

## Third Quarter of 2018

### QuotedData news

Global equities delivered positive returns over the third quarter of 2018. This was principally because of strength in the US market. Political uncertainty and concerns about global trade held back other regions. Generally, government bond yields rose over the quarter. The UK equity market fell as the Bank of England increased interest rates and concerns built over the lack of a Brexit deal. This latter point contributed to sterling weakness.

### New research

Over the quarter, we published notes on **Standard Life Private Equity**, **International Biotechnology**, **Strategic Equity Capital**, **Jupiter Emerging and Frontier Income**, **CG Asset Management**, **BlackRock Throgmorton**, **John Laing Environmental Assets**, **CEIBA Investments** and **Seneca Global Income & Growth**. You can read all these notes, and more, by clicking on the links embedded above or by visiting [www.quoteddata.com](http://www.quoteddata.com).

### In this issue

**Performance Data** – **Lindsell Train** leads the pack but it was notable that healthcare and biotech funds had a good quarter.

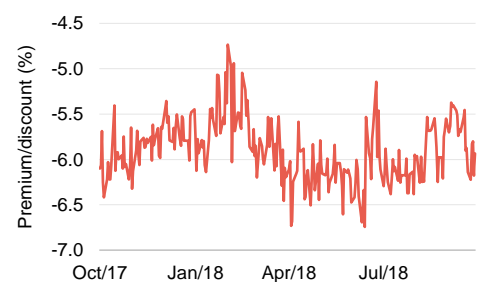
**Major news stories** – A cash offer was made for **John Laing Infrastructure** at a premium to its share price and NAV. Other infrastructure funds rallied as a result, notably **3i Infrastructure** and **HICL Infrastructure**, which moved to premiums from discounts.

**Money in and out** – There have been a number of fund launches and capital raises over the quarter, including **Tritax EuroBox**, **Triam Investors 1**, **Hipgnosis Songs Fund** and **Ashoka India Equity**. **Greencoat Renewables** raised €111m in an oversubscribed placing.

**More information about the funds mentioned in this report is available on our website.** There are also links embedded in the document that will take you through to the relevant webpage.

### All investment companies median discount

Time period 01/10/2017 to 30/09/2018

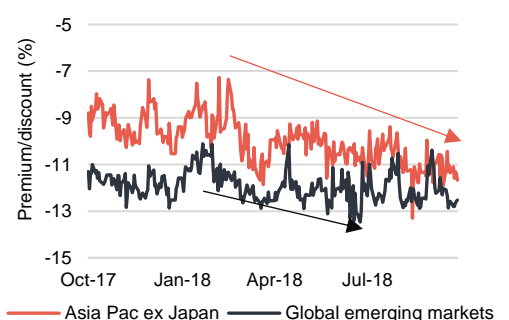


Source: Morningstar, Marten & Co

Discounts have been volatile recently. This may be hiding a long-term tightening of the median discount to NAV. However, short-term uncertainty is holding back any recovery in NAVs, with a low in June, coinciding with the height of the US trade war rhetoric.

### Discounts on Asia ex Japan and global emerging markets

Time period 01/10/2017 to 30/09/2018



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

The chart above suggests that discounts on the Asia Pacific (ex-Japan) sector are responding to the same factors as the Global emerging markets sector. The US trade war rhetoric and rising US interest rates have caused both to trend wider since the first quarter of 2018. However, in recent months, emerging markets' discounts also reflect an oil price related rebound in Russia.

## Performance Data

The majority of investment funds delivered positive returns over the quarter in NAV and share price terms. The top performers were from various sectors, with no real discernible pattern other than a good showing from the biotech and healthcare trusts. It is apparent that, with the exception of a few UK smaller companies' funds, no UK generalist funds were near the top of the list.

