

# Investment Companies Roundup

July 2015

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## Winners and losers in June

The list of best performing funds in price terms is dominated by smaller, riskier funds. ARC Capital reported a couple of bits of good news on court cases it has been embroiled in. European Real Estate got a tenant to pay €2.5m in dilapidation costs and move out. Better Capital reported a recovery in its NAV. Woodford Patient Capital moved to trade on a high premium. In terms of portfolio performance, many UK small cap. funds extended their post-election gains. Marwyn has been benefiting as Entertainment One hits new highs and DP Aircraft bought another couple of planes.

Worries about Greece and a new bear market in China featured in June. Dolphin Capital is affected by Greek capital controls. It also conducted a very dilutive share issue during the month. Of the Asia funds, JPMorgan Chinese seems to have been the worst affected by the deflating of Chinese valuations. Duke Royalty (formerly Praetorian Resources) has a new investment strategy. Juridica was hit by the loss of a court case. Nimrod Sea Assets is suffering the effects of the fall in the oil price on its oil service vessel leasing business. Premier Energy & Water's fall was magnified by the gearing of its ZDPs.

### Best performing funds in price terms in June:

|                           | (%)   |
|---------------------------|-------|
| ARC Capital Holdings      | +49.1 |
| Trading Emissions         | +14.3 |
| European Real Estate      | +13.0 |
| Athelney Trust            | +11.2 |
| RAB Special Situations    | +11.1 |
| Reconstruction Capital II | +9.4  |
| Infrastructure India      | +8.6  |
| Better Capital 2009       | +7.4  |
| Spark Ventures            | +7.1  |
| Woodford Patient Capital  | +6.6  |

### Worst performing funds in price terms in June:

|                              | (%)   |
|------------------------------|-------|
| Tejoori                      | -46.6 |
| Invista European Real Estate | -44.8 |
| Duke Royalty                 | -35.6 |
| Tau Capital                  | -28.5 |
| Juridica                     | -21.8 |
| Origo                        | -15.4 |
| Nimrod Sea Assets            | -14.4 |
| Geiger Counter               | -11.4 |
| Dolphin Capital              | -11.1 |
| Symphony International       | -11.0 |

### Best performing funds in NAV terms in June:

|                                  | (%)  |
|----------------------------------|------|
| Marwyn Value Investors           | +8.3 |
| DP Aircraft One                  | +4.3 |
| Baillie Gifford Shin Nippon      | +3.8 |
| Blackstone/GSO Loan Financing    | +3.0 |
| Duet Real Estate Finance         | +2.8 |
| River & Mercantile UK Micro Cap. | +2.7 |
| 3i                               | +2.7 |
| Ashmore Global Opportunities     | +2.3 |
| Crystal Amber                    | +2.1 |
| Foresight Solar                  | +2.0 |

### Worst performing funds in NAV terms in June:

|                           | (%)   |
|---------------------------|-------|
| Dolphin Capital Investors | -20.9 |
| Ottoman Fund              | -19.4 |
| Geiger Counter            | -16.4 |
| Premier Energy & Water    | -12.0 |
| BlackRock World Mining    | -10.5 |
| Utilico                   | -9.8  |
| JPMorgan Chinese          | -9.3  |
| BlackRock Emerging Europe | -9.2  |
| Shires Income             | -8.7  |
| Terra Catalyt             | -8.4  |

### More expensive relative to NAV (notable changes)

ARC Capital's legal successes had a big impact on its discount. The company suspended its shares at the end of the month though while it gets these decisions reflected in its annual accounts. Athelney seemed to have been oversold. Aseana seems to be benefiting from last month's decision to sell off the portfolio. Lindsell Train and Woodford Patient Capital are trading at high premiums.

### Cheaper relative to NAV (notable changes)

Duke Royalty (ex-Praetorian) ran up in advance of its mandate change and has returned to trading on a wide discount. Juridica, Nimrod and DP Aircraft One we have mentioned above. Phoenix Spree Deutschland is a new fund that moved to trade on a 12% discount after launch, which is unusual for recent fund launches.

|                          | % discount (-ve) or premium (+ve) |            |
|--------------------------|-----------------------------------|------------|
|                          | 30 Jun (%)                        | 31 May (%) |
| ARC Capital              | -19.4                             | -47.6      |
| Athelney Trust           | -3.7                              | -15.8      |
| Aseana Properties        | -8.7                              | -17.9      |
| Lindsell Train           | +25.3                             | +18.3      |
| Woodford Patient Capital | +12.0                             | +5.1       |

|                           | % discount (-ve) or premium (+ve) |            |
|---------------------------|-----------------------------------|------------|
|                           | 30 Jun (%)                        | 31 May (%) |
| Duke Royalty              | -33.5                             | +1.4       |
| Juridica                  | -13.3                             | +7.5       |
| Nimrod Sea Assets         | -8.7                              | +3.7       |
| Phoenix Spree Deutschland | -12.4                             | n/a        |
| DP Aircraft One           | +5.7                              | +17.1      |

