QuotedData

Quarterly report | Investment companies

October 2019

Third Quarter of 2019

Kindly sponsored by Baillie Gifford

QuotedData news

There was palpable shift in sentiment over the third quarter with the cautionary undertone perhaps best reflected by gold's resurgence. Ongoing trade jockeying between the US and China did not help the mood and neither did the Argentine debt default in August. At the real economy level, manufacturing output has been trending lower across some of the major global economies.

New research

Over the quarter, we published notes on India Capital Growth, Jupiter Emerging & Frontier Income, Montanaro European Smaller Companies, JLEN Environmental Assets, Civitas Social Housing, JPMorgan Russian Securities, International Biotechnology Trust, Aberdeen Emerging Markets, Seneca Global Income & Growth, Standard Life Investments Property Income and Strategic Equity Capital. We also launched a monthly roundup on the real estate sector. You can read all these notes by clicking on the links above or by visiting www.quoteddata.com.

In this issue

Performance Data – Demand for safe-haven exposure drove up the price of gold, which benefitted Golden Prospect Precious Metals and UIL.

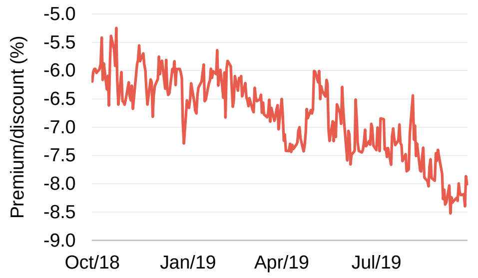
Major news stories – Woodford Patient Capital reported results. Earlier in the quarter, WPCT slashed its NAV on write downs. Elsewhere, results from Intu Properties reflected wider retail woes.

Money in and out – Fundraising over the summer period was quiet. There was one new issue with JPMorgan launching Global Core Real Assets, raising £148.9m.

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 01/10/2018 to 30/09/2019

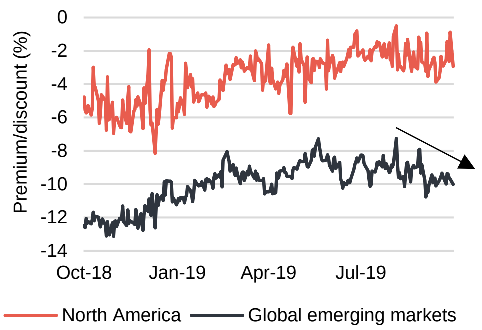


Source: Morningstar, Marten & Co

Discounts widened over the third quarter as the market removed capital from riskier asset classes. They have widened over a 12 month horizon too.

Renewables premiums power on

Time period 01/10/2018 to 30/09/2019



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

The trend towards a narrowing in discounts for the global emerging markets sector reversed over August-September. The Argentine debt default was one of the catalysts.

Performance Data

Excluding new issues, close to 55% of the investment companies sampled (market caps above £15m) over Q3 delivered positive cumulative price returns – down from nearly 80% in Q2. The median return was 0.2%, versus 3.9% in Q2. Gold's strong performance reflected a much lower appetite for risk.

Looking first at the positive moves:

Figure 1: Best performing funds in price terms over Q3 *

	(%)
CATCo Reinsurance Opportunities	54.9
UIL	31.2
Golden Prospect Precious Metal	22.7
Triple Point Social Housing REIT	15.2
Third Point Offshore USD	14.5
Secure Income REIT	14.1
Pershing Square	13.7
VPC Specialty Lending	12.9
Livermore Investments	12.6
Ecofin Global Utilities & Infrastructure	12.2

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

Figure 2: Best performing funds in NAV terms over Q3*

	(%)
RDL Realisation	19.1
Golden Prospect Precious Metal	17.2
VietNam Holding	11.7
Fidelity Japan	11.3
Ecofin Global Utilities & Infrastructure	11.2
Menhaden	10.8
Doric Nimrod Air Three	10.4
Pershing Square	10.0
Doric Nimrod Air One	9.1
Doric Nimrod Air Two	8.6

