

April 2020

Kindly sponsored by Baillie Gifford and Aberdeen Standard Investments

Winners and losers in March

Covid-19 brought unprecedented disruption to markets over March, with almost no asset class spared. The median total share price return from investment companies was (19.1%), propped up somewhat by a late rally after the US passed a \$2tn stimulus package

We have included sector specific performance this month, shown in the tables below. Please refer to the 'appendix' section for a comprehensive list. Readers interested in the most recent briefings from the industry can click [here](#) to access our economic and political roundup.

Best performing sectors in March by total price return

	Median share price total return (%)	Median NAV total return (%)	Change in median discount (%)	Median discount (%), 31/03/2020	Median discount (%), 28/02/2020	Number of companies in the sector	Median sector market cap. (£m)
Technology & media	1.5	(4.3)	11.7	3.1	(8.6)	2	1,351
Japanese smaller companies	(3.8)	(3.3)	0.6	(3.9)	(4.5)	5	107
Renewable energy infrastructure	(4.3)	0*	(6.5)	6.1	12.6	13	467
Infrastructure	(4.7)	0*	(5.6)	3.6	9.2	7	1,555
Property - UK Residential	(8.8)	0*	(6.9)	(18.6)	(11.7)	17	378

Source: Morningstar, Marten & Co. Note: Taking into account sectors with at least two companies and a median market capitalisation above £15m at 31/03/2020. *Note: Many alternative asset sector funds release NAV performance on a quarterly basis

Worst performing sectors in March by total price return

	Median share price total return (%)	Median NAV total return (%)	Change in median discount (%)	Median discount (%), 31/03/2020	Median discount (%), 28/02/2020	Number of companies in the sector	Median sector market cap. (£m)
Leasing	(46.7)	0*	(32.6)	(63.1)	(30.5)	7	112
Debt - structured finance	(33.8)	0*	(35.4)	(45.5)	(10.1)	7	130
Latin America	(32.6)	(33.9)	6.0	(8.3)	(14.3)	2	69
UK all companies	(32.0)	(29.0)	(5.2)	(10.3)	(5.1)	13	137
North American smaller companies	(29.9)	(22.5)	(5.5)	(12.6)	(7.1)	2	116

Source: Morningstar, Marten & Co. Note: Taking into account sectors with at least two companies and a median market capitalisation above £15m at 31/03/2020. *Note: Many alternative asset sector funds release NAV performance on a quarterly basis

The aircraft-dominated leasing sector had the worst month with global travel ceasing. The structured finance sector has been hit hard by credit downgrades, while Latin America's presence reflects Brazil's woes over March. The small and mid-cap-focused UK all companies and North American smaller sectors suffered in the melee of selling. Meanwhile, secured regulated income flows has increased the relative attractiveness of renewable and infrastructure funds, while UK residential funds held up relatively well. The technology sector continues to fare relatively well – it is seen as comparatively less affected.

Winners and losers continued...

Best performing funds in NAV terms in March

	(%)
BH Macro GBP	22.6
BH Global GBP	16.7
Pershing Square	10.7
Greencoat Renewables	5.3
Pantheon International	5.0
Tritax EuroBox EUR	4.7
Life Settlement Assets A	4.7
CATCo Reinsurance Opportunities	4.0
Tufton Oceanic Assets	3.9
DP Aircraft I	3.8

Source: Morningstar, Marten & Co

Best performing funds in price terms in March

	(%)
BH Macro GBP	15.3
BH Global GBP	12.3
Aberdeen Standard European Logistics	10.4
Life Settlement Assets A	6.8
Pershing Square	5.4
Manchester & London	5.1
Tritax EuroBox Euro	4.8
JPMorgan China Growth & Income	4.1
Schiehallion Fund	3.8
Marble Point Loan Financing	3.8

Source: Morningstar, Marten & Co

Performance was led by alternative sectors with lower correlation to the broader market. A handful of hedge fund-sector companies had very good months, led by the Brevan Howard-feeder funds, **BH Macro GBP** and **BH Global GBP**. Macro-strategy hedge funds in particular tend to perform well through periods of market distress. **Pershing Square** booked astonishing profits from hedges made in early March. Hedges purchased at an all-in cost of \$27m were realised for \$2.6bn. **Greencoat Renewables** had a strong close to the month, as demand kicked-in for the relative certainty of income generation provided by renewables and infrastructure strategies. Industrial logistics seems better placed than most sectors, benefitting **Tritax EuroBox's** EUR shares and **Aberdeen Standard European Logistics**. **Manchester & London**, which has a sizeable allocation to technology, released a strong set of results, adding extra momentum in addition to the late-month broader rally. Baillie Gifford's later-stage private company fund **Schiehallion** has been holding up well while **JPMorgan China Growth & Income** had another good month with China seemingly having covid-19 under control.

