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Monthly roundup | Investment companies

November 2018

Winners and losers in October

Best performing funds in price terms in October

	(%)
EPE Special Opportunities	22.3
JPMorgan Brazil	18.1
Dunedin Enterprise	10.0
Terra Capital	9.1
BlackRock Latin American	8.5
BH Macro (USD)	7.8
Aberdeen Latin American Income	7.2
Alpha Real Trust	7.0
GRIT Real Estate Income	5.4
Tufton Oceanic Assets	5.0

Source: Morningstar, Marten & Co

Worst performing funds in price terms in October

	(%)
FastForward Innovations	-22.0
Biotech Growth	-16.9
Baillie Gifford Shin Nippon	-16.4
Edinburgh Worldwide	-16.3
Miton UK Microcap	-14.2
JPMorgan Japan Smaller Companies	-14.1
Allianz Technology	-13.8
BB Healthcare	-13.4
JPMorgan Smaller Companies	-13.3
BlackRock Throgmorton	-13.3

Source: Morningstar, Marten & Co

Best performing funds in NAV terms in October

	(%)
JPMorgan Brazil	16.7
BlackRock Latin American	9.1
Aberdeen Latin American Income	5.4
BH Macro	4.0
Sanditon	3.9
Vinaland	2.5
BioPharma Credit	2.3
Gulf Investment Fund	2.1
Tufton Oceanic Assets	2.1
Ashmore Global Opportunities (USD)	2.1

Source: Morningstar, Marten & Co

Worst performing funds in NAV in October

	(%)
British & American	-22.4
Biotech Growth	-17.4
Fidelity Japan	-17.2
JPMorgan Japanese	-15.9
Baillie Gifford Shin Nippon	-15.8
Independent	-15.5
Crystal Amber	-15.1
JPMorgan Chinese	-14.1
Edinburgh Worldwide	-13.6
JPMorgan Smaller Companies	-13.6

Source: Morningstar, Marten & Co

In what was generally a miserable month for equity markets, Brazil shone on the back of Bolsanaro's election, boosting JPMorgan Brazil, Aberdeen Latin American Income and BlackRock Latin American. EPE Special Opportunities benefitted from the sale of Process Components. Dunedin Enterprise, Terra Capital and Alpha Real Trust made announcements about returning cash to investors during the month. Tufton Oceanic Assets raised some money and made an investment. Quite a few funds with US dollar denominated assets found that their NAV rose purely on the strength of the weak pound.

Risk aversion appears to have been the dominant influence in October. Investors sold small caps (Edinburgh Worldwide, Baillie Gifford Shin Nippon, JPMorgan Smaller Companies, Miton UK Microcap and BlackRock Throgmorton), technology (Allianz Technology and, to some extent, Independent) and China (JPMorgan Chinese). They also retreated from Japan which saw a savage adverse swing in sentiment and considerable selling by foreign investors (Fidelity Japan, JPMorgan Japanese and Baillie Gifford Shin Nippon). Globally, biotech was one of the worst performing parts of the market in October (Biotech Growth and BB Healthcare). FastForward Innovation's shares are now trading around asset value after its share price fall.

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Oct (%)	30 Sep (%)
EPE Special Opportunities	-20.3	-34.8
Crystal Amber	-2.2	-11.1
Chelverton UK Dividend	-1.9	-10.5
Symphony International	-16.9	-23.0
Independent	+2.0	-3.9

Source: Morningstar, Marten & Co

Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Oct (%)	30 Sep (%)
Syncona	+35.4	+47.4
Ashoka India Equity	-2.4	+9.2
India Capital Growth	-14.3	-6.0
CATCo Reinsurance Opportunities	-26.5	-18.5
Boussard & Gavaudan	-21.6	-15.5

Source: Morningstar, Marten & Co

EPE Special Opportunities has been re-rated on the back of its most recent disposal. A fall in the price of Hurricane Energy depressed Crystal Amber's NAV but its share price did not fall as fast. A similar story applies in Chelverton UK Dividend's case where shareholders did not react to a big drop in its NAV. There was no news from Symphony International during October but Minor International, its largest holding, saw its share price slide towards the end of the month. Independent's fan base stuck with it as its NAV fell faster than its share price.

Syncona's premium started to moderate in October but its shares have since moved higher, seemingly on plans for Autolus to make a presentation at a medical conference. Ashoka India Equity, which only listed in July, has had an unfortunate start to life and its share price finally cracked in October. Sentiment toward the Indian market has become more negative. This also impacted on India Capital Growth. CATCo Reinsurance Opportunities suffered as a series of natural disasters raised fears of a hit to its NAV. Hedge fund, Boussard & Gavaudan experienced a small NAV hit in October but its shares fell steeply. It did not buy back shares in the month.

