

Investment Companies Roundup

March 2016

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Winners and losers in February

A theme during February has been an improvement in the fortunes of funds exposed to commodities and natural resources with funds exposed to smaller caps and more niche areas (Golden Prospect Precious Metals, Geiger Counter, City Natural Resources) generally posting the strongest gains. Dunedin performed strongly following the announcement that it's to realise £18.8m from the sale of CitySprint and that the company intends to enter realisation mode and return cash to shareholders. Juridica, which is now in run-off, saw an uplift following an announcement that it's making various changes to reduce the cost of running the fund.

Best performing funds in price terms in February:

	(%)
Dragon Ukrainian Properties	+32.0
Golden Prospect Precious Metals	+31.1
Geiger Counter	+26.4
Northern Investors	+23.8
BlackRock World Mining	+17.5
Dunedin Enterprise	+17.0
Juridica Investments	+16.9
Chelverton Growth Trust	+13.8
Riverstone Energy	+11.6
BlackRock Commodities Income	+11.5

Best performing funds in NAV terms in February:

	(%)
Golden Prospect Precious Metals	+28.7
BlackRock World Mining	+22.2
Law Debenture	+16.6
Global Resources	+15.2
City Natural Resources	+9.1
BlackRock Commodities Income	+8.0
RAB Special Situations	+7.2
JPMorgan Russian	+6.4
Murray International B	+5.8
Impax Environmental Markets	+5.5

More expensive relative to NAV (notable changes)

As per January, British & American's share price struggles to track its NAV (a combination of some volatile holdings and relatively high levels of gearing). Its premium still looks very high. Northern Investors, which is in realisation mode, saw its share price perform strongly after announcing NAV growth of 14.8% during Q4. Chelverton's discount closed in the run up to its tender (at a 7.5% discount).

	% discount (-ve) or premium (+ve)	
	29 Feb (%)	31 Jan (%)
British & American	+76.4	+51.8
Northern Investors	+0.3	-19.0
Geiger Counter	-18.6	-32.8
Chelverton Growth Trust	-13.5	-24.2
Dunedin Enterprise	-33.9	-43.2

Dolphin Capital's Q4 trading statement was not well received by the market; the stock has continued to drift down. Candover suffered following its annual results release; a write down in Expro accounting for most of the 55% NAV fall. St Peter Port Capital's heavy exposures to mining and oil & gas continue to weigh on performance. Redefine International has been drifting down since October when it confirmed it would need to raise more cash to buy the second part of a portfolio from Aegon UK. A placing in mid-February appears to have stabilised the share price. Ashmore Global Opportunities NAV dropped following a compulsory partial redemption.

Worst performing funds in price terms in February:

	(%)
Dolphin Capital	-26.1
Candover	-15.5
Cambria Africa	-11.1
St Peter Port Capital	-10.8
Livermore	-10.8
Redefine International	-10.6
Ashmore Global Opportunities	-10.3
El Oro	-10.0
Mercantile	-9.5
Aseana Properties	-9.3

Worst performing funds in NAV terms in February:

	(%)
British & American	-9.1
JPMorgan Indian	-7.0
India Capital Growth	-6.8
Twenty Four Income	-5.7
New India	-5.0
Axiom European Financial Debt	-5.0
New City Energy	-4.9
Twenty Four Select Monthly Income	-4.4
Schroder Japan Growth	-3.8
Polar Capital Global Financials	-3.8

Cheaper relative to NAV (notable changes)

Law Debenture's apparent strong NAV growth has seen it move out to a discount. However, this is largely because it has started publishing NAVs that value its fiduciary business at fair value (rather than the lower historic book cost.) Green REIT's premium has narrowed. Rental growth appears to have lagged asset growth resulting in yield compression across parts of the portfolio.

	% discount (-ve) or premium (+ve)	
	29 Feb (%)	31 Jan (%)
Candover	-37.8	-23.6
Law Debenture	-12.7	+0.8
Redefine International	+2.4	+14.9
Green REIT	+1.0	+13.3
Cambria Africa	-7.0	+4.7

Money raised and returned in February

Money raised in February

Tritax Big Box REIT topped the money raising leaderboard for February pulling in excess of £200m, which the company says was significantly lower than the total overall demand for the issue. In second place was Redefine with its £115m issue. This has, in combination with £250m of bank debt and existing cash, been used to complete the purchase of the second tranche of the Aegon UK portfolio. In third place, GCP Student Living continued on its path of growth by raising £19m. Most of this has been used to fund the purchase of the Water Lane Apartments in Bristol (£18.3m). Schroder European Real Estate's placing raised £13.8m which has been put towards the purchase of two freehold office properties in Stuttgart and Hamburg.

Money returned in February

Highbridge Multi-Strategy Fund (formerly BlueCrest AllBlue) returned over £470m to shareholders who opted for the cash exit option. This leaves the company with ongoing net assets of approximately £240m. BH Macro continued to be highly active in the market for its own shares returning £29.7m across all three classes. NB Global Floating Rate Income also continues to repurchase stock at quite a clip (£47m was returned, up from £13m in January) as does NB distressed Debt, which returned £19m during the month. Elsewhere, Alliance Trust, Templeton Emerging Markets, Foreign & Colonial, and JPMorgan Global Convertibles Income all bought back several million pounds worth of shares.

