

October 2019

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Winners and losers in September

Best performing funds in NAV terms in September

	(%)
Oakley Capital	14.1
HgCapital	14.1
Baillie Gifford Japan	9.6
Weiss Korea Opportunity	9.5
Aurora	9.4
Aberdeen Standard Equity Income	7.8
Temple Bar	7.5
Gresham House Strategic	7.4
Fidelity Japan	7.3
Perpetual Income & Growth	7.3

Source: Morningstar, Marten & Co

Best performing funds in price terms in September

	(%)
CATCo Reinsurance Opportunities	29.4
Leaf Clean Energy	20.8
CIP Merchant Capital	16.7
Triple Point Social Housing REIT	11.7
Ashoka India	10.3
UIL Finance	9.7
Woodford Patient Capital	9.2
EPE Special Opportunities	8.6
BMO Commercial Property	8.6
Schroder UK Mid Cap	8.4

Source: Morningstar, Marten & Co

CATCo Reinsurance Opportunities has been returning capital to shareholders as part of a wind down of the fund, following extreme hurricane claims. Asian country specialist funds, including **Baillie Gifford Japan**, **Fidelity Japan** and **Weiss Korea Opportunity**, had good months on the back of easing trade tensions and monetary stimulus. **Ashoka India**'s price increase reflected much-improved sentiment towards Indian assets after the government announced a cut in corporation tax. UK equity funds, led by **Aberdeen Standard Equity Income**, **Schroder UK Mid Cap**, **Aurora**, and **Perpetual Income & Growth** make a rare appearance, as no-deal Brexit concerns abated somewhat. **BMO Commercial Property** also benefited from this sentiment while **Triple Point Social Housing**'s share increase reflects a tempering in concerns over the Regulator of Social Housing's take on the lease-based business model. UK stocks have since sold-off heavily in early October, following poor economic data.

Worst performing funds in NAV terms in September

	(%)
Woodford Patient Capital	(13.5)
Biotech Growth	(12.3)
Marwyn Value Investors	(11.5)
Golden Prospect Precious Metal	(10.1)
Carador Income USD	(9.4)
Baillie Gifford US Growth	(8.0)
Marble Point Loan Financing	(7.2)
Blue Planet	(6.7)
Worldwide Healthcare	(6.2)
Allianz Technology	(5.7)

Source: Morningstar, Marten & Co

Worst performing funds in price terms in September

	(%)
Riverstone Energy	(15.5)
Better Capital PCC 2012	(12.8)
BH Macro USD	(11.7)
Baillie Gifford US Growth	(10.3)
Golden Prospect Precious Metal	(10.1)
Biotech Growth	(9.8)
ScotGems	(9.2)
RDL Realisation	(8.8)
Reconstruction Capital II	(8.1)
DP Aircraft I	(8.0)

Source: Morningstar, Marten & Co

Woodford Patient Capital was the worst performer in NAV terms after it wrote down values for some of its holdings. **Golden Prospect Precious Metal** sold-off after a very strong run over the past few months. The gold price was down 3.1% in September. **Biotech Growth**'s shares followed the NAV down. They are up about 7% over the year-to-date. It was a rare month of underperformance for US equities, affecting **Baillie Gifford US Growth**, **Blue Planet**, **Carador Income** and **Allianz Technology**. **Riverstone Energy** followed commodity prices lower over the second half of the month.

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	30 Sep (%)	30 Aug (%)
Leaf Clean Energy	(4.7)	(21.1)
CATCo Reinsurance Opportunities	(35.9)	(50.3)
Woodford Patient Capital	(31.2)	(45.4)
Lindsell Train	28.4	18.4
EPE Special Opportunities	(28.1)	(37.6)

Source: Morningstar, Marten & Co

Leaf Clean Energy's move was price led. Its NAV was revised up enormously in late-May following a positive court case ruling. **CATCo's** discount narrowed after peaking at around 50% - the shares traded at a 20+% premium as recently as December 2017. **Woodford Patient Capital's** discount narrowed as the shares ticked up in spite of write downs to some holdings. **Lindsell Train** benefitted from the flows into UK stocks – the shares traded at a 100% premium to NAV as recently as June. **EPE Special Opportunities** benefitted from a strong set of results.

Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	30 Sep (%)	30 Aug (%)
Oakley Capital	(28.6)	(15.0)
RDL Realisation	39.3	52.8
Riverstone Energy	(43.1)	(32.7)
Merian Chrysalis	11.6	21.8
Doric Nimrod Air Three	20.9	31.0

Source: Morningstar, Marten & Co

Shares in the private equity companies, **Oakley Capital** and **Merian Chrysalis**, were down, perhaps reflecting concerns over the economic cycle and the amount of 'dry powder' the industry is holding, increasing valuations. Merian has since come back somewhat, following a £175m placing. The widening in **Riverstone Energy's** discount was price-led, reflecting sentiment towards the sector. **Doric Nimrod Air Three's** share price has been quite volatile recently, much more so than its sister funds. It might be that a large shareholder is looking to exit.

Money raised and returned in September

Money raised in September

	(£m)
Merian Chrysalis	175.0
JPMorgan Global Core Real Assets	148.9
Sequoia Economic Infrastructure	138.8
Target Healthcare REIT	80.0
Tufton Oceanic	\$31.0

Source: Morningstar, Marten & Co

JPMorgan raised £148.9m for its new **Global Core Real Assets** trust, targeting the infrastructure, transport and real estate sectors. It represents the fifth sector-IPO of the year and is aiming for total annual returns in the 7-9% range. Elsewhere, fundraising picked up following the summer recess. **Merian Chrysalis** led the way with a £175m placing. The infrastructure debt fund, **Sequoia Economic Infrastructure**, raised £138.8m through a placing of its own, lifting the shares on the back of some of the firmest trading volumes the shares have seen. **Target Healthcare REIT** also came to market with a placing, raising £80m.

Money returned in September

	(£m)
Edinburgh Investment	(25.5)*
TwentyFour Income	(19.9)
Pershing Square	(17.6)
NB Global Floating Rate Income GBP	(14.2)
Perpetual Income & Growth	(12.6)

Source: Morningstar, Marten & Co, * based on approximate value of shares at 31/08/19

Edinburgh Investment led the way in buying shares back, leading to its discount narrowing. The discount had been widening since April. **Pershing Square's** buybacks helped narrow its discount in what was generally a subdued month for growth stocks. The other funds to shrink in size by returning more than £10m were **TwentyFour Income**, **NB Global**, **Perpetual Income & Growth** and **CATCo**.

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September's major news stories – from our website

Portfolio developments

- **Tufton Oceanic** bulked up its fleet with \$19.9m crude oil vessel
- **Woodford Patient Capital** reported results. Earlier in the month, WPCT slashed its NAV on write downs
- Exposure to Pakistan undermined **Aberdeen Frontier Markets**
- We had inaugural results from **Ashoka India Equity** and **US Solar**
- **SDCL Energy Efficiency Income** announced a EUR64m Spain deal
- One of **Middlefield Canadian Income REIT**'s holdings was subject to a \$4.7bn Blackstone bid
- **Symphony** invested in eye health
- **Adamas Finance Asia** provided an update on its largest holding, Future Metal
- **Hipgnosis** said it was considering a £300m C share issuance as it neared a main market application
- **BioPharma Credit** said would spend its \$600m cash pile by year end and made a \$150m loan to OptiNose

Corporate news

- **Renewables Infrastructure** looked to raise capital to expand in Europe
- Hedge fund **Third Point** said it wanted to narrow its discount with a US\$200m buyback programme
- QuotedData took a closer look at outperforming Vietnam
- We had fundraising news from **JPMorgan Global Core Real Assets** and **Merian Chrysalis**
- **City of London** increased its dividend for the 53rd consecutive year
- **Witan** tweaked its benchmark
- **P2P Global Investments** changed its name to **Pollen Street Secured Lending**
- A **Gabelli Value Plus** shareholder requisitioned a continuation vote meeting

Property news

- **Hammerson** exceeded its £500m disposal target with the sale of a retail park
- **Tritax EuroBox** increased its bank facility by EUR125m. The company also bought two facilities in Germany
- Results from **Ceiba** showed Trump's impact on Cuba
- **Standard Life Investments Property Income** completed three deals
- **Phoenix Spree Deutschland** agreed a new €240m loan facility
- **Triple Point Social Housing** announced 36 acquisitions and options on a further four

Managers and fees

- **ScotGems**'s manager resigned
- **CQS New City High Yield** adjusted its fee calculation

Visit www.quoteddata.com or more on these and other stories plus in-depth analysis on some funds, the tools to compare similar funds and basic information, key documents and regulatory news announcements on every investment company quoted in London

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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 136.5% compared to 74.9% for the sector**.

