

August 2020

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Winners and losers in July

July's median total share price return from investment companies was 0% (the average was +0.3%), which compares with +2.8% last month. Over the year-to-date, median returns are down by (11.6%). Commodities and natural resources had the best month, led by the funds that invest in gold. The merits of infrastructure-based investments continue to look strong given the relative scarcity of equity income funds that have not been hit hard by the pandemic. Japanese stocks had a tougher month after cases of COVID-19 rose sharply. Japan had otherwise not been overly affected.

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 July by total price return

	Median share price total return (%)	Median NAV total return (%)	Change in median discount (%)	Median discount 31/07/20 (%)	Median discount 30/06/20 (%)	Number of companies in the sector	Median sector market cap 31/07/20 (£m)
Commodities & Natural Resources	11.8	3.3	5.3	(9.7)	(15.0)	10	50
Infrastructure Securities	8.1	6.7	2.1	(4.4)	(6.5)	2	91
European Smaller Companies	6.4	4.3	0.5	(14.1)	(14.6)	4	399
Debt - Structured Finance	4.4	(0.2)	1.2	(11.8)	(13.0)	6	177
Property - UK Healthcare	3.4	0.0	3.1	0.3	(2.8)	2	416

Source: Morningstar, Marten & Co. Note: Taking into account sectors with at least two companies. *Note: Many alternative asset sector funds release NAV performance on a quarterly basis

Worst performing sectors in July by total price return

	Median share price total return (%)	Median NAV total return (%)	Change in median discount (%)	Median discount 31/07/20 (%)	Median discount 30/06/20 (%)	Number of companies in the sector	Median sector market cap 31/07/20 (£m)
Insurance & Reinsurance Strategies	(5.9)	(5.9)	1.9	(19.2)	(21.1)	4	42
UK Equity & Bond Income	(5.3)	(1.9)	(3.3)	(14.2)	(10.9)	2	106
Hedge Funds	(4.6)	(1.5)	(5.8)	(27.0)	(21.2)	11	66
Japan	(4.4)	(5.7)	2.2	(8.6)	(10.8)	6	211
North American Smaller Companies	(3.4)	(2.2)	(1.2)	(12.8)	(11.6)	2	142

Source: Morningstar, Marten & Co. Note: Taking into account sectors with at least two companies. *Note: Many alternative asset sector funds release NAV performance on a quarterly basis. *Note: average sector return used

Winners and losers continued...

Best performing funds in NAV terms in July

	(%)
Geiger Counter	15.9
Golden Prospect Precious Metals	14.4
CQS Natural Resources Growth and Income	11.2
Premier Global Infrastructure	10.7
JPMorgan Brazil	7.7
Fidelity China Special Situations	7.0
Baillie Gifford US Growth	6.8
Augmentum Fintech	6.6
Miton UK Microcap	6.5
JPMorgan China Growth & Income	5.9

Source: Morningstar, Marten & Co. Note: Filters out trusts with market cap below £15m at 31/07/20

Best performing funds in price terms in July

	(%)
HWSI Realisation	93.1
Golden Prospect Precious Metals	35.1
UK Mortgages	29.2
AEW UK REIT	22.0
Oryx International Growth	19.4
Chenavari Toro Income	17.1
Doric Nimrod Air One	17.1
CQS Natural Resources Growth and Income	16.3
Schroder Real Estate	15.8
UK Commercial Property REIT	14.9

Source: Morningstar, Marten & Co. Note: Filters out trusts with market cap below £15m at 31/07/20

Shares in **CQS Natural Resources Growth and Income** and **Golden Prospect Precious Metals** had another strong month, with gold in particular riding on a crest of wave. The gold price is up over 30% this year. **Geiger Counter** is benefitting from a fall in global uranium production as a result of the pandemic. Shares in the debt fund, **HWSI Realisation**, nearly doubled after it was subject to a cash offer from Cubitt Trade Holdings. The bid swiftly followed news that M&G had made several proposals to acquire **UK Mortgages**. Interest in the sector raises the spectre that investors have mispriced these debt funds. **Augmentum Fintech** has featured regularly in the 'winners' section since April, with digitisation take-up being propelled by the pandemic. Property funds have been suffering the brunt of the economic fallout, so there was some welcome respite for **UK Commercial Property REIT** and **Schroder Real Estate**, as the UK began to re-open its retail and on-trade sectors. **JPMorgan Brazil**'s board are recommending the fund be wound up, with the recent revival in its performance coming too late. With a market capitalisation below £25m, the fund has struggled to grow, having been hampered in this respect by historically poor performance against its benchmark. Price rises in **Fidelity China Special Situations** and **JPMorgan China Growth and Income** came as the Chinese market had a very strong month, with a significant pickup in foreign capital and renewed interest

