

November 2019

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Winners and losers in October

Best performing funds in NAV terms in October

	(%)
Blackstone/GSO Loan Financing	2.5
AEW UK REIT	2.1
Chenavari Toro Income	1.8
GCP Asset Backed Income	1.8
Axiom European Financial Debt	1.7
Starwood European Real Estate Finance	1.6
Hadrian's Wall Secured Investments	1.6
EJF Investments	1.4
Hipgnosis Songs	1.3
Henderson Far East Income	1.1

Source: Morningstar, Marten & Co

Best performing funds in price terms in October

	(%)
Menhaden	11.7
Sanditon	10.2
CATCo Reinsurance Opportunities	8.5
Gresham House Strategic	8.4
ICG Enterprise	7.5
Artemis Alpha	6.5
Chelverton UK Dividend	6.4
AEW UK Long Lease REIT	6.4
Axiom European Financial Debt	6.2
Ground Rents Income	6.0

Source: Morningstar, Marten & Co

NAV performance was muted, reflective of a mediocre month for many areas of the equity market. Income-focused strategies performed best, led by debt funds including [Blackstone/GSO Loan Financing](#), [Chenavari Toro Income](#), [GCP Asset Backed Income](#) and [Axiom European Financial Debt](#). Price returns were led by the environmental-sector company, [Menhaden](#), and the UK-focused absolute return fund, [Sanditon](#). Menhaden has been performing well through the year while Sanditon rallied after its board received indications significant shareholders would vote against a continuation motion at the AGM to be held in 2020. A voluntary liquidation will now be proposed. [CATCo Reinsurance Opportunities](#) is returning capital through a managed wind-down.

Worst performing funds in NAV terms in October

	(%)
Woodford Patient Capital	(7.5)
Gresham House Strategic	(3.5)
Aurora	(2.7)
Jupiter US Smaller Companies	(1.9)
BMO UK High Income	(1.9)
JPMorgan Russian Securities	(1.9)
Blue Planet Investment	(1.8)
BlackRock Latin American	(1.7)
Manchester & London	(1.7)
Artemis Alpha	(1.6)

Source: Morningstar, Marten & Co

Worst performing funds in price terms in October

	(%)
Riverstone Energy	(25.5)
JZ Capital Partners	(25.2)
Adamas Finance Asia	(21.7)
Woodford Patient Capital	(16.5)
Dolphin Capital Investors	(15.8)
RDL Realisation	(12.2)
Hadrian's Wall Secured Investments	(12.1)
Leaf Clean Energy	(12.1)
SQN Asset Finance Income	(10.6)
Carador Income USD	(10.4)

Source: Morningstar, Marten & Co

Exploration, production and mid-stream-focused [Riverstone Energy](#) reported a \$275.8m unrealised loss for the third quarter, with its Hammerhead holding (previously the fund's largest holding) performing particularly poorly. [JZ Capital Partners](#)'s price fell sharply after it delayed the release of interim results, on concerns it would have to substantially write down the value of its real-estate portfolio. The unlisted assets investor, [Adamas Finance Asia](#) continues to fall after making a dilutive equity issue. [Woodford Patient Capital](#) shares were down by over 30% at one point, before rallying on the news that Schroder was taking over the management contract. The Mediterranean-focused luxury residential and resort property company, [Dolphin Capital Investors](#), is in the process of full-divesting its portfolio. Its shares have been on a downtrend trend for several years.

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Oct (%)	30 Sep (%)
CATCo Reinsurance Opportunities	(28.8)	(40.1)
Menhaden	(19.6)	(28.0)
Sanditon Investment	(5.1)	(13.1)
Middlefield Canadian Income	(8.7)	(15.4)
Greencoat Renewables	17.4	10.7

Source: Morningstar, Marten & Co

CATCo Reinsurance Opportunities's discount has been narrowing from a peak of nearly 65% earlier in the year as it returns capital. The narrowing in **Menhaden's** discount was price led, though it was not enough to change its position as the cheapest fund relative to NAV in its sector. **Middlefield Canadian Income** is benefiting from a favourable view towards Canadian equities while wind-focused **Greencoat Renewables's** premium has been increasing throughout the year-to-date, reflecting the wider trend in the renewable energy infrastructure sector.

Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Oct (%)	30 Sep (%)
JZ Capital Partners	(56.8)	(42.3)
Riverstone Energy	(57.7)	(43.1)
Leaf Clean Energy	(16.2)	(4.7)
Adamas Finance Asia	(73.3)	(64.3)
SQN Asset Finance Income	(22.3)	(13.7)

Source: Morningstar, Marten & Co

JZ Capital Partners's discount has been widening for over a year and news of a potential write down in its property portfolio knocked the shares, while **Riverstone Energy's** wide discount reflects poor sentiment towards the energy sector and losses in its portfolio. Shares in **Leaf Clean Energy** surged close to 50% following the month-end after Amsterdam-based Res Privata NV bought a 30% stake. Shares in **SQN Asset Finance Income** were down after it reported NAV growth below its historic performance and target.

Money raised and returned in October

Money raised in October

	(£m)
3i Infrastructure	228.8
Renewables Infrastructure Group	227.6
Globalworth Real Estate Investments	€264.3
International Public Partnerships	116.5
Supermarket Income REIT	100.0

Source: Morningstar, Marten & Co, * based on approximate value of shares at 31/10/19

Over £1bn of new money entered the sector over October, mainly through share placings. There was one new issue in the shape of the life-sciences fund, **RTW Venture** (the sixth flotation of the year), though it raised just \$15m of the \$350m it was targeting. **Woodford Patient Capital's** struggles in biotech may have worked against the new fund. **3i Infrastructure** and **Renewables Infrastructure Group** raised over £220m, reflecting ongoing bullishness towards their strategies, while **Globalworth Real Estate Investments** achieved the same feat. The latter is a dominant player in Poland and Romania's commercial property sectors. Elsewhere, **International Public Partnerships**, **Supermarket Income REIT** and **SDCL Energy Efficiency Income** were the other funds to raise more than £100m.

Money returned in October

	(£m)
Scottish Mortgage	(76.1)
NB Global Floating Rate Income GBP	(35.3)
Pershing Square	(24.1)
Edinburgh Investment	(15.3)
Perpetual Income & Growth	(8.6)

Source: Morningstar, Marten & Co, * based on approximate value of shares at 31/10/19

Scottish Mortgage bought back over £70m worth of shares, helping its discount narrow by 0.9% (to 1.3%) by end-October. **NB Global Floating Rate Income** features regularly in this table. **Pershing Square's** buyback programme has been extended by a further \$100m. Elsewhere, **Edinburgh Investment** features for a third month in succession as some commentators draw parallels between Mark Barnett's portfolios and Neil Woodford's. Edinburgh's discount began to narrow last month and this continued in October.

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

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October's major news stories – from our website

Portfolio developments

- **Aberdeen Standard Asia Focus** showed early signs of benefitting from a change in its investment approach in 2018
- Recently launched **JPMorgan Global Core Real Assets** announced that one of its real estate strategies had called capital (\$35.5m) committed by the company
- **International Biotechnology Trust's** unquoted investments are delivering value
- **VinaCapital Vietnam Opportunity** discussed a rollercoaster year for investing in the country
- **Gulf Investment Fund** outperformed over the third quarter on lower Saudi exposure
- **Macau Property Opportunities** reflected on a tough year
- **Jupiter UK Growth** is considering options after a very challenging year
- **Hipgnosis** signed up hip hop legend Timbaland
- **US Solar** entered exclusivity talks to acquire a 39 MWDC California solar portfolio
- **CQS Natural Resources's** precious metals holdings have been a silver lining

Corporate news

- **Troy Income & Growth** reached an agreement in principle on a proposed merger with **Cameron Investors**
- **Woodford Investment Management** is closing down
- **Gore Street Energy Storage** reached an agreement with Ireland's National Treasury Management Agency to draw on an additional £9.5m in funding

Property news

- **Triple Point Social Housing** had its credit facility extended to £130m
- **Grit Real Estate** bought seven properties across Africa
- **UK Mortgages** felt the impact of falling interest rates
- **Regional REIT** bought four office assets worth a combined £27.7m
- The South African REIT, **Growthpoint Properties**, agreed a deal to buy a majority stake in UK shopping centre landlord Capital & Regional.