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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*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.

Income

Investment companies announcing their full year dividends in September

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
BMO Real Estate Investments	30/06/19	5.0	Nil	n/a ^a	0.89x
Aberdeen Frontier Markets	30/06/19	\$2.0	Nil	\$(1.30)	Nil
AEW UK Long Lease	30/06/19	5.5	+69.2	5.26 ^b	0.96x
Ashoka India Equity	30/06/19	N/A	N/A	(0.41)	N/A
Bluefield Solar	30/06/19	8.3	+11.8	11.01 ^c	1.33x
City of London	30/06/19	18.6	+5.1	19.8	1.06x
Crystal Amber	30/06/19	5.0	Nil	0.05 ^d	0.01x ^d
FastForward Innovations	31/03/19	N/A	N/A	0.93 ^b	N/A
GCP Student Living	30/06/19	6.15	+3.4	5.23 ^e	0.85x ^e
Genesis Emerging Markets	30/06/19	\$19.0 ^f	Nil	\$19.00 ^b	1.0x
Gulf Investment Fund	30/06/19	\$3.0	Nil	\$18.22 ^b	6.07x
Infrastructure India	31/03/19	N/A	N/A	(12.19)	N/A
Investment Company	30/06/19	16.3	(21.3)	15.77	0.96x
JPEL Private Equity	30/06/19	N/A	N/A	\$(0.11)	N/A
JPMorgan Global Growth & Income	30/06/19	12.5	+2.9	4.87 ^g	0.39x ^g
JPMorgan Mid Capital	30/06/19	29.5	+5.4	35.0	1.19x

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
Jupiter European Opportunities	31/05/19	5.5	(15.4)	5.55	1.00x
Mid-Wynd International	30/06/19	5.8	+3.6	6.79	1.17x
Murray Income	30/06/19	10.0	+8.1	34.90	3.49x
New Star	30/06/19	1.4	+40%	1.81	1.8x
PRS REIT	30/06/19	5.0	Nil	2.9 ^g	0.58x
SQN Asset Income	30/06/19	7.3	Nil	4.06	0.56x
Supermarket Income REIT ^h	30/06/19	5.6	+1.8	5.0 ⁱ	0.89x
Target Healthcare REIT	30/06/19	6.6	+2.0	5.45 ⁱ	0.83x
Tufton Oceanic	30/06/19	\$0.07	+250	\$0.10	2.43x
UIL Finance	30/06/19	7.5	Nil	7.63	1.02x

* Unless otherwise specific

- a) Based on profit before investment gains and losses of £10,755k and dividends of £12,036k
- b) Basic and diluted earnings per share
- c) Underlying earnings per share, pre amortisation of debt
- d) Total basic and diluted earnings per share: £9.54 pence
- e) Earnings based on group specific adjusted earnings per share
- f) Dividend per Participating Preference Share
- g) Including the capital account, total return per share was £26.78 pence
- h) IFRS earnings per share (basic and diluted)
- i) Basic and diluted earnings per 2016 C Share: 6.75 pence
- j) EPRA Adjusted Earnings Per Share

Upcoming events

Have you checked out the Events section of our website? Here is a selection of what's coming up.

