

December 2018

Winners and losers in November

Best performing funds in price terms in November

	(%)
Establishment	14.8
JPMorgan Indian	14.5
Geiger Counter	12.2
Aberdeen New India	11.8
Baillie Gifford Shin Nippon	11.7
India Capital Growth	10.1
Fundsmith Emerging Equities	9.0
BB Healthcare	8.5
North American Income	8.5
Pacific Assets	8.3

Source: Morningstar, Marten & Co

Best performing funds in NAV terms in November

	(%)
JPMorgan Indian	15.2
Aberdeen New India	12.3
Baillie Gifford Shin Nippon	11.7
Fundsmith Emerging Equities	8.6
JPMorgan Chinese	8.4
Premier Global Infrastructure	7.9
Artemis Alpha	7.6
Edinburgh Dragon	7.5
JPMorgan Emerging Markets	7.5
BB Healthcare	7.3

Source: Morningstar, Marten & Co

November saw a bounce for a number of areas of markets that had been weak in prior months, notably India, Asia and emerging markets. Part of this was on a hope that presidents Trump and Xi would resolve their differences on trade. A weaker oil price was good news for markets such as India. Healthcare stocks rose on the outcome of US mid-term elections; the hope is that Obamacare will be given a stay of execution. **Establishment** said it would wind up.

The Californian wildfires took their toll on **CatCo Reinsurance** as it warned that these could impact on its NAV materially. Subsequent to the month end, we found out that the company's manager was under investigation about its provisioning for last year's losses. **Kubera's** share price fell after the conclusion of a capital distribution. **CIP Merchant**

Worst performing funds in price terms in November

	(%)
CatCo Reinsurance Opportunities	(34.5)
Kubera Cross-Border	(24.0)
CIP Merchant Capital	(17.0)
Funding Circle SME Income	(10.8)
Independent	(9.4)
Menhaden Capital	(7.4)
Chelverton UK Dividend	(7.2)
Better Capital 2012	(7.1)
Reconstruction Capital II	(6.5)
F&C UK Real Estate	(6.2)

Source: Morningstar, Marten & Co

Worst performing funds in NAV in November

	(%)
Independent	(6.8)
JPMorgan European Smaller	(5.9)
City Natural Resources	(5.5)
BlackRock World Mining	(4.9)
Aurora	(4.8)
UIL	(4.8)
JPMorgan Mid Cap	(4.6)
Alternative Liquidity	(4.5)
BlackRock Commodities Income	(4.5)
River and Mercantile UK Micro Cap	(3.6)

Source: Morningstar, Marten & Co

Capital has seen a steady erosion of its NAV since launch but in November it moved to trading at a meaningful discount for the first time. **Funding Circle SME Income** was hit by a sell recommendation from broker, Liberum. Funds exposed to the commodities sector fell. Funds exposed to high growth companies, such as **Independent** and **River and Mercantile Micro Cap**, were affected as investors rotated into 'value' stocks. Companies exposed to the UK were hit by Brexit worries; this was a factor in **Aurora** and **JPMorgan Mid Cap's** NAV falls.

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	30 Nov (%)	31 Oct (%)
Geiger Counter	11.2	0.6
UIL	(30.0)	(39.1)
Establishment	(8.8)	(17.3)
3i Infrastructure	15.7	7.4
Montanaro European Smaller	(7.9)	(13.1)

Source: Morningstar, Marten & Co

Geiger Counter's premium increased as investors enthused about the prospects for the uranium price. **Establishment's** discount narrowed as it said it would wind up. **3i Infrastructure** released an upbeat half-year report. **Montanaro European Smaller** has returned to form and now tops the performance table in its sector. The narrowing discount is a reward for this.

Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	30 Nov (%)	31 Oct (%)
CatCo Reinsurance Opportunities	(50.5)	(24.3)
Kubera Cross-Border	(43.3)	(22.1)
CIP Merchant Capital	(17.5)	(1.9)
Funding Circle SME Income	(6.8)	4.4
Artemis Alpha	(19.1)	(8.3)

Source: Morningstar, Marten & Co

CatCo Reinsurance saw its share price collapse as it warned about the impact of the recent Californian wildfires on its NAV. **Kubera** fell after making a capital distribution. **CIP Merchant Capital's** rating cracked after a series of disappointing NAV moves. **Funding Circle SME Income** was hit by a broker sell note. **Artemis Alpha** was hit by Brexit-related weakness.

