

First Quarter of 2019

QuotedData news

Through the first quarter of 2019, global equities largely clawed back the losses suffered over the final weeks of 2018. How much longer this ten-year bull market can sustain itself is the subject of much debate. US interest rate rises have stalled, reflecting growing cautiousness. Elsewhere, many of the headwinds that ruffled markets late last year, including the US/China trade negotiations, continue to lurk in the background. The UK remains in gridlock, with no sign of a resolution to Brexit.

New research

Over the quarter, we published notes on [Henderson Diversified Income](#), [Premier Global Infrastructure](#), [Geiger Counter](#), [John Laing Environmental Assets](#), [Aberdeen Standard European Logistics Income](#), [Montanaro European Smaller Companies](#), [International Biotechnology](#), [Civitas Social Housing](#), [Herald Investment Trust](#), [Bluefield Solar Income](#), [JPMorgan Russian Securities](#) and [BlackRock Throgmorton Trust](#). You can read all these notes by clicking on the links above or by visiting www.quoteddata.com.

In this issue

Performance Data – It was notable that China-focused funds had a good quarter while the rebound in technology benefitted [Allianz Technology](#) and [Edinburgh Worldwide](#).

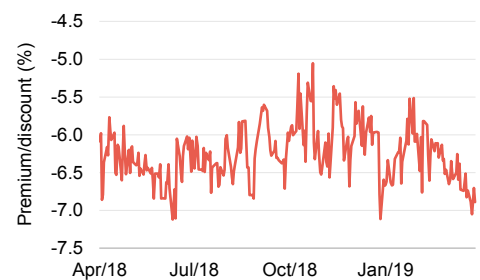
Major news stories – [Wellcome Trust](#) opted to sell £141m worth of [Syncona](#) in a surprise move. [Airbus](#)' decision to end production of A380 aircraft from 2021 hit several leasing companies, including the three [Doric Nimrod](#) funds and [Amedeo Air Four](#).

Money in and out – The \$477m [Schiehallion Fund](#) IPO was the only new issue but [Tritax Big Box](#) raised £332m. [Edinburgh Dragon](#) returned £215.4m.

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 01/04/2018 to 31/03/2019

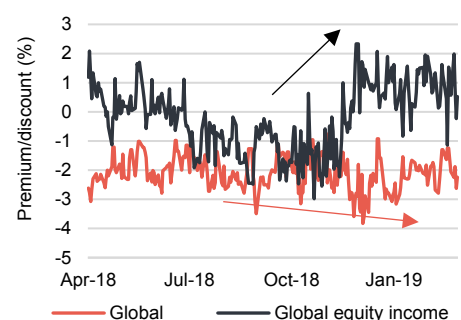


Source: Morningstar, Marten & Co

Discounts are higher than they were this time last year, reflecting mounting uncertainty. This may pause the longer-term trend towards a tightening of the median discount to NAV.

Global income moves to premium

Time period 01/04/2018 to 31/03/2019



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

The Global equity income sector attracted more interest over recent months, as money has moved away from riskier assets. The more growth focused Global sector has seen its discount widen slightly, a pace that could quicken if sentiment worsens over the coming quarter.

Performance Data

More than three quarters of the investment trusts we looked at this quarter (market caps above £15m) delivered positive price returns over the first quarter. The median return from the 345 trusts was 5.6%. Reflecting the wider bounce in equity markets, growth-focused trusts performed particularly well while China-focused strategies figure prominently.