- Diverse Income AGM 2019, [9 October 2019](#)
- [Pimfa Annual Summit 2019](#), [16 October 2019](#)
- Renewables Infrastructure EGM 2019, [17 October 2019](#)
- Scottish Mortgage Investor Forum, [22 October 2019](#)
- Personal Investment Live – Festival of Enterprise, [23 October 2019](#)
- Standard Life UK Smaller Companies AGM 2019, [23 October 2019](#)
- City of London Investment Trust AGM 2019, [24 October 2019](#)
- The London Investor Show, [25 October 2019](#)
- Tufton Oceanic Assets AGM 2019, [25 October 2019](#)
- Ashoka India Equity AGM 2019, [30 October 2019](#)
- JPMorgan Mid Cap AGM 2019, [30 October 2019](#)
- Murray Income Trust AGM 2019, [5 November 2019](#)
- AEW UK Long Lease AGM 2019, [5 November 2019](#)
- GCP Student Living AGM 2019, [6 November 2019](#)
- Gulf Investment Fund AGM 2019, [8 November 2019](#)
- Pacific Horizon AGM 2019, [12 November 2019](#)
- Mid Wynd International AGM 2019, [12 November 2019](#)
- JPMorgan Global Growth & Income AGM 2019, [12 November 2019](#)
- JPMorgan Emerging Markets AGM 2019, [13 November 2019](#)
- Investing in the Age of Longevity, [13 November 2019](#)
- New Star Investment Trust AGM 2019, [14 November 2019](#)
- Jupiter European Opportunities AGM 2019, [14 November 2019](#)
- Standard Life UK Smaller Companies presentation, [20 November 2019](#)
- Investment Company AGM 2019, [21 November 2019](#)
- Crystal Amber AGM 2019, [22 November 2019](#)
- Money Week Wealth Summit, [22 November 2019](#)
- TR European AGM 2019, [25 November 2019](#)
- Personal Finance Society Annual Conference, [28 November 2019](#)
- Ruffer Investment Company AGM 2019, [5 December 2019](#)
- Aberdeen Frontier Markets AGM 2019, [10 December 2019](#)
- Master Investor – the UK's largest private investor show, [28 March 2020](#)

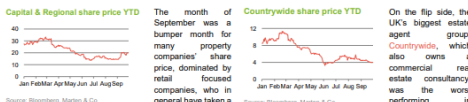


Publications

QuotedData
 Monthly roundup | Real estate
 October 2019

Winners and losers in September

Best performing companies in price terms in Sept (%)	Worst performing companies in price terms in Sept (%)
Capital & Regional 37.9	Countrywide (11.7)
Hammerston 24.9	Town Centre Securities (7.2)
NewRiver REIT 19.1	Assura Properties (6.3)
Inland Homes 15.8	Harworth Group (4.3)
Capital & Counties Properties 14.8	Ediston Property Investment Company (4.0)
Briton Land 14.7	GRT Real Estate Income Group (3.1)
Workspace Group 13.2	Daejin Holdings (2.5)
Countrywide Properties 12.3	Primary Health Properties (2.3)
Triple Point Social Housing REIT 11.7	Big Yellow Group (2.2)
U and I Group 11.1	Conygar Investment Company (2.0)



Capital & Regional share price YTD
 The month of September was a bumper month for many property companies' share price, dominated by retail focused companies, who in general have taken a hammering over the past 18 months or so. Top of the list was Capital & Regional. Shares in the shopping centre landlord bounced after it announced it was in talks with South African REIT Growthpoint Properties to sell a majority stake in the company. In the year to date, Capital & Regional's share price has fallen 27.4%. Also high on the list was Hammerston, which owns shopping centres, retail parks and outlet centres in the UK, Ireland and France. Its share price grew following news that it had exceeded its £500m disposal target for the year. Another retail landlord, NewRiver REIT, was third on the list having made progress with its contrarian investment strategy into retail parks. Capital & Counties Properties also featured in the top five as plans to split its Earls Court estate and Covent Garden portfolio advanced. Housebuilders Inland Homes and Countrywide Properties also made impressive gains in the month, while regeneration specialist U and I Group squeaked into the top 10 with a 11.1% increase.

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We launched a monthly roundup on the real estate sector over September. It includes sections on performance data, valuation moves, corporate activity and comments from chairmen and managers. Click on the links on the left and right to access the first two iterations.