Money raised and returned in November

Money raised in November

	(£m)
BioPharma Credit	\$305.0
M&G Credit Income	100.0
Merian Chrysalis	100.0
Gresham House Energy Storage	100.0
The Renewable Infrastructure Group	79.0

Source: Morningstar, Marten & Co

BioPharma Credit raised \$305m from an issue that was targeted to raise \$150m. There were three new launches in the month. **M&G Credit Income** was hoping for more than the £100m that it raised. It plans to invest in a portfolio of private debt and hopes to generate a yield of Libor +4% when fully invested. **Merian Chrysalis** will invest in a portfolio of pre-IPO stocks. **Gresham House Energy Storage** will invest in batteries but one potential source of income from these investments fell away shortly after launch as the ECJ ruled that the UK Capacity Market was in breach of rules on State Aid. **The Renewable Infrastructure Group** met its funding target, aimed at paying down its revolving credit facility. **BB Healthcare** raised £46.3m as it urged investors to take

Money returned in November

	(£m)
Riverstone Energy	55.0
Vietnam Holding	18.9*
NB Global Floating Rate Income	14.3*
Templeton Emerging Markets	9.0*
VinaCapital Vietnam Opportunities	5.1*

Source: Morningstar, Marten & Co, * approximate value of shares at 30/11/18

advantage of recent weakness in the healthcare sector. **TwentyFour Income** issued £20m of shares, to take advantage of higher yields in the European asset backed securities market. Other notable issuers of stock included **Worldwide Healthcare**, **Finsbury Growth & Income**, **Capital Gearing**, **Scottish Mortgage** and **Personal Assets**.

We said a final goodbye to **Phaunos Timber** in November. **Riverstone Energy** held a tender offer for £55m of its shares which was taken up in full. **Vietnam Holding** held a tender offer and also bought back some shares. The other funds in the table are serial repurchasers of their shares.

Baillie Gifford has been managing investments since 1908. As a wholly independent partnership, with no external shareholders demanding short-term gains, we can focus on what we do best, seeking out long-term investment returns for our clients.

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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Portfolio developments

- **Hipgnosis Songs** bought more music catalogues
- **Foresight Solar** bought 11 solar assets but said its Australian subcontractor had gone into administration
- **Tufton Oceanic Assets** bought two container ships
- **CatCo Reinsurance Opportunities** said it was expecting large losses from the Californian wildfires
- **Gore Street Energy Storage** announced it had secured some contracts
- An **ECJ ruling** hit battery storage funds
- **Woodford Patient Capital** issued an update on its portfolio
- **HgCapital** sold Atlas
- **Ranger Direct Lending** said a trustee had been appointed to the Princeton bankruptcy

Corporate news

- **Impact Healthcare REIT** pulled a planned £150m fundraise
- **Ranger Direct Lending** offered to buy back its zeros
- **Funding Circle SME Income Fund** got backing from the British Business Bank
- **BlackRock Frontier** benefited from a rollover from BlackRock Emerging Europe
- **Establishment Investment Trust** to wind up
- **European Assets** said it would redomicile to the UK
- **Chelverton Growth Trust** decided to wind up
- **Aberdeen Asian Smaller** becomes Aberdeen Standard Asia Focus
- **JZ Capital** announced a tender offer
- **Edinburgh Dragon** plans a 30% tender offer

Property news

- **PRS REIT** acquired a development site
- The bidder for **Intu** changed its mind
- **Tritax Big Box REIT** got planning permission for its Littlebrook development
- **Aberdeen Standard European Logistics** bought properties in France and Netherlands
- **Tritax Eurobox** bought a facility in Hannover and warehouse near Bochum
- **Vinaland** sold its Green Park Estate
- **LXI REIT** made a number of acquisitions
- The Regulator for Social Housing issued its verdict on **Trinity Housing**
- **Standard Life Investments Property Income** bought a property in Birmingham
- **Urban Logistics** bought a site in Bedford
- **Target Healthcare REIT** made acquisitions in Oxford and Sevenoaks

Managers and fees

- **Phoenix Spree Deutschland** cut management fees
- **Ranger Direct Lending's** manager resigned
- Hugh Young to be the named manager on **Aberdeen Asian Smaller** and the management fee will be cut
- **Fidelity Special Values** cut its management fee

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A company's ability to exhibit exponential growth lies at the heart of the **Scottish Mortgage Investment Trust**, managed by Baillie Gifford.

