

Investment Companies Roundup

May 2015

QUOTEDATA

Last month we added a new section on income. We followed this up in the month with the publication of a special report on the importance of income and where to find it within the investment company market.

Winners and losers in April

April's "winners" are a relatively diverse group although trusts with emerging markets exposure (this includes Premier Energy & Water), have been amongst the top performers. Fidelity China Special Situations had a very strong April with NAV rising 17.7% with the price largely keeping pace. JPMorgan Brazil's share price performed well during the month but this is somewhat of a bounce following Brazilian weakness towards the end of March.

The "losers" in April are also a mixed bunch but the ongoing weakness in the natural resources sector continues to be a theme. Elsewhere, Invista European Real Estate suffered heavily following the announcement of the sale of its largest asset, Campus Heusenstamm, a collection of offices in Frankfurt, for €32m (22% below its valuation in the then most recently published NAV).

Best performing funds in price terms in April:

	(%)
Fidelity China Special Situations	+16.6
JPMorgan Brazil	+14.5
Geiger Counter	+14.0
Premier Energy and Water	+11.4
JPMorgan Chinese	+11.1
Lindsell Train	+10.2
GCP Student Living	+8.6
Baillie Gifford Shin Nippon	+7.7
Jupiter Dividend & Growth Trust	+7.6
BlackRock World Mining Trust	+7.5

Worst performing funds in price terms in April:

	(%)
Invista European Real Estate	-21.9
Ukraine Opportunity Trust	-20.4
Kuala	-16.1
International Oil & Gas Technology	-15.5
Praetorian Resources	-14.3
Aurora Russia	-12.2
Avanti Capital	-11.8
New India	-10.8
Adamas Finance Asia	-10.6
Baker Steel Resources	-10.6

Best performing funds in NAV terms in April:

	(%)
Fidelity China Special Situations	+17.7
Aurora Russia	+16.7
LXB Retail Properties	+12.9
JPMorgan Chinese	+9.2
Premier Energy and Water	+9.1
BlackRock Emerging Europe	+8.7
JPMorgan Russian Securities	+8.2
Baring Emerging Europe	+8.1
Weiss Korea Opportunity	+8.1
New City Energy	+7.3

Worst performing funds in NAV terms in April:

	(%)
Ottoman Fund	-32.9
JPMorgan Indian	-10.1
New India	-8.3
Dragon Ukrainian Properties	-2.4
P2P Global Investments	-2.3
Asian Total Return Investment Company	-2.3
Pacific Assets trust	-2.3
Monks	-2.2
Blue Planet Investment Trust	-2.2
Fidelity Japanese Values	-2.2

More expensive relative to NAV (notable changes)

British & American finished the month on a 19.5% premium (now 14.2%). It has proposed a final of 5.3p making a total dividend of 8.0p for the year – a yield of 8.4% on the current share price. Lindsell Train's share price performed very strongly during April, far outstripping NAV growth, which has been broadly sustained so that the Trust continues to trade at a 16% premium today.

Cheaper relative to NAV (notable changes)

One of the worst performing funds in price terms during April, Ukraine Opportunity Trust's board decided to double the discount applied to the valuation of its private equity investments to 60% during the month 'reflecting uncertainties in the region' and is also considering a change of strategy. Elsewhere, Baker Steel Resources continues to suffer from weakness in the resources sector, it has suffered particularly from weakness in iron ore and gold pricing.

	% discount (-ve) or premium (+ve)	
	30 Apr (%)	31 Mar (%)
British & American	+19.5	+2.7
Lindsell Train	+17.4	+5.9
Baillie Gifford Shin Nippon	+3.3	-7.9
GCP Student Living	+4.7	-3.6
Geiger Counter	-17.8	-24.4

	% discount (-ve) or premium (+ve)	
	30 Apr (%)	31 Mar (%)
Ukraine Opportunity	-37.2	-22.2
Aurora Russia	-56.2	-42.0
Baker Steel Resources	-38.3	-29.0
Diverse Income Trust	-6.1	+1.7
Oryx International Growth	-26.4	-19.0

Money raised in April

April saw the largest ever issue for a UK Investment trust with the 'Woodford Patient Capital Trust' making its stock market debut and raising £800m. Despite its substantial size, the issue was 10% oversubscribed and today it is trading at a remarkable 7.1% premium. Oakley Capital Investments raised £130m through a placing, whilst Gervais Williams' Miton UK Microcap Trust was another stock market debutant although this raised a more modest £49m. Scottish Mortgage reissued 12.75m treasury shares raising £33.8m.

Money returned in April

Worldwide Healthcare Trust was the biggest repurchaser during April repurchasing 0.4m shares at a cost of £8.1m. This reflects its stated intention to protect a discount of 6%. Fidelity China Special Situations, discussed above, repurchased 2.8m shares during the month at a cost of £5.3m (arguably contributing to its strong price performance). Other funds repurchasing in excess of £5m worth of stock included Pacific Horizon (£7.3m repurchased), Private Equity Investor (£6.5m repurchased), NB Global Floating Rate Income (£6.1m), SVG Capital (£5.5m) and Mercantile (£5.1m).

