

## Second Quarter of 2019

### QuotedData news

Global equities re-found momentum in June after a cautious April and May. How much longer this ten-year bull market can sustain itself continues to be the subject of much debate. The prospect of interest rate cuts in the US has re-invigorated sentiment for the time being, though several headwinds, including the US/China trade war and worsening relations between the US and Iran, lurk in the background.

### New research

Over the quarter, we published notes on [Henderson Diversified Income](#), [Ecofin Global Utilities and Infrastructure](#), [Jupiter Emerging & Frontier Income](#), [Seneca Global Income & Growth](#), [Polar Capital Global Financials](#), [North American Income](#), [Standard Life Private Equity](#), [Shires Income](#), [CQS Natural Resources Growth and Income](#), [Aberdeen New Dawn](#), [Standard Life Investments Property Income](#) and [CG Asset Management](#). You can read all these notes by clicking on the links above or by visiting [www.quoteddata.com](http://www.quoteddata.com).

### In this issue

**Performance Data** – Compared to the first quarter, outperformers came from a wider set of strategies; [Montanaro European](#) delivered an eye-catching benchmark beat.

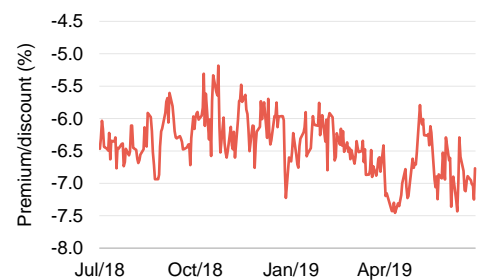
**Major news stories** – [Leaf Clean Energy](#) looked set to receive \$114.5m in damages following a Delaware Supreme Court ruling while [Greencoat UK Wind](#) raised nearly £400m, further underlining appetite for exposure to clean-energy income.

**Money in and out** – There were three major launches; [Aquila European Renewables Income](#) and [Riverstone Credit Opportunities Income](#) raised €154.3m and £80.9m respectively in May. [US Solar Fund](#) launched in April, raising £153m.

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 02/07/2018 to 28/06/2019

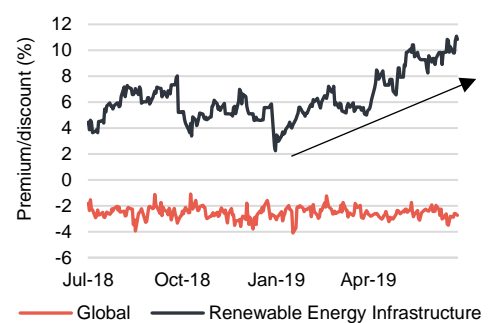


Source: Morningstar, Marten & Co

Discounts are wider 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.

### Renewables premiums power on

Time period 02/07/2018 to 28/06/2019



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

Rising interest and demand for clean energy strategies is emphasised by the relative widening in median premiums of renewable energy infrastructure funds against the global sector. By comparison, the commodities & natural resources sector ended the second quarter trading at a 23% discount.

## Performance Data

Excluding new issues, nearly 80% of the investment companies sampled (market caps above £15m) over Q2 delivered positive price returns. The median return was 3.9%, versus 5.6% in Q1. Compared to the first quarter, where the outperformance of China and growth-focused strategies in particular stood out, the top performers table this time around includes a more diverse set of strategies.

Looking first at the positive moves:

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

	(%)
Leaf Clean Energy	350.0
Green REIT	25.9
JPMorgan Russian Securities	25.2
Lindsell Train	24.6
Kubera Cross-Border	22.9
BH Macro USD	21.0
Montanaro European Smaller	20.5
Gresham House Strategic	20.1
EPE Special Opportunities	19.6
Jupiter European Opportunities	19.4

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

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

	(%)
EPE Special Opportunities	32.6
Baring Emerging Europe	18.4
JPMorgan Russian	17.6
Lindsell Train	16.5
Baker Steel Resources	15.4
JPMorgan Brazil	14.0
Aberdeen New Thai	13.6
Marwyn Value Investors	12.9
Jupiter European Opportunities	12.9
BlackRock Greater Europe	11.7

