

## Income

This quarter we are publishing a list of the highest yielding investment companies based on forecast dividends. We are using Morningstar's figures for this. Figure 1 shows the list of highest yielding funds at the end of June 2015. We have tried to exclude from this list funds that are shrinking deliberately by handing back capital to shareholders.

**Figure 1: Highest yielding investment companies (data at 30/6/15)**

	Yield
Jupiter Dividend & Growth	15.7
Carador Income Fund	12.0
New City Energy	11.7
M&G High Income	10.0
Ranger Direct Lending	9.4
British & American	8.9
Fair Oaks Income	8.8
DP Aircraft One	8.5
Doric Nimrod Air One	8.4
Amedeo Air Four Plus	7.9
Blackstone / GSO Loan Financing.	7.9
Doric Nimrod Air Three	7.8
BlackRock Commodities Inc	7.6
Doric Nimrod Air Two	7.5
VPC Speciality Lending	7.4
Aberdeen Latin American Income	7.4
CQS New City High Yield	7.3
BlackRock World Mining	7.3
MedicX	7.3
SQN Asset Finance	7.0

Source: Morningstar

Jupiter Dividend & Growth is a split capital company that will wind up in November 2017. The way its structure works (it has a combination of ordinary income shares, common shares and zero dividend preference shares), its ordinary income shares have almost no net asset value right now but are entitled to a disproportionate share of the income generated by the company. M&G High Income is a similar story. Here we show the forecast yield on its income and growth units (comprising an income share and a capital share).

Carador Income invests in the lower tranches of CLOs (see our website for a detailed explanation). Its investment style leads it to earn quite a bit of income but this is often offset by capital losses, reducing the overall return that investors earn. Fair Oaks Income and Blackstone / GSO Loan Financing are similar funds.

New City Energy invests in companies involved in exploration, development and production of energy, and related service companies. The fall in the oil price and other commodities has hit it hard and its share price has more than halved over the past year. To date though it has managed to maintain its dividend, hence its high yield. BlackRock Commodities Income and BlackRock World Mining have been similarly affected though in Commodities Income's case its share price decline has been less dramatic.

Ranger Direct Lending and VPC Speciality Lending are two relatively new investment companies that are investing in loans originated on online platforms. These yields are based on forecasts made in their prospectuses that assumed the funds were fully invested but, in practice, it can take a little time to deploy capital raised in new issues.

British American's ordinary shareholders benefit from the presence of a convertible security in its capital structure which boosts the dividend but makes its net asset value more volatile.

DP Aircraft One, the three Doric Nimrod funds and Amedeo Air Four Plus are leasing planes. It is hard to tell what the resale value of these planes will be when the leases come to the end of their life. This resale value will have a big impact on their final net asset values and will determine whether these funds generate capital growth or losses.

MedicX's dividend was only covered 54% by its income last year so, at the moment, it is one of the funds boosting its income through capital distributions.

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