Worst performing funds in NAV terms in March

	(%)
Aberforth Split Level Income	(47.2)
Chelverton UK Dividend	(46.6)
Blue Planet	(46.2)
Acorn Income Fund	(37.1)
Aberforth Smaller Companies	(37.0)
BlackRock Latin American	(37.0)
Temple Bar	(37.0)
Augmentum Fintech	(35.9)
JPMorgan Brazil	(35.6)
JPMorgan Mid Cap	(32.7)

Source: Morningstar, Marten & Co

Worst performing funds in price terms in March

	(%)
DP Aircraft I	(63.2)
Riverstone Credit Opportunities Income	(56.6)
Riverstone Energy	(55.4)
JZ Capital Partners	(49.6)
Amedeo Air Four Plus	(48.7)
Doric Nimrod Air Two	(47.6)
Doric Nimrod Air One	(46.7)
Fair Oaks Income	(46.4)
Electra Private Equity	(46.3)
India Capital Growth	(45.2)

Source: Morningstar, Marten & Co

The gearing within the split capital trusts, **Chelverton UK Dividend** and **Aberforth Split Level Income**, amplified NAV declines. Elsewhere, a near ceasing in commercial travel has severely impacted airlines, which in turn had a cascading effect on the following lessors: **Amedeo Air Four Plus**, the three **Doric Nimrod** funds and **DP Aircraft I**. Airlines are struggling to meet their lease payments and will require unprecedented government support. **Riverstone Credit Opportunities Income** provides financing to the energy sector, where oil prices have tumbled and defaults could soar. Indian shares had their worst month since October 2008, disproportionately affecting growth-focused **India Capital Growth**. One of **Electra Private Equity's** main two investments is in the restaurant chain TGI Fridays, which it shut in late March. Brazil represents about two thirds of **BlackRock Latin American's** portfolio. Brazil was among the worst performing major markets over the first quarter. A double whammy of covid-19 concerns and the collapse in the oil price weighed heavily, with the real currency selling-off considerably, magnifying the NAV impact.

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Mar (%)	28 Feb (%)
Acorn Income	(2.5)	(17.2)
Allianz Technology	4.2	(8.9)
Manchester & London	1.6	(11.4)
International Biotechnology	(3.6)	(15.0)
JPMorgan China Growth & Income	(5.9)	(17.3)
Blue Planet	(8.3)	(19.0)
Polar Capital Technology	2.0	(8.4)
VinaCapital Vietnam Opportunity	(16.4)	(26.5)
JPMorgan Global Growth and Income	5.8	(3.3)
Baillie Gifford US Growth	6.5	(2.7)

Source: Morningstar, Marten & Co

Acorn Income's discount has narrowed temporarily following an NAV return of (37.1%), which was not quite matched by the shares. It was a similar story at **Blue Planet**, where a near 50% drop in the NAV was not matched by its share price. **Allianz Technology** was one of the better performing funds in price terms, with technology seen as comparatively resilient. This explains the narrowing in **Polar Capital Technology** and **Manchester & London** as well. Biotech is proving to be relatively resilient as well, benefitting **International Biotechnology Trust** (click [here](#) to read more).

Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Mar (%)	28 Feb (%)
Riverstone Credit Opportunities Income	(60.7)	(6.5)
DP Aircraft I	(73.8)	(27.3)
Fair Oaks Income	(51.8)	(6.5)
Doric Nimrod Air Three	(48.6)	(9.0)
SME Credit Realisation	(48.6)	(11.3)
Blackstone/GSO Loan Financing	(46.1)	(11.0)
Amedeo Air Four Plus	(64.1)	(30.5)
UK Mortgages	(48.8)	(15.8)
GCP Student Living	(23.2)	9.4
Ediston Property	(55.3)	(23.3)

Source: Morningstar, Marten & Co

Fair Oaks Income suspended its dividend in late March, sending its shares sharply down. The rules that govern the CLOs it invests in are preventing income distributions. Elsewhere, debt-structured finance sector company, **UK Mortgages**, is likely to see loan payments delayed by mortgage holiday measures. **GCP Student Living** said it would continue to pay its dividend despite a material decline in revenues. The company has said it will look favourably at requests to forgo rent from students who have had to return to their homeland. **Ediston Property** share discount widening reflects the impact on the UK commercial property sector. **SME Credit Realisation** (formerly Funding Circle SME Income) is in wind-up mode, which may end up being delayed.

Money raised and returned in March

Money raised in March

	(£m)
JLEN Environmental Assets	55
Aquila European Renewables Income	32
Gresham House Energy Storage	28
Finsbury Growth & Income	22
City of London	20

Source: Morningstar, Marten & Co. *Note: based on approximate value of shares at 31/03/20

There is no surprise in the lack of notable fundraising. Still, renewable funds continued to bring in the most capital, led by **JLEN Environmental Assets**, **Aquila European Renewables Income** and **Gresham House Energy Storage**. **Finsbury Growth & Income** and **City of London** complete the top five.

Money returned in March

	(£m)
Pershing Square	(26)
Personal Assets	(19)
Africa Opportunity	(13)
JPMorgan European Income	(11)
Fidelity China Special	(9)

Source: Morningstar, Marten & Co. *Note: based on approximate value of shares at 31/03/20

Pershing Square features regularly in this section. Elsewhere, buyback activity was led by **Personal Assets**, **Africa Opportunity**, **JPMorgan European Income** and **Fidelity China Special**.

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.



We are the largest manager of investment trusts in the UK with a range of nine trusts. We have an extensive range of OEIC sub-funds and manage investments globally for pension funds, institutions and charities.

As with all stock market investments, your capital is at risk. Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority.

ADVERTISEMENT

Major news stories over March – from our website

Portfolio developments

- [JLEN](#) bought an anaerobic digestion plant in Scotland
- [Hipgnosis](#) adds Richie Sambora to its roster. Richie was most notably known as the lead guitarist and co-writer of the American rock band Bon Jovi
- [Pershing Square](#) booked astonishing profits on hedges it made between late February and early March
- [CATCo Reinsurance Opportunities](#) said it was helped by relatively lower levels of catastrophic activity over 2019
- [Greencoat Renewables](#) is making its first investment into continental Europe with a 51.9MW France investment
- [DP Aircraft I](#) said that Norwegian had missed a lease payment
- [US Solar](#) announced its fourth acquisition, as well as maiden annual results
- We had annual results and a covid-19 view from [Baillie Gifford Shin Nippon](#).
- We also had results (interim) and an update from [VietNam Holding](#)
- [Schiehallion](#) reported inaugural annual results
- [Manchester and London](#) beat its benchmark

Corporate news

- QuotedData update on the structured finance debt sector
- [TwentyFour Income](#) updated on the European CLO and asset backed market
- We had an update from [Polar Capital Global Financials](#)
- [Gore Street Energy Storage](#) said the covid-19 impact was limited so far and reaffirmed its dividend target
- [DP Aircraft I](#) suspended its dividend. We also heard from [Amedeo Air Four Plus](#)
- [Foresight Solar](#) updated on covid-19 and reaffirmed its 2020 dividend target. We also heard similarly from [Bluefield Solar](#)
- We heard from [Impact Healthcare](#), [BB Healthcare](#) and [JLEN Environmental](#) (click on each company to access the articles)
- [Syncona](#) said portfolio clinical trials were likely to be delayed
- [3i Infrastructure](#) said its portfolio impact had been limited
- [BlackRock World Mining](#) offered a relatively sanguine take
- [Ashoka India Equity](#) offered its take on the virus's impact on India
- QuotedData reflected on [Augmentum Fintech's](#) capital markets day