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

- CATCo Reinsurance Opportunities was the standout, delivering a 54.9% cumulative price return. It has been returning capital to shareholders as part of a wind down of the fund, following extreme hurricane claims.
- Gold found a new lease of life over recent months as a safe haven. This helped Golden Prospect's NAV and share price. UIL similarly benefitted with gold-related investments accounting for close to 20% of its portfolio.
- Triple Point Social Housing's share increase reflected a tempering in concerns over the Regulator of Social Housing's take on the lease-based business model.
- The Doric Nimrod aircraft leasing funds NAVs were all up. The dust has settled somewhat after Airbus announced plans earlier this year to cull production of A380s.
- Bill Ackman's Pershing Square has benefitted from the ongoing strength of its second largest holding, the fast-casual restaurant company Chipotle Mexican Grill. Chipotle's shares are up by over 80% over the past year.
- Ecofin Global Utilities & Infrastructure had another good quarter. Since its launch nearly three years ago, Ecofin's discount has remained stubbornly high (in the 10-15% range) despite solid performance and reliable income.
- VietNam Holding's NAV increased by 11.7% over Q3. The Vietnamese stock market has performed strongly over the year-to-date and it is worth noting that in the wake of the US / China trade war, Vietnamese exports to the US are up substantially.

On the negative side:

The crisis continued at Woodford Investment Management over the third quarter; elsewhere cyclical sectors, notably commodities, struggled.

Figure 3:Worst performing funds in price terms over Q3*

	(%)
Riverstone Energy	(31.1)
Adamas Finance Asia	(25.0)
Lindsell Train	(23.5)
Woodford Patient Capital	(19.8)
Hadrian's Wall Secured	(15.1)
Reconstruction Capital II	(14.1)
Mobius	(13.9)
EPE Special Opportunities	(12.2)
Macau Property Opportunities	(10.6)
Better Capital PCC 2012	(10.5)

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

Figure 4: Worst performing funds in NAV terms over Q3 *

	(%)
Marwyn Value	(11.7)
Biotech Growth	(11.4)
Woodford Patient Capital	(9.8)
Carador Income USD	(7.9)
BlackRock Latin American	(7.6)
BB Healthcare	(7.4)
Miton UK Microcap	(7.1)
Blue Planet	(7.0)
Downing Strategic Micro-Cap	(6.9)
BlackRock World Mining	(6.8)

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

- Woodford Patient Capital's (WPCT) NAV was down after it wrote down values of some of its holdings, while the shares continued to fall. In its half-year results release, WPCT's board said it was continuing to evaluate the position of the manager and remains in dialogue with other potential managers.
- Adamas Finance Asia's sharp price saw its discount widen to 65.9% - making it the second cheapest company behind Dolphin Capital in the sector (counting market caps above £15m). Some of the reasons behind this are thought to include relatively low transparency from the fund, its track record, an overly concentrated portfolio and the presence of a dominant shareholder (reducing liquidity in the shares).
- Riverstone Energy announced a 26% drop in its NAV over August and its shares moved to trading on a 35% discount.
- Lindsell Train shed nearly 29% in price terms, as its premium to NAV continued to narrow after its warning on the risks of buying at rich premiums. The re-pricing followed manager Nick Train's warning in the June annual report, over the risk of buying the fund at the more than 90% premium it previously traded at.
- Macau Property Opportunities's discount has widened as sentiment towards the VIP gaming market, which is closely linked to high-end property, has soured. Property speculation cooling measures and tighter capital controls have significantly impinged on high-end transaction volumes.
- After performing well over the first two quarters, Latin American funds struggled in August, with Brazil's fires and an Argentine default weighing on BlackRock Latin American.
- Hadrian's Wall Secured, which specialises in commercial loans to small and medium-sized businesses, saw its price fall by 15.1% despite a 1.4% increase in the NAV. was down 13.7% in price terms. The reaction is thought to have been a knock-on from provisions the fund made in May (the provision then was 1.9% of NAV) against two loans to companies producing wood pellets. Some of the reaction can also be ascribed to nervousness around the sector, following Funding Circle's decision to wind up earlier in the year.