Looking first at the positive moves:

Figure 1: Best performing funds in price terms in Q3 \*

	(%)
Lindsell Train	24.8
John Laing Infrastructure	23.5
British & American	21.4
BB Healthcare	17.2
Doric Nimrod Air One	13.9
Syncona	12.9
International Biotechnology	12.8
HarbourVest Global Private Equity	12.3
Aberdeen New Thai	12.1
SQN Asset Finance Income	12.0

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

Figure 2: Best performing funds in NAV terms in Q3 \*

	(%)
BB Healthcare	19.5
Geiger Counter	18.5
Aberdeen New Thai	13.9
JPMorgan American	12.3
Polar Capital Global Healthcare	11.2
Allianz Technology	10.8
UIL	10.1
Woodford Patient Capital	9.8
Edinburgh Worldwide	9.4
Baillie Gifford US Growth	9.1

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

- **British & American** and **Lindsell Train** trade at a very high and volatile premiums, the former shifting almost monthly between the best and worst performing funds tables. You will also see it in the worst performing NAV table for this quarter.
- A cash offer was made for **John Laing Infrastructure** at a premium to its share price and NAV. Other infrastructure funds rallied as a result, notably **3i Infrastructure** and **HICL Infrastructure**, which moved to premiums from discounts.
- **BB Healthcare** reported that its NAV performance had benefited from good sector calls, given prevailing market conditions.
- The US dollar rose by 1.3% relative to sterling and the US technology sector performed well; **Allianz Technology**, **Baillie Gifford US Growth**, **JPMorgan American** and **Edinburgh Worldwide** benefited.
- The share price and NAV of **Woodford Patient Capital** both rose in June on the back of the Autolus IPO. It also wrote up the value of Industrial Heat in September.
- **Geiger Counter**'s higher price might be a knock-on from the success of Yellow Cake and a rising uranium price.
- **Syncona** reported positive news on its Nightstar Therapeutics investment.

On the negative side:

Indian finds and other emerging markets funds and specialist Asian funds underperformed, as concerns about US trade tariffs, currency movements, commodity prices and the direction of US interest rates held these markets back. India, which is a large importer of oil, also suffered on the back of the rising oil price – impacting on inflation and the rupee.

**Figure 3: Worst performing funds in price terms in Q3\***

	(%)
Better Capital PCC 2012	(19.4)
Independent	(18.2)
Ashmore Global Opportunities USD	(14.3)
Chelverton UK Dividend Trust	(14.0)
JPMorgan Chinese	(11.4)
EPE Special Opportunities	(11.0)
Fidelity China Special Values	(11.0)
Premier Global Infrastructure	(10.8)
Baker Steel Resources	(10.8)
Alternative Liquidity	(10.1)

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

**Figure 4: Worst performing funds in NAV terms in Q3 \***

	(%)
India Capital Growth	(14.4)
JPMorgan Chinese	(13.1)
Fidelity China Special Situations	(11.8)
Premier Global Infrastructure	(11.2)
British & American	(10.3)
Artemis Alphas	(8.6)
JPMorgan Indian	(7.8)
City Natural Resources	(7.7)
Primary Health Properties	(7.1)
Pacific Horizon	(6.6)

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

- **Better Capital 2012** warned on the valuations of two of its holdings, causing the share price to fall.
- Believing that the premium of **Independent** was too high, the directors of the company led by example and sold their shareholdings. The action had the desired effect.
- The Indian equity market has corrected on a mixture of global and domestic political tensions. **India Capital Growth** and **JPMorgan Indian** fell.
- **British & American's** share price has been divorced from reality for some time. This NAV drop does not reflect the collapse in the share price of its largest investment towards the end of September.
- **Chelverton UK Dividend Trust** has a 40% holding in Chelverton Private Equity, which detracted from the fund's performance over the quarter.
- The performance of Chinese equity markets can be seen in this quarter's worst performing funds in NAV terms table. **Premier Global Infrastructure**, which has a high Chinese exposure, **Fidelity China Special Situations** and **JPMorgan Chinese** fell as markets responded to the news that the US may impose import tariffs. **Ashmore Global Opportunities** fell as other emerging and frontier markets were also weak, notably India.
- **Baker Steel's** share price has been drifting off since the middle of March, possibly as investors are concerned about the prospects for commodity prices if the trade war worsens.