Worst performing funds in NAV terms in July

	(%)
Temple Bar	(10.0)
VietNam Holding	(9.1)
Vietnam Enterprise	(8.7)
Schroder Japan Growth	(8.1)
Biotech Growth	(8.0)
Aberdeen New Thai	(8.0)
Merchants	(7.7)
VinaCapital Vietnam Opportunity	(7.7)
Aberdeen Japan	(6.6)
Baillie Gifford Shin Nippon	(6.6)

Source: Morningstar, Marten & Co. Note: Filters out trusts with market cap below £15m at 31/07/20

Worst performing funds in price terms in July

	(%)
Riverstone Energy	(36.1)
DP Aircraft I	(31.8)
KKV Secured Loan Fund	(18.5)
Gabelli Merger Plus+	(17.1)
BH Macro USD	(14.7)
Symphony International	(14.4)
Chelverton UK Dividend	(12.6)
Aurora	(11.9)
Crystal Amber	(11.7)
Aberforth Smaller Companies	(11.7)

Source: Morningstar, Marten & Co. Note: Filters out trusts with market cap below £15m at 31/07/20

in stocks by Chinese retail investors, with new trading account numbers up considerably.

NAVs in **VietNam Holding**, **Vietnam Enterprise**, and **VinaCapital Vietnam Opportunity** declined in response to the country's first outbreak of COVID-19. It was a similar story in Japan, which like Vietnam had previously not been overly impacted. Over July, daily new cases in Japan climbed above a thousand for the first time, hitting the NAVs of **Schroder Japan Growth**, **Aberdeen Japan**, and **Baillie Gifford Shin Nippon**. Already down by about 20% by mid-July, **Riverstone Energy**'s shares fell further after its manager (Riverstone Holdings) completed a \$1.1bn recapitalisation in Enviva, the world's largest supplier of utility grade renewable biomass fuel in the form of wood pellets. **DP Aircraft 1** is trading at a near 90% discount. Over July, shareholders granted it permission to issue new shares at a discount to NAV, which though unusual for investment companies, reflects the unique challenges facing aircraft leasing companies. Most of the increases in flight volumes around the world have been driven by cargo rather than commercial. **Aurora** has a lot of exposure to sectors that have been particularly hard hit, through holdings that include EasyJet, Ryanair, Barratt Developments, and Frasers Group (formerly Sports Direct International).

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Jul (%)	30 Jun (%)
HWSI Realisation	(10.2)	(53.5)
UK Mortgages	(20.0)	(37.9)
AEW UK REIT	(13.3)	(28.7)
Golden Prospect Precious Metals	(2.2)	(17.3)
Merian Chrysalis	19.7	5.4

Source: Morningstar, Marten & Co

The widening in **Merian Chrysalis**'s premium was share price led following the announcement that it had generated a significant return by partially realising its stake in TransferWise. The sale was the fund's first since launching in late 2018. **AEW UK REIT** has been faring better than most of its peers in the UK commercial property sector. Over July, it reported an increase in its quarterly NAV while announcing that its dividend would be maintained. The other funds listed were discussed in the 'winners and losers' section above.

Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Jul (%)	30 Jun (%)
Riverstone Energy	(44.3)	(12.8)
BH Macro USD	4.4	16.6
Chelverton UK Dividend	(9.6)	2.1
Gabelli Merger Plus+	(31.4)	(21.2)
Crystal Amber	(25.5)	(15.6)

Source: Morningstar, Marten & Co

Chelverton UK Dividend's shares are down by over 40% so far this year. It runs a split capital structure and has a heavy bias to smaller companies. Hedge fund sector company, **Gabelli Merger Plus+**'s shares were down 17.1%. It has been a tough year for its US-focused catalyst style. **BH Macro USD**, which invests in the Brevan Howard Master Fund, has otherwise had very good year, with its USD and GBP share classes among the top 15 best performing investment companies so far this year, in price terms.

