

First Quarter of 2020

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Unprecedented times

We have knitted together the impact on the investment companies from what is now widely considered to be the most severe pandemic in a century. The collapse in asset prices over the latter part of March, brought the curtain down on an up-market that lasted more than ten years. In amongst this, there were pockets, such as the technology sector, that held up well. For many industries, the worst is still to come, as we brace ourselves for the sharpest contraction to global growth since the US great depression.

For a comprehensive collation of commentary from fund managers and chairman in response to covid-19, you can access our most recent economic and political roundup [here](#).

New research

Over the quarter, we published notes on [International Biotechnology Trust](#), [Herald](#), [Montanaro UK Smaller Companies](#), [Aberdeen Emerging Markets](#), [CG Asset Management](#), [Polar Capital Global Financials](#), [Aberdeen New Dawn](#), [Shires Income](#), [GCP Infrastructure](#) and annual overviews of the [investment companies](#) and [real estate](#) sectors. You can read all these notes by clicking on the links above or by visiting www.quoteddata.com.

In this issue

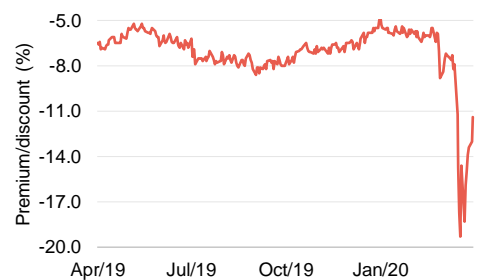
Performance Data – the Brevan Howard hedge funds, [BH Macro](#) and [BH Global](#), fared well while technology held up well too. The worst affected sectors were aircraft leasing, energy, structured finance, small and mid-cap growth and equity income funds.

Major news stories – We have updates and responses from a raft of funds across the investment trust industry. Click [here](#) to access the news section.

Money in and out – We welcomed [Nippon Active Value](#), which raised £103m in February. Predictably, it was otherwise very quiet.

All investment companies median discount

Time period 01/04/2019 to 31/03/2020

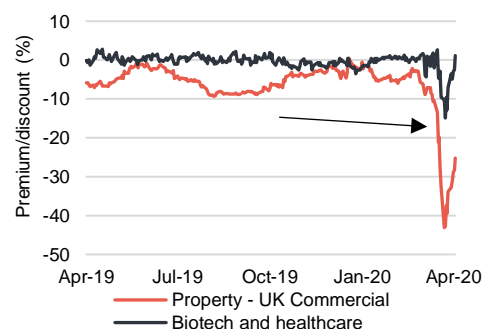


Source: Morningstar, Marten & Co

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

Cyclicality reigns supreme

Time period 01/04/2019 to 31/03/2020



Source: Morningstar, Marten & Co.

Some sectors, such as biotech and healthcare, are clearly better positioned. Others in this bracket include infrastructure and renewables, where revenues are locked in. As well as commercial property, other sectors with heavy cyclical exposure, such as commodities and leasing, have been heavily re-priced.

Winners and losers

Positive price returns over the first quarter were delivered by just 22 investment companies, from a total of more than 350. The median total NAV and market returns were (13.1%) and (23.3%). There was no precedent for the pace and uniformity by which markets collapsed over March, before a late rally propped up the US passing a \$2tn stimulus package. The rally has continued through to the middle of April.

It was a particularly galling quarter for aircraft leasing companies, while the structured finance sector was hit hard by credit downgrades. Small and mid-cap strategies suffered with corporate earnings expected to take an enormous hit, a theme which also heavily impacted equity income funds, as companies struggle to meet dividend targets.

Positive performance was led by alternative sectors with lower exposure to the cyclical impact of covid-19. Secured regulated income flows found in the renewable and infrastructure sectors appear to be a boon, while the comparatively less affected technology sector has been faring well.

Positive movers:

Figure 1: Best performing funds in price terms over Q1 *

	(%)
Adamas Finance Asia	24.8
BH Macro GBP	23.1
Schiehallion	17.5
Marble Point Loan Financing	15.7
BH Global GBP	13.0
RDL Realisation	11.7
Civitas Social Housing	11.0
Life Settlement Assets A	7.7
Allianz Technology	3.1
Greencoat Renewables	3.1

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

Figure 2: Best performing funds in NAV terms over Q1*

	(%)
BH Macro GBP	23.0
BH Global GBP	15.5
Pershing Square	10.3
Riverstone Credit Opportunities Income	9.6
Fair Oaks Income 2017	9.6
DP Aircraft I	9.2
BioPharma Credit	8.5
Tufton Oceanic Assets	8.1
Globalworth Real Estate	7.9
US Solar	7.4

