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Monthly roundup | Investment companies

June 2020

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Winners and losers in May

The ongoing impact of stimulus and the easing in lockdowns reinforced the rally over May. Cyclical sectors that had been battered, particularly energy, catapulted back from historic lows. The median total share price return from investment companies was 3.1% (it was 8.5% in April) – year-to-date they are still down (14.5%).

Please refer to the 'appendix' section for a comprehensive list of sector-specific performance. Readers interested in the most recent briefings from the industry can click here to access our economic and political roundup.

Best performing sectors in May by total price return

	Median share price total return (%)	Median NAV total return (%)	Change in median discount (%)	Median discount (%), 31/05/20	Median discount (%), 30/04/20	Number of companies in the sector	Median sector market cap (£m). 31/05/20
Growth Capital	22.8	0.0	13.9	(18.9)	(32.8)	4	265.9
Commodities	10.0	2.0	0.8	(15.4)	(16.3)	10	33.7
Biotech & Healthcare	9.2	10.4	(0.4)	(0.6)	(0.3)	7	398.3
Technology & Media	9.1	11.9	(2.6)	(0.1)	2.5	2	1,542.1
Japan	9.1	12.3	(0.5)	(10.3)	(9.8)	6	223.1

Source: Morningstar, Marten & Co. Note: Taking into account sectors with at least two companies and a median market capitalisation above £15m at 29/05/20. *Note: Many alternative asset sector funds release NAV performance on a quarterly basis

Worst performing sectors in May by total price return

	Median share price total return (%)	Median NAV total return (%)	Change in median discount (%)	Median discount (%), 31/05/20	Median discount (%), 30/04/20	Number of companies in the sector	Median sector market cap (£m). 31/05/20
Leasing	(13.7)	0.8*	(0.4)	(66.5)	(66.1)	7	99.3
UK Equity & Bond Income	(1.2)	3.0	(3.5)	(9.5)	(6.0)	2	113.5
Debt – Structured Finance	(0.7)	2.0	0.0	(19.1)	(19.1)	7	136.3
Asia Pacific Income	(0.6)	0.8	(1.4)	(4.3)	(2.9)	4	389.6
Private Equity	(0.3)*	0.5	0.0	(37.2)	(37.2)	22	118.6

Source: Morningstar, Marten & Co. Note: Taking into account sectors with at least two companies and a median market capitalisation above £15m at 29/05/20. *Note: Many alternative asset sector funds release NAV performance on a quarterly basis. *Note: average sector return used

The growth capital sector has been the fourth-best performer this year, in share price terms (see 'Appendix 1'). It provides access to unlisted, early, through to late-stage, technology and biotech companies. Japan's relative success in navigating through the pandemic, and the significantly higher levels of cash held by corporates, has caught the eye of foreign investors. At the other end of the scale, there was no let-up for aircraft leasers, while private equity has not been participating in the rally (we discuss why in the following section).

Winners and losers continued…

Best performing funds in NAV terms in May

	(%)
Augmentum Fintech	29.4
Golden Prospect Precious Metals	19.2
Biotech Growth	17.0
Edinburgh Worldwide	16.8
Pacific Horizon	15.6
Montanaro European Smaller Companies	15.5
Baillie Gifford European Growth	15.5
Baillie Gifford Shin Nippon	14.2
Allianz Technology	13.9
JPMorgan European Smaller Companies	13.7

Source: Morningstar, Marten & Co

Worst performing funds in NAV terms in May

	(%)
NB Distressed Debt Inv Extended Life	(7.9)
Macau Property Opportunities	(4.7)
NB Distressed Debt New Glb	(3.0)
Majedie	(2.1)
GCP Student Living	(1.8)
Aberdeen Standard Equity Income	(1.4)
Odyssean	(1.4)
Empiric Student Property	(0.5)
JPMorgan Indian	(0.4)
Aberforth Smaller Companies	(0.4)