Our portfolio consists of around 80 of what we believe are the most exciting companies in the world today. Our vision is long term and we invest with no limits on geographical or sector exposure.

Baillie Gifford's track record as long-term, supportive shareholders makes us attractive to a new breed of capital-light businesses. And our committed approach means we can enjoy a better quality of dialogue with management teams at transformational organisations such as Alibaba, Dropbox and Airbnb. So it is a case of who you know as well as what you know. Over the last five years the **Scottish Mortgage Investment Trust** has delivered a total return of 237.6% compared to 118.3% for the sector**.

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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Long-term investment partners

*Ongoing charges as at 31.03.18. **Source: Morningstar, share price, total return as at 30.06.18. 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 November

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
The European Investment Trust	30/09/18	27.0	+25.6	27.4	1.01x
Keystone	30/09/18	56.0 +1.75 ^a	+1.8	55.9	1.00x
Shaftesbury	30/09/18	16.8	+5.0	17.1	1.02x
Troy Income & Growth	30/09/18	2.665	+4.1	2.73	1.02x
Residential Secure Income	30/09/18 ^b	3.0	n/a	0.93	0.31x
Baring Emerging Europe	30/09/18	34.0	+6.2	24.77	0.73x
Manchester & London	31/07/18	12.0	+33.3	(2.00)	n/a
Schroder Oriental Income	31/08/18	9.4	+6.8	10.52	1.12x
Aberdeen Standard Equity Income	30/09/18	19.2	+12.3	22.06	1.15x
JPMorgan Japanese	30/09/18	5.0	unchanged	5.53	1.11x
British Empire	30/09/18	13.0	+8.3	14.83	1.14x
Aberdeen Standard Asia Focus	30/09/18	13.0 +4.0 ^c	+8.3	19.27	1.48x
Schroder Income Growth	31/08/18	11.8	+5.4	12.76	1.08x
JPMorgan Elect Managed Growth	31/08/18	13.1	+19.1	14.07	1.07x
JPMorgan Elect Managed Income	31/08/18	4.5	+7.1	5.10	1.13x
Henderson Far East Income	31/08/18	21.6	3.8	22.21	1.03x
Edinburgh Dragon	31/08/18	4.0	+21.2	5.03	1.26x
Fidelity Special Values	31/08/18	5.0	+8.7	5.70	1.14x

* unless otherwise specified

- a) Special dividend of 1.75p, down from 4.7p last year. Change over year and cover are calculated on the base dividend.
- b) The results cover the period from listing on 12 July 2017.
- c) Special dividend of 4p maintained at same level as last year. Change over year and cover are calculated on the base dividend

Publications

Annual overview | Investment companies
8 November 2018

Pacific Horizon

Pause for breath?
After two years of strong performance, Pacific Horizon (PH) has suffered a reversal of fortune over the last three months. Sentiment leaving investors questioning the technology sector and significant portfolio weights for PH, with average share price falls in the area. However, it is possible that this reversal of fortune may prove to be short-lived, if China and the US can agree a Trade Deal.

Focused on Asia on Japan growth stocks
PH invests in the Asia-Pacific region (including Japan) and is the largest shareholder in a range of active equity funds. The company is prepared to move away from the markets of the region as opportunities for growth arise. The portfolio will continue to hold a number of focused investments, although it may hold as much as 10% of total assets in other investment opportunities.

Share price and discount
The share price and discount table shows the share price and discount over the period from listing on 12 July 2017 to 31 October 2018.

Performance over five years
The performance over five years chart shows the share price and discount over the period from listing on 12 July 2017 to 31 October 2018.

Key statistics

Year ended	Revenue	Net Profit	EPS	Dividend	Dividend Yield
2017/18	10.7	1.8	1.2	1.2	10.3%
2016/17	8.6	1.6	1.1	1.1	12.7%
2015/16	10.8	3.0	2.0	2.0	18.9%
2014/15	10.1	3.2	2.1	2.1	21.2%
2013/14	10.6	3.7	2.4	2.4	22.8%

Click here to read the full annual overview

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.