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

Adamas Finance Asia rebounded as one of its key positions, Future Metal Holdings, announced at the end of 2019 that it had commenced dolomite production in China. Global volatility typically provides fertile conditions for macro-strategy hedge funds, benefitting the Brevan Howard-feeder funds, **BH Macro GBP** **BH Global GBP**. Sentiment towards **Civitas Social Housing** turned positive as investors recognised that some commentators had overstated the impact of regulatory concerns on performance. **Allianz Technology** held up well while **Manchester & London**, which also has a chunky allocation to technology, was one of the select few funds to deliver a positive market return. Sentiment towards Baillie Gifford's later-stage private company fund, **Schiehallion**, remained steadfast through March. **Pershing Square**, an investor in a concentrated portfolio of US companies, realised astounding profits from hedges made in early March. Hedges purchased at an all-in cost of \$27m were realised for \$2.6bn. The durability of revenue streams for renewables companies, notwithstanding the collapse in the oil price and knock-on effect on power prices, explains the presence of **Greencoat Renewables** in the list

The best performing funds in NAV terms include many stocks flattered by holding largely US dollar assets in an environment of sterling weakness and whose assets are not often revalued. **Riverstone Credit Opportunities**, which lends to energy companies; **Fair Oaks 2017**, which has been forced to suspend its dividend; and **DP Aircraft**, which is talking to its lenders after Norwegian defaulted on its lease payments, are all likely to see drops in NAV in time.

Negative movers

Figure 3: Worst performing funds in price terms over Q1*

	(%)
Infrastructure India	(78.5)
Riverstone Energy	(64.7)
DP Aircraft I	(64.6)
JZ Capital Partners	(57.5)
Riverstone Credit Opportunities Income	(55.5)
Carador Income Fund USD	(54.6)
SQN Asset Finance Income	(54.5)
Chelverton UK Dividend	(54.3)
Aberforth Split Level Income	(53.7)
Crystal Amber	(53.4)

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

Figure 4: Worst performing funds in NAV terms over Q1 *

	(%)
Chelverton UK Dividend	(55.3)
Aberforth Split Level Income	(55.2)
Temple Bar	(46.6)
BlackRock Latin American	(45.4)
JPMorgan Brazil	(44.4)
Blue Planet	(43.8)
Aberforth Smaller Companies	(43.2)
Acorn Income	(40.6)
JPMorgan Mid Cap	(39.4)
Jupiter UK Growth	(39.3)

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

Infrastructure India's port asset was hit by covid-19 related a collapse in trade. Energy prices tumbled after Saudi Arabia unilaterally slashed supply of its oil in early March, making it a painful quarter for Riverstone Energy. DP Aircraft was the worst affected leasing company in price terms. Airlines around the world are struggling to meet their lease obligations, with many likely to require unprecedented government support to remain viable. JZ Capital made significant write downs of its property portfolio in Miami. Elsewhere, the gearing within the split capital trusts, Chelverton UK Dividend, Aberforth Split Level Income and Acorn Income magnified NAV declines. The value-style of investing was hit particularly hard by the prospect of a recession, affecting Temple Bar. Brazil had a very poor month, with real economy impact of the virus compounded by the collapse in the oil price, which weakened its currency. BlackRock Latin American and JPMorgan Brazil were most directly affected. Carador Income's presence reflected sentiment towards several vehicles in collateralised loan obligations. The UK was one of the worst hit markets in the developed world, hitting JPMorgan Mid Cap and Jupiter UK Growth.

Significant rating changes

More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Mar 20	31 Dec 19
	(%)	(%)
Blue Planet	(4.8)	(21.7)
Marble Point Loan Financing	9.8	(1.7)
Acorn Income	(2.5)	(13.0)
Golden Prospect Precious Metal	(13.2)	(22.5)
BlackRock Latin American	(3.7)	(12.2)
Schiehallion	25.0	18.1
Rights & Issues	3.7	(2.2)
Civitas Social Housing	(9.2)	(15.1)
TwentyFour Select Monthly Income	7.6	2.0
Adamas Finance Asia	(71.4)	(76.8)

Source: Morningstar, Marten & Co

Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Mar 20	31 Dec 19
	(%)	(%)
SQN Asset Finance Income	(48.4)	15.0
Riverstone Credit Opp. Income	(60.7)	(5.4)
DP Aircraft I	(73.8)	(20.2)
Doric Nimrod Air Three	(48.6)	1.2
Fair Oaks Income 2017	(51.8)	(9.0)
Doric Nimrod Air Two	(63.1)	(20.9)
Ediston Property	(55.3)	(13.9)
Electra Private Equity	(63.9)	(24.3)
SME Credit Realisation	(48.6)	(9.9)
GCP Student Living	(23.2)	13.3

Source: Morningstar, Marten & Co

Getting more expensive

Gold was not spared when selling was at its most fervent over March. Gold has since regained ground, benefitting Golden Prospect Precious Metal. The trust has found favour over the past year as a gold has staged a recovery following some barren years. A near 45% decline in Blue Planet's NAV was not quite matched by its shares and it was a similar story for Acorn Income, which finds itself exposed to the likelihood that UK corporate earnings will be severely impacted. Self-managed Rights & Issues held up better than the vast majority of the AIC's UK smaller companies sector. It ended the quarter trading at a premium, perhaps reflecting relatively more exposure to defensive sectors such as healthcare and utilities.