## Money raised in June

June was a big month for fund raising. The largest new fund to come to the market was Apax Global Alpha, a private equity fund investing in funds managed by Apax. It raised €300m from new investors and, combined with pre-existing investments it has assets in excess of £640m. GCP Student Living raised £120m via a C share offer. Phoenix Spree Deutschland is a residential property fund focused on Berlin in particular. It was valued at £105m at launch. GCP Infrastructure, DP Aircraft One and Tritax Big Box REIT took in £70m, \$102m and £54m respectively in placings. Dolphin Capital raised £46m at a discount to shore up its finances. Foresight Solar, SQN Asset Finance and P2P Global added £39m, £30m and £21.5m.

## Money returned in June

The fund that shrank the most in June was Fidelity China Special Situations as the company stepped up its buy-back in the face of the falling Chinese market. It bought back shares worth more than £14m over the month. Templeton Emerging bought back £11m worth, BH Macro close to £10m and BlackRock Income Strategies £8m (which is maybe a surprise given that fund's recent relaunch). Cayenne, which has embarked on a gradual process of liquidating its portfolio, retired £7m each of its equity and its convertible debt. Mithras returned £6m to investors via a tender offer. Some other funds that seem to regularly appear in this list are SVG, BH Global and British Empire who all bought back c£3.5m worth of stock.

## June's major news stories – taken from our website

### Portfolio Developments

**PME Africa's** sale of most of its rail assets has completed  
**DP Aircraft One** bought two planes for Thai Airways  
**BBGI** bought the balance of its Australian prison project  
**Tau Capital** is close to selling its last holding  
**JZ Capital** bought a telecom tower business  
**ARC Capital** got its Jiadeli cash and won its Oriental Home case  
**NextEnergy Solar** bought two plants  
**Renewables Infrastructure** said it was in talks to buy six wind farms from Fred Olsen  
**Nimrod Sea Assets** said one investment was in administration  
**Caledonia** bought Seven investment management  
**Fair Oaks** bought a CLO from Neuberger Berman  
**Oakley Capital** sold Verivox  
**Hg Capital** sold SimonsVoss

### Property News

**Tritax** bought a regional distribution centre for Tesco  
**LondonMetric** bought a clutch of M&S convenience stores and a Next warehouse  
**Custodian REIT** bought a development in a Warwickshire business park, another at Cannock and a portfolio of ten properties  
**Ediston** bought a B&Q warehouse in Scotland, Daventry retail park  
**Picton** bought offices in Chatham, Kent  
**UK Commercial Property** sold £83m of retail assets  
**SEGRO** broke up its Heathrow jv  
**Real Estate Investors** bought six properties  
**Empiric** added properties in Liverpool and Stoke  
**MedicX** made its first investment in Ireland

### Corporate News

**JPMorgan European** moves to annual growth / income conversion opportunity  
**Aurora's** Chairman says they have had ten approaches for the trust  
**Dexion Absolute** is mulling focusing on early stage funds  
**NewRiver Retail** plans to move to the main market.  
**Invesco Property Income** plans to wind up  
**Henderson High Income** borrowed £20m  
**Treveria** warned their tax bill might exceed their NAV  
**Dolphin Capital** clarified its exposure to Greek capital controls  
**ARC Capital** suspended trading in its shares pending publication of results  
Shareholders in **Ukraine Opportunities** voted against most AGM resolutions

### Managers & Fees

**Dolphin Capital** introduced an incentive fee to encourage the sale of non-core assets  
**JPMorgan Emerging** scrapped its performance fee



*Caledonia  
bought Seven  
Investment  
Management*

## 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.

Notable announcements during June included Nimrod Sea Assets updating its dividend policy in the light of problems in its end markets. It plans to pay quarterly dividends of 2 cents per share between now and March 2016.