Managers and fees

- Schroder Investment Management took over as manager of **Woodford Patient Capital**
- **India Capital Growth's** manager, Ocean Dial, bolstered its management team by hiring Tridib Pathak as co-head of equities, alongside Gaurav Narain
- **Seneca Global Income & Growth** announced that Peter Elston had resigned for personal reasons
- The board of **The European Investment Trust** entered into heads of terms to appoint Baillie Gifford as the company's new Alternative Investment Fund Manager

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

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

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



Long-term investment partners

*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 October

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
Aberdeen Standard Asia Focus	31/07/2019	19.0	+11.8	21.35	1.12x
Baillie Gifford Japan	31/08/2019	3.5	+483.3	5.18	1.48x
Blackrock Greater Europe	31/08/2019	5.9	+1.7	4.87	0.83x
CQS Natural Resources Growth and Income	30/06/2019	5.6	Nil	2.67	0.48x
CQS New City High Yield	30/06/2019	4.5	+0.7	4.49	1.01x
Gabelli Merger Plus+	30/06/2019	48.0	+37.1	7.00	0.14x
Henderson Euro	31/07/2019	31.0	+1.6	29.00	0.94x
International Biotechnology	31/08/2019	28.0	+3.7	(5.58)	0.20x
JPMorgan Emerging Markets	30/06/2019	14.0	+12.0	14.85	1.06x
JPMorgan Global Emerging Markets Income	31/07/2019	5.1	+2.0	5.92	1.16x
JPMorgan Smaller Companies	31/07/2019	5.5	+1.9	6.36	1.15x
Jupiter US Smaller Companies	30/06/2019	N/A ^b	N/A ^b	(4.65)	N/A ^b
Macau Property Opportunities	30/06/2019	N/A ^b	N/A ^b	\$(0.51) ^a	N/A ^b
Schroder Japan Growth	31/07/2019	4.7	+17.5	4.79	1.02x
Scottish Oriental Smaller Companies	31/08/2019	11.5	Nil	12.50	1.09x
SQN Secured Income	30/06/2019	7.0	+11.1	4.25 ^a	0.61x
Strategic Equity Capital	30/06/2019	1.5	+50.0	2.11	1.41x

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
TR European Growth	30/06/2019	22.0	+15.8	24.08	1.09x
Vietnam Holding	30/06/2019	N/A ^b	N/A ^b	\$(0.41) ^a	N/A ^b
Vinacapital Vietnam Opportunity	30/06/2019	11.0	Nil	\$(15.00) ^a	N/A

* Unless otherwise specific

- a) Basic and diluted earnings per share
- b) No dividends were declared over the year

Upcoming events

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

- Pacific Horizon AGM 2019, [12 November 2019](#)
- Mid Wynd International AGM 2019, [12 November 2019](#)
- Henderson EuroTrust AGM 2019, [13 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](#)
- Picton Property AGM 2019, [14 November 2019](#)
- Cameron Investors merger meeting 2, [18 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](#)
- JPEL Private Equity AGM 2019, [25 November 2019](#)
- Jupiter US Smaller Companies AGM 2019, [26 November 2019](#)
- Personal Finance Society Annual Conference, [28 November 2019](#)
- JPMorgan Global Emerging Markets Income AGM 2019, [28 November 2019](#)
- JPMorgan Smaller Companies AGM 2019, [2 December 2019](#)
- Aberdeen Standard Asia Focus AGM 2019, [4 December 2019](#)
- Ruffer Investment Company AGM 2019, [5 December 2019](#)
- VinaCapital Vietnam Opportunity Fund Limited AGM 2019, [5 December 2019](#)
- Henderson International Income AGM 2019, [5 December 2019](#)
- BlackRock Greater European AGM 2019, [5 December 2019](#)
- Baillie Gifford Japan AGM 2019, [5 December 2019](#)
- Aberdeen Frontier Markets AGM 2019, [10 December 2019](#)
- International Biotechnology AGM 2019, [11 December 2019](#)
- Asia Dragon AGM 2019, [12 December 2019](#)
- Fidelity Special Values AGM 2019, [12 December 2019](#)
- CQS New City High Yield Fund Ltd AGM 2019, [13 December 2019](#)
- Scottish Oriental Smaller Companies AGM 2019, [18 December 2019](#)
- Master Investor – the UK's largest private investor show, [28 March 2020](#)