Getting cheaper

The **Doric Nimrod** funds were hit heavily, for similar reasons to the aforementioned **DP Aircraft**. Direct lending company, **Riverstone Credit Opportunities Income**, provides financing to the energy sector, where oil prices have tumbled and defaults could soar. While bank lending has been a lot more cautious since 2008, much of the slack has been taken up by the structured finance and direct lending markets, where competition for credits has led to more widespread covenant-lite structures. **Fair Oaks Income** suspended its dividend in late March, sending its shares sharply down. This came as the rules that govern the CLOs it invests prevented it from distributing income. Meanwhile, over January, **SQN Asset Finance Income** was hit by a write-down to one of its main loan assets, leading to an exodus in the shares. Commercial property has been heavily impacted around the world, with scores of companies withholding rent payments. **Ediston Property** share discount widening reflects the impact on UK commercial property. **Electra Private Equity** has two main investments, including the casual dining chain, TGI Fridays, which it had to shut in March. **GCP Student Living** suffered a material decline in its revenues, with many of student tenants returning to their homelands – the majority of its units are rented to international students.



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Standardised past performance to 31 December***:

	2014	2015	2016	2017	2018
Scottish Mortgage	21.4%	13.3%	16.5%	41.1%	4.6%
AIC Global Sector Average	8.8%	10.9%	22.6%	24.1%	-4.9%

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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Aberdeen Standard Investment Trusts ISA and Share Plan

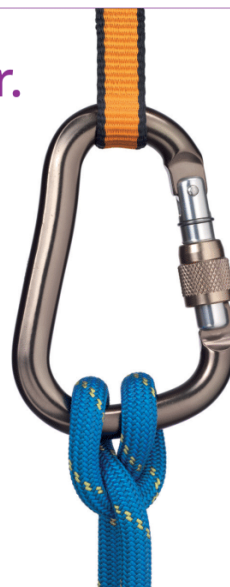
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Money in and out of the sector

There was only one new issue, with **Nippon Active Value** getting off the ground with a £103m launch (it was targeting £200m). Other potential launches, including **Global Sustainable Farmland Income**, were put on hold over March.

Figure 5: Money entering the sector over Q1

	£m
Sequoia Economic Infrastructure	300
Nippon Active Value	103
Impax Environmental Markets*	65
JLEN Environmental Assets Group*	55
Smithson*	46
City of London*	42
Bankers*	36
Blackstone/GSO Loan Financing*	34
Aquila European Renewables Income*	32
JPMorgan Global Core Real Asset*s	28

Source: Morningstar, * approximate value of additional capital at 31/03/2020, ** proceeds raised from the initial public offering

Figure 6: Money leaving the sector over Q1

	£m
Pershing Square*	(85)
CVC Credit Partners Euro Opps. GBP*	(58)
Baillie Gifford European Growth*	(32)
Scottish Mortgage*	(31)
NB Global Floating Rate Income GBP*	(26)
Biotech Growth*	(24)
Fidelity China Special*	(22)
Honeycomb*	(17)
Alcentra European Floating Rate Income*	(13)
Africa Opportunity*	(13)

Source: Morningstar, * approximate value of shares bought back at 31/03/2020

Money coming in:

In the absence of new issues and large placings, it was a low key quarter with renewable funds continuing to bring in the most capital, led by **Sequoia Economic Infrastructure**. The company's £300m raise was £50m above its target, benefitting from the appeal of an established yield-focused strategy. The other active renewable energy infrastructure funds were **JLEN Environmental Assets** and **Aquila European Renewables Income**. Elsewhere, **Bankers** and **Smithson** took advantage of (what were at the time) premium to NAV valuations to grow the funds.

Money going out

Pershing Square features regularly in this section, thanks to a significant commitment to narrow its discount through buy backs, while **CVC Credit Partners European Opportunities** (sterling line) and **Baillie Gifford European Growth** tendered shares over February, which in the latter's case represented 10% of its share capital at the time. Elsewhere, **Scottish Mortgage** bought back shares as part of its policy of keeping the NAV and share price as close together as it can.

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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.