Source: Morningstar, Marten & Co

Best performing funds in price terms in May

	(%)
Riverstone Energy	110.6
SQN Asset Finance Income	47.9
Riverstone Credit Opportunities Income	47.8
Electra Private Equity	43.0
VPC Specialty Lending	40.3
Adamas Finance Asia	38.5
Augmentum Fintech	29.4
Schroder UK Public Private	29.3
CVC Credit Partners European Opportunities EUR	23.8
Golden Prospect Precious Metals	21.9

Source: Morningstar, Marten & Co

Worst performing funds in price terms in May

	(%)
DP Aircraft I	(40.5)
Drum Income Plus REIT	(19.4)
Doric Nimrod Air Three	(18.4)
Doric Nimrod Air Two	(14.2)
Amedeo Air Four Plus	(13.7)
NB Distressed Debt Inv Extended Life	(12.0)
Crystal Amber	(11.3)
EJF	(10.9)
BMO Private Equity	(10.5)
Starwood European Real Estate Finance	(9.1)

Source: Morningstar, Marten & Co

Adoption of many of the ‘disruptive’ technologies Augmentum Fintech invests in, could speed-up as a result of the pandemic. Golden Prospect Precious Metals had another strong month, with increasing demand for gold. Biotech Growth’s shares are up over 50% since April – investors are hopeful its portfolio contains the company that will develop the vaccine, find the cure and/or alleviate the symptoms of COVID-19. The fact that Bernie Sanders will not be the next US President has lifted sentiment too. European stocks joined the party over May, delivering their best May returns since 2009. The restarting of economies and stimulus measures benefitted growth-focused funds like Montanaro European Smaller Companies and Baillie Gifford European Growth, in particular. The price of Brent Crude oil increased by over 80%, which was very good news for the two Riverstone funds (Riverstone Energy and Riverstone Credit Opportunities Income). Over half of Edinburgh Worldwide’s portfolio is invested in healthcare and technology, two of the most Covid-19 friendly sectors. Leasing fund, SQN Asset Finance Income, has been one of the worst performers since March, with many of its counterparties heavily impacted. Turning sentiment created a value opportunity, pushing the shares up nearly 50%. The direct lender, VPC Specialty Lending, has been coping well – most of its lending is to US consumers. It says that requests for payment relief have been tailing-off.

NB Distressed wrote down its Exide Technologies investment. DP Aircraft 1 was forced to take equity in Norwegian Air Shuttle in place of its leases. The leasing sector has had by far the worst year so far (see ‘Appendix 1’). So long as aircraft remain grounded, the airlines will require ongoing state-support. The prospect of social distancing at universities next year will do little to entice new international students, hurting sentiment towards GCP Student Living and Empiric Student Property. May saw a 93% y-o-y decline in gaming revenues in Macau, pulling down Macau Property Opportunities’s NAV. Elsewhere, private equity funds have not been participating in the rally – the median total market return of the sector over the year-to-date to end-May was (23.7%), BMO Private Equity had the worst month. The pandemic will delay exits, with return expectations materially re-adjusted. Many PE-backed companies in Europe have not been able to access state support, as a result of their heavily geared capital structures. Crystal Amber’s discount widened. Majedie’s relatively higher weight in energy, compared to some of its global peers, has weighed on its performance. JPMorgan Indian’s NAV and shares declined over May. India implemented one of the most stringent lockdowns and the economic legacy in India will be severe. Furthermore, the stimulus announced in May appears to be less helpful in boosting aggregate demand than had initially been hoped.

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

% discount (-ve) or premium (+ve)	31 May (%)	30 Apr (%)
Riverstone Energy	(25.9)	(64.8)
Riverstone Credit Opportunities Income	(24.6)	(47.9)
Augmentum Fintech	(2.0)	(24.2)
VPC Specialty Lending	(26.9)	(47.4)
SQN Asset Finance Income	(49.9)	(66.1)
Electra Private Equity	(46.4)	(62.6)
Merian Chrysalis	4.0	(10.5)
CVC Credit Partners Euro. Oppor. GBP	(10.7)	(24.4)
Schroder UK Public Private	(41.9)	(55.0)
JPMorgan Global Core Real Assets	14.8	1.6

