberdeen Latin American Income	(10.4)
BlackRock Frontiers	(9.7)

Source: Morningstar, * excluding funds with market cap. below £15m

Figure 4: Worst performing funds in NAV terms in Q2 *

	(%)
JPMorgan Brazil	(22.0)
BlackRock Latin American	(16.8)
CATCo Reinsurance Opportunities	(13.3)
Vietnam Enterprise	(12.7)
Aberdeen Latin American Income	(12.5)
EPE Special Opportunities	(11.1)
VietNam Holding	(9.3)
Aberdeen Frontier Markets	(8.3)
Utilico Emerging Markets	(7.7)
Baring Emerging Europe	(7.7)

Source: Morningstar, * excluding funds with market cap. below £15m

- Since **FastForward Innovations** sold its holding of Nuuverra Corp, a company created to capitalise on the global secular trend towards the legalisation of cannabis, shareholders have been selling down their positions.
- Brazil was particularly impacted by political, economic and social disorder, hitting **JPMorgan Brazil**, **BlackRock Latin American** and **Aberdeen Latin American Income**.
- **Infrastructure India** borrowed yet more money at high interest rates.
- The Vietnamese equity market has corrected after a period of strong performance. **Vietnam Enterprise**, **Vinaland**, **VietNam Holding** and **VinaCapital Vietnam Opportunities** all fell.
- In VinaLand's case, the discount widened after a sizeable return of capital. A similar situation seems to have arisen with **Alternative Liquidity Fund**.
- **CATCo Reinsurance Opportunities** fell further on the news that it would increase provision for losses following Hurricane Irma by around 19.5% of the 31 March 2018 ordinary share NAV.
- **EPE Special Opportunities** has been impacted as the share price of Luceco has continued to fall.

Money in and out of the sector

About £1.4bn net flowed into the sector over the quarter on our estimates. It was not an easy period for fundraising, quite a few rumoured and proposed new issues failed to raise sufficient interest from investors.

Figure 5: Money entering the sector in Q2 2018

	£m
Scottish Mortgage	156.0
Tritax Big Box	155.6
BioPharma Credit	\$163.8
Greencoat UK Wind	118.8
Primary Health Properties	115.0
Honeycomb Investment Trust	100.0
Life Settlement Assets	\$129.0
Odyssean	87.5
Sequoia Economic Infrastructure Inc	75.7
Yew Grove REIT	€75.0

Source: Morningstar, * approximate value of additional capital at 30/09/2017

Figure 6: Money leaving the sector in Q2 2018

	£m
Aberdeen Private Equity	148.6
NB Global Floating Rate Income	54.8
Pacific Alliance China Land	54.0
Templeton Emerging Markets	53.2
SQN Asset Finance Income	40.0
Aberdeen Emerging Markets	33.4
Candover	27.2
Chenavari Capital Solutions	17.6
JPEL Private Equity	16.0
Vinaland	12.8

Source: Morningstar, * approximate value of shares bought back at 30/09/2017

Money coming in:

- New issues in the quarter included **Life Settlement Assets**, a \$129m fund investing in life insurance policies; **Odyssean Investment Trust**, a new UK equity fund which raised £87.5m, short of its £100m target; and **Yew Grove REIT**, a €75m Irish REIT investing in office and industrial properties, primarily outside Dublin's central business district;
- **Scottish Mortgage** continues to expand, issuing shares worth £156m at the end of the quarter to meet demand.
- **Tritax Big Box** raised more than £150m in an issue that it said was significantly oversubscribed. The issue proceeds will be used to fund its acquisition pipeline.
- **BioPharma Credit** issued stock to fund a new loan.
- **Greencoat UK Wind** raised £118.8m to complete the purchase of its further shareholding in the Clyde wind farms.
- **Primary Health Properties** carried out a capital raising in April seeking £100m to grow its portfolio, which was oversubscribed by £15.0m. The company has subsequently made two further acquisitions in Ireland.
- **Sequoia Economic Infrastructure Income** raised £75.7m to deploy in attractive infrastructure projects and for a longer-term pipeline of opportunities.

Money going out:

- **Aberdeen Private Equity** handed back £148.6m as it progressed its wind down. The company was put into voluntary liquidation on 29 June.
- **NB Global Floating Rate Income** and **Templeton Emerging Markets** are serial repurchasers of shares.
- As it proceeds with its wind-up process, **Pacific Alliance China Land** distributed \$81.6m to shareholders over the month funded by its sale of Wanda shares.
- The board of **SQN Asset Finance Income** identified excess cash of £40m that could be made available to shareholders and be distributed by a one-off compulsory redemption.