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Major news stories from Q1 2020

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
- [Greencoat UK Wind](#) said says power generation was behind budget in 2019 while earnings were also impacted by falling power prices
- [JZ Capital Partners](#) updated on its real estate write-downs
- [Amedeo Air Four Plus](#) completed the sale of two A380s to Etihad for a net £130.9m
- [Bluefield Solar](#) said the impact of lower power prices was cushioned by fixed prices locked in 2018
- [Merian Chrysalis](#) reported inaugural annual results
- [Hipgnosis](#) acquired music catalogues from Brian Higgins, Ammar Malik and Blink-182. [Hipgnosis](#) also announced it had invested £214m of the proceeds of its C share fundraising from October 2019

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)
- [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
- [Sequoia Economic Infrastructure Income](#) said it was targeting £250m in an equity raise. It ultimately raised £300m
- [Hadrian's Wall Secured Investments's](#) board recommended a managed wind-down
- [Pollen Street Secured Lending](#) was the subject of a £675m takeover bid and fell out with its manager
- [Nippon Active Value](#) IPOed with a £103m raise
- A private placement by [Scottish Mortgage](#) raised £188m
- [Henderson Alternative Strategies](#) said it would seek approval for a realisation process

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
- [Jupiter UK Growth](#) announced Merian's Richard Buxton as lead manager
- [JLEN Environmental Assets](#) announced a restructuring in its management arrangement and a placing proposal
- [Fidelity Special Values](#) got a new co-manager

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

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:

- EP Global Opportunities AGM 2020, [22 April 2020](#)
- 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 2020](#)
- Greencoat UK Wind AGM 2020, [30 April 2020](#)
- Symphony International AGM 2020, [30 April 2020](#)
- BlackRock World Mining AGM 2020, [30 April 2020](#)
- Mello 2020, [20 May 2020 \(update to follow\)](#)
- Riverstone Credit Opportunities Income AGM 2020, [21 May 2020](#)
- Secure Income REIT AGM 2020, [21 May 2020](#)
- JPMorgan US Smaller Companies AGM 2020, [26 May 2020](#)
- Dunedin Income Growth AGM 2020, [16 July 2020](#)
- Polar Capital Technology AGM 2020, [2 September 2020](#)
- UK Investor Show, [26 September 2020](#)
- The London Investor Show, [30 October 2020](#)
- Sustainable & Social Investing Conference, [3 December 2020](#)

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



Publications



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.



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.



Following the return of Charles Montanaro as manager in 2016, Montanaro UK Smaller Companies Trust (MTU) has rebuilt its long-term record of outperformance of its benchmark over the last three and a half years. Click here to read our initiation note.



In our annual overview note on Aberdeen Emerging Markets (AEMC), we explore the driving forces behind strong performance in 2019 and how the fund has managed to deliver a much lower volatility of returns compared to its peers and its benchmark.

Update | Investment companies
2 April 2020

International Biotechnology Trust

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

Year ended	Share price total return (%)	NAV total return (%)	MSCI World Index (%)	MSCI UK Total Return (%)
31/03/16	(25.8)	(22.6)	(21.4)	(8.3)
31/03/17	48.1	37.8	29.9	31.8
31/03/18	(8.2)	(5.7)	(2.1)	(2.2)
31/03/19	33.9	15.4	13.3	1.9
31/03/20	(8.8)	1.2	3.5	(16.5)

Share price and discount
Time period: 31/03/2015 to 31/03/2020

Performance over five years
Time period: 31/03/2015 to 31/03/2020

Domestic	England & Wales
21 March 1998	21 March 1998
Manager	Managers LLP
Market cap	228.7M
Shares outstanding	36,365m
Net assets	261
Net gearing	0%

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

Initiation | Investment companies
5 March 2020

Montanaro UK Smaller Companies

Reputation restored

Following the return of Charles Montanaro as manager in 2016, Montanaro UK Smaller Companies Trust (MTU) has rebuilt its long-term record of outperformance of its benchmark over the last three and a half years. A strong uplift in net asset value (NAV) during the second half of 2019 (helped by some clarity on Brexit) has improved the trust's standing against its competitors. Versus its peers, MTU ranked second out of 11 funds in our peer group during the second half of 2019 in terms of its NAV total return.

Shareholders have also been rewarded by a marked reduction in the trust's discount to NAV, although there may be more of this to come – MTU's discount remains wider than its peer group (see page 17). In an uncertain economic environment, the trust's focus on quality companies should serve it well. The manager also notes that the qualities of the portfolio companies are often appreciated by bidders and expects last year's strong M&A activity to continue this year, with UK assets attractively valued.

UK small cap with a bias to quality

MTU aims to achieve capital appreciation through investing in small quality companies listed on the London Stock Exchange or traded on AIM and to outperform its benchmark, the Numis Smaller Companies Index (excluding investment companies).