Money raised and returned in July

Money raised in July

	(£m)
HICL Infrastructure	120.0
Scottish Mortgage*	29.1
Worldwide Healthcare*	27.1
Personal Assets*	25.8
Edinburgh Worldwide*	25.7

Source: Morningstar, Marten & Co. *Note: based on approximate value of shares at 31/07/20

HICL Infrastructure raised £120m, with £75m to be used to pay down its revolving credit facility and the rest used for growth. The issue was heavily oversubscribed with alternative asset classes like infrastructure able to provide a better outlook for dividends than equity funds. Elsewhere, **Scottish Mortgage** continued to issue stock, while **Edinburgh Worldwide**, **Personal Assets**, and **Worldwide Healthcare** also raised more than £20m.

Money returned in July

	(£m)
Alcentra European Floating Rate Income*	(45.1)
Pershing Square*	(25.8)
Witan*	(16.8)
SME Credit Realisation*	(14.2)
Alliance*	(10.5)

Source: Morningstar, Marten & Co. *Note: based on approximate value of shares at 31/07/20

Alcentra European Floating Rate Income led share buybacks, followed by **Pershing Square**, **Witan**, **SME Credit Realisation**, and **Alliance Trust**.

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Major news stories over July – from our website

Portfolio developments

- **Octopus Renewables Infrastructure** bought some French solar assets
- **Henderson Smaller Companies** significantly outperformed and maintained its final dividend
- **Merian Chrysalis** revealed a partial realisation from its TransferWise
- **Hipgnosis** signed a deal with Rodney Jerkins. Earlier in the month, it also launched its latest fundraise
- **RTW Venture's** iTeos holding IPOed at a 1.8x multiple to the fund's investment
- **TwentyFour Income** provided an outlook for the CLO market
- **Gore Street Energy Storage** expects to benefit from a legislation change that could see grid projects triple
- **Personal Assets** bucked the trend
- **Augmentum** is proving resilient
- **Polar Capital Technology** beat its benchmark in a wild year
- **Aberdeen Emerging Markets** has been backing the right funds
- **Atlantis Japan's** discount widened despite a dividend hike
- **Hg** invested in F24, a pan-European sector leader for emergency notification
- **Invesco Asia** has been caught out by COVID-19

Corporate news

- **Perpetual Income and Growth** and **Murray Income** are set to merge
- **Witan Pacific** is moving to Baillie Gifford, where it will become a fund focused on China
- **Gabelli Value Plus+** failed its continuation vote
- **JPMorgan Brazil's** board advised shareholders to vote in favour of winding up the fund
- **Aberdeen Frontier Markets** is to be wound up after failing to beat its benchmark over the two years to 30 June 2020
- **Cubitt Trade Holdings** made a cash offer for **HWSI Realisation**
- **M&G** said that it had made several approaches to the board of **UK Mortgages**
- **Fair Oaks Income** is bringing its dividend back
- **HICL** has been fundraising
- **JZ Capital Partners** will hold an EGM in August after proposing to amend its investment policy

Property news

- **Supermarket Income REIT** added a Tesco site as well as signing a new £60m RCF
- **SEGRO** announced a debt redemption and new debt finance
- **AEW UK REIT** has been holding up well
- **Schroder REIT** reinstated its dividend at 50% of previous level
- **Great Portland Estates** tapped into deposits to collect 69% of rents
- **Primary Health Properties** reported a 7.1% jump in earnings
- **Residential Secure Income** agreed a new £300m debt facility
- Solid results from **Civitas** set the stage for growth
- **ASLI** reaffirmed dividend after better than expected rent collection

Managers and fees

- **Princess Private Equity** agreed a fee cut with its manager
- **City Merchants High Yield** appointed Rhys Davies as named lead manager