## 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 Q3 2018

	£m
Tritax EuroBox	300.0
Trian Investors 1	270.6
Hipgnosis Songs Fund	202.2
Scottish Mortgage	135.7
Greencoat Renewables	102.1
BBGI SICAV	70.6
Foresight Solar	49.7
Triple Point Social Housing REIT	49.6
Renewables Infrastructure	64.2
Ashoka India Equity	45.6

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

Figure 6: Money leaving the sector in Q3 2018

	£m
NB Global Floating Rate Income GBP	61.2
Templeton Emerging Mkts	45.0
Macau Property Opportunities	28.2
Terra Capital	23.8
Alliance Trust	22.7
Mercantile	21.4
JPMorgan Global Convertibles Income	17.9
VinaCapital Vietnam Opp Fund	16.0
Chenavari Capital Solutions	14.3
Edinburgh Dragon	12.7

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

### Money coming in:

- **Tritax EuroBox** raised its maximum target of £300 million in an issue that was 'significantly oversubscribed'.
- New issues in the quarter included **Trian Investors 1**, which is a new fund that will adopt an activist approach, targeting an, as yet unidentified, company.
- **Hipgnosis Songs Fund** raised over £200 million to buy a portfolio of music royalties.
- The other new issue was **Ashoka India Equity** in July, which had to settle for launch proceeds of just £45.6m against a target of £100m.
- **Greencoat Renewables** raised €111m in an oversubscribed placing to refinance its revolving credit facility, allowing it to make further acquisitions.
- **BBGI SICAV** raised £71m to continue to diversify and expand the portfolio within the infrastructure sector over time.
- In the same sector, **Renewables Infrastructure** raised approximately £64.2m through a share issue to pay down its revolving credit facility.
- **Scottish Mortgage** issued new shares to meet demand.

### Money going out:

- We said goodbye to **John Laing Infrastructure** (following the bid by Dalmore Capital and Equitix), **EF Realisation** and **Mithras**.
- A number of funds listed in the table as returning cash to shareholders are the usual suspects. **NB Global Floating Rate Income**, **Templeton Emerging Markets** and **Alliance Trust** continued to repurchase shares.
- However, **Templeton Emerging** may have faced some selling pressure as some investors tried to switch to **Mobius Investment Trust**, which launched in October.
- **Macau Property Opportunities** returned approximately £28.2m to shareholders via a compulsory redemption mechanism put in place by the Board in June.

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We are the largest manager of investment trusts in the UK with a range of nine trusts. We have an extensive range of OEIC sub-funds and manage investments globally for pension funds, institutions and charities.



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## Significant rating changes

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

	30 Sep (%)	30 Jun (%)
British & American	+215.9	+133.3
Lindsell Train	+41.1	+19.1
John Laing Infrastructure	+12.2	-8.9
Syncona	+47.4	+30.2
Vinaland Ord	+6.1	-6.9
Doric Nimrod Air One	+4.0	-8.6
India Capital Growth	-6.0	-17.5
BBGI SICAV	+12.2	+1.9
SQN Asset Finance Income	+1.2	-8.9
3i Infrastructure	17.1	7.4

Source: Morningstar, Marten & Co

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

	30 Sep (%)	30 Jun (%)
Independent	-3.9	20.4
Better Capital PCC 2012	-57.6	-34.9
Ashmore Global Opp	-35.6	-24.1
Fair Oaks Income 2014	+2.0	13.4
Geiger Counter	+6.3	17.3
Chelverton UK Dividend Trust	-10.5	-1.1
EPE Special Opportunities	-32.3	-23.9
Qannas Investments Ord	3.0	11.1
Gabelli Merger Plus+ Trust	-8.3	-1.2
Shires Income	-7.1	-0.2

Source: Morningstar, Marten & Co

### Getting more expensive

- **British & American's** share price continues to have a life of its own and has not yet responded to the collapse in the value of its largest holding, Geron.
- **Lindsell Train** trades at a very high and volatile premium for most of the time
- A cash offer was made for **John Laing Infrastructure** at a premium to its share price and NAV. Other infrastructure funds rallied as a result, notably **3i Infrastructure**.
- The excitement continues to build around **Syncona**; good news on its Nightstar Therapeutics investment helped buoy its share price.
- Sharp falls in Indian markets knocked the NAV of **India Capital Growth** but its share price held up well.
- Sales of shares by directors of **The Independent Investment Trust** have successfully encouraged the premium to fall.