Year ended	Share price total return (%)	NAV total return (%)	Peer group return (%)	MSCI UK Total Return (%)
2016/16	3.8	(0.3)	1.8	(2.2)
2017/17	14.0	12.5	21.2	26.0
2018/18	12.1	14.8	8.7	6.2
2019/19	17.0	15.8	12.2	10.5
2020/20	(5.5)	(5.8)	0.8	(15.5)

Share price and discount
Time period: 31/01/2015 to 31/01/2020

Performance over five years
Time period: 31/01/2015 to 31/01/2020

Domestic	England & Wales
21 March 1998	21 March 1998
Manager	Charles Montanaro
Market cap	222.5M
Shares outstanding	187.6M
Daily vol. (1-yr. avg.)	170.0M shares
Net gearing	0.2%

Annual overview | Investment companies
1 April 2020

Herald Investment Trust

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 (I)oT, 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 elevated 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 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 (%)	MSCI World Index (%)	MSCI Europe Index (%)
2016/16	(11.1)	(5.8)	(1.6)	(2.7)
2017/17	38.8	34.1	23.9	25.8
2018/18	26.8	22.3	11.1	22.2
2019/19	4.7	4.7	(5.7)	8.0
2020/20	(10.1)	8.0	1.4	31.6

Share price and discount
Time period: 28/02/2015 to 28/02/2020

Performance over five years
Time period: 28/02/2015 to 28/02/2020

Domestic	United Kingdom
21 February 1998	21 February 1998
Manager	Rafiq Pasha
Market cap	224.5M
Shares outstanding	87.5M
Daily vol. (1-yr. avg.)	74.3M shares
Net assets	8.7M

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Annual overview | Investment companies
27 February 2020

Aberdeen Emerging Markets

Focused on returns

The managers of Aberdeen Emerging Markets (AEMC) are optimistic about the prospects for the company. Strong performance last year has not yet translated into a reduction in the discount that the share price trades at relative to the asset value, but if outperformance can be maintained, this should follow in time. Investors might also be comforted by AEMC's much lower volatility of returns compared to its peers and its benchmark.

The managers feel that AEMC offers investors a 'one-stop shop' for those looking for emerging markets exposure. AEMC's portfolio would be hard for most investors to replicate without considerable effort. It also benefits from an experienced and well-resourced team, backed by the resources of Aberdeen Standard Investments.

Before the emergence of COVID-19 (the coronavirus), the managers felt that 2020 could be the year in which emerging market earnings turned a corner. Investor expectations and valuations are more realistic now and recent market falls could be a buying opportunity.

Aims for consistent outperformance of MSCI Emerging Markets Index

AEMC invests in a carefully-selected portfolio of both closed- and open-ended funds, providing a diversified exposure to emerging economies. It aims to achieve consistent returns for its shareholders in excess of the MSCI Emerging Markets Net Total Return Index in sterling terms.

Year ended	Share price total return (%)	NAV total return (%)	MSCI Emerging Markets Index (%)	MSCI World Index (%)
31/01/16	(13.0)	(13.2)	(16.3)	0.9
31/01/17	27.3	40.9	41.4	32.0
31/01/18	25.1	21.9	24.8	11.3
31/01/19	(13.8)	(11.0)	(7.3)	1.0
31/01/20	12.4	9.4	3.8	17.2

Share price and discount
Time period: 31/01/2015 to 28/02/2020

Performance over five years
Time period: 31/01/2015 to 28/02/2020

Domestic	Guernsey
22 June 1998	22 June 1998
Manager	Andrew Lister and Bernard Moody
Market cap	202.1M
Shares outstanding	45,955M
Daily vol. (1-yr. avg.)	47,850 shares
Net gearing	2.7%

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Quarterly roundup, kindly sponsored by Baillie Gifford

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Annual overview | Asset management companies
12 March 2020

CG Asset Management

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 risky assets such as equities when they feel that valuations have reached attractive levels.

Impressive long-term track record

Peter Spiller, CGAM's chief investment officer, assumed responsibility for Capital Gearing Trust in 1992 and since then has been the best-performing of all conventional investment companies. An investment of £100 in April 1992 would have been worth £22.89 by the end of February 2020. That is more than 6x the return from the UK stock market (as measured by the MSCI UK index) and is equivalent to £2.78 after adjusting for inflation.

CGAM has launched a number of open-ended, UCITS funds over the years. One of these, CG Absolute Return Fund, has many of 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

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.

Annual overview | Investment companies
11 March 2020

Premier Global Infrastructure Trust

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 sell-off at another interest rate cut. Relatively speaking, PGIT could be in a good place. The manager remains enthused about the earnings and dividend growth prospects of the portfolio.