Publications

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8 November 2019

Pacific Horizon

2018 re-calibration paying off

Moves by Pacific Horizon's (PHI) manager Ewan Markison-Stown to re-position the portfolio by lowering its allocation to technology stocks, and excellent returns-to-date from stock picks made in 2018, are paying off. PHI is the best-performing Asia Pacific fund in net asset value (NAV) terms over the year-to-date. Following a poor 2018, which saw sentiment turn against both China and technology (areas where PHI has significant exposures), the portfolio is now more diversified with a greater focus on a newer wave of growth companies.

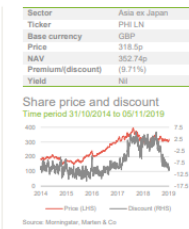
PHI's strong focus on fast-growing companies means that it is clearly differentiated from its peer group. Despite improved recent performance and a relatively low [ongoing charges](#) ratio for its size, the trust's discount is the widest it has been for nearly two years.

Focused on Asia ex Japan growth stocks

PHI invests in the Asia-Pacific region (excluding Japan) and in the Indian subcontinent in order to achieve capital growth. The company is prepared to move freely between the markets of the region as opportunities for growth vary. The portfolio will normally consist entirely of quoted securities, although it may hold up to 10% of total assets in unlisted investment opportunities.

Year ended	Share price total return (%)	NAV total return (%)	MSCI Asia Ex-Japan TR (%)	MSCI AC World total return (%)
31/10/15	(4.5)	(7.5)	(14.4)	(4.0)
31/10/16	38.5	34.4	23.2	35.5
31/10/17	29.7	33.2	17.7	20.5
31/10/18	(3.3)	(13.8)	(8.4)	(9.3)
31/10/19	5.8	18.0	9.0	11.7

Source: Morningstar, Marten & Co



Domicile	UK
Inception date	September 1989
Manager	Ewan Markison-Stown
Market cap	180.9m
Shares outstanding	59.9m
Daily vol. (1-yr. avg.)	68,671 shares
Net gearing	8.9%

[Click here for our last annual overview](#)

Our annual update note on Pacific Horizon discussed the fund's excellent performance over the year-to-date, following a recalibration made by the manager in 2018. PHI is the best performing Asia-Pacific Fund in NAV terms over 2019 to-date.

Over the last couple of years, Seneca Global Income & Growth has been reducing its equity weighting, in advance of a global recession that it now expects in 2021. Our latest note discusses the trust reaching a point where it can pause on these reductions.

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4 November 2019

Seneca Global Income & Growth

Pausing on equity reductions

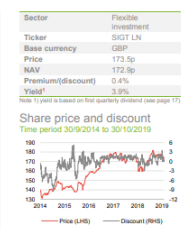
Over the last couple of years, Seneca Investment Managers (Seneca IM), the manager of Seneca Global Income & Growth Trust (SIGT), has been reducing the trust's equity weighting in advance of a global recession that it now expects in 2021. Consistent with this view, the manager has increased SIGT's weighting to gold and reduced net gearing (3.3% as at the end of September). Whilst it may make further equity reductions, we are now much closer to the point where these will cease, and it has decided to press pause for now (SIGT is now significantly underweight equities relative to its long-term allocation). Seneca IM expects its multi-asset strategy to strongly outperform equities in the downturn, although during such a period the trust would struggle against its absolute return-oriented benchmark.

