

Investment Companies Roundup

January 2016

QUOTEDATA

Winners and losers in December

Alternative Liquidity Fund's price move is coming off a very low base. Today it stands at an 87% discount to net asset value. Aurora Russia has sold its last investment and is moving towards liquidation. The Euro was strong relative to Sterling and this boosted the performance of funds with investments in the Euro bloc. The same is true of Yen / Sterling which aided the performance of Japanese funds. Renewable Energy Generation completed the sale of its assets and will soon delist as it moves into liquidation.

PME African Infrastructure's shares fell after it completed an undersubscribed tender offer for 50% of its shares – holders of 46.6% took up the tender. It is possible a shareholder that didn't or couldn't sell in the tender opted to try to sell their shares in the market instead. Commodity, natural resources and Russian funds suffered again. Menhaden extended its slide as it moved to trade at a small discount. The Board of NB Distressed Debt suspended the buy-back programme on the extended life shares. Marwyn did a dilutive share issue.

Best performing funds in price terms in December:

	(%)
Alternative Liquidity Fund	+32.5
Aurora Russia	+26.0
Montanaro European Smaller Companies	+12.5
JPMorgan Japan Smaller Companies	+12.2
TR European Growth	+11.6
JPMorgan European Smaller Companies	+11.5
Baillie Gifford Shin Nippon	+10.6
Renewable Energy Generation	+9.7
Standard Life UK Smaller Companies	+9.4
Independent Investment Trust	+9.4

Worst performing funds in price terms in December:

	(%)
PME African Infrastructure	-25.1
Origo Partners	-25.0
Baker Steel Resources	-19.4
Dragon Ukrainian Properties	-17.2
Menhaden Capital	-15.4
NB Distressed Debt Extended Life	-14.3
Africa Opportunity C shares	-13.6
Dolphin Capital Investors	-13.4
Tejoori	-10.1
South African Property Opportunities	-10.0

Best performing funds in NAV terms in December:

	(%)
Majedie Investments	+6.7
Montanaro European Smaller Companies	+6.4
Taliesin Property	+6.3
Boussard & Gavaudan holdings Euro	+6.2
Qatar Investment Fund	+6.0
UIL	+5.9
JPMorgan European Smaller Companies	+5.9
Baillie Gifford Shin Nippon	+5.9
Prospect Japan	+5.9
TR European Growth	+5.7

Worst performing funds in NAV terms in December:

	(%)
RAB Special Situations	-10.1
South African Property Opportunities	-9.0
JPMorgan Russian Securities	-7.4
New City Energy	-7.4
Aurora Russia	-7.4
Qannas Investments	-7.3
BlackRock Commodities Income	-7.2
Marwyn Value Investors	-6.7
Weiss Korea Opportunity	-6.7
British & American	-6.7

More expensive relative to NAV (notable changes)

Aurora Russia and Renewable Energy Generation we covered above. Qannas Investments' share price didn't react to its falling NAV and the same is true of New City Energy. Sherborne has continued to buy Electra's shares and this may have helped narrow its discount.

Cheaper relative to NAV (notable changes)

The first couple of these are covered above. It is worth pointing out that Morningstar revised their estimate of Menhaden's end November NAV downwards during the month so its shares were actually on a much higher rating than we thought. Qatar Investment's shares fell after a tender offer completed.

	% discount (-ve) or premium (+ve)	
	31 Dec (%)	30 Nov (%)
Aurora Russia	-1.4	-27.6
Qannas Investments	+0.7	-8.6
New City Energy	-25.0	-33.6
Renewable Energy Generation	-7.1	-15.2
Electra Private Equity	0.0	-7.8

	% discount (-ve) or premium (+ve)	
	31 Dec (%)	30 Nov (%)
PME African Infrastructure	-53.6	-31.8
Menhaden Capital	-5.4	+12.0
Africa Opportunity C share	-13.7	+2.0
Qatar Investment Fund	-12.9	-0.2
Crystal Amber	-2.0	+7.7