Source: Morningstar, Marten & Co

Cheaper relative to NAV (notable changes)

% discount (-ve) or premium (+ve)	31 May (%)	30 Apr (%)
Drum Income Plus REIT	(36.9)	(21.8)
Doric Nimrod Air Three	(53.1)	(42.5)
DP Aircraft I	(85.3)	(74.8)
Henderson Euro	(15.2)	(5.1)
EJF	(24.7)	(14.6)
Brunner	(10.8)	(1.0)
North American Income	(8.8)	0.7
BMO Private Equity	(19.3)	(9.9)
Middlefield Canadian Income	(17.8)	(8.3)
City Merchants High Yield	(8.2)	1.0

Source: Morningstar, Marten & Co

Electra Private Equity's shares increased by 43% over May – by far the sector's best return, though it remains one of the worst performers over the year. The re-opening of TGI Fridays restaurants over the coming weeks, one of its two-main holdings, attracted buyers. CVC Credit Partners European Opportunities has not suspended dividends, like other debt funds. Growth Capital-sector fund, Merian Chrysalis, holds a number of tech-focused 'disrupters.' Schroder UK Public Private has also been recovering ground of late, helped by its healthcare tilt and the placing of the stock held by Woodford's open-ended funds.

Commercial property-focused Drum Income Plus REIT is having a tough time – it reported a huge NAV decline for the first quarter. Henderson Euro's discount spiked out briefly and has narrowed again in June. Brunner lost its well-liked manager. Somewhat peculiarly, North American Income's discount widened to a post-pandemic period peak over May, before narrowing again. The fund's dividend is fully covered and US equity income funds have not been hit to the same extent, as UK equivalents, by companies halting distributions. Middlefield Canadian Income's relatively high exposure to energy and real estate is largely behind its widening discount.

Money raised and returned in May

Money raised in May

	(£m)
Renewables Infrastructure Group	120.0
Scottish Mortgage*	95.2
Worldwide Healthcare*	70.9
Polar Capital Technology*	24.5
Edinburgh Worldwide*	20.4

Source: Morningstar, Marten & Co. *Note: based on approximate value of shares at 29/05/20

Money returned in May

	(£m)
Pershing Square Holdings*	(32.5)
Riverstone Energy*	(25.9)
Fidelity China Special Situations*	(21.6)
CVC Credit Partners Euro. Oppor. GBP*	(11.2)
Alcentra Eur Floating Rate*	(9.7)

Source: Morningstar, Marten & Co. *Note: based on approximate value of shares at 29/05/20

Over £290m of net new money was raised, with Renewables Infrastructure Group's £120m share issue, leading the way. This was another show of confidence towards renewables and the relative certainty of income the sector provides. Elsewhere, the money is going where the performance is. Scottish Mortgage's soaring NAV attracted new investors. Worldwide Healthcare raised £70.9m through a series of issuances, with its diversified healthcare strategy (by sub-sector and geography) finding favour at a time where the sector is very much in favour. A further seven funds raised £10m or more, led by Polar Capital Technology and Edinburgh Worldwide.

Pershing Square continues to make significant commitments to narrow its discount through buybacks. Elsewhere, buybacks were led by Riverstone Energy, Fidelity China Special Situations, CVC Credit Partners European Opportunities and Alcentra European Floating Rate Income.

Major news stories over May – from our website

Portfolio developments

- BMO UK High Income reflected on the challenges facing the UK equity income sector
- US Solar made its fifth purchase
- Merian Chrysalis has been coping well through its tech-enabled disrupter focus
- VPC Specialty Lending seemed to be coping fairly well
- We had final results from HICL Infrastructure with long-term demand for infrastructure likely to remain robust
- Schroder AsiaPacific sees anti-globalisation tide drawing strength from the pandemic
- BlackRock World Mining benefits as gold equities 'caught-up'
- Scottish Mortgage continued to provide an effective shelter
- Aberdeen Asian Income benefitted from tech and Chinese consumption
- There was an update from DP Aircraft 1 following a conditional equity swap agreement with Norwegian Air Shuttle
- Polar Capital Global Financials said it would maintain an equivalent level dividend this year