Property news

- Covid-19 – not all doom and gloom for retail property
- Cuba-focused [Ceiba Investments](#) suspended its 2019 dividend
- [Empiric Student Property](#) suspended its dividend
- We had an update from [Macau Property Opportunities](#)
- [GCP Student](#) said it would pay dividends despite reduced revenues
- [Intu](#) said it would seek covenant waivers
- There was an update from the Malaysia and Vietnam-focused property development company, [Aseana Properties](#)

Managers and fees

- [European Assets](#) lowered its management fee by 5bps
- [JPMorgan European Smaller Companies](#) also reduced its management fee
- [Strategic Equity Capital](#) announced a manager change

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



COSTS MAKE A REAL DIFFERENCE TO PERFORMANCE — OUR ONGOING CHARGES ARE JUST 0.37%*

SCOTTISH MORTGAGE INVESTMENT TRUST

SOME OPPORTUNITIES ARE MORE EXCLUSIVE THAN OTHERS.

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.

For some very exclusive opportunities, call us on **0800 027 0132** or visit us at www.scottishmortgageit.com

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.

We strive to explore further.

Aberdeen Standard Investment Trusts ISA and Share Plan

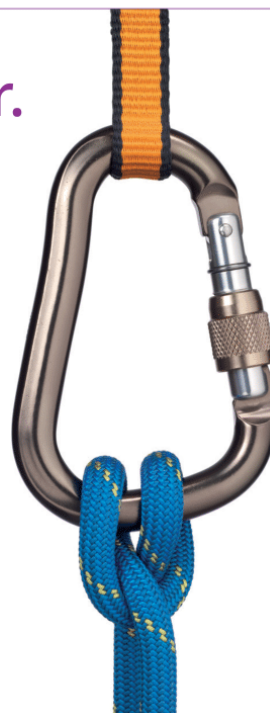
We believe there's no substitute for getting to know your investments face-to-face. That's why we make it our goal to visit companies – wherever they are – before we invest in their shares and while we hold them.

With a wide range of investment companies investing around the world – that's an awfully big commitment. But it's just one of the ways we aim to seek out the best investment opportunities on your behalf.

Please remember, the value of shares and the income from them can go down as well as up and you may get back less than the amount invested. No recommendation is made, positive or otherwise, regarding the ISA and Share Plan.

The value of tax benefits depends on individual circumstances and the favourable tax treatment for ISAs may not be maintained. We recommend you seek financial advice prior to making an investment decision.

Request a brochure: **0808 500 4000**
invtrusts.co.uk



Issued by Aberdeen Asset Managers Limited, 10 Queen's Terrace, Aberdeen, AB10 1XL, which is authorised and regulated by the Financial Conduct Authority in the UK. Telephone calls may be recorded. aberdeenstandard.com

Please quote 2296

Income

Investment companies announcing their full year dividends in March

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
Aberdeen Smaller Companies Income	31/10/2019	8.3	+12.2	10.0	1.20x
Alliance	31/10/2019	14.0	+3.0	14.3	1.02x
Allianz Technology	31/10/2019	N/A ^a	N/A ^a	(7.5)	N/A ^a
Apax Global Alpha	31/10/2019	9.5	+12.9	43.0	4.53x
Baillie Gifford Shin Nippon	31/01/2020	N/A ^a	N/A ^a	0.3	N/A ^a
BBGI SICAV	31/12/2019	7.0	+3.7	8.4	1.2x
Biopharma Credit	31/12/2019	\$7.2c	(8.9)	\$8.3c	1.15x
CATCo Reinsurance Opportunities	31/12/2019	\$1.3c ^b	(51.9)	(\$6.5c) ^b	N/A
CVC Credit Partners European Opportunities	31/12/2019	5.5	Nil	(2.7)	N/A
Dunedin Enterprise	31/12/2019	5.0	+150	4.5	0.90x
European Assets	31/12/2019	£7.0	+17.2	£2.1	0.3x ^c
F&C	31/12/2019	11.6	+5.5	13.1	1.13x
Foresight Solar	31/12/2019	6.8	+3.0	(1.9)	N/A
Fundsmith Emerging Equities	31/12/2019	3.2	+1.6	6.8	2.13x
GCP Asset Backed Income	31/12/2019	6.5	+1.6	6.8	1.05x
Greencoat Renewables	31/12/2019	6.0	+0.5	3.5	0.58x
Hg Capital	31/12/2019	4.8	+4.3	2.9	0.60x ^d
India Capital Growth	31/12/2019	N/A ^a	N/A ^a	(13.2) ^e	N/A ^a
JPMorgan Claverhouse	31/12/2019	29.0	+5.5	31.1	1.07x
Murray International	31/12/2019	53.5	+3.9	54.1	1.01x
Oakley Capital	31/12/2019	4.5	nil	6.6	1.50x
Polar Capital Global Financials	30/11/2019	4.4	+6.0	4.9	1.11x
Premier Global Infrastructure	31/12/2019	10.2	nil	10.8	1.06x
RIT Capital Partners	31/12/2019	34.0	+3.0	8.2	0.24x ^f
Schiehallion	31/01/2020	N/A ^a	N/A ^a	1.3	N/A ^a
ScotGems	31/12/2019	N/A ^a	N/A ^a	0.3	N/A ^a
Symphony International	31/12/2019	\$3.5c	(70.8)	\$5.6c ^g	1.6x ^g
US Solar	31/12/2019	\$1c	N/A ^h	\$0.1c ⁱ	0.1x
Witan	31/12/2019	5.4	+13.8	6.0	1.11x