QuotedData
 Monthly roundup | Real estate
 September 2019

Winners and losers in August

Best performing companies in price terms in August (%)	Worst performing companies in price terms in August (%)
Shafesbury 10.1	Macau Property Opportunities (17.0)
Dorwent London 9.0	Intu Properties (14.8)
Big Yellow Group 8.2	AEW UK Long Lease REIT (10.6)
Granger 7.4	Countrywide (9.1)
Salisbury Holdings 7.4	Road Estate Investors (8.6)
Assura 7.3	Titus Big Box REIT (8.5)
Schroder European Real Estate Inv Trust 6.9	Ediston Property Investment Company (8.1)
Triple Point Social Housing REIT 6.6	Sigma Capital Group (7.7)
Hammerston 5.9	Daejin Holdings (6.3)
	PRS REIT (6.2)



Shafesbury share price YTD
 The month of August has traditionally been a quiet period for news and announcements in the property sector, and this year is no different. Central London landlord Shafesbury, which owns Canary Street as well as huge swathes of Soho, topped the chart of the biggest movers in the month of August. The group's share price has been under pressure for most of the year whilst being locked in a legal battle with Hong Kong billionaire shareholder Samuel Tak Lee.

Intu Properties share price YTD
 Follow shopping centre owner Intu Properties didn't fare as well, however, its share price dropped 14.8% in the month of August, bringing its year-to-date decline to 64.1%. Both Intu and Hammerston announced half-year results at the end of July, and the market has clearly shown which turnaround plan they have more faith in. Intu was only beaten to the wooden spoon by Macau Property Opportunities, the developer investing in Macau – the sole city in China in which gambling has been legalised.

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QuotedData
 Annual overview | Investment companies
 1 October 2019

India Capital Growth

Discounted value

India Capital Growth (ICG)'s portfolio was trading at just 12x estimated earnings for the year ended 31 March 2021 at the end of August. The manager says that when it last hit that level, in August 2013, ICG delivered a 197% return in sterling over the following three years. Indian stocks have begun to rebound since the end of August but there could be much more to go for and there is scope for ICG's discount to narrow further.

Over the past year India's stock market has de-rated and the small and medium sized stocks that ICG favours have suffered disproportionately. After a couple of missteps, the Indian government has now taken decisive action to rejuvenate the economy in the form of a cut to corporate tax.

A significant contributor to weakness in India's economy and its stock market has been a liquidity crisis, born out of ill-disciplined lending practices (see page 4). The manager is optimistic that this will be the catalyst for further reform in India's financial sector.

Mid-and-small-cap listed investments in India

ICG's investment objective is to provide long-term capital appreciation by investing (directly or indirectly) in companies based in India. The investment policy permits the company to make investments in a range of Indian equity securities and Indian equity-linked securities. The company's investments are predominantly in listed mid-and-small-cap Indian companies.

Year ended	Share price TR (%)	NAV total return (%)	Portfolio total return (%)	S&P 500 Mid Cap TR (%)	MSCI India total return (%)
31/03/15	13.8	12.3	18.2	15.3	(0.3)
31/03/16	21.1	29.3	45.8	44.5	25.6
31/03/17	37.8	25.8	25.8	26.9	19.8
31/03/18	(1.8)	(3.0)	(3.0)	(1.5)	6.8
31/03/19	(25.7)	(20.3)	(14.5)	(19.8)	(1.9)

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Sector	Country specialist
ICG LN	- Asia Pacific
Base currency	GBP
Price	76.70p
NAV	83.38p
Premium/discount	(17.9%)
Yield	N/A



Domestic	Company
Inception date	22 December 2005
Manager/adviser	David Condon / Courteney Naran
Market cap	86.3m
Shares outstanding	112,200,000
Daily vol. (1-yr. avg.)	254.3k shares
Net gearing	N/A

Year ended	Share price TR (%)	NAV total return (%)	MSCI Emerging TR (%)	MSCI Frontier TR (%)	MSCI World TR (%)
31/03/16	4.7	5.9	0.2	1.2	16.8
31/03/17	(7.0)	9.9	2.1	15.2	7.0

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Our note on India Capital Growth looks at the fund's small and mid-cap focused strategy in the context of the recently re-elected BJP government taking decisive action to rejuvenate the economy.

Our update note on Jupiter Emerging & Frontier Income analyses what appears to have been an unjustified widening in the discount over recent months. Relative performance has been good over this period and frontier markets have outperformed emerging and developed markets over the year-to-date.

QuotedData
 Update | Investment companies
 23 September 2019

Jupiter Emerging & Frontier Income

Unjustified discount?