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Income

Investment companies announcing their full year dividends in July

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue/earnings (pence)*	Cover
Chelverton UK Dividend	30/04/20	9.6	+7.0	9.5	0.99x
Gabelli Value Plus+	31/03/20	1.0	+33.3	1.1	1.10x
Invesco Asia	30/04/20	7.0	+22.8	7.8	1.11x
Invesco Income Growth	31/03/20	11.8	+2.6	11.1	0.94x
Monks	30/04/20	2.5	+35.1	4.2	1.68x
Securities Trust of Scotland	31/03/20	6.4	+1.6	6.5	1.02x
TwentyFour Income	31/03/20	6.4	(1.5)	(0.1) ^a	N/A
Value and Income	31/03/20	12.1	+2.5	10.2	0.84x

* Unless otherwise specific

a) Basic and diluted 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:

- Aberdeen New Dawn AGM 2020, [2 September 2020](#)
- Polar Capital Technology AGM 2020, [2 September 2020](#)
- Atlantis Japan AGM 2020, [10 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](#)





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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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*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.

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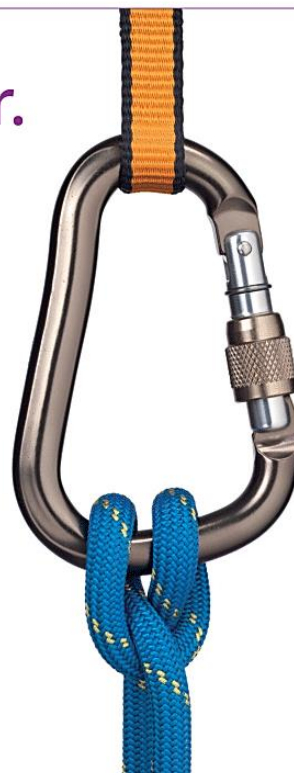
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Research notes publications over July

Update | Investment companies
5 August 2020

Seneca Global Income & Growth

On the rebound

Seneca Global Income & Growth Trust's (SIGT's) UK-biased value style and mid-cap exposure suffered heavily during the first quarter of 2020 as markets collapsed – its net asset value (NAV) fell by some 30.4%. However, the manager used the rout to take advantage of deep value opportunities and SIGT has benefited as markets have rebounded – up 16.5% during the second quarter. The manager believes there is much more to come.

We cannot be sure how the pandemic will unfold from here. SIGT's manager thinks that a v-shaped recovery is unlikely but envisages that multi-year global progress in economies and markets is possible. It has assessed SIGT's portfolio and concluded that most of the stocks can survive a long lockdown. It believes that in five years' time, the current valuations of most of these will look cheap when we are in a normalised economic environment. It is therefore taking a long-term view.

Multi-asset, low volatility, with yield focus

Over a typical investment cycle, SIGT seeks to achieve a total return of at least the Consumer Price Index (CPI) plus 6% per annum, after costs, with low volatility and with the aim of growing aggregate annual dividends at least in line with inflation. To achieve this, SIGT invests in a multi-asset portfolio that includes both direct investments (mainly UK equities) and commitments to open- and closed-end funds (overseas equities, fixed income and specialist assets).

Year ended	Share price total return (%)	NAV total return (%)	MSCI World total return (%)	MSCI UK total return (%)
30/06/16	1.7	0.2	3.8	15.1
30/06/17	25.6	23.9	3.1	22.3
30/06/18	3.3	3.8	8.6	8.9
30/06/19	6.6	6.7	8.2	10.9
30/06/20	(30.4)	(28.4)	6.8	(15.4)

Share price and discount
Time period 30/06/2016 to 31/07/2020

Performance over five years
Time period 30/06/2015 to 30/06/2020

Domestic United Kingdom
Inception date 19 August 2005
Manager Team managed
Market cap 60.4m
Shares outstanding 43.2m
Daily vol. (1-yr. avg.) 111.1k shares
Net gearing 11.1%

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Seneca Global Income & Growth Trust's (SIGT's) UK-biased value style and mid-cap exposure suffered heavily during the first quarter of 2020 as markets collapsed. However, the manager used the rout to take advantage of deep value opportunities and SIGT has benefited as markets have rebounded. The manager believes there is much more to come.

Shires Income (SHRS) has been weathering the storm of dividend cuts better than many of its peers. Holding a portfolio of preference shares, which contribute over 30% to income generation – and, crucially, have not been affected by regulatory restrictions on dividends – has proved to be a major competitive advantage.