* Unless otherwise specific

- a) No dividends were declared over the year
- b) Dividend per ordinary share. CAT also paid a dividend of \$2.6c per C share. Earnings per C share were (\$9.4c)
- c) European Assets has stated that, barring unforeseen circumstances, it will pay an annual dividend equivalent to 6% of its NAV at the end of the preceding year. Following approval by the UK High Court, dividends with respect to the year-ended 31 December 2019 will be funded by a combination of current year profits and the distributable reserve
- d) Hg Capital generated a capital return of 42.8p for the year-ended 31 December 2019
- e) Total revenue and capital account earnings
- f) RIT Capital Partners delivered capital accounts earnings of 220.8p over the year-ending 31 December 2019
- g) Revenue and capital earnings not separated
- h) US Solar launched in April 2019 – these are its inaugural annual results
- i) Total revenue and capital earnings

Upcoming events

Here is a selection of what's coming up. Please refer to the [Events](#) section of our website for updates between now and when they are scheduled:

- Polar Capital Global Financials EGM 2020, [7 April](#)
- EP Global Opportunities AGM 2020, [22 April](#)
- Aberdeen Emerging AGM 2020, [21 April 2020](#)
- Premier Global Infrastructure AGM 2020, [22 April 2020](#)
- Mobius AGM 2020, [23 April 2020](#)
- Witan AGM 2020, [29 April](#)
- Greencoat UK Wind AGM 2020, [30 April 2020](#)
- BlackRock World Mining AGM 2020, [30 April 2020](#)
- Mello 2020, [20 May \(update to follow\)](#)
- Riverstone Credit Opportunities Income AGM 2020, [21 May 2020](#)
- Polar Capital Technology AGM 2020, [2 September 2020](#)
- UK Investor Show, [26 September 2020](#)
- The London Investor Show, [30 October](#)
- Sustainable & Social Investing Conference, [3 December](#)

Master Investor – the UK's largest private investor show – [5 December 2020](#)



Publications

International Biotechnology Trust

Update | Investment companies 2 April 2020

Trust in biotech

The biotechnology sector is proving to be relatively resilient in this COVID-19 related market sell-off. International Biotechnology Trust (IBT) adopts a conservative approach to investing in what can be a quite volatile, if rewarding, sector. It has fared better than competing funds in this environment.

Some delay to drug development, testing programmes and product launches may be inevitable as the world focuses on tackling the coronavirus. However, the underlying picture for biotechnology is one of strong growth, as companies bring forward cures for previously untreatable diseases, based on advances in the field of gene therapy where faulty genes are replaced and immunotherapy where the body's immune system is encouraged to attack target cells. The race for the White House, which was one source of uncertainty, seems likely to be between Trump and Biden, which could mean business as usual for the drug companies.