Looking first at the positive moves:

Figure 1: Best performing funds in price terms in Q1 *

	(%)
Leaf Clean Energy	62.2
Pershing Square Holdings	30.7
3i	27.3
Allianz Technology Trust	25.4
JPMorgan Chinese	25.0
Fidelity China Special	24.6
Edinburgh Worldwide	23.4
Schroder UK Mid Cap	22.8
Lindsell Train	21.9
Premier Global Infrastructure	21.8

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

Figure 2: Best performing funds in NAV terms in Q1 *

	(%)
Pershing Square Holdings	33.8
Allianz Technology Trust	31.3
JPMorgan Chinese	26.7
Premier Global Infrastructure	21.1
Fidelity China Special	21.0
Smithson Investment Trust	20.7
BB Healthcare	18.9
Independent Investment Trust	18.1
Edinburgh Worldwide	17.9
Manchester & London	17.3

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

- Chinese equities had the best first quarter as the government ramped up spending and cut taxes, while the monetary environment became more accommodative. **JPMorgan Chinese** and **Fidelity China Speciality** benefitted.
- **Leaf Clean Energy**'s price surge comes as the market seems increasingly confident of a positive ruling by the Delaware Supreme Court in an appeal process involving the redemption of its stake in a US wind company.
- Bill Ackman's **Pershing Square** had its best ever start to a year, with its Chipotle holding performing particularly well.
- A modest appreciation in sterling relative to the US dollar did not take away too much from rebound in the technology sector, which benefitted **Allianz Technology** and **Edinburgh Worldwide**.
- The Brazilian government made positive comments about infrastructure spending. This was good news for **Premier Global Infrastructure**, which also benefited from a wider recovery in emerging markets.
- Healthcare stocks have been more buoyant following a few takeovers in the sector, benefitting funds such as **BB Healthcare**.

On the negative side:

Aviation leasing firms, particularly ones carrying Airbus A380 aircraft, were amongst the worst performers, after Airbus decided to cease production of A380s from 2021. Elsewhere, there were no discernible major sectoral or geographical trends, in what was a strong quarter for markets.

Figure 3: Worst performing funds in price terms in Q1*

	(%)
Doric Nimrod Air One	(17.3)
RDL Realisation	(15.6)
Doric Nimrod Air Three	(15.3)
Adamas Finance Asia	(15.2)
Marble Point Loan Financing	(13.6)
Better Capital PCC 2012	(13.2)
Riverstone Energy	(12.7)
Doric Nimrod Air Two	(12.4)
Amedeo Air Four Plus	(11.6)
Ground Rents Income Fund Plc	(10.6)

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

Figure 4: Worst performing funds in NAV terms in Q1 *

	(%)
Ashmore Global Opportunity USD	(9.0)
Miton UK Microcap	(6.6)
3i	(6.4)
Alpha Real Trust	(6.2)
Marwyn Value Investors	(6.2)
Reconstruction Capital II	(5.1)
Downing Strategic Micro-Cap Inv. Trust	(4.4)
Sanditon Investment Trust	(4.3)
Green REIT	(4.1)
Blackstone/GSO Loan Financing	(3.8)

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

- Those funds that own and lease A380s to Emirates – the three **Doric Nimrod funds** and **Amedeo Air Four** – all saw sharp falls in their share prices.
- **RDL Realisation**'s sell-off was heavily influenced by the news it will have to write down nearly half of its investment in the Princeton Alternative Income Fund.
- **Marble Point Loan Financing**, which is a relatively new fund, was hit as investors got more nervous about highly leveraged debt structures
- **Better Capital 2012** warned on the valuations of two of its holdings in 2018, causing the share price to fall further in Q1, though they have pushed up sharply since the quarter-end.
- Midstream-focused **Riverstone Energy**'s discount to NAV widened; declines in the price of oil going into 2019 and company-specific factors relating to the write-downs in two holdings, Hammerhead and Centennial, drove the trust's declines.
- Reflecting the fact that company-specific factors largely drove underperformance this quarter, **Ground Rent**'s share price fell following the loss of a court hearing, rendering them at fault for a failure of a structural sealant at Beetham Tower in Manchester.
- **Ashmore Global Opportunity** is in the process of a managed wind-down; its shares held up as its NAV led declines for the quarter.
- **Sanditon Investment Trust** has underperformed over several years. While its low correlation strategy meant it was largely unaffected by the Q418 sell-off, it has not participated in the bull market.
- **Marwyn Value Investors**' NAV fell as key holdings underperformed over the quarter.