This is expected in 2020 to go 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 the time being, we'd like to see it continue.

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 main objective of achieving high income and long-term capital growth from its portfolio. Its ZDPs provide a high level of **dividend** to its ordinary shareholders.

Year ended	Share price total return (%)	NAV total return (%)	MSCI World Utilities TR (%)	MSCI World TR (%)	MSCI UK TR (%)
2015/16	29.8	27.6	17.5	19.7	19.2
2016/17	18.8	16.1	23.2	24.5	24.2
2017/18	13.7	10.9	7.6	6.6	3.2
2018/19	41.4	39.1	18.8	18.1	2.1
2019/20	38.3	37.2	15.5	8.6	13.1

Domestic: United Kingdom
Inception date: 4 November 2003
Manager: J. Smith, C Long
Market cap (GBP): 23.3m
Daily vol. (1-yr. avg.): 35.7m shares
Net gearing: 38.4%

Update | Investment companies
25 February 2020

Polar Capital Global Financials Trust

New lease of life

As we approach the seventh anniversary of Polar Capital Global Financials Trust (PCFT)'s launch, its directors are proposing that the company continues beyond its planned wind-up date.

A decade after the financial crisis, the sector, and banks in particular, remain out of favour. The problem is compounded for UK-based investors by the narrow choice of banks available. It makes sense to look elsewhere for faster-growing, better-managed businesses. However, this is a complex sector. PCFT offers a way of capturing the upside when banks are eventually re-rated. It also offers a lower-risk, more diversified portfolio, managed by an expert team.

From launch to end December 2019, PCFT has matched the returns of its benchmark and paid out an attractive and growing dividend. More importantly, it has delivered strong risk-adjusted returns, well ahead of UK-listed banks, for investors who wanted to diversify away from UK financials. As it moves to extend the life of the trust, the board has thought about how it can improve on the original structure and made a number of changes, including a five-yearly tender offer (an exit opportunity by way of an offer by the company to buy its shares).

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 MSCI AC World total return (%)
2015/16	1.9	3.2	12.8
2016/17	4.2	3.3	11.1
2017/18	17.0	14.1	11.0
2018/19	17.4	15.1	12.8
2019/20	18.8	17.7	12.6

Domestic: England & Wales
Inception date: 7 July 2013
Manager: Nick Bond and John Yates
Market cap: 299.1m
Shares outstanding: 202,775,000
Daily vol. (1-yr. avg.): 395,362 shares
Net gearing: 5.7%

From launch to end December 2019, Polar Capital Global Financials (PCFT) has delivered strong risk-adjusted returns, well ahead of UK-listed banks. As it moves to extend the life of the trust, the board has thought about how it can improve on the original structure and made a number of changes, including a five-yearly tender offer. We explore these themes in our

Aberdeen New Dawn (ABD) provided peer-group beating performance during 2019 (an NAV total return of 18.4% versus a peer group average of 15.2%). Despite this, and also despite offering one of the lowest ongoing charges ratios amongst its peers, its discount remains peculiarly, one of the widest in the Asia Pacific sector

Annual overview | Investment companies
7 February 2020

Aberdeen New Dawn

Illuminating value

Aberdeen New Dawn (ABD) has provided peer-group-beating performance during 2019 (an NAV total return of 18.4% versus a peer group average of 15.2%). Despite this, and also despite offering one of the lowest ongoing charges ratios amongst its peers, its discount to NAV remains broadly unchanged and is still, peculiarly, one of the widest in the Asia Pacific sector (ABD is trading on a discount of 10.6% versus a sector average of 7.9%).

The manager has shifted its approach to investing in China, giving it greater flexibility to allocate more to direct Chinese stocks, and the trust has benefited strongly as China's domestic A-share market has performed well during the last 12 months. Assuming that the manager continues to provide an attractive level of performance, relative to competitors, ABD's discount could narrow towards the peer group average, and possibly beyond, thereby providing an additional source of return for investors who are patient.

Capital growth from Asia Pacific ex Japan

ABD aims to provide shareholders with a high level of capital growth through equity investment in the Asia Pacific countries, excluding Japan. ABD holds a diversified portfolio of securities in quoted companies spread across a range of industries and economies. ABD is benchmarked against the MSCI All Countries Asia Pacific ex Japan Index on listing terms.