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 |
|---------------------------------------|------------|----------|------------------|--------------------|-------|
| Shires Income                         | 31/3/15    | 12.25    | +2.1%            | 12.9               | 1.05x |
| LondonMetric Property                 | 31/3/15    | 7.0      | unchanged        | 6.6 <sup>1</sup>   | 0.94  |
| London Metric Property (special div)  | 31/3/15    | 2.0      | n/a              | n/a                | n/a   |
| Workspace                             | 31/3/15    | 12.04    | +13.2%           | 18.9 <sup>1</sup>  | 1.57x |
| Perpetual Income & Growth             | 31/3/15    | 12.3     | +4.2             | 14.3               | 1.17x |
| Value & Income                        | 31/3/15    | 9.0      | 5.9%             | 9.5                | 1.05x |
| Monks                                 | 30/4/15    | 3.95     | unchanged        | 4.7                | 1.20x |
| John Laing Environmental <sup>2</sup> | 31/3/15    | 6.0      | First period     | 5.9                | 0.98x |
| Establishment                         | 31/3/15    | 4.9      | +4.3%            | 3.3                | 0.68x |
| Montanaro European                    | 31/3/15    | 7.5      | +7.1%            | 9.0                | 1.20x |
| Personal Assets <sup>3</sup>          | 30/4/15    | 560.0    | unchanged        | 365.0              | 0.65x |
| JPMorgan European Growth              | 31/3/15    | 6.7      | unchanged        | 7.9                | 1.18x |
| JPMorgan European Income              | 31/3/15    | 4.75     | unchanged        | 4.6                | 0.97x |
| Picton Property Income <sup>4</sup>   | 31/3/15    | 3.0      | unchanged        | 3.4                | 1.13x |
| Custodian REIT                        | 31/3/15    | 5.25     | First period     | 6.0 <sup>5</sup>   | 1.14x |
| Lindsell Train                        | 31/3/15    | 6.42     | +14.0%           | 9.2                | 1.43x |
| Lindsell Train – special dividend     | 31/3/15    | 0.78     | -31.0%           | n/a                | n/a   |
| Aurora Investment Trust               | 28/2/15    | 3.85     | +1.3%            | 0.76               | 0.20x |
| Seneca Income & Growth <sup>6</sup>   | 30/4/15    | 5.67     | +4.6%            | 5.89               | 1.04x |
| Real Estate Credit                    | 31/3/15    | 10.8     | +5.9%            | 19.0 <sup>7</sup>  | 1.76x |
| Fidelity China Special Situations     | 31/3/15    | 1.3      | +13.0%           | 1.4                | 1.08x |
| Templeton Emerging Markets            | 31/3/15    | 8.25     | +13.8%           | 9.3                | 1.12x |
| Invesco Income Growth                 | 31/3/15    | 10.1     | +2.5%            | 10.9               | 1.08x |
| F&C Global Smaller Companies          | 30/4/15    | 9.65     | +20.6%           | 10.9               | 1.13x |
| Alpha Real Trust                      | 31/3/15    | 2.175    | +3.6%            | 7.5                | 3.45x |
| Hansa Trust / Hansa A                 | 31/3/15    | 16       | unchanged        | 13.1               | 0.82x |
| Montanaro UK Smaller                  | 31/3/15    | 8.9      | +18.7%           | 10.3               | 1.16x |
| Utilico Emerging Markets              | 31/3/15    | 6.1      | unchanged        | 5.0                | 0.82x |
| Worldwide Healthcare                  | 31/3/15    | 12.5     | -16.7%           | 13.0               | 1.04x |
| Smaller companies Dividend            | 30/4/15    | 7.125    | +4.4%            | 9.2                | 1.29x |
| Aberdeen New Dawn                     | 30/4/15    | 3.8      | +5.6%            | 4.2                | 1.10x |
| Invesco Asia                          | 30/4/15    | 3.65     | +5.8%            | 3.8                | 1.03x |
| NextEnergy Solar <sup>8</sup>         | 31/3/15    | 5.25     | First period     | 9.1 <sup>9</sup>   | 1.73x |

## Notes

- 1) EPRA earnings per share
- 2) The target dividend for the year to 31 March 2016 is 6.054p
- 3) Barring unforeseen circumstances, three further interim dividends of £1.40 per Ordinary share are expected to be paid to shareholders in the year ending 30 April 2016, totalling £5.60 for the year
- 4) Plans to pay quarterly dividends totalling 3.3p this year.
- 5) Includes an element of property revaluation profits equating to c0.35p per share.
- 6) Barring unforeseen circumstances, will at least maintain the quarterly dividend rate of 1.47p per share for the full year to 30 April 2016.
- 7) Real Estate Credit does not break down its earnings into revenue and capital profits. Net gains on financial assets and liabilities were c7.8p per share.
- 8) Targeting a 6.25p dividend distribution for the year ended 31 March 2016 which is expected to be paid in the form of two interim dividend payments.
- 9) NextEnergy Solar does not break down its earnings into revenue and capital profits. It looks to us as though, excluding gains attributable to the fair value of financial assets, the fund would have made a loss.

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