IPO note | Investment companies
7 November 2018

The Global Sustainability Trust

Creating a better world
The Global Sustainability Trust Plc (GST) is a new investment trust that aims to access investments that are creating a better world. GST's primary focus will be on unlisted/quoted private market investments (see page 5). GST's manager can draw on the resources of Aberdeen Standard Investments, which has a longstanding track record in investing in private market investments.

Long-term capital growth
GST aims to generate capital growth over the long-term by investing in a diversified portfolio of private market investments, which aim to create positive returns on environmental and social issues. The portfolio will be managed in a proactive and ethical manner, in line with the values of the investment trust, which are underpinned by traditional investment principles. The portfolio will include investments in public, infrastructure, real estate, natural resource and private equity sectors. These investments may be held directly or indirectly in other funds (including those managed by the investment manager) and other vehicles.

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2013/14	10.6	3.7	2.4	2.4	22.8%

Click here to read the full IPO note

We 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.

Update | Investment companies
13 November 2018

CQS New City High Yield

Escalators do not go to the sky!
Ian Francis, the manager of CQS New City High Yield (NCHY), says that although markets seem liquid, investors should be aware that they are not the same as they were from the former boom, which followed the 2007-08 financial crisis. He notes that the market is not the same as it was in the 2007-08 financial crisis, and that investors should be aware of the risks of a market correction.

High dividend yield and potential for capital growth
NCHY aims to provide investors with a high dividend yield and the potential for capital growth. The portfolio will be managed in a proactive and ethical manner, in line with the values of the investment trust, which are underpinned by traditional investment principles. The portfolio will include investments in public, infrastructure, real estate, natural resource and private equity sectors. These investments may be held directly or indirectly in other funds (including those managed by the investment manager) and other vehicles.

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Click here to read the full update

Our second note on CQS New City High Yield sounds a note of caution on seemingly ever buoyant markets.

Update | Investment companies
29 November 2018

India Capital Growth

Shakeout uncovers value
The Indian stock market fell in September, extending its run of losses to 2018, and has since then, higher of prices led through into inflation concerns, rising interest rates, a fall in the exchange rate between the Indian rupee and other key currencies such as the US dollar, and other factors. This has led to a shakeout in the market, which has created opportunities for investors to buy quality stocks at a discount.

Mid- and small-cap listed investments in India
ICG's investment objective is to provide long-term capital appreciation by investing in mid- and small-cap listed companies in India. The portfolio will be managed in a proactive and ethical manner, in line with the values of the investment trust, which are underpinned by traditional investment principles. The portfolio will include investments in public, infrastructure, real estate, natural resource and private equity sectors. These investments may be held directly or indirectly in other funds (including those managed by the investment manager) and other vehicles.

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Click here to read the full update

Our update on India Capital Growth notes the value that is emerging in India, in small and medium sized companies in particular, following a shakeout in that market.

Update | Investment companies
29 November 2018

Aberdeen Frontier Markets

Incentivised to perform
Mark Gordon, James, manager of Aberdeen Frontier Markets (AFM), has made a notable personal investment in the trust, and therefore has a strong interest in the performance of the trust. He notes that the market is not the same as it was in the 2007-08 financial crisis, and that investors should be aware of the risks of a market correction.

Direct investment in frontier markets
AFM aims to provide investors with a high dividend yield and the potential for capital growth. The portfolio will be managed in a proactive and ethical manner, in line with the values of the investment trust, which are underpinned by traditional investment principles. The portfolio will include investments in public, infrastructure, real estate, natural resource and private equity sectors. These investments may be held directly or indirectly in other funds (including those managed by the investment manager) and other vehicles.

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2014/15	10.1	3.2	2.1	2.1	21.2%
2013/14	10.6	3.7	2.4	2.4	22.8%

Click here to read the full update

Following underperformance of a falling benchmark, Aberdeen Frontier Markets' board has upped the pressure on the manager to improve returns, something he is already incentivised to do given his sizeable investment in the fund.

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AN INDEPENDENT GUIDE TO QUOTED INVESTMENT COMPANIES

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* NB the closing date for The Global Sustainability Trust IPO has been extended to 28 January 2019

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