Money raised and returned in December

Money raised in December

There was no let-up in the expansion of the sector in December as we welcomed three new funds. Schroder European Real Estate Trust raised £107.5m to invest in continental European property. Honeycomb, which raised £100m, became the sixth fund specialising in online lending. CC Japan Income & Growth raised £66.5m to open up a whole new sub-sector – Japanese income funds. Looking at placings and open offers from existing funds, Standard Life Investments Property Income raised £77.5m to help finance the purchase of a portfolio of properties. Riverstone Energy completed a £67.6m dilutive fund raise at £8. Its shares fell below the issue price shortly thereafter. HICL Infrastructure raised £51m in a placing, £20m more than they were going for originally. Marwyn raised £50m in its dilutive share issue, again its shares are trading below the issue price. Amedeo Air Four raised £47m to buy another plane and hopes to repeat the exercise. Custodian REIT issued £47m worth of stock to fund property purchases. Bluefield Solar issued £31.6m worth of its shares, GCP Infrastructure £20m worth, AEW UK REIT £17.1m worth and Ranger Direct Lending got a £14.1m cash injection from Invesco. In normal day to day trading, Scottish Mortgage issued shares worth over £24m. Other notable issuers of stock included Finsbury Growth & Income, City of London, Jupiter European Opportunities, Bankers and Witan.

Money returned in December

Following BlueCrest Blue Trend's exit from the sector last month, the close to £800m BlueCrest AllBlue fund will also be wound up as the manager returns all external capital with the aim of managing just its own money. We expect capital returns will begin in January. Schroder Global Real Estate and Aurora Russia are also planning to wind themselves up. Japan Residential succumbed to a bid at 72p that valued the whole fund at £152.6m.

We finally said goodbye to Invista European Real Estate and Invesco Property Income. January will see the departure of Black Sea Property. None of these funds had much in the way of assets.

Alliance Trust bought back shares worth more than £44m in December. A tender for LMS Capital shrank that fund by £40m. BH Macro bought back shares worth £23m. NB Distressed Debt bought back £19m of its Extended Life shares before suspending its buy-back. It also repurchased £4.9m worth of its ordinary shares. Qatar Investment Fund tendered for \$25m worth of its shares. NB Global Floating Rate Income bought back £11m worth. Other notable repurchasers of stock included Personal Assets, Impax Environmental Markets, Templeton Emerging, Boussard & Gavaudan, Qannas and SVG Capital.

December's major news stories – taken from our website

Portfolio Developments

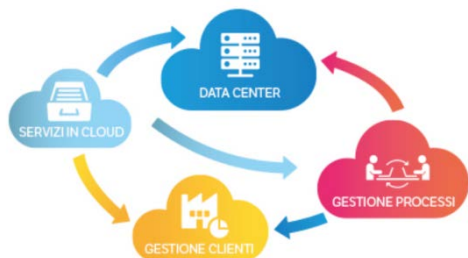
Amedeo Air Four bought another A380
Better Capital sold Santia
John Laing Environmental invested in a wind farm
Woodford Patient Capital benefitted from the IPO of Purplebricks
Candover sold Stork
Hg Capital sold TeamSystem and bought into Zitcom and ScanNet
Foresight Solar's Copely solar farm was connected to the grid
Phaunos Timber sold three Uruguayan assets
Baker Steel plans to increase its stake in Polar Silver
Leaf Clean Energy is suing Invenegy Wind
Bluefield Solar bought three additional solar plants
John Laing Infrastructure is acquiring a stake in Barcelona's metro
Aurora Russia sold Unistream

Corporate News

Blue Crest All Blue will wind up
Renewable Energy Generation proposed that it liquidate
Standard Life UK Smaller changed its discount control mechanism
Aseana Properties says it is waiting on consent from lenders before making distributions
CEB Resources changed its name to Andalus Energy & Power
Blue Capital Global Reinsurance cut its target return
LXB Retail will realise its portfolio, returning cash with aim of 2017 liquidation
NB Distressed Debt curtailed its buy-back programme
Premier Energy & Water's new ZDP issue was oversubscribed
Alliance Trust updated investors on its progress with corporate reforms
Shareholders approved an amended investment policy for **TwentyFour Income Fund**
P2P Global Investments secured a £150m debt facility
Bluefield Solar commented on DECC's response to its subsidy consultation
BlackRock Frontier Markets is planning a tender
Schroder Global Real Estate will submit liquidation proposals to shareholders
JPMorgan Chinese will invest more in mainland China
Aurora Russia will wind up
Black Sea Property is considering its future



Hg sold
Teamsystem



Property News

LondonMetric Property sold a building in Hove and a distribution warehouse in Birmingham

Derwent London sold Wedge House

Phoenix Spree bought property in Berlin and sold in Nürnberg.