Corporate news

- 'Ways to thrive in a crisis' – QuotedData opinion piece
- India Capital Growth continuation vote – urgent video from the board to its shareholders. Also see: India Capital Growth wants time to recover
- SQN Secured Income board said vote against continuation
- Ecofin is growing again

Property news

- Is a central London powerhouse REIT on the cards?
- British Land's portfolio valuation plummeted 10.1%
- We looked at what was next for landlords in the battle with Travelodge
- Phoenix Spree Deutschland collected 98% of April rent as Germany eases restrictions
- Civitas Social Housing collected 99% of rent over March-end quarter

Managers and fees

- Marwyn Value Investors' announced manager payday as discount languished
- RM Secured Lending cut its management fee
- Aberdeen New Thai's board got tough after poor year

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

Income

Investment companies announcing their full year dividends in May

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
3I Infrastructure	31/03/20	9.2	+6.4	26.4[a]	2.87x
Aberdeen Asian Income	31/12/19	9.3	+1.1	9.4	1.01x
Aberdeen New Thai	28/02/20	19.0	+5.6	19.8	1.04x
Aberdeen Standard European Logistics Income	31/12/19	€5.8c	+241.2	€3.7c	0.64x
Aurora	31/12/19	4.5	+12.5	5.4	1.20x
Blackstone/GSO Loan Financing	31/12/19	€0.1	Nil	€0.2	2.00x
BMO UK High Income	31/03/20	5.2	+3.4	3.5	0.67x
Caledonia	31/03/20	61.1	+3.0	62.6	1.02x
Capital Gearing	05/04/20	42.0	+20.0	59.1	1.41x
Honeycomb	31/12/19	80.0	Nil	79.3	0.99x
ICG-Longbow Senior Secured UK Property Debt	31/01/20	6.0	Nil	5.0	0.83x
LXI	31/03/20	5.8	+0.3	15.2	2.62x
North Atlantic Smaller Companies	31/01/20	30.0	Nil	41.2	1.37x
Pollen Street Secured Lending	31/12/19	48.0	Nil	53.0	1.10x
Standard Life Investments Property Income	31/12/19	4.8	+12.8	4.8[b]	1.00x
TR Property	31/03/20	14.0	+3.7	14.6	1.04x
Urban Logistics REIT	31/03/20	7.6	+8.6	4.0[b]	0.53x
VPC Specialty Lending	31/12/19	8.0	Nil	8.1	1.01x
Witan Pacific	31/01/20	7.2	+2.1	7.2	1.00x

* Unless otherwise specific

a) Basic and diluted earnings per share

b) EPRA earnings per share

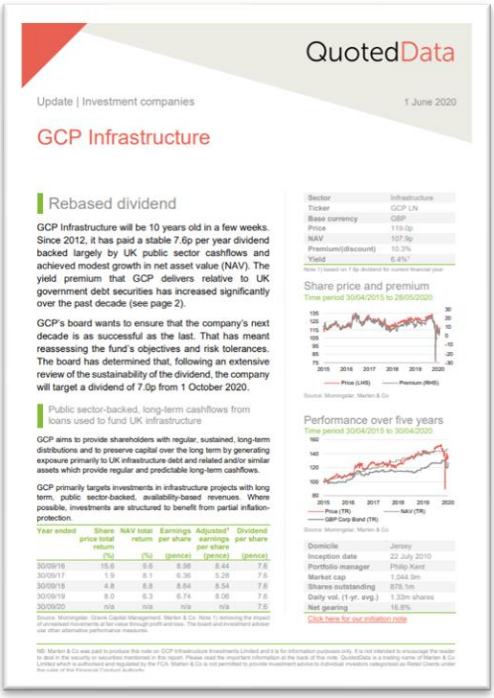
Upcoming events

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:

- After the virus: Investing for the new normal – webinar – 9 June 2020
- Aberdeen New Thai AGM 2020, 23 June 2020
- NB Distressed Debt AGM 2020, 25 June 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
- Sustainable & Social Investing Conference, 3 December

Master Investor – the UKs largest private investor show – 5 December 2020

Publications



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Update | Investment companies 1 June 2020

GCP Infrastructure

Rebased dividend

GCP Infrastructure will be 10 years old in a few weeks. The yield premium that GCP delivers relative to UK government debt securities has increased significantly over the past decade.