April's major news stories – taken from our website

Portfolio Developments

Nimrod Sea Assets paid \$8m for a 50% stake in EDT Jane, a multi-role support vessel

Graphite Enterprise sold the National Fostering Agency for £11.9m adding 0.5% to NAV.

HG Capital invested in Eucon (parts pricing data and services as well as claims management in Germany).

International Public Partnerships paid £14.3m for an extra 40% of Lewisham schools project.

Next Energy Solar bought Glebe Farm and Hawkers Farm solar power plants for £54.7m.

VPC Specialty lending invested £11.7m in Avant, a Chicago based tech. platform offering consumer credit.

Riverstone Energy is contributing \$167m to Texas based oil and gas company, Three Rivers Natural Resource Holdings III LLC.

JZ Capital Partners and their property partner are paying \$97.4m to acquire two Miami properties.



Riverstone investing in Three Rivers oil and gas project

Property News

Tritax Big Box REIT is buying is buying a B&Q Core Products Regional Distribution Centre in Worksop. It is also buying the Brakes Brothers Distribution Centre in Flex Meadow, Harlow.

Great Portland is selling 95 Wigmore Street, London, to UBS Global Asset Management for £222.4m

Hammerson is selling Drakehouse retail park for £67.1m.

McKay Securities is acquiring a freehold distribution unit, located at Junction 12 of the M4, for £10.7m.

London Metric is selling its Travis Perkins Distribution Centre in Brackmills for £14.4m.

Invista European Real Estate sold Campus Heusenstamm for €32m (22% below carrying value).

British Land is buying £210m for 1 Sheldon Square, extending its investment around Paddington Station.

Corporate News

Aseana Properties' Board is considering an orderly realisation of assets over the next three years.

Alliance Trust reached an 11th hour compromise with Elliott Advisers prior to its AGM on 30th April 2015.

Fidelity Special Values has adopted a formal DCM with the aim of keeping the discount in single figures.

Cayenne Trust's board says a number of parties have come forward with proposals for the company.

Dexion Absolute's discount each share class triggered a 25% redemption under the funds new DCM.

International Oil & Gas Technology's shares are suspended whilst the board attempts to place a fair value on Strata Energy Services

Witan Investment Trust is to issue £75m of long term fixed rate debt. The trust says this will reduce the weighted average interest rate from 7.0% to 5.6%.

Qatar Investment Fund has a continuation vote this year. The board are considering conducting a tender offer at a 1% discount to NAV.

Mirland is proposing a restructuring of its series A-F bonds.

Managers & Fees

BlackRock Greater Europe is scrapping its performance fee from 1 September 2015. The base management fee will increase to 0.85% (previously 0.7%).

JPMorgan Asia's manager, Ted Pulling is moving to the US and relinquishing his role as the trusts' manager.

JPMorgan Senior Secured was compensated by JPMorgan after a hedging error

Infrastructure India will give Vikram Viswanath uncapped bonuses related to its distribution business

John Laing Infrastructure has announced that David Marshall is to retire

We published a sector note on Japan - Is Japan on the road to recovery?



Income

For anyone looking to keep track of their income, you can access a list of recently announced dividends on our website. These are in a spreadsheet that shows the amount, the record date (the day on which you have to be on the register to get paid the dividend) and the pay date. This is updated daily.

We wrote a special report on income which we published on 27 April.



“Life used to be simpler. If you had a bit of spare cash or you wanted to save up for something you’d just stick some money in a bank or building society account. If you had a nest egg and wanted to invest it in something safe and live off the income, you’d maybe buy a gilt (UK government debt) or a corporate bond (debt issued by companies). If you were on the point of retiring you’d be forced, eventually, to buy an annuity. Now, although all those options are still open to you, they don’t all look that attractive. In this document we try to look at some of the ways you can use the investment companies market to find income producing investments and we talk through some of the available funds.”

The table below shows how investment companies’ full year dividends have been growing (or not) and how well they are covered by earnings.