Money in and out of the sector

Fundraising tends to slow down markedly over the summer holiday period. One new issue came to the market with JPMorgan raising £148.9m for its Global Core Real Assets trust. In net terms, close to £607 was raised by investment companies over the third quarter, compared to more than £3bn over the second quarter.

Figure 5: Money entering the sector over Q3 2019

	£m
Merian Chrysalis	175.0
JPMorgan Global Core Real Assets	148.9
Sequoia Economic Infrastructure	138.8
Target Healthcare REIT	80.0
Capital Gearing	68.9
Personal Assets	65.4
Regional REIT	60.4
Smithson	59.5
Hipgnosis Songs	52.1
Finsbury Growth & Income	45.2

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

Figure 6: Money leaving the sector over Q3 2019

	£m
NB Global Floating Rate Income GBP	(60.4)
Edinburgh	(58.2)
Pershing Square	(56.8)
Third Point Offshore USD	(51.4)
Leaf Clean Energy	(50.7)
Perpetual Income & Growth	(37.8)
Templeton Emerging Markets	(27.5)
Witan	(24.8)
Alpha Real	(23.2)
TwentyFour Income	(19.9)

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

Money coming in:

- JPMorgan Global Core Real Assets is targeting the infrastructure, transport and real estate sectors, and is aiming for total annual returns in the 7-9% range.
- Elsewhere, Merian Chrysalis led the way with a £175m placing. 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.
- The largest raise in August was Hipgnosis Songs's £51.1m placing (the original target was £72m), reflecting the holiday period pause.

Money going out:

- NB Global Floating Rate Income is a regular feature in the table. Elsewhere, Edinburgh Investment continued to buyback, leading to its discount narrowing. The discount had earlier been widening since April, despite buybacks.
- Pershing Square has embarked on a major buyback programme. Leaf Clean Energy was the other company to return more than £50m.

Significant rating changes

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

	30 Sep 19 (%)	28 Jun 19 (%)
CATCo Reinsurance Opportunities	(35.9)	(56.3)
UIL / Inc	(31.1)	(46.0)
Secure Income REIT	9.8	(3.8)
GCP Student Living	11.5	(2.0)
Globalworth Real Estate	10.9	(1.7)
Triple Point Social Housing REIT	(8.7)	(20.5)
VPC Specialty Lending	(12.9)	(21.7)
Marwyn Value	(24.1)	(32.3)
Blue Planet	(10.1)	(18.1)
Gabelli Value Plus+	(8.8)	(16.3)

Source: Morningstar, Marten & Co

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

	30 Sep 19 (%)	28 Jun 19 (%)
Lindsell Train	27.9	73.8
Amedeo Air Four Plus	(20.9)	7.3
Riverstone Energy	(43.1)	(17.4)
Hadrian's Wall Secured	(19.8)	(3.9)
Adamas Finance Asia	(65.9)	(53.5)
Doric Nimrod Air Three	20.9	33.1
Reconstruction Capital II	(26.9)	(15.9)
Doric Nimrod Air Two	0.9	11.9
EJF	(10.1)	(0.4)
Menhaden	(28.0)	(18.4)

Source: Morningstar, Marten & Co

Getting more expensive

- 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.
- We touched on UIL and Triple Point Social Housing in the performance section. UIL is one of the last remaining split-capital trusts.
- Globalworth Real Estate describes itself as a leading office investor in Central and Eastern Europe. The company has been actively expanding, notably completing acquisitions for two buildings in Poland worth €113.2m in July.

Getting cheaper

- We discussed the catalysts behind the moves in Lindsell Train, Riverstone Energy, Hadrian's Wall Secured and Adamas Finance Asia in the performance section.
- Elsewhere, Doric Nimrod Air Three's share price was quite volatile over August and September, much more so than its sister funds. It might be that a large shareholder is looking to exit.