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Update | Investment companies 26 May 2020

India Capital Growth

Needs more time

India Capital Growth's (IGC's) board is asking investors to back a continuation vote scheduled for 12 June 2020 and it is important that shareholders make their vote count. We explain why the fund needs more time. When small and midcap valuations return to trading at long-term average valuations, IGC's share price could improve meaningfully.

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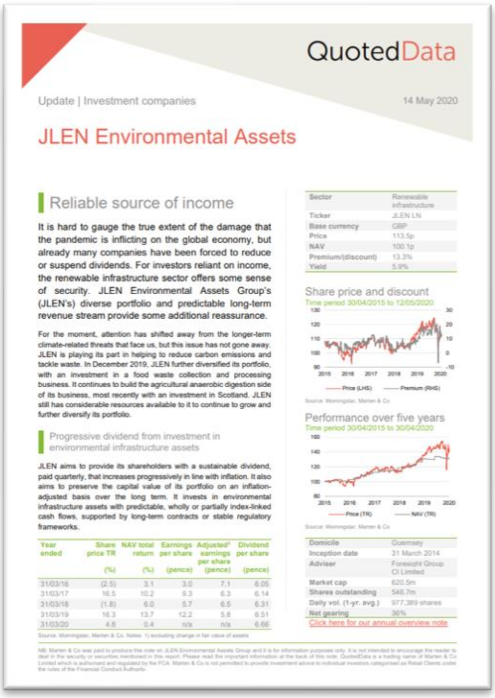
Update | Investment companies 20 May 2020

Henderson High Income Trust

Able to commit to the dividend

Recent market falls have left Henderson High Income Trust (HHI) trading on a 7.3% dividend yield. This is a significant premium to the yield on the UK market, which has been hit by a swathe of dividend cuts. We explain why HHI can maintain its quarterly dividend at 2.475p for the remainder of the year.



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Update | Investment companies 14 May 2020

JLEN Environmental Assets

Reliable source of income

For investors reliant on income, the renewable infrastructure sector offers some sense of security. JLEN Environmental Assets Group's (JLEN's) diverse portfolio and predictable long-term revenue stream provides some additional reassurance.

After a brief period of extreme volatility in stock markets related to the coronavirus COVID-19 outbreak, confidence is returning in the technology sector. Polar Capital Technology Trust (PCT), buoyed by its strong track record, is attracting the attention it deserves. It has seen its discount eliminated

Vietnam, which was quick and tenacious in its response to the outbreak of the virus, is a bright spot in these otherwise difficult times. With very supportive long-term structural growth drivers, now may be a good entry point.

The logistics sector, in which Aberdeen Standard European Logistics Income (ASLI) invests, would appear to be one of the few property sectors that could see occupier demand increase in the long term as a result of the coronavirus pandemic. With some form of a lockdown enforced in most European countries, there has been a spike in ecommerce orders. A whole new group of people have been introduced to online retailing, which is expected to speed up penetration rates across Europe and reinforce long-term systemic changes in the logistics sector.