Fund	Year ended	Dividend	Change over year	Revenue / earnings	Cover
British & American	12/14	5.3p	+3.9%	8.48p	1.60x
Aberdeen New Thai	02/15	8.2p	+2.5%	8.2p	1.00x
Acencia Debt Strategies	12/14	1.95p	-2.0%	n/a ¹	n/a ¹
BlackRock Smaller Companies	02/15	14.5p	+20.8% ²	16.93p	1.17x
P2P Global	12/14	18.5p ³	First year	19.22p	1.04x
Cayenne Trust	01/15	3.8p	+216.7% ⁴	2.0p	0.53x
BlackStar Group	12/14	1.26p	1.3p	10.18p ⁵	7.83x
Witan Pacific	01/15	4.55p	+2.2%	3.98p	0.87x
Schroder Global Real Estate	12/14	2.85p	-32.1% ⁶	1.21p	0.42x
ICG Longbow	01/15	6.0p	+1,100.0% ⁷	7.05p	1.18x
Threadneedle UK Select	12/14	4.35p	+2.4%	3.83p	0.88x
Middlefield Canadian Income	12/14	5.0p	Unchanged	3.78p	0.76x
UK Commercial Property	12/14	3.68p	-29.9%	5.71p ⁸	1.55x
Henderson Global Trust	01/15	10.0p	Unchanged ⁹	8.32p	0.83x
NB Global Floating Rate Inc (£ shrs)	12/14	3.66p	-12.0%	3.87p ¹⁰	1.06x
NB Global Floating Rate Inc (\$ shrs)	12/14	3.66¢	-12.0%	3.91¢ ¹¹	1.07x
Third Point Investors (£ shares)	12/14	87p	+7.4%	n/a ¹²	n/a
Third Point Investors (\$ shares)	12/14	90¢	+11.1%	n/a ¹²	n/a
Blue Capital Global Reinsurance	12/14	6.5¢	+3.2%	n/a ¹³	n/a
Merchants Trust	01/15	23.8p	+0.8%	23.56p	0.99x
F&C Commercial Property	12/14	6.0p	Unchanged	8.44p ¹⁴	1.41x
City Merchants High Yield	12/14	10.0p	Unchanged	10.0p	1.00x
Acorn Income Fund	12/14	12.75p	+6.25p	16.22p	1.27x
JPMorgan American	12/14	3.25p	+20.4%	3.76p	1.16x
Impax Environmental Markets	12/14	1.4p	+16.7%	1.52p	1.09x
Standard Life Inv. Property Income	12/14	4.616p	+1.9%	6.81p ¹⁵	1.06x

Notes

- Acencia Debt Strategies doesn’t split revenue and capital growth in its accounts. Total earnings per share are 5.17p per share. We estimate a revenue return of -1.32p per share if all costs, excluding gains/losses on investments and hedging movements, are charged to revenue.
- Blackrock Smaller Companies has provided compound dividend growth of 20% over the last three years.
- P2P Global’s accounts are for the period 30 May 2014 to 31 December 2014. P2P global paid an inaugural dividend of 6.0p and is paying a further 12.5p.
- Cayenne Trust’s revenue earnings were 2.0p basic and 1.86p diluted for the year ended 31 January 2015. Capital returns were 18.12p basic and 15.49p diluted. Cayenne Trust is scheduled to wind up in 2016.
- BlackStar Group do not split out revenue and capital returns in their accounts. 10.18p is total earnings per share for 2014.
- Following a strategic review, Schroder Global Real Estate’s Board have concluded that superior long term performance is best pursued by focusing on total return and, reflecting this, have decided to reduce the dividend that they consider to be sustainable over the medium term based on the company’s net portfolio income. They say this should offer the potential for progressive dividend growth from here.

- 7) ICG Longbow paid a dividend of 0.5p per share in relation to its first accounting period – the 14 months to 31 December 2013. For the year ended 31 December 2014, a dividend of 6.0p is proposed.
- 8) Revenue earnings estimated at 5.71p – assuming all rental and interest income is allocated to revenue whilst the investment management fee, finance costs and other expenses are charged wholly to revenue. Gains/losses on property investments and direct property expenses are charged wholly to capital.
- 9) Henderson Global Trust has experienced a modest shortfall in revenue, relative to its dividend, following the change of benchmark in 2013 and subsequent reduction in the allocation to UK stocks. The board has indicated that whilst they don't expect to be able to grow the dividend in the near term, they will be able to maintain the dividend by using the company's revenue reserves.
- 10) Sterling share class. Revenue earnings estimated allocating all interest income and income from investments to revenue whilst excluding all capital gains/losses. Management fees and other expenses have been charged wholly to revenue. Income has been allocated between the shares classes in proportion to their split of their year-end NAV. Converted to sterling using the year end exchange rate.
- 11) US Dollar share class. Same methodology as Sterling share class, without the necessary currency adjustment.
- 12) On our estimates, Third Point's revenue returns are negative.
- 13) On our estimates, Blue Capital global reinsurance's revenue returns are negative.
- 14) Estimate assuming that all rental income is allocated to revenue whilst 50% of expenses are allocated to revenue.
- 15) Estimate assuming that all rental income is allocated to revenue whilst 50% of expenses are allocated to revenue.

Visit www.quoteddata.com for more on these and other stories plus in-depth research on some funds, the chance to compare similar funds and basic information, key documents and regulatory news announcements on every investment company quoted in London.

QUOTEDDATA

Quoted Data is part of Marten & Co Limited which is authorised and regulated by the Financial Conduct Authority. This note is copyright and may not be disseminated in a manner that would violate the securities laws of any relevant jurisdiction. It was prepared from publicly available information and is believed to be factually correct at the time of writing but readers should place no reliance on the content of this note and Marten & Co will not be liable for any action taken by the reader. Above all the reader should note that this is not advice and this note is not intended to be an inducement to buy or sell any security mentioned within it.