Major news stories from Q3 2019

Portfolio developments

- 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 Spanish deal
- One of Middlefield Canadian Income REIT's holdings was subject to a $4.7bn Blackstone bid
- 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 move to the main market
- BioPharma Credit said would spend its $600m cash pile by year end and made a $150m loan to OptiNose
- Oakley Capital bought Seven Miles GmbH and invested in Alessi
- JLEN Environmental bought an anaerobic digestion plant in Norfolk
- Amedeo Air Four Plus discussed its A380 fleet
- Symphony International added to its India exposure by buying a minority stake in Good Capital Partners (GCP). GCP founded Investopad in 2014, laying the foundations for a dynamic ecosystem of technology startups across India
- 3i Infrastructure closed a deal to acquire Ionisos, the third largest cold sterilisation provider globally, for around €220m

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
- P2P Global Investments changed its name to Pollen Street Secured Lending
- JPMorgan Brazil asked investors to support continuation
- AEW Long Lease REIT changed its mind about being taken over
- QuotedData sent an analyst along to a meeting with Bill Ackman (manager of Pershing Square Holdings)
- QuotedData visited Bluefield Solar's Elms farm
- In trying to arrest its long-standing discount, Boussard & Gavaudan announced proposals that were unfriendly to smaller retail investors
- QuotedData took a closer look at gold after its best month in years
- JPMorgan Global Convertible's board decided against a shareholder continuation vote, preferring to press forward with proposals for an orderly liquidation

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
- Phoenix Spree Deutschland agreed a new €240m loan facility
- Irish Residential Property REIT got planning for a 428-unit development in Dublin
- Results from Intu Properties reflected wider retail woes
- Russia-focused Raven Property revalued its portfolio up as the economy's resilience feeds through to real estate
- Secure Income REIT sold its hospital portfolio for £347m
- Real Estate Investors continued to benefit from the vibrant Midlands economy

Managers and fees

- ScotGems's manager resigned
- CQS New City High Yield adjusted its fee calculation
- It was announced that Martin Hudson, veteran manager of Mercantile, was retiring from JPMorgan Asset Management

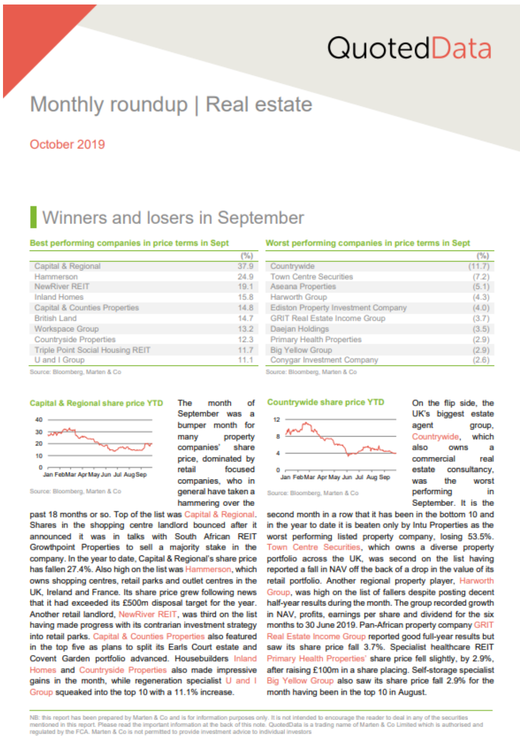
Visit www.quoteddata.com for more on these and other stories plus in-depth analysis on some funds, the tools to compare similar funds and basic information, key documents and regulatory news announcements on every investment company quoted in London