Update | Investment companies
31 July 2020

Shires Income

Preference shares paying dividends

Shires Income (SHRS) has been weathering the storm of dividend cuts better than many of its peers. Holding a portfolio of preference shares, which contribute over 30% to income generation – and, crucially, have not been affected by regulatory restrictions on dividends – has proved to be a major competitive advantage.

SHRS's manager, Iain Pyle, expects to take a slightly more active approach to managing the portfolio going forward, with the pandemic likely to re-shape a number of industries. SHRS has been recovering ahead of most of its peer-group, with its high dividend yield and exposure to growth companies proving compelling enough for it to be in a position to issue shares over July. As a closed-end fund, SHRS can draw on its reserves to maintain the dividend when there is a shortfall in revenue income (a distinct advantage over open-ended funds). In this regard, SHRS dividend remains well protected with revenue reserves of 1.1x the most recent annual dividend.

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 diversified portfolio substantially invested in UK equities but also in preference shares, convertible, and other fixed income securities.

Year ended	Share price total return (%)	NAV total return (%)	MSCI UK total return (%)	MSCI World total return (%)
30/06/16	(7.7)	0.8	4.4	(3.8)
30/06/17	27.6	23.5	16.7	23.5
30/06/18	16.5	5.7	8.3	14.8
30/06/19	2.9	1.3	1.7	16.3
30/06/20	(7.1)	(8.0)	(15.2)	(11.3)

Share price and discount
Time period 30/06/2015 to 29/07/2020

Performance over five years
Time period 30/06/2015 to 30/06/2020

Domestic United Kingdom
Inception date 25 March 1929
Manager Iain Pyle
Market cap 69.8m
Shares outstanding 30.8m
Daily vol. (1-yr. avg.) 48.3k
Net gearing 20%

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Shires Income (SHRS) has been weathering the storm of dividend cuts better than many of its peers. Holding a portfolio of preference shares, which contribute over 30% to income generation – and, crucially, have not been affected by regulatory restrictions on dividends – has proved to be a major competitive advantage.

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 diversified portfolio substantially invested in UK equities but also in preference shares, convertible, and other fixed income securities.

Update | Investment companies
21 July 2020

Henderson Diversified Income Trust

Favourable style and structure

Henderson Diversified Income (HDIV) is managed with a distinct investment style which favours businesses with sustainable cash flows. Some of the sectors that have been worst affected by the COVID-19 pandemic, such as airlines and energy, were therefore absent from the portfolio. The managers took advantage of HDIV's closed-end structure to make some opportunistic investments and increase gearing close to the bottom of markets. These transactions help lay the foundations for future outperformance and underpin HDIV's dividends at a time when equity dividends are under pressure. Given this, we believe that HDIV's discount looks odd and may present a buying opportunity.

High income from a flexible fixed income portfolio

HDIV's objective is to seek income and capital growth such that, on a rolling annual basis, the total return on the NAV exceeds three-month sterling LIBOR plus 2%. It invests in a diversified portfolio of global assets including secured loans, government bonds, high-yield (sub-investment grade) corporate bonds, unrated corporate bonds, investment grade corporate bonds and asset-backed securities. The trust may also invest in high-yielding equities and derivatives. The managers use gearing to enhance returns.

Dividends, which make up the bulk of returns for investors, are paid quarterly.

Year ended	Share price total return (%)	NAV total return (%)	Three-month LIBOR plus 2% (1-yr. avg.) (%)
30/06/16	3.5	4.7	2.6
30/06/17	13.2	10.3	2.4
30/06/18	(2.0)	(1.7)	2.4
30/06/19	14.0	9.3	2.8
30/06/20	(8.1)	4.6	2.6

Share price and premium
Time period 30/06/2015 to 17/07/2020

Performance over five years
Time period 30/06/2015 to 30/06/2020

Domestic United Kingdom
Inception date 18 July 2007
Manager John Farranto and James Barnard
Market cap 162.2m
Shares outstanding 191.1k shares
Daily vol. (1-yr. avg.) 259,733 shares
Net gearing 31.5%

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Henderson Diversified Income (HDIV) is managed with a distinct investment style which favours businesses with sustainable cash flows. The managers took advantage of HDIV's closed-end structure to make some opportunistic investments and increase gearing close to the bottom of markets. These transactions help lay the foundations for future outperformance and underpin HDIV's dividends.