Multi-asset, low volatility, with yield focus

Over a typical investment cycle, SIGT seeks to achieve a total return of at least inflation as measured by the Consumer Price Index (CPI) plus 6% per annum, after costs, with low volatility and with the aim of growing aggregate annual dividends at least in line with inflation. To achieve this, SIGT invests in a multi-asset portfolio that includes both direct investments (mainly UK equities) and commitments to open- and closed-end funds (overseas equities, fixed income and specialist assets). SIGT's manager uses asset as the principal determinant of value when deciding on its tactical asset allocation and holding selection.

Year ended	Share price total return (%)	NAV total return (%)	Benchmark total return (%)	MSCI World total return (%)	MSCI AC World total return (%)
30/09/15	9.0	3.8	3.6	2.1	(9.3)
30/09/16	18.2	15.0	3.6	30.5	18.5
30/09/17	16.5	16.6	4.6	15.0	11.1
30/09/18	(0.3)	(0.7)	6.7	(5.1)	5.9
30/09/19	8.4	7.7	8.1	8.4	2.8

Source: Morningstar, Marten & Co. Note: SIGT's benchmark is the MSCI AC World Index (100) with effect from 7 July 2017. Net gearing based on 31/10/19. Net gearing as at 31/10/19.



Domicile	United Kingdom
Inception date	19 August 2005
Manager	Team managed
Market cap	85.5m
Shares outstanding	49.251m
Daily vol. (1-yr. avg.)	69.4k shares
Net gearing	3.3%

[Click here for our most recent update note](#)

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Update | Investment companies
30 October 2019

Premier Global Infrastructure Trust

Strong income growth

Premier Global Infrastructure Trust's (PGIT's) ordinary shares have provided an NAV total return of 34.4% during the last 12 months, boosted by the trust's split capital structure (see page 13).

The returns have been achieved despite PGIT having a significant allocation to Asia, and particularly China, which has faced a headwind from its trade dispute with the US. Whilst the share prices of Asian growth equities struggled, underlying performance was nonetheless strong. PGIT's managers believe that there is the prospect for these stocks to re-rate when markets are less focused on the big picture and more on fundamentals of the individual companies.

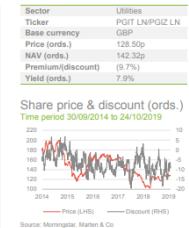
After revenue growth of 13.3% in the first half of 2019, the manager expects to see decent growth in the second half, which bodes well for future dividends.

Geared global utilities and infrastructure exposure

PGIT invests in equity and equity-related securities of companies operating in the utilities and infrastructure sectors, with the twin objectives of achieving high income and long-term capital growth for its portfolio. The portfolio has a strong emphasis on emerging markets, smaller companies, special situations and lower weightings to traditional, developed-market utility companies. It is split into three distinct areas: income equities; growth equities; and companies that pay a predictable level of income (yields) and investment companies. Its zero dividend preference shares (ZDPs) provide a high level of gearing to its ordinary shares.

Year ended	Share price total return (%)	NAV total return (%)	MSCI World TR (%)	MSCI UK TR (%)	MSCI AC World TR (%)
30/09/15	(12.2)	(12.1)	3.1	2.1	(5.9)
30/09/16	16.9	22.2	29.3	30.6	18.5
30/09/17	7.9	6.4	7.0	16.0	11.1
30/09/18	(2.7)	(25.1)	4.0	15.1	5.9
30/09/19	21.4	34.4	27.6	8.4	2.8

Source: Morningstar, Marten & Co. Note: PGIT does not have a benchmark. For comparison purposes, we have used the MSCI World Utilities Index throughout this report. PGIT's financial year end is 31 December.



Domicile	United Kingdom
Inception date	4 November 2003
Manager	J Smith, G Lung
Market cap (ords.)	23.2m
Ord shrs outstanding	18.1m
Daily vol. (1-yr. avg.)	35.9k shares
Net gearing	108.3%

[Click here for our annual overview note](#)

Our update note on Premier Global Infrastructure Trust discusses its outlook following excellent performance over the past 12 months. The ordinary shares provided an NAV total return of 34.4% over this period.

The managers of Polar Capital Global Financials believe that banks boast far more robust balance sheets and much healthier lending exposures than they did a decade ago, when they were emerging from the global financial crisis. Our latest update explores the view that the banking sector is materially undervalued.