In recent months, Jupiter Emerging and Frontier Income (JEFI)'s discount has widened. This seems somewhat at odds with JEF's good relative performance over this period and since launch (a 14.7% return on NAV for the period to 19 September 2019 versus 11.4% for the MSCI Emerging Markets Index, 10.4% for the MSCI Frontier Markets Index and 8.2% for the average of JEF's peer group – see page 9). It also seems strange given JEF's sector-leading dividend yield.

The world is an uncertain place at present, but emerging markets, which have been battling a headwind provided by a strong US dollar, now face a period where the US President is determined to weaken the currency and US interest rates are falling. JEFI's managers have confidence in their portfolio and the long term structural trends that underpin growth in their markets. They say that the portfolio has very limited direct exposure that is sensitive to trade tensions, however trade concerns are a significant source of broader investor anxiety.

The managers would like to see the discount eliminated and the trust expanding. This should benefit all shareholders, as the shares should become more liquid and the ongoing charges ratio should fall, as fixed costs are spread over a wider base.

Long-term capital and income growth

JEFI aims to generate capital growth and income over the long term, through investment predominantly in companies operating directly or indirectly in emerging markets and frontier markets worldwide.

Year ended	Share price TR (%)	NAV total return (%)	MSCI Emerging TR (%)	MSCI Frontier TR (%)	MSCI World TR (%)
31/03/16	4.7	5.9	0.2	1.2	16.8
31/03/17	(7.0)	9.9	2.1	15.2	7.0

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Sector	Global emerging markets
JEFI LN	
Base currency	GBP
Price	66.40
NAV	103.01p
Premium/discount	(35.1%)
Yield	4.5%



Domestic	UK
Inception date	15 May 2017
Manager	Rosa Tewson / Charles Southwell
Market cap	50.0m
Shares outstanding	50,000,000
Daily vol. (1-yr. avg.)	121,551 shares
Net gearing	(12%)

Year ended	Share price TR (%)	NAV total return (%)	MSCI Emerging TR (%)	MSCI Frontier TR (%)	MSCI World TR (%)
31/03/16	4.7	5.9	0.2	1.2	16.8
31/03/17	(7.0)	9.9	2.1	15.2	7.0

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19 September 2019

Annual overview | Investment companies

International Biotechnology Trust

Healthy yield attracts investors

The managers of International Biotechnology Trust (IBT) have focused its portfolio in oncology (cancer), diseases of the central nervous system and rare diseases – areas where pricing pressure on drugs and other therapies is less of an issue. This should cushion IBT as we approach election year in the US and (as is usually the case in the US political cycle) threats to intervene in drug pricing create volatility in the biotech sector.

In an environment where concern has been building that economic growth is fading and we are approaching the end of this economic cycle, it might be worth remembering that this is not a sector which is particularly sensitive to this. Biotech companies find that demographics (the age profile and size of populations) and innovation combine to sustain demand and broaden their addressable market.

Aided perhaps by its sector-leading dividend yield, the trust remains popular with investors and has been issuing shares to meet demand.

Access to the fast-growing biotech sector

IBT is the longest-established of the London-listed funds specialising in the biotech/healthcare sector. It aims to achieve long-term capital growth by investing in biotechnology and other life sciences companies, and offers investors the highest dividend yield in the sector. The portfolio is invested primarily in quoted companies, but IBT also has exposure to unquoted companies through a well-diversified investment fund.

Year ended	Share price total return (%)	NAV total return (%)	NASDAQ Biotech Index TR (%)	MSCI World TR (%)	MSCI UK return (%)
31/03/15	75.4	49.0	33.9	(5.9)	3.5
31/03/16	(8.8)	(1.9)	(3.2)	12.8	25.3
31/03/17	30.5	21.4	21.3	13.9	18.1
31/03/18	13.7	8.3	9.6	3.6	12.1
31/03/19	(2.1)	(6.7)	(6.7)	1.3	7.0

Source: Morningstar, Market & Co.

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We published an annual overview note on International Biotechnology Trust. The managers have focused its portfolio in oncology (cancer), diseases of the central nervous system and rare diseases – areas where pricing pressure on drugs and other therapies is less of an issue. This should cushion IBT as we approach election year in the US.