Money raised and returned in October

Money raised in October

	(£m)
Smithson Investment Trust	822.6
Sequoia Economic Infrastructure	253.0
BioPharma Credit	$305.0
LXi REIT	175.0
Triple Point Social Housing REIT	108.2

Source: Morningstar, Marten & Co

Money returned in October

	(£m)
NB Global Floating Rate	14.9*
Alliance Trust	8.2*
Templeton Emerging Markets	7.1*
Aberdeen Frontier Markets	6.7
JPMorgan American	5.3*

Source: Morningstar, Marten & Co, * approximate value of shares at 31/10/18

The wave of potential new issues that is inundating investors at present crested with an £820m+ launch for UK equity trust, Smithson. This is the largest new issue ever and illustrates the potential for the sector when large numbers of individual investors embrace an idea. The other new issues this month all raised close to their minimum target. Mobius Investment Trust raised £100m to invest in emerging markets, AVI Japan Opportunity raised £75m for a Japanese fund with a strong corporate governance angle and Ceiba Investments raised £30m to expand a pre-existing fund investing mainly in the Cuban tourist industry. Sequoia's fund raise will repay its borrowing facility and will then be deployed in a £300m pipeline of potential new investments. BioPharma Credit had some pre-existing commitments but again thinks it has a strong pipeline. LXi REIT has since spent £109m on a range of assets including a Travelodge in Edinburgh and a car storage facility for the owner of 'Webuyanycar.com'. Triple Point Social Housing REIT has spent some of the money it raised on a collection of supported housing properties. BB Healthcare issued shares worth over £27m as it pushed the message that the setback in the biotech sector was an opportunity for new investors. It plans a more substantial fundraise. Other funds raising money (at least £5m worth) in October included Scottish Mortgage, Finsbury Growth & Income, Worldwide Healthcare, City of London, Capital Gearing, Baillie Gifford Shin Nippon (again, despite its falling NAV), Green REIT and JPMorgan Claverhouse.

Surprisingly, given how depressed markets were, outflows from the sector were relatively muted with a few 'usual suspects' buying back stock. This included a tender offer by Aberdeen Frontier Markets. The only other fund buying back at least £5m worth of shares was VinaCapital Vietnam Opportunity.

October's major news stories – from our website

Portfolio developments

- Greencoat Renewables bought Ballybane wind farm
- International Public Partnerships invested in an ultrafast digital network
- Caledonia is selling Choice Care Group and buying Deep Sea Electronics
- CatCo Reinsurance Opportunities warned on the impact of hurricane Michael and typhoon Jebi
- Ranger Direct Lending commented on Princeton
- Greencoat UK Wind bought into Tom nan Clach wind farm
- Dunedin Enterprise sold Pyroguard
- EPE Special Opportunities sold Process Components

Corporate news

- JPMorgan American cut its gearing
- Interactive Investor bought Alliance Trust Savings
- Intu may be bid for
- 3i Infrastructure moved its tax residence to the UK
- NextEnergy Solar issued preference shares
- Local Shopping REIT commented on its realisable value
- Electra plans another distribution

Property news

- Tritax EuroBox bought an Action Logistics warehouse
- Summit Germany bought a portfolio from Fortress
- Residential Secured Income bought a shared ownership portfolio
- SEGRO sold its Belgian warehouses and a Roman warehouse to Tritax EuroBox
- Triple Point Social Housing REIT acquired a number of units
- Warehouse REIT bought an Amazon warehouse in Widnes and got planning for its Glasgow site
- LXi REIT made a number of acquisitions
- UK Commercial Property sold a Barclays Bank in Exeter and an office in Soho
- The Regulator for Social Housing is looking into Westmoreland Supported Housing and other registered providers
- Tritax Big Box bought a Bosch warehouse
- Alpha Real Trust got planning approval for Monk Bridge
- Civitas bought three more properties
- Sirius Real Estate bought a business park in Mannheim

Managers and fees

- Vietnam Opportunity made some changes to its fee structure
- NextEnergy Solar said it would not charge fees on cash raised from issuing preference shares
- Schroder Income Growth cut its management fee
- SVM UK Emerging will pay management fees
- Henderson EuroTrust said it was preparing for Tim Stevenson's retirement
- Target Healthcare REIT cut fees
- Genesis Emerging cut its fees
- Invesco Income Growth trimmed its fees
- Jupiter European incurred a £13m performance fee