Access to the fast-growing biotech sector

IBT is the longest-established of the London-listed funds specialising in the biotech/pharmaceutical sector. It aims to achieve long-term capital growth by investing in biotechnology and other science 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 (pence)	NAV (pence)	NAV discount (%)	Dividend (pence)	Dividend yield (%)
2019/20	185	224	(17.4)	12.0	6.5
2018/19	181	219	(16.6)	11.9	6.6
2017/18	182	215	(14.3)	11.3	6.2
2016/17	169	194	(13.3)	7.8	4.6
2015/16	148	172	(14.8)	10.0	6.8

The biotechnology sector is proving to be relatively resilient in this covid-19 related market sell-off. Our update note on International Biotechnology Trust (IBT) explores why it is faring better than competing funds in this environment. The underlying picture for biotechnology is one of strong growth, as companies bring forward cures for previously untreatable diseases.

Following an excellent year of performance during 2019, Herald Investment Trust (HRI) has seen its discount widen and the value of its portfolio companies fall. Given its focus on technology and the likelihood that covid-19 will materially change working patterns, our annual overview discusses why the current environment may offer a good entry point for the patient investor.

Herald Investment Trust

Annual overview | Investment companies 1 April 2020

Change is a coming

Following an excellent year of performance during 2019 (a net asset value (NAV) total return of 27.5%), Herald Investment Trust (HRI) has seen its discount widen and the value of its portfolio companies fall since the outbreak of covid-19.

As authorities scramble to contain the virus, our lives are changing in significant ways. Inevitably, technology is enabling these changes and this will accelerate the demand for associated products (Internet (VoIP) phones, teleconferencing services, remote desktop access, VR/AR, etc) and will likely offer other solutions to the challenges that society currently faces. With HRI's discount widened and its holdings cheaper than they have been, the current environment may offer a good entry point for the patient investor.

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 exposure in UK equities. The business activities of investee companies will include information technology, broadcasting, printing and publishing and the provision of equipment and services to these companies.

Year ended	Share price (pence)	NAV (pence)	NAV discount (%)	Dividend (pence)	Dividend yield (%)
2019/20	111	146	(23.2)	11.2	10.0
2018/19	105	141	(24.7)	10.9	10.3
2017/18	98	133	(26.3)	9.0	9.2
2016/17	87	111	(20.7)	8.0	9.2
2015/16	82	98	(16.7)	8.0	9.8

CG Asset Management

Annual overview | Asset management companies 12 March 2020

More than a port in a storm

It is often said that markets climb a wall of worry, but there are times when investors panic and run for the exits. In such an environment, the attractions of funds which are defensively positioned and managed by an experienced team, with an investment ethos based on an assessment of long-term fundamental value, come to the fore.

CG Asset Management (CGAM)'s defensive stance is based on its belief that almost all asset classes offer the prospect of low or negative returns at current valuations. The two funds that we cover in more detail in this report, Capital Gearing Trust and CG Absolute Return Fund, have relatively low exposure to equities and have high levels of cash and other assets that are easy to turn into cash. These funds are not just hiding places in times of market turmoil, however. The managers stand ready to increase the weighting to riskier assets such as equities when they feel that valuations have reached attractive levels.

Impressive long-term track record

Peter Sallis, CGAM's chief investment officer, assumed responsibility for Capital Gearing Trust in 1982 and since then it has been the best-performing of all investment companies. An investment of £100 in April 1982 would have been worth £22.889 by the end of February 2020. That is more than 20 times the return from the UK stock market (as measured by the MSCI UK index) and is equivalent to £8,275 after adjusting for inflation.

CGAM has launched a number of open-ended (OTIF) funds over the years. One of these, CG Absolute Return Fund, offers all the same characteristics as Capital Gearing Trust and offers a liquid way of accessing CGAM's absolute return strategy.

The two funds that we cover in more detail in our annual overview on CG Asset Management, Capital Gearing (CGT) Trust and CG Absolute Return Fund, have relatively low exposure to equities and have high levels of cash and other assets that are easy to turn into cash. These funds are not just hiding places in times of market turmoil, however. The managers stand ready to increase the weighting to riskier assets such as equities

In unsettled markets, the predictable and reliable cash flows generated by utilities and infrastructure make them an attractive safe haven for investors. In our annual overview note on Premier Global Infrastructure Trust (PGIT), we discuss why, relatively speaking, PGIT could be in a good place. This is important, as 2020 is going to be a big year for PGIT. It faces its five-yearly continuation vote in May, and its zero dividend preference shares (ZDPs) mature at the end of November.