13 September 2019

Annual overview | Investment companies

JPMorgan Russian Securities

Outperforming and attractively valued

Since QuotedData's last note on JPMorgan Russian Securities (JRS), Russia has been among the best-performing equity markets globally, despite being out of favour with international investors. The RTS Index has climbed above its 2014 pre-Crimea levels, before sanctions were imposed. Although economic growth has disappointed in 2019, earnings and dividend payout ratios continue to grow. At a trailing price-earnings (P/E) ratio of just 6x, the Russian market remains extremely cheap.

JRS's underlying portfolio has a 7% dividend yield, according to its longstanding manager, Oleg Brylyukov. He adds that the Russian market is showing signs of becoming more active to movements in energy prices.

Growth from a diversified Russian portfolio

The company's objective is to maximise total return through investment predominantly in Russia, with distribution of income dependent upon levels received. Up to 10% of the portfolio can be invested in companies located in former republics of the Soviet Union. The portfolio is fairly concentrated (typically between 25 and 60 positions). JRS is permitted to use gearing (borrowing), but has not done so for some years.

Year ended	Share price total return (%)	NAV total return (%)	MSCI Russia TR (%)	MSCI World TR (%)
31/03/16	(27.8)	(25.3)	(19.6)	(20.4)
31/03/17	45.7	45.4	35.3	40.3
31/03/18	34.8	29.0	22.8	23.9
31/03/19	7.3	5.7	4.3	4.2
31/03/20	41.8	34.8	35.6	28.2

Source: Morningstar, Market & Co. Note: JRS's trailing return in the MSCI Russia index is 27.8% over the 5-year period to 31/03/2019. The RTS index is calculated in December 2014 as a return value for the Russian Securities Trust, which was first established in 2006.

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Russia has been among the best performing equity markets globally, despite being out of favour with international investors. We discuss this in our note on JPMorgan Russian Securities.

12 September 2019

Annual overview | Real estate

Civitas Social Housing

Targeting full dividend cover

Civitas Social Housing (CSH) has secured a new £60m debt facility that it will use to buy new properties. This will increase its rental income and move CSH very close to full dividend cover. CSH has the option to extend the new loan by another £40m and is also in advanced negotiations to secure a separate £70m loan.

QuotedData estimates that, if CSH moves to a fully invested position, which it expects to by the end of March 2020, it should comfortably be able to fully cover its dividend from operations.

The company has identified an acquisition pipeline, worth more than £200m, that includes new government-backed social housing and new geographies, as it looks to broaden its exposure. It has identified homelessness and NHS stepping down accommodation as two growth areas and in both cases, the cost saving to the local authority and NHS in placing people in supported living accommodation is large. CSH has also received AGM approval to open up its investment criteria to include Scotland and Northern Ireland, where it believes it can capture attractive returns.

Income and capital growth from social housing

CSH aims to provide its shareholders with an attractive level of income, together with the potential for capital growth from investing in a portfolio of social homes. The company expects that these will benefit from inflation-adjusted long-term leases and that they will deliver a targeted dividend yield of 5.3% per annum on the issue price, with further growth expected. CSH intends to increase the dividend broadly in line with inflation.

Year ended	Price total return (%)	NAV total return (%)	EPRA earnings per share (pence)	Dividend per share (pence)
31/03/16	(0.6)	10.7	1.44	4.25
31/03/17	4.2	9.4	3.63	5.0
31/03/20	-	-	5.3	-

Source: Morningstar, Market & Co. Note 1) A Market & Co estimate of what Civitas Social Housing might earn once the debt is fully repaid to grow on page 12.

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In our note on Civitas Social Housing, we take a look at the company's acquisition pipeline, worth more than £200m. We also discuss our estimate that if the company moves to a fully invested position, which it expects to by the end of March 2020, it should comfortably be able to fully cover its dividend from operations.

12 September 2019

Update | Investment companies

Montanaro European Smaller Companies Trust

Focus on the small picture

In an environment of slowing growth in Europe, a looming 'no deal' Brexit, a US/China trade war sprawling into a currency war and negative bond yields/inverted yield curves (where the cost of borrowing for the short-term is more expensive than the cost of borrowing for the long-term – usually a predictor of recessions), it might be tempting to hide, 'ostrich-like', in cash. Montanaro European Smaller Companies (MTE) offers an alternative solution. Its managers see little reward in trying to game the swings in macroeconomic sentiment. Instead, MTE's manager's focus is on picking stocks – identifying growth companies with strong business franchises, high-quality management, earnings and corporate structures.