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Income

Investment companies announcing their full year dividends in October

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
Jupiter European Opportunities	31/05/18	6.5	unchanged	5.84	0.90x
Schroder Japan Growth	31/07/18	4.0	+14.3	4.08	1.02x
Fidelity Asian Values	31/07/18	5.5	+10.0	5.67	1.03x
JPMorgan Mid Cap	30/06/18	26.5+1.5[a]	+7.7	33.12	1.25x
Strategic Equity Capital	30/06/18	1.0	+28.2	1.65	1.65x
F&C UK Real Estate	30/06/18	5.0	unchanged	4.78	0.96x[b]
Baillie Gifford Japan	31/08/18	0.6	n/a	2.54	n/a[c]
Genesis Emerging Markets	30/06/18	$0.19	+35.7	$0.21	1.11x
SQN Asset Finance Income (ord)	30/06/18	7.85	+8.3	5.92	0.75x
SQN Asset Finance Income (C)	30/06/18	2.31	n/a	1.96	0.85x
Target Healthcare REIT	30/06/18	6.45	+2.7	5.25	0.81x
Henderson EuroTrust	31/07/18	30.5	+22.0	33.1	1.09x
CQS New City High Yield	30/06/18	4.42	+0.7	4.54	1.03x
PRS REIT	30/06/18	5.0[d]	n/a	(0.7)	n/a
TR European Growth	30/06/18	19.0	+21.7	22.06	1.16x
JPMorgan Emerging	30/06/18	12.5	+13.6	13.4	1.07x
JPMorgan Smaller Companies	31/07/18	27.0	+17.4	30.69	1.14x
Scottish Oriental Smaller Companies	31/08/18	11.5	unchanged	9.19	0.80x
VinaCapital Vietnam Opportunities	30/06/18	$.206	n/a[e]	$0.77[f]	3.73x[f]

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
JPMorgan Global Emerg. Markets Income	31/07/18	5.0	+2.0	5.78	1.16x
BlackRock Greater European	31/08/18	5.75	+5.5	5.95	1.03x
City Natural Resources High Yield	30/06/18	5.6[g]	unchanged	3.28	0.59x
Aberdeen Latin American Income	31/08/18	3.5	unchanged	3.8	1.09x
Henderson International Income	31/08/18	5.3	+8.2	5.8	1.09x
Hadrian's Wall Secured Investments	30/06/18	6.0	n/a	4.59[f]	0.76x[f]

* unless otherwise specified

a) 26.5p plus a 1.5p special dividend, cover relates to the base dividend only.

b) The company reports that its dividend cover was 95.7%, 132% if exceptional income of £4.4m relating to surrender premium received from a tenant is excluded.

c) The trust has had a net revenue deficit but this was extinguished this year. In future, the intention is not to make distributions from capital as the board is firmly of the view that capital growth remains the focus of the company.

d) This dividend relates to the company's first accounting period.

e) In August 2017 VOF announced the commencement of a dividend programme. The board intends that the company will pay a dividend representing approximately 1% of NAV twice each year, normally declared in March and October.

f) The company does not separate capital and revenue items in its consolidated statement of comprehensive income.

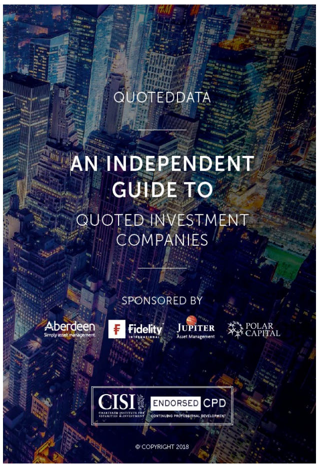
g) The board has announced an annual dividend target of 5.60 pence per share for the next financial year.

Publications

Our initiation note on Aberdeen New Dawn describes the opportunities that its manager sees to add to quality stocks at attractive values in current market volatility.

Our annual overview note on Henderson Diversified Income seeks to explain why its managers think we are close to the top of this economic cycle but why inflation may not be a problem.

Our independent guide to quoted investment companies is an invaluable tool for anyone who wants to brush up on their knowledge of the investment companies' sector. Register on www.quoteddata.com if you would like it emailed to you directly.

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Ecofin Global Utilities and Infrastructure Trust

Staying nimble

Our annual overview note on Ecofin Global Utilities and Infrastructure explores the way that the trust has been coping with volatile markets.


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Shires Income

Sustainable high yield

Our first note on Shires Income explains how that trust makes use of preference shares and borrowings to deliver what it hopes will be a sustainable high yield


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Initiation | Investment companies 26 October 2018

The North American Income Trust

Reasons to be cheerful

Our first note on The North American Income Trust outlines why its manager is optimistic in the current environment and why he expects a good year for this income trust's dividend.


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Pacific Horizon

Pause for breath?

After a strong run, in recent months Pacific Horizon's NAV has fallen back. Our annual overview note goes into the reasons for this and why the manager believes the long-term outlook for this trust is still good.


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The Global Sustainability Trust

"Creating a better world"

We recently published an IPO note on The Global Sustainability Trust, a new investment trust which will make investments which it believes will have a positive impact on society and/or the environment. If you are interested, we would urge you to also read the prospectus and the risk warnings that it contains. You should also note that we stand to benefit if this issue succeeds.

QuotedData

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