Annualised returns over the past five years have been in the double-digits, while nearly half of SLPE's portfolio is in the more resilient consumer staples, technology, and healthcare sectors. SLPE provides underlying company exposure to European success stories such as Action (non-food discounter) and TeamViewer (remote support software).

Update | Investment companies
15 July 2020

Standard Life Private Equity Trust

Share price out of sync?

Private equity fund of funds, like Standard Life Private Equity (SLPE), have been on the periphery of the recovery in global stocks. Investors have attempted to anticipate the COVID-19 impact on net asset value (NAV), given the lag in valuing private companies, but have failed to reflect the rebound in markets. With its discount widening to nearly 25%, SLPE's shares appear to have been penalised disproportionately.

Annualised returns over the past five years have been in the double-digits, while nearly half of SLPE's portfolio is in the more resilient consumer staples, technology, and healthcare sectors. SLPE provides underlying company exposure to European success stories such as Action (non-food discounter) and TeamViewer (remote support software). The bulk of its primary fund commitments made over the past year or so have been to strategies with a strong tech-focus. SLPE is also one of the few listed private equity funds to have a specific dividend policy.

Private equity fund of funds with a European bias

SLPE aims to achieve long-term total returns through a diversified portfolio of private equity funds, and direct investments into private companies alongside private equity managers (co-investments), the majority of which will have a European focus. Its portfolio is more concentrated than those of most of its peers; the top 10 underlying private equity funds accounted for 47.9% of NAV, as at 31 March 2020. Like many private equity funds, SLPE has no formal benchmark. Historically, the portfolio has been most closely correlated to European small-cap indices.

Year ended	Share price total return (%)	NAV total return (%)	MSCI Eur. TR (%)	MSCI UK TR (%)	LPE TR (%)
30/06/17	7.3	22.9	9.1	5.1	12.3
30/06/18	21.9	21.6	21.1	25.4	12.3
30/06/19	1.4	10.2	11.0	4.2	10.1
30/06/20	(11.9)	(12.0)	(2.8)	6.4	1.1
30/06/20	(11.9)	(12.0)	(2.8)	6.4	1.1

Share price and discount
Time period 30/06/2015 to 16/07/2020

Performance over five years
Time period 30/06/2015 to 30/06/2020

Domestic United Kingdom
Inception date May 2001
Manager St. Charles Partners
Market cap 495.7m
Shares outstanding 153.7m
Daily vol. (1-yr. avg.) 132.3k shares
Net cash 13.0%

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Private equity fund of funds, like Standard Life Private Equity (SLPE), have been on the periphery of the recovery in global stocks. Investors have attempted to anticipate the COVID-19 impact on net asset value (NAV), given the lag in valuing private companies, but have failed to reflect the rebound in markets. With its discount widening to nearly 25%, SLPE's shares appear to have been penalised disproportionately.

SLPE aims to achieve long-term total returns through a diversified portfolio of private equity funds, and direct investments into private companies alongside private equity managers (co-investments), the majority of which will have a European focus. Its portfolio is more concentrated than those of most of its peers; the top 10 underlying private equity funds accounted for 47.9% of NAV, as at 31 March 2020. Like many private equity funds, SLPE has no formal benchmark. Historically, the portfolio has been most closely correlated to European small-cap indices.

QuotedData
15 July 2020
Initiation | Real estate

Grit Real Estate Income Group

Africa, substantially de-risked

Grit Real Estate Income Group (Grit) is flying the flag for African real estate investment. The significant growth potential of the continent's emerging economies has always come with some degree of risk attached to it. However, Grit's investment strategy enables it to retain exposure to that growth potential, while substantially de-risking it by leasing property to blue-chip multinational corporations, including government embassies, on US dollar and euro denominated leases.

Grit has built a reputation for being a trusted real estate partner for multinational companies operating across Africa and owns everything from offices to corporate accommodation. Strong tenant relationships have seen it expand its investment criteria to include development, which it hopes will turbo-boost returns. The group's share price is yet to recover to pre-crisis levels, putting it at a large discount to net asset value (NAV). With plans to de-list from the Johannesburg Stock Exchange in July – making London its primary listing, Grit's shares will grab the attention of a wider pool of investors. Some form of a capital raise is also on the cards, with a pipeline of accretive acquisitions already lined up.