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

- The surge in **Leaf Clean Energy**'s shares was in response to a favourable ruling by the Delaware Supreme Court relating to a contractual dispute case with Wind LLC.
- Ireland-focused **Green REIT**'s shares rallied after it put itself up for sale in a surprise move. The company attributed its decision to its shares trading at a material and persistent structural discount to NAV for over three years.
- **Lindsell Train**'s premium to NAV touched close to 100% at points, though it has come down sharply over recent days after Hargreaves Lansdown removed two of its open-ended funds from its wealth 50 recommendations list. Nick Train, manager of Lindsell Train, also warned investors over the risk of buying it at such a significant premium in his statement accompanying the fund's annual report in June.
- **Montanaro European**'s 20.5% price return came off the back of an excellent set of results; it outperformed its index by 18.5% over its year-ending 31 March 2019.
- **JPMorgan Russian Securities** has been on a steady upward trajectory for the past two or so years, supported by relative value and corporates generally delivering good earnings growth.
- Keeping with emerging markets, **Aberdeen New Thai** had a good end to the quarter (its shares were up 13.5% over Q2), though the almost \$4bn foreign inflow into Thailand in June is thought to have been mainly influenced by central bank policy; the economic outlook remains poor.

## On the negative side:

The well-documented crisis at Woodford Investment Management (WIM) reached a crescendo over Q2; elsewhere the potential for or actual shifts in government policy weighed against several funds.

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

	(%)
CATCo Reinsurance Opportunities	(38.6)
Woodford Patient Capital	(29.3)
Phoenix Spree Deutschland	(22.9)
Triple Point Social Housing REIT	(17.4)
Ceiba Investments	(14.6)
Syncona	(13.4)
Civitas Social Housing	(10.9)
Drum Income Plus REIT	(10.7)
Aberforth Split Level Income	(9.4)
AEW UK Long Lease REIT	(9.1)

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

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

	(%)
CATCo Reinsurance Opportunities	(15.7)
Woodford Patient Capital	(14.7)
India Capital Growth	(7.3)
Aurora	(5.3)
Fidelity China Special	(5.0)
Aberforth Split Level Income	(3.5)
Independent	(2.5)
Temple Bar	(2.4)
Edinburgh Investment	(2.3)
Perpetual Income & Growth	(2.1)

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

- As well as reflecting sentiment around WIM generally, concerns around issues such as **Woodford Patient Capital's** level of gearing and the value of many of its unquoted investments pushed down the shares.
- Berlin-focused residential and commercial property company, **Phoenix Spree Deutschland**, sold-off heavily in June after Berlin approved a five-year rent freeze.
- **CATCo Reinsurance Opportunities'** challenges reflect an extremely difficult period for the industry following one of the worst years of insured losses in 2018. Discussing the volatile backdrop CATCo faced, the company's investment manager, Jed Rhoads, had this to say: "Global insured losses during 2018 are estimated to be \$80bn, the fourth costliest year on record, compared to 2017, the worst year on record which resulted in over \$140bn of insured losses."
- **Civitas Social Housing** and **Triple Point Social Housing** were affected by potential regulatory concerns over their leaseback models. More recently, Civitas has said that Regulator for Social Housing does not have inherent problems with the model.
- The sell-off in **Ceiba**, the Cuba-focused trust, reflects the effects of Trump unwinding Obama's work to warm relations. Moves by the Trump administration to further strengthen the US Cuban Embargo, which has included limiting remittances, further restricting travel by US persons to Cuba and allowing Title III of the extraterritorial Helms-Burton Act to come into force, have resulted in a decline in US travel to the island and are expected to have a negative impact on the Cuban economy.
- **Syncona's** 50% plus premium to NAV valuation fell in the period after the Wellcome Trust charity surprisingly reduced its stake in mid-March. Over Q2, the premium came down further. Fundamentally, though, the company has been performing very well - it announced a 37.9% return on NAV for the year ended 31 March 2019.

## Money in and out of the sector

Four new issues made it to the market: Aquila European Renewables Income, Riverstone Credit Opportunities Income, US Solar Fund launched and Cameron Investors (£10m raise). Including the new issues, more than £3bn of new money was raised by investment companies over the second quarter.