- **Aberdeen Emerging Markets** held a tender for 10% of its shares and this was fully subscribed.
- We said goodbye to **Candover**, **Eastern European Property** and **Tiso Blackstar** during the quarter.
- From 1 January 2017, **Chenavari Capital Solutions** entered into a realisation period and started to return unencumbered cash balances to shareholders with 90% of the projected cash proceeds returned to investors by mid-2021. This is the company's fourth payment, which returns £18.0m to shareholders.
- **JPEL Private Equity** is also winding up and made its fourth mandatory redemption of shares for \$25.0m (£17.6m).
- **VinaLand** distributed 10 cents per share of surplus capital, equivalent to \$16.9m (£12.75m).

Baillie Gifford has been managing investments since 1909. Our success has been built on finding good investment opportunities for clients through extensive independent research. Our fundamental analysis and judgement over the years have helped us to become one of the UK's largest independent investment management groups with over £177.6 billion of funds under management and advice as at 31 March 2018*



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*Source Baillie Gifford & Co As with all stock market investments, your capital is at risk

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Significant rating changes

Figure 7: More expensive relative to NAV – notable changes to discount (-ve) or premium (+ve)

	31/03/2018	30/06/18
	%	%
Syncona	+25.4	+53.6
VinaLand	-6.0	+20.1
Green REIT	-7.5	+8.9
Premier Global Infrastructure	-16.4	-1.2
Blue Capital Alternative Income	-22.6	-9.1
Aseana Properties	-29.2	-15.8
Gresham House Strategic	-30.2	-17.4
Ashmore Global Opportunities	-34.9	-22.1
EPE Special Opportunities	-36.0	-23.9
LXI REIT	-6.7	+4.6

Source: Morningstar, Marten & Co

Figure 8: Less expensive relative to NAV - notable changes to discount (-ve) or premium (+ve)

	31/03/2018	30/06/18
	%	%
FastForward Innovations	+79.3	+19.6
Lindsell Train	+37.9	+19.1
Henderson European Focus	-0.9	-11.0
Golden Prospect Precious Mtl	-13.3	-23.3
Gabelli Merger Plus+	+7.8	-1.2
Standard Life UK Smaller Co	-0.8	-9.0
Crystal Amber	-4.6	-12.7
Ground Rents Income	-5.4	-13.4
Pacific Alliance China Land	-11.1	-19.0
Aberforth Split Level Income	+2.2	-5.3

Source: Morningstar, Marten & Co

Getting more expensive

- **Syncona** should have received an uplift in value of £152m (equivalent to 14% of its NAV at the current share price) on its holding of Autolus Therapeutics, when that company listed on NASDAQ. Other companies who also held Autolus, such as Aris Bioscience and Woodford Patient Capital Trust, were also beneficiaries. Syncona's

share price rose sharply but it has not yet published its end June NAV. The premium is probably overstated here.

- Whilst the NAV of **Premier Global Infrastructure** fell in May, the share price remained relatively unchanged, narrowing the discount as a result.
- Following a period of bad news for the reinsurance sector, **Blue Capital Alternative Income**'s share price recovered some of its losses and its discount tightened ahead of its continuation vote.
- The share price of **EPE Special Opportunities**, which is relatively illiquid, fell on low trading volumes during the review period. The NAV remained stable.
- **LXi REIT** was included in the FTSE EPRA/NAREIT Global Real Estate Index Series as of Monday 18 June 2018. This makes it the target of many index tracking and index relative investment managers. The NAV fell in value over the quarter, whilst the share price rose strongly on index inclusion.
- **Aseana Properties** asked shareholders for more time to sell off its portfolio and agreed a revised fee structure for its manager.

Getting cheaper

- Investors in **FastForward Innovations** are less enthusiastic about the company since it sold its cannabis investment. Its premium to NAV remains high, however.
- In **Lindsell Train**'s results, chairman Julian Cazalet wrote that that, in the board's view, the premium was unwarranted. He cautions new shareholders about buying shares at such a high premium.
- A combination of underperformance and investor disenchantment with Europe (reflecting Italian and German politics) have led to a widening discount for **Henderson European Focus**.
- Unlike other commodity companies, **Golden Prospect Metals** has seen its discount widen. Over the quarter, the gold price fell 7.3% in US dollar terms.
- **Gabelli Merger Plus+** moved from trading at a premium to a discount, despite positive NAV returns for the quarter.
- The convertibles of **Standard Life UK Smaller Companies** converted in April to ordinary shares, some new holders were sellers of their shares and the discount widened.
- **Crystal Amber** has been benefitting from an uplift in the value of its Hurricane Energy stake. The share price has not get pace with the NAV.
- The share price and NAV performance of **Ground Rents Income** reflect the political animosity towards ground rents generally.
- As it proceeds with its wind-up process, **Pacific Alliance China Land** distributed \$81.6m to shareholders and the discount widened.
- The share price of **Aberforth Split Level Income**, which is very volatile, fell whereas the NAV rose on the back of strong UK equity performance, effectively widening the discount.



SCOTTISH MORTGAGE WAS ORIGINALLY LAUNCHED TO PROVIDE LOANS TO RUBBER GROWERS IN MALAYSIA IN THE EARLY 20TH CENTURY.