February's major news stories – taken from our website

Portfolio Developments

Hg Capital took a majority stake in Kinapse
HICL Infrastructure to buy 13.8% stake in the A63 Autoroute in France.
Alpha Pyrenees sold three French properties (one in each of Athis Mons, Aubergenville and Aubervilliers)
Electra sold fine arts materials producer Daler-Rowney
Dunedin Enterprise committed £8.1m to an investment in Alpha Financial Markets
JZ Capital sold six European investments
Herald announced an increased focus on the US
Amedeo Air Four purchased its fifth A380
Renewables Infrastructure is considering offshore wind
Dunedin Enterprise sold CitySprint
Honeycomb agreed to buy a loan portfolio
John Laing Infrastructure invested in the British Transport Police PPP project and an Oldham social housing project
TLI Alternative Asset Opportunities had a £4m policy mature adding 1.4p to NAV

Property News

Ediston bought the Citygate building in Newcastle
Green REIT announced plans to sell its "Glas Collection" whilst Vodafone committed to Central Park until 2026
Target Healthcare purchased two care homes
Regional REIT acquired the "Rainbow Portfolio"
AEW UK REIT bought three warehouses
GCP Student Living used placing proceeds to buy the Water Lane Apartments in Bristol
MedicX invested in a Swansea Primary Care centre
Alpha Real invested in a Scottish biomass plant
Hansteen increased its stake in AIF to 82.8%
Schroder Real Estate bought two office buildings
SEGRO announced a Big Box partnership with Roxhill
Hibernia acquired Central Quay in Dublin's South Docks
Custodian REIT bought a Banbury retail warehouse
Picton acquired the Metro building in Salford Quays
M&L Property said that properties and funds may have been misappropriated
Safestore has added a site in Paris

Corporate News

Henderson Global Trust announced it is to rollover into Henderson International Income or Bankers
Twenty Four Income both a fundraising and redemption opportunity
JPMorgan Russian expanded its remit to include the former Soviet Union Republics (up to 10%)
Altin received an EGM request – [see our latest research](#)
Regional REIT announced a move to quarterly dividends
JPMorgan Senior Secured Loans to wind up
Dunedin Enterprise proposed a managed wind down
M&G High Income plans to offer rollover next year
GLI Alternative Finance reaffirmed its 8% yield target
Dexion Absolute proposed to wind up
John Laing infrastructure announced a fund raising
Law Debenture started placing a fair value on its fiduciary business
BlackRock World Mining said shareholders should expect a lower dividend in 2016

Managers & Fees



Alliance Trust announced that it had become externally managed, at the beginning of February, when it split out its investment management operations into a separate but wholly owned subsidiary. In the middle of the month, the company announced that Katherine Garrett-Cox would be stepping down as chief executive of the management company and leaving Alliance Trust altogether.

Juridica announced a changes to its management fee structure and other measures aimed at reducing its costs

Latest Research



We recently published a note on Altin – **A vessel for volatile seas?**

Income

Investment Companies announcing their full year dividends in February

Fund	Year ended	Dividend	Change over year	Revenue / earnings	Cover
Polar Capital Global Financials	30/11/15	3.225	+4.0%	3.77	1.16x
BlackRock Commodities Income	30/11/15	6.0 ^a	unchanged	6.32	1.05x
Henderson Opportunities Trust	31/10/15	18.0 ^b	+44.0%	22.51	1.25x
Scottish American	31/12/15	10.7	+1.9%	10.47	0.98x
Blackrock Throgmorton	30/11/15	6.7	+52.3%	8.08	1.09x
Hammerson	31/12/15	12.8	+10.3%	92.6 ^c	7.23x
SEGRO	31/12/15	15.6	+3.3%	91.7 ^d	5.89x
Catco Reinsurance Opportunities	31/12/15	0.06619 ^e	+11.6%	0.12 ^f	1.91x
CVC Credit Partners - £ share	31/12/15	5 ^g	unchanged	0.3216 ^h	0.00x
CVC Credit Partners - € share	31/12/15	5 ^g	unchanged	0.4436 ^h	0.00x
Brunner	31/12/15	15.3	+2.0%	14.09	0.92x
Greencoat UK Wind	31/12/15	6.26	+1.6%	6.59 ⁱ	1.05x
Renewables Infrastructure Group	31/12/15	6.19	+1.8%	3.0 ⁱ	0.48x
Temple Bar	31/12/15	39.66	+2.0%	39.87	1.01x
Law Debenture	31/12/15	16.2	+3.2%	18.10 ^j	1.12x
Derwent London	31/12/15	43.40	+9.5%	71.34 ⁱ	1.64x
Kennedy Wilson Europe Real Estate	31/12/15	35.0	N/A ^k	47.9	1.37x
Intu	31/12/15	13.7	unchanged	14.2 ⁱ	1.04x
Foresight Solar	31/12/15	6.10	+1.7%	5.91 ⁱ	0.97x
Blackrock World Mining	31/12/15	21.0	unchanged	18.47	0.88x

- a) The company is targeting a 6.0p dividend for the year ending 30 November 2016
- b) The company says that dividends received have been increasing as a result of the improved profits and strong balance sheets of the companies in the portfolio and it is expected that this good dividend growth will continue. In consequence, the Board is optimistic that their progressive dividend policy seen in recent years can be maintained
- c) Prior to deducting revaluation losses of 46.8p and losses on property sales of 1.9p
- d) Includes realised and unrealised property gains of £\$461.5m (62.0p per share)
- e) Dividends are paid at a rate of LIBOR plus 5% of the Company's NAV. Denominated in US-dollars
- f) Denominated in US-dollars, based on earnings and using a simple average of the opening and closing number of shares in issue during the year
- g) Sterling share's dividend was 5p for 2015; Euro share's dividend was €c 5 for 2015.
- h) Earnings per Euro and Sterling share include gains and losses on investments held at fair value as well as foreign exchange gains and losses.
- i) Earnings per share.
- j) This is the group revenue, which includes from the fiduciary services business. Revenue from the investment trust was 11.01p
- k) Kennedy Wilson Real Estate listed on 28 Feb 2014. There isn't a full prior year for comparison.

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