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Update | Investment companies
29 October 2019

Polar Capital Global Financials Trust

Banks too cheap to ignore?

US interest rate cuts and a slowing global economy have overshadowed the financials sector and banks in particular so far this year. With banks trading close to multi-year lows, Polar Capital Global Financial (PCFT)'s managers have been adding to positions in their favoured stocks.

The managers believe that banks boast far more robust balance sheets and much healthier lending exposures than they did a decade ago, when they were emerging from the global financial crisis. PCFT's managers feel that, barring the deepest of recessions, banks are materially undervalued. Any positive shift in sentiment, could trigger a rerating in what remains the largest sector in most indices.

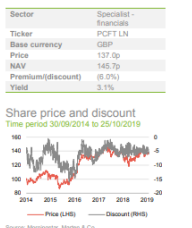
For a UK-based investor, PCFT offers a much more diverse exposure to the financials sector than an investment in those banks listed in the UK. Since its launch in 2013, PCFT has also delivered returns well ahead of those stocks (see page 9), while paying out an attractive dividend yield.

Growing income from financials stocks

PCFT aims to generate a growing dividend income, together with capital appreciation. It invests primarily in a global portfolio, consisting of listed or quoted securities issued by companies in the financial sector. This includes banks, life and non-life insurance companies, asset managers, stock exchanges, specialty lenders and fintech companies, as well as property and other related sub-sectors.

Year ended	Share price total return (%)	NAV total return (%)	Benchmark total return (%)	MSCI World total return (%)	MSCI AC World total return (%)
30/09/15	3.6	9.0	16.8	(6.1)	
30/09/16	4.4	14.1	19.4	20.8	
30/09/17	37.3	24.1	23.7	14.9	
30/09/18	3.5	3.4	4.9	12.9	
30/09/19	8.3	8.3	8.1	7.8	

Source: Morningstar, Polar Capital, Marten & Co. Note 1) see page 7 and 8 for details of returns presented for the benchmark and the other indices. Note 2) PCFT's benchmark is the MSCI World Index Financials Plus Real Estate Index (see note on page 10).



Domicile	England & Wales
Inception date	1 July 2013
Manager	Nick Britton and John Yates
Market cap	277.8m
Shares outstanding	202.775m
Daily vol. (1-yr. avg.)	414,205 shares
Net cash	0.5%

[Click here for our update note](#)

Update | Investment companies
17 October 2019

QuotedData

Ecofin Global Utilities and Infrastructure Trust

Update | Investment companies

Compelling three-year track record

Ecofin Global Utilities and Infrastructure Trust (EGL) has just had its third birthday, and it has much to celebrate. Since launch, the trust has built a compelling track record (NAV and share price total returns of 44.9% and 50.8% respectively) while outperforming a range of comparable indices, including MSCI World Utilities, S&P Global Infrastructure, MSCI World and MSCI UK.

EGL has achieved this while providing an attractive dividend yield and less volatile returns than the MSCI World Index, and against a backdrop that has been challenging for the sectors it focuses on.

EGL has recently benefited from increased investor awareness, following some high-profile press coverage, and its discount has moved in. However, for a number of reasons (see page 13), there is the potential that this could narrow further, to the point where the trust could start to expand, particularly if the manager continues to provide sector-leading returns.

Developed markets utilities and other economic infrastructure exposure

EGL seeks to provide a high, secure dividend yield and to realise long-term growth, while taking care to preserve shareholders' capital. It invests principally in the equity of utility and infrastructure companies which are listed on recognised stock exchanges in Europe, North America and other developed G7 countries. It targets a dividend yield of at least 4% per annum on its net assets, paid quarterly, and can use gearing and distributable reserves to achieve this.

Year ended	Share price total return (%)	NAV total return (%)	MSCI World TR (%)	MSCI Utilities TR (%)	MSCI UK total return (%)
30/9/17	12.7	8.8	7.8	15.9	11.1
30/9/18	1.1	4.8	4.0	15.1	5.9
30/9/19	32.3	27.4	27.6	8.4	2.8

Source: Morningstar, M&A & Co

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Since its launch just over three years ago, Ecofin Global Utilities and Infrastructure's NAV and shares have generated total returns of 44.9% and 50.8% respectively, outperforming a range of comparable indices. Global infrastructure spending continues to grow apace. We explore the strongest growth opportunities and challenges are likely to come from in our recently published update note.