SCOTTISH MORTGAGE INVESTMENT TRUST

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Standardised past performance to 30 June each year*:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Scottish Mortgage	-11.0%	26.9%	28.9%	25.8%	4.9%
FTSE All-World Index	-4.0%	21.4%	9.6%	10.2%	14.0%

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 your investment in the fund and any income from it. You may not get back the amount invested.

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Long-term investment partners

*Source: Morningstar, share price, total return as at 30.06.16. †Ongoing charges as at 31.03.16. 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 (BGSML). BGSML is an affiliate of Baillie Gifford & Co Limited, which is the manager and secretary of Scottish Mortgage Investment Trust PLC.

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Major news stories

Portfolio developments

- **3i Infrastructure** made an investment in Atterot
- **Juridica**'s left with seven cases
- **HgCapital** made several purchases and sales including a sale of Allocate Software
- US sanctions against Russia have minimal impact for **JPMorgan Russian Securities**
- **Bluefield Solar** acquired three solar PV plants
- **Foresight Solar** acquired five UK solar assets
- **HICL Infrastructure** sold its Highland Schools stake and added to its A63 investment
- **International Public Partnerships** increases Cadent stake
- **Africa Opportunity** held back by hedging and C Share merger costs
- **Aberdeen New Thai** aims to spice up returns
- **P2P Global** securitises Funding Circle loans

- **CATCo** takes another big write down on 2017 NAV
- **Greencoat UK Wind** to up its Clyde wind farm stake
- **Blue Capital Alternative Income** throws in towel
- **Civitas** share price boosted as it sorts potential First Priority problem
- **Life Settlement Assets** announces three 'maturities'
- **McKay Securities** dividend up 11%
- **Oakley** agrees sale of Facile to EQT
- **Brunner** refinances debt crystallising 21.5p NAV hit
- **Scottish Mortgage** ups long term debt
- **Better Capital** sells Northern Aerospace to SLMR and say CMA put spanner in the works of the deal
- **LMS Capital** sells Penguin Computing
- **Duke Royalty** signs letter of intent for its fifth loan
- **Renewables Infrastructure** buys Solwaybank wind farm
- **FastForward Innovations** invests in Juvenescence
- **UK Mortgages** in Keystone Property Finance deal
- **John Laing Environmental** commits to Vulcan plant expansion
- **NextEnergy Solar** adds another ten plants
- **Funding Circle SME Income** cuts dividend forecast

Corporate news

- **Mercantile** announced a ten-for-one share split to help deal with the share price being so high
- **Aberdeen Asian Smaller Companies** announced details of CULS conversion
- **Aberdeen Emerging Markets** announced its tender results
- **Better Capital** announced that it has consented to an extension of BECAP Fund to 17 December 2019.
- **Masawara** announced its intention to delist
- **Ranger Direct Lending** opted for Ares Management, but Oaktree dispute led to fund winding up
- **Gresham House** proposal of acquisition and placing of new ordinary shares
- **NewRiver** responds to press speculation
- **Aberdeen Asian Smaller** results of CULS Placing, Open Offer and Conversion
- **Electra Private Equity** to start formal sales process
- Out with Raven Russia, in with **Raven Property Group**
- Investors sticking by **Jupiter Emerging and Frontier**
- Ex-manager may bid for **Phaunos Timber** and the board urges shareholders to take no action
- **JZ Capital Partners** calls EGM to approve deals
- **Apax** interest in BCA boon for **Marwyn**
- GAM drops support for **Invesco Perpetual Enhanced** requisition
- The trust formerly known as **Chelverton Small Companies Dividend Trust**
- **BlackRock Emerging Europe** will wind up

- **Dunedin Smaller** merging with **Standard Life UK Smaller**
- **Henderson Far East** to shift to UK
- **JPMorgan Japan Smaller Companies** introduces new dividend policy

Managers & fees

- **Schroder UK Growth** appointed Baillie Gifford as its new fund manager
- **BlackRock Smaller Companies** agreed a cut in its management fee and to remove the performance fee
- Attempted manager change for **Invesco Perpetual Enhanced Income**
- Proposed changes at **Artemis Alpha Trust**
- Change in investment management team at **JPMorgan Global Convertibles Income**
- Colin Hughes to retire as co-fund manager of **Henderson Opportunities Trust**
- Ian Barrass to retire as co-fund manager of **Henderson Alternative Strategies**
- **Witan Pacific** announced an asset allocation switch to new fund managers
- New manager for **Shires Income**
- New twist as **Vietnam Holding** manager resigns
- Change in manager line-up for **NB Global Floating Rate**
- Did **Baillie Gifford US Growth** fail to disclose manager departure?
- **Templeton Emerging** cuts fees
- Positive performance and lower costs from **Fidelity China Special Situations**
- **Vietnam Holding** reappoints old manager
- **Monks** lowers fees
- **Securities Trust of Scotland** reduces its fees



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