Alpha Pyrenees sold five French properties

Tritax Big Box REIT bought a distribution centre for Matalan

Alpha Real Trust bought a development site in Leeds

Ediston bought a retail park in Wrexham

Empiric Student Property bought Provincial House in Sheffield and Aton House in St Andrews

AEW UK REIT bought three more properties

SEGRO swapped some assets with Hermes

Custodian REIT bought a leisure park in Crewe

Hammerson sold a mall in Newcastle

Drum Income Plus bought property in Manchester

Schroder Real Estate sold a building in Fleet

Highcroft sold a property in Kingston

MedicX bought a health centre in Dublin

NewRiver Retail bought a portfolio of assets

Target Healthcare REIT bought Tapton Court in Sheffield

Managers & Fees

Standard Life UK Smaller amended its fee arrangements

Law Debenture's Caroline Banzky will retire

BlackRock Commodities Income will cut its fees

Graphite Enterprise's management are moving to Intermediate Capital

*Empiric
bought
Provincial
House in
Sheffield*



Latest Research



*In December we published a note on Henderson Global Trust –
Searching for Change*

Income

Two funds exposed to the calamitous commodities and natural resources sector clarified their dividend plans during December.

BlackRock Commodities Income said the last year has been a difficult period for commodity markets and, against this backdrop, the Board is pleased to have been able to meet the dividend target for the year of six pence per share. The Board has set a target of an unchanged six pence dividend for the current financial year in light of current conditions in the commodity markets, volatility levels in the derivative markets and dividend prospects for the Company's underlying investments. This target will be reviewed should there be any material change in these factors. However, the Board would consider using revenue reserves or making distributions out of capital profits to bolster the dividend were income from the portfolio to be insufficient to achieve the target.

New City Energy said its Board have been reviewing the level of likely income from the portfolio of investments. This has been impacted by the sharp fall in the oil price over the last 12 months leading to a number of portfolio companies reducing or cancelling their dividends. The Board have concluded that the current level of annual dividends totalling 2.04p per share is presently unsustainable in the short-term and that an annual level of 1.00p per share is appropriate and will allow the portfolio managers to invest for future growth. New City Energy therefore intends to announce four quarterly interim dividends of 0.25p per share in respect of the year ending 30 September 2016.

Investment Companies announcing their full year dividends in December

Fund	Year ended	Dividend	Change over year	Revenue / earnings	Cover
BlackRock Income Strategies	30/09/15	6.54	+1.6%	7.0	1.08x
Scottish Investment Trust	31/10/15	12.5	+4.2%	15.9	1.27x
Standard Life Euro. Private Equity	30/09/15	5.25	+5.0% ^a	5.7	1.08x
Majedie Investments	30/09/15	8.0	+6.7%	9.4	1.17x
Henderson European Focus	30/09/15	24.65	+5.1%	23.6	0.96x
Ground Rents Income	30/09/15	3.538	-8.5%	13.7 ^b	3.87x ^b
Lowland	30/09/15	41.0	+10.8%	46.4	1.13x
Finsbury Growth & Income	30/09/15	12.1	+7.1%	13.5	1.12x
JPMorgan Asian	30/09/15	2.5	+13.6%	3.0	1.20x
Dunedin Smaller Companies	31/10/15	6.0	+14.3%	6.2	1.03x
Polar Capital Global Healthcare	30/09/15	3.65	+4.3%	3.6	0.99x
Schroder Asia Pacific	30/09/15	4.2	+52.7%	4.2	1.01x
GCP Infrastructure	30/09/15	7.6	unchanged	9.3 ^b	1.22x ^b
New City Energy	30/09/15	2.04	unchanged	2.1	1.00x
Henderson Alternative Strategies	30/09/15	3.3	+10.0% ^c	3.7	1.13x
JPMorgan Chinese	30/09/15	1.8	+12.5%	2.2	1.25x
Schroder UK Mid Cap	30/09/15	9.2	+8.2%	9.8	1.07x

- a) It remains the Board's intention, subject to unforeseen circumstances, to maintain, at least, the real value of the Company's dividends going forward
- b) The earnings figure includes changes in capital values over the period
- c) The Board says future increases are likely to be more modest

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