Year ended	Share price total return (%)	NAV total return (%)	MSCI AC Asia ex Japan TR (%)	MSCI AC World TR (%)	MSCI UK TR (%)
2015/16	42.3	34.8	16.8	20.4	20.2
2016/17	11.8	3.1	16.1	15.9	17.5
2017/18	26.8	17.6	13.7	12.1	14.9
2018/19	18.3	12.1	27.8	18.6	9.3
2019/20	20.2	20.3	20.8	24.1	17.5

Domestic: England and Wales
Inception date: 12 May 1989
Manager: Aberdeen Standard Fund Managers
Market cap: 283.6m
Shares outstanding: 110.0m
Daily vol. (1-yr. avg.): 85.6m shares
Net gearing: 9.4%

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Annual overview | Investment companies
5 February 2020

Shires Income

Building on a great 2019

The second half of 2019 was a profitable time for investors in Shires Income (SHRS), as the trust extended its outperformance of both the UK market and the average competing fund. Investors also benefitted from the elimination of the discount as the share price rose to match the NAV. The trust continues to issue shares (a process that began in January 2019 after a long pause), and this should both help widen its audience, improve liquidity in the shares, and reduce its average running costs.

The manager remains focused on identifying good quality and attractively valued stocks rather than gaming macroeconomic shifts but the prospect of a more stable political environment in the UK seems to be helping sentiment.

High level of income with potential for growth

SHRS aims to provide its shareholders with a high level of income, together with the potential for growth of both income and capital from a portfolio substantially invested in large cap UK equities. The portfolio may be further diversified with exposure to smaller UK companies and overseas equities. SHRS generates its income with a portfolio of irredemable preference shares and convertibles (and, when the manager believes appropriate, fixed income securities), financed in part by lower cost gearing (borrowing).

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Performance over five years
Time period: 31/01/2015 to 31/01/2020

Source: Morningstar, M&G Co.

Year ended	Share price total return (%)	NAV total return (%)	MSCI UK (%)	MSCI World total return (%)
31/01/16	14.8	17.1	17.1	2.5
31/01/17	18.1	20.3	21.4	20.0
31/01/18	35.5	17.5	10.1	11.3
31/01/19	17.3	18.5	13.0	1.0
31/01/20	18.2	18.9	8.5	12.5

Source: Morningstar, M&G Co.

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Shires Income (SHRS) will look to build on a strong second half to 2019 over the coming year. The trust's strategy allows it to augment its income focus with a portfolio of preference shares and convertible securities, which allows it to invest in growth-focused companies. The trust continues to issue shares, and this should both help widen its audience, improve liquidity in the shares, and reduce its average running costs.

We have initiated coverage on GCP Infrastructure (GCP), which for almost 10 years, has met its objective of delivering high and stable income for its shareholders with low volatility. In an age where real yields on government securities are negligible, there are clear attractions to a fund that derives a high proportion of its revenue from government bodies yet offers a 5.9% yield.

QuotedData
Initiation | Investment companies
30 January 2020

GCP Infrastructure

Stable income, uncertain times

For almost 10 years, GCP Infrastructure (GCP) has met its objective of delivering high and stable income for its shareholders with low volatility of returns, while preserving their capital. The mix of assets that it lends against has evolved as the investment adviser has sought out alternative sources of cash flows backed by subsidy or other public sector money.

A debate is under way about the future of infrastructure finance in the UK. No one seems to doubt that the investment is needed – the question is: what role will private capital play? Until this is resolved, while there is still some opportunity to invest in new assets (we explore some of these in this note), the investment adviser has been re-investing free cash in existing assets, without compromising on asset quality or returns.

Public sector-backed, long-term cashflows from loans to fund UK infrastructure

GCP aims to provide shareholders with regular, sustained, long-term distributions and to preserve capital over the long term by generating exposure primarily to UK infrastructure debt and related sector similar assets which provide regular and predictable long-term cashflows.

GCP primarily targets investments in infrastructure projects with long term, public sector-backed, availability-based revenues. Where possible, investments are structured to benefit from partial inflation protection.

Year ended

	Revenue	NAV total return	Earnings per share	Adjusted earnings per share	Dividend per share
30/09/15	9.7	10.6	9.30	10.28	7.6
30/09/16	9.1	9.9	8.58	9.56	7.5
30/09/17	1.9	8.1	6.36	5.28	7.6
30/09/18	4.8	8.9	8.04	5.54	7.6
30/09/19	8.0	6.3	6.52	4.06	7.6

Source: Morningstar, Global Capital Management, M&G Co. Note: Investment returns are based on the value of the fund at the start of the period and do not include the effect of any dividends or other distributions paid to investors. See page 10.

Share price and premium
Time period: 31/01/2014 to 31/01/2020

Source: Morningstar, M&G Co.

Performance over five years
Time period: 31/01/2014 to 31/01/2019

Source: Morningstar, M&G Co.