Money in and out of the sector

Just one new issue, The Schiehallion Fund, made it to the market in Q1. Otherwise we saw more money flow into existing funds.

Figure 5: Money entering the sector in Q1 2019

	£m
The Schiehallion Fund	\$477.3
Tritax Big Box	334.2
Smithson Investment Trust	97.7
Scottish Mortgage	88.8
Finsbury Growth & Income	76.9
Tufton Oceanic Assets	67.5
BlackRock Frontiers	47.0
Supermarket Income REIT	45.4
City of London	41.4
Capital Gearing	33.3

Source: Morningstar, * approximate value of additional capital at 30/03/2019

Figure 6: Money leaving the sector in Q1 2019

	£m
Edinburgh Dragon	(215.4)
Carador Income Fund USD	(85.0)
NB Global Floating Rate Income GBP	(72.4)
Templeton Emerging Markets	(22.7)
JPEL Private Equity	(15.7)
Third Point Offshore USD	(13.5)
Alcentra Eur Floating Rate Inc	(11.4)
Biotech Growth	(10.3)
Witan	(9.4)
Funding Circle SME Income Fund	(9.3)

Source: Morningstar, * approximate value of shares bought back at 30/03/2019

Money coming in:

- **The Schiehallion Fund** from Baillie Gifford makes pre-IPO investments in growth companies.
- **Tritax Big Box** issued shares in February, £250m was raised from investors in an oversubscribed and dilutive issue and 40.5m shares were also issued to satisfy its purchase of db Symmetry.
- Small and mid-cap focused **Smithson Investment** had another busy quarter of fundraising, following its incorporation in 2018. It was a similar story for **Finsbury Growth & Income**.
- **Scottish Mortgage** had a busy quarter of issuing stock to meet demand from investors.
- **Tufton Oceanic** raised US\$50m to capitalise on the investment manager's finding of a pipeline of second-hand vessels.
- **Supermarket Income** raised £45m in an oversubscribed issue with the proceeds expected to fund the purchase of two new supermarkets.

Money going out:

- **Edinburgh Dragon** was the biggest returner of money after it held a tender offer for 30% of its issued shares. 60.5% of its shares were tendered and so the tender was taken up in full.
- **Carador Income** was an active repurchase of shares through the quarter while **NB Global** returned £72.4m to shareholders on its sterling line.
- **JPEL Private Equity** made its fifth mandatory share redemption over the quarter, returning £15.7m.

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Significant rating changes

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

	31 Mar 19 (%)	31 Dec 18 (%)
Leaf Clean Energy	-3.6	-41.6
3i Infrastructure	+31.1	-3.6
Primary Health Properties	+29.7	+5.6
Lindsell Train	+64.6	+44.8
Alpha Real	-15.3	-31.2
HgCapital Trust	-2.5	-17.2
Regional REIT	-6.6	-19.7
Life Settlement Assets	-15.7	-28.1
Geiger Counter	+0.1	+12.0
Princess Private Equity	-14.1	-22.9

Source: Morningstar, Marten & Co

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

	31 Mar 19 (%)	31 Dec 18 (%)
Marble Point Loan Financing	-5.7	+16.3
Doric Nimrod Air Three	+28.2	+49.8
Doric Nimrod Air One	-11.3	+7.0
Doric Nimrod Air Two	+9.2	+23.9
RDL Realisation	-35.6	-22.0
Amedeo Air Four Plus	+3.6	+16.7
ScotGems	-11.4	-0.6
Ground Rents Income Fund	-16.3	-6.2
Civitas Social Housing	-8.8	+1.1
Riverstone Energy	-32.5	-23.5

Source: Morningstar, Marten & Co

Getting more expensive

- The near wipeout in **Leaf Clean Energy**'s discount reflects growing confidence the Delaware Supreme Court will rule in its favour in an appeals case.
- **Lindsell Train** trades at a very high and volatile premium most of the time.
- **3i Infrastructure** continued to rally following strong results and successful exits.
- **Primary Health Properties** saw its premium rise as the market continued to react positively to its merger with MedicX.
- Elsewhere, **Regional REIT** refinanced its zero dividend preference shares and announced a number of new lettings.