Pan-African real estate

Grit is a pan-African real estate company that invests in and actively manages a diversified portfolio of assets in selected African countries (excluding South Africa). It aims to deliver strong and sustainable income for shareholders, with the potential for income and capital growth and is targeting a net total shareholder return inclusive of NAV growth of 12.0% per annum.

Year ended	Share price total return (%)	NAV total return (%)	EPRA earnings per share (US\$ cents)	Dividend per share (US\$ cents)
30/06/19	11.4	12.4	9.52	12.20
30/06/20	-	-	-	8.75

Source: Bloomberg, Marten & Co.

Key Metrics:
Sector: Real estate
Ticker: GR1T LN
Base currency: USD
Price: \$0.82
NAV: \$1.447
Premium/discount: (43.3%)
Yield: 14.9%

Share price and discount: Time period 31/07/2018 to 13/07/2020
Performance since launch: Time period 31/07/2018 to 13/07/2020

Domestic: Mauritius
Inception date: 31 July 2018
Market cap: \$251.0m
Shares outstanding: 308.3m
Daily vol. (1-yr. avg.): 207.2k shares
Loan to value: 43.9%

← Grit Real Estate Income Group (GR1T) is flying the flag for African real estate investment. The significant growth potential of the continent's emerging economies has always come with some degree of risk attached to it. However, Grit's investment strategy enables it to retain exposure to that growth potential, while substantially de-risking it by leasing property to blue-chip multinational corporations, including government embassies, on US dollar and euro denominated leases.

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.

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BY MARTEN & CO

AN INDEPENDENT GUIDE TO QUOTED INVESTMENT COMPANIES

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Appendix 1 – median performance by sector