Strong, sector-leading NAV growth (see page 6) is attracting new investors to MTE and this is helping to drive down its discount to NAV. The trust's share price traded at a premium to its asset value earlier this summer. We think it could do so again and for a more sustained period if the trust continues to outperform both its peers and its benchmark.

Continental European smaller companies

MTE aims to achieve capital growth by investing principally in Continental European quoted smaller companies. The benchmark index is the MSCI Europe ex UK Small Cap Index (on sterling terms).

Year ended	Share price total return (%)	NAV total return (%)	MSCI Europe ex UK Cap TR (%)	MSCI World TR (%)	MSCI UK TR (%)
31/03/16	10.0	8.8	7.8	11.1	3.5
31/03/17	22.7	30.9	24.5	14.2	25.3
31/03/18	33.2	28.9	30.0	24.4	18.1
31/03/19	19.7	18.1	5.4	1.0	12.1
31/03/20	3.3	4.1	(5.4)	4.3	7.0

Source: Morningstar, Market & Co.

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Strong, sector-leading NAV growth) is attracting new investors to the fund and this is helping to drive down its discount to NAV. The fund offers an alternative solution. Its managers see little reward in trying to game the swings in macroeconomic sentiment. They have expertise in less-researched markets around Europe.



Annual overview | Investment companies 9 September 2019

JLEN Environmental Assets

Battery storage potential

JLEN Environmental Assets (JLEN) recently added two new revenue streams, hydropower and battery storage, to its already-diverse portfolio. It's clear from the 16.5% premium to NAV, that investors are drawn to JLEN and its asset mix. In an environment where interest rates are falling, JLEN's dividend yield (which is well-covered by cash flow) and the relative predictability of its earnings are attractive. Premiums in the sector may look high, but the advisers highlight the conservative nature of JLEN's NAV.

Opportunities to add to hydroelectric exposure are limited, but battery storage facilities could be applied across much of JLEN's portfolio. Sensibly, the advisers will be using their experience with the new Thyssen battery unit (see page 16) to evaluate the potential benefit to JLEN before committing to a more significant investment in this area.

Progressive dividend from investment in environmental infrastructure assets

JLEN aims to provide its shareholders with a sustainable dividend, paid quarterly, that increases progressively in line with inflation. It also aims to preserve the capital value of its portfolio on a real basis over the long term. It invests in environmental infrastructure assets with predictable, wholly or partially index-linked cash flows, supported by long-term contracts or stable regulatory frameworks.

Year ended	Share price total return (%)	NAV total return (%)	Earnings per share (pence)	Adjusted earnings per share (pence)	Dividend per share (pence)
31/03/15 ¹	12.6	8.4	5.8	4.5	6.00
31/03/16	(2.5)	3.1	3.0	7.1	6.054
31/03/17	16.6	10.2	9.3	6.3	6.14
31/03/18	(1.8)	5.0	5.7	6.5	6.31
31/03/19	16.3	13.7	12.2	5.8	6.51

Source: Morningstar, Marten & Co. Notes: ¹ excluding change in fair value of assets 21 period from launch 31 March 2014.

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Share price and discount

Time period 31/03/2014 to 05/09/2019



Source: Morningstar, Marten & Co

Performance over five years

Time period 31/03/2014 to 31/03/2019



Source: Morningstar, Marten & Co

Domicile	Guernsey
Inception date	31 March 2014
Adviser	Forasight Group CI Limited
Market cap	208.0m
Shares outstanding	497.0m
Daily vol. (1-yr. avg.)	1,082,567 shares
Geating	30%

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In our annual overview note on JLEN Environmental Assets we discuss its recent move to add two new revenue streams, hydropower and battery storage, to its already-diverse portfolio. It's clear from the 16.5% premium to NAV, that investors are drawn to JLEN and its asset mix. In an environment where interest rates are falling, JLEN's dividend yield (which is well-covered by cash flow) and the relative predictability of its earnings are attractive.



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