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 – median performance by sector

	Share price (%), YTD*	Share price total return (%), May	NAV total return (%), May	Change in discount (%)	Discount (%), 31/05/20	Discount (%), 30/04/2020
Insurance & Reinsurance	31.2	12.8	2.0	3.3	(7.5)	(10.8)
Technology & Media	23.0	9.1	11.9	(2.6)	(0.1)	2.5
Biotechnology & Healthcare	13.7	9.2	10.4	(0.4)	(0.6)	(0.3)
Growth Capital	6.2	22.8	0.0	13.9	(18.9)	(32.8)
Hedge Funds	(0.1)	8.8	2.0	(1.7)	(19.1)	(17.4)
Global Smaller Companies	(0.8)	7.2	9.6	(2.8)	(9.8)	(7.1)
Renewables	(1.3)	4.3	1.5	1.5	10.2	8.7
Japanese Smaller Companies	(1.6)	7.2	10.7	(3.1)	(6.2)	(3.1)
Japan	(4.3)	9.1	12.3	(0.5)	(10.3)	(9.8)
Infrastructure	(5.8)	2.4	0.0	3.1	9.0	6.0
Europe	(6.2)	4.5	8.2	(3.9)	(10.9)	(7.0)
Environmental	(6.3)	1.9	6.8	(4.8)	(4.6)	0.2
Infrastructure Securities	(7.0)	0.2	6.3	(6.1)	(4.9)	1.2
Property - UK Healthcare	(8.4)	1.0	1.6	(0.0)	(5.9)	(5.9)
Global	(9.2)	3.4	6.2	(3.5)	(5.7)	(2.2)
Asia Pacific	(9.2)	4.5	2.9	0.7	(9.1)	(9.8)
Property - UK Residential	(9.6)	2.8	1.2	1.0	(11.0)	(12.1)
Global Equity Income	(10.1)	5.5	4.4	1.1	2.1	1.0
Country Specialist: Asia Pacific ex Japan	(10.2)	5.0	5.9	(2.5)	(16.3)	(13.9)
Property - Europe	(10.9)	0.8	0.0	(2.9)	(31.3)	(28.4)
European Smaller Companies	(11.4)	8.0	13.0	(4.0)	(14.0)	(10.0)
Debt - Loans & Bonds	(13.8)	1.9	3.4	1.0	(7.2)	(8.3)
Debt - Direct Lending	(14.4)	4.1	0.7	3.2	(24.6)	(27.8)
Flexible Investment	(14.5)	1.9	2.7	0.5	(7.1)	(7.6)
Asia Pacific Income	(15.1)	(0.6)	0.8	(1.4)	(4.3)	(2.9)

	Share price (%), YTD*	Share price total return (%), May	NAV total return (%), May	Change in discount (%)	Discount (%), 31/05/20	Discount (%), 30/04/2020
Global Emerging Markets	(15.7)	2.3	3.7	0.5	(13.2)	(13.7)
North America	(16.6)	3.7	7.0	(5.1)	(7.4)	(2.3)
Commodities & Natural Resources	(16.7)	10.0	2.0	0.8	(15.4)	(16.3)
North American Smaller Companies	(16.8)	9.1	11.5	(2.0)	(10.2)	(8.2)
UK Equity Income	(21.5)	0.7	3.2	(2.9)	(6.8)	(3.9)
Financials	(21.6)	4.2	0.8	(4.6)	(21.0)	(16.5)
Asia Pacific Smaller Companies	(21.7)	3.7	2.3	0.6	(16.0)	(16.6)
Property – Debt	(21.9)	0.0	0.0	0.4	(20.5)	(20.9)
Private Equity	(23.7)	0.0	0.0	(0.0)	(37.2)	(37.2)
UK Smaller Companies	(24.2)	1.7	4.2	(1.0)	(15.1)	(14.0)
Property - UK Commercial	(27.3)	3.0	0.0	1.4	(28.9)	(30.3)
Debt - Structured Finance	(28.3)	(0.7)	2.0	0.0	(19.1)	(19.1)
UK Equity & Bond Income	(28.5)	(1.2)	3.0	(3.5)	(9.5)	(6.0)
UK All Companies	(28.9)	1.8	5.2	(2.9)	(9.8)	(6.8)
Property - Rest of World	(30.6)	2.7	0.0	(5.9)	(56.4)	(50.5)
Latin America	(33.7)	8.4	11.1	(1.7)	(13.5)	(11.8)
Leasing	(55.6)	(13.7)	0.0	(0.4)	(66.5)	(66.1)

Source: Morningstar, Marten & Co. *Note: to 29/05/20

QuotedData

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