## Getting cheaper

- **Better Capital 2012** warned on the valuations of two of its holdings, causing the NAV to fall.
- **Geiger Counter**'s higher price might be a knock-on from the success of Yellow Cake and a rising uranium price.
- **Chelverton UK Dividend Trust** has a 40% holding in Chelverton Private Equity, which detracted from the NAV's performance over the quarter.
- **EPE Special Opportunities** achieved an NAV uplift at the end of the quarter as it sold an investment in Process Components. This is not yet reflected in its share price.
- **Gabelli Merger Plus+** has been falling since it announced its manager would come off its board of directors. The fund has denied that he would also step down as portfolio manager.

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Standardised past performance to 30 June\*\*:

	2014	2015	2016	2017	2018
Scottish Mortgage	28.9%	25.8%	4.9%	48.8%	33.4%
AIC Global Sector Average	15.8%	15.4%	3.5%	32.4%	17.8%

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. The Trust's risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater.

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## Major news stories

### Portfolio developments

- **BioPharma Credit** makes new loans to TESARO and Amicus
- **Middlefield Canadian Income** celebrates Enbridge pipeline approval
- **Invesco Income Growth** is a new dividend hero
- **Oakley Capital** selling Damovo and investing in cPanel
- **John Laing Environmental** expands its anaerobic digestion portfolio
- **Better Capital** see-saws as Northern Aerospace deal approved
- **NextEnergy Solar** adds 10 solar plants to its portfolio
- **Hipgnosis Songs Fund** buys into The-Dream
- **GCP Infrastructure** on First Priority Housing
- **Caledonia** buys Cooke Optics
- **CIP Merchant Capital** makes its second and third investments
- **BBGI** buys stake in Canadian hospital
- **Polar Capital Healthcare** rejigs portfolio
- **Artemis Alpha** writes down URICA and sells Metapack
- **FastForward** into Factom and Intensity Therapeutics
- **3i Infrastructure** buys Tampnet stake
- **International Public Partnerships** makes second digital infrastructure investment
- **Caledonia** adds to investment in 7IM to aid acquisition of TCAM
- **Renewables Infrastructure** in talks to buy Swedish wind farm
- **Foresight Solar** buys 15 solar assets
- **NextEnergy Solar** adds 282 rooftop solar assets to its portfolio
- **Vietnam Opportunities** extracts itself from chicken farm
- **HgCapital** did a number of deals
- **Better Capital 2012** warns on Everest/SPOT valuation
- **HICL Infrastructure** sells AquaSure desalination stake
- **JZ Capital** sells Water Treatment Industries
- **Augmentum Fintech** buys stakes in Monese and Unmortgage
- **Greencoat Renewables** agreed to acquire four wind farms in Ireland
- **Riverstone Energy** investment, Hammerhead Resources, secured funding of up to C\$300M
- **Gore Street** made two further energy storage investments
- **Tufton Oceanic** invested US\$12.9m in a Handysize Bulk Carrier
- **Woodford Patient Capital** wrote up the value of Industrial Heat

### Corporate news

- **Phaunos** receives cash offer from Stafford Capital Partners
- **River and Mercantile Micro Cap** to return more cash

- Cash offer for **John Laing Infrastructure**
- **NB Private Equity** sets new dividend target
- **Regional REIT** plans bond issue
- **Montanaro UK Smaller Companies** plans 4% dividend
- **Lazard World Trust Fund** reports decent year as it introduces 6% yield
- **Infrastructure India** gets a £95.5m life line from PSA
- **Ranger** reports positive development in Princeton fight
- **John Laing Infrastructure** bid recommended by board
- **Regional REIT** successfully raises £50 million in bond issue
- City of London writes to shareholders of **Lazard World Trust**
- **BlackRock Emerging Europe**'s liquidation plans announced
- **Electra**'s formal sales process is closed
- **Hansteen** and **Warehouse REIT** deal collapses
- **Phaunos Timber** thought it might get a new offer from Catchmark Timber Trust but Stafford topped up its bid.
- **Miton Global Opportunities** rejigged its realisation opportunity
- **EF Realisation** proposed wind-up terms
- **Lazard World Trust Fund** lost its continuation vote
- **AXA Property Trust** got a reprieve

## Managers & fees

- **Fidelity Special Values** lowers its fees
- **Templeton Emerging** adds another manager to team
- **JPMorgan Asian** appoints new co-manager
- **UK Commercial Property** cuts management fee
- **Standard Life UK Smaller Companies** – outperformance, merger and lower fees
- **Henderson European Focus Trust** got a new co-fund manager

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