Premier Global Infrastructure Trust

Annual overview | Investment companies 11 March 2020

Don't stop me now

A much-improved 2019, helped by lower interest rate expectations, translated into 38.3% gains for Premier Global Infrastructure Trust (PGIT) ordinary shareholders. Before the covid-19 panic caused markets to stumble, PGIT was having a strong start to 2020 as well, with the shares hitting 147p on 21 February.

In unsettled markets, the predictable and reliable cash flows generated by utilities and infrastructure make them an attractive safe haven for investors. The predictable response from the US Federal Reserve to the self-imposed interest rate cut, liberating spending, PGIT could be in a good place. The manager remains enthused about the savings and dividend growth prospects of the portfolio.

This is important, as 2020 is going to be a big year for PGIT. It faces its five-yearly continuation vote in May, and its zero dividend preference shares (ZDPs) mature at the end of November. Shareholders will ultimately have the final say but, for now, we think, we'd like to see it continue.

Global global utilities and infrastructure exposure

PGIT invests in equity and equity-related securities of companies operating in the utilities and infrastructure sectors, with the aim of achieving high income and long-term capital growth from its portfolio. Its ZDPs provide a high level of income to its ordinary shares.

Year ended	Share price (pence)	NAV (pence)	NAV discount (%)	Dividend (pence)	Dividend yield (%)
2019/20	147	122	(17.0)	14.2	9.6
2018/19	107	119	(10.2)	10.0	9.2
2017/18	102	115	(12.1)	9.0	8.7
2016/17	92	105	(13.0)	8.0	8.7
2015/16	82	95	(13.3)	8.0	9.8

Guide

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.



Appendix 1 – March performance by sector

	Median share price total return (%)	Median NAV total return (%)	Change in median discount (%)	Median discount (%), 31/03/2020	Median discount (%), 28/02/2020
Insurance and reinsurance strategies	3.8	4.7	(3.7)	(26.5)	(22.9)
Technology and media	1.5	(4.3)	11.7	3.1	(8.6)
Liquidity funds	(1.5)	(1.1)	(0.4)	(2.0)	(1.6)
Royalties	(1.9)	0.0	(2.1)	5.6	7.7
Japanese smaller companies	(3.8)	(3.3)	0.6	(3.9)	(4.5)
Renewable energy infrastructure	(4.3)	0.0	(6.5)	6.1	12.6
Infrastructure	(4.7)	0.0	(5.6)	3.6	9.2
Property - UK residential	(8.8)	0.0	(6.9)	(18.6)	(11.7)
Property - Europe	(9.1)	1.4	(16.0)	(26.3)	(10.3)
Biotechnology and healthcare	(11.0)	(5.5)	5.2	1.2	(4.0)
Japan	(11.0)	(10.7)	0.0	(10.9)	(10.9)
Asia pacific	(12.3)	(14.1)	1.5	(10.3)	(11.8)
Asia pacific income	(13.1)	(15.6)	3.8	(3.9)	(7.7)
Property - UK healthcare	(13.4)	0.0	(10.4)	(6.3)	4.1
Global	(13.9)	(11.8)	0.1	(5.2)	(5.3)
Hedge funds	(14.7)	3.8	(6.1)	(27.0)	(21.0)
Global equity income	(16.8)	(14.9)	(1.1)	(0.7)	0.4
Renewable energy infrastructure	(17.1)	(0.5)	(6.9)	(16.8)	(9.9)
Property - UK commercial	(17.2)	0.0	(15.9)	(24.8)	(8.9)
Europe	(18.0)	(13.2)	(2.3)	(12.2)	(10.0)
North America	(18.4)	(16.4)	(0.3)	(6.2)	(5.9)
Growth capital	(18.4)	0.0	(17.7)	(40.9)	(23.2)
Global emerging markets	(18.7)	(17.7)	0.1	(12.4)	(12.5)
Debt - direct lending	(18.9)	0.2	(17.0)	(26.6)	(9.6)
Flexible investment	(19.2)	(10.3)	(4.2)	(11.9)	(7.7)
Environmental	(20.9)	(13.3)	(4.6)	(7.3)	(2.7)
Property - rest of world	(21.0)	0.0	(10.0)	(49.7)	(39.7)
Global smaller companies	(22.3)	(12.8)	(11.0)	(17.3)	(6.3)
Country specialists: Asia-Pac. ex Japan	(22.6)	(23.9)	0.8	(16.4)	(17.2)
Debt - loans and bonds	(22.6)	(16.3)	(5.5)	(9.8)	(4.4)
Property - debt	(23.4)	0.0	(25.8)	(25.7)	0.1
Private equity	(23.6)	0.0	(12.2)	(42.9)	(30.7)
Infrastructure securities	(23.8)	(23.4)	0.3	(7.2)	(7.5)
Commodities and natural resources	(24.0)	(15.1)	(0.9)	(19.5)	(18.7)
UK equity income	(24.3)	(24.2)	(0.9)	(5.9)	(5.0)
European smaller companies	(25.3)	(19.4)	(5.6)	(17.4)	(11.8)
Asia pacific smaller companies	(26.0)	(23.3)	(1.1)	(16.8)	(15.7)
UK equity and bond income	(26.4)	(28.7)	3.0	(7.9)	(10.8)
UK smaller	(26.5)	(22.3)	(1.8)	(13.7)	(11.9)
Country Specialists: Europe ex UK	(26.7)	(26.4)	1.0	(13.1)	(14.0)
Latin America	(28.8)	(46.2)	10.7	(8.3)	(19.0)
Property securities	(29.0)	(25.6)	(5.8)	(8.8)	(3.0)
North American smaller companies	(29.9)	(22.5)	(5.5)	(12.6)	(7.1)
UK all companies	(32.0)	(29.0)	(5.2)	(10.3)	(5.1)
Latin America	(32.6)	(33.9)	6.0	(8.3)	(14.3)
Debt - structured finance	(33.8)	0.0	(35.4)	(45.5)	(10.1)
European emerging	(34.3)	(27.9)	(6.9)	(19.4)	(12.5)
Country specialists: Latin America	(38.5)	(35.6)	(0.7)	(18.2)	(17.5)
Leasing	(46.7)	0.0	(32.6)	(63.1)	(30.5)