Getting cheaper

- **Marble Point Loan Financing** saw its premium wiped out as investors worried about highly leveraged debt investments.
- **Amedeo Air Four Plus**, along with the three **Doric Nimrod** funds, lost value and became cheaper relative to NAV after Airbus announced its discontinuation of production A380 aircraft.
- The ongoing de-rating in **RDL Realisation**'s value relative to its NAV follows the news it will have to write down nearly half of its investment in the Princeton Alternative Income Fund.
- **Riverstone Energy**'s discount widened as it wrote down two investments.
- The market sold **Ground Rent** after it lost a court hearing relating to a tower in Manchester.



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Standardised past performance to 31 December**:

	2014	2015	2016	2017	2018
Scottish Mortgage	21.4%	13.3%	16.5%	41.1%	4.6%
AIC Global Sector Average	8.8%	10.9%	22.6%	24.1%	-4.9%

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

- Wellcome Trust sold £141m worth of **Syncona** in a surprise move
- **3i Infrastructure** completed on its Cross London and Tampnet deals and bought Joulz Diensten
- Private equity investor **Hg Capital** exited Foundry. Earlier in the quarter, it bought Transporeon
- **SDCL Energy Efficiency** made its first US deal
- **The Renewables Infrastructure Group** bought a Swedish windfarm
- **Oakley Capital** bought Spanish software business Ekon
- **Syncona** announced its decision to sell Nightstar Therapeutics
- **FastForward** invested in EMMAC Life Sciences
- **International Public Partnerships** invested in fibre-optic start-up toob
- **Riverstone Energy** was hurt by Hammerhead and Centennial writedowns
- **Bluefield Solar** announced a great start to the year
- **Aberdeen Standard European** expanded in France
- **Hipgnosis** bought a number of music catalogues
- **JZ Capital** sold Petrocorner
- **Riverstone Energy** sold Meritage Midstream
- **BioPharma Credit** was boosted by a windfall profit on its TESARO loan
- **Augmentum Fintech** invested in iwoca and Farewill
- **NB Private Equity** sold a portfolio of funds

Corporate news

- **AXA Property**, which survived a wind-up motion in 2018, appointed Blake Nixon to the board
- **JPMorgan American** proposed a change of strategy
- **Athelney Trust's** MD called for the board's ousting
- **European Assets** completed its redomicile to the UK
- **Baillie Gifford Shin Nippon** announced it will invest up to 10% in unquoted stocks
- Woodford injected assets into **Woodford Patient Capital**
- **Tufton Oceanic Assets** announced it was fully invested after adding a cargo vessel
- Underperforming **Witan Pacific** could disappear if it does not outperform its benchmark to 2021
- **Alternative Liquidity** made plans to expand
- **Pershing Square** announced it was to pay a modest dividend, as part of a wider strategic review in 2018
- Some shareholders in **Carador Income Fund** rolled over their investment into BlackRock/GSO Loan Finance

Managers & fees

- **JPMorgan American** proposed fee and strategy changes
- **BB Healthcare** head Dr Koller shifted focus to BB Biotech
- **Murray International** cut its fees after a disappointing 2018
- **JPMorgan Global Growth** announced that its manager Jeroen Huysinga is moving to the charity sector
- **Temple Bar** made Peter Lowery deputy manager
- **RDL Realisation** changed management
- **Schroder Japan** acquired a new manager
- **Aberdeen Emerging**'s underlying managers struggled
- **Baillie Gifford US Growth** hired a new co-manager
- **CatCo Reinsurance Opportunities**' manager ousted its CEO
- **Troy Income & Growth** cut its management fee

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