Key facts

Investment date	22 July 2010
Investment adviser	Philip Kent
Market cap	1,123.6m
Shares outstanding	876.1m
Daily vol. (1 yr avg.)	1.32m shares
Net gearing	16.8%

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Annual report | Investment companies
January 2020

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January 2020

2019 – sticky bull market defies expectations

There was plenty to worry about in 2019, though this did not stop risk assets having a year that would have defied all but the most optimistic forecasters. The initial trigger came from the US, where the central bank performed a U-turn, abandoning planned interest rate increases. Gold also had its best run in years.

- The year ended with a tense stand-off between the US and Iran that served as a reminder that relative geopolitical calm should not be taken for granted. This helped to boost the price of oil.
- The UK gave the Conservative government an emphatic parliamentary majority to carry out Brexit, though many uncertainties remain. The re-election of Corbyn and the absence of a hung parliament drove flows into UK assets.
- The share returned to technology stocks in the US while, in China, a new level of technology companies are challenging incumbents in a manner the US has not witnessed.

For 2020, caution is still the watchword with high asset values, ongoing trade disturbances, a US Presidential election and an unclear path on Brexit (see page 21) looming.

At QuotedData, we:

- Launched an enhanced real estate service that includes monthly, quarterly, annual and thematic wrap-ups – you can refer to these for news and analysis of property funds.
- Published 52 notes on investment companies, 15 more than in 2018 (see page 16), as well as our regular monthly and quarterly publications.
- Updated the second edition of our *Investment Guide to Investment Companies* (if you know anyone who is considering investing in investment companies for the first time or who wants to deepen their understanding, please do pass this on) and
- Deepened our relationship with Master Investor, the biggest UK private investor show – will be at their show at the Business Design Centre in Islington on 28 March 2020, and many others around the country.

MSCI Indices rebased to 100
Time period: 01/01/2019 to 31/12/2019

Source: Morningstar, M&G Co.

Exchange Rate 31/12/19 Chg. on prior (%)

GBP / USD	1.3113	2.8
USD / EUR	0.8930	2.4
USD / JPY	108.8000	0.7
USD / CHF	0.9604	(1.3)
USD / CNY	6.8640	1.8

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In our annual review of the investment companies sector, we looked at the main trends across performance by sector, movements in discounts/premiums, capital raising and major news stories. There was plenty to worry about going into 2019, though this did not stop risk assets having a year that would have defied all but the most optimistic forecasters.

We also published a dedicated review of the property sector. Listed property companies and REITs performed well, all things considered. The total market capitalisation of property companies reached £88.6bn at the end of the year, an increase of 24% over the course of 2019. Alternative property sectors – self-storage, student accommodation and healthcare – were the standout performers as the specialist nature of the sectors and positive market dynamics were recognised.

QuotedData
Annual review | Real estate
January 2020

2019 real estate review

Property's alternative theory

The year was dominated by political and economic uncertainty, with Brexit negotiations casting a shadow over the market and the general election adding a further layer of doubt for much of the year. For a market that is staunchly aligned with political and economic sentiment, listed property companies and REITs performed well, all things considered. The total market capitalisation of property companies reached £88.6bn at the end of the year, an increase of 24% over the course of 2019.

The year ended on a positive footing for the property sector as the Conservative 'big general election' brought much-needed political certainty. Off the back of the result, pent-up overseas investment into direct UK property was released. For listed property companies, a post-election income sea share prices rose almost 5% on average.

Alternative property sectors – self-storage, student accommodation and healthcare – were the standout performers as the specialist nature of the sectors and positive market dynamics were recognised.

Of the traditional property sectors, industrial continued its dominance at the end of the year was bigger than the eight retail-focused companies combined. Meanwhile, the office sector trended along nicely – in the face of Brexit fears. For 2020, caution will continue to be the watchword as Brexit negotiations tumble on (see page 11).

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- Published 52 notes on investment companies and REITs, 15 more than in 2018, as well as our regular monthly and quarterly publications.
- Updated the second edition of our *Investment Guide to Investment Companies*.

Property sector performance*
Time period: 01/01/2019 to 31/12/2019

Source: Morningstar, Shires & Co. Note: Average share price of listed property companies rebased to 100.

Biggest property companies at end of 2019

Company	Market cap	Chg. on prior year (%)
SEGRO	29.8bn	54.9
Land Securities	17.5bn	23.1
British Land	15.9bn	18.9
UNITE Group	14.6bn	115.7
Deutsche Lend Lease	14.5bn	10.8

Source: Morningstar, Shires & Co.

Best performing companies in price terms in 2019

Company	Chg. on prior year (%)
Loak Store Group	79.6
Inland Homes	61.5
Safestore Holdings	58.1
UNITE Group	56.3
SEGRO	52.4

Source: Morningstar, Shires & Co.

We'll be at the Master Investor show in London on 28 March 2020. Come along, say hello, talk to our analysts and hear from some of our clients.

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