Source: Morningstar, Marten & Co

QuotedData

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)

IMPORTANT INFORMATION

This note was prepared by Marten & Co (which is authorised and regulated by the Financial Conduct Authority).

This note is for information purposes only and is not intended to encourage the reader to deal in the security or securities mentioned within it.

Marten & Co is not authorised to give advice to retail clients. The note does not have regard to the specific investment objectives, financial situation and needs of any specific person who may receive it.

This note has been compiled from publicly

available information. This note is not directed at any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the publication or availability of this note is prohibited.

Accuracy of Content: Whilst Marten & Co uses reasonable efforts to obtain information from sources which we believe to be reliable and to ensure that the information in this note is up to date and accurate, we make no representation or warranty that the information contained in this note is accurate, reliable or complete. The information contained in this note is provided by Marten & Co for personal use and information purposes generally. You are solely liable for any use you may make of this information. The information is inherently subject to change without notice and may become outdated. You, therefore, should verify any information obtained from this note before you use it.

No Advice: Nothing contained in this note constitutes or should be construed to constitute investment, legal, tax or other advice.

No Representation or Warranty: No representation, warranty or guarantee of any kind, express or implied is given by Marten & Co in respect of any information contained on this note.

Exclusion of Liability: To the fullest extent allowed by law, Marten & Co shall not be liable for any direct or indirect losses, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note. In no circumstance shall Marten & Co and its employees have any liability for consequential or special damages.

Governing Law and Jurisdiction: These terms and conditions and all matters connected with them, are governed by the laws of England and Wales and shall be subject to the exclusive jurisdiction of the English courts. If you access this note from outside the UK, you are responsible for ensuring compliance with any local laws relating to access.

No information contained in this note shall form the basis of, or be relied upon in connection with, any offer or commitment whatsoever in any jurisdiction.

Investment Performance Information: Please remember that past performance is not necessarily a guide to the future and that the value of shares and the income from them can go down as well as up. Exchange rates may also cause the value of underlying overseas investments to go down as well as up. Marten & Co may write on companies that use gearing in a number of forms that can increase volatility and, in some cases, to a complete loss of an investment.