→

Quarterly report | Investment companies
October 2019

QuotedData

Third Quarter of 2019

Update | Investment companies

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QuotedData news

There was palpable shift in sentiment over the third quarter with the cautious 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, Horizons European Smaller Companies, iJiGen 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 newsletter on the real estate sector. You can read all these notes by clicking on the links above or by visiting www.quotedata.com.

In this issue

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

Major news stories – Woodford Patient Capital reported results. Earlier in the quarter, WPCF slashed its NAV on write downs. Meanwhile, results from iJiGen Properties reflected wider retail sales.

Money in and out – Fundraising over the summer period was quiet. There was one new issue with iJiGen launching Global Core Real Assets, raising £148.5m.

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

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

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.

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Our quarterly investment companies roundup looked at key performance trends over the three months to end-September 2019.

Sector overview | Real estate
11 October 2019

QuotedData

Retail property market

Update | Real estate

Retail ready for a renaissance?

There have been few structural shifts in the property sector as profound as the one currently taking place in retail. Consumer spending patterns have drastically changed over the past five years, with online sales now accounting for 19.7% of all retail spend in the UK (August 2019, source: ONS), compared to 11.5% in August 2014. When you look at fashion retailing specifically, online sales accounted for 26.8% of consumer spend on clothing in 2018 (source: Mintel).

It is little wonder, then, that 'bricks-and-mortar' retailers are suffering. Those that haven't invested in a strong online service are being left behind. Retail empires, once kings of the high street, are crumbling – the latest two being the Arcadia Group and Debenhams.

A growing number of retailers, even those that are still profitable, have resorted to the use of the controversial company voluntary arrangements (CVAs) – a form of insolvency – to shut unwanted stores or slash rents across their estate. Retailers are increasingly exploiting the CVA to duck their financial commitments. Healthy retailers are now at a disadvantage and have started to push for rent cuts of their own to level the playing field. Until legislative change comes from central government, retailers will continue to exploit this loophole, at a significant cost to retail landlords.

The double whammy of an erosion of income and a drop-off in the value of retail assets have hit retail-focused property companies hard. They are all trading at significant discounts to net asset value (NAV), to such an extent that some have become takeover targets. Inu Properties, which has been the subject of two failed takeover attempts recently, is trading at around an 80% discount to NAV and is now reportedly the subject of a buyout led by Orion Capital Managers. Capital & Regional is in talks with South African REIT, Growthpoint, about the sale of a majority stake. However, other retail-focused property companies are actually performing well but have become victims of the negative sentiment around retail.

Amid all the doom and gloom, there are underlying trends emerging in the sector that suggest it could be due for an uplift in fortunes. Here we explore more...

Companies covered in this report:

Capital & Counties	CAPC LN
Capital & Regional	CAL LN
Hammons	HMSO LN
Inu	INU LN
NewRiver REIT	NOR LN
Shaftesbury	SHB LN

Retail property performance¹

Time period 30/9/2014 to 30/9/2019

Source: Morningstar, M&A & Co. Note: 1) Average share price performance of the six companies named above.

Market caps:

Capital & Counties	1,931.6m
Capital & Regional	135.8m
Hammons	2,069.0m
Inu	489.6m
NewRiver REIT	583.4m
Shaftesbury	2,653.0m

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As part of our enhanced coverage of the property market, we published an inaugural sector overview report. One of themes explored is the view that amid all the doom and gloom, there are underlying trends emerging in the retail sector that suggest it could be due for an uplift in fortunes.

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Update | Real estate
8 October 2019

QuotedData

Aberdeen Standard European Logistics Income

Update | Real estate

On the crest of a wave

Aberdeen Standard European Logistics Income (ASLI) has assembled a property portfolio that is primed to cash in on the fundamental shift in consumer spending to online retail. The European logistics market is set to follow in the footsteps of the UK market, which has witnessed a surge in demand from occupiers wrestling for more efficient supply chains as online sales grow.