Upcoming events

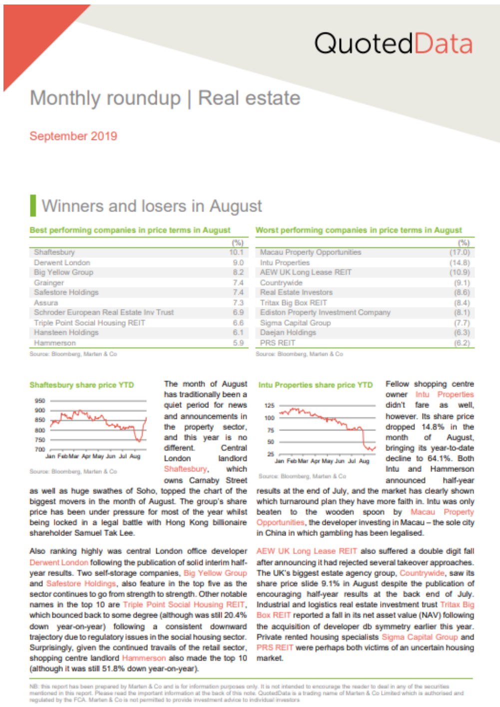
Have you checked out the Events section of our website? Here is a selection of what's coming up.

- 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 UKs largest private investor show, 28 March 2020

Publications

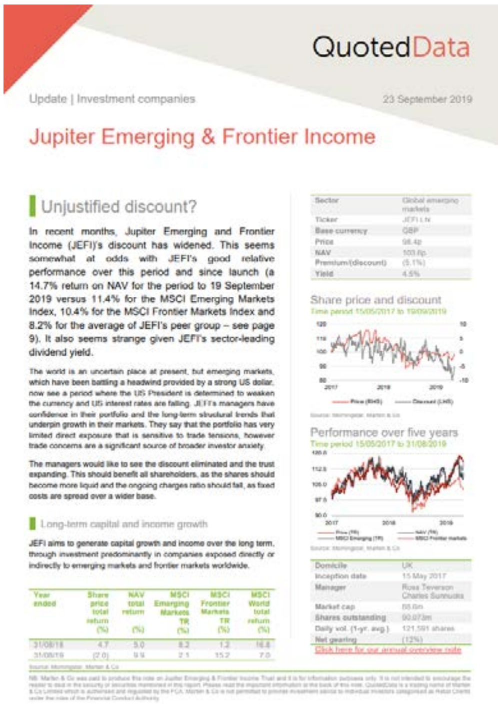


We launched a monthly roundup on the real estate sector over September. It includes sections on performance data, valuation moves, corporate activity and comments from chairmen and managers. Click on the links on the left and right to access the first two iterations.



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

Annual overview | Investment companies 19 September 2019

International Biotechnology Trust

Healthy yield attracts investors

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.


QuotedData

Annual overview | Investment companies 13 September 2019

JPMorgan Russian Securities

Outperforming and attractively valued

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.


QuotedData

Annual overview | Real estate 12 September 2019

Civitas Social Housing

Targeting full dividend cover

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.


QuotedData

Update | Investment companies 12 September 2019

Montanaro European Smaller Companies Trust

Focus on the small picture

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.

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 and the relative predictability of its earnings are attractive.

Our note on Aberdeen Emerging highlighted the potential opportunity in emerging markets if President Trump succeeds in weakening the US dollar without triggering a global recession.

Our update note on Aberdeen New Dawn and Income discusses why the ongoing trade dispute between the US and China is playing to its strength. Its focus on high-quality companies is being rewarded with the fund climbing the performance league table once again.

Our annual overview note on BlackRock Throgmorton looks at how it has continued to beat both its benchmark and the average of its peer group by some margin. Many investors are wary of the UK, looking nervously at Brexit and the possible impact of a wider global growth slowdown. However, THRG appears to be thriving in this environment.

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. Please register on www.quoteddata.com if you would like it emailed to you directly.

QuotedData is a trading name of Marten & Co which is authorised and regulated by the Financial Conduct Authority
123a Kings Road, London SW3 4PL
020 3691 9430
www.quoteddata.com
Registered in England & Wales number 07981621
2nd Floor Heathmans House
19 Heathmans Road, London SW6 4TJ

Edward Marten
(em@martenandco.com)
Alistair Harkness
(ah@martenandco.com)
David McFadyen
(dm@martenandco.com)
Nick Potts
(np@martenandco.com)
James Carthew
(jc@martenandco.com)
Matthew Read
(mr@martenandco.com)
Shonil Chande
(sc@martenandco.com)
Richard Williams
(rw@martenandco.com)