	Share price total return YTD* (%)	NAV total return YTD* (%)	Share price total return July (%)	NAV total return July (%)	Change in discount (%)	Discount 31/07/20 (%)	Discount 30/06/20 (%)	Market cap 31/07/20 (£m)
Technology & Media	32.2	36.7	(0.4)	2.7	(3.1)	(3.2)	(0.1)	1,805
Global Smaller Companies	12.8	11.6	2.9	2.0	3.6	(7.1)	(10.7)	899
Royalties	10.0	4.8	1.9	1.3	2.5	18.9	16.4	721
Biotechnology & Healthcare	9.4	10.0	(2.9)	(5.9)	2.3	1.0	(1.3)	481
Insurance & Reinsurance Strategies	9.0	(0.2)	(5.9)	(5.9)	1.9	(19.2)	(21.1)	42
Growth Capital	7.9	1.3	(1.8)	0.0	7.1	(12.5)	(19.7)	335
Hedge Funds	5.8	8.6	(4.6)	(1.5)	(5.8)	(27.0)	(21.2)	66
Commodities & Natural Resources	5.3	(0.9)	11.8	3.3	5.3	(9.7)	(15.0)	50
Infrastructure Securities	4.6	2.5	8.1	6.7	2.1	(4.4)	(6.5)	91
Renewable Energy Infrastructure	0.8	1.4	2.1	0.0	5.4	17.9	12.5	496
Infrastructure	0.1	2.4	(0.9)	0.0	(3.3)	11.0	14.3	1,738
Liquidity Funds	(0.3)	0.7	(0.2)	0.2	(0.4)	(2.3)	(1.9)	4
Japanese Smaller Companies	(0.9)	(1.1)	(1.1)	(6.2)	4.0	(2.1)	(6.2)	122
Asia Pacific	(0.9)	2.5	1.5	1.9	(3.2)	(12.0)	(8.8)	315
Property - UK Healthcare	(2.3)	3.1	3.4	0.0	3.1	0.3	(2.8)	416
Europe	(3.9)	(0.2)	0.2	(1.3)	2.1	(9.4)	(11.5)	317
Japan	(4.2)	(3.9)	(4.4)	(5.7)	2.2	(8.6)	(10.8)	211
European Smaller Companies	(5.3)	2.8	6.4	4.3	0.5	(14.1)	(14.6)	399
Property - Europe	(6.0)	9.0	(1.9)	0.0	1.2	(19.5)	(20.6)	260
Debt - Structured Finance	(7.0)	(3.5)	4.4	(0.2)	1.2	(11.8)	(13.0)	177
Debt - Loans & Bonds	(7.4)	(3.1)	(2.3)	0.1	(0.7)	(4.7)	(4.0)	111
Global	(8.0)	(2.6)	(0.8)	(0.7)	0.1	(5.1)	(5.2)	432
Environmental	(8.4)	(1.8)	0.5	1.4	1.0	(10.6)	(11.6)	66
Global Emerging Markets	(9.0)	(7.2)	(0.9)	(0.8)	0.5	(10.6)	(11.1)	219
Country Specialists: Latin America	(9.5)	(21.1)	9.4	7.7	1.5	(7.9)	(9.4)	22
MEDIAN	(9.5)	(2.6)	0.1	0.0	1.2	(10.6)	(11.4)	219
Asia Pacific Income	(10.6)	(5.2)	0.4	0.9	(2.1)	(4.2)	(2.2)	409
Debt - Direct Lending	(10.6)	1.4	2.7	0.0	5.0	(20.9)	(26.0)	122
North America	(10.7)	(12.5)	2.1	(0.9)	4.3	(4.8)	(9.1)	223
Global Equity Income	(11.1)	(5.7)	(1.0)	(0.2)	0.8	(0.9)	(1.8)	377
Property - UK Residential	(11.6)	2.8	2.6	0.0	1.7	(15.0)	(16.7)	375
Country Specialist: Asia Pacific ex Japan	(12.6)	(8.1)	1.4	1.7	2.5	(11.0)	(13.4)	240
Flexible Investment	(13.5)	(5.3)	0.2	0.1	(1.6)	(9.7)	(8.1)	111
Country Specialist: Europe ex UK	(15.3)	(14.0)	0.0	(1.0)	0.9	(11.4)	(12.3)	274
Asia Pacific Smaller Companies	(16.1)	(10.0)	2.0	(3.0)	3.8	(11.9)	(15.7)	248
Private Equity	(16.5)	(2.9)	1.9	0.0	3.2	(29.8)	(33.0)	176
North American Smaller Companies	(18.5)	(9.1)	(3.4)	(2.2)	(1.2)	(12.8)	(11.6)	142
Financials	(23.2)	(11.9)	1.0	0.0	1.6	(24.0)	(25.6)	102
European Emerging Markets	(23.5)	(20.6)	0.3	(3.7)	2.7	(8.8)	(11.4)	82
UK Equity Income	(23.7)	(21.6)	(3.1)	(3.1)	1.3	(6.3)	(7.6)	251
UK Smaller Companies	(25.2)	(15.2)	0.1	0.0	1.5	(14.2)	(15.7)	85
Property - Rest of World	(27.2)	0.5	0.8	0.0	0.3	(55.6)	(55.9)	44
Property Securities	(28.1)	(13.8)	2.5	0.7	1.0	(13.2)	(14.2)	1,086
UK All Companies	(28.2)	(24.2)	(2.2)	(1.2)	0.8	(9.4)	(10.3)	156

	Share price total return YTD* (%)	NAV total return YTD* (%)	Share price total return July (%)	NAV total return July (%)	Change in discount (%)	Discount 31/07/20 (%)	Discount 30/06/20 (%)	Market cap 31/07/20 (£m)
Global High Income	(28.2)	(26.3)	0.0	(1.7)	1.3	(20.5)	(21.8)	13
Latin America	(28.5)	(26.8)	(1.3)	2.6	(3.9)	(14.3)	(10.4)	78
Property - UK Commercial	(31.4)	(1.1)	(2.1)	0.0	(2.5)	(32.1)	(29.5)	259
Property - Debt	(31.4)	(1.1)	(2.1)	0.0	(2.5)	(32.1)	(29.5)	259
UK Equity & Bond Income	(32.9)	(25.6)	(5.3)	(1.9)	(3.3)	(14.2)	(10.9)	106
Leasing	(50.3)	(16.7)	(3.0)	0.0	(0.6)	(51.3)	(50.7)	93

Source: Morningstar, Marten & Co. *Note: to 31/07/20

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