Figure 5: Money entering the sector in Q2 2019

	£m
Greencoat UK Wind	398.0
Renewables Infrastructure	341.4
Globalworth Real Estate	304.2
Sequoia Economic Infrastructure	227.4
Aquila European Renewables Income**	€154.3
US Solar Fund**	153.0
Hipgnosis Songs	145.7
Smithson Investment Trust	144.9
Tritax EuroBox	117.5
Merian Chrysalis	111.8

Source: Morningstar, \* approximate value of additional capital at 28/06/2019, \*\* proceeds raised from the initial public offering

Figure 6: Money leaving the sector in Q2 2019

	£m
Carador Income Fund USD	(66.8)
NB Global Floating Rate Income GBP	(61.4)
Biotech Growth	(28.8)
Third Point Offshore USD	(22.7)
Alliance Trust	(20.0)
Templeton Emerging Markets	(18.7)
VPC Specialty Lending Investments	(17.7)
NB Distressed Debt	(13.9)
Witan	(13.3)
NB Global Floating Rate Income USD	(13.1)

Source: Morningstar, \* approximate value of shares bought back at 28/06/2019

### Money coming in:

- **US Solar Fund** launched in April, raising £153m. Part of a growing cast of renewables funds, it is targeting a 7.5% annual shareholder return by providing pure-play exposure to the US solar sector.
- **Aquila European Renewables Income** also got off the ground, raising nearly EUR155m. It will provide EUR returns through a portfolio of hydropower, onshore wind and solar PV investments across continental Europe and Ireland.
- Riverstone launched a high-income strategy (targeting 8-10% yields) oil and gas loan fund, **Riverstone Credit Opportunities Income**, which raised just shy of £81m. The fund will make loans to small-medium sized energy exploration companies, filling a void left by traditional lenders retreating from smaller loans.
- Elsewhere, **Greencoat UK Wind** led capital raising by existing funds, bringing in £398m. **Renewables Infrastructure** was not far behind with £341.4m. This further underlined the market's enthusiasm for renewables Greencoat has a portfolio of 34 operating UK wind farms, and at over £2bn, is the largest renewables investment company by market capitalisation.
- **Sequoia Economic Infrastructure** will deploy the £227.4m it raised in June towards a pipeline of economic infrastructure debt opportunities.
- **Hipgnosis Songs** has had no issues raising capital since its launch in 2018; it raised another £145.7 while also reporting its first results over Q2.

### Money going out:

- **Carador Income**'s USD listing led outflows at £66.8; the company is going through a managed wind-down. Elsewhere, the **NB** funds continued to return capital. **Biotech Growth**, **Third Point Offshore USD** and **Alliance Trust** were the other fund to return more than £20m.

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## Significant rating changes

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

	30 Jun 19 (%)	31 Mar 19 (%)
Leaf Clean Energy	445.9	23.5
Green REIT	1.9	(17.2)
Kubera Cross-Border	(27.4)	(39.7)
Oakley Capital Investments	(17.8)	(29.4)
Renewables Infrastructure	16.6	5.2
John Laing Environmental	15.9	5.5
Gresham House Strategic	(12.8)	(22.9)
Merian Chrysalis	13.5	3.3
BH Macro USD	3.4	(6.2)
Dunedin Enterprise	(8.0)	(17.4)

Source: Morningstar, Marten & Co

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

	30 Jun 19 (%)	31 Mar 19 (%)
Phoenix Spree Deutschland	(30.7)	(6.4)
Triple Point Social Housing	(19.4)	(2.1)
CATCo Reinsurance	(55.8)	(39.4)
Syncona	3.5	19.5
Woodford Patient Capital	(32.0)	(18.1)
Ceiba Investments	(29.5)	(16.4)
Aberdeen Diversified	(7.1)	4.7
Drum Income Plus REIT	(7.9)	3.1
Civitas Social Housing	(20.4)	(10.3)
AEW UK Long Lease REIT	(14.3)	(5.5)

Source: Morningstar, Marten & Co

### Getting more expensive

- We touched on **Leaf Clean Energy**'s catalyst earlier and note that Morningstar is yet to reflect the compensation award in its NAV estimate.
- **Renewables Infrastructure** and **John Laing Environmental**'s premiums widened together, in a strong quarter for the sector.
- The US/India private equity investor, **Kubera Cross-Border**, led performance in price terms, though it remains at a discount to its year-on-year valuation.

## Getting cheaper

- The market sold **Phoenix Spree Deutschland** after Berlin approved a five-year rent freeze.
- **CATCo Reinsurance** and the wider market for re-insurance has been heavily hit by successive years of global catastrophes in 2017 and 2018.
- We discussed **Woodford Patient Capital**, **Syncona**, **Ceiba** and social housing in the 'performance' section. Elsewhere, the multi strategy fund, **Aberdeen Diversified Income & Growth**, figures on the 'getting cheaper' list following increases in its NAV.
- Finally, **Drum Income Plus REIT**'s shares were down over the period, probably to some extent reflecting weak sentiment towards retail; more than half of Drum's property portfolio in value terms comprises of retail and shopping centre assets.