Supply of logistics property is already at historic lows across Europe and, coupled with strong demand, significant rental growth is expected to come through. ASLI has focused its attention on established logistics locations and quality real estate assets to ensure durability of income.

After a capital raising in July 2019, ASLI is seeking to further expand its portfolio, both in the countries it currently operates in and others that share similar supply-demand dynamics. It is also looking at the 'last mile' urban logistics sub-sector, strategically located parcel delivery hubs on the outskirts of major towns and cities, which is predicted to boom. Subject to the satisfactory deployment of the raised proceeds, the company is also considering further fundraising to support the expansion.

Big box and last mile urban warehouses in Europe

ASLI invests in a diversified portfolio of 'big box' logistics and 'last mile' urban warehouses in Europe with the aim of providing its shareholders with a regular and attractive level of income return. It is targeting a 5% yield in 2019 together with the potential for long-term income and capital growth (target total return of 7.5% a year in euros).

Period ended	Price total return (%)	NAV total return (%)	EBITDA per share (pence)	Dividend per share (pence)
31/12/18	0.0	0.1	-1.8	3.1

Source: Morningstar, M&A & Co. NAV 502.0m and launched on 15 December 2017.

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Aberdeen Standard European Logistics Income has assembled a property portfolio that is primed to cash in on the fundamental shift in consumer spending to online retail. Our update note on Aberdeen Standard European Logistics Income discusses why the European logistics market is set to follow the UK, which has witnessed a surge in demand from occupiers wrestling for more efficient supply chains as online sales grow.

Update | Investment companies
8 October 2019

QuotedData

Herald Investment Trust

"Profits are only profits when they are realised"

Herald Investment Trust (HRI) generated strong positive returns in the first half of 2019, with marked outperformance by both its UK and US portfolios of their local market indices. Both a general market recovery and a recovery in global technology stocks have helped, but HRI's UK and US portfolios have both benefitted from a wave of takeover activity, allowing HRI to lock in significant gains on these positions.

This illustrates how HRI's holdings can move very quickly, validating the manager's strategy of maintaining an extensively diversified portfolio. However, liquidity is an ever-present issue and these disposals also validate Katie Potts's approach. In her own words, "in small caps, profits are only profits when they are realised".

Small-cap technology, telecommunications and multi-media

HRI's objective is to achieve capital appreciation through investments in smaller quoted companies in the areas of telecommunications, multimedia and technology. Investments may be made across the world, although the portfolio has a strong position in UK stocks. The business activities of investee companies will include information technology, broadcasting, printing and publishing and the supply of equipment and services to these companies.

Year ended	Share price total return (%)	NAV total return (%)	Numis plus AIM (%)	B'berg Tech (%)	World Index TR (%)	MSCI World TR (%)
30/9/15	1.9	5.6	4.1	5.9	3.5	
30/9/16	15.4	18.7	5.1	36.1	25.3	
30/9/17	35.3	28.6	23.7	33.2	18.1	
30/9/18	25.5	21.4	4.5	29.9	12.1	
30/9/19	(3.3)	(1.8)	(0.8)	0.8	6.5	

Source: Morningstar, Marten & Co

Share price and discount
Time period 30/9/14 to 31/09/2019

Source: Morningstar, Marten & Co

Performance over five years
Time period 30/9/14 to 30/9/2019

Source: Morningstar, Marten & Co

Domicile	United Kingdom
Inception date	21 February 1994
Manager	Katie Potts
Market cap	858.1m
Shares outstanding	67.6m
Daily vol. (1-yr. avg.)	68.1k shares
Net cash	51.6%

[Click here for our annual overview note](#)

A general market recovery and a recovery in global technology stocks were catalysts in Herald's strong return performance over the first half of 2019. Herald's UK and US portfolios have both benefitted from a wave of takeover activity, allowing the Trust to lock in significant gains on these positions. In our most recent update note, we explore lead fund manager, Katie Potts's views on several themes affecting the technology, media and telecoms (TMT) space, including internet of things; architecture and wireless charging technology.

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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.

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