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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%

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\*Ongoing charges as at 31.03.18. \*\*Source: Morningstar, share price, total return as at 31.12.18. Your call may be recorded for training or monitoring purposes. Issued and approved by Baillie Gifford & Co Limited, whose registered address is at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, United Kingdom. Baillie Gifford & Co Limited is the authorised Alternative Investment Fund Manager and Company Secretary of the Company. Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority (FCA). The investment trusts managed by Baillie Gifford & Co Limited are listed UK companies and are not authorised and regulated by the Financial Conduct Authority.

## Major news stories

### Portfolio developments

- **Syncona** sold Blue Earth Diagnostics to Bracco Imaging for \$450m
- **Symphony's** largest holding MINT sold three hotels for EUR313m. **Symphony** also bought a stake in Soothe Healthcare
- **Renewables Infrastructure** bought two French wind farms
- **Adamas** continues its transformation into income-generating pan-Asian small and medium-sized companies
- **Seneca Global** is trimming its equity portfolio in anticipation of slowing growth and falling markets
- **Montanaro European** beat its benchmark by 18.5%
- **GCP Infrastructure** discussed its decision to pause growth of its social housing business
- **Oakley Capital Investments** bought Videotel and Seagull; the two companies had combined revenues of \$50m in 2018. **Oakley** also invested in a Spanish insurance firm
- **Tufton Oceanic** bought two cargo ships for \$13.5m
- **Dolphin Capital** asset disposals gathered pace in 2018
- **SDCL Energy Efficiency Income** reported inaugural results
- **International Public Partnerships Limited** bought a further 51% in BeNEX GmbH – an investor in train operators
- QuotedData attended **Civitas'** annual results

### Corporate news

- The **Woodford** board woke up after weeks of silence
- **Sequoia Economic Infrastructure Income** completed an oversubscribed issue
- **Gore Street** is planning a £50m raise to fund an Irish acquisition
- **Fidelity China** introduced a discount target following a poor year
- **Syncona** put forward plans to increase capital deployment to GBP100-200m following a stellar year
- **Leaf Clean Energy** looked set to receive \$114.5m in damages following a Delaware Supreme Court ruling
- **RDL Realisation** discussed its three-pronged approach to winding down its portfolio of 12 platforms
- QuotedData attended **Harbourvest Private Equity** session in London
- **Martin Currie Asia Unconstrained** offered investors a choice of cash or access to an open-end fund
- **Greencoat UK Wind** raised £375m; the equity capital will be used to grow the asset base
- A **Tritax EuroBox** placing raised €135m – the highest non-IPO flow into the sector in May
- **Capital Gearing** hit the 200x price return mark, since Peter Spiller took over in 1982

- **Scottish Mortgage** raised over £400m in its financial year to March 2019
- **Africa Opportunity** is putting a continuation vote to its shareholders at its June 2019 AGM
- **Establishment Investment** set for wind-up
- **Funding Circle** to wind-up in surprise move
- Physical uranium investor **Yellow Cake** moved closer to critical mass following a share placing

## Managers & fees

- **Aseana** announced that its manager would step down at the end of June
- Sat Duhra was promoted to co-fund manager at **Henderson Far East Income**
- **John Laing Environmental** noted the acquisition of its manager
- **Edinburgh Investment** said it was sticking by its manager Mark Barnett
- **JPMorgan US Smaller Companies** cut its fees
- **India Capital Growth** slashed its fee to 1.25%
- **Fundsmith Emerging Equity** announced manager changes with Michael O'Brien and Sandip Patodia promoted to the roles of portfolio manager (replacing Terry Smith) and assistant portfolio manager
- **Henderson Alternative Strategies** appointed Alex Barr as senior manager
- **Polar Capital Technology** amended its fee structure
- **Value and Income** announced Louise Cleary and Patrick Harrington as their new lead managers



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# QuotedData

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123a Kings Road, London SW3 4PL

020 3691 9430

www.quoteddata.com

Registered in England & Wales number 07981621

2<sup>nd</sup> Floor Heathmans House

19 Heathmans Road, London SW6 4TJ

Edward Marten  
(em@martenandco.com)

Alistair Harkness  
(ah@martenandco.com)

David McFadyen  
(dm@martenandco.com)

James Carthew  
(jc@martenandco.com)

Matthew Read  
(mr@martenandco.com)

Shonil Chande  
(sc@martenandco.com)

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